



Unilever

UNILEVER NEPAL LIMITED

TWENTY-EIGHTH ANNUAL REPORT & ACCOUNTS

(16th July 2020 – 15th July 2021)



BOARD OF DIRECTORS

1. **DEV BAJPAI**
Chairman
(Nominee, Hindustan Unilever Limited)
2. **AMLAN MUKHERJEE**
Managing Director
3. **RAVI BHAKTA SHRESTHA**
Promoter Director
(Nominee, M/s Sibkrim Holdings Pvt. Ltd.)
4. **SUBHAS BAJRACHARYA**
Independent Director
5. **ASHA GOPALAKRISHNAN**
Director
(Nominee, Hindustan Unilever Limited)
6. **KRISHNAN SUNDARAM**
Director
(Nominee, Hindustan Unilever Limited)
7. **YOGESH MISHRA**
Director
(Nominee, Hindustan Unilever Limited)



PROFILE OF DIRECTORS

Profile of Mr. Dev Bajpai

Mr. Dev Bajpai was appointed Executive Director (Legal & Corporate Affairs) in HUL in May, 2010. He has, in January 2017 been appointed as a Director on the Board of HUL looking after Legal & Corporate Affairs function. Mr. Bajpai is a Fellow Member of the Institute of Company Secretaries of India and has a Law degree from University of Delhi. He has three decades of corporate experience in diverse industries that include Automobiles, FMCG, Hospitality and Private Equity in the areas of Legal, Governance, Tax and Corporate Affairs. He has worked in Organizations like Maruti Udyog Limited, Marico Limited, Indian Hotels Company Limited and ICICI Venture Funds Management Company Limited. Mr. Bajpai has been part of Committees of Apex Industry Organizations like Confederation of Indian Industries (CII) & Federation of Indian Chambers of Commerce & Industry (FICCI). He has also represented Industry before Parliamentary Committees. He completed an Executive Program for Corporate Counsels at Harvard conducted by Harvard Law School. Before joining HUL, he was Senior Director, Legal & Compliance, ICICI Venture Funds Management Company Limited.

Profile of Mr. Amlan Mukherjee

Mr. Amlan Mukherjee has been working as the Managing Director of Unilever Nepal Limited (UNL) starting April 2020. He has 28 years+ of industry experience spanning general management, Brand Management and sales and marketing roles working in different capacities in global roles, in South Asia. His educational qualification is Bachelor of Commerce from Kolkata University followed by Business Management Executive program sponsored by Hindustan Unilever Limited (HUL). He has worked for HUL for different assignments in many parts of India. In marketing & sales, he had worked as head of Institutional business and led a large business of India primarily defense, channel called NPC (National Police channel) where he successfully contributed

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

Profile of Mr. Ravi Bhakta Shrestha

Mr. Ravi Bhakta Shrestha is a Promoter Director of UNL as representative of local Joint Venture Company - M/S Sibkrim Holdings Pvt. Ltd. He is the Chairman and Managing Director of I.J. Group which is one of the leading business houses in Nepal. Previously, Mr. Shrestha was President of Federation of Nepalese Chamber of Commerce and Industry (FNCCI). He was also member of "Business Consultative Group" Chaired by the Rt. Honorable Prime Minister. He is a member of "Industry and Trade Promotion Council" Chaired by the Rt. Honorable Prime Minister. He is Chairman of I. J. Charitable Trust that contributes to the health and education sector under CSR. He is also member of committee of I.J. Trust Health Fund Operation Committee of Teaching Hospital, Tribhuvan University. He is also member of Indra Bhakta Gold Medal Award Committee and Indra Bhakta Scholarship Award Committee for MBA students at School of Management, Tribhuvan University. Mr. Shrestha is a Graduate in Business Administration. He has been decorated with Prasadha Prabal Gorkha Dakchhin Bahu 'Second' and Knight Officer of the Order of Merit of the Republic of Italy.

Profile of Mr. Subash Bajracharya

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

Profile of Ms. Asha Gopalakrishnan

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

Profile of Mr. Krishnan Sundaram

Krishnan has Master's degree in Business Administration from Delhi University. He joined Hindustan Unilever in 2000 as a management trainee, working in his initial years in customer development. He moved to brand management in 2004, looking after the tea and coffee brands of Unilever in India. In 2010, Krishnan moved as marketing head of the premium laundry business and subsequently was the general manager of the beverages business, both within HUL. In 2014, he moved to partner the cluster president of Unilever for South Asia and headed

the marketing operations function, creating and executing a strategic growth plan across business and countries. In June 2017, Krishnan moved to London to take up a global assignment as head of Marketing transformation and capability, with responsibility for business and portfolio transformation and marketing excellence and capability. In January 2019, Krishnan was appointed as the Head of integration and change for the Horlicks (GSK) Acquisition. Krishnan now leads that business alongside his integration responsibilities.

Profile of Mr. Yogesh Mishra

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

ABOUT US

AT A GLANCE

UNILEVER NEPAL LIMITED (UNL) IS NEPAL'S LARGEST FAST-MOVING CONSUMER GOODS COMPANY WITH A HERITAGE OF OVER 28 YEARS. NINE OUT OF TEN NEPALI HOUSEHOLDS USE OUR PRODUCTS EVERYDAY TO FEEL GOOD, LOOK GOOD AND GET MORE OUT OF LIFE; GIVING US A UNIQUE OPPORTUNITY TO BUILD A BRIGHTER FUTURE.

Each of our divisions - Home Care, Beauty and Personal Care, Foods and Refreshments, includes a portfolio of brands that aim to deliver consistent, competitive, profitable and responsible growth. Our endeavor is supported by consistent investment in product innovation and marketing activities. With over 28 brands spanning distinct categories including soaps, detergents, shampoos, skin care, toothpastes, deodorants, cosmetics, and tea, the Company is a part of the everyday life of millions of consumers across Nepal. Our portfolio includes leading household brands such as Lux, Lifebuoy, Rin, Wheel, Glow & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, and Brooke Bond Red Label.

Your Company has a clear and compelling strategy that is driven by purpose and focuses on achieving consistent, competitive, profitable and responsible growth. The pillar which propels this agenda is Unilever Compass. Its purpose is to make sustainable living commonplace and alongside it is our vision, to be the leader in sustainable business and demonstrate how our purpose-led, future-fit business model drives superior performance. We are determined to end the debate on whether there is a trade-off between purpose and performance. We believe that Brands with Purpose Grow, Companies with Purpose Last, and People with Purpose Thrive. Compass are time-bound commitments and actionable goals which will help tackle the key challenges of our time, such as packaging and waste, gender equality, human rights, and fair value – plus, of course, climate change and social inclusion.

Our strategy focuses on Winning with Brands and Innovation, winning in the Marketplace, Winning through Continuous Improvement and Winning with People. In a volatile and uncertain world, where rapid digitisation is re-shaping established business models, your Company is re-imagining itself to stay ahead. We are embedding technology across all our processes to build a business that is future-fit. We are constantly innovating across the portfolio to meet evolving consumer needs.

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

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

OUR PURPOSE

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

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

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

This Annual Report and Accounts explains how, in 2020-21, we have continued to pursue our Purpose and work towards making our Vision a reality. During the year, we continued to deliver growth that is consistent, competitive, profitable and responsible. A belief that sustainable business drives superior performance lies at the heart of the Unilever Compass. Unilever has long held the belief that being a responsible, sustainable business makes a stronger, better business. Ten years ago, it was codified in the Unilever Sustainable Living Plan (USLP), which

set out an ambition to decouple business growth from its environmental impact, while increasing positive social impact. As the sun set on the USLP in 2020, the business realized that stakeholders no longer see sustainability commitments as a nice-to-have – they rightly expect them as a minimum. The Unilever Compass strategy was developed to further accelerate Unilever's commitments towards building a sustainable global business. The global Unilever Compass Commitments–Global Unilever Compass puts serving its stakeholders at the heart of everything the business does. Going forward, the global Unilever Compass will guide our sustainable business strategy

Our success depends on the expertise and talent of our people. While 2020-21 was an unusually challenging year for our people. We were all affected by the pandemic in different ways. They were constantly challenged by an environment that remains Volatile, Uncertain, Complex and Ambiguous (VUCA). The market is fragmenting because of changes in consumer habits, sales channels and the media. Therefore, the Company is also changing through the business transformation program. It is creating a business which is more consumer and customer-centric, faster, more efficient and empowered so that our people can meet these challenges with the necessary resources.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to share with you an update on your Company's performance for the financial year 2077-78 BS (2020-21). The period under review like last year, was yet again impacted by Covid-19 for Nepal as well as for your company. During the first half of the year, operations of our factory, vendors as well as customers were severely disrupted. To recover from this situation your company made all round efforts and were successful in its endeavour.

Resilient Performance

As a company entrenched in Nepal, we firmly believe UNL growth story is intertwined with the Nepal story. Our philosophy of 'what is good for Nepal is good for Unilever Nepal' played out through our strong fundamentals of business and agility to adapt under prevailing circumstances.

Through the deployment of our experience and learnings from Wave-1 of Covid-19, the total revenue of the company grew by 33% in Q4. The year ended with a growth of 1.8%. With cost agility and savings programs across the levers of P&L, the net profit for the year increased from 35.8 cr to 86.1 cr NPR.

Establishing our digital technology backbone

The Covid-19 scenario and restrictions revealed that use of technology in operations was the new competitive advantage in any industry. At Unilever Nepal, we have been pursuing a technology-led agenda over the last several years by making extensive use of data and analytics. In reconfiguring our manufacturing and distribution network and to bring them closer to demand, technology is going to be the game changer.

Upgradation and Market Development initiatives

Keeping in line with the increased market demand and requirement to support the business, various activities were taken to upgrade the manufacturing capacity of your company. Quality is integral part of business, there is a continuous endeavour to ensure better consumer satisfaction as well as consumer safety in all our products.



During the period under review, your company has also tried to re-invent our market development strategy by increasing our Media Investments across our portfolio. Post implementation of the Clean Feed policy in Nepal, your company has deployed Nepali language creatives across TV, print, radio, digital and other media on several brands, most notably Lifebuoy and Glow & Lovely. Lifebuoy was the first brand to issue a public service message during the pandemic urging consumers to wash hands with soap of any brand.

We are also very happy to share the set-up of LEVERCARE consumer helpline in Nepal. This is a facility which allows our consumer to reach out directly to us and share feedback, queries, or concerns. As a consumer centric organization, this is a big step towards engaging our Consumers on deeper level. This initiative also brings us par with several Unilever organizations across the world.

Mountain Clean-up Campaign with Nepal Army

Your company has always believed that business needs to deliver the 4Gs of growth – consistent, competitive, profitable, and responsible. This fourth G recognises that it is the role of business to not just create economic value, but also social & environmental value, and to do so in a sustainable way. In such an endeavour, we partnered with the

WHERE WE OPERATE

UNL operates across the length and breadth of Nepal. We have 227 employees working across our factory and offices. Conducting our operations with integrity and respect for the people, organisations and the environment that our business touches, has always been at the heart of our corporate responsibility.

Nepal Army in the “Mountain Cleaning Campaign 2021”. This initiative disposed 5020 kg of waste, of which 4720 Kg non-biodegradable waste was sent for recycling and remaining 300 KG of bio-degradable waste was disposed through Dhaulagiri Rural Municipality.

Social Responsibility

Your company is not just an entity that manufactures goods, but we are enablers of livelihoods, of social equity, of equal opportunity, and custodians of conscious consumption.

As we battle COVID-19 Pandemic, it is our responsibility to stand together with Nepal. With the demand of oxygen for COVID patients becoming need of the hour, we partnered with Association of Industries to install an oxygen generation plant in Hetauda Government Hospital near our Factory. Your company has further donated 128 oxygen concentrators to Govt. of Nepal along with other Covid-related support material throughout the year under review.

Fight against pandemic and spirit of our people

During these difficult times, your company ensured protection of its inner core and outer core and promoted vaccination. As on date 100% eligible employees (incl. contract workmen) working in our factory at Hetauda are fully vaccinated. Overall, 58% of eligible persons working with your company directly or indirectly in operations have been fully vaccinated and the drive is ongoing.

Our biggest asset, our ‘People’ have been strong and showcased true traits of the leader within themselves discharging their different roles, for the good of your company, the consumers, and the society. Your Company has been an Employer of Choice for the year 2020 among the students of top campuses in the country.

