

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF BRITANNIA NEPAL PVT. LTD.**

Opinion

We have audited the financial statements of Britannia Nepal Pvt. Ltd. (the "Company"), which comprise the statement of financial position as at 31 March 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. These financial statements have been prepared to enable its parent company (Britannia Industries Limited, India) to prepare consolidated financial statements of the group.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 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 International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Institute of Chartered Accountant of Nepal's code of ethics for Professional Accountants (ICAN Code) together with the ethical requirements that are relevant to our audit of financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management 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 operation, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal circumstances 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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Shashi Satyal

Shashi Satyal
Partner



PKF T R Upadhy & Co.
Chartered Accountants

Kathmandu, Nepal

Date: 15 April 2021
UDIN: 210416CA00008qapHx

Britannia Nepal Pvt. Ltd.
Lipani Birta, Parsa, Nepal
Statement of Financial Position
As at 31 March 2021

Amount in NPR

As at	Note	31 March 2021	31 March 2020
ASSETS			
Non current assets			
Property, plant and equipment	4	786,361,225	810,681,057
Capital work In progress	4	3,355,932	1,708,756
Advance for Capital Expenditure	10	-	3,071,661
Deferred tax assets, (net)	5	-	2,855,973
Income Tax Assets, (net)		306,349	306,349
Total non current assets		790,023,506	818,623,796
Current assets			
Inventory	6	94,618,386	94,676,580
Financial assets			
Trade receivables	7	101,852,045	54,859,447
Cash and cash equivalents	8	25,892,988	-
Other financial assets	9	20,703,395	752,919
Other current assets	10	24,388,329	64,874,038
Total current assets		267,455,143	215,162,984
Total assets		1,057,478,649	1,033,786,780
EQUITY AND LIABILITIES			
Equity			
Equity share capital	11	880,000,000	880,000,000
Other equity		56,257,317	(11,963,439)
Total equity		936,257,317	868,036,561
Liabilities			
Non current liabilities			
Deferred tax liabilities, (net)		12,375,464	-
Long term employee Benefit	13a	1,169,654	-
Total non current liabilities		13,545,118	-
Current liabilities			
Financial liabilities			
Trade payables	12	61,816,652	64,557,932
Bank overdraft	13	-	71,217,843
Other financial liabilities	13a	45,725,963	29,347,527
Other current liabilities	14	133,599	626,917
Total current liabilities		107,676,214	165,750,219
Total liabilities		121,221,332	165,750,219
Total equity and liabilities		1,057,478,649	1,033,786,780

The accompanying notes form an integral part of the financial statements

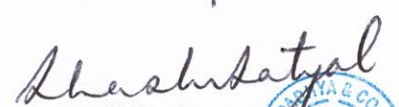

N. Venkataraman
Director


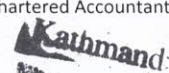


Date: 15 APR 2021
Place: Bengaluru



As per our report of even date


Shashi Satyal
Partner
PKF T.R. Upadhyaya & Co.
Chartered Accountants

Britannia Nepal Pvt. Ltd.
Lipani Birta, Parsa, Nepal
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2021

For the year ended	Note	31 March 2021	31 March 2020
<i>Amount in NPR</i>			
Revenue from operations			
Sale of goods	15	932,153,224	612,159,099
Other income	16	1,061,949	1,760,504
Total income		933,215,173	613,919,603
Expenses			
Cost of materials consumed	17	691,586,749	483,212,494
Employee benefit expenses	18	53,929,166	43,569,819
Finance costs	19	2,356,432	4,294,558
Depreciation and amortisation expense	4	67,305,586	58,004,113
Other expenses	20	34,585,047	32,266,441
Total expenses		849,762,980	621,347,425
Profit/(loss) before tax		83,452,193	(7,427,822)
Tax expense			
Current tax		-	-
Deferred tax expense/ (income)	5.1	15,231,437	(1,377,654)
Profit/(loss) for the period		68,220,756	(6,050,168)
Other Comprehensive Income			
<i>Items that will not be reclassified subsequently to statement of profit or loss</i>			
Remeasurements of the net defined benefit liability/asset		-	-
Income tax not to be reclassified subsequently to statement of profit or loss		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income for the period		68,220,756	(6,050,168)

