

Independent Auditors' Report to the Directors of Kansai Paints Nepal Private Limited

Report on Financial Statements

We have audited the attached Balance Sheet of M/s Kansai Paints Nepal Private Limited as of March 31, 2016 and Income Statement, Cash Flow Statement and Statement of Changes in Equity attached thereto, for the year ended on that date and a summary of Significant Accounting Policies and other Explanatory Notes.

Management's Responsibility for the Financial Statements

The preparation and fair presentation of these Financial Statements, in accordance with Nepal Financial Reporting Standards, are the responsibility of the company's management.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Report on requirement of Companies Act, 2063 and other regulatory matters

- a. We have obtained information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
- c. In our opinion, the Balance Sheet, Income Statement, Cash Flow Statement and Statement of Changes in Equity with Explanatory Notes dealt with by this report are in compliance with the provisions of the Company Act, 2063 and are in agreement with the books of account maintained by the company;

Contd.

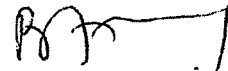
- d. In our opinion, so far as appeared from our examination of the books, the business of the Company has been conducted satisfactorily; and
- e. To the best of our information and according to the explanations given to us and from our examination of the books of accounts of the Company necessary for the purposes of the audit, we have not come across cases where the Board of Directors or any employees of the Company have acted contrary to legal provisions relating to accounts, or committed any misappropriation or caused loss or damage to the company.
- f. This report is issued by us, pursuance to specific request made by the Company, in regard to the consolidation of the company's financial statements with the Parent Company M/s Kansai Nerolac Paints Limited, India. Therefore, this report should be used for the above specific purpose only and not for any other purpose without our prior concurrence.

Auditors' Opinion

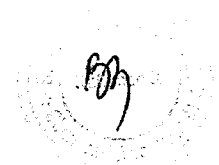
In our opinion, the Financial Statements, read together with Notes 2 & 21 to 35 forming part of the accounts, give a true and fair view of the financial position of the Company as at March 31, 2016 and the financial performance, changes in equity and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards and comply with provisions of the Companies Act, 2063.

Kathmandu
Date: 20th April, 2016

For: B.K. Agrawal & Co.
Chartered Accountants



CA. B.K. Agrawal
Managing Partner



Kansai Paints Nepal Private Limited

Balance Sheet

As at March 31, 2016

<u>Particulars</u>	<u>Notes</u>	As At March 31, 2016 <u>NRS</u>	As at March 31, 2015 <u>NRS</u>
<u>Assets:</u>			
<u>Non Current Assets:</u>			
<u>Fixed Assets:</u>			
Tangible Fixed Assets	3		
Gross Block		199,286,520.09	196,695,297.77
Less: Accumulated Depreciation		56,822,813.00	47,898,565.99
Net Block		<u>142,463,707.09</u>	<u>148,796,731.78</u>
Intangible Assets	3		
Gross Block		1,499,360.40	1,499,360.40
Less: Amortization		1,042,027.26	711,859.29
Net Block		<u>457,333.14</u>	<u>787,501.11</u>
		<u>142,921,040.23</u>	<u>149,584,232.89</u>
Deferred Tax Assets (Nett)			
<u>Current Assets:</u>			
Inventories	4	179,262,536.93	220,860,988.72
Sundry Debtors	5	390,934,308.53	373,922,472.09
Cash & Bank Balances	6	10,032,163.00	6,553,884.97
Advances & Deposits	7	<u>28,926,937.22</u>	<u>22,286,374.62</u>
		<u>609,155,945.68</u>	<u>623,623,720.40</u>
Total Assets		<u><u>752,076,985.91</u></u>	<u><u>773,207,953.29</u></u>
<u>Equity & Liabilities:</u>			
<u>Equity:</u>			
<u>Shareholders' Fund:</u>			
Share Capital	8	130,000,000.00	130,000,000.00
Reserves & Surplus	9	<u>170,387,681.69</u>	<u>120,466,859.84</u>
Total Equity		<u>300,387,681.69</u>	<u>250,466,859.84</u>
<u>Liabilities</u>			
<u>Non Current Liabilities:</u>			
Long Term Loans & Advances	10	160,876,032.10	175,204,506.40
Deferred Tax Liability	11	<u>4,541,354.00</u>	<u>4,664,026.00</u>
		<u>165,417,386.10</u>	<u>179,868,532.40</u>
<u>Current Liabilities:</u>			
Sundry Creditors & Other Payables	12	134,733,243.54	148,815,193.43
Short Term Loans	13	26,295,515.96	88,067,645.26
Provisions	14	<u>125,243,158.62</u>	<u>105,989,722.36</u>
		<u>286,271,918.12</u>	<u>342,872,561.05</u>
Total Equity & Liabilities		<u><u>752,076,985.91</u></u>	<u><u>773,207,953.29</u></u>
Contingent Liabilities	20	9,741,054.89	-

