



Unilever  
UNILEVER NEPAL LIMITED

# SWASTHA NEPAL SAKSHYAM NEPAL HAMRO NEPAL

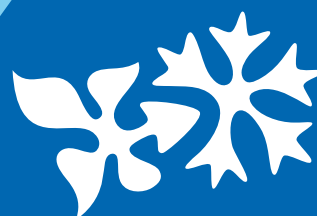
TWENTY-FOURTH ANNUAL REPORT & ACCOUNTS  
(16<sup>th</sup> July 2016–15<sup>th</sup> July 2017)



# BOARD OF DIRECTORS



1. **PRADEEP BANERJEE**  
Chairman
2. **RAVI BHAKTA SHRESTHA**  
Promoter Director  
(Nominee, Sibkrim Land & Industrial Co.)
3. **BHARAT BAHADUR THAPA**  
Independent Director
4. **DEV BAJPAI**  
Director  
(Nominee, Hindustan Unilever Limited)
5. **PRIYA NAIR**  
Director  
(Nominee, Hindustan Unilever Limited)
6. **SHANKAR LALL AGRAWAL**  
Director
7. **SUYASH CHAUHAN**  
Managing Director



# PROFILE OF DIRECTORS

## Profile of Mr. Pradeep Banerjee

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

## Profile of Mr. Ravi Bhakta Shrestha

Mr. Ravi Bhakta Shrestha is a promoter Director of this company as representative of local joint venture Company - Sibkrim Land and Industrial Company (Pvt.) Limited and Vice Chairman & Managing Director of N. E. GROUP (Hotels, Industries, Investment & Trading) which is one of the leading business houses in Nepal. He is also the Vice President of I. J. Trust that contributes to the health and education sector under CSR. Previously, Mr. Shrestha was President of Federation of Nepalese Chambers of Commerce & Industry (FNCCI). He is a Director of Soaltee Hotel Limited. Mr. Shrestha is also a Promoter Director of Soaltee Sibkrim Hotels & Resorts Pvt. Ltd. and Chairman of Summit Hotel Pvt. Ltd. Mr. Shrestha is a Graduate in Business Administration. He has been decorated with Prasiddha Prabal Gorkha Dakchhin Bahu 'Second' and Knight Officer of the Order of Merit of the Republic of Italy.

## Profile of Mr. Bharat Bahadur Thapa, Independent Director

Mr. Bharat Bahadur Thapa is a former Secretary, Ministry of Industry, Commerce and Supplies. He has nearly four decades of working experience with the government of Nepal in various positions. He has visited more than 33 countries. He has done MA and Bachelor of Law. He has led the Nepal delegation a number of times on several Bilateral and Multilateral Trade negotiations.

## Profile of Mr. Dev Bajpai

Mr. Dev Bajpai was appointed Executive Director (Legal) 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. He is a Fellow Member of the Institute of Company Secretaries of India and has a Law degree from University of Delhi. He has nearly 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. He 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. Mr. Bajpai completed an Executive Program for Corporate Counsels at Harvard conducted by Harvard Law School. Before joining Hindustan Unilever Limited, he was Senior Director, Legal & Compliance, ICICI Venture Funds Management Company Limited.

## Profile of Ms. Priya Nair

Ms. Priya Nair is the Executive Director & VP – Home Care which consists of Fabric cleaning & care, Household Cleaning and Water Purification business. Priya is successfully leading and delivering competitive and profitable growth for HUL's Homecare business which is a over 10000Cr business. She brings with her a diverse and rich experience including Consumer Insights, Customer Development and Marketing. She has spearheaded some leading edge Marketing programs that are widely acclaimed both in India and globally, especially in the new age media of Digital : the most notable recent example is creating of Kan Khajura Tesan : A mobile radio service that has over 30 million consumers and winner of three Cannes Gold Lions. She has developed and built HUL's Perfect Village and Rural Marketing program, and has led HUL's mobile strategy. In her earlier roles, she has worked with various brands such as Dove, Axe, Rexona, Close-up and Pepsodent. Priya has led Mobile and Rural Marketing capability building for HUL and is also responsible for the HUL corporate brand including Project Sunlight (Unilever Sustainable Living Plan).

## Profile of Mr. Shankar Lall Agrawal

Mr. Shankar Lall Agrawal completed his B. Com from Mahendra Morang Aadarsh Multiple Campus, Biratnagar and M.COM from Tribhuvan University, Kathmandu. He started his career 60 years back where he initially supported his father. He started his own business of Import & Export in the year 1966 and also started the distributorship of Gillette UK for 15 years. He used to import textile, machineries, auto parts, spices from various countries like Japan, Singapore, Australia, UK and export Medicinal herbs, ginger, cinnamon etc. He once held the position of Chairman in Pashupati Soap Industries Private Limited. He had also represented Public Shareholders on the Board of Standard Chartered Bank, Nepal.

## Profile of Mr. Suyash Chauhan

Mr. Suyash Chauhan joined HUL in April 2003 as an Area Sales Manager in Customer Development leading the Rural sales agenda for one of India's largest states, after a management degree from the Indian Institute of Management, Lucknow preceded by a short stint with a Jaipur based startup in the textile industry. In his career spanning 13 years with Unilever, he has acquired experience across all three verticals of General Trade, Modern Trade and Customer Marketing. As a part of his last role, Suyash evolved the customer marketing structure around categories, channels and geographies, by leading a large team of managers and executives across 9 locations. The Customer marketing structure and ways of working have evolved over the last 3 years and is a testimony to his leadership of the function. Owing to his experience in Customer marketing in India, Suyash has developed a unique strength across categories, channel and geographies and has acquired and in depth understanding across all four categories – Personal Care, Home Care, Foods and Refreshments. His contribution to business has been celebrated well and he has received several awards like the HUL Chairman's awards and the Unilever global compass awards.

# AGENDA FOR 24<sup>TH</sup> ANNUAL GENERAL MEETING



Notice is hereby given to all the shareholders that the Twenty Fourth Annual General Meeting of Unilever Nepal Limited will be held on 6th October, 2017 (20 Ashwin, 2074) as per the decision of 144th Board of Directors meeting dated 24th August, 2017 (8th Bhadra, 2074). The details are as follows:

**Date:** 6th October, 2017

**Venue:** Kumari Hall, Hotel Annapurna, Durbar Marg, Kathmandu

**Time:** 10:30 am

**Agenda:**

- To receive and adopt the Profit and Loss Accounts 2073-74 (16th July 2016 to 15th July 2017), Balance Sheet, Cash Flow Statement and Reports of the Board of Directors and Auditors for the period ended 15th July 2017 (Ashad 31, 2074)
- To appoint Auditors and to fix their remuneration for the year beginning 16th July 2017 (Shrawan 1, 2074) (CSC & Co., Chartered Accountants had been recommended for re-appointment by the Audit Committee).
- To approve the Dividend as per the recommendations of the Board of Directors
- To inform the increment of salary and other facilities for the Managing Director
- To pass special resolution for financial contributions to Social and Community projects under the UNL corporate social responsibility
- Any other matter(s) with the permission of the Chair

**By Order of the Board  
Company Secretary**

Registered Office  
Basamadi, V.D.C-5  
Makwanpur, Nepal

# CODE OF BUSINESS PRINCIPLES (COBP)

Code of Business Principles is the company's statement of values and represents the standard of conduct which all the employees are expected to meet in their business endeavors. It supports our approach to governance and corporate responsibility. COBP has always encouraged the company to work with honesty and integrity. It is also applicable to everyone with whom the company is associated. This year was another sound year of corporate governance of the company.

## Standard of Conduct

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

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

## Obeying the Law

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

## Employees

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

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

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

We will not use any form of forced, compulsory, trafficked or child labour. We are committed to working with employees to develop and enhance each individual's skills and capabilities.

We respect the dignity of the individual and the right of employees to freedom of association and collective bargaining. We will maintain good communications

with employees through company based information and consultation procedures.

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

## Consumers

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

## Shareholders

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

## Business Partners

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

## Community Involvement

Your Company 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.

## Public Activities

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

Your Company will co-operate with government 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.

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



## The Environment

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

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

## Innovation

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

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

## Competition

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

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

## Business Integrity

Your Company does not give or receive, 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.

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

## Conflicts of Interests

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

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

## Compliance-Monitoring-Reporting

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

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

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



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# REPORT OF THE BOARD OF DIRECTORS

Revenue from Operations

**Rs. 4.44 Billion**

Net Profit

**Rs. 965 Million**

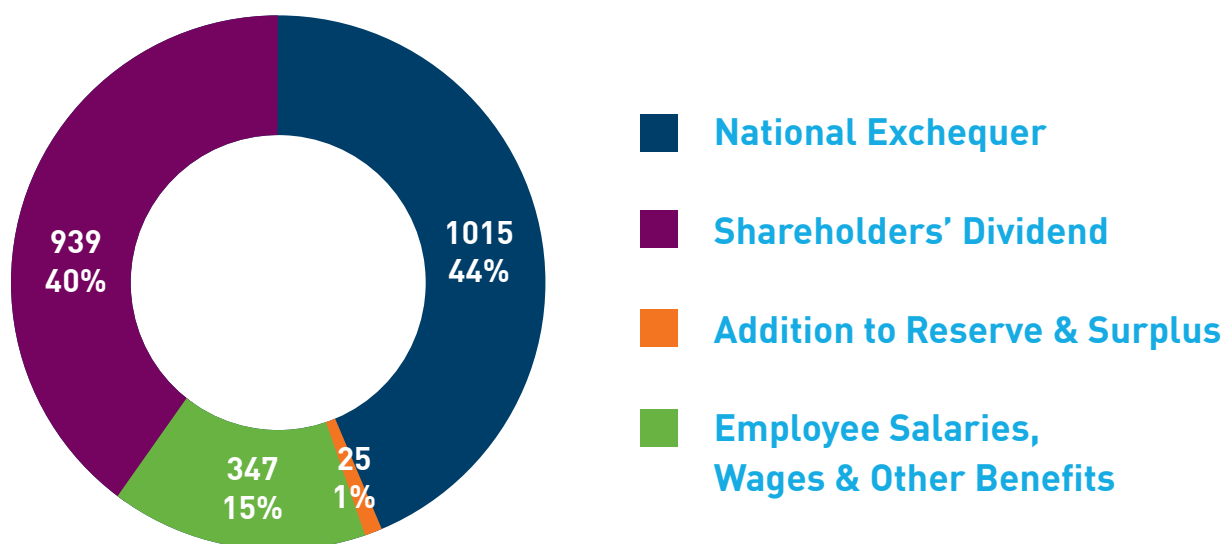
Operating Cash flow

**Rs. 857 Million**

Proposed Dividend per share

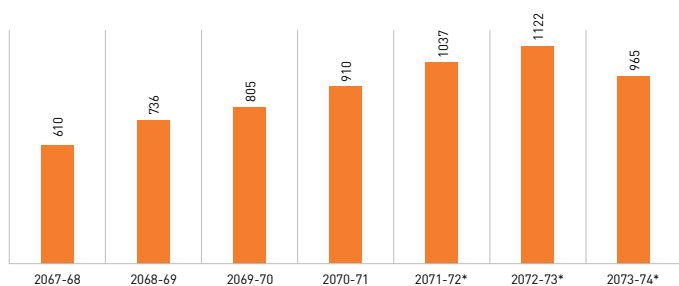
**Rs. 1270**

Including special dividend of Rs. 170 per share



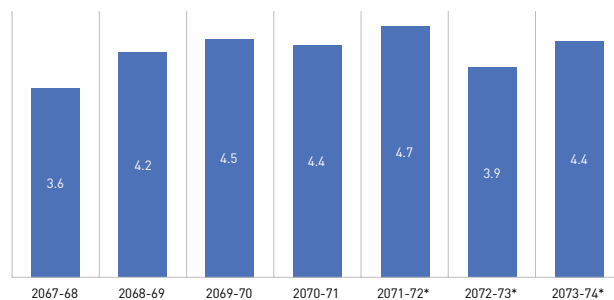


### NET PROFIT (Rs. Million)



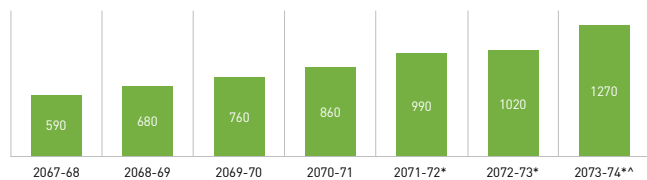
\* As per NFRS

### REVENUE FROM OPERATIONS (Rs. Billion)



\* As per NFRS

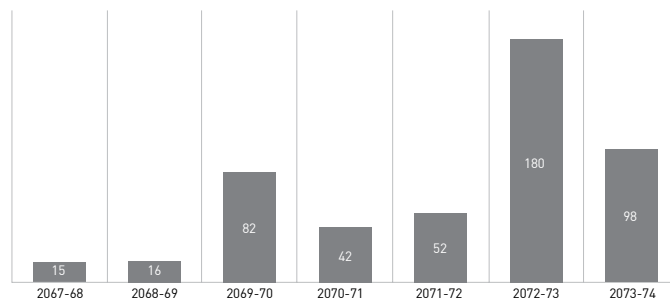
### DIVIDEND PER SHARE



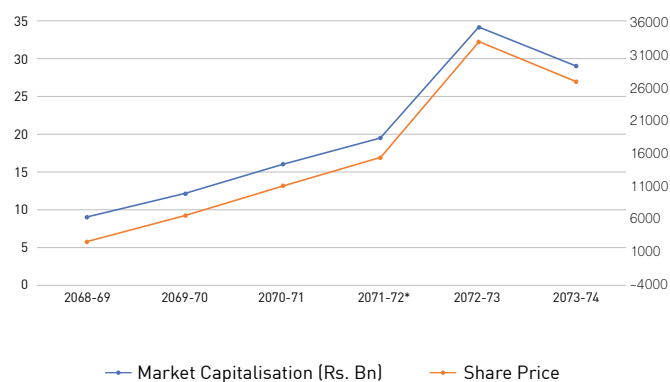
\* As per NFRS

^includes special dividend of Rs. 170 per share

### NET CAPEX (Rs. Million)



### MARKET CAPITALISATION AND UNL SHARE



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 2074 (15th July 2017).