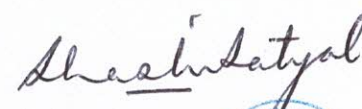
The accompanying notes form an integral part of the financial statements



N. Venkataraman
Director



Date: 5 APR 2021
Place: Bengaluru

As per our report of even date


Shashi Satyal
Partner
PKF T.R. Upadhy & Co.
Chartered Accountants



Britannia Nepal Pvt. Ltd.
Lipani Birta, Parsa, Nepal
Statement of Cash Flows
For the year ended 31 March 2021

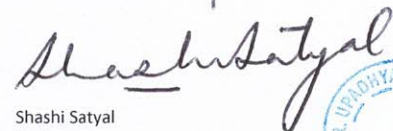
For the year ended	Amount in NPR	
	31 March 2021	31 March 2020
Cash flows from operating activities		
Net Profit/(Loss) before tax	83,452,193	(7,427,822)
Adjustment for		
Depreciation	67,305,586	58,004,113
Operating Profit before Working Capital Changes	150,757,779	50,576,291
Working Capital Adjustments:		
(Increase)/ Decrease in Current Assets	(6,399,171)	(154,700,924)
Increase/(Decrease) in Current Liabilities	14,313,492	(2,186,103)
Cash generated from operations	158,672,101	(106,310,736)
Income tax paid	-	-
Net cash generated from operating activities (A)	158,672,101	(106,310,736)
Cash flows from investing activities		
Investment in fixed deposits	(20,000,000)	-
Maturity of fixed deposits	-	160,000,000
Purchase of property, plant and equipments	(44,632,931)	(140,443,521)
Increase in advance capital expenditures	3,071,661	-
Net cash from/(used in) investing activities (B)	(61,561,270)	19,556,479
Cash flows from financing activities		
Issue of share capital	-	-
Advance for share capital	-	-
Net cash flow from financing activities (C)	-	-
Net (decrease)/Increase in cash and cash equivalents (A+B+C)	97,110,831	(86,754,257)
Cash and cash equivalents as at the beginning of the period	(71,217,843)	15,536,414
Cash and cash equivalents as at the end of the period*	25,892,988	(71,217,843)
*Cash and cash equivalents as at the end of the period in negative represent Bank overdraft		

The accompanying notes form an integral part of the financial statements


N. Venkateshraman
Director
Date: 15 APR 2021
Place: Bengaluru



As per our report of even date


Shashi Satyal
Partner
PKF T.R. Upadhyaya & Co.
Chartered Accountants





Britannia Nepal Pvt. Ltd.
Lipani Birta, Parsa, Nepal
Statement of Changes in Equity
For the year ended 31 March 2021

Particulars	Amount in NPR			
	Equity Share Capital	Advance for share capital	Retained Earnings	Other comprehensive income
Previous Year				
Balance as at 1 April 2019	880,000,000	-	(5,913,271)	874,086,729
<i>Total comprehensive income for the period</i>				
Net profit/(loss) during the period	-	-	(6,050,168)	(6,050,168)
Other comprehensive income	-	-	-	-
<i>Transaction with equity owners and transfer to reserves</i>				
Issue of share capital	-	-	-	-
Balance as at 31 March 2020	<u>880,000,000</u>	<u>-</u>	<u>(11,963,439)</u>	<u>868,036,561</u>
Current Year				
Balance as at 1 April 2020	880,000,000	-	(11,963,439)	868,036,561
<i>Total comprehensive income for the period</i>				
Net profit/(loss) during the period	-	-	68,220,756	68,220,756
Other comprehensive income	-	-	-	-
<i>Transaction with equity owners and transfer to reserves</i>				
Issue of share capital	-	-	-	-
Balance as at 31 March 2021	<u>880,000,000</u>	<u>-</u>	<u>56,257,317</u>	<u>936,257,317</u>