Summary of Significant Accounting Policies & Notes to the Accounts 2 & 21 to 35

Kathmandu

Date: 20th April, 2016

For and on behalf of the board

Finance Executive

Director

Director

As per our attached report of even date

CA. B.K. Agrawal
Managing Partner
B.K. Agrawal & Co.
Chartered Accountants

Kansai Paints Nepal Private Limited
Statement of Profit & Loss
For the Year ended March 31, 2016

<u>Particulars</u>	<u>Notes</u>	<u>Current Year</u> 01.04.15 to 31.03.16 NRS	<u>Previous Year</u> 01.04.2014 To 31.03.2015 NRS
<u>Revenue:</u>			
Sales	13	683,933,291.99	693,555,561.51
Miscellaneous Income	14	2,916,883.07	4,796,858.70
Total Revenue		686,850,175.06	698,352,420.21
<u>Expenditure:</u>			
Cost of Sales	15	372,406,792.47	387,887,653.87
Administrative & Selling Expenses	16	210,733,823.09	194,231,448.09
Interest	17	17,004,153.68	22,717,568.40
Depreciation		9,254,414.97	9,187,420.29
Total Expenditure		609,399,184.21	614,024,090.65
Profit/(Loss) before Bonus, Housing Reserves & Tax		77,450,990.85	84,328,329.56
Housing Reserves		3,872,550.00	3,776,728.00
Staff Bonus		6,688,948.00	6,523,440.00
Profit/(Loss) Before Tax for the year		66,889,492.85	74,028,161.56
Provision for Income Tax		17,091,343.00	16,511,868.00
Deferred Tax		(122,672.00)	(278,564.00)
Profit/(Loss) After Tax for the year		49,920,821.85	57,794,857.56
Earning Per Equity Shares of Rs. 100 each			
Basic		38.40	44.46
Diluted		38.40	44.46

Summary of Significant Accounting Policies & Notes to the Accounts 2 & 21 to 35

Kathmandu
Date: 20th April, 2016

For and on behalf of the board

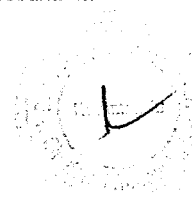
As per our attached report of even date

Finance Executive

Director

Director

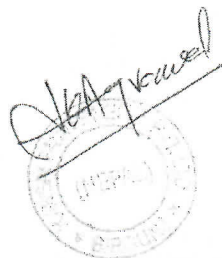
CA. B.K. Agrawal
Managing Partner
B.K. Agrawal & Co.
Chartered Accountants



Kansai Paints Nepal Private Limited
Cash Flow Statement
For the Year ended March 31, 2016