## 25 years in Nepal

It's been a glorious 25 years of your Company in Nepal. Your Company has seen ups and downs in its journey ultimately establishing itself as perhaps the largest FMCG manufacturer in the country. Profitability along with positive impact on society and the environment is at the core of the business model of your Company. Your Company's brands continued to drive the purpose of making sustainable living a commonplace. Through its brands spanning Home Care, Personal Care, Foods and Refreshments categories, it endeavour to meet evolving consumer needs and remain relevant in the changing times. With a corporate market share of 60 per cent now, your Company is the largest producer of consumer goods in Nepal in personal care and home care categories. Your company has also been a witness to the transformation that Nepal went through as a country and has been there with the consumers through thick and thin over these 25 years.

## Financial performance Summary

In Mn.	2073-74	2072-73
Revenue from operations	4442	3,946
Profit Before Tax	1261	1,407
Net Profit for the year	965	1,122
Dividend	-939	-911
Transfer to Employees' Housing reserve	-71	-632
Retained earnings balance carried forward	1185	1,231

## Review of Financial year 2073-74

Nepal has started on a transformational journey in this year with the implementation of constitution by holding local elections. Your Company has also embarked on a transformational journey this year

with its purpose as, **"To earn the love and respect of Nepal by making a real difference to every Nepali."** The company intends to do this by driving our brands and business to create a **'Swastha' and 'Sakshyam' Nepal.**

Your Company has delivered a strong double-digit growth of 13% during the year. This was delivered in spite of adverse industrial relation situation at our Hetauda factory, which was peacefully resolved over 2.5 months, non-arrival of summer adversely impacting sales of Soaps and the election process leading to lower market working days in last few months. However, the growth has been broad based across all categories and mainly led by Skin care and hair care.

Your Company has delivered a robust bottom-line growth which is largely driven by personal care categories judicious price management and leveraging on the current manufacturing capability. It looks subdued against the previous year primarily because of exceptional base we had last year. On a continued basis, this year, your company has delivered a net profit margin (without exceptional items) of 24% against a 3-year average of 20% and an EBITDA margin of 30% against a 3-year average of 26%. This is a significant improvement and your Company is confident of sustaining this profitability.

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

# CORPORATE SOCIAL RESPONSIBILITY

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

responsibly in a world of finite resources. A brief overview of your Company's projects under Corporate Social Responsibility (CSR) is as given below:

## Commitment to Local Community

Your Company is engaging with local community and countrymen through different activities. It has continued to reach out to thousands of families and children through its contributions towards community and country. In the year, 2073-2074, your company has contributed around Rs 1.47 million towards social causes.





## Health: The Ultimate Need

The Health Clinic and mobile health camp initiated by your Company has benefited marginalized, indigenous and poor people in the remote villages of Makwanpur District. For this, outdoor clinic with specialist doctors are conducted twice in a month. The indoor clinic opens five times a month for the community people of Basamadi where they receive free health consultancy. Free medicines are also provided for the needy, poor or elderly people. Your Company also distributes Hygiene kit which includes Lifebuoy and tooth paste to needy people. Your company also activates several programs of hand washing through health professionals for the awareness of children in the schools and distribute its powerful brand Lifebuoy to them. Your Company has spent a total amount of 12,20,617 (Rs 1.22 Million) for the health clinic this year.

## Education: A Step for Future

Your Company has been contributing to empower local community with vocational education. In this program, students of Makwanpur district are provided the scholarships to study technical SLC course of 2.5 years in Balaju Technical Institute, Kathmandu. This will help the young generation to get technical skills and employment within and outside Nepal. Your Company has contributed 243,270 (Rs. 0.24 million) in such education in 2073-2074.



# WINNING WITH BRANDS AND INNOVATION

Our Brands are driven by the purpose of making Sustainable Living Commonplace and your Company constantly innovate to help people look good, feel good and get more out of life.

## Swastha Nepal, Sakshyam Nepal Hamro Nepal

Launched in 2010, the Unilever Sustainable Living Plan (USLP) outlines how we will achieve our sustainable growth ambition. It is at the heart of our business model, applying to every brand, every market and throughout our value chain – from the raw materials we use in our products to the amount of electricity and water people consume when using them.

## Unilever Sustainable living has three big goal

- I. By 2020 we will help more than 1 billion people take action to improve their health and well-being
- II. By 2030 our goal is to halve the environmental footprint of making and use of our products as we grow our business
- III. By 2020 we will enhance the livelihood of millions of people as we grow our business

It's all part of the Unilever's wider sustainability programme, which aims to decouple growth from its environmental footprint whilst increasing its positive social impact. Unilever is counting every second to make its Sustainable living plan more feasible in Nepal by driving the vision of 'Swastha Nepal, Sakshyam Nepal – Hamro Nepal'.



Within "Swastha Nepal, Sakshyam Nepal – Hamro Nepal", various projects are encompassed "To earn Love and Respect of Nepal by Making a real difference to every Nepali" led by brands and functions

- I. Brand led activities
  - a. Lifebuoy help child reach 5
  - b. Pepsodent oral hygiene
  - c. Consumer awareness programs
- II. Hamri Didi- women empowerment through income generating opportunities
- III. More women participation in workforce.
- IV. Hamro Ramro Pasal- Enhancing consumer experience for customer's growth
- V. Project Prabhat: Community involvement in area we operate (Basamadi)



## Lifebuoy - “Help a Child Reach 5”

Lifebuoy has been highly committed towards the global campaign – “Help a child Reach 5”. Since the launch in the year 2014, this social mission has impacted more than 25 lakh people in Nepal. Every year, lakhs of children die before they reach the age of five, many due to preventable infections. Handwashing with soap has been cited as one of the most cost-effective solutions to address this challenge. A review of several studies show that the simple act of handwashing in institutions, such as primary schools and day care centres, reduces the incidence of diarrheal diseases by an average of 30 per cent. Lifebuoy handwashing behaviour change initiatives of your Company, helps in promoting the benefits of handwashing with soap at key times during the day and encouraging people to sustain good handwashing behaviors.

To expedite this program through the route of public-private partnership in collaborative approach, Lifebuoy Nepal partnered with SNV Nepal, local unit of SNV, Netherlands.

Consistently working on making positive impacts on Nepalese lives and equally being thoughtful on making the program sustainable and scalable, the public-private partnership was initiated. The campaign was implemented in selected schools in five districts where the Civil Society WASH Fund and SNV's Sustainable Sanitation and Hygiene for All (SSH4A) project was carried out. Lifebuoy provided the project with technical and supervisory support too. With this, for the first time ever, public-private partnership in Lifebuoy School of five in Nepal, 5 new districts were reached out to and in 54 new schools with a total of 44 thousand plus contacts in a period of 1 month.

**THE SCHOOL 5**

Lifebuoy

1 नाम: शक्ति, जोश, तेज  
अवसर: खाने बेला  
विवरण: तिमिल्ला उनीहरू स्फूर्तिले भरिपूर्ण छन्।

2 नाम: कपालेबाबु  
अवसर: घर्पी गएपछि  
विवरण: ऊ एउटा अजगको प्रिय चरित्र हो, जसले साबुनको बुल्लो जादूयी बबल फुक्न सक्छ।

3 नाम: चम्किली  
अवसर: लुहाउने बेला  
विवरण: ब स्कूल अफ फाइभको लिडर

4 नाम: फोहोरी  
विवरण: खराब चरित्र। उसलाई कीटाणु र फोहोर मनपर्छ।  
छ्या!

5 यदि तपाईंको हात सफा छ भने मलाई दिनुहोस् हाइ 5

बुद्ध नबनौ, सधैं साबुनको प्रयोग गरौ





## Pepsodent Oral Hygiene

In Nepal, Pepsodent is working to constantly promote oral health with various activities like dental camps, school awareness programs, smile carnival etc.

Like every year, World Oral Health Day was commemorated in Nepal through a variety of activities on 20th March 2017 too. The theme for the event this year was "Live Mouth Smart"

On World Oral Health Day 2017, Nepal Dental Association in cooperation with Pepsodent, organized various activities to spread awareness on oral hygiene. Mass rally was organized with more than 1000 people including Doctors, Dental Assistants, and Dental Students from various dental colleges in Kathmandu. Free dental check-ups were also organized on this day.

## Consumer Awareness Program

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

Law of Nepal also mandate this as consumer right, however same is not being followed by various products in the country, hence depriving the consumers, their right of information on the products. With this insight and its commitment towards consumers, your Company launched the consumer awareness campaign "Label" to educate consumers on the relevance of label. This campaign was launched to create maximum awareness among the consumers and organizations regarding consumer right.





## Hamri Didi

Hamri Didi ('our sisters') is your Company's rural direct-to-consumer retail distribution initiative aimed to empower underprivileged rural women by providing them income generating opportunities. Your Company has successfully piloted this program in western Nepal and is investing in the training and mentoring women entrepreneurs. It has also established local dealers who will supply goods to Hamri Didi in remote areas.

In this mentoring program, the selected women and their supervisors walk door-to-door and market-to-market to educate people about Unilever products. "Hamri Didi" also acquires this knowledge in classroom training and are guided through on-the-job training also to know different business approaches.

Hamri Didi project had partnered with UK Aid funded RAP3 CONNECT and Prabhu Bank. Currently this innovative model of collaboration between a donor program and the private sector is paving the way for economic independence of hundreds of rural women in the remotest parts of Nepal. Over three years 600 high-potential women, the Hamri Didi, are selected by CONNECT, and trained and appointed by your Company as rural sales agents in the Mid and Far West of Nepal

## Hamro Ramro Pasal

Hamro Ramro Pasal is part of our sustainability program, through which we partner with our customers (trade), to help them serve their shoppers better. Under this, your Company focuses on enhancing consumer experience at the retailer point for its healthy growth. In a short period of 4 months, we have already enrolled 3500+ outlets which are being regularly serviced and provided guidance in visibility and outlet layout for better consumer buying experience.



## हामीसँगै, सेवा दिंदै

The program was launched with the partner outlets in the huge launch event "Subhaarambha" where these partner outlets were welcomed into the program by many big celebrities like Rajesh Hamal, Priyanka Karki, Indira Joshi, Kali Prasad Devkota, Alisha Rai, Sandeep Chhetri & Malvika Subba.

Besides getting valuable insights on how to serve consumers better, the program was thoroughly enjoyed by the audience with performances from these famous celebrities.

Superstar Rajesh Hamal was proud participant and commented: "I have been associated with Unilever since many years. Your Company is such a Nepali company which has touched the heart of many Nepalese. It has reached to this level only because of its hard work since many years."







## Superstar Dhamaka

The campaign was activated massively across Nepal with a calendar event happening in the same location on the same day in each month. Certain locations were identified in the Hilly areas of the nation where the growth prospect is high and consumer awareness is a must.

Brands were thus activated in those areas with the key brand messages along with the few core messages like:

- use the right product for right purpose
- always use branded/labelled products bearing all mandatory information about the product
- stay alert on Consumer Law

The campaign received a huge appreciation and accreditation from the locals and created lots of buzz in trade, local media and the local population.

The campaign had various famous artists of the nation advocating and endorsing various Unilever brands namely Sunita Dulal, Milan Amatya, Dhiraj Rai, Anil Singh, Namrata Sapkota, Sanchita Luitel, Anu Shah, Shreya Sotang, Subani Moktan, Mingma Sherpa, Sanjeev Singh.

## Project Prabhat:

Your Company also has community engagement programmes in areas adjacent to its manufacturing units. Project Prabhat is one such initiative under which your Company is actively engaged in community development at Basamadi, Makwanpur





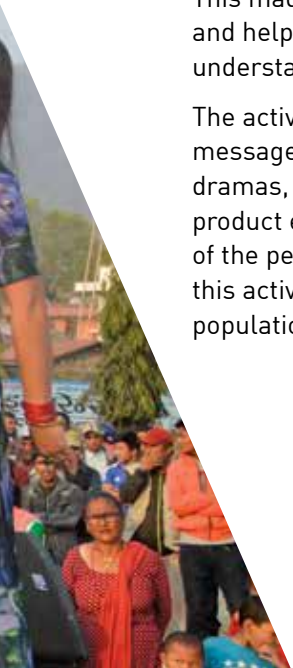
where its factory is situated. Company's first priority is to work for enhancing health and nutrition, second is to reduce the environmental impact and third is to work towards raising livelihood of people. Your company runs different social campaigns not because of the compassion but for the well being of society and growth of business. Sustainable living is the Unilever way of working. Company's business model drives growth that is consistent, profitable, competitive and responsible. Hence, for last seven years, Unilever Sustainable Living Plan (USLP), core to everything we do.