The accompanying notes form an integral part of the financial statements

As per our report of even date ✓

N. Venkataraman
Director

Date: 15 APR 2021

Place: Bengaluru



Shashi Satyal
Shashi Satyal
Partner
PKF T.R. Upadhyaya & Co.
Chartered Accountants

Kathmandu

Britannia Nepal Pvt. Ltd.
Notes to Financial Statements
For the year ended 31 March 2021

NOTE 4	PROPERTIES, PLANT AND EQUIPMENT							Amount in NPR
Cost	Land	Computer & Printers	Electrical Installations	Furniture & Fixtures	Plant & Machineries	Buildings	Total	Capital WIP
Balance as at 01 April 2019	144,707,737	-	-	-	-	-	144,707,737	531,357,777
Addition during the year *	685,000	5,632,492	77,926,648	11,987,134	342,873,010	284,873,149	723,977,434	-
Disposal during the year	-	-	-	-	-	-	-	-
Transfer to respective class of PPE	-	-	-	-	-	-	-	(529,649,021)
Balance as at 31 March 2020	145,392,737	5,632,492	77,926,648	11,987,134	342,873,010	284,873,149	868,685,170	1,708,756
Addition during the year *	0	97,346	0	791,767	32,537,277	9,559,365	42,985,755	1,647,175
Disposal during the year	-	-	-	-	-	-	-	-
Transfer to respective class of PPE	-	-	-	-	-	-	-	-
Balance as at 31 March 2021	145,392,737	5,729,838	77,926,648	12,778,901	375,410,287	294,432,514	911,670,925	3,355,932
Accumulated Depreciation								
Balance as at 01 April 2019	-	-	-	-	-	-	-	-
Depreciation for the year	-	734,347	7,520,178	798,394	40,143,217	8,807,978	58,004,113	-
Disposal during the year	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	-	734,346	7,520,178	798,394	40,143,217	8,807,978	58,004,113	-
Depreciation for the year	-	2,524,210	7,787,357	1,211,560	46,175,640	9,606,821	67,305,586	-
Disposal during the year	-	-	-	-	-	-	-	-
Balance as at 31 March 2021	-	3,258,556	15,307,535	2,009,954	86,318,857	18,414,799	125,309,700	-
Net Carrying Cost								
Balance as at 31 March 2020	145,392,737	4,898,146	70,406,470	11,188,740	302,729,793	276,065,171	810,681,057	1,708,756
Balance as at 31 March 2021	145,392,737	2,471,282	62,619,114	10,768,947	289,091,430	276,017,715	786,361,225	3,355,932



Britannia Nepal Pvt. Ltd.
For the year ended 31 March 2021
Notes to the Financial Statements

NOTE 5 - DEFERRED TAX ASSETS

Amount in NPR

	Deferred tax assets		Deferred tax liabilities		Deferred tax assets / (liabilities), net	
	As at	As at	As at	As at	As at	As at
	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
On temporary differences	-	-	(16,420,893)	(11,760,509)	(16,420,893)	(11,760,509)
On Leave encashment	245,490	-	-	-	245,490	-
On taxable loss	3,799,938	14,616,482	-	-	3,799,938	14,616,482
	4,045,428	14,616,482	(16,420,893)	(11,760,509)	(12,375,464)	2,855,973

5.1 Movement in deferred tax assets/(liabilities) recognized in statement of profit or loss and other comprehensive income

	Recognized in Statement of profit or loss	Recognized in OCI	Recognized directly in equity	Others	Total movement in deferred tax assets/(liabilities)
<i>Movement during period from 1 April 2020 to 31 March 2021</i>					
On temporary Differences:	(4,414,893)	-	-	-	(4,414,893)
On taxable loss	(10,816,544)	-	-	-	(10,816,544)
	(15,231,437)	-	-	-	(15,231,437)

Note: Deferred tax assets/Liability is calculated taking effective applicable income tax rate of 18% (Previous year 20%)



Britannia Nepal Pvt. Ltd.
Notes to the Financial Statements
For the year ended 31 March 2021