<u>Particulars</u>	<u>Current Year</u> <u>01.04.15 to</u> <u>31.03.16</u> <u>(NRS)</u>	<u>Previous Year</u> <u>01.04.2014 To</u> <u>31.03.2015</u> <u>(NRS)</u>
(A) Cash Flow from Operating Activities:		
Profit/(Loss) before changes in working capital & Non-recurring Income & Expenditure.	66,889,492.85	74,028,161.56
Add:		
Depreciation	9,254,414.97	9,187,420.29
Interest Expenses	17,004,153.68	22,717,568.40
Non Operating Expenses	(163,890.32)	424,655.32
Non Operating Income	(2,794,573.78)	(3,047,083.78)
Cash from Operating activities before changes in W/C	90,189,597.40	103,310,721.79
Decrease/(Increase) in Current Assets	17,946,052.75	(114,129,366.06)
Increase/(Decrease) in Current Liabilities	(4,898,945.48)	52,873,542.29
Earlier Year Adjustment	-	178,530.00
Net cash flow from Operating Activities	103,236,704.67	42,233,428.02
(B) Cash Flow from Investing Activities:		
Fixed Assets Purchase	(12,295,274.24)	(16,565,464.74)
Fixed Assets Sales	12,662,516.01	16,517,561.18
Net Cash Flow from Investing Activities	367,241.77	(47,903.56)
(C) Cash Flow from Financing Activities:		
Interest Paid	(6,744,974.81)	(10,912,670.45)
Income Tax Paid	(17,280,090.00)	(14,656,723.00)
Increase/(Decrease) in Short Term Loan	(61,772,129.30)	(2,775,219.02)
Increase/(Decrease) in Medium & Long Term Loan	(14,328,474.30)	(13,657,046.28)
Net Cash Flow from Financing Activities	(100,125,668.41)	(42,001,658.75)
Net Cash Flow (A+B+C)	3,478,278.03	183,865.71
Opening Cash and Bank Balances	6,553,884.97	6,370,019.26
Closing Cash & Bank Balances	10,032,163.00	6,553,884.97

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Kansai Paints Nepal Private Limited
Notes forming parts of the Accounts for the Year ended March 31, 2016

1) Corporate Information:

Kansai Paints Nepal Private Limited (formerly Nepal Shalimar Paints Private Limited) ("the Company") is a private limited company incorporated under the Companies Act of Nepal on July 29, 2002 (Shrawan 13, 2059) vide registration no. 20268/059/60. The registered Office of the Company is at Aadarshanagar, Birgunj, Nepal and the manufacturing Unit is situated at Lipni Birta V.D.C., Parsa District, Nepal. The main objectives of the company is to manufacture paints products like ink-colour, ink-blue, oil, adhesive etc. and selling of such products in domestic & foreign market.

2) Significant Accounting Policies:

a) Accounting Convention:

The financial statements have been prepared under the historical cost convention on an accrual basis and are in compliance with all material aspects with Nepal Financial Reporting Standards (NFRS), unless stated otherwise, and relevant provisions of Companies Act, 2063 and other applicable laws prevalent in Nepal. The accounting policies are applied consistently by the Company, unless stated otherwise.

b) Use of estimates (NFRS - NAS 02):

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the periods in which the results are known/materialized.

c) Property, Plant & Equipment (NFRS - NAS 16):

Land is stated at the original cost of acquisition added with land development expenses, while other assets are stated at the cost of acquisition including all expenses incurred in putting the assets to use less depreciation.

Expenditure incurred to replace a component of an item of fixed assets that is accounted for separately, including major inspection and overhaul expenditure is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of fixed assets. All other expenditure is recognized in the income statement as an expense as incurred.

d) Depreciation (NFRS - NAS 16):

Depreciation on fixed assets has been charged on Straight Line Method (SLM) as per the following rates based on the management estimate of the useful life/remaining useful life. The period of days used by the company is considered for current period depreciation.

Particulars	Rate
Buildings	3.34%
Furnitures	6.33%
Computers	16.21%
Electrification	4.75%
Networking	6.33%
Vehicles	9.50%
Plants & Machinery	4.75%

No depreciation has been charged on Colorant Machine, capitalized under the head Plant & Machinery, as these machines are not put to use by the company.

e) Impairment of Assets (NFRS - NAS 36):

The Company identifies impairable fixed assets based on cash generating unit concept at the year-end for the purpose of arriving at impairment loss thereon, if any, being the difference between the book value and recoverable value of relevant assets. Impairment loss when crystalizes is charged to revenue for the year.

f) Trade and other payables:

Liability for trade and other payables are carried at cost which is the fair value of services.

g) Related party transactions (NFRS - NAS 24):

All transactions with related parties are carried out by the Company at arm's length prices.

h) Trade and other Receivables:

Trade and other Receivables are originated by the Company and are stated at cost less provisions for any uncollectable amount. Provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.