In the recent years, your company's focus is on conservation of water by sustainable utilisation of resources to tackle the global water scarcity. Your Company like its parent HUL is betting big on sustainability and continuously working for giving back to the society and environment. Your Company has been honored by Environmental Friendly Factory Award in 2074 BS for its environmental protection initiatives.

### Saundarya Chautari': Beauty Edify

In line with your Company's commitment to reach out to more consumers and enhance their life through our products, Your Company continued its rural activation "Saundarya Chautari." With the motive of educating rural population and overcome media darkness, Saundarya Chautari lead by Brands like Sunsilk, Fair & Lovely and Wheel reached out to the rural population with 'infotainment' drama portraying everyday lifestyles and chores of our consumers. This made our products more relatable and helped remove any barriers faced in understanding the product benefits.

The activation communicated the brand messages in the form of: infomercial dramas, product demonstration and brand/product efficacy for better understanding of the people in rural junctions. Every year this activation reaches out lakhs of rural population in rural towns.





## Wheel OK- “kinnu mai cha buddhimani”

Wheel OK has succeeded in earning a good name and gaining the trust of its consumers in the Nepali market over the years. To continue this success, Wheel OK has launched new campaign this year called, ‘Wheel OK kinnu mai cha buddhimani’ The goal of your Company is to ensure that every Unilever product made for the benefit of its consumers, reaches the Nepali community and this campaign also aims to do the same.

Through this campaign, Superstar Rajesh Hamal and his wife Madhu Hamal communicate the attributes of Wheel OK which includes the power of lemon, its fragrance, animal fat free label and the overall feature, very engagingly. This campaign also emphasizes on how important it is to have label on the products that is being used by consumers directly.





## Clinic Plus- Going Bigger

Clinic Plus, the most popular hair care brand in Nepal relaunched its large bottle "Super Saver Pack". Continuing with the brand theme of strengthening the mother-daughter relation, a new dimension was added to the brand under Unilever Sustainable Living Plan (USLP) to the next level. We realized that this is the right time to act and to "Change the order by making daughters the advantage."

Clinic Plus large pack gives a big cost saving and convenience with pump. Pump pack of Clinic Plus has a new look and feel with the flashers in the pack. Larger volume makes the pack cost effective, hence affordable to more consumers. It also has the strong claim of getting 35 X stronger hair.



## Close up Love Fest – Spread the Love

February, the Valentine's month is also known as the month of love. Capturing this valentine extravaganza Close up, the leading tooth paste brand in Nepal continued its trend and overwhelmed the town with Close up love fest. Initiated years back with a simple single day format, now after gathering massive fan following, Close up love fest has spread its wings and covered the multiple touch points for the youth to interact.

With the growing popularity of digital media and fast adaptation by youth, Close up love fest triggered this media to

ensure youth involvement in the activation. It was trending on digital media through Facebook, Email and SMS. The activation was concluded through one whole day mega event in one of the most popular malls with various youth activities including live musical performance, popular dance forms, DJ zone, games, special attraction and some selected performance from college students selected through Facebook video upload competition.





**NEW  
OUTSIDE  
INCREDIBLE  
INSIDE TRY IT!**

**sunsilk**  
CO-CREATIONS  
hair on  
your side!



## Sunsilk – Complete Transformation

Sunsilk, the no.1 hair care brand in Nepal, was re-launched this year. Objective of the re-launch was to build the unique and differentiating positioning of the brand in Hair. New Sunsilk -new Outside Incredible Inside has strong position in market with outstanding concept, light & aesthetically attractive 3D pack and incredible product.

This superior mix was deployed in the market with an exciting 360° communication comprising of TVC, radio, press, POS materials, trade communication and outdoor display. The new and refreshing pack of Sunsilk created huge buzz with the re-launch.







THE SECRET TO MY BEAUTY.  
LUX PERFUME.

## Lux Perfume, The Secret to Your Beauty

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

## Be Summer Ready with Lux Fresh Splash

Lux Fresh brings in for its users an exhilarating freshness that provides beautiful and fragrant skin. It not only makes you fragrant but keeps you fresh all day long, with its cooling mint and sea minerals, the freshness that makes you summer-ready, always.

BE  
FRESH

BE  
FRAGRANT

Meet Alia Bhatt, the fresh new face of Lux. Say hello to the cool, confident, refreshing and sensational actress! Alia's beauty secret? Lux Fresh Splash. With cooling mint and sea minerals for beautiful, fragrant and summer-ready skin!





## New Lifebuoy with Active Silver

New Lifebuoy comes with Active Silver that gives the Best Ever Protection from germs.

With the nature's strongest germ fighting ingredient -Silver, new Lifebuoy gives protection from 10 infection causing germs.

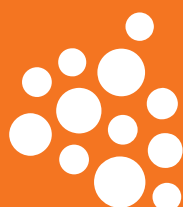
Its active silver formula gives 100% better germ protection. The new formulation and the best ever product was well communicated to the consumers through various media platforms namely television, print, radio, digital, etc.

## Come Alive with Liril Freshness

Liril, a common household name in Nepal has been a freshness quotient for years. The brand was massively activated in a new 'Avatar' among the freshness seekers through fresh new set of communications that took by storm the various media platforms like Television, radio, national prints, outdoor brandings and digital. With the slogan of Come Alive with Liril Freshness, the brand was nationally activated including in your Company's one of its kind on-ground activation- Super Star Dhamaka.

The iconic Liril is a freshness gateway and the new advertisement replicates the same recreating the 40-year-old advertisement, in a refreshing new look.

With the prominent re-launch of the brand, a super saver 3 in 1 pack was offered to the consumers that helped the brand expand its horizon.



# WINNING IN THE MARKET PLACE

Your Company continues to enjoy the most important competitive edge which is the reach of its sales and distribution network. Nepal's topography continues to offer strong challenges due to its under-developed infrastructure. However, this has not limited your Company in ensuring that it has the best distribution reach for any FMCG company in Nepal.

Your Company has over the last few years increased its reach of products by around 30%, thereby helping in market development, penetration and consumption of key categories. The Customer Development sales structure has undergone a re-engineering to come up-to-speed with changes for the future.

## Redefining distribution in urban markets

U1 & U2 structures were set up for a very clear and sharp on driving core (U1) and market development packs (U2) in all urban markets. Role of U1 is to drive width & depth while role of U2 is to drive impact & increase width.

## Rural Markets

To ensure we are able to service the rural markets effectively, we have set up 8 Distribution Hubs (DC) across Nepal. Road connectivity continues to be a challenge. However, we are able to set up 1008 Super Stockists to cater to the growing rural demand and capture a major pie of rural consumption. This would be our big competitive advantage going forward.

## Driving business with technology

Distributor back end billing package is key to our business. We have started a small pilot of new DMS package. This will help distributor in easy and instant access to data, and better control and decision-making power. This system will also help our distributors improve their overall business efficiency and enable them to in handle complex business which has multiple products and outlets.

We have also started pilot of order taking through mobile phones for our DSR. This will help the DSR spend more time in the outlet and will also help in them selling the right SKU to the right store with intelligent analytics being pushed from back end.

An efficient and better utilization of delivery vans is critical for a healthy ROI of our distributors. To ensure this, we are piloting a delivery app too which will help in tracking vans real time and bring efficiencies.

To help the Merchandisers do their work efficiently & effectively we have started to pilot merchandiser app. This app guides the merchandisers what all activities need to be done to an outlet level.

## Hamro Ramro Pasal (Perfect Stores) – Winning every day

We are into seventh year of Perfect Stores program and have significantly enhanced our presence in the market through this program. With a rich history of over now 7 years, now Perfect Stores has been re-launched as Hamro Ramro Pasal. We now have considerable number of outlets registered under HRP in Kathmandu Valley. For the first time, ever 3500 HRP had gathered under one roof and did have a wonderful get together. This programme is expected to drive our business significantly.





# PARTNERING WITH CUSTOMERS

## Building Win Win relationships

We have been able to drive stronger customer performance through our Joint Business Planning (JBP) process. In order to differentiate and recognize their performance, we run customer award programmes which give boost to our customers. Our distributors are very valuable and strong partners and have helped us deliver the best experience to customers and shoppers at point of sale.

We have been continuously putting our efforts to improve the field capability of our distributors through continuous on-the-job training.

We also have a reward and recognition system in place which promotes performance culture in the distributor's sales team.

## Dealing with uncertainties- The Unilever way

Mastering the art of successfully serving the customers and consumers under difficult times has become a key competitive edge to your Company. Management of the overall customer interface during natural calamity is a strong testimony to the team's ability to handle toughest uncertainties.

With consistent focus on basics of customer management and driving excellence at point of purchase, we have been able to continuously delight our customers in all situations.

Our extensive distribution set up with high market penetration and enhanced market servicing gives us a distinct edge to ensure that our innovations reach consumers quicker and faster, thereby helping us to establish our brands faster in the market place.

Our team's ability to manage and lead during natural or man-made calamities, was well demonstrated during the earthquake and blockades.

## Enhancing livelihoods

We have strengthened our distribution and coverage in rural Nepal via Project Hamri Didi. This is a rural direct-to-consumer retail distribution initiative aimed to empower rural women by providing them with income generating opportunities. We now are into the third year and the company is empowering women through "Hamri Didi". The women entrepreneurs were trained by the supervisors. They walk from door to door along with the entrepreneurs and from market to market teaching about Unilever products on daily basis. The women entrepreneurs are also guided through on-the-job training and are trained to deal with different approaches in different scenarios. Your Company is enhancing the livelihoods of women entrepreneurs and building their confidence by proudly distributing Unilever products in their villages.



# WINNING THROUGH CONTINUOUS IMPROVEMENT

The Supply chain function continues its vision of delivering “Outstanding Service with highest consumer perceived Quality at lowest Cost” amid severe Internal and External VUCA-Volatile, Uncertain, Complex & Ambiguous scenarios. This year we sought to achieve this through 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 initiatives undertaken this year. Safety awareness was further instilled through “BeSafe training”, “Road Safety Hero Campaign”, “Winter Safety Campaign”, “Monsoon Safety Campaign” and various trainings on “First Aid”, “Firefighting”, and “Earthquake Safety”. Accident-free full proof guarding has been done in all machines and frequent refresher trainings are provided on Safe operation of machines for all operators. Dust Extraction system was installed in soap plant to minimize the particulate matter level and to improve occupational health of our employees. Further, existing Fire Alarm system is being upgraded to addressable system to strengthen the emergency preparedness plans. On the occasion of World Environment Day 2017, your Company was recognized as the ‘Company of the Year’, 2016-17 by the Ministry of Population & Environment, Nepal, for environmental excellence. Further, we aim to eliminate the use of LPG gas in factory by harvesting bio-gas from canteen- kitchen waste.

## Sustainability

Your Company strives to achieve sustainable growth by continuously reducing carbon footprint through various energy efficient projects. Effluent treated water is being used for gardening, for flushing in washrooms, as filler in our in-house Pond in the premises of Amrisho Udhyan and in cooling towers to reduce unnecessary water consumption. Sodium vapor lamps have been replaced by LED light and light intensity based sensor has been installed in all street lights to reduce the Carbon foot print. Further, plan is to replace all street lights with solar lights, to install light intensity cum occupancy based controller in plant’s lighting system, and to replace all high-power consumption motors by Energy Efficient IE3 motors. Also, all the local vendors are being audited for Unilever Responsible Sourcing Audit (URSA) to align them with our Global supplier’s standard on sustainability.

## Capacity Upgradation

Keeping in line with the increased market demand, various activities were taken up at your Company and its 3Ps to upgrade our manufacturing capacity. Pack size of various products have been optimized to increase the gross output. Two Bosch VFFS machine along with high capacity Sigma mixer have been installed to cater to the high laundry powder demand. Further we have robust sachet expansion plan in place to double the manufacturing capacity. We also have plans to localize premium products of facewash, conditioner, beauty soaps and lotion to support your Company’s business by reducing imports.



## Engineering Excellence

As a leader in adopting world class manufacturing technology, we are in continuous watch for the latest technological advances and engineering practices. As a reflection to this, our HSD Boiler's parameters are being monitored through a latest technology- SCADA based Efimax 3000 of Forbes Marshall. A steam condensate recovery system from Thermax, was also implemented to recover condensate from pipeline and to enhance the feed water temperature and increase the overall boiler efficiency. Best Industrial maintenance practices have been implemented to upkeep our machines, Its efficiency and life. Human friendly, automated and high speed "Universal CoBOT" technology to be introduced at the end of packaging line for smoother and efficient operations.

## Quality

Serving Quality Products in market has always been fundamental to our business. A State of the art laboratory as per global standards with segregation of Microbiology, Analytical and Packaging Laboratory was set-up this year. We also introduced Metal Detectors in all powder and bar lines to prevent Foreign Material Contamination. Advancements in Quality Testing were injected by bringing in Hi-tech equipment like Rheometer, FTIR, Polarimeter etc. We have a robust plan to install "Check-ware" system at end of line to strengthen our Quality competence. With "No Cap, No Bundling" modification brought in place lately, we would be able to achieve the same.

## Cost Optimization

An important aspect of business, Cost optimization enables us to cut the cost and add value for business growth. We considered alternate sourcing, smart negotiations, local vendor development, Product optimization and efficient manufacturing as the key areas for cost optimization. We have also successfully commissioned common random case sealer from LanTech for all four personal product packing lines, which lead to huge cost trimming. Further, we are also planning to optimize cost by building centralized warehouse, taking up ambitious project of Truck turnaround time & load ability optimization and out sourcing of noodles.