Leaders of tomorrow will need to be comfortable with both calm and chaos. Leaders need to rethink their assumptions about constancy; build adaptive capacity, robustness, and resilience deep into their organisations; and reassess crisis-readiness throughout their extended enterprises.

Conclusion

Let us take a moment to pause, reflect and prepare for the journey ahead. The pandemic

has pushed businesses to break new ground and reimagine the future - an equitable, sustainable, & purposeful one. It puts organisations like Unilever Nepal that are an integral part of the lives of most households in the country, in a position of great responsibility. Your company is geared to walk that path and perform to its optimum.

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

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

Warm regards,

Dev Bajpai
Chairman

CODE OF BUSINESS PRINCIPLE

Introduction

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

Standard of Conduct

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

Obeying the Law

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

Employees

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

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

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

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

We respect the dignity of the individual and the

right of employees to freedom of association and collective bargaining.

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

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

Consumers

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

Shareholders

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

Business Partners

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

Compliance – Monitoring – Reporting

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

The Chief Executive Officer is responsible for implementing these principles and is supported in this by the Global Code and Policy Committee which is chaired by the Chief Legal Officer. Day-to-day responsibility is delegated to all senior management of the geographies, divisions, functions and operating companies. They are responsible for implementing these principles, supported by local Business Integrity Committees. Assurance of compliance is given and monitored each year. Compliance is subject to review by the Board supported by the Corporate Responsibility Committee and for financial and accounting issues the Audit Committee. Any breaches of the Code must be reported. The Board of Unilever will not criticise management for any loss of business resulting from adherence to these principles and other mandatory policies. Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

Community Involvement

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

Innovation

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

Competition

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

The Planet

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

Public Activities

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

Bribery & Corruption

Unilever does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management. Unilever accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

Conflicts of Interests

All employees and others working for Unilever are expected to avoid personal activities and financial interests which could conflict with their responsibilities to the company. Employees must not seek gain for themselves or others through misuse of their positions.

Data

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

Note

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

NOTICE of Annual General Meeting

Notice is hereby given to all the shareholders that the Twenty Eighth (28th) Annual General Meeting of Unilever Nepal Limited will be held in a virtual manner on Tuesday, 28th October 2021 (11th of Kartik 2078) considering the outbreak of pandemic COVID-19. The agenda of the business to be transacted at the meeting is as follows:

ORDINARY BUSINESS:

1. To receive and adopt the Profit and Loss Accounts 2077-78 (16th July 2020 to 15th July 2021), Balance Sheet, Cash Flow Statement and Reports of the Board of Directors and Auditors for the period ended 15th July 2021 (Ashad 31, 2078).
2. To appoint Auditors and to fix their remuneration for the year beginning 16th July 2021 (Shrawan 1, 2078) (TR Upadhyay & Co., Chartered Accountants had been recommended for appointment by the Audit Committee).
3. To approve the Dividend as per the recommendations of the Board of Directors.
4. To inform about remuneration of Managing Director.
5. To pass resolution for financial contributions to Social and Community projects under the UNL corporate social responsibility.
6. To appoint Director representing the General Public Shareholders.
7. Any other matter(s) with the permission of the Chair.

Date: 06th September 2021

Registered Office:

Basamadi-3, Hetauda
Makwanpur Nepal

By Order of the Board of Directors

Elina Acharya

Company Secretary

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REPORT OF THE BOARD OF DIRECTORS

Revenue from Operations

NRs. 5,731 million

Net Profit

NRs. 861 million

Operating Cash flow

NRs. 933 million

Proposed Dividend per share

NRs. 650 per Share

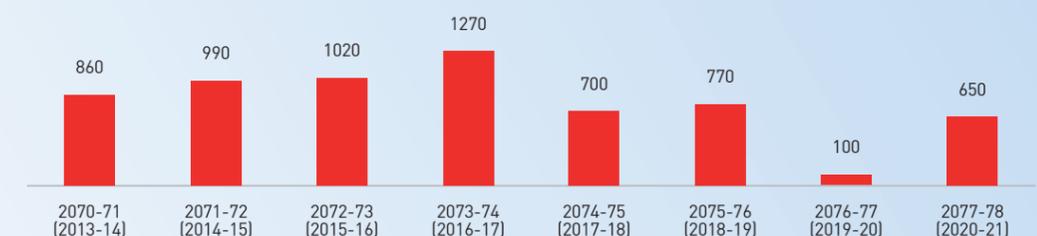
NET PROFIT (NRs. Million)



REVENUE FROM OPERATIONS (NRs. Million)



DIVIDEND PER SHARE



NET CAPEX (NRs. Million)



Your Company's Directors are pleased to present this Annual Report of the Company, along with Audited Accounts, for the financial year ended 31st Ashad 2078 (15th July 2021).

Financial Performance Summary

In Mn.	2077-78	2076-77
Revenue from operations	5731	5547
Profit Before Tax	1051	572
Net Profit for the year	861	358
Dividend	-92	-709
Retained Earnings balance carried forward	1854	1085

Review of Financial Year 2077-78

The year 2077-78 was another challenging year when the nation was impacted with Covid 19. We saw the first wave peak in October 2020 (Asoj-Kartik 2077) and come down by end of December 2020 (Mangsir-Poush 2077). During this period of first half of the year, operations of our factory, vendors as well as customers were severely disrupted. The major reasons contributing to the same were, a) connectivity of specific and indispensable raw materials and packaging materials due to the uncertainty of cross-border movement of goods at Custom points, b) threat of the spurt of Covid (+ve) cases in the community and c) the closure of the factory and man days lost due to restriction on personnel movement. Hence total income of your company reduced by 28% in the first 2 quarters of the year.

Due to the lockdown, our factory at Hetauda was not operational for 35 days in the period under review. However, this period also brought better stability to our operations pursuant to the pending Collective Bargaining Agreement (CBA) which got executed between the workmen and Management. During these difficult times, your company ensured protection of its inner core and outer core and promoted vaccination. As on date 100% eligible employees (incl. contract workmen) working in our factory at Hetauda are fully vaccinated. Overall, 58% of eligible persons working with your company directly or indirectly in operations have been fully vaccinated and the drive is ongoing.

With the reduction in daily new cases and return of economic activities, our total income grew by 58% in Q3. During this period our stock covers assortment of products as well improved. But the

nation was again hit by the second wave in Q4. However, deploying the experience and learnings of the wave 1, total revenue of the company grew by 33% in Q4, ending the year with 1.8% growth.

During these difficult times, your company ensured protection of its inner core and outer core. The UNL team acted with maturity and calm during this unprecedented crisis ensuring not only safety and protection of its people but also materialization of any possible opportunity. With cost agility programs and savings programs across the levers of P&L, the net profit for the year increased from 35.8 cr to 86.1 cr. NRP.

During the period under review, our company has also tried to re-invent our market development strategy by increasing our Media Investments across our portfolio. Post implementation of the Clean feed policy in Nepal, your company has deployed Nepali language creatives across TV, print, radio, digital and other media on several brands, most notably lifebuoy and Glow & Lovely.

~ 80% of the company's portfolio which includes Soaps, Shampoos, Oral, Fabric Solutions and Tea are covid relevant portfolio. Despite slowdown our market presence continued to be strong and our Q3 is testament to it. UNL Brands continue to be the market leader in all the categories it operates in. The strength of our brands and continued focus on investment behind these brands has enabled us to maintain leadership across categories despite the competitive pressure in the market and the difficult market situation.

CORPORATE SOCIAL RESPONSIBILITY



Unilever Nepal is concerned and conscious about the threat which global pandemic of COVID-19 has posed in the entire world including Nepal. We endeavor to stay true to our purpose, which is “the highest standards of corporate behavior towards everyone we work with, the communities we touch, and the environment on which we have an impact.” Our leadership firmly believes that being Company incorporated and operating in Nepal for the past 28 years and serving its people, we do have a big responsibility. The health and safety of our people is our topmost priority. We have implemented Work-from-Home wherever possible. Our Supply Chain and Sales safety protocols comply with World Health Organization (WHO) standard and incorporate the best practices in safety management for operations. Like our parent company, corporate responsibility sits at the core of our functioning and the consolidated relief package that we offered to the community.

SUSTAINABILITY



As part of Unilever’s commitment “to make sustainable living a common place”, we partnered with the Nepal Army in the “Mountain Cleaning Campaign 2021”. Transitioning to a circular economy approach is at the heart of Unilever’s Strategy for a waste free world. Carelessness in waste disposal is killing wildlife, devastating beauty of the mountains, and threatening the health of our planet. This mountain clean up initiative disposed 5020 kg of waste, of which 4720 Kg non-biodegradable waste was sent

for recycling and remaining 300 KG of bio-degradable waste was disposed through Dhaulagiri Rural Municipality.

We are committed to improve the health of the planet. we aim to work hard to tackle plastic packaging waste, particularly through partnerships and collaborations that drive change beyond their own operations. The ultimate aim is to create a circular economy system for waste management. We are committed to make sustainable living common place for everyone and will continuously engage in programs like these in the coming days.

HEALTHCARE INFRASTRUCTURE

As we battle COVID-19 Pandemic, it is our responsibility to stand together with Nepal. With the scarcity of the oxygen for COVID patients becoming need of the hour, we partnered with Association of industries along with other industries in Hetauda to install an oxygen generation plant in Hetauda Government Hospital near our Factory. We also donated 128 oxygen concentrators to the Ministry of Health and Population, G.O.N, Shri Birendra Army Hospital in Chhauni, FNCCI and the Hetauda Government Hospital. UNL also collaborated with Non-governmental organization like Maiti Nepal, HAPSA Nepal and Volunteer Corps Nepal for distributing home isolation covid care kits which includes a total of 2000 units surgical mask, 960 units Lifebuoy Hand sanitizers, 2840 units Lifebuoy soaps, 1440 units Vim bar and 1440 units Close up in rural areas. In addition to this, 1008 units of Lifebuoy soaps and 500 units N95 makes were donated to District Administrative Office, Kathmandu. We have also donated 11952 units of soap, 720 units of Toothpaste, 2500 piece of N95 Mask and 200 pair of gloves in and around the Hetauda community.

Our vision was to ease the load on existing medical infrastructure in a way that it can better cater to the serious and critical Covid cases who require continuous supply of medical oxygen. The Unilever family shall continue to extend all possible support to the authorities to combat the health crisis and in the best interest of the country.

CREATING MASS AWARENESS

A Large scale handwash awareness campaign was created on social media where we encouraged individuals that washing hand is the most important task to keep yourself safe. We had used a theme line “The key to defeat coronavirus is YOU. Protecting Nepal from coronavirus is now in YOUR hands”. The campaign was solely in purpose to generate awareness in people on importance of washing hands and it was reached out to approx. 4 million people. This campaign was not only limited to social media but was also executed in print and digital media.

WINNING WITH PEOPLE

2020-21 was an unusually challenging year for our people. We were all affected by the pandemic in different ways. Even as the national lockdown hit us, the tremendous efforts of our people across our sites enabled us to continue to work safely, whether on factory sites, in the market, or from a home office. We quickly scaled up new ways of working – rethinking and reshaping our business. As we worked with speed and agility to respond to the unexpected events this year, we continued to nurture a culture in which our people can thrive and to prepare our people for the future of work.

GOING ABOVE AND BEYOND

Going above and beyond Consumers across the country were relying on us to produce the household necessities they needed most during the pandemic, so it was essential that we kept our factories and distribution centers operating. We are grateful to our employees and to everyone in our extended value chain at our distributor points, depots and third-party manufacturing sites, who made this happen. We saw many heroes coming to the fore—our people in our factories and frontline sales, going above

and beyond their jobs to grow our business, our medical & occupational health teams working very hard to keep our people safe, and many inspiring stories of our people volunteering their time to help communities around our sites.

CAPABILITY BUILDING INTERVENTIONS

Learning leads to innovation and it helps in unlocking people potential. The sudden outbreak of Covid-19 challenged the learning approach across the world and forced every to shift to an online mode overnight. We prioritized learning through online learning platform which has provided the flexibility of time and place. It has helped the employees grow professionally by taking charge of their own development through the platforms such as LinkedIn learning licenses, Udemy certification programs, Degreed and Unilever Learning Management System for new age skills. Virtual learning from experts across BSPAN countries also helped in enriching learning experiences adding value to business. We continue to build organizational capabilities with clear focus on functional learning priorities to make our people future-fit and purpose-led. Our ambition is to make sure all our people can reskill, upskill, work more flexibly and adapt to the changing world of work.

