



Unilever

UNILEVER NEPAL LIMITED

**TWENTY-SEVENTH ANNUAL REPORT
& ACCOUNTS**

(17th July 2019 – 15th July 2020)



SWASTHA NEPAL
SAKSHYAM NEPAL
HAMRO NEPAL

BOARD OF DIRECTORS

1. DEV BAJPAI

Chairman
(Nominee, Hindustan Unilever Limited)



2. AMLAN MUKHERJEE

Managing Director



3. RAVI BHAKTA SHRESTHA

Promoter Director
(Nominee, M/s SIBKRIM Holdings Private Limited)



4. SUBHAS BAJRACHARYA

Independent Director



5. ASHA GOPALAKRISHNAN

Director
(Nominee, Hindustan Unilever Limited)



6. KRISHNAN SUNDARAM

Director
(Nominee, Hindustan Unilever Limited)



7. YOGESH MISHRA

Director
(Nominee, Hindustan Unilever Limited)



PROFILE OF DIRECTORS

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 **Mr. Amlan Mukherjee**

Mr. Amlan Mukherjee has been working as the Managing Director of Unilever Nepal Limited (UNL) starting April 2020. He has 27 years+ of industry experience spanning general management, Brand Management and sales and marketing roles working in different capacities in global roles, in South Asia. His educational qualification is Bachelor of Commerce from Kolkata University followed by Business Management Executive program sponsored by Hindustan Unilever Limited (HUL). He has worked for HUL for different assignments in many parts of India. In marketing & sales, he had worked as head of Institutional business and led a large business of India primarily defense channel called NPC (National

Police channel) where he successfully contributed 6% of country turnover creating a highly profitable new business opportunity from the ground to Euro 40 million. He had worked as General manager for Out of Home, UFS and Modern Food for HUL and led India's Out of Home business ensuring futuristic innovation taking the vending business to next level of profitable sustainable growth. In his last role as General Manager - East India, he had managed CD function for 600-million-euro business with four hundred workforces and had successfully turn around the business with decisive competitive growth. During his tenure, he had created local activation model to leverage local category responsibility and led the CD function of national cosmetic business (Lakme) as additional responsibility. In his current role as Managing Director to UNL, he is part of Unilever's South Asia Leadership team.

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 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 was 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. Subash Bajracharya**

Mr. Subhas is an Electrical Engineering graduate (1985) from Birla Institute of Technology, Mesra, India. He is owner and Managing Director of NH Nepal Pvt. Ltd. Mr. Bajracharya has done series of assignments in Nepal Telecom from 1986 till 2008. He has served as CEO in Smart Telecom (2008-13), a start-up private Telecom company in Nepal. Mr. Bajracharya is also Executive Director in Nexhop Limited, UAE since 2013.

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- South Asia since May 2019.

Profile of **Mr. Krishnan Sundaram**

Krishnan has Master's degree in Business Administration from Delhi University. He joined Hindustan Unilever in 2000 as a management trainee, working in his initial years in customer development. He moved to brand management in 2004, looking after the tea and coffee brands

of Unilever in India. In 2010, Krishnan moved as marketing head of the premium laundry business and subsequently was the general manager of the beverages business, both within HUL. In 2014, he moved to partner the cluster president of Unilever for South Asia and headed the marketing operations function, creating and executing a strategic growth plan across business and countries. In June 2017, Krishnan moved to London to take up a global assignment as head of Marketing transformation and capability, with responsibility for business and portfolio transformation and marketing excellence and capability. In January 2019, Krishnan was appointed as the Head of integration and change for the Horlicks (GSK) Acquisition. Krishnan now leads that business alongside his integration responsibilities.

Profile of **Mr. Yogesh Mishra**

Mr. Yogesh Mishra is a qualified Chemical Engineer and joined Unilever in February 1990. He has done various roles in Operations Management, Manufacturing Operations, GMP, Operational Excellence, and Quality Management. His key roles in past are Manufacturing Manager at various UL factories, Head of Innovations and Supply Planning, Home Care, Factory Manager, HPC. He moved on as General Manager Operations Home Care, South Asia in 2014. He is currently the Vice President Beauty & Personal Care, South Asia.

ABOUT US

AT A GLANCE

UNILEVER NEPAL LIMITED (UNL) IS NEPAL'S LARGEST FAST-MOVING CONSUMER GOODS COMPANY WITH A HERITAGE OF OVER 27 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 28 brands spanning 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 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 2019-20, 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.

WHERE WE OPERATE

UNL operates across the length and breadth of Nepal. We have 227 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.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to share with you an update on your Company's performance for the financial year 2076-77 BS (2019-20); a year marred by the onset of the global pandemic of COVID-19 resulting in nation-wide lockdown, further restrictions on movement and sub-optimal manufacturing activity. I would first like to appreciate our employees, partners and the larger UNL family for their commendable efforts to run the business in the best way possible under the given situation. With more than 90% of the World's GDP in lockdown at some time or the other in the last few months, this is having a far-reaching impact on world economy. The International Monetary Fund pegs the cumulative output loss over 2020 and 2021 from the pandemic crisis at around \$ 9 trillion. The adverse impact has hence been faced in Nepal as well, thereby affecting the manufacturing capacity and operational effectiveness of your Company during the period under review and gradually improving thereafter.

Fiscal year 2076-77 BS had been a tale of 2 halves: **Pre Covid and Post Covid**. In line with the 4 G Growth strategy-consistent, competitive, profitable, and responsible growth, your company grew its revenue from operations by nearly 20% in first half of the year Pre Covid. This was led by a robust localization, innovation, and distribution plans. However, in the second half of the year, your company faced headwinds due to Covid.

Your company produces high-quality products primarily through its manufacturing unit in Hetauda. The national lock-down was imposed in Nepal from 24th March 2020. Thereafter, till the end period for the financial year 2076-77 BS, the nation was under recurring lockdowns with minimal relaxations. While your Company was able to secure all approvals very swiftly for the unhindered movement of raw materials and finished products as most of the products were falling into the category of 'essential items of daily use', yet running consistent manufacturing operations remained a significant challenge.

The major reasons contributing to the same were, a) connectivity of specific and indispensable raw materials and packaging materials due to the uncertainty of cross-border movement of goods at Custom points, b) threat (incident) of the spurt of Covid (+ve) cases in the community and c) the closure of the factory and man days lost due to restriction on personnel movement.

Immediately after the imposition of the national lockdown on 24th March, 2020, the factory had to be shut and could not be opened until 25th



April 2020, with all safety precautions in place, guidance from the local administration and co-operation of our workmen. This resulted in the loss of production of 33 man-days. Even after resuming operations, the turnout was thin, and the production was sub-optimal as compared to the demand in the market and the installed capacity. The company was constrained to operate with fluctuating capacity utilization in the range of 40%-75% during this period until the end of the period for the financial year 2076-77 BS.

During these difficult times, your company ensured protection of its inner core and outer core and also absorbed the inflation in materials cost without passing it on to the consumers in essentials categories like personal wash products. The UNL team acted with maturity and calm during this unprecedented crisis ensuring not only safety and protection of its people but also materialization of any possible opportunity. The disruption in the double-digit growth momentum in Q3 and Q4 impacted the profitability adversely. Due to these factors, your company's profit has seen a drop from 107 to 36 Cr YoY. Safety and wellbeing of our staff and workers is and will remain our top priority during these difficult times.

The disruption in business on account of the pandemic and other unforeseeable causes is a harsh reality but the silver lining remains the commitment of your company towards the consumers through its array of brands. The new categorization of FMCG products that is being referred in these times are **Covid Relevant and Covid Neutral**. Your company operates in both the

product portfolios and thereby continues to fill a major share in the shopping basket for a Nepali consumer.~ 80% of the company's portfolio includes Soaps, Shampoos, Oral, Fabric Solutions and Tea which are Covid relevant portfolio, the demand of which continues to remain strong. The primary reason for degrowth in second half of the year was due to the disruptions faced in the factory operations. The growing number of Covid cases poses a significant challenge in ensuring a smooth factory operation and that will be the critical factor determining performance of the company.

Our journey through our purposeful brands continue with the new innovations and communications such as #Lifebuoyhaatdhune campaign was initiated in March to raise awareness about the importance of handwashing with soap and water using the right technique to win the fight against Coronavirus in social media and Lifebuoy jingle.

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

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 endeavour is to become the most customer focused company in the entire country.

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. The Unilever Sustainable Living Plan (USLP) sets out to decouple our growth from our environmental footprint, while increasing our positive social impact. Projects are under way to figure out alternate usage of business waste and to not only generate value for business, but also to conserve eco system.

Corporate Governance of the highest standard has been a mark closely associated with Unilever and your Company continues to demonstrate the same. In order to enable the Board with specialist functional advise across verticals subsequent to the resignation and/or superannuation of some HUL nominated directors on the Board, the vacancies had been filled by fresh nomination of Directors in this year until the end period of the financial year 2076-77 BS. Accordingly, Mr. Amlan Mukherjee (MD), Mr. Krishnan Sundaram and Mr.

Yogesh Mishra have been added as part of the Board of your Company pursuant to requisite Board Resolutions and intimation to authorities, where required.

Further, Corporate responsibility sits at the core of our functioning and the consolidated relief package that we offered to the community and the country amounts to approx. NPR. 37 million, to be classified into heads such as Serving the Local Community, Commitment to Health & Hygiene and Creating Mass Awareness. Through this we endeavor to stay true to our corporate purpose, which is "the highest standards of corporate behavior towards everyone we work with, the communities we touch, and the environment on which we have an impact."

We are in a transformation journey of reimagining our business to help us win in the market through our people and processes. We recognize our responsibility towards our employees and the people of Nepal, and we are committed to fight together the common challenge of COVID-19 pandemic. We would continue working closely with the government and our partners to ensure that we overcome this health crisis together.

I am proud of the way the leadership of your Company has responded to this crisis: calm but determined;; evoking trust and living their purpose; both looking at the immediate term issues without losing site of opportunities to hunt for medium term opportunities; cognizant of the risks but confident of our abilities to weather the storm and above all demonstrating humanity, kindness and compassion. We hail our own frontline heroes in factories and in sales who have worked with a higher purpose of ensuring that essentials like soaps etc. which are so vital to fight this crisis are made available to the citizens of Nepal even during the hard lockdowns while most of us remained ensconced in the safety of our homes.

I would like to take this opportunity to thank each and every employee as well as the workforce working with our partners across our value chain for their commitment and service to UNL. I would also thank all our partners, distributors, suppliers, service providers and other stakeholders who have stood by us over the years. I would further like to thank the Government of Nepal and all its constituents with which your Company has dealings for their unstinted support and guidance.

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

Warm regards,

Dev Bajpai
Chairman

CODE OF BUSINESS PRINCIPLE

Introduction

At Unilever we believe in growing responsibly and sustainably. Our Code of Business Principles defines the non-negotiables for all our employees. It codifies our values, making clear what is expected from our people. Through living our Code, we will bring our values and purpose to life, every day in everything we do.

Standard of Conduct

We conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. We shall similarly respect the legitimate interests of those with whom we have relationships. We are committed to providing transparency across all our operations ensuring stakeholders trust what we do.

Obeying the Law

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

Employees

Unilever is committed to a working environment that promotes diversity, inclusion, life-long learning and equal opportunity, including for those with disabilities. We believe in a workplace where there is mutual trust, respect for human rights and no discrimination. We support the physical and mental wellbeing of our employees, ensuring safe working conditions.