## Journey towards Excellence-Service

Availability of Quality Product in market in right quantity at right place at right time with high visibility to consumer is motto of the supply chain team. To abide by this motto, we have developed flexible end to end supply chain system to serve the products as the market demands. Flawless execution has always been the driver of faster delivery of products during Launches, Re-launches and localization of products. We have also initiated customer care system to maintain direct relation with our business partners. Further, service excellence will be strengthened by embracing Total Productive Maintenance System.





# WINNING WITH PEOPLE

We here in your Company are committed to build a robust talent and leadership pipeline which enables organization to win in the diverse market. We build capabilities and engage with employees across all levels to shape up the high-performance organization and to drive purposeful performance plan for every individual within the entire Company. Our Human Resource team has developed a framework which involves building strength based

opportunity, first time in your Company's history, we have recruited 30 female's shop floor employees and have deployed them in one year on the job training program based out of our factory at Basamadi, Hetauda.

## Learning and Development (L&D)

In your Company, Learning and Development mainly encompasses a different range of L & D methodologies and it starts with the approach of Research: Design: Deployment. We primarily define the requisite priorities of the respective domain of the business and key capabilities required to drive those business results. Your Company operates with the learning principal of 70:20:10 wherein 70 (On-the-job learning / Experimental learning / Learning by doing assessments / projects), 20 (Learning by coaching / Peer to Peer learning) & 10 (Class room instructor led learning) and with these set of L & D interventions, the final program design syncs well with the 'Learn to Lead' and learnings to accelerate mindset within our employees. The talent development program at your Company includes structured learning, online learning tool like e-learning, personal development plans, and international exposures such as operational visits to the parent company, and other SA Unilever companies.

## Organizational Development through Highly Engaged Workforce

Employee Engagement is one of the integral part of your Company operating philosophy and the leadership team of your Company is fully committed in line with the clear mission, vision and values of the organization. We believe that both organizational development and individual development works parallelly and therefore the linkage of every employee development with organizational development is one of the imperative aspect for the success of our business deliverables. There is an increased focus on Individual Development



organization and cobbling together a new vision for your Company 'Entitlement to Ownership". This inculcates ownership mindset in employees while providing them an environment and culture to achieve business goals and winning in all dimensions.

## Talent Acquisition and Management

Your Company strongly believes that talent is the primordial asset which enables the success of organization. Therefore, your Company Talent Acquisition not only encompasses the recruitment of the candidate in line with our organization sturdy recruitment process but also on board the candidate with detailed induction program followed by coaching and mentoring programs.

To provide equal employment



Plans, where employees are encouraged to discover their purpose and articulate their short-term and long-term aspirations.

## Employer Branding – A best place to work

During the year, your Company has taken many initiatives in creating our organization value proposition among our own employees and associated stakeholders. We have also taken many initiatives in the space of employer branding through various corporate presentations and guest lectures by Leadership Team members in Nepal's top management and engineering institutions. As a part of carrier building with your Company, we are also engaging with students of the top educational institutes of Nepal for offering them internship during our campus visits. Some other initiatives like providing scholarships to technical students from Makwanpur district and help them enroll in technical courses in Balaju CTEVT College and inviting Government officials for our factory visits also add lot of value in terms of creating and show-casing your company as a best place to work.

## Industrial Relations – Entitlement to Ownership Mindset

This year was one of the difficult years in terms of the IR at Basamadi, Hetauda factory of your Company. On 10th July 2016 Union Representatives, along with shop floor employees opted to resort to illegal flash strike which later resulted into the short-term closure of our Hetauda Factory. After the joint effort of the team, the said lock out

was lifted on 22nd September 2016 along with the positive assurance from Union Representatives and commitment from the shop floor employees to not to resort to any unfair labor practices including illegal work stoppages in future. They also committed to fully abide by the company's service terms & conditions and engage themselves in the betterment of the factory in terms of the factory productivity etc. Your company have also introduced attendance multiplier in the current incentive scheme which mainly focuses on the physical presence of shop floor employee and give them a potential to earn more while reducing their absenteeism. Your Company also provided shop floor employees with the financial assistance of Rs. 2,00,000/- for repair and renovation of their houses. Recently the team of Your Company has crafted a new vision for the Company's people agenda which is 'Entitlement to Ownership' which will inculcate the owner's mindset in each employee of your Company.

## Ensuring Safety

Your Company's mission is to protect and enhance the well-being of our employees, visitors and partners. Safe working is non-negotiable. Your Company follows Unilever global safety standards in all our units. Your Company's safety practices ensure all possible safety hazards are identified and eliminated; not only at the workplace but also during travel. Your Company promote 'Beyond Work Safety' as part of our holistic safety culture to improve safety of employees beyond work.



# LEGAL GOVERNANCE AND BRAND PROTECTION

The legal function of your Company continues to be a valued partner in facilitating the business agenda in the areas of claims management, legislative changes in both emerging and existing regulations, effectively dealing with unfair competition and ensuring regulatory compliance. The legal function of your company collaborates and works closely with industry associations, regulators and key opinion formers to develop the regulatory environment that is progressive and is in the best interest of all stakeholders.

The focus on litigation management continued during the year as also on combating unfair competition with a series of actions to protect your Company's Brands from counterfeits, look-alike and grey imports. Legal function has engaged itself in propagating intellectual property awareness across the country. Your Company believes that 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. 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 focus on the key areas and projects identified within the Legal, Compliance and Corporate Affairs functions. The Company has implemented an in-house workflow based compliance tool 'Self-Compli' that tracks compliances across factories and offices.

## Nepal Financial Reporting Standard (NFRS)

Your Company believes in the highest standards of corporate behavior, 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 had adopted Nepal Financial Reporting Standard (NFRS) for last 3 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 24th August 2017 recommended final dividend of Rs. 1100/- per share on each equity share for the financial year ended on 15th July, 2017. This year, your company also celebrates its 25th year in Nepal. On this special occasion, the Board has also recommended an additional special dividend of Rs. 170 per share to commemorate the occasion. This is the highest ever paid dividend in the Company's history.

## Business Risk & Future Outlook

As your Company march 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 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 the company to remain as industry leaders. 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

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 interest.

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

On behalf of the Board

Pradeep Banerjee  
Chairman  
24th August 2017, Thursday

## **DIRECTORS**

Mr. Pradeep Banerjee – Chairman  
Mr. Ravi Bhakta Shrestha  
Mr. Bharat Bahadur Thapa – Independent Director  
Mr. Dev Bajpai  
Ms. Priya Nair  
Mr. Sankar Lall Agrawal  
Mr. Suyash Chauhan – Managing Director

## **COMPANY SECRETARY**

Ms. Sushila Adhikari

## **AUDITORS**

CSC & Co., Chartered Accountants  
Kathmandu, Nepal

## **BANKERS**

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

## **REGISTERED OFFICE & FACTORY**

Basamadi V.D.C-5  
P.O.Box-11, Hetauda  
Dist. Makwanpur, Nepal  
Tel: 977-57-411047

## **CORPORATE OFFICE**

Heritage Plaza II  
Block C & D, 4th Floor  
Kamaladi, Kathmandu  
Tel: 977-1-4169151  
Fax: 977-1-4169153  
GPO Box: 7765, Kathmandu, Nepal

## **SHARE REGISTERED**

Sunrise Capital Limited  
Kamalpokhari  
P. Box No. 7423  
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 share holders in the previous financial year : -

Hindustan Unilever Limited, which is the majority share holder, 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 share holder.

4. Share Purchase by Directors and Officials of the company during the year : -

Name of the director	No. of shares	Date of purchase
Ravi Bhakta Shrestha	3090	08-Jan-2017

5. Information received on the personal interest of Directors and their close relatives in any agreement / contract entered into by the company:-

Nil

6. Detail of share buy back 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:

- Operation Manuals, procedures and guidelines for systematic conduct of operations.
- Financial policy and accounting guidelines.
- Independent internal audit carried out by Deloitte Haskins & Sells LLP, India
- Periodic review of internal control systems by Management and Audit Committee.

8. Total Management expenses during the year :-

Rs. in Lakhs

Employee expenses during the full year

941.71

Administrative expenses during the fiscal year

1,822.92

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

<b>Name</b>	<b>Remuneration</b>	
Mr. Bharat Bahadur Thapa	**	Chairman
Mr. Ravi Bhakta Shrestha	**	Member
Mr. Dev Bajpai	**	Member

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

(\*\*) During the year, a total amount of Rs. 108,000 was paid as meeting fees to Mr. Bharat Bahadur Thapa & Mr. Ravi Bhakta Shrestha. Moreover, travel expenses of all 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:

Rs. in Lakhs				
<b>S.N.</b>	<b>Particulars</b>	<b>Directors</b>	<b>MD</b>	<b>Managers/Officers/Staff</b>
1.	Meeting Fee	2.84	-	-
2.	Salary & Allowances	-	210.90	1,443.61
3	Car Facility	No	Yes	Yes
4.	Accommodation	No	Yes	Note (b)
5.	Insurance Coverage	No	No	Yes
6.	Number of Persons	6	1	234

Notes:-

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

12. Unclaimed Dividends :-

Total unclaimed dividend is Rs. 340.19 lakhs as on Ashad 31, 2074.

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

Nil.

14. Other relevant issues :-

Nil.





# UNILEVER NEPAL LIMITED INDEPENDENT AUDITOR'S REPORT

## **To the Shareholders of Unilever Nepal Limited**

### Report on the Financial Statements

We have audited the accompanying financial statement of Unilever Nepal Limited ("the Company"), which comprise the statement of financial position as at 15 July 2017, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Company as on 15th July 2017 and its financial performance and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

## Report on the requirements of Company Act 2063

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

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

Madan Krishna Sharma  
Partner  
CSC & Co.  
Chartered Accountants

Place: Kathmandu  
Date: 24 August, 2017

# STATEMENT OF FINANCIAL POSITION

As at 31 Ashad, 2074 (15<sup>th</sup> July 2017)

Figures in Rs.

Particulars	Note	2073-74	2072-73
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	56,33,40,715	47,99,00,510
Intangible assets	4	19,30,731	21,90,377
Deferred tax assets	6	1,59,49,220	77,54,405
Other non-current assets	7	5,93,001	-
<b>Total Non-Current Assets</b>		<b>58,18,13,667</b>	<b>48,98,45,292</b>
<b>Current assets</b>			
Inventories	8	62,00,25,639	67,46,90,691
<b>Financial assets</b>			
Trade and other receivables	9	68,02,78,067	29,70,66,288
Investments	5	1,16,04,93,610	1,03,67,71,634
Cash and cash equivalents	10	24,17,36,744	51,75,66,166
Bank balance other than CCE	11	3,48,92,484	2,83,49,570
<b>Other current assets</b>			
Prepayments		25,88,198	21,51,449
<b>Total current assets</b>		<b>2,74,00,14,742</b>	<b>2,55,65,95,798</b>
<b>Total assets</b>		<b>3,32,18,28,409</b>	<b>3,04,64,41,090</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	9,20,70,000	9,20,70,000
Retained earnings	13	1,98,22,01,113	1,95,69,18,640
<b>Total Equity</b>		<b>2,07,42,71,113</b>	<b>2,04,89,88,640</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Provisions	14	1,29,48,402	1,08,70,569
<b>Total Non-Current Liabilities</b>		<b>1,29,48,402</b>	<b>1,08,70,569</b>
<b>Current Liabilities</b>			
Trade and other payables	15	1,01,94,48,347	90,20,20,708
Provisions	14	16,03,32,004	4,36,63,608
Income Tax Liability	22	5,48,28,543	4,08,97,565
<b>Total Current Liabilities</b>		<b>1,23,46,08,894</b>	<b>98,65,81,881</b>
<b>Total Liabilities</b>		<b>1,24,75,57,296</b>	<b>99,74,52,450</b>
<b>Total Equity and Liabilities</b>		<b>3,32,18,28,409</b>	<b>3,04,64,41,090</b>

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

**Pradeep Banerjee**  
Chairman

**Shankar Lall Agrawal**  
Director

**Priya Nair**  
Director

**Ravi Bhakta Shrestha**  
Director

**Bharat Bahadur Thapa**  
Independent Director

**Dev Bajpai**  
Director

**Suyash Chauhan**  
Managing Director

**Pramod Nair**  
Sr. Finance Manager

**Sushila Adhikari**  
Company Secretary

**Madan Krishna Sharma**  
Senior Partner  
CSC & Co.  
Chartered Accountants



# PROFIT OR LOSS STATEMENT

for the year ended 31 Ashad 2074 (15<sup>th</sup> July 2017)

Figures in Rs.

Particulars	Note	2073-74	2072-73
Revenue from operations	16	4,44,23,74,518	3,94,64,75,648
Other income	17	62,63,32,010	51,27,24,588
<b>TOTAL INCOME</b>		<b>5,06,87,06,528</b>	<b>4,45,92,00,236</b>
<b>EXPENSES</b>			
Cost of materials consumed	18	(2,39,19,81,812)	(1,97,94,11,692)
Changes in inventories of finished goods (including stock-in-trade) and work-in-progress	19	10,89,79,198	(2,67,59,143)
Employee benefits expenses	20	(34,72,98,786)	(24,26,98,762)
Depreciation and amortisation expenses	3,4	(3,29,86,701)	(2,64,34,130)
Other expenses	21	(1,14,47,23,099)	(77,64,17,084)
<b>TOTAL EXPENSES</b>		<b>(3,80,80,11,200)</b>	<b>(3,05,17,20,811)</b>
<b>Profit before tax</b>		<b>1,26,06,95,328</b>	<b>1,40,74,79,425</b>
Income Tax Expense	22	(29,54,65,022)	(28,58,02,098)
<b>Profit from continuing operations</b>		<b>96,52,30,306</b>	<b>1,12,16,77,327</b>
<b>Net Profit for the year</b>		<b>96,52,30,306</b>	<b>1,12,16,77,327</b>
Basic and Diluted Earnings per share	24	1,048	1,218

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# STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 Ashad 2074 (15<sup>th</sup> July 2017)

Figures in Rs.