MANAGING TALENT AND STRENGTHENING OUR EMPLOYER BRAND

Campus engagement and initiatives to attract the best talent have been one of the priorities where such interaction with the best young minds of Nepal has been a winning journey for UNL. Unilever Nepal has been an Employer of Choice for the year 2020 among the students of top campuses in the country. We Launched U-Next, Student Ambassador Program that aims to form a fraternity of individuals who want to make a difference in the FMCG Market and have fun while doing it. The program facilitates and nurtures the skills to contribute to their career growth. We want to empower, strengthen and groom select students across Nepal who will serve as brand evangelists and experts in their respective institutions. We continued to build meaningful and deep engagements with students, digitally as well as on campus, to strengthen our brand amongst them and attract the best talent for the Company.

FOSTERING GROWTH CULTURE

Our endeavor is to shape a Growth Culture based on three tenets: Human, Purposeful and Accountable. We remain committed to listening to our employees and build these insights into actions. Our annual employee survey 'UniVoice' conducted during the year garnered a participation from 94% of our office-based employees. The survey showed improvements across all dimensions. Overall pride to work in UNL stood at 99%, Growth Mindset at 91% and employee engagement stood at 90%. The employee voice through these encouraging scores is testimony to our actions and how our employees experience our Company every day. We are driving performance culture with purpose led and future fit strategy where the pioneering growth culture provides employees with fair and transparent performance management.

EMPLOYEE CONNECT AND ENGAGEMENT

We believe that engaged employees would remain committed, positive and happy and therefore we at UNL strive to create a thriving environment for the employees to learn and grow. We completed annual conference in UNL by having MD connect with Q&A session which was focused on bringing employees closer to the leadership team and recognizing the employees on their service, dedication and hard work in UNL. We have been conducting regular townhalls to encourage interaction and work on areas of action for better engagement at work. We also ensured that all new joiners get an opportunity to connect and engage with MD to understand the organization culture and expectations in the early start of their career. We have been consistently communicating the guidelines on safety and wellbeing practices to the inner core and outer core of the business during Covid19 to ensure safe working habits. Regular connects with employees during covid19, offering logistic support and communicating with our distributors and outer core employees have become imperative for us to create awareness and working safely during the Covid19 pandemic.

WINNING WITH BRANDS AND INNOVATION

Consumer Engagement

With Changes in the operating regulatory framework in Nepal, like the Advertisement Act 2076 there were several implications for the company. During the year, we have adapted well to these changes. We have worked with local media agencies to develop a Media deployment model to reach our consumers effectively with our advertising communication. These include traditional media television, radio, and print and Non-Traditional media like Facebook, YouTube and Tok-tok. We also deployed tactical media through Sponsorships and branded content with various media partners.

LEVERCARE - QUERY / FEEDBACK



We are also very happy to share the set-up of Levercare Set-up in Nepal. This is a facility which allows our consumer to reach out directly to us and share feedback, queries,

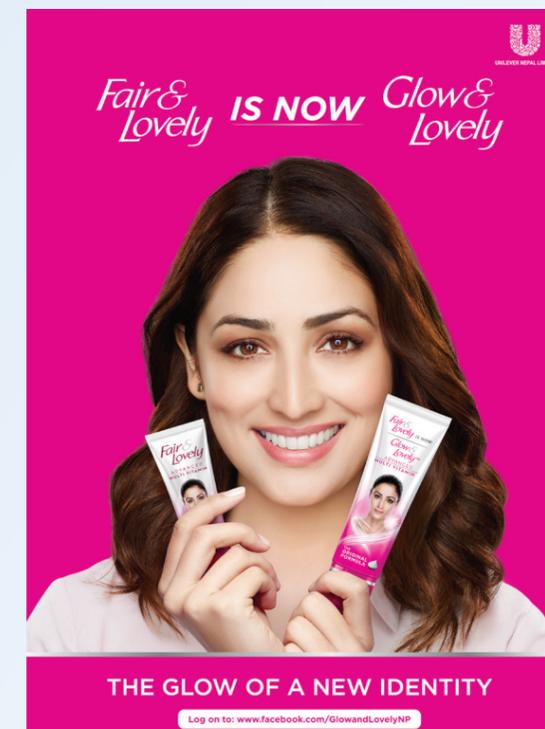
or concerns. As a consumer centric organization, this is a big step towards engaging our Consumers on deeper level. This initiative also brings us par with several Unilever organizations across the world.

Glow and Lovely Relaunch

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

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

fairness, whitening and skin lightening, towards glow, even tone, skin clarity and radiance which are holistic measures of healthy skin.



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

Glow and Lovely has been part of daily skin care routine for Millions of our consumers for decades. Effectively communicating the name change and assuring our consumers of the same delightful product experience they are used to have been the Top Priority for the brand this year. We developed the first ever 'Made-in Nepal' TV commercial and successfully deployed it in

Nepali Television Channels. We also followed a Multimedia Approach where we activated Print, outdoor, Magazine, Digital and Point of Sale Media to effectively engage with our consumers

Lifebuoy

Lifebuoy, one of our known and popular brands, has been on the forefront of marketing innovation this year. With the Covid-19 pandemic raging



across the world, Lifebuoy Brand was on a mission to save lives through our Products and raising awareness of right safety behaviors. Working with Global R&D, our Soap bars are proven to be 100% effective against the spread of the Virus.



of the right handwashing behavior. This was supported through the year with innovative Media Tie-Ups



We changed our packaging to Call out this safety claim to promote awareness. We also developed the first Nepali Language TV commercial on the brand, which was widely deployed to drive awareness

We also organized a massive Public Service Announcement Campaign across several Media, urging our consumers to wear Masks and wash Hands during the peak of 2nd wave COVID pandemic in Nepal.

We also activated the Global Handwash Day, 5th Oct 2020 in Nepal together with UNICEF and



launched #H for handwash Campaign. This is a part of the Lifebuoy purpose Journey where we inculcate the right hygiene habits among children

Vim Anti Smell launch

The Big Product innovation of the year was the launch Vim Anti Smell variant. This product brings some of the most advance dishwashing technology in Bar Format in Nepal. Equipped with Grease fighting power of Lemon and the fragrance of Mint, this product is designed to fight the 5 common Odors associated with dishwashing. This product was designed basis a strong consumer insight on odor being the one of the biggest causes of concerns during dishwashing, especially in cultures with non-Vegetarian heavy cuisines like Nepal.



We endeavored for our consumers to try this new product offering, launching the product at an introductory price of NPR 12/- and supported the launch by media and Sampling exercises. We have received very good feedback from the users of this new product, and we are confident that we will be able to make it a sizeable consumer franchise.

Valentine's Day- Closer Apart Campaign

February is often celebrated as the month of love Close-Up as a brand helps our consumers with the confidence to get close together and has always celebrated the Valentine's Day as a champion of Love. With the COVID-19 pandemic and the lockdowns, the Valentine's Day in 2021

was different than many before it. We took up the challenge and launched the #CloserApart campaign where we encourage our consumers to share their stories of Love, Romance during the



time of pandemic in a digital manner and gave a chance for our users to have a Grand Valentine's Day.

Active Wheel 2-in 1 launch

Our Wheel Brand of detergents was relaunched as 'Active Wheel 2-in-' during the year. 'Active Wheel 2 in 1' now comes with superior formulation with additional blue and orange speckles giving much better lather & provides a 'deep cleaning' for your clothes. Active Wheel 2 in 1 Detergent Powder is gentle on hands and has good fragrance. It leaves your clothes not just clean, but also fresh & fragrant.



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

This is a major product quality improvement we have done and with the right portfolio structuring we are in a much better position to win with our consumers. We have also developed a Nepali language TV commercial, which are deploying on Mass media to effectively make our consumers aware of the new product.

Rin Shakti Relaunch

Rin Shakti was relaunched in Nepal with a superior product formulation. The packaging of Rin was also changed from a light blue package to a darker blue. The new Rin has added Blue & Orange speckles for better performance and Visual Cues. The new Rin comes with bright clean technology that removes dirt from deep within the fibers.



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

Ponds SPF

We launched the Sun Protect Range of products in Nepal with Ponds SPF 30 Sunscreen. Sun protection is one of the key Skin need spaces, especially in Mountain terrains where the harsh Sun can cause Sun Burns, tanning and increases the risk of Cancer. This is growing business segment in Nepal and with this launch, we have brought in some of the best Global R&D technology to Nepal. Effective against UV A and UVB radiation, Pond Sun protect range is proven effective against the 5 Sun Damage problems.

This superior mix was deployed in the market with an exciting communication comprising of press, POS materials and trade communication.



WINNING IN THE MARKET PLACE

Emerging channels of Future.

Looking at the future in the space of distribution network its mandatory that we put a strong footprint in the channels of future such as Modern Trade (MT) and Ecommerce. We have been engaging big time with MT partners on revamping the Terms of Trade (TOT) and hence have been able to deliver strong business results in Banner stores. We have a JTBD in the non-banner stores and ECOM where we are trying and developing a strong footprint end of 2021. With introduction of our in-house app Shikhar we will enter into a new era of ordering from Retailer directly which will enable more frequent distribution in connect with speed and accuracy. Along with direct coverage of reaching the outlets directly we will have an additional tool which will embark on the tech journey of the future. We have 5000 channel outlets and the focus on them thru tech-based approach or a direct approach with increased demand capture front has enable us to register a solid growth of 50% and a special mention on the width of achievement from 35% to 55%.

Harnessing technology:

In the space of the new business journey of technology we have created a model to capture the demand from the market in a robust manner. This demand capture will be fully driven with a solid backend data which will not only ease the job of the (Direct Selling Representative) DSR but also will throw up a guideline to approach on the increased assortment selling and winning in the marketplace. We will also be able to monitor the approach of the DSR and end of the day will be able to evaluate the performance daily. Another application called, I-Square has the feature to capture the attendance and working pattern in the marketplace which has enable people with some robust data which are measurable and been actioned upon. This resulted us significant increase of assortment in the market and ensure daily great execution. With the new advanced tech we will also create a new system which will help

us capture the demand in a robust manner which shall also ease the process of the frontend team in selling more lines in the retail channel which will remain the key focus as a company.

Robust Infra led Distribution:

UNL has the largest distribution network with a presence in 63/77 districts directly which by far ahead of the competitors with 129 distributors directly. Maximum companies operate the import route run by consolidated distribution houses and mostly all other companies are focussed in top towns and mostly in the valley area through the wholesale channel route. We have reached to almost 37,000 outlets and our unique coverage has reached to almost 43,000 outlets in a quarter time on a direct reach. With the category expansion and the tech-based innovation on assortment selling we are planning to reach to 40,000 outlets from now which will increase the DPL from 152 to 160 by next year. With the focus on increasing reach and adding assortment we have also increased the strength on the market working pattern with adding new workforce to the demand capture and demand fulfilment plans. This resulted in a strong growth of 53% over 2020 calendar year. We have also implemented added service mix to the demand capture front to the top 6000 outlets in top towns and valley which contributes to 60% of the turnover. We have a plan to get 100% customers to IKEA (our billing software) which will be also be completed very soon.

WINNING SUPPLY CHAIN AMID VUCA SCENARIO

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

Safety, Health & Environment

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

To reduce the material handling, we started sourcing high consumption material in bulk instead of small pack sizes & migrating to various material handling equipment to reduce manual handling and wastages from our operations.

To make ourselves future fit & various digital tools such as E-Modenote, E-permit, USEAT have been deployed effectively. CCTV Camera, Audio device Black box & GPS System were installed in employee bus to heighten the level of road safety further. We continued to underpin behavioural based safety through various trainings and campaigns. Highest level of precautions is taken to contain spread of COVID infection. Various activities, also in link with USLP-Unilever Sustainable Living plan, are executed to achieve environmental KPIs.

Sustainability

The Unilever Compass sets out to decouple our growth from our environmental footprint, while increasing our positive social impact. We achieved breakthrough in decreasing Carbon footprint through optimum use of Solar thermal plant and Chlorination plant that led to decreased HSD fired Boiler operation time. Also, we are looking for opportunities to minimise HSD usage in our operation and meet our global goals.

Projects are under way to figure out alternate usage of business waste and to not only generate value for business, but also to conserve eco system as well. Business is also picking up actions to increase awareness around plastic and reduce its usage in products. Efficiency improvement are being taken across all operations to reduce energy and material waste. Also, in collaboration with Nepal Army we have undertaken mountain clean-up campaign.