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

We will provide employees with a total remuneration package that meets or exceeds the legal minimum standards and in line with industry standards in the markets in which we operate. We are committed to giving employees a living wage, ensuring that they can meet their everyday needs.

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

We respect the dignity of the individual and the

right of employees to freedom of association and collective bargaining.

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

We will provide transparent, fair and confidential procedures for employees and third parties to raise concerns. We will not retaliate against whistle-blowers or employees that raise issues with us.

Consumers

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

Shareholders

Unilever 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

Unilever is committed to establishing mutually beneficial relations with our suppliers, customers and business partners. In our business dealings we expect our partners to adhere to business principles consistent with our own. This means compliance with our third party policies and a commitment to working with us to address issues that negatively impact society and the planet. We will work with these partners to raise standards so that their employees are paid a living wage and are not subject to forced, compulsory, trafficked or child labour.

Compliance – Monitoring – Reporting

Compliance with these principles is an essential element in 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 in this 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, divisions, functions and operating companies. They are responsible for implementing these principles, supported by local Business Integrity Committees. Assurance of compliance is given and monitored each year. Compliance is subject to review by the Board for financial and accounting issues supported by the Audit Committee. The Board of Unilever will not criticise management for any loss of business resulting from adherence to these principles and other mandatory policies. Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

Community Involvement

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

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

Competition

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

The Planet

Unilever is committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business. Unilever will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

Public Activities

Unilever companies are encouraged to promote

and defend their legitimate business interests. Unilever will co-operate with governments and other organisations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate business interests. Unilever neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests.

Bribery & Corruption

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

Data

Unilever is committed to the responsible, ethical and fair use of data. We collect and use data in line with our values, applicable laws and with respect for privacy as a human right.

Note

In this Code the expressions 'Unilever' and 'Unilever companies' are used for convenience and mean the Unilever Group of companies comprising Unilever N.V., Unilever PLC and their respective subsidiary companies. The Board of Unilever means the Directors of Unilever N.V. and Unilever PLC.

NOTICE of Annual General Meeting

It is hereby notified to all the shareholders that, amidst the outbreak of pandemic COVID-19, the 27th (Twenty Seventh) Annual General Meeting of Unilever Nepal Limited (UNL) will be held on Tuesday, 1st December 2020 (16th of Mangsir 2077) at 3:45 p.m. (NST) through Video Conference (Live Streaming) medium, to transact the following business. The venue of the meeting shall be deemed to be the Corporate Office of the Company i.e. 2nd and 3rd Floor of City Square Building, New Baneswor-10, Kathmandu, Nepal.

ORDINARY BUSINESS:

1. To receive and adopt the Profit and Loss Accounts 2076-77 (17th July 2019 to 15th July 2020), Balance Sheet, Cash Flow Statement and Reports of the Board of Directors and Auditors for the period ended 15th July 2020 (Ashad 31, 2077).
2. To appoint Auditors and to fix their remuneration for the year beginning 17th July 2019 (Shrawan 1, 2076) (TR Upadhy & 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 approve for financial contributions to Social and Community projects under UNL's Corporate Social Responsibility.
6. Any other matter with the permission of Chairman.

SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass the following resolutions as a Special Resolution:

“RESOLVED THAT in accordance with Section 18(1)(e), Section 21 of the Companies Act, 2063 and pursuant to the Article 52 of the Articles of Association of the Company and subject to such consents and permissions, as may be required, approval of the Members of the Company be and is here accorded to amend the Clause 5.1 of the existing Memorandum of Association of the Company as under:

Clause 5.1: The Current Paid Capital of the Company is NRs. 9,20,70000.”

8. To consider and, if thought fit, to pass the following resolutions as a Special Resolution:

“RESOLVED THAT in accordance with the provision of Section 20(2)(e), 21 88 and Section 89 of the Companies Act, 2063 and pursuant to the Article 52 of the Articles of Association of the Company and subject to such consents and permissions, as may be required, approval of the Members of the Company be and is here accorded to amend Article 62.2 of the existing Articles of Association of the Company as under:

Article 62.2: A Director other than those nominated by a body corporate and Independent Director/s :

- who is disqualified from becoming a Company Director under the prevailing laws; **OR**
- who does not hold at least 150 shares out of the shares issued by the Company; **OR**
- whose shareholding along with the shareholding of:

- his/her family; **or**
 - a Company in which shareholder or any of his/her family member is a director or member; **or**
 - a firm, in which a shareholder or any of his/her family member is a partner exceeds (1) percent of the total issued shares; **OR**
 - who has served as a Director in the past and either resigned or was removed from the board, for any reason whatsoever. **OR**
 - who has a personal interest of any kind in the business or any contract or transaction of the Company; **OR**
 - who is a Director, Employee, Auditor, Advisor, Substantial Shareholder, Partner or the owner of and having any kind of interest in any other Company, Partnership firm or Private Firm carrying on similar or competitive business in Nepal as carried on by the Company; **OR**
 - who has mortgaged the shares or rights on which lien is being exercised by other person/ institution for whatsoever reason.;
- shall be disqualified from being appointed as Director”

9. To consider and, if thought fit, to pass the following resolutions as a Special Resolution:

“RESOLVED THAT in accordance with the provision of Section 20(2)(a), Section 21 Section 67(2), of the Companies Act, 2063 and pursuant to the Article 52 of the Articles of Association of the Company and subject to such consents and permissions, as may be required, approval of the Members of the Company be and is here accorded to amend Article 48 of the existing Articles of Association of the Company as under:

Article 48: The shareholders shall be given a notice specifying the time, place/medium and agenda of the meeting in advance of at least 21 days in the case of an annual general meeting and of at least 15 days in the case of an extra ordinary general meeting and a notice thereof shall also be published at least twice in a newspaper of national level.”

10. To consider and, if thought fit, to pass the following resolutions as a Special Resolution:

“RESOLVED THAT in accordance with the provision of Section 20(2)(C), Section 21 and pursuant to the Article 52 of the Articles of Association of the Company and subject to such consents and permissions, as may be required, approval of the Members of the Company be and is here accorded to amend Article 89 of the existing Articles of Association of the Company as under

Article 89 : Every promoter or shareholder of this Company has to give a notice, accompanied by his updated address, contact number, alternate contact number, email ID (if any) to the Company and get his/her information recorded. accordingly. Any notice required to be given to a shareholder shall be sent to the registered address or email ID provided by him/her.”

11. To consider and, if thought fit, to pass the following resolutions as a Special Resolution:

“RESOLVED THAT in accordance with the provision of Section 20(2)(x), Section 21 of the Companies Act 2063 and pursuant to the Article 52 of the Articles of Association of the Company and subject to such consents and permissions, as may be required, approval of the Members of the Company be and is here accorded to amend Article 4(hh) of the existing Articles of Association of the Company as under:

Article 4(hh): “FAMILY” means a group of individuals who share ties of blood, marriage, or adoption and consisting of parents, children, wife, and other relatives by blood or marriage living/having lived under the same roof and includes those who are now living separately.”

12. To consider and, if thought fit, to pass the following resolutions as a Special Resolution:

“RESOLVED THAT in accordance with the provision of Section 21 of the Companies Act 2063 and pursuant to the Article 52 of the Articles of Association of the Company and subject to such consents and permissions, as may be required, approval of the Members of the Company be and is here accorded to amend Article 86 of the existing Articles of Association of the Company as under:

Article 86: The Dividend approved by AGM shall be disbursed in the following ways:

To all the shareholders having DEMAT account: through electronics medium; **And**

To all the shareholders not having DEMAT via courier to the address provided by them to the Company.”

Date: 8th November 2020

Registered Office:

Basamadi-3, Hetauda

Makwanpur, Nepal

By Order of the Board of Directors

Elina Acharya

Company Secretary

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REPORT OF THE BOARD OF DIRECTORS

Revenue from Operations

NRs. 5540 Million

Net Profit

NRs. 358 Million

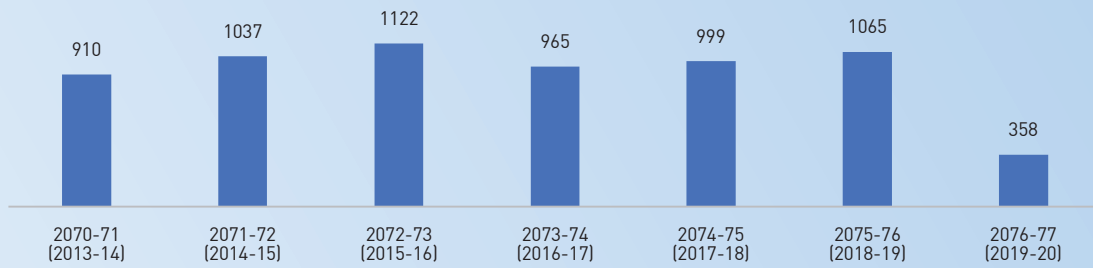
Operating Cash flow

NRs. 1144 Million

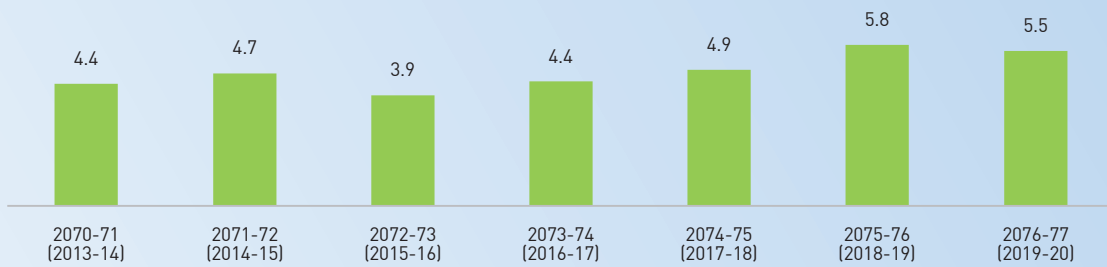
Proposed Dividend per share

NRs. 100

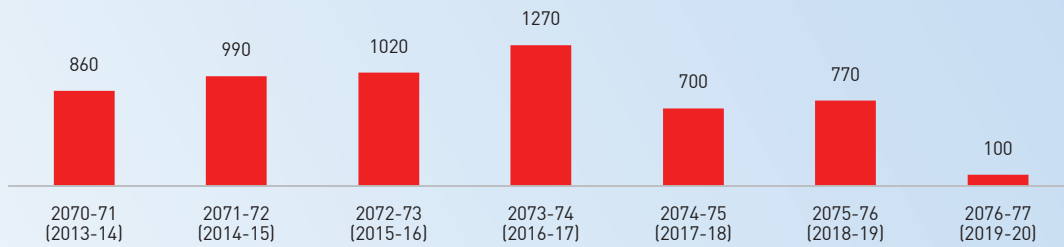
NET PROFIT (NRs. Million)



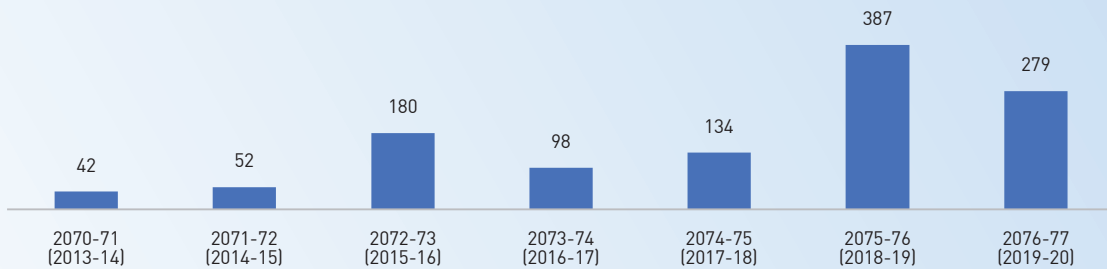
REVENUE FROM OPERATIONS (NRs. Million)



DIVIDEND 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 2077 (15th July 2020).