NOTE 6 - INVENTORIES

	<i>Amount in NPR</i>	
	<u>As at 31 March 2021</u>	<u>As at 31 March 2020</u>
Inventory - RM-PM	67,215,707	73,323,682
Inventory - Consumables	4,391,071	2,382,419
Inventory - FG	23,011,608	18,970,479
	<u>94,618,386</u>	<u>94,676,580</u>

NOTE 7 - TRADE RECEIVABLES

	<i>Amount in NPR</i>	
	<u>As at 31 March 2021</u>	<u>As at 31 March 2020</u>
Accounts Receivable	101,852,045	54,859,447
	<u>101,852,045</u>	<u>54,859,447</u>

NOTE 8 - CASH AND CASH EQUIVALENTS

	<i>Amount in NPR</i>	
	<u>As at 31 March 2021</u>	<u>As at 31 March 2020</u>
Cash at bank - Current Account	25,892,988	-
	<u>25,892,988</u>	<u>-</u>

NOTE 9 - OTHER FINANCIAL ASSETS

	<i>Amount in NPR</i>	
	<u>As at 31 March 2021</u>	<u>As at 31 March 2020</u>
Fixed deposits with bank	20,000,000	-
Security deposit	-	-
Mobilization advance	-	-
Prepaid Insurance	383,669	452,919
Deposit for bank guarantee	300,000	300,000
Interest income receivables - fixed deposits	19,726	-
Total	<u>20,703,395</u>	<u>752,919</u>
Current	20,703,395	752,919
Non current	-	-
Total	<u>20,703,395</u>	<u>752,919</u>

NOTE 10 - OTHER CURRENT ASSETS

	<i>Amount in NPR</i>	
	<u>As at 31 March 2021</u>	<u>As at 31 March 2020</u>
Balance with Government Authorities	-	-
Advance to Custom office	2,288,940	3,468,401
VAT Receivable	21,537,041	59,488,694
Employee Loans & Advances	562,348	1,916,943
Advance for Capital Expenditure	-	3,071,661
Total	<u>24,388,329</u>	<u>67,945,699</u>
Current	24,388,329	64,874,038
Non current	-	3,071,661
	<u>24,388,329</u>	<u>67,945,699</u>



Britannia Nepal Pvt. Ltd.
Notes to the Financial Statements
For the year ended 31 March 2021

NOTE 11 - SHARE CAPITAL

	<i>Amount in NPR</i>	
	As at 31 March 2021	As at 31 March 2020
Authorized capital		
Ordinary 11,100,000 Shares @ 100 each	1,110,000,000	1,110,000,000
	<u>1,110,000,000</u>	<u>1,110,000,000</u>
Issued and subscribed capital		
Ordinary 8,800,000 Shares @ 100 each	880,000,000	880,000,000
	<u>880,000,000</u>	<u>880,000,000</u>
Paid up capital		
Ordinary 8,800,000 Shares @ 100 each fully paid wholly owned by Britannia Industries Limited, India	880,000,000	880,000,000
	<u>880,000,000</u>	<u>880,000,000</u>

9.1 Reconciliation of the number of equity shares outstanding at beginning and end of the period

	Number of Shares	Amount in NPR
Opening balance at 01 April 2019	8,800,000	880,000,000
Issue of shares during the period	-	-
Closing balance as at 31 March 2020	<u>8,800,000</u>	<u>880,000,000</u>

NOTE 12 - TRADE PAYABLES

	<i>Amount in NPR</i>	
	As at 31 March 2021	As at 31 March 2020
Creditors for goods and services	61,816,652	64,557,932
	<u>61,816,652</u>	<u>64,557,932</u>

NOTE 13 - BANK OVERDRAFT*

	<i>Amount in NPR</i>	
	As at 31 March 2021	As at 31 March 2020
Bank Overdraft	-	71,217,843
	<u>-</u>	<u>71,217,843</u>
Current	-	71,217,843
Non current	-	-
Total	<u>-</u>	<u>71,217,843</u>

*Company has availed Overdraft facility from Standard Chartered Bank Nepal against SBLC from HDFC Bank

NOTE 13a. - OTHER FINANCIAL LIABILITIES

	<i>Amount in NPR</i>	
	As at 31 March 2021	As at 31 March 2020
Accrued expenses		
- Audit fee payable	100,000	87,501
- Rent payable	80,000	80,000
- Professional Services Payable	195,798	356,000
Other payables	29,011,417	15,391,649
Payable to Contractors	2,648,284	939,369
Employee benefits Payable*	14,860,118	12,493,008
Related party payables	-	-
	<u>46,895,617</u>	<u>29,347,527</u>

* Employee Benefit includes long term employee benefits liability (accumulated leave liability) as per actuarial valuation amounting to NPR 1,363,835.