Capacity upgradation

Keeping in line with the increased market demand and requirement to support the business, various activities were taken to upgrade our manufacturing capacity. This year, in-house manufacturing capacity further scaled up by optimizing the batch size and batch cycle time in most of our operations. Capacity de-bottlenecking on manufacturing set-up is being done to make ourselves future ready.

Engineering excellence

Remarkable improvement on OEE across all lines was the breakthrough achievement of this year. We have been continuously working on to upgrade our machines to meet the business requirements. We have further streamlined our operations which has resulted in an increased line speed and efficiency of packing lines.

Quality

Quality is integral part of business, there is a continuous endeavour to ensure better consumer satisfaction as well as consumer safety in all our products. Advancement of equipment's & online controls has helped to strengthen our quality competence and reduce market complains. We have also developed various digitals tools to monitor uniformity in quality parameters of incoming materials and has developed a platform to further engage with business partners to improve overall quality of our products.

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

Cost optimization

An important aspect of business, Cost optimization enables us to cut the cost and add value as fuel for business growth. "Symphony Program" has been proven a great lever to deliver best quality products to the consumers at least price point. This program covers a bandwidth from localisation of premium products, raw materials, and packaging materials to and optimising cost of overheads across functions in business. This is helping us to deliver significant improvement on materials cost and conversion cost. Even during the difficult times of COVID, savings has been the focus and an integral part of the business strategy.

Inventory optimisation and efficiency improvement has helped us cater to increasing demand with existing capacity and we are also investing in our core focus areas to deliver successful business.

Journey towards excellence in servicing

We have handled the Covid crisis time with zero disruption in supplies. Integrated Planning Model (IPM) has been implemented for improvised distribution and improved stocks availability. Overall, it was great year in terms service levels. Centralized Materials Requirement Planning (CMRP) was incorporated to gain efficiency in material sourcing and requisition. Product Life Cycle Management (PLM) system was incorporated to maximize development efforts of new products as well as to organize the existing one by managing critical product information, life cycle and value chain, thereby increasing performance. We have managed to cater ever highest business demand with existing warehousing space for raw & packaging materials through inventory optimisation by incorporating cutting edge technologies.

GOVERNANCE, COMPLIANCE AND BUSINESS INTEGRITY

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

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

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

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

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

BUSINESS INTEGRITY

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



During the year, the mandatory Business Integrity Training was completed by 100% employees. No cases pertaining to any areas of our Code and Code Policies were raised. The Code and Code Policies reflect our commitment to fight corruption in all its forms. We are committed to eradicating any practices or behaviours through our zero-tolerance policy.

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

Nepal financial reporting standard (Nfrs)

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

Dividend

The Board of Directors always believe in returning the value created from company's strong operations to its shareholders and have remained committed to high dividend payout policy for the upcoming future. The Board at their meeting held on 6th September 2021 recommended final dividend of NRs. 650/- per share on each equity share for the financial year that ended on 15th July 2021.

Business Risk & Future Outlook

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

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

APPRECIATIONS AND ACKNOWLEDGMENTS

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

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

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

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

On behalf of the Board

Dev Bajpai
Chairman
06th September 2021, Monday

DIRECTORS

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

COMPANY SECRETARY

Ms. Elina Acharya

AUDITORS

PKF TR Upadhyaya & Co., Chartered Accountants
Kathmandu, Nepal

BANKERS

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

REGISTERED OFFICE & FACTORY

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

CORPORATE OFFICE

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

SHARE REGISTERED

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

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

- Details of Share Forfeiture: -
No shares have been forfeited till date.
- Transactions with subsidiaries: -
The company has no subsidiaries.
- Information provided to the company by its substantial shareholders in the previous financial year:-
Hindustan Unilever Limited, which is the majority shareholder, provided the company all information related to new product innovations, marketing mix, information on price movements of commodities, system related information and technology etc. No information was provided to the company by any other substantial shareholder.
- Share Purchase by Directors and Officials of the company during the year: -
Nil
- Information received on the personal interest of Directors and their close relatives in any agreement / contract entered by the Company: -
Nil
- Detail of share buyback during the year: -
The company did not buy back its own shares during the year.
- 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.
 - Global Framework Financial Control (GFCF) audit carried out by Mahajan & Aibara Chartered Accountants LLP, India and Capgemini Technology Services India Limited, India
 - Periodic review of internal control systems by Management and Audit Committee.
 - Control Assurance review (CAD Audit) carried out by BDO India LLP.
- Total Management expenses during the year: - NPR in Lakhs

Employee expenses during the fiscal year	719
Administrative expenses during the fiscal year	239
- List of audit committee members, their remuneration and facilities:

Name	Remuneration
Mr. Subhas Bajracharya - Chairman	**
Mr. Ravi Bhakta Shrestha - Member	**
Mr. Krishnan Sundaram - Member	-
Mr. Asha Gopalakrishnan - Member	-

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

(**) During the year, a total amount of NPR 81,000/- was paid as meeting fees to Mr. Ravi Bhakta Shrestha & Mr. Subhas Bajracharya. Moreover, travel expenses of these Audit Committee members for attending the Audit Committee meetings are borne by the company whenever required.

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

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

		NPR/Lakhs		
S.N.	Particulars	Directors	Managing Director	Managers/Officers/Staff
1.	Meeting Fee	2.16	-	-
2.	Salary & Allowances	-	381.61	1,996.69
3.	Car Facility	No	Yes	Yes
4.	Accommodation	No	Yes	Note (b)
5.	Insurance Coverage	No	No	Yes
6.	Number of Persons	6	1	231

Notes: -

- Office car with driver, fuel and maintenance are provided to the Managing Director, Supply Chain Manager, Finance Manager, Sales Manager and Legal Manager.
 - Unfurnished /Furnished rented accommodation or HRA provided to Expatriate Managers as per terms and conditions of employment of the individuals.
 - Travel expenses of the Directors, whenever required for attending the Board meetings, are borne by the company.
- Unclaimed Dividends: -
Total unclaimed dividend is NPR 337.27 lakhs as on 31 Ashad, 2078.
 - Details of sale and purchase of properties pursuant to Section 141: -
Nil.
 - Details of transactions carried on between the associated companies pursuant to Section 175: -
Refer Note 2.2.19 of the financial statement.
 - Other matters required to be disclosed in the director's report by the Companies Act, 2063 or other laws in force: - None
 - Other relevant issues: - None

UNILEVER NEPAL LIMITED INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Unilever Nepal Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Unilever Nepal Limited (the Company), which comprise the statement of financial position as at 31 Ashad 2078 (15 July 2021), and the statement of profit or loss, statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 Ashad 2078 (15 July 2021), and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

Basis for opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the code of ethics for professional accountant issued by Institute of Chartered Accountants of Nepal (ICAN) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2063 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN's Code of Ethics for professional accountants. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended on 31 Ashad 2078 (15 July 2021). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition (Refer Note 2.2.17 "Revenue" and Note 16 of the financial statements)	
<p>Revenue from sale of goods (hereinafter referred to as "Revenue") is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, the Company retains no effective control of the goods transferred to a degree usually associated with ownership and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.</p> <p>The timing of Revenue recognition is relevant to the reported performance of the Company. The management considers revenue as key measure of evaluation of performance.</p> <p>There is a risk of Revenue being recorded before significant risk and reward of ownership is transferred.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Assessed the appropriateness of the Company's revenue recognition accounting policies in line with NAS 18 (Revenue) and tested thereof. ▪ Evaluated the integrity of the Company's general information and technology control environment and tested the operating effectiveness of IT application controls over Revenue recognition, the detailed process flow of sales, segregation of duties for the process followed, automated steps and manually intervened processes. ▪ Performed detailed analysis of Revenue, analytical testing with monthly sales information filed with tax authorities, testing the timing of its recognition and accuracy of the amounts recognized and verification of the supporting information of the Revenue transactions. ▪ Tested the supporting documentation for selected sample of sales transactions recorded during the period closer to the year end and subsequent to the year end to evaluate whether Revenue was recognised in the correct period as part of cut off procedures.

Litigations – Contingencies (refer Note 2.2.20 (b) and (c) of the financial statements)	
<p>The Company is involved in several ongoing direct and indirect tax litigations. The Company recognises a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources.</p> <p>The amounts involved are significant, and the application of accounting standards to determine the amount, if any, to be provided as a liability or disclosed as a contingent liability, is inherently subjective.</p> <p>We have identified tax litigations and contingencies as a key audit matter because it requires the management to make judgements and estimates in relation to the exposure arising out of litigations. The key judgement lies in the estimation of provisions where they may differ from the future obligations.</p>	<p>In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence</p> <ul style="list-style-type: none"> ▪ Obtained and read the Company's accounting policies in respect of claims, provisions and contingent liability to access compliance with the applicable accounting standards (NAS 37). ▪ Tested the effectiveness of key controls around the recording and assessment of tax provisions and contingent liabilities. ▪ Supporting documentation were tested for the positions taken by the management and compared the same to the assessment of our in-house tax team to assess the reasonableness of the provision or contingency ▪ Assessed the relevant historical and recent judgments passed by the court authorities. ▪ Considered the adequacy of the Company's disclosures made in relation to taxation related provisions and contingencies in the financial statements.

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

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

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

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with NFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

Information other than the financial statements and auditors' report thereon

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

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

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics for professional accountants regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, the statement of financial position as at 31 Ashad 2078 (15 July 2021), the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended have been prepared in accordance with the requirements of the Company Act, 2063 and are in agreement with the books of account of the Company and proper books of account as required by law have been kept by the Company.

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

Date: 06th September 2021

Place: Kathmandu

Shashi Satyal

Partner

PKF T R Upadhya & Co.

Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at 31 Ashad 2078 (15 July 2021)

Figures in NPR

	Note	As at 31 Ashad 2078	As at 31 Ashad 2077
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	99,39,42,392	1,08,30,64,053
Intangible assets	4	5,58,98,386	7,92,49,567
Other non-current assets	6	-	92,887
Deferred tax assets	13	3,05,39,528	4,73,17,382
Total Non-Current Assets		1,08,03,80,306	1,20,97,23,889
Current assets			
Inventories	7	84,25,42,953	62,61,20,697
Financial assets			
Trade and other receivables	8	98,36,01,852	84,67,51,848
Investments	5	93,29,00,000	33,49,00,000
Cash and cash equivalents	9	76,62,41,738	66,17,21,545
Bank balance other than CCE	10	3,39,09,448	3,50,13,416
Other current assets			
Current tax assets	22	10,85,12,541	-
Prepayments		51,37,309	91,90,469
Total current assets		3,67,28,45,841	2,51,36,97,975
Total assets		4,75,32,26,147	3,72,34,21,864
EQUITY AND LIABILITIES			
Equity			
Share capital	11	9,20,70,000	9,20,70,000
Employees' housing reserve	12	-	79,60,59,325
Retirement Benefit Scheme Reserve	12	65,87,80,520	-
Retained earnings	12	1,85,41,72,774	1,08,49,66,136
Total Equity		2,60,50,23,294	1,97,30,95,461
Liabilities			
Non-Current Liabilities			
Deferred tax liabilities	13	-	-
Provisions	14	14,31,28,866	1,34,37,379
Total Non-Current Liabilities		14,31,28,866	1,34,37,379
Current Liabilities			
Financial liabilities			
Trade and other payables	15	1,89,16,81,597	1,58,86,38,265
Provisions	14	11,33,92,390	11,44,49,868
Current tax liabilities	22	-	3,38,00,891
Total Current Liabilities		2,00,50,73,987	1,73,68,89,024
Total Liabilities		2,14,82,02,853	1,75,03,26,403
Total Equity and Liabilities		4,75,32,26,147	3,72,34,21,864

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

Dev Bajpai Chairman	Ravi Bhakta Shrestha Director	Amlan Mukherjee Managing Director	Shashi Satyal Partner PKF TR Upadhy & Co Chartered Accountants
Asha Gopalakrishnan Director	Subhas Bajracharya Independent Director	Vasudhesh Bhat Chief Finance Officer	
Yogesh Mishra Director	Krishnan Sundaram Director	Elina Acharya Company Secretary	

Date: September 6, 2021
Place: Kathmandu, Nepal

STATEMENT OF PROFIT OR LOSS

For the year ended 31 Ashad 2078 (15 July 2021)