	Note	2073-74	2072-73
<b>Net Profit for the year as per Statement of Profit or Loss</b>		96,52,30,306	1,12,16,77,327
<b>Other comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax)</b>			
Acturial Gain/(Loss) on defined benefit pension schemes	25	(8,33,833)	(41,98,232)
<b>Other comprehensive gain/(loss) for the year, net of tax</b>		(8,33,833)	(41,98,232)
<b>Total Comprehensive gain/(loss) for the year, net of tax</b>		96,43,96,473	1,11,74,79,095

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# STATEMENT OF CASH FLOWS

for the year ended 31 Ashad 2074 (15<sup>th</sup> July 2017)

Figures in Rs.

	Note	2073-74	2072-73
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		96,52,30,306	1,12,16,77,327
Adjustments for:			
Income tax during the year	22	29,54,65,022	28,58,02,098
Depreciation on property, plant and equipment	3	3,25,15,058	2,64,30,376
Amortization of Intangible Assets	4	4,71,646	3,755
Allowance for inventory obsolescence	8	1,25,29,855	51,49,397
Provision for employee benefits	14	17,69,509	2,74,452
Other provisions	14	11,61,42,887	6,37,149
Provision for Bonus	20	11,89,45,302	7,75,09,835
Finance income	17	(5,06,46,805)	(5,34,87,343)
Fixed Assets W/Off	21	47,93,911	-
Loss/ (gain) on sale of Property, plant and equipment	17	(3,61,583)	(2,22,656)
Working capital adjustments:			
Increase/ (decrease) in Trade & Other receivables	9	(38,32,11,779)	(42,05,853)
Increase/ (decrease) in Other non-current assets	7	(5,93,001)	-
Increase/ (decrease) in prepayments		(4,36,749)	6,00,503
Increase/ (decrease) in Inventories	8	4,21,35,197	(12,37,40,345)
Increase / (decrease) in trade and other payables	15	6,96,55,664	7,86,19,908
<b>Cash generated from operations</b>		<b>1,22,44,04,439</b>	<b>1,41,50,48,603</b>
Bonus paid		(7,75,09,835)	(13,04,20,540)
Income Tax Paid		(28,97,28,859)	(29,20,60,274)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>85,71,65,744</b>	<b>99,25,67,789</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Proceeds from sale of Property, Plant and Equipment		3,61,583	3,76,535
Interest Received		4,95,74,829	5,35,54,169
Acquisition of Property, plant and Equipment	3	(12,07,49,174)	(18,16,28,731)
Purchase of Intangibles	4	(2,12,000)	(21,94,132)
Decrease/(increase) in Investment on FD		(12,26,50,000)	(5,94,00,000)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(19,36,74,761)</b>	<b>(18,92,92,159)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(93,27,77,491)	(90,36,69,349)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(93,27,77,491)</b>	<b>(90,36,69,349)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(26,92,86,508)</b>	<b>(10,03,93,719)</b>
<b>CASH AND CASH EQUIVALENTS,</b>			
<b>Beginning of Year</b>	10,11	54,59,15,736	64,63,09,455
<b>CASH AND CASH EQUIVALENTS, End of Period</b>		<b>27,66,29,228</b>	<b>54,59,15,736</b>

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

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# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 Ashad 2074 (15<sup>th</sup> July 2017)

Figures in Rs.

	Share capital	Employees' Housing reserve	Retained earnings	Total
<b>Balance at 1 Shrawan 2072</b>	<b>9,20,70,000</b>	<b>9,33,95,420</b>	<b>1,65,75,37,125</b>	<b>1,84,30,02,545</b>
Profit for the year	-	-	1,12,16,77,327	1,12,16,77,327
Other comprehensive income	-	-	(41,98,232)	(41,98,232)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,11,74,79,095</b>	<b>1,11,74,79,095</b>
<b>Transfer to Employees' Housing Reserve</b>				
- For the current year		7,77,99,865	(7,77,99,865)	-
- For the year 2005-06 to 2014-15		55,45,81,212	(55,45,81,212)	-
Dividends to shareholders	-	-	(91,14,93,000)	(91,14,93,000)
<b>Balance at 31st Ashad 2073</b>	<b>9,20,70,000</b>	<b>72,57,76,497</b>	<b>1,23,11,42,143</b>	<b>2,04,89,88,640</b>
Profit for the year	-	-	96,52,30,306	96,52,30,306
Other comprehensive income	-	-	(8,33,833)	(8,33,833)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>96,43,96,473</b>	<b>96,43,96,473</b>
Transfer to Employees' Housing Reserve		7,12,89,228	(7,12,89,228)	-
Dividends to shareholders	-	-	(93,91,14,000)	(93,91,14,000)
<b>Balance at 31st Ashad 2074</b>	<b>9,20,70,000</b>	<b>79,70,65,725</b>	<b>1,18,51,35,388</b>	<b>2,07,42,71,113</b>

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

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# SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT

for the year ended 31 Ashad 2074 (15<sup>th</sup> July 2017)

## 1. Corporate information

Unilever Nepal Limited ("Company") is a public limited company, listed in the Nepal Stock Exchange Ltd, incorporated under the Companies Act, 2063 of Nepal. The registered office of the Company and the principal place of business are located at Basamadi VDC-5, Makwanpur, Nepal.

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

## 2. Significant Accounting Policies

### 2.1 Basis of Preparation

#### 2.1.1 Statement of compliance

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

#### 2.1.2 Presentation of Statement of profit and loss account

In Previous year Company has presented Statement of Profit and loss account (SOPL) "by Function". However, to align the reporting with parent company, presentation of SOPL is changed to "by nature" from current year. Accordingly, previous year figures are also reclassified and presented "by nature" for comparative figures. There is no change in profitability of previous year due to this change in presentation.

The Financial Statements were authorized for issue by the Board of Directors on 24th August 2017.

#### 2.1.3 Going concern

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

#### 2.1.4 Basis of measurement

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

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

#### 2.1.5 Critical accounting estimates

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

##### a) Provision for employee benefits

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds due to absence of quality corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available Nepal Assured Lives Mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about Employee benefit obligations are given in note 2.2.15, note 14, note 25 and note 25a.



## **b) Recognition of deferred tax assets**

Deferred tax assets are recognized for unused tax losses and taxable temporary difference to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company based its assumptions and estimates on parameters available when the financial statements were 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 2.2.16 and note 6.

## **c) Provision for depreciation and amortization**

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

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

### **2.1.6 Functional and presentation currency**

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

### **2.1.7 Capital Management**

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

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st Ashad 2074 and 2073.

### **2.1.8 Recent Accounting Developments**

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

## **2.2 Significant accounting policies and Notes to accounts**

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

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

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written



down accordingly. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or Cash generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is also done for whether there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have been decreased. If any such indication exists the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to the revised estimate of its recoverable amount such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

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

## 2.2.2 Foreign Currency Transactions

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

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

## 2.2.3 Property, plant and equipment

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

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

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

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

## 2.2.4 Depreciation

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

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

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

Particulars	Useful Life (Years)	Depreciation Rate (%)
Building	40.00	2.50
Plant and Machinery	14.29	7.00
Office Equipment	14.29	7.00
Furniture and Fixtures	14.29	7.00
Motor Vehicles	6.67	15.00
Computer Accessories	5.00	20.00

### 2.2.5 Lease

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

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

The Company is both a lessee and a lessor under operating lease arrangements. Payments and receipts under such leases are charged or credited 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:

Figures in Rs.		
Period	As at 15 July 2017	As at 15 July 2016
Less than one year	2,82,03,563	2,28,79,464
One year to five years	4,42,79,322	3,31,59,147
More than five years	3,34,84,688	-
<b>Total</b>	<b>10,59,67,573</b>	<b>5,60,38,611</b>

**Lease rental income:** The Company has entered into agreements with Ganga Soap & Chemicals Industries Pvt. Ltd and Unique Soap Industries for production of goods at their location. For such purpose, the Company has provided plant and machineries to these parties on lease. The original lease term is expired on 31-Dec-2016 and 31-Jan-2017 and Amended agreement does not includes lease rental charges for plant and machinery provided to these parties.

### 2.2.6 Intangible Assets

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

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

### 2.2.7 Production at Third Party Manufacturing Locations

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

### 2.2.8 Trade and other receivables

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

### 2.2.9 Inventories

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

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

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



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

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

#### **2.2.10 Cash and cash equivalents**

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

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

#### **2.2.11 Impairment of financial assets**

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

#### **2.2.12 Share capital**

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

#### **2.2.13 Current versus non-current classification**

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

The Company classifies an asset as current when it is:

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

All other assets are classified as non-current.

The Company classifies a liability as current when:

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

The Company classifies all other liabilities as non-current.

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

#### **2.2.14 Employment Benefits**

The Company has schemes of employment benefits namely provident fund, employee gratuity, other retirement benefit and accumulate leave payable as per employee service manual.

##### **Defined contribution schemes**

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



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

#### **Defined benefit schemes**

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

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

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

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

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

Gratuity is funded and deposited to a separate entity (Citizen Investment Trust), towards meeting the gratuity obligation.

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. The obligation is calculated using the projected unit credit method and is discounted to its present value using yields available on Government Bond. Service cost, interest cost and actuarial gain/loss are recognized in the profit or loss statement.

### **2.2.15 Taxation**

#### **Income Tax**

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

#### **Current tax**

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

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

Income from Manufacturing and sale of goods: 20% (2072/73: 20%)

Income from Service Charges on ELIDA Sales/access fees: 25% (2072/73: 25%)

The Company has availed the rebate of 15% on total tax liabilities 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 VPA, provision for one time retirement benefit, provision for leave encashment, allowance for inventory obsolescence and other provision.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **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 transferred to the buyer, the Company retains no effective control of the goods transferred to a degree usually associated with ownership and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

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

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

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

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

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

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

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

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

#### **Lease rentals**

Lease rentals from plant and machinery leased to other third-party manufacturers are recognized on accrual basis over the period of the lease and grouped under the Other Income.

#### **Interest Income**

Interest income is recognized on the time proportion basis

### **2.2.18 Expenses**

#### **Operating lease payments**

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

#### **Staff quarters**

Staff bonus and staff quarters are accounted in accordance with the provisions of the Bonus Act, 2030 and Labor Act, 2048 respectively.

In accordance with the decision of Honorable Supreme Court, the Company has set aside "Employees' Housing Reserve" for the purpose of construction of staff quarters in line with the requirement of section 41(2) of the Labor Act, 2048. This allocation has been done for all years including previous years since financial year 2005-06. Refer note no. 11 for the detail relating to Employees' housing reserve.



The Company has calculated and appropriate the staff quarter in employees' housing reserves as below: -

Figures in Rs.

Particulars	Foot Note	Amount as per Profit or Loss Statement (NPR) 2073-74	Adjustment for Gross Profit calculation	Amount for the Year (NPR) 2073-74
Revenue from operations		4,44,23,74,517	-	4,44,23,74,517
Other income	A	62,63,32,010	(62,63,32,010)	-
<b>Total Income</b>		<b>5,06,87,06,528</b>	<b>(62,63,32,010)</b>	<b>4,44,23,74,517</b>
Cost of materials consumed		2,39,19,81,812	-	2,39,19,81,812
Changes in inventories of finished goods (including stock-in-trade) and work-in-progress		(10,89,79,198)	-	(10,89,79,198)
Employee benefits expenses	B	34,72,98,786	(17,13,95,264)	17,59,03,521
Depreciation and amortization expenses		3,29,86,701	-	3,29,86,701
Other expenses	B, C	1,14,47,23,099	(62,00,23,106)	52,46,99,993
<b>Total expenses</b>		<b>3,80,80,11,200</b>	<b>(79,14,18,370)</b>	<b>3,01,65,92,830</b>
<b>Net Profit</b>		<b>1,26,06,95,328</b>	<b>Gross profit</b>	<b>1,42,57,81,688</b>
<b>Housing fund expenses @ 5% of Gross profit</b>				<b>7,12,89,228</b>

**Foot Note for Adjustments:**

A- Other income is not considered for GP calculation

B- Expenses relating to Administrative, Selling and Distribution functions not considered for Gross Profit calculation

C- Handling and Distribution Expenses have been considered to derive Gross Profit.

**Staff bonus**

The Company has calculated and charged the staff bonus as below: -

Figures in Rs.

Particulars	2073-74
Profit before Tax (PBT) before staff bonus provision	1,37,96,43,511
Less: Appropriation to Employees' housing reserve	(7,12,89,228)
<b>PBT for bonus calculation</b>	<b>1,30,83,54,283</b>
<b>Bonus @ 10%</b>	<b>11,89,45,302</b>
PBT as per Profit or Loss statement	1,26,06,95,328

**Provision for Corporate Social responsibilities (CSR)**

CSR expenses is accounted as per Industrial Enterprises Act 2016 (2073 BS) (the "Act") has been introduced with effect from November 22, 2016 repealing the Industrial Enterprises Act 1992 (2049 BS) (the "Previous Act").