Financial performance Summary

In Mn.	2076-77	2075-76
Revenue from operations	5547	5754
Profit Before Tax	572	1372
Net Profit for the year	358	1065
Dividend	-709	-644
Retained earnings balance carried forward	1085	1436

Review of Financial year 2076-77

The year 2076-77 has been a very challenging year for Nepal and it's a tale of 2 halves: strong growth in the first 6 months (Pre Covid) and a resilient performance in the last 6 months (Post Covid).

In line with the 4 G Growth strategy, your company grew its Revenue from operations by 14.6% in Q1 and 26.4% in Q2 Pre Covid. This was led by a robust localization, innovation and distribution plans and the growth was broad based across.

With the onset of Covid, operations of our factory, vendors as well as customers were severely disrupted.

The major reasons contributing to the same were, a) connectivity of specific and indispensable raw materials and packaging materials due to the uncertainty of cross-border movement of goods at Custom points, b) threat of the spurt of Covid (+ve) cases in the community and c) the closure of the factory and man days lost due to restriction on personnel movement.

Immediately after the imposition of the national lockdown on 24th March, 2020, the factory had to be shut and could not be opened until 25th April 2020, with all safety precautions in place, guidance from the local administration and co-operation of our workmen. This resulted in the loss of production of 33 man-days. Even after resuming operations, the turnout was thin, and the production was sub-optimal as compared to the demand in the market and the installed capacity. The company was constrained to operate with fluctuating capacity utilization in the range of 40%-75% during this period until the end of the period for the financial year 2076-77 BS.

During these difficult times, your company ensured protection of its inner core and outer core and also absorbed the inflation in materials cost without passing it on to the consumers in essentials categories like personal wash products. The UNL team acted with maturity and calm during this unprecedented crisis ensuring not only safety and protection of its people but also materialization of any possible opportunity. The disruption in the double-digit growth momentum in Q3 and Q4 impacted the profitability adversely. Due to these factors, your company's profit has seen a drop from 107 to 36 Cr YoY. Safety and wellbeing of our staff and workers is and will remain our top priority during these difficult times.

Bringing world class technology to Nepal & leveraging the same for business has always been the priority of our company, hence this year also we continued to invest in capability building of existing plant with installation of new product lines. In view of the current financial position post covid-19 situation your board has judicially proposed Dividend to shareholders @ 100 to ensure funds to fuel the investment as well as to withstand the disruptions of Covid 19.

~ 80% of the company's portfolio are which includes Soaps, Shampoos, Oral, Fabric Solutions and Tea are covid relevant portfolio. Despite slowdown our market presence continue to be strong reflecting the competitive growth of our brand .UNL Brands continue to be the market leader in all the categories it operates in. The strength of our brands and continued 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.

CORPORATE SOCIAL RESPONSIBILITY

Unilever Nepal is concerned and conscious about the threat which global pandemic of COVID-19 has posed in the entire world including Nepal. We endeavour to stay true to our corporate purpose, which is “the highest standards of corporate behavior towards everyone we work with, the communities we touch, and the environment on which we have an impact.” Our leadership firmly believes that being Company incorporated and operating in Nepal for the past 27 years and serving its people, we do have a big responsibility. The health and safety of our people is our topmost priority. We have implemented Work-from-Home wherever possible. Our Supply Chain and Sales safety protocols comply with World Health Organisation (WHO) standard and incorporate the best practices in safety management for operations. Like our parent company, corporate responsibility sits at the core of our functioning and the consolidated relief package that we offered to the community and the country amounts to approx. NPR. 37 million.

Serving the Local Community

We have distributed 4200 ration relief packages to families (2200-Hetauda, 1000-Birgunj, 1000-Chitwan) impacted by COVID in partnership with the local ward officers. We have contributed PPEs such as N95 Masks, Surgical Masks, Sterilized Gloves and Medical googles to authorities in Hetauda. We have provided medical equipment's to the hospitals as part of our effort to improve healthcare facilities in the area of our operations. These hospitals are Bharatpur Hospital in Chitwan, Narayani Hospital in Birgunj and Bir Hospital in Kathmandu.

Commitment to Health and Hygiene

We have supported the Ministry of Health for doing 2880 COVID tests containing swabs, sample storage reagents and PCR tubes and ventilator machines (BiPap) to be used for critical patients. We have also handed over 1,50,000 units of Lifebuoy Soap to major government institutions such as Ministry of Health & Population, Department of Industry, Nepal Police, Nepal Army, Ward Offices and other bodies across Nepal. We returned the financial support provided by the government for the months of April, May and June, in the form of SSF relief, by returning back the employer share so that these funds can be accessed by smaller businesses who require these support more.

Creating Mass Awareness

We have created a large scale handwash awareness campaign on social media led by major influencers of the entertainment industry of Nepal who have a mass appeal and can drive the message deep in the minds of the people of Nepal. The campaign has reached out to approx. 4 million people. We have also partnered with the Ministry of Health and UNICEF to initiate a campaign through print and digital media to educate public regarding the symptoms of Coronavirus and the necessary precautions.

WINNING WITH BRANDS AND INNOVATION

Advanced Multivitamin Relaunch

On 25th June 2020 Unilever Nepal Limited ('UNL') announced the next step in the evolution of its skin care portfolio, with the rebranding of its brand Fair & Lovely. Taking forward the brand's journey towards a more inclusive vision of beauty, the company will stop using the word 'Fair' in the brand name 'Fair & Lovely'. As part of this move, we announced that Fair & Lovely would change its brand name to Glow & Lovely.

Glow & Lovely

Over the last decade, Fair & Lovely's advertising has evolved to communicate a message of women empowerment. In early 2019, the brand's communication moved

away from benefits of fairness, whitening and skin lightening, towards glow, even tone, skin clarity and radiance which are holistic measures of healthy skin. UNL also removed any visuals or words on Fair & Lovely's packaging that could indicate a fairness-led transformation – including the removal of two-faced cameo showing shade transformation, as well as the shade guides. UNL upholds principles that no association should be made between skin tone and a person's achievement, potential or worth.

Fair & Lovely is a pioneering technology that has made multiple skin health benefits available to millions of consumers at an affordable price. Fair & Lovely has a combination of vitamin B3, B6, C & E, glycerine, UVA and UVB sunscreens and allantoin, which are known to improve skin health and protect the skin from external aggressors and environmental pollution. The product works to improve skin barrier function, boost the skin's microbiome, improve skin firmness, and smoothen skin texture to enhance radiance and glow holistically.

#Hamro Namaste A plea to choose empathy over self-preservation

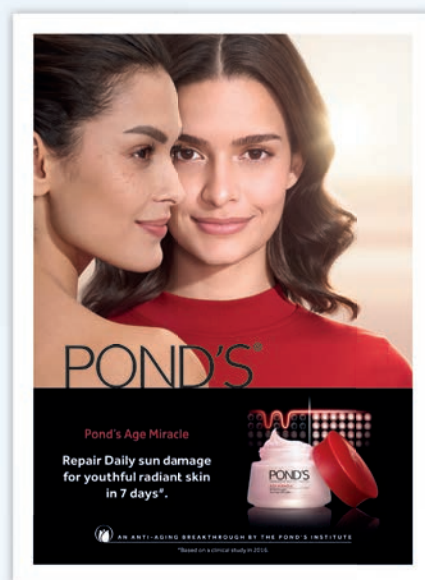
#Hamro Namaste, a digital campaign initiated by Unilever Nepal in partnership with UNICEF. At its core, the campaign is a plea to remove



all prejudice against returnee migrant workers. Instead, the campaign advocates for welcoming them with joined palms through Nepali film actor, Rajesh Hamal.

POND'S Age Miracle Launch

POND'S Age Miracle Day Cream with SPF 18 PA++, the premium Anti- ageing Skin Care brand was



launched this year in addition to Pond's Portfolio. POND'S Age Miracle repairs daily sun damage for youthful radiant skin in 7 days. Retinol-C complex releases retinol to help reduce wrinkle appearance from inside for youthfully radiant skin on the outside.

This superior mix was deployed in the market with an exciting communication comprising of press, POS materials and trade communication. The pack of New POND'S Age Miracle created a buzz with the launch.

Vaseline Intensive Care Deep Restore Launch

VASELINE was launched in Unilever Hand & Body Portfolio this year. Vaseline Deep Restore Body

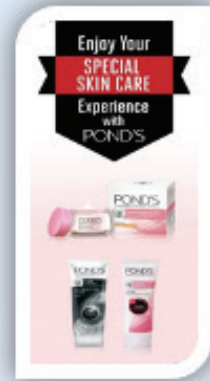


Lotion contains Pure Oat Extracts and micro-droplets of Vaseline jelly which absorbs fast for a non-greasy feel leaving your skin healthy, glowing, and smooth. Infused with Vaseline jelly, this Deep restore lotion triples skin's moisture level provides long lasting moisturization to restore dry skin.

POND'S Parlor Activation

The campaign was activated for each day of the month in 128 Beauty Parlors with 7100+ contacts in Valley. The activation was designed in a way where we communicate our Brand by educating the target group by demonstrating the use of Pond's Cream & Face wash and its benefits through product experience.

The campaign was done by creatively placing products display inside and outside the parlor premise and 500+ cosmetic and retail outlets for brand visibility along with digital promotion in social media.



Closeup Love Fest + Digital Contest

February the month of love - Valentine's Day this year was celebrated with much fanfare and élan with the 2020 edition of the Closeup Love Fest, one of the most awaited festival and celebration of love, and this year it has proved to be a 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 on the time around Valentine's Week at several colleges of Kathmandu and main day event happening at Civil Mall, Kathmandu on Valentine's Day itself.



Entire activation was promoted through digital media where Banner Ads, Static KVs were used



to engage audience through Facebook. Closeup Love Fest, which is already a favourite annual Valentines event was even shown live from its official Facebook page on 14th February 2020.

Brooke Bond Red Label Tea Shop & Tea Tasting Activation

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.



The campaign was activated for each day of the month with branding done in 51 Tea shops with 35000+ Tea Tasting Sampling in Valley, Hetauda and Modern Trade through product experience which created a lot of buzz for brand grasping of our consumer's attention.

Wheel 2 in 1

Wheel 2 in 1 to relaunch as Active Wheel 2 in 1. Active Wheel 2 in 1 now comes with superior formulation with additional Blue and Orange speckles which lathers well & provides 'deep clean' for your clothes. Active Wheel 2 in 1 Detergent Powder is gentle on hands and has good fragrance. It leaves your clothes not just clean, but also fresh & fragrant.



Active Wheel 2 in 1 comes with the strength of lemons and its sweet fragrance- transforms this ordeal into a gratifying experience. Along with the packaging, the USP of the brand is changing where the focus will be on better lathering and cleaning efficacy.