Figures in NPR

	Note	For the year 2077-78	For the year 2076-77
Revenue from operations	16	5,73,07,23,792	5,54,72,21,624
Other income	17	5,88,46,550	14,04,94,146
TOTAL INCOME		5,78,95,70,342	5,68,77,15,770
EXPENSES			
Cost of materials consumed	18	3,14,73,72,749	3,00,06,17,161
Changes in inventories of finished goods (including stock-in-trade) and work-in-progress	19	(18,26,42,083)	8,04,19,759
Employee benefits expenses	20	38,12,76,105	33,22,82,499
Depreciation and amortisation expenses	3,4	11,75,68,080	9,86,44,632
Other expenses	21	1,27,50,91,022	1,60,34,23,772
TOTAL EXPENSES		4,73,86,65,873	5,11,53,87,823
Profit before tax		1,05,09,04,469	57,23,27,947
Income Tax Expense	22	(19,00,27,182)	(21,43,22,694)
Profit from continuing operations		86,08,77,287	35,80,05,252
Net Profit for the year		86,08,77,287	35,80,05,252
Basic and Diluted Earnings per share	24	935	389

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

Dev Bajpai Chairman	Ravi Bhakta Shrestha Director	Amlan Mukherjee Managing Director	Shashi Satyal Partner PKF TR Upadhy & Co Chartered Accountants
Asha Gopalakrishnan Director	Subhas Bajracharya Independent Director	Vasudhesh Bhat Chief Finance Officer	
Yogesh Mishra Director	Krishnan Sundaram Director	Elina Acharya Company Secretary	

Date: September 6, 2021
Place: Kathmandu, Nepal

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 Ashad 2078 (15 July 2021)

	Note	For the year 2077-78	For the year 2076-77
Net Profit for the year as per Statement of Profit or Loss		86,08,77,287	35,80,05,252
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial Gain/(Loss) on defined benefit pension schemes	25	3,99,351	(3,84,971)
Other comprehensive gain/(loss) for the year, net of tax		3,99,351	(3,84,971)
Total comprehensive gain/(loss) for the year, net of tax		86,12,76,639	35,76,20,282

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

Dev Bajpai Chairman	Ravi Bhakta Shrestha Director	Amlan Mukherjee Managing Director	Shashi Satyal Partner PKF TR Upadhy & Co Chartered Accountants
Asha Gopalakrishnan Director	Subhas Bajracharya Independent Director	Vasudhesh Bhat Chief Finance Officer	
Yogesh Mishra Director	Krishnan Sundaram Director	Elina Acharya Company Secretary	

Date: September 6, 2021
Place: Kathmandu, Nepal

STATEMENT OF CASH FLOWS

For the year ended 31 Ashad 2078 (15 July 2021)

	Note	As at 31 Ashad 2078	As at 31 Ashad 2077
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		86,08,77,287	35,80,05,252
Adjustments for:			
Income tax during the year	22	19,00,27,182	21,43,22,694
Depreciation on property, plant and equipment	3	9,42,16,899	7,53,77,137
Amortization of Intangible Assets	4	2,33,51,181	2,32,67,495
Allowance for inventory obsolescence	13	(7,17,58,628)	5,86,84,758
Provision for employee benefits	14	14,23,85,898	31,80,244
Other provisions	14	(1,33,52,537)	(3,37,32,629)
Provision for Bonus	20	11,79,46,630	6,42,34,338
Finance income	16	(3,55,05,933)	(4,79,44,947)
Fixed Assets W/Off	21	3,19,42,837	1,33,907
Loss/ (gain) on sale of Property, plant and equipment	17	-	-
Working capital adjustments:			
(Increase)/ decrease in Trade & Other receivables	8	(13,68,50,004)	31,65,13,522
(Increase)/ decrease in Other non-current assets	6	92,887	40,06,821
(Increase)/ decrease in prepayments		40,53,160	(50,19,734)
(Increase)/ decrease in Inventories	7	(14,46,63,628)	13,76,17,075
Increase / (decrease) in trade and other payables	15	25,01,76,634	30,85,82,053
Cash generated from operations		1,31,29,39,865	1,47,72,27,988
Bonus paid		(6,42,34,337)	(15,36,65,692)
Income Tax Paid		(31,55,62,760)	(17,98,47,338)
NET CASH FLOWS FROM OPERATING ACTIVITIES		93,31,42,767	1,14,37,14,958
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		-	1,84,391
Interest Received		3,74,93,115	4,79,44,947
Acquisition of Property, plant and Equipment	3	(3,70,38,075)	(27,85,46,591)
Purchase of Intangibles	4	-	(10,04,234)
Decrease/(increase) in Investment on FD		(59,99,87,182)	23,91,23,418
Decrease/(increase) in Bank balance other than CCE		11,03,968	39,48,083
Transferred towards Retirement benefit Scheme		(13,72,78,805)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(73,57,06,979)	1,16,50,014
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(9,29,15,595)	(70,37,49,198)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(9,29,15,595)	(70,37,49,198)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,45,20,193	45,16,15,775
CASH AND CASH EQUIVALENTS,			
Beginning of Year	9	66,17,21,545	21,01,05,770
CASH AND CASH EQUIVALENTS, End of Period	9	76,62,41,738	66,17,21,545

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

Dev Bajpai Chairman	Ravi Bhakta Shrestha Director	Amlan Mukherjee Managing Director	Shashi Satyal Partner PKF TR Upadhy & Co Chartered Accountants
Asha Gopalakrishnan Director	Subhas Bajracharya Independent Director	Vasudhesh Bhat Chief Finance Officer	
Yogesh Mishra Director	Krishnan Sundaram Director	Elina Acharya Company Secretary	

Date: September 6, 2021
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 Ashad 2078 (15 July 2021)

Figures in NPR

	Share capital	Employees' Housing reserve	Retirement Benefit Scheme Reserve	Retained earnings	Total
Balance at 31 Ashad 2076	9,20,70,000	79,60,59,325	-	1,43,62,84,854	2,32,44,14,179
Profit for the year	-	-	-	35,80,05,252	35,80,05,252
Other comprehensive income	-	-	-	(3,84,971)	(3,84,971)
Total comprehensive income	-	-	-	35,76,20,282	35,76,20,282
Transfer to Employees' Housing Reserve	-	-	-	-	-
Dividends to shareholders	-	-	-	(70,89,39,000)	(70,89,39,000)
Balance at 31 Ashad 2077	9,20,70,000	79,60,59,325	-	1,08,49,66,136	1,97,30,95,461
Profit for the year	-	-	-	86,08,77,287	86,08,77,287
Other comprehensive income	-	-	-	3,99,351	3,99,351
Total comprehensive income	-	-	-	86,12,76,638	86,12,76,638
Dividends to shareholders	-	-	-	(9,20,70,000)	(9,20,70,000)
Transfer to Retirement Benefit Scheme Reserve	-	(79,60,59,325)	79,60,59,325	-	-
Transfer to Retirement Benefit Payable	-	-	(13,72,78,805)	-	(13,72,78,805)
Balance at 31 Ashad 2078	9,20,70,000	-	65,87,80,520	1,85,41,72,774	2,60,50,23,294

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

Dev Bajpai
Chairman

Ravi Bhakta Shrestha
Director

Amlan Mukherjee
Managing Director

Shashi Satyal
Partner
PKF TR Upadhy & Co
Chartered Accountants

Asha Gopalakrishnan
Director

Subhas Bajracharya
Independent Director

Vasudhesh Bhat
Chief Finance Officer

Yogesh Mishra
Director

Krishnan Sundaram
Director

Elina Acharya
Company Secretary

Date: September 6, 2021
Place: Kathmandu, Nepal

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT

For the year ended 31 Ashad 2078 (15 July 2021)

1. Corporate information

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

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

2. Significant Accounting Policies

2.1 Basis of Preparation

2.1.1 Statement of compliance

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

2.1.2 The Financial Statements are authorized for issue by the Board of Directors on 21st Bhadra, 2078 (September 6, 2021).

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, retirement scheme, surpluses and deficits are measured at fair value.

2.1.5 Critical accounting estimates

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

a) Provision for employee benefits

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

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

b) Recognition of deferred tax

Deferred tax is recognized for taxable temporary differences.

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

c) Provision for depreciation and amortization

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

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

2.1.6 Functional and presentation currency

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

2.1.7 Capital management

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

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 Ashad, 2078 and 31 Ashad, 2077.

2.1.8 New standards issued but not yet effective

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

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

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

2.2 Significant accounting policies and other explanatory notes

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

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

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

generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

2.2.2 Foreign currency transactions

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

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

2.2.3 Property, plant and equipment

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

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

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

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

2.2.4 Depreciation

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

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

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

Particulars	Useful Life (Years)	Depreciation Rate (%)
Building		
Permanently owned Property	40.00	2.50
- Leasehold property	9.00	11.11
Plant and Machinery	14.29	7.00
Office Equipment	14.29	7.00
Furniture and Fixtures	14.29	7.00
Computer Accessories	4.00	25.00

2.2.5 Lease

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

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

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

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

Period	Amount in NPR	
	As at 31 Ashad 2078	As at 31 Ashad 2077
Less than one year	8,67,12,595	6,24,13,610
One year to five years	19,97,36,909	17,44,51,509
More than five years	13,35,39,522	18,58,33,135
Total	41,99,89,026	42,26,98,253

2.2.6 Intangible assets

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

Purchased computer software licenses are capitalized on the basis of cost incurred to acquire and bring to use the software. These costs less estimated residual value are amortized over the estimated useful life of 5 years. Residual value of intangibles are estimated to be nil.

2.2.7 Production at third party manufacturing locations

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

2.2.8 Trade and other receivables

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

2.2.9 Inventories

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

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

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

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

2.2.10 Cash and cash equivalents

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

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

2.2.11 Impairment of financial assets

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

2.2.12 Share capital

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

2.2.13 Current versus non-current classification

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

The Company classifies an asset as current when it is:

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

All other assets are classified as non-current.

The Company classifies a liability as current when:

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

The Company classifies all other liabilities as non-current.

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

2.2.14 Employment benefits

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

Defined contribution schemes

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into state managed retirement benefit schemes and will have no legal or constructive obligation to pay further contributions, if any, if the state managed funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Company's contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss in the financial year to which they relate.

The Company is registered in the Social Security Fund (SSF) and the Social Security Fund Contribution @31% of basic salary for all the retirement benefits (Provident fund, Social security tax, Gratuity and Medical Insurance to the staffs) are deposited therein on monthly basis.

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

Defined benefit schemes - Other retirement benefits scheme

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

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

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

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

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

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

Other long-term employment benefits

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

Housing Fund Reserve

Appropriation for Employees housing for the purpose of construction of staff quarters were provided up to the financial year 2073-74 as per section 41(2) of the Labor Act 2048. After the enactment of the amended Labour Act, 2074 effective from Bhadra 19, 2074, provision for the allocation of employees housing reserve was discontinued, so the Company has not made such allocation from financial year 2074-75.

Since, the amount has been accumulated under Housing Reserve over the years, Labour Relations Committee ("LRC") has resolved the "Retirement benefit scheme" towards utilization of the accumulated housing fund (formed under Section 41 of the erstwhile Labour Act, 2048) during the current year.

The total accumulated balance of Employees Housing Reserve as on 1 Shrawan 2077(16 July 2020) amounted to NPR 79,60,59,325 has been transferred to Retirement Benefit Scheme Reserve in the current year. Further, out of the total transfer to Retirement Benefit Scheme Reserve, amount of NPR 13,72,78,805 has been recognized as liability based on the actuarial valuation for the year ended 31 Ashad 2078 (15 July 2021) and transferred to retirement benefit payable.

Every year, based on Actuarial Valuation, liability shall be recognized from Retirement Benefit Scheme Reserve. Further, as the scheme is an unfunded defined benefit plan, no assets are set aside.

2.2.15 Taxation

Income tax

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

Current tax

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

Income tax rates applicable to company:

Income from manufacturing and sale of goods: 20% (2076/77: 20%)

Income from service charges on ELIDA sales/access fees: 25% (2076/77: 25%)

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

Deferred tax

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

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

2.2.16 Trade and other payables

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

2.2.17 Revenue recognition

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

Sale of goods

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

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

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

Service charges on ELIDA sales

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

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

However, from the previous fiscal year, service to ELIDA has been discontinued due to change in "Elida income model" as a result of which there is no ELIDA service income in the current fiscal year.

Interest income

Interest income is recognized on the time proportion basis.