Current	45,725,963	29,347,527
Non current	1,169,654	-
Total	<u>46,895,617</u>	<u>29,347,527</u>

NOTE 14 - OTHER CURRENT LIABILITIES

	<i>Amount in NPR</i>	
	As at 31 March 2021	As at 31 March 2020
Statutory liabilities		
- TDS payable	133,599	626,917
	<u>133,599</u>	<u>626,917</u>



Britannia Nepal Pvt. Ltd.
Notes to the Financial Statements
For the year ended 31 March 2021

For the year ended	31 March 2021	Amount in NPR 31 March 2020
Note 15- REVENUE FROM OPERATION		
Sale of goods	952,776,815	628,404,715
Less: Trade Spent	20,623,591	16,245,616
Net Sales Value	<u>932,153,224</u>	<u>612,159,099</u>
Other operating income	-	-
	<u><u>932,153,224</u></u>	<u><u>612,159,099</u></u>
Note 16- OTHER INCOME		
Interest income on fixed deposits	19,726	56,603
Scap Sales	1,042,223	1,703,901
	<u>1,061,949</u>	<u>1,760,504</u>
Note 18 - EMPLOYEE COST		
Salaries	47,057,853	40,270,128
Contribution to Gratuity	1,776,908	1,340,751
Contribution to Provident Fund	2,249,504	1,458,010
Leave Encashment	1,815,929	419,751
Employee welfare expenses	1,028,972	81,179
	<u>53,929,166</u>	<u>43,569,819</u>
Note 19 - FINANCE COST		
Interest on OD	2,356,432	4,294,558
	<u>2,356,432</u>	<u>4,294,558</u>
Note 20 - OTHER EXPENSES		
Audit Expenses	234,916	143,501
Electricity Charge-Admin	907,916	764,438
Outside Contracted Services	6,450,809	6,745,957
Printing & Stationery	256,788	374,366
Recruitment Expenses	453,897	2,286,544
Lab Expenses	159,111	1,373,425
Security Charges	4,005,639	3,306,318
Sanitary / Safety / Hygiene Expenses	1,787,398	194,641
Telephone Expenses - Mobile / Data Card	513,100	331,465
Repairs & Maintenance	4,610,492	3,804,703
Miscellaneous Expenses	(217,844)	107,708
Staff Accommodation	1,867,765	1,489,531
Postage & Courier	38,001	9,231
Rates & Taxes - Others	1,377,794	292,967
Professional Service Fee	1,555,336	1,484,888
CSR Expenditure	328,000	-
Insurance Expenses	4,668,496	3,484,254
Covid Welfare Expenses	567,230	-
Canteen Expenses / Loss / Subsidy	-	-
Food Expenses - Travel	-	-
Travel Expenses	532,500	613,983
Car Hire Charges	4,306,816	3,540,969
Bank Charges	180,888	1,917,552
	<u>34,585,047</u>	<u>32,266,441</u>



Britannia Nepal Pvt. Ltd.
Notes to the Financial Statements
For the year ended 31 March 2021

For the year ended	31 March 2021	Amount in NPR 31 March 2020
Note 17 - Cost of material consumed		
A Cost of raw material and packing material consumed		
Opening inventory	75,706,139	3,964,687
Add: purchase	612,119,370	510,868,328
Less: Closing Inventory	71,606,854	75,706,139
Total	616,218,655	439,126,876
B Production overhead		
Labour	43,033,150	31,495,072
Power	10,284,257	10,030,682
Fuel	26,091,817	21,530,343
Total	79,409,224	63,056,097
C Changes in finished goods		
Opening	18,970,479	-
Less: closing	23,011,608	18,970,479
Total	(4,041,129)	(18,970,479)
Cost of goods sold (A+B+C)	691,586,749	483,212,494