Rin

Rin Shakti was relaunched in Nepal as Rin to align with the Indian Market. The packaging of Rin was changed from a light blue package to a darker blue. Along with new packaging, the new Rin has added blue and orange speckles for better performance. The new Rin comes with bright clean technology that removes dirt from deep within the fibres.



The core communication of the brand now matches with that of India. The idea that is communicated is that Rin makes your dull clothes shine bright like new, giving you the confidence, you wanted.

#HaatDhune Digital Campaign

#Lifebuoyhaatdhune was initiated in March 2020 to raise awareness about the importance of handwashing with soap and water using the right technique to win the fight against Coronavirus in social media and Lifebuoy jingle in Tik Tok.



The campaign was also initiated on 5th May 2020, celebrated as 'World Hand Hygiene Day' globally. Let's clap with the world to #SaluteHealthCareHeroes initiative by Lifebuoy encouraged people to clap for the nurses, ambulance operators, hospital staff, and doctors putting themselves at risk so that we can stay safe at home by posting #CleanHandsClap story in social media.

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 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.

WINNING SUPPLY CHAIN AMID VUCA SCENARIO

The Supply chain team continues its vision of delivering “Outstanding Service with highest consumer perceived Quality at lowest Cost” amid severe VUCA-Volatile, Uncertain, Complex & Ambiguous scenarios. This year also we sought to achieve this through Localization, Capacity enhancement, cost Optimization, Engineering & Service Excellence, keeping our core values intact with respect to Safety, Quality & Sustainability.

Safety, health & environment

Safety, a non-negotiable and basic requirement of working condition, remains our top-priority and the same was resonated through various actions undertaken.

Fire Safety strengthened through expansion of smoke detectors, installation of sprinklers in Key high-risk area, and through expansion and automation of Fire hydrant Pump.

To make ourselves future fit & digital friendly for safety relevant activities, various initiative like E-Modenote, E-permit, USEAT, etc., digital tools were introduced. CCTV Camera & Audio device were installed in employee Bus to heighten the level of Road safety further. We continued to underpin Behavioural safety through various trainings and campaigns. Highest level of Safety precaution taken against COVID. Various activities, also in link with USLP-Unilever Sustainable Living plan, are executed to achieve Environmental KPIs.

Sustainability

The Unilever Sustainable Living Plan (USLP) sets out to decouple our growth from our environmental footprint, while increasing our positive social impact. We achieved breakthrough in decreasing Carbon footprint through installation of Solar thermal plant and Chlorination plant that lead to decrease HSD fired Boiler operation time. Erection of tank facility for storage of SLES and Sorbitol was milestone to ramp down the usage of plastic drums in operation.

Projects are under way to figure out alternate usage of business waste and to not only generate value for business, but also to conserve eco system. Business is also picking up actions to increase plastics awareness and reduce the usage in products. Actions to improve Efficiency are being taken across all operations to reduce energy and material waste.

Capacity upgradation

Keeping in line with the increased market demand and requirement to support the business, various activities were taken to upgrade our manufacturing capacity, and further to facilitate localization of imported premium pack. This year, in-house manufacturing capacity scaled up by optimizing the batch size and batch cycle time in Soap, Shampoo and toothpaste. Capacity de-bottlenecking was done on oral line and shampoo bottle line by increasing machine speed. Upgradation of cream & Facewash manufacturing capacity by upgradation of utilities is under progress.

Engineering excellence

Remarkable improvement on OEE across all lines was the major breakthrough achieved this year. We have been continuously working on to upgrade our machines to meet the business requirements. Installation of four case packers at end of line to automate the laborious and tedious packing job was milestone achieved by team. This has not only increased line speed and efficiency of packing lines, but also has created positive vibes in shopfloor. End of line automation in shampoo bottle line and shampoo sachet lines is in our radar. Installation of highspeed automatic bottle filling line is also at our topmost priority.

Quality

Quality is integral part of business, there is a continuous endeavour to ensure better consumer satisfaction as well as consumer safety in all our products. Advancement of water treatment

system, installation of Check-weigher at the end of line to strengthen our quality competence and avoid shortage issue are quantum leap for this year. We have completed project on upgradation of existing metal detector to further ensure robust system in place for soap bars. In addition, with an ambition of zero quality complaints from market, we have sustained a system to connect with customer (business partner) via primary lever care centre. Further, there is planning to introduce consumer care system, which will help us to gather valuable consumer insight closely.

We wish to maintain consumer trust in our products at a high level. Hence Pride projects related to advancement of manufacturing Hygiene system with high end technology are on track of projected glidepath.

Cost optimization

An important aspect of business, Cost optimization enables us to cut the cost and add value as fuel for business growth. "Symphony" Initiated in 2019 was leveraged further and it continues to deliver savings and provide the best quality products to the consumers at best price. This Program aims at improving the Material and Conversion cost. These initiatives range from localisation of Premium products, raw materials, and packaging materials to improving formulations of the products, and reducing & optimising cost of Overheads across functions. Even during the difficult times of COVID, savings has been the Focus and an Integral part of the business strategy.

Journey towards excellence in servicing

We have brought improvement in Service Level; new Warehouses streamlined and are in well operational closure to Customer. We have handled the Covid Crisis time with zero disruption in distribution. IPM was implemented for better distribution and improvement in availability of stocks. Improvement of sales by 5% seen in Hills area through PDP alignment. Overall, it was Great Year in terms Service Delivery. CMRP (Centralized Materials Requirements Planning) was incorporated to gain efficiency in material sourcing and requisition. PLM (Product Life Cycle Management) system was incorporated to maximize development efforts of new products as well as to organize the existing one by managing critical product information, life cycle, and value chain, there by increasing performance.

WINNING WITH PEOPLE

We are in a transformation journey of reimagining our business to help us win in the market through our people and processes. While driving our efforts, we have ensured that people are at the heart of the business while they keep contributing at their best. As a positive changemaker, we have enabled systems and processes in place for our people to grow and become true professionals thereby making constructive impact in the business. Our milestones include controls in payroll, talent management and innovative learning initiatives which have strengthened our potential to create a winning environment. We recognize our responsibility towards our employees and the people of Nepal and we are committed to fight together the common challenge of COVID-19 pandemic. We would continue working closely with the government and our partners to ensure that we overcome this health crisis together.

Capability Building Interventions

Learning leads to innovation and it helps in unlocking people potential. We at UNL firmly believe to elevate the expertise of our people. We have prioritized learning through online learning platform which has provided the flexibility of time and place. It has helped the employees grow professionally by taking charge of their own development through the platforms such as LinkedIn learning licenses, Udemy certification programs, Degreed and Unilever Learning Management System for new age skills. The short-term assignments in HUL have proved to develop the capability in the employees where they leverage the experience to come back to UNL adopting and implementing the best practices. The continuous mentoring by the line managers have given the employees an opportunity to get empowered with enhancement of their knowledge and skill. Learning is made accessible to all and this has created a flourishing environment to become purposeful future leaders.

Talent Acquisition and Development

Campus engagement and initiatives to attract the best talent have been one of the priorities where such interaction with the best young minds of Nepal has been a winning journey for UNL. Unilever Nepal has been an Employer of Choice for the year 2019 among the students of top campuses in the country. At UNL, apart from internship programs, we have been involved in college and university orientation, organizing case study competition, mentoring the students on selection of their specialization, engaging with the colleges on sessions for Intellectual Property Rights and conducting guest lectures with the leadership team of Unilever Nepal where they have connected with the students, alumni and the faculties of these institutes. We have also had virtual connects with our partner institutions during Covid19 in the form of alumni connect, guest lecture and have reached out for virtual internship opportunities with UNL.

Fostering Growth Culture

We are driving performance culture with purpose-led and future-fit strategy where the pioneering growth culture provides employees with fair and transparent continuous performance management. The annual employee survey-Univoice has helped us collectively reflect on our progress, and the aspects of our culture and leadership that enables us to outperform. Our wellbeing initiatives and medical support have been helping our employees to bring out the best in themselves. The internal employee pulse check, culture workshop and leadership connect have enabled us to take action to become more inclusive, build better relationship and collaborate more to navigate the unprecedented challenges of the future. The virtual sessions in collaboration with UNICEF on mental health and access to tele doctors have helped our employees to take better

care of their mental and physical health. We are in the perpetual journey of fostering growth in our relationship, collaboration, wellbeing and productivity in UNL.

Employee Connect and Engagement

We believe that engaged employees would remain committed, positive and happy and therefore we at UNL strive to create a thriving environment for the employees to learn and grow. We completed annual conference in UNL by having MD connect with Q&A session which was focussed on bringing employees closer

to the leadership team and recognizing the employees on their service, dedication and hard work in UNL. We have been conducting regular townhalls to encourage interaction and work on areas of action for better engagement at work. We have been consistently communicating the guidelines on safety and wellbeing practices to the inner core and outer core of the business during Covid19 to ensure safe working habits. Regular connects with employees during covid19, offering logistic support and communicating with our distributors and outer core employees have become imperative for us to create awareness and working safely during the Covid19 pandemic.

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 under review, we closed 05 incidents across all areas of our Code and Code Policies, with 04 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 25th September 2020 recommended final dividend of NRs. 100/- per share on each equity share for the financial year that ended on 15th July 2020.

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. Pradeep Banerjee has superannuated from HUL after 40 years of distinguished service and consequent to this, Mr. Ashish Rai and Ms. Priya Nair have resigned as a Director (nominated) of Board of Directors of Unilever Nepal Limited ('UNL'), the Board would like to thank Mr. Pradeep Banerjee, Mr. Ashish Rai and Ms. Priya Nair as the Non-Executive Chairman, Managing Director and Director of the company respectively for their contribution towards the Company and wishes them every success in their future endeavours.

On behalf of the Board

Dev Bajpai
Chairman
25th September 2020, Friday

DIRECTORS

Mr. Dev Bajpai – Chairman
Mr. Amlan Mukherjee – Managing Director
Mr. Ravi Bhakta Shrestha
Mr. Subhas Bajracharya – Independent Director
Mr. Krishnan Sundaram
Ms. Asha Gopalakrishnan
Ms. Yogesh Mishra

COMPANY SECRETARY

Ms. Elina Acharya

AUDITORS

TR Upadhya
Kathmandu, Nepal

BANKERS

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

REGISTERED OFFICE & FACTORY

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

CORPORATE OFFICE

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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 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. Global Framework Financial Control (GFCF) audit carried out by Mahajan & Aibara Chartered Accountants LLP, India and Capgemini Technology Services India Limited, India
 - 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	801
Administrative expenses during the fiscal year	331
9. List of audit committee members, their remuneration and facilities:

Name	Remuneration
Mr. Subhas Bajracharya - Chairman	**
Mr. Ravi Bhakta Shrestha - Member	**
Mr. Krishnan Sundaram - Member	-
Mr. Asha Gopalakrishnan - 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 (PKF TR Upadhy & CO.) and recommended their adoption by the Board of Directors.

(**) During the year, a total amount of NPR 81,000/- was paid as meeting fees to 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	2.16	-	-
2.	Salary & Allowances	-	345.96	1,864.01
3.	Car Facility	No	Yes	Yes
4.	Accommodation	No	Yes	Note (b)
5.	Insurance Coverage	No	No	Yes
6.	Number of Persons	7	1	227

Notes: -

- a) Office car with driver, fuel and maintenance are provided to the Managing Director, Supply Chain Manager, 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 345.72 lakhs as on 31 Ashad, 2077.