Measurement of Revenue

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

2.2.18 Expenses

Operating lease payments

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

Staff bonus

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

Figures in NPR	
Particulars	2077-78
Profit before tax (PBT)	1,05,09,04,472
Add: Bonus allocation included in PBT	11,79,46,630
Add: CSR allocation as per Industrial Enterprise Act 2076	1,06,15,197
PBT for bonus calculation	1,17,94,66,299
Bonus @ 10%	11,79,46,630

Provision for Corporate Social Responsibilities (CSR)

CSR expenses is accounted as per Industrial Enterprises Act 2076 (the "Act") introduced with effect from February 11, 2020 repealing the Industrial Enterprises Act 2073 (the "Previous Act"). Section 54 of Industrial Enterprises Act 2076 makes it mandatory to allocate 1% of the annual net profit to be utilized towards corporate social responsibility (the "CSR Requirement").

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

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

Figures in NPR	
Particulars	2077-78
Profit before tax (PBT)	1,05,09,04,472
Add: CSR allocation as per Industrial Enterprise Act 2076	1,06,15,197
PBT for CSR provision	1,06,15,19,669
CSR allocation as per Industrial Enterprise Act @ 1%	1,06,15,197

Auditors' remuneration and expenses

Figures in NPR	
Particulars	2077-78
Statutory audit fees	4,25,000
Tax audit fees	2,10,000
Group reporting audit fees	1,50,000
Quarterly limited review	1,05,000
Labor audit fees	60,000
Reimbursement of out-of-pocket expenses	60,000
	10,10,000

2.2.19 Related party transactions:

(a) Relationship

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

Relationship	Related Parties
Holding Company	Hindustan Unilever Ltd.
Ultimate Holding Company	Unilever PLC
Fellow and Group Subsidiaries	Unilever India Export Limited PT. Unilever Oleochemical, Indonesia Unilever UKCR limited, UK Unilever N.V, Netherland Unilever Europe Business Centre B.V., Netherland Unilever Asia Pvt. Ltd.
Significant Influence	Sibkrim Holdings Pvt. Ltd.
Key Management Personnel	Amlan Mukherjee

(b) Transactions with key management personnel

Key management personnel compensation

Figures in NPR		
Particulars	Current year	Previous Year
Short-term employee benefits	3,81,60,741	3,45,95,505
Post-employment benefits	Nil	Nil
Other long-term benefits	Nil	Nil
Termination benefits	Nil	Nil
Share based payment	Nil	Nil

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

(c) Other related party transactions

Figures in NPR

Particulars	Transactions		Outstanding Balance		
	Current Year	Previous Year	Current Year	Previous Year	
Holding company (HUL)	Royalty	11,38,52,785	10,47,05,163	9,67,74,868	19,60,97,616
	Dividend	7,36,56,000	56,71,51,200	-	-
	SAP Implementation Cost	-	-	15,65,739	6,05,64,758
	SAP Recurring Cost	3,60,59,374	-	3,06,50,468	-
Ultimate holding company (Unilever PLC)	Royalty	5,83,66,962	2,52,63,330	5,94,58,823	6,66,68,735
Fellow and Group Subsidiaries	Purchase of Raw Materials from Unilever India Export Limited	-	15,96,473	-	-
	Purchase of Raw Materials from PT. Unilever Oleochemical	77,65,779	17,33,93,963	-	-
	Debit note for Training programmes to Marketers from Unilever UKCR limited, UK	9,31,107	-	10,96,202	1,65,095
	Debit note from Unilever N.V, Netherland for MCIP investment by ex-MD	15,36,415	-	33,72,420	18,36,005
	Unilever Europe Business Centre B.V., Netherland for Fair Share Cost	5,53,87,548	(59,19,191)	12,25,57,328	7,54,77,911
	Unilever Europe Business Centre B.V., Netherland for ETS Cost	11,16,26,944	9,19,32,875	20,52,85,942	7,81,42,944
Unilever N.V, Netherland for Cross Charge	95,71,576	35,70,540	1,31,42,116	41,02,715	

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 Ashad 2078, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

2.2.20 Provisions and contingencies

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. These are reviewed at each year end date and adjusted to reflect the best current estimate.

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

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

Contingent liabilities:**a. Unexpired letters of credits and acceptance**

Unexpired irrevocable letter of credit NPR 98, 66,628 and acceptance outstanding NPR 60, 05,149 (FY 2076-77: NPR 34, 20,547 and NPR 30,06,522 respectively).

b. Income tax matters

The Large Taxpayers Office ("LTO") has opened self-assessment returns filed by the Company for the financial years 2065-66, 2066-67, 2067-68, 2068-69, 2069-70, 2070-71, 2071-72 and 2072-73. The Company has received final assessment order from Administrative Review for the financial years 2066-67, 2067-68, 2068-69, 2069-70 and 2071-72 and has gone into appeal with Revenue Tribunal for the disputed matters. Details of the same are presented herewith:

Figures in NPR

Fiscal Year	Case lying at	Additional Demand	Recognized as Contingent Liability
2008-09 (2065/66)	Administrative Review, IRD	45,26,110	26,48,582
2009-10 (2066/67)	Revenue Tribunal	7,38,90,673	9,26,93,829
2010-11 (2067/68)	Revenue Tribunal	8,20,39,678	11,89,56,633
2011-12 (2068/69)	Revenue Tribunal	7,42,68,437	10,09,88,120
2012-13 (2069/70)	Revenue Tribunal	2,18,27,906	1,67,66,507
2013-14 (2070/71)	Administrative Review, IRD	6,80,31,475	6,62,11,865
2014-15 (2071/72)	Revenue Tribunal	7,35,86,797	3,25,26,811
2015-16 (2072/73)	Administrative Review, IRD	3,45,38,942	3,64,81,046
Total		43,27,10,017	46,72,73,392

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 and 2072-73. The Company has received final assessment order from Administrative Review on account of VAT for the financial years 2067-68 and 2071-72 and has gone into appeal with Revenue Tribunal for the disputed matters. Details of the same are presented as below:

Figures in NPR

Fiscal Year	Case lying at	Additional Demand	Recognized as Contingent Liability
2008-09 (2065/66)	Administrative Review, IRD	31,75,485	39,65,087
2010-11 (2067/68)	Revenue Tribunal	1,86,290	2,39,457
2014-15 (2071/72)	Revenue Tribunal	5,77,186	7,44,947
2015-16 (2072/73)	Administrative Review, IRD	85,24,924	93,24,026
Total		1,24,63,885	1,42,73,518

d. Bank guarantee issued on behalf of the Company

Company has taken following bank guarantees:

Issued to	Purpose	Amount NPR	Beginning on	Valid till
Department of Customs	Exim code certificate	3,00,000	16 June 2021	15 June 2022
Green Hands Nepal Pvt. Ltd.	Construction of Godown	79,20,000	19 July 2020	17 July 2021

2.2.21 Commitments

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

Figures in NPR

Area	FY 2077-78	FY 2076-77
Expansion of Factory	13,90,963	2,64,18,810
SAP Automation	5,21,828	5,21,828
New Corporate Office	2,26,977	2,26,178
Milder Project	24,05,47,169	-
Capex for Replacement of Transformer	51,17,190	-
Facewash Stablisation	36,19,462	-
Capex for Chiller Retrofitting	21,15,267	-
Ponds White beauty Localization	11,13,519	-
100 GM Soap Localization	9,56,934	-
Chlorination & Solar Hot Water Plant	3,52,425	-
Others	4,44,491	-
Total Capital Commitments	25,64,06,225	2,71,66,816

2.2.22 Royalty

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

2.2.23 Cash flow statement

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

2.3 Financial risk management objectives and policies

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

The risk management is done by the Company's management that provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

Market risk

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

- Currency risk;
- Commodity price risk; and
- Interest rate risk

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

POTENTIAL IMPACT OF RISK	MANAGEMENT POLICY
<p>1. CURRENCY RISK</p> <p>The Company is subject to the risk that changes in foreign currency values impact the Company's imports of raw material and property, plant and equipment.</p> <p>As at 31 Ashad 2078, there is no unhedged exposure to the Company on holding financial assets (trade receivables) and liabilities (trade payables) other than in their functional currency.</p>	<p>The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar and Euro.</p> <p>The aim of the Group's approach to management of currency risk is to leave the Company with no material residual risk. This aim has been achieved in all years presented.</p> <p>The Company manages currency exposures within prescribed limits, through use of forward exchange contracts. Foreign exchange transactions are fully covered with strict limits placed on the amount of uncovered exposure, if any, at any point in time.</p>
<p>2. COMMODITY PRICE RISK</p> <p>The Company is exposed to the risk of changes in commodity prices in relation to its purchase of its raw materials especially vegetable oils/Linear Alkyl Benzene Sulphonic Acid.</p>	<p>The objective of the Company is to minimize the impact of commodity price fluctuations. The Company has undertaken various cost savings programmes along with judicious pricing, without compromising on the competitiveness of brand investments, both in terms of technology as well as advertising and promotion.</p>
<p>3. INTEREST RATE RISK</p> <p>Investment in fixed deposits at fixed rates expose the Company to fair value interest rate risk.</p>	<p>The Company invests in the term deposits for a period of less than one year and there is no significant fair value interest rate risk pertaining to the said deposits.</p>

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

Currency exchange	USD/NPR		EURO/NPR	
	2077-78	2076-77	2077-78	2076-77
Number of Buy contracts	8	-	-	-
Aggregate "buy" foreign currency	25,876	-	-	-

Commodity price risk

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

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

Credit risk

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

- Trade receivables

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

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

- Cash deposits

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

- Investment in fixed deposits

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

Liquidity risk

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

The Company maintained a cautious funding strategy, with a positive cash balance throughout the year ended 31 Ashad, 2078 and 31 Ashad, 2077. This was the result of cash delivery from the business. Cash flow from operating activities provides the funds to service the financing of financial liabilities on a day-to-day basis.

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

2.4 Segment reporting

The Company has only one business segment i.e. dealing in Fast-moving consumer goods (FMCG). The FMCG business mainly consists of products like detergents, scourers, laundry soaps, toilet soaps, skin care creams, other personal products and food products.

The volume of production and sales of food products as compared to other products is insignificant, hence it is not treated as a separate segment. Except food products, all other products have similar risks and returns because of similar nature of products, common consumer segments, similar production processes and common distribution channel. The chief operating decision maker and all functional managers reviews the operating results of the business as a whole. Further, internal organizational and management structure of the Company is not based on product differentiation.

2.5 Additional information

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

3. Property, plant and equipment:

Figures in NPR

	Land	Buildings	Plant & Machinery	Office Equipment	Furniture and Fixture	Computers	Capital Work in Progress	Total
Cost								
Balance at 31 Ashad 2076	56,15,140	17,80,97,946	91,30,05,224	2,81,62,844	8,15,65,450	2,93,30,710	6,33,85,458	1,29,91,62,773
Additions	-	-	-	-	-	-	27,93,05,390	27,93,05,390
Transfer to PPE	-	6,56,11,508	22,71,02,510	1,58,65,302	29,66,413	39,56,804	(31,55,02,537)	-
Transfer to Intangible	-	-	-	-	-	-	(7,58,799)	(7,58,799)
Disposals	-	(3,20,214)	-	-	-	(2,49,500)	-	(5,69,714)
Balance at 31 Ashad 2077	56,15,140	24,33,89,240	1,14,01,07,734	4,40,28,146	8,45,31,863	3,30,38,014	2,64,29,512	1,57,71,39,649
Additions	-	-	-	-	-	-	3,70,38,075	3,70,38,075
Transfer to PPE	-	10,14,720	5,20,56,570	3,89,750	7,43,500	26,57,490	(5,68,62,029)	-
Transfer to Intangible	-	-	-	-	-	-	-	-
Disposals	-	(68,81,095)	(14,69,64,810)	(85,54,759)	(19,90,457)	(32,78,732)	-	(16,76,69,852)
Balance at 31 Ashad 2078	56,15,140	23,75,22,865	1,04,51,99,495	3,58,63,137	8,32,84,906	3,24,16,771	66,05,558	1,44,65,07,872
Depreciation and impairment losses								
Balance at 31 Ashad 2076	-	8,48,58,280	30,29,83,871	99,06,064	59,99,885	1,52,01,776	-	41,89,49,876
Charge for the year	-	1,05,83,940	5,77,95,248	16,76,101	10,24,884	42,96,964	-	7,53,77,137
Transfer to PPE	-	-	-	-	-	-	-	-
Disposals	-	(4,670)	-	-	-	(2,46,747)	-	(2,51,417)
Balance at 31 Ashad 2077	-	9,54,37,550	36,07,79,119	1,15,82,165	70,24,769	1,92,51,993	-	49,40,75,596
Charge for the year	-	1,64,79,949	7,07,73,709	12,23,867	7,42,295	49,97,079	-	9,42,16,899
Transfer to PPE	-	-	-	-	-	-	-	-
Disposals	-	(45,48,530)	(11,99,78,868)	(59,44,928)	(20,54,612)	(32,00,078)	-	(13,57,27,015)
Balance at 31 Ashad 2078	-	10,73,68,968	31,15,73,960	68,61,105	57,12,452	2,10,48,994	-	45,25,65,480
Net book value								
At 31 Ashad 2076	56,15,140	9,32,39,666	61,00,21,353	1,82,56,780	7,55,65,565	1,41,28,934	6,33,85,458	88,02,12,897
At 31 Ashad 2077	56,15,140	14,79,51,690	77,93,28,615	3,24,45,980	7,75,07,094	1,37,86,020	2,64,29,512	1,08,30,64,053
At 31 Ashad 2078	56,15,140	13,01,53,896	73,36,25,535	2,90,02,032	7,75,72,453	1,13,67,777	66,05,558	99,39,42,392
Gross carrying amount of any fully depreciated property, plant and equipments that are still in use	-	6,35,80,522	10,50,594	8,87,121	93,61,444	-	7,48,79,681	12,27,84,834

Property, Plant and Equipment under construction

The net book value of capital work in progress includes amount of NPR 66.05 Lakhs majorly relating to Facewash Plant Stabilisation (NPR 12 lakhs), 100 GMS Soap Localisation C144 (NPR 36.41 Lakhs) and Milder Preservatives in Hair & Skin Care (NPR 16.23 Lakhs) which is currently under installation. The cost of the assets will be depreciated once the machine is installed and available for use.