BRITANNIA NEPAL PVT. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2020 to 31 March 2021

1. Reporting entity

Britannia Nepal Pvt. Ltd. ('Company') is a private limited company incorporated on 17 May 2017 under the Companies Act, 2006 and domiciled in Nepal. The Company is a wholly owned subsidiary of Britannia Industries Limited, a company registered under Indian Companies Act. The main objective of the company is to manufacture and sale of bakery products.

The company has started production of bakery w.e.f. 12.04.2019.

2. Basis of preparation

A. Statement of compliance

The financial statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standards Board, Nepal. These confirm, in material respect, to International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB). The financial statements have been prepared on a going concern basis. The term NFRS, which includes all the standards and the related interpretations is consistently used.

Details of the Company's accounting policies are included in Note 3.

B. Functional and presentation currency

These standalone financial statements are presented in Nepali Rupees (NPR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest rupees, unless otherwise indicated.

C. Basis of Measurement

The financial statements have been prepared in accordance with historical cost convention basis.

D. Use of estimates and judgments

In preparing these standalone financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.



BRITANNIA NEPAL PVT. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2020 to 31 March 2021

E. Presentations

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. The Company classifies an asset as current when it is:

- Expected to be realized or intended to 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
- Held primarily for the purpose of trading
- 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

All other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets/liabilities. Net defined benefit obligation is also classified as not current liabilities.

The company operating cycle has been defined as a twelve-month period.

The statement of profit or loss has been prepared using classification 'by function' method.



BRITANNIA NEPAL PVT. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2020 to 31 March 2021

3. Significant accounting policies

(a) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment, are measured at cost (which includes capitalized borrowing costs, if any) less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment includes its purchase price, duties, taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials, direct labor and any other costs directly attributable to bringing the item to its intended working condition and estimated costs of dismantling, removing and restoring the site on which it is located, wherever applicable.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

iii. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual value using straight line method over the useful lives of assets estimated by the Company based on an internal technical evaluation performed by the management and is recognized in the statement of profit or loss. Assets acquired under finance lease are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation for assets purchased / sold during the period is proportionately charged.

Asset	Useful Life
Plant and machinery	7.5 – 15 years
Furniture and fixtures	10 years
Motor vehicles	8 years
Office equipment	3 - 5 years
Buildings	30 - 60 years
Leasehold land Lease period	Lease period

Freehold land is not depreciated.



BRITANNIA NEPAL PVT. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2020 to 31 March 2021

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.

(b) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Upon initial recognition, an investment property is measured at cost. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

(c) Impairment

i. Financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in profit or loss.

ii. Non-financial assets

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized in the Statement of Profit or Loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit or loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.



BRITANNIA NEPAL PVT. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2020 to 31 March 2021

(d) Leases

As a lessee

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a lessor

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflation.

(e) Inventories

Inventories are valued at the lower of cost (including prime cost, excise duty and other overheads incurred in bringing the inventories to their present location and condition) and estimated net realizable value, after providing for obsolescence, where appropriate. The comparison of cost and net realizable value is made on an item-by-item basis. The net realizable value of materials in process is determined with reference to the selling prices of related finished goods. Raw materials, packing materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realizable value.

The provision for inventory obsolescence is assessed regularly based on estimated usage and shelf life of products.

Raw materials, packing materials and stores and spares are valued at cost computed on moving weighted average basis. The cost includes purchase price, inward freight and other incidental expenses net of refundable duties, levies and taxes, where applicable.

Work-in-progress is valued at input material cost plus conversion cost as applicable.

Stock-in-trade is valued at the lower of net realizable value and cost (including prime cost and other overheads incurred in bringing the inventories to their present location and condition), computed on a moving weighted average basis.



BRITANNIA NEPAL PVT. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2020 to 31 March 2021

Finished goods are valued at lower of net realizable value and cost (including prime cost, excise duty and other overheads incurred in bringing the inventories to their present location and condition).