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Kansai Paints Nepal Private Limited

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Kansai Paints Nepal Private Limited
Notes forming parts of the Accounts for the Year ended March 31, 2016

Notes contd...

- i) **Cash & Cash Equivalents:**
Cash & Cash equivalents consists of Cash in Hand, Cheques in hand, Balances with banks and investments in Money Market Instruments. Bank Overdrafts that are repayable on demand and form an integral part of the cash management are included within borrowings in short term loans under current liabilities.
- j) **Inventories (As taken, valued and certified by the management):**
Inventories are valued as follows:
- | | |
|---------------------------|---|
| i) Raw Materials & Others | - At cost on Weighted Average Basis |
| ii) Semi Finished Goods | - At cost |
| iii) Finished goods | - At cost or Net Realisable Value whichever is lower. |
| iv) Stores & Spares | - At cost |
- k) **Intangible Assets:**
Intangible assets (Software) acquired by the Company are stated at cost less accumulated amortization.
- l) **Amortization:**
Amortization is charged to income statement on a straight line basis over the management's estimated useful life of intangible assets.
- | | |
|----------|---------|
| Software | 5 Years |
|----------|---------|
- m) **Foreign currency transaction:**
Transactions in foreign currency are recorded at the original rates of exchange in force at the time transactions are effected.
Foreign currency denominated assets and liabilities are reported as follows:
Monetary items are translated into rupees at the exchange rates prevailing at the balance sheet date. Non-Monetary items such as fixed assets are carried at their historical rupee values.
Gains/losses arising on the settlement of foreign currency transactions or restatement of foreign currency denominated assets and liabilities (monetary items) are recognized in the profit and loss account.
- n) **Revenue Recognition (NFRS - NAS 18):**
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured.
Revenue is measured at the fair value of the consideration received or receivable net of value added tax, excise, rebates and discount. The following specific criteria are used for the revenue recognition:
- a) **Sale of Goods**
Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer and stated net of excise, value added tax and rebates and discounts.
- b) **Dividend Income:**
Revenue from dividend is recognised in the income statement when the right to receive have been established.
- c) **Interest Income:**
Interest income is recognized on a time proportion basis taking into account the principal outstanding and interest rate applicable.
- d) **Insurance & Other Claims:**
Insurance and Other Claims are accounted for on cash basis.
- o) **Provisions, contingent Liability and Contingent Assets:**
Provisions are recognized when the Company has a present obligation as a result of past event; it is more likely than not that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates in accordance with Nepal Financial Reporting Standards on "Provisions, Contingent Liabilities and Contingent Assets".

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Kansai Paints Nepal Private Limited
Notes forming parts of the Accounts for the Year ended March 31, 2016

Notes contd...

A contingent liability is disclosed where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the assets and related income are recognized in the period in which the charge occurs.

p) Retirement Benefits:

The Company has scheme of retirement benefits for staffs in the form of provident fund and gratuity. Provision is made for gratuity in respect of liability accrued during the year as per prevalent labour laws of Nepal.

q) Borrowing Costs (NFRS - NAS 23):

Borrowing costs attributable to the acquisition of the asset is capitalized as part of the cost of the asset. Other Financing/Borrowing costs are charged to the Income Statement in accordance with Nepal Financial Reporting on "Borrowing Costs".

r) Investments:

Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investments and are carried at cost. However, provisions for diminution in value of investments are made to recognize decline, other than temporary, in value of the investments.

Investments other than long term investments, being current investments, are valued at cost or market price whichever is lower, determined on an individual basis.

s) Taxation (NFRS - NAS 12):

Current Tax:

Current Income tax is measured at the amount expected to be paid to the tax authorities in accordance with Nepalese Income Tax Act, 2058.