2.5.1 Licensed/installed annual capacities

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

2.5.2 Production/purchases of finished goods

Particulars	Current Year (Mt)	Previous Year (Mt)
Detergents/Scourers/Laundry *	15,218	15,702
Toilet Soaps	4,525	5,313
Personal Products	9,750	7,904
Foods	101	172
Total	29,593	29,090

*Produced at third Party locations

2.5.3 Sales

Particulars	Current Year		Previous Year	
	Volume (Mt)	Value (NPR)	Volume (Mt)	Value (NPR)
Detergents/Scourers/Laundry	14,785	1,10,04,52,247	15,886	1,05,95,35,177
Toilet Soaps	4,223	1,10,22,20,683	5,674	1,35,43,32,697
Personal Products	9,150	3,87,87,20,628	8,200	3,49,84,57,665
Foods	159	5,15,48,988	165	5,37,42,356
Less: incentive, discount and others		(40,22,18,755)		(41,88,46,270)
Total	28,317	5,73,07,23,792	29,925	5,54,72,21,625

2.5.4 Closing stock of finished goods

Particulars	Current Year		Previous Year	
	Volume (Mt)	Value (NPR)	Volume (Mt)	Value (NPR)
Detergents/Scourers/Laundry *	1,218	6,96,14,986	785	4,11,28,362
Toilet Soaps	375	7,53,18,344	73	1,17,75,721
Personal Products	1,004	23,12,36,232	405	11,36,62,921
Foods	16	43,43,576	74	1,56,25,419
Total	2,613	38,05,13,137	1,337	18,21,92,423

*Produced at third party manufacturing locations

2.5.5 Material consumed including changes in inventories of finished goods and work-in-progress

Particulars	Current Year		Previous Year	
	Volume (Mt)	Value (NPR)	Volume (Mt)	Value (NPR)
Raw, Chemicals, Perfumes etc.	24,587	2,19,52,93,920	23,807	2,11,48,32,981
Packing Materials	-	89,91,26,063	-	81,41,27,242
Net Change in WIP	224	1,56,78,631	(332)	(4,99,46,458)
Finished Goods Variance	(1,276)	(14,53,67,947)	835	12,16,04,381
Total	23,534	2,96,47,30,666	24,311	3,00,06,18,146

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

4. Intangible assets:

	Figures in NPR	
	Computer Software	Total
Balance at 31 Ashad 2076	11,57,51,672	11,57,51,672
Additions - Externally acquired	10,04,234	10,04,234
Disposals	-	-
Balance at 31 Ashad 2077	11,67,55,906	11,67,55,906
Additions - Externally acquired	-	-
Disposals	-	-
Balance at 31 Ashad 2078	11,67,55,906	11,67,55,906
Amortisation and impairment losses		
Balance at 31 Ashad 2076	1,42,38,844	1,42,38,844
Charge for the year	2,32,67,495	2,32,67,495
Disposals	-	-
Balance at 31 Ashad 2077	3,75,06,339	3,75,06,339
Charge for the year	2,33,51,181	2,33,51,181
Disposals	-	-
Balance at 31 Ashad 2078	6,08,57,520	6,08,57,520
Net book value		
At 31 Ashad 2076	10,15,12,828	10,15,12,828
At 31 Ashad 2077	7,92,49,567	7,92,49,567
At 31 Ashad 2078	5,58,98,386	5,58,98,386
Gross carrying amount of any fully amortised intangibles that are still in use	-	-

5. Investments

	Figures in NPR			
	Maturity Period	Interest rate	As at 31 Ashad 2078	As at 31 Ashad 2077
Fixed Deposits in banks				
	1 Year	5.5% to 7.75%	3,29,00,000	3,49,00,000
	Upto 6 months	4% to 6%: CY 7% to 7.1%: PY	90,00,00,000	30,00,00,000
Total			93,29,00,000	33,49,00,000

Of the total investment in fixed deposits, NPR. 3,29,00,000 (2076-77: NPR 3,49,00,000) has been pledged with a bank for the purpose of extending housing loans to the employees.

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

6. Other non-current assets:

	Figures in NPR	
	As at 31 Ashad 2078	As at 31 Ashad 2077
Capital advance	-	92,887
Total	-	92,887

7. Inventories:

	Figures in NPR	
	As at 31 Ashad 2078	As at 31 Ashad 2077
Raw materials	25,09,10,057	24,57,85,653
Packing materials	15,91,01,586	21,20,38,371
Work-in-process	6,21,08,664	7,77,87,295
Finished goods	38,05,13,137	18,21,92,423
Goods in transit	2,40,87,406	1,77,21,816
Stores and Spares	3,41,70,009	3,07,01,674
Less: Allowance for Obsolescence	(6,83,47,908)	(14,01,06,535)
Total	84,25,42,953	62,61,20,697

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

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

8. Trade and other receivables:

	Figures in NPR	
	As at 31 Ashad 2078	As at 31 Ashad 2077
Trade receivables	65,52,58,559	58,34,93,180
Other receivables - Elida Nepal Pvt. Ltd	-	2,37,84,333
Loans and Advances to Employee	10,96,000	18,14,401
Advance to suppliers	30,69,99,296	20,77,10,082
VAT and Custom Deposits	41,02,300	1,37,53,529
VAT Receivables	-	90,98,920
Other deposit	1,61,45,697	70,97,403
Total	98,36,01,852	84,67,51,848

- The fair values of all the above financial assets are equal to their carrying amounts.
- All the trade receivables are secured against bank guarantees. They are neither past due nor impaired.
- Inventories and Trade receivables are pledged against outstanding Letter of Credit as detailed in note no. 2.2.20.
- Trade receivables are non-interest bearing within the credit period ranging from 21 to 35 days. After credit period interest is charged at the rate 15% p.a.
- Provision for doubtful debts of NPR 33,29,89,291 was provided in the previous FY against the total receivables of NPR. 35,67,73,624 from Elida based on the Global Policy pertaining to the impairment of financial assets revised guidance effective from 1 January 2018 for recognition of aged debts. During current FY, amount of NPR. 2,37,84,333 was provided against the Elida receivables in addition to the provision provided last year.

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

9. Cash and Cash Equivalents:

	Figures in NPR	
	As at 31 Ashad 2078	As at 31 Ashad 2077
Cash at banks	76,62,41,738	66,17,21,545
Cash on hand	-	-
Total	76,62,41,738	66,17,21,545

10. Bank balance other than CCE

	Figures in NPR	
	As at 31 Ashad 2078	As at 31 Ashad 2077
Unpaid dividend account	3,39,00,037	3,47,45,632
Housing loan account	9,411	2,67,784
Total	3,39,09,448	3,50,13,416

11. Share capital:

	Figures in NPR	
	As at 31 Ashad 2078	As at 31 Ashad 2077
(a) Authorised Shares		
Ordinary shares of Rs. 100 each	30,00,00,000	30,00,00,000
(b) Ordinary shares Subscribed and Paid-up Capital		
	Ordinary share	Ordinary share capital
31 Ashad 2076	9,20,700	9,20,70,000
Share issue	-	-
31 Ashad 2077	9,20,700	9,20,70,000
Share issue	-	-
31 Ashad 2078	9,20,700	9,20,70,000

Of which:

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

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

1,38,105 shares held by the general public

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

12. Retained Earnings and Reserves:

	Figures in NPR			
	Employees' Housing reserve	Retirement Benefit Scheme Reserve	Retained earnings	Total
Balance at 31 Ashad 2076	79,60,59,325	-	1,43,62,84,854	2,23,23,44,179
Profit for the year	-	-	35,80,05,252	35,80,05,252
Other comprehensive income	-	-	(3,84,971)	(3,84,971)
Transfer to Employees' Housing Reserve	-	-	-	-
Dividends to shareholders	-	-	(70,89,39,000)	(70,89,39,000)
Balance at 31 Ashad 2077	79,60,59,325	-	1,08,49,66,136	1,88,10,25,461
Profit for the year	-	-	86,08,77,287	86,08,77,287
Other comprehensive income	-	-	3,99,351	3,99,351
Transfer to Retirement Benefit Scheme Reserve	(79,60,59,325)	79,60,59,325	-	-
Transfer to Retirement Benefit Payable	-	(13,72,78,805)	-	(13,72,78,805)
Dividends to shareholders	-	-	(9,20,70,000)	(9,20,70,000)
Balance at 31 Ashad 2078	-	65,87,80,520	1,85,41,72,774	2,51,29,53,294

(a) Retained earnings

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

(b) Retirement Benefit Scheme Reserve

Appropriation for Employees housing for the purpose of construction of staff quarters were provided up to the financial year 2073-74 as per section 41(2) of the Labor Act 2048. After the enactment of the amended Labour Act, 2074 effective from Bhadra 19, 2074, provision for the allocation of employees housing reserve was discontinued, so the Company has not made such allocation from financial year 2074-75.

Since, the amount has been accumulated under Housing Reserve over the years, Labour Relations Committee ("LRC") has resolved the "Retirement benefit scheme" towards utilization of the accumulated housing fund (formed under Section 41 of the erstwhile Labour Act, 2048) during the current year.

The total accumulated balance of Employees Housing Reserve as on 1 Shrawan 2077(16 July 2020) amounted to NPR 79,60,59,325 has been transferred to Retirement Benefit Scheme Reserve in the current year. Further, out of the total transfer to Retirement Benefit Scheme Reserve, amount of NPR 13,72,78,805 has been recognized as liability based on the actuarial valuation for the year ended 31 Ashad 2078 (15 July 2021) and transferred to retirement benefit payable.

Every year, based on Actuarial Valuation, liability shall be recognized from Retirement Benefit Scheme Reserve. Further, as the scheme is an unfunded defined benefit plan, no assets are set aside.

13. Deferred Tax Asset/ (Liabilities):

Deferred tax is calculated on temporary differences using a tax rate of 17% (2076-77: 17%). Deferred tax Asset have been recognized in respect of all temporary differences that results in income tax payable in future periods.