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

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



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

Figures in Rs.	
Particulars	2073-74
Profit before Tax (PBT)	1,26,06,95,328
Add: Staff Bonus	11,89,45,302
Add: Actual CSR expenses excluding CSR allocation as per Industrial Enterprise Act	14,64,324
Add: CSR allocation as per Industrial Enterprise Act	1,39,50,584
<b>PBT for CSR provision</b>	<b>1,39,50,55,537</b>
<b>CSR allocation as per Industrial Enterprise Act @ 1%</b>	<b>1,39,50,584</b>
PBT as per Profit or Loss statement	1,26,06,95,328

## 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 Land and Industrial Pvt. Ltd holds 5% of the company's share and remaining 15% of shares are widely held by general public.

#### Relationship

Holding Company  
Ultimate Holding Company  
Fellow and Group Subsidiaries

#### Related Parties

Hindustan Unilever Ltd.  
Unilever PLC  
Unilever India Export Limited  
PT. Unilever Oleochemical, Indonesia  
Unilever UKCR limited, UK  
Unilever N.V, Netherland  
Unilever Asia Pvt. Ltd.  
Sibkrim Land Ind. Co. (Pvt.) Ltd.  
National Soaps Industries (Pvt.) Ltd.  
Srikanth Srinivasamadhavan  
(Resigned w.e.f from 31-May-16)  
Suyash Chauhan (Joined w.e.f 5-Aug-16)

### (b) Transactions with key management personnel

#### Key Management Personnel compensation

Figures in Rs.		
Particulars	Current year	Previous Year
Short-term employee benefits	2,22,57,602	2,20,83,199
Post-employment benefits	Nil	27,75,645
Other long-term benefits	Nil	Nil
Termination benefits	Nil	Nil
Share based payment	Nil	Nil

Note: - The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. Also, the liabilities for defined benefit plans (i.e. gratuity and other retirement benefits) and 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 Rs.

Particulars		Transactions		Outstanding Balance	
		Current year	Previous Year	Current year	Previous Year
Holding company (HUL)	Purchase of Raw Materials	-	5,93,24,405	-	-
	Royalty	9,68,40,251	8,54,96,184	8,23,14,213	7,26,71,756
	Dividend	75,12,91,200	72,91,94,400	-	-
Ultimate holding company (Unilever PLC)	Royalty	1,91,96,325	1,91,50,878	3,25,95,122	1,62,78,246
Fellow and Group Subsidiaries	Purchase of Raw Materials from Unilever India Export Limited	90,77,050	5,08,01,940	-	8,04,237
	Purchase of Raw Materials from PT. Unilever Oleochemical	1,89,26,512	-	-	-
	Debit note for Training programme to Marketers from Unilever UKCR limited, UK	1,65,095	-	1,65,095	-
	Debit note from Unilever N.V, Netherland for MCIP investment by ex-MD	18,36,005	-	18,36,005	-
Company with a common director	Processing Charges to National Soaps Industries (Pvt.) Ltd	-	4,84,26,723	-	65,80,655

**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 15 July 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

**2.2.20 Provisions and Contingencies**

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date and discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. These are reviewed at each year end date and adjusted to reflect the best current estimate.

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

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

**Contingent Liabilities:**

**a. Unexpired Letters of Credits and acceptance**

Unexpired irrevocable letter of credit and acceptance NPR 21,15,29,504 (2072-73 NPR 5,08,47,027).



#### **b. Income tax matters**

The Large Taxpayers Office ("LTO") has opened self-assessment returns filed by the Company for the financial years 2060-61, 2061-62, 2062-63, 2063-64, 2064-65, 2065-66, 2066-67, 2067-68, 2068-69 and 2069-70 and demanded additional tax of Rs. 40,24,16,923. [2072-73: Rs. 29,88,80,199]. The Company has contested the demands as not payable and filed appeals. The appeals for demand for the financial years 2060-61, 2061-62, 2062-63, 2063-64 and 2064-65 are pending at the LTO for reassessment, for 2065-66, 2066-67, 2067-68 and 2068-69 at the Administrative Review. The Company has recognized contingent liability of Rs. 24,19,96,073 (2072-73 Rs. 185,127,995) against the additional tax amount demanded.

Further, LTO has issued demand letter for FY 2069-70 dated 31st Ashad, 2074 in which additional demand on account of Income Tax is Rs. 3,31,74,830. Management is still reviewing the assessment order and have not decided to file an appeal against the same.

#### **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 and 2067-68 amounting to Rs. 1,56,87,929 (2072-73: Rs. 1,77,27,341). The decision for all these years is yet to be issued. The Company has recognized contingent liability of Rs. 1,19,97,580 (2072-73: Rs. 1,19,97,580). Further, LTO has issued demand letter for FY 2069-70 dated 31st Ashad, 2074 in which additional demand on account of VAT is Rs. 64,88,992. Management is still reviewing the assessment order and have not decided to file an appeal against the same.

#### **d. Employees Bonus Matters**

The management has filed a writ petition with the Hon Supreme Court against the verdict of Labour Court on a case filed by the workmen union opining that the provisions for employees' bonus is not made in accordance with the law resulting in lower distribution of bonus to employees. The Company has contested that it has been making the provisions for Employees bonus as per the relevant law. Decision from the Hon Supreme Court is pending.

#### **e. Labor dispute case**

There is an ongoing case from left staff against the company where the employee was charged of fraud which is pending in Supreme Court.

#### **f. Bank guarantee issued on behalf of the Company**

Company has taken Bank guarantee amounting to Rs. 3,00,000 valid till 15th June 2018 and issued to Department of customs for Exim code certificate.

### **2.2.21 Commitments**

The capital commitment (net of advances) on account of capital works in expansion of the factory as on 31st Ashad 2074 (15th July 2017) is Rs. 3,87,26,720 (2072-73 Rs. 1,82,78,635).

### **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
<b>1. CURRENCY RISK</b>  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 31st Ashad, 2074, 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.
<b>2. COMMODITY PRICE RISK</b>  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.
<b>3. INTEREST RATE RISK</b>  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	
	2073-74	2072-73	2073-74	2072-73
Number of Buy contracts	12	16	-	1
Aggregate "buy" foreign currency	5,59,549	9,99,233	-	4,193

## Commodity price risk

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

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

## Credit risk

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

#### - Trade receivables

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

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

#### - Cash deposits

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

#### - Investment in fixed deposits

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

### Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

The Company maintained a cautious funding strategy, with a positive cash balance throughout the year ended 31st Ashad, 2074 and 31st Ashad, 2073. 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 and other personal products. All these 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	35,500	35,500
Toilet Soaps	10,000	10,000	10,000	10,000
Personal Products	18,231	18,231	10,335	10,035
Soap Noodles	11,660	11,660	11,660	11,660
Tea	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*	18,466	15,109
Toilet Soaps	5,075	5,216
Personal Products	5,885	4,287
<b>Total</b>	<b>29,426</b>	<b>24,612</b>

\*Produced at third Party locations

## 2.5.3 Sales

Particulars	Current Year		Previous Year	
	M.T.	Rs.	M.T.	Rs.
Detergents/Scourers/Laundry	18,858	1,09,93,79,147	14,809	93,44,40,536
Toilet Soaps	4,849	1,09,93,79,145	5,147	1,06,45,12,148
Personal Products	5,576	2,37,95,77,460	4,612	1,96,85,82,750
<b>Less: incentive, discount and others</b>		<b>(14,45,88,998)</b>		<b>(2,10,59,786)</b>
<b>Total</b>	<b>29,283</b>	<b>4,44,23,74,517</b>	<b>24,568</b>	<b>3,94,65,75,648</b>

## 2.5.4 Closing Stock of FG

Particulars	Current Year		Previous Year	
	M.T.	Rs.	M.T.	Rs.
*Detergents/Scourers/Laundry	512	3,45,95,582	904	4,62,26,414
Toilet Soaps	642	10,38,26,355	416	5,51,58,426
Personal Products	472	9,92,90,683	163	3,02,81,048
<b>Total</b>	<b>1,626</b>	<b>23,77,12,620</b>	<b>1,483</b>	<b>13,16,65,888</b>

\*Produced at third party manufacturing locations

## 2.5.5 Material Consumed

Particulars	Current Year		Previous Year	
	M.T.	Rs.	M.T.	Rs.
Raw, Chemicals, Perfumes etc.	25,642	1,74,34,45,813	21,683	1,51,77,11,118
Packing Materials	-	63,52,65,723	-	45,95,19,032
Net Change in WIP	(8)	(29,32,467)	35	(6,96,499)
Finished Goods Variance	(144)	(10,60,46,731)	(43)	2,74,55,642
<b>Total</b>	<b>25,491</b>	<b>2,26,97,32,339</b>	<b>21,674</b>	<b>2,00,39,89,293</b>



# NOTES TO FINANCIAL STATEMENT

## 3. Property, plant and equipment:

Figures in Rs.

	Land	Buildings	Plant & Machinery	Office Equipment	Furniture and Fixture	Computers	Under Construction	Total
<b>Cost</b>								
Balance at 1st Shrawan 2072	56,15,140	13,16,98,108	42,73,38,362	1,10,94,811	45,04,698	1,66,46,143	1,81,86,916	61,50,84,178
Additions	-	1,99,71,513	7,86,55,996	9,29,893	18,227	6,74,797	8,13,78,304	18,16,28,730
Transfer to PPE	-	-	1,44,18,928	-	-	-	(1,44,18,928)	-
Disposals	-	-	(9,73,878)	(2,30,524)	-	(3,06,563)	-	(15,10,965)
Balance at 31st Ashad 2073	56,15,140	15,16,69,621	51,94,39,408	1,17,94,180	45,22,925	1,70,14,377	8,51,46,292	79,52,01,943
Additions	-	18,52,294	79,30,064	13,28,709	17,79,416	8,88,082	10,69,70,609	12,07,49,174
Transfer to PPE	-	-	-	-	-	-	-	-
Disposals	-	-	(2,08,50,934)	(4,02,693)	(2,56,964)	(13,25,384)	-	(2,28,35,975)
Balance at 31st Ashad 2074	56,15,140	15,35,21,915	50,65,18,538	1,27,20,196	60,45,377	1,65,77,075	19,21,16,901	89,31,15,142
<b>Depreciation and impairment losses</b>								
Balance at 1st Shrawan 2072	-	7,22,96,541	19,63,84,712	89,16,912	29,13,113	97,16,865	-	29,02,28,143
Charge for the year	-	27,02,795	2,14,62,802	2,72,419	2,03,560	17,88,800	-	2,64,30,376
Transfer to PPE	-	-	-	-	-	-	-	-
Disposals	-	-	(9,73,878)	(78,473)	-	(3,04,735)	-	(13,57,086)
Balance at 31st Ashad 2073	-	7,49,99,336	21,68,73,636	91,10,858	31,16,673	1,12,00,930	-	31,53,01,433
Charge for the year	-	29,86,838	2,73,14,734	3,27,209	1,73,046	17,13,230	-	3,25,15,058
Transfer to PPE	-	-	-	-	-	-	-	-
Disposals	-	-	(1,61,63,112)	(3,56,726)	(2,02,543)	(13,19,683)	-	(1,80,42,064)
Balance at 31st Ashad 2074	-	7,79,86,174	22,80,25,259	90,81,341	30,87,176	1,15,94,477	-	32,97,74,427
<b>Net book value</b>								
At 1st Shrawan 2072	56,15,140	5,94,01,567	23,09,53,650	21,77,899	15,91,585	69,29,278	1,81,86,916	32,48,56,035
At 31st Ashad 2073	56,15,140	7,66,70,285	30,25,65,772	26,83,322	14,06,252	58,13,447	8,51,46,292	47,99,00,510
At 31st Ashad 2074	56,15,140	7,55,35,741	27,84,93,280	36,38,855	29,58,201	49,82,598	19,21,16,901	56,33,40,715
Gross carrying amount of any fully depreciated property, plant and equipments that are still in use		-	10,16,22,499	66,08,905	11,58,122	78,16,098	-	11,72,05,624

### Property, Plant and Equipment under construction

The net book value of assets under construction includes an amount of Rs. 19.21 crore majorly relating to Fair and Lovely Machine (Rs. 8.79 crore) and Fabric Wash Machine (Rs. 6.50 crore)., which is currently under installation. The cost of the Assets will be depreciated once the machine is installed and available for use. There is estimated additional cost of Rs. 4 crore for completion of the machine, and to which the company is contractually committed.

# NOTES TO FINANCIAL STATEMENT

## 4. Intangible assets:

Figures in Rs.

	Computer Software	Total
Balance at 1st Shrawan 2072	-	-
Additions - Externally acquired	21,94,132	21,94,132
Other acquisitions internally developed	-	-
Balance at 31st Ashad 2073	21,94,132	21,94,132
Additions - Externally acquired	2,12,000	2,12,000
Other acquisitions internally developed	-	-
Balance at 31st Ashad 2074	24,06,132	24,06,132
<b>Amortisation and impairment losses</b>		
Balance at 1st Shrawan 2072	-	-
Charge for the year	3,755	3,755
Impairment losses	-	-
Balance at 31st Ashad 2073	3,755	3,755
Charge for the year	4,71,646	4,71,646
Impairment losses	-	-
Balance at 31st Ashad 2074	4,75,401	4,75,401
<b>Net book value</b>		
At 1st Shrawan 2072	-	-
At 31st Ashad 2073	21,90,377	21,90,377
At 31st Ashad 2074	19,30,731	19,30,731
Gross carrying amount of any fully amortised intangibles that are still in use	-	-

## 5. Investments

Figures in Rs.