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: - None

16. Other relevant issues: - None

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 financial statements of Unilever Nepal Limited (the Company), which comprise the statement of financial position as at 31 Ashad 2077 (15 July 2020), and the statement of profit or loss, statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 Ashad 2077 (15 July 2020), and its financial performance and its 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 auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the code of ethics for professional accountant issued by Institute of Chartered Accountants of Nepal (ICAN) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2063 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN's Code of Ethics for professional accountants. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended on 31 Ashad 2077 (15 July 2020). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matter
<p>Revenue recognition (Refer Note 2.2.17 “Revenue” and Note 16 of the financial statements)</p>	
<p>Revenue from sale of goods (hereinafter referred to as “Revenue”) is recognised 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.</p> <p>The timing of Revenue recognition is relevant to the reported performance of the Company. The management considers revenue as key measure of evaluation of performance.</p> <p>There is a risk of Revenue being recorded before significant risk and reward of ownership is transferred.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Assessed the appropriateness of the Company’s revenue recognition accounting policies in line with NAS 18 (Revenue) and tested thereof. ▪ Evaluated the integrity of the Company’s general information and technology control environment and tested the operating effectiveness of IT application controls over Revenue recognition, the detailed process flow of sales, segregation of duties for the process followed, automated steps and manually intervened processes. ▪ Performed detailed analysis of Revenue, analytical testing with monthly sales information filed with tax authorities, testing the timing of its recognition and accuracy of the amounts recognized and verification of the supporting information of the Revenue transactions. ▪ Tested the supporting documentation for selected sample of sales transactions recorded during the period closer to the year end and subsequent to the year end to evaluate whether Revenue was recognised in the correct period as part of cut off procedures.

Litigations – Contingencies

(refer Note 2.2.20 (b) and (c) of the financial statements)

The Company is involved in several ongoing direct and indirect tax litigations. The Company recognises a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources.

The amounts involved are significant, and the application of accounting standards to determine the amount, if any, to be provided as a liability or disclosed as a contingent liability, is inherently subjective.

We have identified tax litigations and contingencies as a key audit matter because it requires the management to make judgements and estimates in relation to the exposure arising out of litigations. The key judgement lies in the estimation of provisions where they may differ from the future obligations.

In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence

- Obtained and read the Company's accounting policies in respect of claims, provisions and contingent liability to access compliance with the applicable accounting standards (NAS 37).
- Tested the effectiveness of key controls around the recording and assessment of tax provisions and contingent liabilities.
- Supporting documentation were tested for the positions taken by the management and compared the same to the assessment of our in-house tax team to assess the reasonableness of the provision or contingency
- Assessed the relevant historical and recent judgments passed by the court authorities.
- Considered the adequacy of the Company's disclosures made in relation to taxation related provisions and contingencies in the financial statements.

Information other than the financial statements and auditors' report thereon

The management of the Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement therein, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Auditors' 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 judgement 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 the Company'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 the Company'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 the Company 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 ethical requirements in accordance with the Code of Ethics for professional accountants 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 Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, 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 as at 31 Ashad 2077 (15 July 2020), the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended have been prepared in accordance with the requirements of the Company Act, 2063 and are in agreement with the books of account of the Company and proper books of account as required by law have been kept by the Company.

To the best of our information and according to explanations given to us and so far appeared from our examination of the books of account of the Company necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Company have acted contrary to the provisions of law relating to the accounts or committed any misappropriation or caused loss or damage to the Company relating to the accounts in the Company.

UDIN :

Place: Kathmandu

Date: September 25, 2020

Shashi Satyal

Partner

PKF T R Upadhya & Co.

Chartered Accountants

STATEMENT OF FINANACIAL POSITION

As at 31 Ashad 2077 (15 July 2020)

Figures in NPR

	Note	As at 31 Ashad 2077	As at 31 Ashad 2076
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	1,08,30,64,053	88,02,12,897
Intangible assets	4	7,92,49,567	10,15,12,828
Other non-current assets	6	92,887	40,99,708
Deferred tax assets	13	4,73,17,382	-
Total Non-Current Assets		1,20,97,23,889	98,58,25,433
Current assets			
Inventories	7	62,61,20,697	82,24,22,530
Financial assets			
Trade and other receivables	8	84,67,51,848	1,16,32,65,370
Investments	5	33,49,00,000	57,40,23,418
Cash and cash equivalents	9	66,17,21,545	21,01,05,770
Bank balance other than CCE	10	3,50,13,416	3,89,61,499
Other current assets			
Current tax assets	22	-	5,84,13,149
Prepayments		91,90,469	41,70,736
Total current assets		2,51,36,97,975	2,87,13,62,472
Total assets		3,72,34,21,864	3,85,71,87,905
EQUITY AND LIABILITIES			
Equity			
Share capital	11	9,20,70,000	9,20,70,000
Employees' housing reserve	12	79,60,59,325	79,60,59,325
Retained earnings	12	1,08,49,66,136	1,43,62,84,854
Total Equity		1,97,30,95,461	2,32,44,14,179
Liabilities			
Non-Current Liabilities			
Deferred tax liabilities	13	-	1,04,21,301
Provisions	14	1,34,37,379	99,83,537
Total Non-Current Liabilities		1,34,37,379	2,04,04,838
Current Liabilities			
Financial liabilities			
Trade and other payables	15	1,58,86,38,265	1,36,42,97,764
Provisions	14	11,44,49,868	14,80,71,124
Current tax liabilities	22	3,38,00,891	-
Total Current Liabilities		1,73,68,89,024	1,51,23,68,888
Total Liabilities		1,75,03,26,403	1,53,27,73,726
Total Equity and Liabilities		3,72,34,21,864	3,85,71,87,905

The accompanying notes are an integral part of these financial statements. As per our report of even date

Dev Bajpai
Chairman

Ravi Bhakta Shrestha
Director

Amlan Mukherjee
Managing Director

Shashi Satyal
Partner
PKF TR Upadhya & Co
Chartered Accountants

Asha Gopalakrishnan
Director

Subhas Bajracharya
Independent Director

Vasudhesh Bhat
Chief Finance Officer

Yogesh Mishra
Director

Krishnan Sundaram
Director

Elina Acharya
Company Secretary

Date: September 25, 2020

STATEMENT OF PROFIT AND LOSS

For the year ended 31 Ashad 2077 (15 July 2020)

Figures in NPR

	Note	For the year 2076-77	For the year 2075-76
Revenue from operations	16	5,54,72,21,624	5,75,40,61,451
Other income	17	14,04,94,146	51,78,55,476
TOTAL INCOME		5,68,77,15,771	6,27,19,16,927
EXPENSES			
Cost of materials consumed	18	3,00,06,17,161	3,17,50,14,884
Changes in inventories of finished goods (including stock-in-trade) and work-in-progress	19	8,04,19,759	(8,57,77,514)
Employee benefits expenses	20	33,22,82,499	41,23,26,976
Depreciation and amortisation expenses	3,4	9,86,44,632	6,69,35,216
Other expenses	21	1,60,34,23,772	1,33,19,00,256
TOTAL EXPENSES		5,11,53,87,823	4,90,03,99,818
Profit before tax		57,23,27,947	1,37,15,17,108
Income Tax Expense	22	(21,43,22,694)	(30,61,24,813)
Profit from continuing operations		35,80,05,252	1,06,53,92,296
Net Profit for the year		35,80,05,252	1,06,53,92,296
Basic and Diluted Earnings per share	24	389	1,157

The accompanying notes are an integral part of these financial statements. As per our report of even date

Dev Bajpai
Chairman

Asha Gopalakrishnan
Director

Yogesh Mishra
Director

Date: September 25, 2020

Ravi Bhakta Shrestha
Director

Subhas Bajracharya
Independent Director

Krishnan Sundaram
Director

Amlan Mukherjee
Managing Director

Vasudhesh Bhat
Chief Finance Officer

Elina Acharya
Company Secretary

Shashi Satyal
Partner
PKF TR Upadhya & Co
Chartered Accountants

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 Ashad 2077 (15 July 2020)

Figures in NPR

	Note	For the year 2076-77	For the year 2075-76
Net Profit for the year as per Statement of Profit or Loss		35,80,05,252	1,06,53,92,296
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial Gain/(Loss) on defined benefit pension schemes	25	(3,84,971)	35,183
Other comprehensive gain/(loss) for the year, net of tax		(3,84,971)	35,183
Total comprehensive gain/(loss) for the year, net of tax		35,76,20,282	1,06,54,27,479

The accompanying notes are an integral part of these financial statements. As per our report of even date

Dev Bajpai
Chairman

Asha Gopalakrishnan
Director

Yogesh Mishra
Director

Date: September 25, 2020

Ravi Bhakta Shrestha
Director

Subhas Bajracharya
Independent Director

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Managing Director

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Company Secretary

Shashi Satyal
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PKF TR Upadhy & Co
Chartered Accountants

STATEMENT OF CASHFLOWS

For the year ended 31 Ashad 2077 (15 July 2020)

Figures in NPR

	Note	As at 31 Ashad 2077	As at 31 Ashad 2076
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		35,80,05,252	1,06,53,92,296
Adjustments for:			
Income tax during the year	22	21,43,22,694	30,61,24,813
Depreciation on property, plant and equipment	3	7,53,77,137	5,56,77,208
Amortization of Intangible Assets	4	2,32,67,495	1,12,58,008
Allowance for inventory obsolescence	13	5,86,84,758	(78,48,926)
Provision for employee benefits	14	31,80,244	(19,36,078)
Other provisions	14	(3,37,32,629)	(13,00,37,075)
Provision for Bonus	20	6,42,34,338	15,39,30,091
Finance income	16	(4,79,44,947)	(5,61,06,281)
Fixed Assets W/Off	21	1,33,907	28,95,090
Loss/ (gain) on sale of Property, plant and equipment	17	-	-
Working capital adjustments:			
(Increase)/ decrease in Trade & Other receivables	8	31,65,13,522	(56,45,20,147)
(Increase)/ decrease in Other non-current assets	6	40,06,821	(36,294)
(Increase)/ decrease in prepayments		(50,19,734)	(14,34,854)
(Increase)/ decrease in Inventories	7	13,76,17,075	(6,28,37,105)
Increase / (decrease) in trade and other payables	15	30,85,82,053	38,63,96,625
Cash generated from operations		1,47,72,27,988	1,15,69,17,369
Bonus paid		(15,36,65,692)	(14,80,21,742)
Income Tax Paid		(17,98,47,338)	(38,51,70,083)
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,14,37,14,958	62,37,25,544
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		1,84,391	-
Interest Received		4,79,44,947	5,61,06,281
Acquisition of Property, plant and Equipment	3	(27,85,46,591)	(30,22,11,502)
Purchase of Intangibles	4	(10,04,234)	(9,68,53,662)
Decrease/(increase) in Investment on FD		23,91,23,418	26,04,13,704
Decrease/(increase) in Bank balance other than CCE		39,48,083	81,10,300
Expenses towards employees' housing reserve		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		1,16,50,014	(7,44,34,879)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(70,37,49,198)	(64,28,98,814)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(70,37,49,198)	(64,28,98,814)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		45,16,15,775	(9,36,08,150)
CASH AND CASH EQUIVALENTS,			
Beginning of Year	9	21,01,05,770	30,37,13,920
CASH AND CASH EQUIVALENTS, End of Period	9	66,17,21,545	21,01,05,770