Deferred Tax:

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred Tax Assets are recognized and reviewed at each Balance Sheet date, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. At each Balance Sheet date, unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized in accordance with Nepal Financial Reporting Standards on "Income Taxes".

t) Earning Per Share (NFRS - NAS 33):

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all diluted potential equity shares.

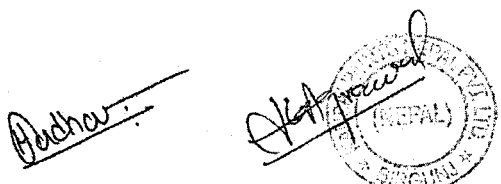
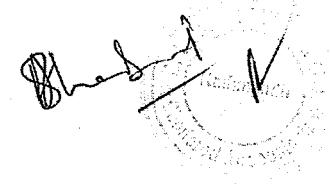
u) Leases (NFRS - NAS 17):

Financial Lease :

The company does not have any item covered under finance lease which needs disclosure as per Nepal Financial Reporting Standards.

Operating Lease :

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Kansai Paints Nepal Private Limited
Notes forming parts of the Accounts for the Year ended March 31, 2016

Notes contd...

v) **Cash Flow Statements (NAS 07):**

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 or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated. The Cash flow statement is separately attached with the Financial Statements of the company.

w) **Segment Reporting:**

Having regard to the integrated nature of the Paints Manufacturing Business of the company, the disclosure requirement of "Segment Reporting" pursuant to the Nepal Financial Reporting Standards is not applicable.

x) **Share Based Payments (IFRS 2):**

Share based payment transaction is a transaction in which entity receives goods and services as consideration for equity instruments (including shares or share options) of the entity (referred to as "equity settled share passed transaction"). There is no share based transactions during the Year.

y) **Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies**

- i) The prior period expenses are charged to respective heads of account to the income statement.
- ii) There is no change in the accounting policy during the period.

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Karnali Projects Nepal Private Limited

Notes forming parts of the Accounts for the year ended March 31, 2016

Note - 3

Particulars	Depreciation Rate %	Gross Book				Depreciation				Net Block as on			
		Up to Last Period (NRS)	Additions (NRS)	Disposal/ Adjustment (NRS)	Total (NRS)	Up to Last Period (NRS)	On the opening (NRS)	On the Addition (NRS)	For the Quarter (NRS)	Disposal/ Adjustment (NRS)	Total (NRS)	March 31, 2016 (NRS)	March 31, 2015 (NRS)
Land	0.00%	3,693,016.67	-	-	3,693,016.67	-	-	-	-	-	-	3,693,016.67	3,693,016.67
Pool - A													
Factory Building	3.34%	94,681,363.25	-	-	94,681,363.25	14,630,438.00	3,162,356.00	-	3,162,358.00	-	17,792,796.00	76,888,567.25	80,050,925.25
Pool - B													
Computer	16.21%	2,633,701.59	404,867.74	-	3,038,569.33	1,954,495.00	426,923.00	20,096.00	447,019.00	-	2,401,514.00	637,055.33	679,206.59
Furniture & Fixtures	6.33%	2,013,277.83	17,385.84	-	2,030,663.67	601,834.00	127,440.00	793.00	128,233.00	-	730,067.00	1,300,596.67	1,411,443.83
Network	6.33%	173,766.50	-	-	173,766.50	24,348.00	10,999.00	-	10,999.00	-	35,347.00	138,419.50	149,418.50
Pool - C													
Vehicles	9.50%	20,909,707.85	-	-	20,909,707.85	13,157,972.00	1,986,422.00	-	1,986,422.00	-	15,144,394.00	5,765,313.85	7,751,735.85
Pool - D													
Air conditioner	4.75%	1,050,482.01	-	-	1,050,482.01	131,580.00	49,898.00	-	49,898.00	-	181,478.00	869,004.01	918,902.01
Electrification	4.75%	9,469,062.15	-	-	9,469,062.15	1,749,104.00	449,780.00	-	449,780.00	-	2,198,884.00	7,270,178.15	7,719,958.15
Generator	4.75%	4,071,161.80	-	-	4,071,161.80	322,034.00	193,380.00	-	193,380.00	-	515,414.00	3,555,747.80	3,749,127.80
Lab Equipments	4.75%	185,090.24	-	-	185,090.24	52,074.00	8,792.00	57.00	8,849.00	-	60,923.00	564,040.24	133,016.24
Machine & Tools	4.75%	46,437,765.62	428,468.55	-	46,866,234.17	14,089,530.00	2,205,794.00	3,252.00	2,209,046.00	-	16,298,576.00	30,567,658.17	32,348,235.62
Other Assets	4.75%	5,725,553.13	468,871.15	-	6,194,424.28	1,185,157.00	271,969.00	6,294.00	278,263.00	-	1,463,420.00	4,731,104.28	4,540,496.13
Colourant Machine	0.00%	5,651,249.13	10,535,807.96	(9,704,051.92)	6,483,005.17	-	-	-	-	-	-	6,483,005.17	5,651,249.13
Pool - E													
Software charges	1/5	1,499,360.40	-	-	1,499,360.40	711,859.29	330,167.97	-	330,167.97	-	1,042,027.26	457,333.14	787,501.11
Current Year Total		198,194,658.17	12,295,274.24	(9,704,051.92)	200,785,880.49	48,610,425.28	9,223,922.97	30,492.00	9,254,414.97	-	57,864,840.25	142,921,040.23	149,584,232.89
Previous Year Total		198,003,066.15	16,585,464.74	(14,373,872.72)	198,194,658.17	39,901,745.00	9,191,777.29	81,185.00	9,272,932.29	564,252.00	48,610,425.28	149,584,232.89	156,101,321.15