	Maturity Period	Interest rate	2073-74	2072-73
Fixed Deposits in banks				
	1 Year	11%	3,93,12,104	4,67,71,634
	6 months	5% to 9.5%	1,12,11,81,506	99,00,00,000
<b>Total</b>			<b>1,16,04,93,610</b>	<b>1,03,67,71,634</b>

Of the total investment in fixed deposits, Rs. 3,91,00,000 (2072-73: Rs. 4,64,50,000) has been pledged with a bank for the purpose of extending housing loans to the employees.

# NOTES TO FINANCIAL STATEMENT

## 6. Deferred tax assets:

Deferred tax is calculated on temporary differences using a tax rate of 17% (2073: 17%). Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the management believe it is probable that these assets will be recovered.

Figures in Rs.

	2073-74	2072-73
<b>Reconciliation of deferred tax assets</b>		
Opening Balance as on 1 Shrawan	77,54,405	1,22,83,358
Tax income/(expense) during the period recognized in profit or loss	81,94,815	(45,28,953)
Closing balance as on 31 Ashad	<b>1,59,49,220</b>	<b>77,54,405</b>

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

Figures in Rs.

Particulars	Asset/ (Liability)	Charged/ Credited to Profit or Loss
	2073-74	2073-74
Fixed Assets	(98,48,879)	(14,79,571)
Intangible assets	(72,107)	(31,301)
Allowance for Obsolete Inventory	1,45,84,072	21,30,075
Provision for leave encashment	16,88,903	3,45,629
Provision for other retirement benefits	7,95,272	96,939
Provision for CSR expenses	23,71,674	23,71,674
Other provisions	47,61,370	47,61,370
<b>Total</b>	<b>1,42,80,306</b>	<b>81,94,815</b>

Figures in Rs.

Particulars	Asset/ (Liability)	Charged/ Credited to Profit or Loss
	2072-73	2072-73
Fixed Assets	(83,69,307)	(67,46,996)
Intangible assets	(40,806)	(40,806)
Allowance for Obsolete Inventory	1,24,53,997	2,04,336
Provision for leave encashment	13,43,274	5,31,871
Provision for other retirement benefits	6,98,332	15,10,257
Provision for CSR expenses	-	-
Other provisions	-	12,385
<b>Total</b>	<b>6,085,490</b>	<b>(4,528,953)</b>



# NOTES TO FINANCIAL STATEMENT

## 7. Other non-current assets:

	Figures in Rs.	
	2073-74	2072-73
Capital advance	5,93,001	-
<b>Total</b>	<b>5,93,001</b>	<b>-</b>

## 8. Inventories:

	Figures in Rs.	
	2073-74	2072-73
Raw materials	20,44,73,022	23,58,41,919
Packing materials	14,11,98,829	22,79,59,846
Work-in-process	1,24,77,621	95,45,154
Finished goods	23,77,12,620	13,16,65,889
Goods in transit	8,25,84,078	11,76,55,910
Promotional Materials	10,97,324	10,79,115
Stores and Spares	2,62,70,806	2,42,01,664
Less: Allowance for Obsolescence	(8,57,88,661)	(7,32,58,806)
<b>Total</b>	<b>62,00,25,639</b>	<b>67,46,90,691</b>

Inventories and Trade receivables are pledged against outstanding Letter of Credit as detailed in note no. 2.2.21. 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.

## 9. Trade and other receivables:

	Figures in Rs.	
	2073-74	2072-73
Trade receivables	60,47,20,483	20,96,08,571
Other receivables - Elida Nepal Pvt. Ltd	6,02,16,871	4,95,29,022
Loans and Advances to Employee	20,81,648	41,09,935
Advance to suppliers	62,14,808	74,50,205
VAT and Custom Deposits	13,29,659	2,59,98,546
Other deposit	1,92,384	2,28,384
Other Advances Recoverable in cash or kind of value to be received	55,22,214	1,41,625
<b>Total</b>	<b>68,02,78,067</b>	<b>29,70,66,288</b>

- The fair values of all the above financial assets are equal to their carrying amounts.
- All the trade receivables are secured against bank guarantees. They are neither past due nor impaired.
- Inventories and Trade receivables are pledged against outstanding Letter of Credit as detailed in note no. 2.2.21.
- Trade receivables are non-interest bearing within the credit period ranging from 21 to 35 days.

## 10. Cash and Cash Equivalents:

	Figures in Rs.	
	2073-74	2072-73
Cash at banks	24,16,52,786	51,75,01,831
Cash on hand	83,958	64,335
<b>Total</b>	<b>24,17,36,744</b>	<b>51,75,66,166</b>

# NOTES TO FINANCIAL STATEMENT

## 11. Bank balance other than CCE

	Figures in Rs.	
	2073-74	2072-73
Unpaid dividend	3,48,92,484	2,83,49,570
<b>Total</b>	<b>3,48,92,484</b>	<b>2,83,49,570</b>

## 12. Share capital:

	Figures in Rs.	
	2073-74	2072-73
(a) Authorized Shares		
Ordinary shares of Rs. 100 each	30,00,00,000	30,00,00,000
(b) Ordinary shares Subscribed and Paid-up Capital		
	Ordinary share	Ordinary share capital
<b>1 Shrawan 2072</b>	<b>9,20,700</b>	<b>9,20,70,000</b>
Share issue	-	-
<b>31 Ashad 2073</b>	<b>9,20,700</b>	<b>9,20,70,000</b>
Share issue	-	-
<b>31 Ashad 2074</b>	<b>9,20,700</b>	<b>9,20,70,000</b>

### Of Which:

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

46,035 shares held by Sibkrim Land and Industrial Company Pvt. Ltd.

1,38,105 shares held by the general public

## 13. Retained Earnings and Reserves:

	Figures in Rs.		
	Employees' Housing reserve	Retained earnings	Total
<b>Balance at 1 Shrawan 2072</b>	<b>9,33,95,420</b>	<b>1,65,75,37,125</b>	<b>1,75,09,32,545</b>
Profit for the year	-	1,12,16,77,327	1,12,16,77,327
Other comprehensive income	-	(41,98,232)	(41,98,232)
<b>Transfer to Employees' Housing Reserve</b>			
- For the current year	7,77,99,865	(7,77,99,865)	-
- For the year 2005-06 to 2014-15	55,45,81,212	(55,45,81,212)	-
Dividends to shareholders	-	(91,14,93,000)	(91,14,93,000)
<b>Balance at 31st Ashad 2073</b>	<b>72,57,76,497</b>	<b>1,23,11,42,143</b>	<b>1,95,69,18,640</b>
Profit for the year	-	96,52,30,306	96,52,30,306
Other comprehensive income	-	(8,33,833)	(8,33,833)
Transfer to Employees' Housing Reserve	7,12,89,228	(7,12,89,228)	-
Dividends to shareholders	-	(93,91,14,000)	(93,91,14,000)
<b>Balance at 31st Ashad 2074</b>	<b>79,70,65,725</b>	<b>1,18,51,35,388</b>	<b>1,98,22,01,113</b>

### (a) Retained earnings

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

### (b) Employees' housing reserve

Employees housing reserve has been allocated as per section 41 of the Labour act 2048. In previous year, one time allocation for all years since financial year 2005-06 was made in accordance with the decision of Honorable Supreme Court.

# NOTES TO FINANCIAL STATEMENT

## 14. Provisions:

Figures in Rs.

	<b>Non-current</b>	
	<b>2073-74</b>	<b>2072-73</b>
<b>Provision for employee benefits</b>		
Provision for Other Retirement Benefits (Refer Note 25)	42,85,070	38,29,643
Provision for Leave Encashment (Refer Note 25)	86,63,332	70,40,926
<b>Total</b>	<b>1,29,48,402</b>	<b>1,08,70,569</b>

	<b>Current</b>	
	<b>2073-74</b>	<b>2072-73</b>
<b>Provision for employee benefits:</b>		
Provision for Other Retirement Benefits (Refer Note 25)	3,92,998	2,78,194
Provision for Leave Encashment (Refer Note 25)	12,71,393	8,60,688
<b>Other Provisions:</b>		
Provision for sales return (Refer Note A below)	1,10,26,881	1,17,89,236
Provision for CSR expenses (Refer Note 2.2.19)	1,39,51,021	-
Miscellaneous provisions (Refer Note B below)	13,36,89,711	3,07,35,490
<b>Total</b>	<b>16,03,32,004</b>	<b>4,36,63,608</b>

### A. Provision for sales return

A provision is recognized for expected claims on account of damage or expiry of products sold during the last two years, based on past experience of the level of claims or returns. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years after the reporting date. Assumptions used to calculate the provision for sales returns were based on current sales levels and current information available about returns for all products sold.

### B. Miscellaneous provisions

This primarily includes provision for settlement of ongoing cases of Custom, VAT and other matters based on the best estimates of probable liability against cases that are considered as weak.

The table below gives information about movement in other provisions:

Figures in Rs.

	<b>Provision for sales return</b>		<b>Miscellaneous provisions</b>	
	<b>2073-74</b>	<b>2072-73</b>	<b>2073-74</b>	<b>2072-73</b>
At the beginning of the year	1,17,89,236	1,24,91,443	3,07,35,490	2,93,96,134
Recognized during the year	2,77,00,000	-	12,38,60,106	1,04,86,566
Utilized during the year	(2,84,62,355)	(7,02,207)	(80,90,145)	(91,47,210)
Reversed during the year	-	-	(1,28,15,740)	-
At the end of the year	1,10,26,881	1,17,89,236	13,36,89,711	3,07,35,490
Current portion	1,10,26,881	1,17,89,236	13,36,89,711	3,07,35,490
Non - current portion	-	-	-	-



# NOTES TO FINANCIAL STATEMENT

## 15. Trade and other payables:

Figures in Rs.

	2073-74	2072-73
Creditors for Goods and Services	26,29,48,329	31,62,90,752
Creditors for Expenses and Other Liabilities	32,51,22,047	27,65,87,435
Advance from Customers	52,09,070	10,32,382
Bonus payable	11,89,45,301	7,75,09,834
Employee related accruals	92,72,803	14,73,665
Deposit - Others	5,00,000	5,00,000
Royalty Payable	11,49,09,335	8,89,50,002
Audit fees payable	6,33,698	6,27,813
Others Payable	9,70,72,579	8,49,82,510
TDS Payable	1,86,90,281	60,83,141
VAT Payable	3,21,25,706	2,03,00,485
Unclaimed Dividend	3,40,19,198	2,76,82,689
<b>Total</b>	<b>1,01,94,48,347</b>	<b>90,20,20,708</b>

- a) The fair values of all the above financial liabilities are equal to their carrying amounts.
- b) Trade payables (other than creditors for goods and services) are non-interest bearing and are normally settled on 30 to 60 days terms

## 16. Revenue from operations:

Figures in Rs.

	Year ended 2073-74	Year ended 2072-73
Sale of goods	4,59,79,52,532	3,97,80,72,129
Less: Discount and Incentives	(12,78,78,014)	(3,15,96,481)
Less: Provision for sales return	(2,77,00,000)	-
<b>Total</b>	<b>4,44,23,74,518</b>	<b>3,94,64,75,648</b>

No individual customer accounted for more than 10% of the gross sale of goods during the year except sale of goods to Suyash International Pvt. Ltd. which accounted for 20.07% of total sale of goods. However, in previous year no individual customer accounted for more than 10% of the gross sale of goods.

## 17. Other operating income

Figures in Rs.

	Year ended 2073-74	Year ended 2072-73
(Profit)/Loss on fixed assets sold, scrapped, etc. (net)	3,61,583	2,22,656
Sale of Scrap	1,79,05,386	1,51,29,172
Elida Service Income	54,30,56,856	43,10,70,747
Access fee	49,18,815	-
Other Income From Lease, Others and Overdue	94,42,564	1,28,14,670
Interest Income on bank deposits	5,06,46,805	5,34,87,343
<b>Total</b>	<b>62,63,32,010</b>	<b>51,27,24,588</b>



# NOTES TO FINANCIAL STATEMENT

## 18. Cost of materials consumed

Figures in Rs.

	Year ended 2073-74	Year ended 2072-73
Raw materials consumed	1,74,34,45,813	1,50,60,13,256
Packing materials consumed	63,52,65,723	45,95,19,032
Allowance for Inventory Obsolescence	1,32,70,275	1,38,79,404
<b>Total</b>	<b>2,39,19,81,812</b>	<b>1,97,94,11,692</b>

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

Figures in Rs.

	Year ended 2073-74	Year ended 2072-73
Opening inventories		
Finished goods	13,16,65,889.00	15,91,21,531.00
Work-in-progress	95,45,154.00	88,48,655.00
Closing inventories		
Finished goods	(23,77,12,619.61)	(13,16,65,889.00)
Work-in-progress	(1,24,77,620.98)	(95,45,154.00)
<b>Total</b>	<b>(10,89,79,197.59)</b>	<b>2,67,59,143.00</b>

## 20. Employee benefits expenses

Figures in Rs.