The accompanying notes are an integral part of these financial statements. As per our report of even date

Dev Bajpai
Chairman

Ravi Bhakta Shrestha
Director

Amlan Mukherjee
Managing Director

Shashi Satyal
Partner
PKF TR Upadhy & Co
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Independent Director

Vasudhesh Bhat
Chief Finance Officer

Yogesh Mishra
Director

Krishnan Sundaram
Director

Elina Acharya
Company Secretary

Date: September 25, 2020

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 Ashad 2077 (15 July 2020)

Figures in NPR

	Share capital	Employees' Housing reserve	Retained earnings	Total
Balance at 1 Shrawan 2075	9,20,70,000	79,60,59,325	1,01,53,47,375	1,90,34,76,700
Profit for the year	-	-	1,06,53,92,296	1,06,53,92,296
Other comprehensive income	-	-	35,183	35,183
Total comprehensive income	-	-	1,06,54,27,479	1,06,54,27,479
Transfer to Employees' Housing Reserve	-	-	-	-
Dividends to shareholders	-	-	(64,44,90,000)	(64,44,90,000)
Balance at 31 Ashad 2076	9,20,70,000	79,60,59,325	1,43,62,84,854	2,32,44,14,179
Profit for the year	-	-	35,80,05,252	35,80,05,252
Other comprehensive income	-	-	(3,84,971)	(3,84,971)
Total comprehensive income	-	-	35,76,20,282	35,76,20,282
Transfer to Employees' Housing Reserve	-	-	-	-
Dividends to shareholders	-	-	(70,89,39,000)	(70,89,39,000)
Balance at 31 Ashad 2077	9,20,70,000	79,60,59,325	1,08,49,66,136	1,97,30,95,461

The accompanying notes are an integral part of these financial statements. As per our report of even date

Dev Bajpai
Chairman

Asha Gopalakrishnan
Director

Yogesh Mishra
Director

Date: September 25, 2020

Ravi Bhakta Shrestha
Director

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Partner
PKF TR Upadhy & Co
Chartered Accountants

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT

For the year ended 31 Ashad 2077 (15 July 2020)

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, Hetauda-3, 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 pronounced 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 9 Ashoj, 2077 (25 September, 2020).

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. 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 and note 25.

b) Recognition of deferred tax

Deferred tax is 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 are 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 (NPR), 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. The Company considers the amount of capital in proportion to risk and manages 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 31 Ashad, 2077 and 31 Ashad, 2076.

2.1.8 New standards issued but not yet effective

A new Financial Reporting Standard (NFRS 2018) has been pronounced by the ICAN on 11 Ashad 2077. The NFRS 2018 contains some new standards with amendments to the existing standards.

NFRS 2018 introduces the new standard as mentioned hereunder which will be applicable from the date mentioned below:

Nepal Financial Reporting Standard (NFRS)	Applicable date
NFRS 9	16 July 2021
NFRS 14	16 July 2021
NFRS 15	16 July 2021
NFRS 16	16 July 2021
NFRS 17	16 July 2021

2.2 Significant accounting policies and other explanatory notes

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 statement of profit or loss.

The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to the firm commitments. The Company does not enter 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 are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

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		
- Permanently owned Property	40.00	2.50
- Leasehold property	9.00	11.11
Plant and Machinery	14.29	7.00
Office Equipment	14.29	7.00
Furniture and Fixtures	14.29	7.00
Computer Accessories	4.00	25.00

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 statement of profit or loss 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 Ashad 2077	As at 31 Ashad 2076
Less than one year	62,413,610	73,073,315
One year to five years	174,451,509	125,305,539
More than five years	185,833,135	123,857,245
Total	422,698,253	322,236,099

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 less estimated residual value are amortized over the estimated useful life of 5 years. Residual value of intangibles are estimated to be nil.

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 at fixed rate as processing charges. 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 statement of profit or loss 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 statement of profit or loss.

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 Social Security Fund, other retirement benefit and accumulated leave payable as per employee service manual in accordance with Social Security Act, 2075 and Labor Act, 2074.

Defined contribution schemes

The Company has schemes of employment benefits namely Social Security Fund, other retirement benefit and accumulated leave payable as per employee service manual in accordance with Social Security Act, 2075 and Labor Act, 2074.

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 statement of profit or loss as incurred.

Total gratuity obligation calculated as per previous labor act till the transition date also needs to be deposited to the Social Security Fund. From CY 2076-77, gratuity and provident fund has been replaced by Social Security Fund (SSF) as per Social Security Act, 2075. Hence, from CY 2076/77 onwards, gratuity and provident fund amount has been 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 reporting 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 statement of profit or loss:

- 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 statement of profit or loss.

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 statement of profit or loss 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% (2075/76: 20%)

Income from service charges on ELIDA sales/access fees: 25% (2075/76: 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, provision for doubtful debt 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.

However, during the current fiscal year, service to ELIDA has been materially decreased due to change in Elida income model resulting in a significant decline in the service income as compared to the previous fiscal year.

Interest income

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.

Interest income is recognized on the time proportion basis.

Measurement of Revenue

Revenue is measured at fair value of the consideration received or receivable.

2.2.18 Expenses

Operating lease payments

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

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	2076-77
Profit before tax (PBT)	572,327,947
Add: Bonus allocation included in PBT	64,234,338
Add: CSR allocation as per Industrial Enterprise Act 2076	5,781,090
PBT for bonus calculation	642,343,375
Bonus @ 10%	64,234,338

Provision for Corporate Social Responsibilities (CSR)

CSR expenses is accounted as per Industrial Enterprises Act 2076 (the "Act") introduced with effect from February 11, 2020 repealing the Industrial Enterprises Act 2073 (the "Previous Act"). Section 54 of Industrial Enterprises Act 2076 makes it mandatory to allocate 1% of the annual net 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 six months from expiry of the financial year.

The Company has calculated and allocated CSR as required by Industrial Enterprises Act 2019 (2076 BS) as below: -

Figures in NPR

Particulars	2076-77
Profit before tax (PBT)	572,327,947
Add: CSR allocation as per Industrial Enterprise Act 2076	5,781,090
PBT for CSR provision	578,109,037
CSR allocation as per Industrial Enterprise Act @ 1%	5,781,090

Auditors' remuneration and expenses

Figures in NPR

Particulars	2076-77
Statutory audit fees	425,000
Tax audit fees	210,000
Group reporting audit fees	105,000
Quarterly limited review	150,000
Labor audit fees	60,000
Reimbursement of out-of-pocket expenses	60,000
	1,010,000

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	Related Parties
Holding Company	Hindustan Unilever Ltd.
Ultimate Holding Company	Unilever PLC
Fellow and Group Subsidiaries	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.
Significant Influence	Sibkrim Holdings Pvt. Ltd.
Key Management Personnel	Ashish Rai (17 July 2019- 29 February 2020) Amlan Mukherjee (1 March 2020 onwards)

(b) Transactions with key management personnel

Key management personnel compensation

Particulars	Figures in NPR	
	Current year	Previous Year
Short-term employee benefits	34,595,505	51,892,918
Post-employment benefits	Nil	Nil
Other long-term benefits	Nil	Nil
Termination benefits	Nil	Nil
Share based payment	Nil	Nil

During the year, Mr. Amlan Mukherjee, has been appointed as managing director with effect from March 1, 2020.

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*	104,705,163	1,25,997,915	196,097,616	1,070,98,228
	Dividend	567,151,200	515,592,000	-	-
	SAP Implementation Cost	-	71,252,657	60,564,758	60,564,758
Ultimate holding company (Unilever PLC)	Royalty	25,263,330	28,867,002	66,668,735	45,194,904
Fellow and Group Subsidiaries	Purchase of Raw Materials from Unilever India Export Limited	15,96,473	12,69,18,403	-	2,16,37,480
	Purchase of Raw Materials from PT. Unilever Oleochemical	173,393,963	99,996,549	-	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 **	(5,919,191)	94,716,734	75,477,911	80,509,225
	Unilever Europe Business Centre B.V. , Netherland for ETS Cost	91,932,875	37,953,054	78,142,944	32,260,096
	Unilever N.V, Netherland for Cross Charge	3,570,540	532,175	4,102,715	532,175

*The basis for royalty calculation has been changed/revised from Gross Sales Value(GSV) to Net Sales Value(NPS) in the agreement from the last financial year. As an impact of the same, the royalty pertaining to the previous financial year 2075-76 of Rs. 10,013,342 (Gross) has been deducted from the current year royalty payable.

** excess provision of previous year has been reversed during CY.

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 31 Ashad 2077, 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. 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 3,420,547 and acceptance outstanding NPR 3,006,522 (2075-76 NPR 59,801,994 and NPR 93,725,754, 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	2,635,651
2009-10 (2066/67)	Administrative Review, IRD	73,890,673	95,582,465
2010-11 (2067/68)	Administrative Review, IRD	96,945,591	115,850,123
2011-12 (2068/69)	Administrative Review, IRD	90,444,408	92,739,897
2012-13 (2069/70)	Administrative Review, IRD	33,320,920	7,126,214
2013-14 (2070/71)	Large Tax officer (LTO)	68,031,475	60,349,690
2014-15 (2071/72)	Large Tax officer (LTO)	66,739,373	29,053,433
Total		430,372,520	433,898,549

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	3,093,917
2009-10 (2066/67)	Administrative Review, IRD	6,169,181	-
2010-11 (2067/68)	Administrative Review, IRD	5,828,399	388,159
2012-13 (2069/70)	Administrative Review, IRD	14,598,453	-
2014-15 (2071/72)	Large Tax officer (LTO)	577,186	654,144
Total		30,348,704	4,136,219

d. 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	16 June 2020	15 June 2021
Green Hands Nepal Pvt. Ltd.	Construction of Godown	7,920,000	19 July 2020	17 July 2021

2.2.21 Commitments

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

Figures in NPR

Area	FY 2076-77	FY 2075-76
Expansion of Factory	26,418,810	135,817,554
SAP Automation	521,828	1,477,097
New Corporate Office	226,178	9,899,066
Total Capital Commitments	27,166,816	147,193,717

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
1. CURRENCY RISK 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. As at 31 Ashad 2077, there is no unhedged exposure to the Company on holding financial assets (trade receivables) and liabilities (trade payables) other than in their functional currency.	 The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar and Euro. 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. 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.
2. COMMODITY PRICE RISK 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.	 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.
3. INTEREST RATE RISK Investment in fixed deposits at fixed rates expose the Company to fair value interest rate risk.	 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.