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Kansai Paints Nepal Private Limited
Schedules forming part of the Accounts for the Year ended March 31, 2016

Inventories (As taken, valued and certified by management)

Note - 4

<u>Particulars</u>	As At March 31, 2016 <u>NRS</u>	As at March 31, 2015 <u>NRS</u>
Raw Materials	73,703,611.35	90,702,106.68
Packing Materials	16,923,741.95	18,698,338.05
Semi Finished Goods (WIP)	8,310,647.55	5,077,141.75
Finished Goods	75,751,648.34	99,000,348.82
Auxiliary Raw Materials	1,296,848.22	682,111.08
Stores & Spare Parts	3,276,039.52	6,700,942.33
	<u>179,262,536.93</u>	<u>220,860,988.72</u>
Less: Provision for Damage Stock		
Raw Materials	-	-
Packing Materials	-	-
Semi Finished Goods (WIP)	-	-
Finished Goods	-	-
	<u>179,262,536.93</u>	<u>220,860,988.72</u>

Sundry Debtors & Other Receivables

Note - 5

<u>Particulars</u>	As At March 31, 2016 <u>NRS</u>	As at March 31, 2015 <u>NRS</u>
(Unsecured Considered good unless otherwise stated)		
I) Outstanding for a period exceeding six months		
- Considered Good	401,191,308.53	376,965,472.09
- Considered Doubtful		
II) Other Debts		
- Considered Good		
	<u>401,191,308.53</u>	<u>376,965,472.09</u>
Less: Provision for Doubtful Debts	<u>10,257,000.00</u>	<u>3,043,000.00</u>
	<u>390,934,308.53</u>	<u>373,922,472.09</u>

Cash & Bank Balances

Note - 6

<u>Particulars</u>	As At March 31, 2016 <u>NRS</u>	As at March 31, 2015 <u>NRS</u>
Cash in hand (As certified by the management)	1,329,347.81	2,182,250.44
Balances with Banks	8,702,815.19	4,371,634.53
	<u>10,032,163.00</u>	<u>6,553,884.97</u>

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Kansai Paints Nepal Private Limited

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Kansai Paints Nepal Private Limited
Schedules forming part of the Accounts for the Year ended March 31, 2016