	Year ended 2073-74	Year ended 2072-73
Salaries and wages	20,31,26,737	13,97,89,534
Staff Bonus (Refer Note 2.2.19)	11,89,45,302	7,75,09,835
Contribution to provident funds and other funds	97,05,813	1,01,16,350
Gratuity and other retirement benefits (Refer Note 25)	33,47,638	37,60,626
Workmen and staff welfare expenses	1,21,73,296	1,15,22,417
<b>Total</b>	<b>34,72,98,786</b>	<b>24,26,98,762</b>

# NOTES TO FINANCIAL STATEMENT

## 21. Other expenses

Figures in Rs.

	Year ended 2073-74	Year ended 2072-73
Advertising and sales promotion	41,14,17,130	27,18,13,325
AGM Expenses	15,97,117	15,87,240
Audit Fees & Expenses	12,00,866	14,41,100
Board Meeting Exps	10,98,383	15,31,535
Carriage and freight	12,56,78,158	10,86,42,329
CSR Expenses (Refer Note 2.2.19)	1,54,14,908	13,49,320
Electricity, Fuel & Water	4,74,55,077	4,11,23,736
Fixed Assets W/Off	47,93,911	-
Foreign exchange loss/(gain)	31,17,477	(1,41,546)
Insurance	1,20,40,570	1,02,77,618
Legal Expenses	16,73,656	5,32,726
Processing charges	14,93,03,336	12,86,67,705
Professional Services	1,55,60,529	68,79,513
Quality Control Charges	9,21,663	3,65,379
Rent	2,24,02,460	1,65,59,925
Repairs others	6,95,707	8,35,503
Repairs to building	24,29,345	10,77,469
Repairs to plant and equipment	3,47,26,180	1,57,16,880
Royalty	11,60,36,576	10,46,47,059
Security Expenses	83,10,112	57,55,924
Telephone Expenses	39,81,582	41,13,497
Travelling, Conveyance and Accommodation Expenses	5,57,02,968	4,11,90,725
Other Expenses	10,91,65,391	1,24,50,122
<b>Total</b>	<b>1,14,47,23,099</b>	<b>77,64,17,084</b>



# NOTES TO FINANCIAL STATEMENT

## 22. Income tax

Figures in Rs.

	Year ended 2073-74	Year ended 2072-73
Current tax expense		
Current tax on profits for the year	26,41,74,674	26,86,61,161
Adjustment for under provision in prior periods	3,94,84,759	1,26,11,983
<b>Total current tax</b>	<b>30,36,59,433</b>	<b>28,12,73,144</b>
Deferred tax expense		
Origination and reversal of temporary differences	(46,38,292)	53,40,879
Recognition of previously unrecognized deferred tax assets	(35,56,119)	(8,11,925)
<b>Total tax expense for the year</b>	<b>29,54,65,022</b>	<b>28,58,02,098</b>

### Reconciliation of tax expense and the accounting profit multiplied by Company's tax rate for 2072-73 and 2073-74:

	Year ended 2073-74	Year ended 2072-73
Accounting profit before income tax excluding Elida service income	71,27,19,657	97,64,08,678
Other service income	54,79,75,671	43,10,70,747
At Company's statutory income tax rate of 17% for normal operation and 21.25% for service income (2072-73: 18% and 22.5%)	23,76,07,172	27,27,44,451
Adjustment in respect of Repair & Maintenance allowed up to 7% of respective depreciation base of the pool of the assets	27,26,250	-
Adjustment in respect of Depreciation allowed as per the rate prescribed under Income Tax Act	(52,21,359)	(64,74,386)
Adjustment in respect of Inventory	21,30,075	(3,92,352)
Adjustment in respect of provision for sales return	47,09,000	-
Adjustment in respect of provision for leave encashment	3,45,629	
Adjustment in respect of provision for other retirement benefits	96,939	
Adjustment in respect of CSR provisions	23,71,674	
Adjustment in respect of other provisions	1,75,02,218	23,42,262
Adjustment of Donation and CSR expenses	2,48,861	2,42,878
Adjustment for Fixed Assets written off	8,14,965	
Other non-deductible expenses for tax purposes	8,43,251	94,305
NFRS adjustment impact on income tax	-	1,04,003
<b>Total</b>	<b>26,41,74,674</b>	<b>26,86,61,161</b>
Income tax expense reported in the statement of profit or loss	<b>26,41,74,674</b>	<b>26,86,61,161</b>
<b>Income tax liability (net of advance taxes):</b>	<b>Year ended 2073-74</b>	<b>Year ended 2072-73</b>
Income Tax Liability	2,43,78,38,059	2,13,41,78,654
Less: Advance Income Tax	(2,38,30,09,516)	(2,09,32,81,089)
<b>Total</b>	<b>5,48,28,543</b>	<b>4,08,97,565</b>

# NOTES TO FINANCIAL STATEMENT

## 23. Declared dividends and proposed dividends

	Figures in Rs.	
	Year ended 2073-74	Year ended 2072-73
<b>Declared and approved for during the year:</b>	93,91,14,000	91,14,93,000
Dividends on ordinary shares: Final dividend for 2072-73: NPR. 1020 per share (2071-72: NPR. 990 per share)		
<b>Proposed for approval at the annual general meeting (not recognized as a liability as at balance sheet date):</b>		
Dividends on ordinary shares:		
Proposed dividend for 2073-74: Rs. 1270 per share (2072-73: 1020 per share)		1,16,92,89,000

## 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 Rs.	
	Continuing 2074	Continuing 2073
<b>Numerator</b>		
Profit for the year and earnings used in basic EPS	96,52,30,306	1,12,16,77,327
Add: Interest on convertible debt	-	-
Less: Tax effect of above items	-	-
<b>Earnings used in diluted EPS</b>	<b>96,52,30,306</b>	<b>1,12,16,77,327</b>
<b>Denominator</b>		
Weighted average number of shares used in basic EPS	9,20,700	9,20,700
Convertible debt	-	-
Employee share options	-	-
Contingent share consideration on business combinations	-	-
<b>Weighted average number of shares used in diluted EPS</b>	<b>9,20,700</b>	<b>9,20,700</b>
<b>Basic and diluted earnings per share</b>	<b>1,048.37</b>	<b>1,218.29</b>

# NOTES TO FINANCIAL STATEMENT

## 25. Post employment benefit plans

The following tables summarizes the components of net benefit expense recognized in the statement of income and amounts recognized in the statement of financial position for the plan:

### 2073-74 changes in the defined benefit obligation and Fair value of plan assets

Figures in Rs.

	Benefit cost charged to income statement				Re-measurement gain/ (losses) in other comprehensive income					Balance at 31 Ashad 2074
	Balance at 1 Shrawan 2073	Service cost	Net Interest	Sub-total included in profit or loss	Benefits paid	Return on plan assets less interest on plan assets	Experience adjustments	Sub-total included in OCI	Contribution by employer	
Gratuity obligation	(2,55,72,089)	(21,80,399)	(23,43,552)	(45,23,951)	13,77,132	-	1,77,374	1,77,374	-	(2,85,41,534)
Fair value of plan assets	2,55,72,089	-	18,33,966	18,33,966	(13,77,132)	(10,33,630)	-	(10,33,630)	35,46,241	2,85,41,534
	-	(21,80,399)	(5,09,586)	(26,89,985)	-	(10,33,630)	1,77,374	(8,56,256)	35,46,241	-
Other retirement benefit obligation	(41,07,837)	(2,80,624)	(3,77,030)	(6,57,654)	65,000	-	22,423	22,423	-	(46,78,068)
<b>Benefit Liability</b>	<b>(41,07,837)</b>	<b>(24,61,023)</b>	<b>(8,86,616)</b>	<b>(33,47,639)</b>	<b>65,000</b>	<b>(10,33,630)</b>	<b>1,99,797</b>	<b>(8,33,833)</b>	<b>35,46,241</b>	<b>(46,78,068)</b>

### 2072-73 changes in the defined benefit obligation and Fair value of plan assets

Figures in Rs.

	Benefit cost charged to income statement				Re-measurement gain/ (losses) in other comprehensive income					Balance at 31 Ashad 2073
	Balance at 1 Shrawan 2072	Service cost	Net Interest	Sub-total included in profit or loss	Benefits paid	Return on plan assets less interest on plan assets	Experience adjustments	Sub-total included in OCI	Contribution by employer	
Gratuity obligation	(1,99,43,966)	(18,29,926)	(18,22,653)	(36,52,579)	414,989	-	(23,90,533)	(23,90,533)	-	(2,55,72,089)
Fair value of plan assets	1,99,43,966	-	8,57,926	8,57,926	(414,989)	(16,94,808)	-	(16,94,808)	68,79,994	2,55,72,089
	-	(18,29,926)	(9,64,727)	(27,94,653)	-	(16,94,808)	(23,90,533)	(40,85,341)	68,79,994	-
Other retirement benefit obligation	(30,28,973)	(6,79,394)	(2,86,579)	(9,65,973)	-	-	(1,12,891)	(1,12,891)	-	(41,07,837)
<b>Benefit Liability</b>	<b>(30,28,973)</b>	<b>(25,09,320)</b>	<b>(12,51,306)</b>	<b>(37,60,626)</b>	<b>-</b>	<b>(16,94,808)</b>	<b>(25,03,424)</b>	<b>(41,98,232)</b>	<b>68,79,994</b>	<b>(41,07,837)</b>



# NOTES TO FINANCIAL STATEMENT

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

The major categories of plan assets of the fair value of the total plan assets are, as follows:

Figures in Rs.

	2073-74	2072-73
Quoted Value	-	-
Non-Quoted Value		
Others	2,85,41,534	2,55,72,089
<b>Total</b>	<b>2,85,41,534</b>	<b>2,55,72,089</b>

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

	2073-74	2072-73
Discount rate	9.50%	9.50%
Salary escalation rate for Gratuity	8.00%	8.00%
Salary escalation rate for other retirement benefit	0.00%	0.00%

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

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

Assumptions	Discount rate		Salary escalation rate	
	0.5% Increase	0.5% Decrease	0.25% Increase	0.25% Decrease
<b>Sensitivity Level</b>				
Impact on Defined benefit obligation - Gratuity	(10,56,037)	11,15,974	5,56,560	(5,42,289)
Impact on Defined benefit obligation - Other retirement benefits	(1,40,488)	1,47,882	-	-

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

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

<b>Defined benefit obligation - Gratuity</b>	2073-74	2072-73
Within the next 12 months (next annual reporting period)	22,89,414	12,74,381
Between 2 and 5 years	75,48,406	66,43,169
Between 6 and 9 years	2,11,12,444	1,47,12,103
Beyond 10 years	3,77,35,835	4,48,04,181
Weighted average duration of the above defined benefit obligation	7.79 years	8.72 years
<b>Defined benefit obligation - other retirement benefit</b>	2073-74	2072-73
Within the next 12 months (next annual reporting period)	3,92,998	2,78,194
Between 2 and 5 years	18,21,820	15,01,627
Between 6 and 9 years	36,49,699	21,70,398
Beyond 10 years	54,78,906	73,04,569
Weighted average duration of the above defined benefit obligation	7.08 years	8.04 years

# FINANCIAL PERFORMANCE- 5 YEAR RECORD

(Rs. Mn )

<b>Profit or Loss Statement</b>	<b>2069-70 (2012-13)</b>	<b>2070-71 (2013-14)</b>	<b>2071-72* (2014-15)</b>	<b>2072-73* (2015-16)</b>	<b>2073-74* (2016-17)</b>
Revenue from operations	4486	4362	4728	3946	4442
Other operating income	284	508	547	459	576
Profit from Operations	1110	1118	1268	1354	1210
Profit Before Tax	1129	1147	1311	1408	1261
Net Profit for the year	805	910	1037	1122	965

\* As per NFRS

<b>Statement of Financial Position</b>	<b>2069-70 (2012-13)</b>	<b>2070-71 (2013-14)</b>	<b>2071-72* (2014-15)</b>	<b>2072-73* (2015-16)</b>	<b>2073-74* (2016-17)</b>
Property, plant and equipment (Incl Intangibles)	229	282	325	482	565
Deferred tax assets	13	13	12	8	16
Investment in Fixed Deposit	455	657	977	1037	1160
Net Current Assets (Current & non-current)	600	555	528	522	333
	1297	1506	1843	2049	2074
Share capital	92	92	92	92	92
Retained earnings and reserves	1204	1414	1751	1957	1982
	1297	1506	1843	2049	2074

<b>Key ratios</b>	<b>2069-70 (2012-13)</b>	<b>2070-71 (2013-14)</b>	<b>2071-72* (2014-15)</b>	<b>2072-73* (2015-16)</b>	<b>2073-74* (2016-17)</b>
PBT (% of Revenue)	25	26	28	36	28
PAT (% of Revenue)	18	21	22	28	22
Fixed Assets Turnover (No . of Times)	20	15	15	8	8
Earning per share of Rs. 100	875	988	1126	1218	1048
Dividend proposed per share of Rs. 100	760	860	990	1020	1270

\* As per NFRS

^includes special dividend of Rs. 170 per share

<b>Others</b>	<b>2069-70 (2012-13)</b>	<b>2070-71 (2013-14)</b>	<b>2071-72 (2014-15)</b>	<b>2072-73 (2015-16)</b>	<b>2073-74 (2016-17)</b>
UNL share price on NEPSE*	10,000	14,301	18,303	35,021	29,204
Market Capitalisation (Rs. Bn)	9	13	17	32	27
Contribution to Exchequer (Rs. Mn)	1095	1127	1236	935	1015

\* Based on year-end closing prices quoted on NEPSE

Notes:

Lined area for notes.



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## OUR PURPOSE:

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



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