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

Currency exchange	USD/NPR		EURO/NPR	
	2076-77	2075-76	2076-77	2075-76
Number of Buy contracts	-	1	-	-
Aggregate "buy" foreign currency	-	136,056	-	-

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 31 Ashad, 2077 and 31 Ashad, 2076. 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. The volume of production and sales of food product 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

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	5,000	5,000
Vanaspati	10,000	10,000	-	-

2.5.2 Production/purchases of finished goods

Particulars	Current Year (Mt)	Previous Year (Mt)
Detergents/Scourers/Laundry *	15,702	18,257
Toilet Soaps	5,313	6,117
Personal Products	7,904	8,097
Foods	172	400
Total	29,090	32,871

*Produced at third Party locations

2.5.3 Sales

Particulars	Current Year		Previous Year	
	Volume (Mt)	Value (NPR)	Volume (Mt)	Value (NPR)
Detergents/Scourers/Laundry	15,886	1,059,535,177	17,979	1,160,882,177
Toilet Soaps	5,674	1,354,332,697	6,268	1,424,573,659
Personal Products	8,200	3,498,457,665	7,974	3,558,595,053
Foods	165	53,742,356	333	106,778,242
Less: incentive, discount and others		(418,846,270)		(496,767,680)
Total	29,925	5,54,72,21,625	32,554	5,754,061,451

2.5.4 Closing stock of finished goods

Particulars	Current Year		Previous Year	
	Volume (Mt)	Value (NPR)	Volume (Mt)	Value (NPR)
Detergents/Scourers/Laundry *	785	41,128,362	969	50,998,509
Toilet Soaps	73	11,775,721	434	62,788,229
Personal Products	405	113,662,921	701	175,893,197
Foods	74	15,625,419	68	14,116,869
Total	1,337	182,192,423	2,172	303,796,804

*Produced at third party manufacturing locations

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2077 (15 July 2020)

3. Property, plant and equipment:

Figures in NPR

	Land	Buildings	Plant & Machinery	Office Equipment	Furniture and Fixture	Computers	Capital Work in Progress	Total
Cost								
Balance at 1 Shrawan 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)
Balance at 31 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	6,33,85,458	1,29,91,62,773
Additions	-	-	-	-	-	-	27,93,05,390	27,93,05,390
Transfer to PPE	-	6,56,11,508	22,71,02,510	1,58,65,302	29,66,413	39,56,804	(31,55,02,537)	-
Transfer to Intangible	-	-	-	-	-	-	(7,58,799)	(7,58,799)
Disposals	-	(3,20,214)	-	-	-	(2,49,500)	-	(5,69,714)
Balance at 31 Ashad 2077	56,15,140	24,33,89,240	1,14,01,07,734	4,40,28,146	8,45,31,863	3,30,38,014	2,64,29,512	1,57,71,39,649
Depreciation and impairment losses								
Balance at 1 Shrawan 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 31 Ashad 2076	-	8,48,58,280	30,29,83,871	99,06,064	59,99,885	1,52,01,776	-	41,89,49,876
Charge for the year	-	1,05,83,940	5,77,95,248	16,76,101	10,24,884	42,96,964	-	7,53,77,137
Transfer to PPE	-	-	-	-	-	-	-	-
Disposals	-	(4,670)	-	-	-	(2,46,747)	-	(2,51,417)
Balance at 31 Ashad 2077	-	9,54,37,550	36,07,79,119	1,15,82,165	70,24,769	1,92,51,993	-	49,40,75,596
Net book value								
At 1 Shrawan 2075	56,15,140	7,32,10,426	49,11,98,147	60,91,132	80,45,917	54,96,959	4,69,15,973	63,65,73,693
At 31 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	6,33,85,458	88,02,12,897
At 31 Ashad 2077	56,15,140	14,79,51,690	77,93,28,615	3,24,45,980	7,75,07,094	1,37,86,020	2,64,29,512	1,08,30,64,053
Gross carrying amount of any fully depreciated property, plant and equipments that are still in use	-	13,28,29,782	71,05,222	19,38,910	61,83,781	-	14,80,57,696	12,27,84,834

Property, Plant and Equipment under construction

The net book value of capital work in progress includes amount of NPR 2.64 crore majorly relating to Facewash Plant Stabilisation (NPR 1.42 crore), Chlorination and Solar Plant (NPR 0.23 crore) and Ponds SPF (NPR 0.20 crore), FAL 80 GMS (NPR 0.14 crore) which is currently under installation. The cost of the assets will be depreciated once the machine is installed and available for use.

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2077 (15 July 2020)

4. Intangible assets:

	Figures in NPR	
	Computer Software	Total
Balance at 1 Shrawan 2075	1,88,98,010	1,88,98,010
Additions - Externally acquired	9,68,53,662	9,68,53,662
Other acquisitions internally developed	-	-
Balance at 31 Ashad 2076	11,57,51,672	11,57,51,672
Additions - Externally acquired	10,04,234	10,04,234
Disposals	-	-
Balance at 31 Ashad 2077	11,67,55,906	11,67,55,906
Amortisation and impairment losses		
Balance at 1 Shrawan 2075	29,80,836	29,80,836
Charge for the year	1,12,58,008	1,12,58,008
Disposals	-	-
Balance at 31 Ashad 2076	1,42,38,844	1,42,38,844
Charge for the year	2,32,67,495	2,32,67,495
Disposals	-	-
Balance at 31 Ashad 2077	3,75,06,339	3,75,06,339
Net book value		
At 1 Shrawan 2075	1,59,17,174	1,59,17,174
At 31 Ashad 2076	10,15,12,828	10,15,12,828
At 31 Ashad 2077	7,92,49,567	7,92,49,567
Gross carrying amount of any fully amortised intangibles that are still in use	-	-

5. Investments

			Figures in NPR	
	Maturity Period	Interest rate	As at 31 Ashad 2077	As at 31 Ashad 2076
Fixed Deposits in banks				
	1 Year	7.1% to 9%	3,49,00,000	2,40,23,418
	Upto 6 months	7% to 7.1 %: CY 8.5% to 9.5%: PY	30,00,00,000	55,00,00,000
Total			33,49,00,000	57,40,23,418

Of the total investment in fixed deposits, NPR. 34,900,000 (2075-76: NPR 23,900,000) 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 2077 (15 July 2020)

6. Other non-current assets:

	Figures in NPR	
	As at 31 Ashad 2077	As at 31 Ashad 2076
Capital advance	92,887	40,99,708
Total	92,887	40,99,708

7. Inventories:

	Figures in NPR	
	As at 31 Ashad 2077	As at 31 Ashad 2076
Raw materials	24,57,85,653	23,66,42,201
Packing materials	21,20,38,371	24,29,24,432
Work-in-process	7,77,87,295	3,66,02,673
Finished goods	18,21,92,423	30,37,96,804
Goods in transit	1,77,21,816	5,38,48,720
Stores and Spares	3,07,01,674	3,00,29,477
Less: Allowance for Obsolescence	(14,01,06,535)	(8,14,21,777)
Total	62,61,20,697	82,24,22,530

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	
	As at 31 Ashad 2077	As at 31 Ashad 2076
Trade receivables	58,34,93,180	45,28,25,954
Other receivables - Elida Nepal Pvt. Ltd	2,37,84,333	37,89,32,288
Loans and Advances to Employee	18,14,401	27,04,382
Advance to suppliers	20,77,10,082	21,69,55,089
VAT and Custom Deposits	1,37,53,529	1,19,34,577
VAT Receivables / (Payables)	90,98,920	9,83,11,495
Other deposit	70,97,403	16,01,585
Total	84,67,51,848	1,16,32,65,370

- 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.
- Provision for doubtful debts of NPR 332.99 million have been provided in the current FY against the total receivables of NPR 356.77 million from Elida based on the Global Policy pertaining to the impairment of financial assets revised guidance effective from 1 January 2018 for recognition of aged debts.

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2077 (15 July 2020)

9. Cash and Cash Equivalents:

	Figures in NPR	
	As at 31 Ashad 2077	As at 31 Ashad 2076
Cash at banks	66,17,21,545	21,01,05,770
Cash on hand	-	-
Total	66,17,21,545	21,01,05,770

10. Bank balance other than CCE

	Figures in NPR	
	As at 31 Ashad 2077	As at 31 Ashad 2076
Unpaid dividend account	3,47,45,632	2,95,56,830
Housing loan account	2,67,784	94,04,669
Total	3,50,13,416	3,89,61,499

11. Share capital:

	Figures in NPR	
	As at 31 Ashad 2077	As at 31 Ashad 2076
(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
1 Shrawan 2075	9,20,700	9,20,70,000
Share issue	-	-
31 Ashad 2076	9,20,700	9,20,70,000
Share issue	-	-
31 Ashad 2077	9,20,700	9,20,70,000

Of which:

7,36,560 shares held by Hindustan Unilever Limited, Mumbai, India
 46,035 shares held by Sibkrim Land and Industrial Company Pvt. Ltd.
 1,38,105 shares held by the general public

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2077 (15 July 2020)

12. Retained Earnings and Reserves:

Figures in NPR

	Employees' housing reserve	Retained earnings	Total
Balance at 1 Shrawan 2075	79,60,59,325	1,01,53,47,375	1,81,14,06,700
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)
Balance at 31 Ashad 2076	79,60,59,325	1,43,62,84,854	2,23,23,44,179
Profit for the year	-	35,80,05,252	35,80,05,252
Other comprehensive income	-	(3,84,971)	(3,84,971)
Transfer to Employees' Housing Reserve	-	-	-
Dividends to shareholders	-	(70,89,39,000)	(70,89,39,000)
Balance at 31 Ashad 2077	79,60,59,325	1,08,49,66,135	1,88,10,25,460

(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. After the enactment of new Labour ACT, 2074 effective from Bhadra 19, 2074, allocation of employees housing reserve is not required, so the Company has not made such allocation from financial year 2074-75.

13. Deferred Tax Asset/ (Liabilities):

Deferred tax is calculated on temporary differences using a tax rate of 17% (2075-76: 17%). Deferred tax Asset have been recognized in respect of all temporary differences that results in income tax payable in future periods.

Figures in NPR

	As at 31 Ashad 2077	As at 31 Ashad 2076
Reconciliation of deferred tax assets		
Opening Balance as on 1 Shrawan	(1,04,21,301)	15,33,353
Tax income/(expense) during the period recognized in profit or loss	5,77,38,683	(1,19,54,654)
Closing balance as on 31 Ashad	4,73,17,382	(1,04,21,301)

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

Figures in NPR

Particulars	Asset/ (Liability) 2076-77	Charged/ Credited to Profit or Loss 2076-77
Fixed Assets	(4,65,52,715)	(1,35,38,355)
Intangible assets	(11,47,594)	1,63,684
Allowance for Obsolescence	2,38,18,111	99,76,409
Provision for leave encashment	13,75,426	4,07,758
Provision for other retirement benefits	9,56,640	1,91,122
Provision for CSR expenses	54,20,165	(12,92,219)
Other provisions	68,39,168	52,22,105
Provision for doubtful debts	5,66,08,180	5,66,08,180
Total	4,73,17,381	5,77,38,683

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2077 (15 July 2020)

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 Obsolete Inventory	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
Total	(1,04,21,301)	(1,19,54,655)

14. Provisions:

Figures in NPR

	Non-current	
	As at 31 Ashad 2077	As at 31 Ashad 2076
Provision for employee benefits		
Provision for Other Retirement Benefits (Refer Note 25)	55,68,808	44,15,608
Provision for Leave Encashment	78,68,571	55,67,929
Total	1,34,37,379	99,83,537
	Current	
	As at 31 Ashad 2077	As at 31 Ashad 2076
Provision for employee benefits:		
Provision for Other Retirement Benefits (Refer Note 25)	58,489	45,050
Provision for Leave Encashment	2,22,169	1,24,235
Other Provisions:		
Provision for CSR expenses (Refer Note 2.2.18)	3,18,83,322	3,94,84,612
Miscellaneous provisions (Refer Note A below)	8,22,85,888	10,84,17,227
Total	11,44,49,868	14,80,71,124