	Figures in NPR	
	As at 31 Ashad 2078	As at 31 Ashad 2077
Reconciliation of deferred tax assets		
Opening Balance as on 1 Shrawan	4,73,17,382	(1,04,21,301)
Tax income/(expense) during the period recognized in profit or loss	(1,67,77,854)	5,77,38,683
Closing balance as on 31 Ashad	3,05,39,528	4,73,17,382

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

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

Particulars	Figures in NPR	
	Asset/ (Liability) 2077-78	Charged/ Credited to Profit or Loss 2077-78
Fixed Assets	(5,03,48,324)	(37,95,610)
Intangible assets	(11,19,939)	27,655
Allowance for Obsolescence	1,16,19,144	(1,21,98,967)
Provision for leave encashment	19,23,862	5,48,436
Provision for other retirement benefits	12,08,520	2,51,880
Provision for CSR expenses	13,10,508	(41,09,657)
Other provisions	52,94,240	(15,44,928)
Provision for doubtful debts	6,06,51,517	40,43,337
Total	3,05,39,528	(1,67,77,854)

Particulars	Figures in NPR	
	Asset/ (Liability) 2076-77	Charged/ Credited to Profit or Loss 2076-77
Fixed Assets	(4,65,52,715)	(1,35,38,355)
Intangible assets	(11,47,594)	1,63,684
Allowance for Obsolete Inventory	2,38,18,111	99,76,409
Provision for leave encashment	13,75,426	4,07,758
Provision for other retirement benefits	9,56,640	1,91,122
Provision for CSR expenses	54,20,165	(12,92,219)
Other provisions	68,39,168	52,22,105
Provision for doubtful debts	5,66,08,180	5,66,08,180
Total	4,73,17,382	5,77,38,683

14. Provisions:

Particulars	Figures in NPR	
	As at 31 Ashad 2078	As at 31 Ashad 2077
Non-current		
Provision for employee benefits		
Provision for Other Retirement Benefits (Refer Note 25)	70,37,067	55,68,808
Provision for Retirement Benefit Scheme	12,50,83,087	-
Provision for Leave Encashment	1,10,08,712	78,68,571
Total	14,31,28,866	1,34,37,379
Current		
Provision for employee benefits:		
Provision for Other Retirement Benefits (Refer Note 25)	71,875	58,489
Provision for Retirement Benefit Scheme	1,21,95,718	-
Provision for Leave Encashment	3,08,124	2,22,169
Other Provisions:		
Provision for CSR expenses (Refer Note 2.2.18)	77,08,871	3,18,83,322
Miscellaneous provisions (Refer Note A below)	9,31,07,802	8,22,85,888
Total	11,33,92,390	11,44,49,868

A. Miscellaneous provisions

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

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

The table below gives information about movement in other provisions:

	Provision for CSR expenses		Miscellaneous provisions	
	As at 31 Ashad 2078	As at 31 Ashad 2077	As at 31 Ashad 2078	As at 31 Ashad 2077
At the beginning of the year	3,18,83,322	3,94,84,611	8,22,85,888	10,84,17,227
Recognized during the year	1,06,15,197	57,81,090	7,93,29,751	1,44,06,107
Utilized during the year	(3,47,89,648)	(1,33,82,379)	(6,85,07,838)	(4,05,37,447)
Reversed during the year	-	-	-	-
At the end of the year	77,08,871	3,18,83,322	9,31,07,802	8,22,85,888
Current portion	77,08,871	3,18,83,322	9,31,07,802	8,22,85,888
Non - current portion	-	-	-	-

15. Trade and other payables:

Particulars	Figures in NPR	
	As at 31 Ashad 2078	As at 31 Ashad 2077
Creditors for Goods and Services	49,18,77,366	40,82,52,596
Creditors for Expenses and Other Liabilities	50,30,16,192	37,51,89,934
Advance from Customers	12,98,885	32,55,391
Bonus payable	11,79,46,630	6,42,34,338
Employee related accruals	82,83,589	1,11,94,480
Deposit - Others	9,33,000	8,33,000
Royalty Payable	15,62,33,691	26,27,66,351
Audit fees payable	8,55,000	8,90,000
Others Payable	46,81,51,290	35,68,76,786
TDS Payable	5,40,57,675	4,40,70,115
Excise duty payable	3,34,79,571	2,65,03,034
VAT Payable	2,18,22,063	-
Unclaimed Dividend	3,37,26,645	3,45,72,240
Total	1,89,16,81,597	1,58,86,38,265

- 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:

Particulars	Figures in NPR	
	For the year 2077-78	For the year 2076-77
Sale of goods	6,13,29,42,547	5,96,60,67,894
Less: Discount and Incentives	(40,22,18,755)	(41,88,46,270)
Less: Provision for sales return	-	-
Total	5,73,07,23,792	5,54,72,21,624

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

17. Other income

Particulars	Figures in NPR	
	For the year 2077-78	For the year 2076-77
Sale of Scrap	99,80,028	1,26,89,502
Elida Service Income	-	4,81,50,838
Interest Income on bank deposits	3,55,05,933	4,79,44,947
Provision written back	-	1,98,06,807
Foreign exchange gain/(loss)	1,11,978	(5,26,051)
Miscellaneous income	1,32,48,611	1,24,28,103
Total	5,88,46,550	14,04,94,146

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

18. Cost of materials consumed

	Figures in NPR	
	For the year 2077-78	For the year 2076-77
Raw materials consumed	2,06,39,63,086	2,20,09,65,893
Packing materials consumed	89,91,26,063	74,36,00,079
Allowance for Inventory Obsolescence	18,42,83,600	5,60,51,189
Total	3,14,73,72,749	3,00,06,17,161

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

	Figures in NPR	
	For the year 2077-78	For the year 2076-77
Opening inventories		
Finished goods	18,21,92,423	30,37,96,804
Work-in-progress	7,77,87,295	3,66,02,673
Closing inventories		
Finished goods	(38,05,13,137)	(18,21,92,423)
Work-in-progress	(6,21,08,664)	(7,77,87,295)
Total	(18,26,42,083)	8,04,19,759

20. Employee benefits expenses

	Figures in NPR	
	For the year 2077-78	For the year 2076-77
Salaries and wages	23,78,29,257	22,09,97,500
Leave expenses	47,17,275	29,95,143
Staff Bonus (Refer Note 2.2.18)	11,79,46,630	6,42,34,338
Contribution to provident, gratuity and other funds	1,02,09,334	1,08,86,809
Defined benefits plan expenses (Refer Note 25)	19,62,791	8,50,816
Workmen and staff welfare expenses	86,10,818	3,23,17,893
Total	38,12,76,105	33,22,82,499

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

21. Other expenses

	Figures in NPR	
	For the year 2077-78	For the year 2076-77
Advertising and sales promotion	17,10,46,930	24,03,64,364
AGM Expenses	1,00,000	6,87,120
Audit Fees & Expenses	10,10,000	10,10,000
Board Meeting Exps	2,16,000	16,91,331
Carriage and freight	23,12,72,586	20,98,31,554
CSR Expenses (Refer Note 2.2.18)	1,06,15,197	57,81,090
Electricity, Fuel & Water	3,76,14,147	4,98,87,740
Fixed Assets W/Off	3,19,42,837	1,33,907
Insurance	1,48,91,843	1,38,33,419
Legal Expenses	28,52,141	74,67,135
Processing charges	13,37,65,949	16,66,12,489
Professional Services	8,31,11,511	9,58,89,504
Quality Control Charges	18,50,968	10,28,973
Rent	8,20,94,308	8,58,33,281
Repairs others	4,64,030	4,98,543
Repairs to building	19,17,350	10,45,786
Repairs to plant and equipment	5,07,56,474	3,58,80,927
Royalty	17,22,19,749	12,99,68,493
Security Expenses	1,62,67,762	1,13,26,604
Telephone Expenses	91,69,556	1,04,13,549
Travelling, Conveyance and Accommodation Expenses	2,16,04,807	4,33,38,902
Technical Support & Share Cost	16,70,14,492	8,60,13,684
Other Expenses	95,08,052	7,18,96,086
Provision for doubtful debt	2,37,84,333	33,29,89,291
Total	1,27,50,91,022	1,60,34,23,772

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

22. Income tax

Figures in NPR

	For the year 2077-78	For the year 2076-77
Current tax expense		
Current tax on profits for the year	17,32,49,328	18,81,25,789
Adjustment for under provision in prior periods	-	8,39,35,588
Total current tax	17,32,49,328	27,20,61,377
Deferred tax expense		
Origination and reversal of temporary differences	1,67,77,854	(5,77,38,683)
Recognition of previously unrecognized deferred tax assets	-	-
Total tax expense for the year	19,00,27,182	21,43,22,694

Reconciliation of current tax expense and the accounting profit multiplied by Company's tax rate for 2077-78 and 2076-77 :

	For the year 2077-78	For the year 2076-77
Accounting profit before income tax excluding Elida service income and trading profit	1,05,09,04,469	52,41,77,109
Other service income	-	4,81,50,838
Trading Profit	-	-
At Company's statutory income tax rate of 17% for normal operation and 25% for service income and trading profit (2076-77: 17% and 25%)	17,86,53,760	10,11,47,818
Adjustment in respect of Repair & Maintenance allowed upto 7% of respective depreciation base of the pool of the assets	13,02,817	-
Adjustment in respect of Depreciation allowed as per the rate prescribed under Income Tax Act	(56,03,469)	(1,31,94,215)
Adjustment in respect of Inventory	(1,21,98,967)	99,76,409
Adjustment in respect of provision for leave encashment	5,48,436	4,80,651
Adjustment in respect of provision for other retirement benefits	2,51,880	1,19,479
Adjustment in respect of CSR provisions	(41,09,657)	(12,92,219)
Adjustment in respect of other provisions	18,37,210	21,97,784
Adjustment for Fixed Assets written off	-	54,111
Other non-deductible expenses for tax purposes	-	1,01,38,516
Adjustment for Provision for doubtful debt	40,43,338	5,66,08,180
Adjustment for current year cases and Prior period tax	85,23,980	10,58,24,864
Total	17,32,49,328	27,20,61,377
Income tax expense reported in the statement of profit or loss	17,32,49,328	27,20,61,377

Current tax (assets)/liabilities

	As at 31 Ashad 2078	As at 31 Ashad 2077
Income Tax Liability	2,83,82,03,494	2,75,53,11,573
Less: Advance Income Tax	(2,94,67,16,035)	(2,72,15,10,682)
Total	(10,85,12,541)	3,38,00,891

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

23. Declared dividends and proposed dividends

Figures in NPR

	Year ended 2077-78	Year ended 2076-77
Declared and approved for during the year:		
Dividends on ordinary shares: Final dividend for 2076-77: NPR. 100 per share (2075-76: NPR. 770 per share)	9,20,70,000	70,89,39,000
Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):		
Dividends on ordinary shares: Proposed dividend for 2077-78: NPR. 650 per share (2076-77: NPR. 100 per share)		9,20,70,000

24. Earnings per share

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

Figures in NPR

	Continuing Operations 2078	Continuing Operations 2077
Numerator		
Profit for the year and earnings used in basic EPS	86,08,77,287	35,80,05,252
Add: Interest on convertible debt	-	-
Less: Tax effect of above items	-	-
Earnings used in diluted EPS	86,08,77,287	35,80,05,252
Denominator		
Weighted average number of shares used in basic EPS	9,20,700	9,20,700
Convertible debt	-	-
Employee share options	-	-
Contingent share consideration on business combinations	-	-
Weighted average number of shares used in diluted EPS	9,20,700	9,20,700
Basic and diluted earnings per share	935	389

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

25. Post employment benefit plans

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

2077-78 changes in the defined benefit obligation and Fair value of plan assets

Figures in NPR

	Benefit cost charged to income statement					Re-measurement gain/(losses) in OCI		Sub-total included in OCI	Balance at 31 Ashad 2078
	Balance at 1 Sharwan 2077	Service cost	Past Service cost	Net Interest	Sub-total included in profit or loss	Benefits paid	Experience adjustments		
Other retirement benefit obligation	56,27,297	14,28,198	-	5,34,593	19,62,791	-	(4,81,146)	(4,81,146)	71,08,942
Benefit Liability	56,27,297	14,28,198	-	5,34,593	19,62,791	-	(4,81,146)	(4,81,146)	71,08,942

2076-77 changes in the defined benefit obligation and Fair value of plan assets

Figures in NPR

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

NOTES TO FINANCIAL STATEMENT

For the year ended 31 Ashad 2078 (15 July 2021)

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

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

	As at 31 Ashad 2078	As at 31 Ashad 2077
Discount rate	9.00%	9.50%

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	
	0.5% Increase	0.5% Decrease
Sensitivity Level		
Impact on Defined benefit obligation - Other retirement benefits	(2,67,726)	2,82,924

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

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

Defined benefit obligation - other retirement benefit	As at 31 Ashad 2078	As at 31 Ashad 2077
Within the next 12 months (next annual reporting period)	71,875	58,489
Between 2 and 5 years	21,91,050	15,20,649
Between 6 and 10 years	68,86,917	53,76,955
Weighted average duration of the above defined benefit obligation	12.79 Years	13.23 Years



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