(f) Financial instruments

i. Recognition and initial measurement

The Company initially recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities that are not at fair value through profit or loss are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

ii. Classification and subsequent measurement

Financial Assets

Financial assets carried at amortized cost

A financial asset is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

iii. De-recognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the



BRITANNIA NEPAL PVT. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2020 to 31 March 2021

financial assets are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and a new financial liability with modified terms is recognized in the statement of profit or loss.

iv. **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or realize the asset and settle the liability simultaneously.

(g) **Revenue recognition**

Revenue from sale of goods and sale of scrap is recognized, when the significant risks and rewards of ownership have transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably. Revenue from the sale of goods and sale of scrap is measured at the fair value of the consideration received or receivable, exclusive of sales tax and net of sales return, trade discounts and volume rebates. Sales are presented gross of excise duties.

Income from royalties recognized based on contractual agreements.

Dividend income is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the statement of profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2020 to 31 March 2021

(h) Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at their functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences that arise on settlement of monetary items or on reporting at each balance sheet date of the Company's monetary items at the closing rates are recognized as income or expenses in the period in which they arise. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rates at the date of transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(i) Income tax

Income tax comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to an item recognized directly in equity or in other comprehensive income.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any related to income taxes. It is measured using tax rates (as per Nepalese tax laws) enacted or substantively enacted by the reporting date.

ii. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognized in respect of carried forward tax losses and tax credits. Deferred tax is not recognized for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction.
- temporary differences related to investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets recognized or unrecognized are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realized.



BRITANNIA NEPAL PVT. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2020 to 31 March 2021

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The Company offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

(j) Provisions and contingent liabilities

i. General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

ii. Contingent liabilities

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. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

iii. Onerous contracts

Provision for onerous contracts. i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

Company has availed Overdraft facility during the period from Standard Chartered Bank against SBLC from HDFC Bank.



NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2020 to 31 March 2021

(I) Cash flow statement

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from regular revenue generating (operating activities), investing and financing activities of the Company are segregated.

21 Other Explanatory Notes**21.1 Deferred tax**

The deferred tax asset is recognized on accumulated taxable loss as at 31 March 2021 as detailed below:

Amount in NPR

Particulars	Balance as at 31 March 2021	Applicable tax rate	Deferred Tax Assets/(Liabilities)
Deductible temporary difference	(91,277,182)	18%	(16,420,893)
Leave Encashment	(1,363,835)		245,490
Accumulated taxable loss	(21,110,768)		3,799,938
Total			(12,375,464)

21.2 Related Party information

Britannia Industries Limited, India, the parent company of the Company is the only related party of the Company as at end of reporting period. There were no related party transactions during the financial year.

21.3 Operating Lease Commitment

The future minimum lease payment under non-cancellable operating leases, where Britannia Nepal Pvt. Ltd. is lessee is NIL.

21.4 Bank Guarantee

The Company has provided bank guarantee letter of NPR 300,000 to Department of Custom, Nepal relating to Exim Code for which bank deposit of NPR 300,000 has been made.



BRITANNIA NEPAL PVT. LTD.

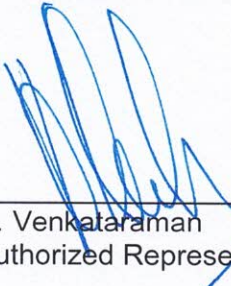
NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2020 to 31 March 2021

21.5 Comparative Figures

Comparative figures have been regrouped/reclassified wherever necessary to confirm to current period's presentation.

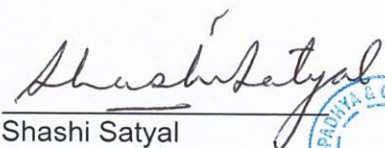
On behalf of Britannia Nepal Pvt Ltd


N. Venkataraman
Authorized Representative

Date:
Place: Bengaluru



As per our attached report of even date


Shashi Satyal
Partner
PKF T R Upadhyaya & Co.
Chartered Accountants


Kathmandu