Note - 7

Advances & Deposits

<u>Particulars</u>	As At March 31, 2016 <u>NRS</u>	As at March 31, 2015 <u>NRS</u>
Advances:		
Staff Advances	1,218,703.13	1,349,199.89
Deposits	328,150.00	228,150.00
L/C & L/C Margin	354,081.33	95,657.56
Bg Margin		
Prepaid Insurance	951,693.72	1,185,885.59
Prepaid Expenses	1,148,938.36	168,509.60
Advance To Suppliers	5,628,903.31	2,144,604.63
Advance Income Tax	8,761,655.00	7,000,000.00
Advance Vat	3,002,698.10	1,939,096.51
Insurance Claim Receivable	752,421.54	160,538.00
Other Advances	6,779,692.73	8,014,732.84
	<u>28,926,937.22</u>	<u>22,286,374.62</u>

Note - 8

Share Capital

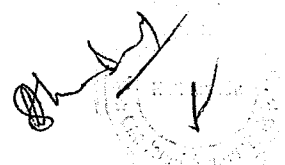
<u>Particulars</u>	As At March 31, 2016 <u>NRS</u>	As at March 31, 2015 <u>NRS</u>
Authorized:		
3,000,000 Equity Shares of Rs.100/-each	300,000,000.00	300,000,000.00
	<u>300,000,000.00</u>	<u>300,000,000.00</u>
Issued:		
1,500,000 Equity Shares of Rs.100/-each	150,000,000.00	150,000,000.00
	<u>150,000,000.00</u>	<u>150,000,000.00</u>
Subscribed & Paid Up:		
1,300,000 Equity Shares of Rs.100/-each fully Paid-up	130,000,000.00	130,000,000.00
	<u>130,000,000.00</u>	<u>130,000,000.00</u>

Note - 9

Reserves & Surplus

<u>Particulars</u>	As At March 31, 2016 <u>NRS</u>	As at March 31, 2015 <u>NRS</u>
Opening balance	120,466,859.84	62,493,472.28
Add: Net Profit/(Net Loss) For the current year	49,920,821.85	57,794,857.56
Add: Earlier Year Adjustment	-	178,530.00
	<u>170,387,681.69</u>	<u>120,466,859.84</u>

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Kansai Paints Nepal Private Limited
Schedules forming part of the Accounts for the Year ended March 31, 2016

Note - 10

Long Term Borrowings

<u>Particulars</u>	<u>As At March 31, 2016 NRS</u>	<u>As at March 31, 2015 NRS</u>
Secured:		
Term Loans:		
(Secured against Factory Land & Building at Birta and personal guarantee of Directors)		
Fixed Term Loan- Everest Bank Ltd.	23,333,333.39	36,666,666.71
Auto Loans:		
(Secured against hypothecation of Vehicles)		
Auto Loan 00605830200023 (EBL)	43,381.84	337,777.32
Auto Loan 00605830200030 (EBL- Na-2-Ch-7369)	1,036,097.33	1,493,680.94
Auto Loan 00605830200031 (EBL Ba-10-Ch-4391)	749,970.98	1,081,522.97
Unsecured:		
Working Capital Loan from Shareholders	150,000,000.00	150,000,000.00
Less: Current Portion of Long Term Loans	(14,286,751.44)	(14,375,141.54)
	<u>160,876,032.10</u>	<u>175,204,506.40</u>

Note - 11

Deferred Tax Liabilities

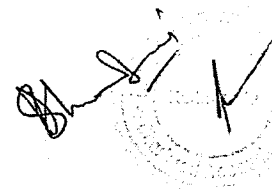
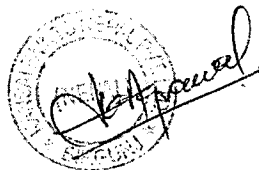
<u>Particulars</u>	<u>As At March 31, 2016 NRS</u>	<u>As at March 31, 2015 NRS</u>
Deferred Tax Liability As at beginning of the year	4,664,026.00	4,942,590.00
Amount Provided for Current Year	(122,672.00)	(278,564.00)
	<u>4,541,354.00</u>	<u>4,664,026.00</u>