A. Miscellaneous provisions

Miscellaneous provisions 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:

Figures in NPR

	Provision for CSR expenses		Miscellaneous provisions	
	As at 31 Ashad 2077	As at 31 Ashad 2076	As at 31 Ashad 2077	As at 31 Ashad 2076
At the beginning of the year	3,94,84,611	2,73,83,507	10,84,17,227	25,05,55,407
Recognized during the year	57,81,090	1,38,53,708	1,44,06,107	5,43,78,894
Utilized during the year	(1,33,82,379)	(17,52,604)	(4,05,37,447)	(19,65,17,074)
Reversed during the year	-	-	-	-
At the end of the year	3,18,83,322	3,94,84,611	8,22,85,888	10,84,17,227
Current portion	3,18,83,322	3,94,84,611	8,22,85,888	10,84,17,227
Non - current portion	-	-	-	-

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2077 (15 July 2020)

15. Trade and other payables:

Figures in NPR

	As at 31 Ashad 2077	As at 31 Ashad 2076
Creditors for Goods and Services	40,82,52,596	39,50,61,629
Creditors for Expenses and Other Liabilities	37,51,89,934	22,76,85,188
Advance from Customers	32,55,391	18,49,140
Bonus payable	6,42,34,338	15,39,30,091
Employee related accruals	1,11,94,480	79,42,629
Deposit - Others	8,33,000	10,91,634
Royalty Payable	26,27,66,351	15,22,93,132
Audit fees payable	8,90,000	11,77,219
Others Payable	35,68,76,786	33,16,90,721
TDS Payable	4,40,70,115	5,24,16,810
Excise duty payable	2,65,03,034	97,77,133
Unclaimed Dividend	3,45,72,240	2,93,82,438
Total	1,58,86,38,265	1,36,42,97,764

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

	For the year 2076-77	For the year 2075-76
Sale of goods	5,96,60,67,894	6,25,08,29,131
Less: Discount and Incentives	(41,88,46,270)	(49,67,67,680)
Less: Provision for sales return	-	-
Total	5,54,72,21,624	5,75,40,61,451

No individual customer accounted for more than 10% of the gross sale of goods during the year

17. Other income

Figures in NPR

	For the year 2076-77	For the year 2075-76
Sale of Scrap	1,26,89,502	2,29,96,173
Elida Service Income	4,81,50,838	42,75,82,396
Interest Income on bank deposits	4,79,44,947	5,61,06,281
Miscellaneous income	3,17,08,859	1,11,70,626
Total	14,04,94,146	51,78,55,476

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2077 (15 July 2020)

18. Cost of materials consumed

	Figures in NPR	
	For the year 2076-77	For the year 2075-76
Raw materials consumed	2,20,09,65,893	2,31,04,47,452
Packing materials consumed	74,36,00,079	85,75,89,553
Allowance for Inventory Obsolescence	5,60,51,189	69,77,879
Total	3,00,06,17,161	3,17,50,14,884

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

	Figures in NPR	
	For the year 2076-77	For the year 2075-76
Opening inventories		
Finished goods	30,37,96,804	23,51,45,190
Work-in-progress	3,66,02,673	1,94,76,773
Closing inventories		
Finished goods	(18,21,92,423)	(30,37,96,804)
Work-in-progress	(7,77,87,295)	(3,66,02,673)
Total	8,04,19,759	(8,57,77,514)

20. Employee benefits expenses

	Figures in NPR	
	For the year 2076-77	For the year 2075-76
Salaries and wages	22,39,92,643	23,18,28,493
Staff Bonus (Refer Note 2.2.18)	6,42,34,338	15,39,30,091
Contribution to provident, gratuity and other funds	1,08,86,809	1,17,24,584
Defined benefits plan expenses (Refer Note 25)	8,50,816	7,65,067
Workmen and staff welfare expenses	3,23,17,893	1,40,78,740
Total	33,22,82,498	41,23,26,976

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2077 (15 July 2020)

21. Other expenses

	Figures in NPR	
	For the year 2076-77	For the year 2075-76
Advertising and sales promotion	24,03,64,364	25,84,68,435
AGM Expenses	6,87,120	9,30,912
Audit Fees & Expenses	10,10,000	20,77,505
Board Meeting Exps	16,91,331	8,58,637
Carriage and freight	20,98,31,554	22,29,15,862
CSR Expenses (Refer Note 2.2.18)	57,81,090	1,38,53,708
Electricity, Fuel & Water	4,98,87,740	4,18,68,527
Fixed Assets W/Off	1,33,907	28,95,090
Insurance	1,38,33,419	1,49,07,456
Legal Expenses	74,67,135	60,36,276
Processing charges	16,66,12,489	19,63,58,858
Professional Services	9,58,89,504	7,41,36,794
Quality Control Charges	10,28,973	26,61,866
Rent	8,58,33,281	6,42,73,799
Repairs and Maintenance	3,74,25,256	3,58,40,199
Royalty	12,99,68,493	15,48,64,917
Security Expenses	1,13,26,604	1,33,31,709
Telephone Expenses	1,04,13,549	37,83,141
Travelling, Conveyance and Accommodation Expenses	4,33,38,902	6,01,77,012
Technical Support & Share Cost	8,60,13,684	13,26,69,788
Other Expenses	7,18,96,086	2,89,89,765
Provision for doubtful debt	33,29,89,291	-
Total	1,60,34,23,772	1,33,19,00,256

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2077 (15 July 2020)

22. Income tax

Figures in NPR

	For the year 2076-77	For the year 2075-76
Current tax expense		
Current tax on profits for the year	18,81,25,789	25,72,87,285
Adjustment for under provision in prior periods	8,39,35,588	3,68,82,873
Total current tax	27,20,61,377	29,41,70,158
Deferred tax expense		
Origination and reversal of temporary differences	(5,77,38,683)	1,19,54,655
Recognition of previously unrecognized deferred tax assets	-	-
Total tax expense for the year	21,43,22,694	30,61,24,813

Reconciliation of current tax expense and the accounting profit multiplied by Company's tax rate for 2076-77 and 2075-76 :

	For the year 2076-77	For the year 2075-76
Accounting profit before income tax excluding Elida service income and trading profit	52,41,77,110	93,30,21,129
Other service income	4,81,50,838	42,75,82,396
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 (2075-76: 17% and 25%)	10,11,47,818.16	26,82,37,587
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	(1,31,94,215)	(1,40,64,618)
Adjustment in respect of Inventory	99,76,409	(13,34,317)
Adjustment in respect of provision for leave encashment	4,80,651	(4,19,550)
Adjustment in respect of provision for other retirement benefits	1,19,479	91,641
Adjustment in respect of other provisions	21,97,784	5,79,611
Adjustment for Fixed Assets written off	54,111	4,92,165
Other non-deductible expenses for tax purposes	1,01,38,516	16,47,578
Adjustment for Provision for doubtful debt	5,66,08,180	-
Adjustment for current year cases and Prior period tax	10,58,24,864	-
Total	27,20,61,377	25,72,87,285
Income tax expense reported in the statement of profit or loss	27,20,61,377	25,72,87,285
Current tax (assets)/liabilities	As at 31 Ashad 2077	As at 31 Ashad 2076
Income Tax Liability	2,75,53,11,573	2,55,21,07,710
Less: Advance Income Tax	(2,72,15,10,682)	(2,61,05,20,859)
Total	3,38,00,891	(5,84,13,149)

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2077 (15 July 2020)

23. Declared dividends and proposed dividends

	Figures in NPR	
	Year ended 2076-77	Year ended 2075-76
Declared and approved for during the year:		
Dividends on ordinary shares: Final dividend for 2075-76: NPR. 770 per share (2074-75: NPR. 700 per share)	70,89,39,000	64,44,90,000
Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):		
Dividends on ordinary shares: Proposed dividend for 2076-77: 100 per share (2075-76: 770 per share)		70,89,39,000

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 2077	Continuing Operations 2076
Numerator		
Profit for the year and earnings used in basic EPS	35,80,05,252	1,06,53,92,296
Add: Interest on convertible debt	-	-
Less: Tax effect of above items	-	-
Earnings used in diluted EPS	35,80,05,252	1,06,53,92,296
Denominator		
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	-	-
Weighted average number of shares used in diluted EPS	9,20,700	9,20,700
Basic and diluted earnings per share	389	1,157

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2077 (15 July 2020)

25. Post employment benefit plans

Defined benefit plans only consist 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:

2076-77 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		Sub-total included in OCI	Balance at 31 Ashad 2077
	Balance at 1 Sharwan 2076	Service cost	Past Service cost	Net Interest	Sub-total included in profit or loss	Benefits paid	Experience adjustments		
Other retirement benefit obligation	44,60,661	4,38,251	-	4,12,565	8,50,816	(1,48,000)	4,63,820	4,63,820	56,27,297
Benefit Liability	44,60,661	4,38,251	-	4,12,565	8,50,816	(1,48,000)	4,63,820	4,63,820	56,27,297

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		Sub-total included 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	39,63,984	3,99,224	-	3,65,843	7,65,067	(2,26,000)	(42,390)	(42,390)	44,60,661
Benefit Liability	39,63,984	3,99,224	-	3,65,843	7,65,067	(2,26,000)	(42,390)	(42,390)	44,60,661

FINANCIAL PERFORMANCE- 5 YEAR RECORD

(NPR Mn)

Profit or Loss Statement	2072-73 (2015-16)	2073-74 (2016-17)	2074-75 (2017-18)	2075-76 (2018-19)	2076-77 (2019-20)
Revenue from operations	3946	4442	4868	5754	5547
Other operating income	459	576	411	518	140
Profit from Operations	1354	1210	1255	1315	524
Profit Before Tax	1408	1261	1330	1372	572
Net Profit for the year	1122	965	999	1065	358

Statement of Financial Position	2072-73 (2015-16)	2073-74 (2016-17)	2074-75 (2017-18)	2075-76 (2018-19)	2076-77 (2019-20)
Property, plant and equipment (Incl Intangibles)	482	565	652	982	1162
Deferred tax assets	8	16	2	0	47
Investment in Fixed Deposit	1037	1160	834	574	335
Net Current Assets (Current & non-current)	522	333	415	769	429
	2049	2074	1903	2324	1973
Share capital	92	92	92	92	92
Retained earnings and reserves	1957	1982	1811	2232	1881
	2049	2074	1903	2324	1973

Key ratios	2072-73 (2015-16)	2073-74 (2016-17)	2074-75 (2017-18)	2075-76 (2018-19)	2076-77 (2019-20)
PBT (% of Revenue)	36	28	27	24	10
PAT (% of Revenue)	28	22	21	19	6
Fixed Assets Turnover (No . of Times)	8	8	7	6	5
Earning per share of Rs. 100	1218	1048	1085	1157	389
Dividend proposed per share of Rs. 100	1020	1270	700	770	100

Others	2072-73 (2015-16)	2073-74 (2016-17)	2074-75 (2017-18)	2075-76 (2018-19)	2076-77 (2019-20)
UNL share price on NEPSE*	35,021	29,204	25,000	20,250	18,800
Market Capitalisation (Rs. Bn)	32,244	26,888	23,018	18,644	17,309
Contribution to Exchequer (Rs. Mn)					

* Based on year-end closing prices quoted on NEPSE



OUR PURPOSE:

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



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