Note - 12

Sundry Creditors and Other Payables

<u>Particulars</u>	<u>As At March 31, 2016 NRS</u>	<u>As at March 31, 2015 NRS</u>
Sundry Creditors (Net)	110,053,313.16	125,892,498.95
B.K.Agrawal & Co.	243,750.00	243,750.00
Tax Deduction At Source Payable	2,807,617.10	4,596,887.95
Salary & Wages Payable	1,645,292.26	1,702,222.91
Rent Payable	422,521.20	389,064.19
Advance From Customers	3,864,897.62	2,391,461.84
Lc Payables	6,037,966.00	-
Excise Duty Payable	4,215,595.26	3,895,937.01
Vat Payable	4,016,341.60	6,300,712.94
Staff Welfare Fund	1,425,949.34	2,342,860.35
National Welfare Fund	-	1,059,797.29
	<u>134,733,243.54</u>	<u>148,815,193.43</u>

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Kansai Paints Nepal Private Limited
Schedules forming part of the Accounts for the Year ended March 31, 2016

Note - 13

Short-Term Loans

<u>Particulars</u>	As At March 31, 2016 NRS	As at March 31, 2015 NRS
Loan from Bank & Financial Institutions:		
Overdrafts:		
Everest Bank Ltd. Birgunj, 00605501200098	12,008,764.52	73,692,503.72
Current Portion of Long Term Loans	14,286,751.44	14,375,141.54
	<u>26,295,515.96</u>	<u>88,067,645.26</u>

Note - 14

Provisions

<u>Particulars</u>	As At March 31, 2016 NRS	As at March 31, 2015 NRS
Provision For Current Year Income Tax	12,377,356.00	12,566,103.00
Provision For Earlier Years Income Tax	-	-
Provision For Housing Reserve	11,421,595.00	7,549,045.00
Provision For Staff Bonus	9,499,652.00	5,709,330.00
Provision For Provident Fund	200,303.00	889,928.88
Provision For Gratuity	1,420,906.00	1,210,229.00
Provision For Sales Commission	11,439,275.04	11,164,724.43
Provision For Trip Scheme	7,531,160.30	6,904,204.20
Provision For Daily Allowance	6,000.00	6,000.00
Provision For Advertisement Expenses	7,972,226.00	532,553.00
Provision For Custom Duty	12,462.02	12,462.02
Provision For Electric Power	74,017.52	47,381.95
Provision For Travelling	330,235.00	195,500.00
Provision For Telephone	41,221.08	43,639.56
Provision For Painter Scheme	6,710,129.59	11,470,114.33
Provision For Painter Token	-	886,812.50
Provision For Internet	10,000.00	64,500.00
Provision For Professional & Consultancy Fee	1,019,247.79	274,656.00
Provision For Security	-	146,029.32
Provision For Interest	39,502,889.35	29,243,710.50
Provision For Freight	355,965.00	-
Provision For Dealers Season Scheme	13,077,000.00	16,378,395.46
Provision for Security	138,672.00	-
Provision for expenses	1,644,597.92	-
Provision For Sales Promotion Others	458,248.01	694,403.21
	<u>125,243,158.62</u>	<u>105,989,722.36</u>

Note - 15

Sales

<u>Particulars</u>	Current Year 01.04.15 to 31.03.16 NRS	Previous Year 01.04.2014 To 31.03.2015 NRS
Finished Goods Sales	651,543,497.54	663,654,340.26
Raw Materials Sales	31,628,825.72	29,901,221.25
Scrap Sales	760,968.73	-
	<u>683,933,291.99</u>	<u>693,555,561.51</u>

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Kansai Paints Nepal Private Limited
Schedules forming part of the Accounts for the Year ended March 31, 2016

Note - 16

Other Income

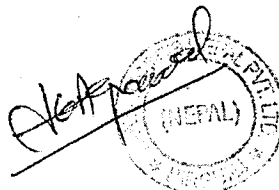
<u>Particulars</u>	Current Year 01.04.15 to 31.03.16 NRS	Previous Year 01.04.2014 To 31.03.2015 NRS
Profit/(Loss) On Sale Of Colorant Machine	2,794,573.78	3,047,083.78
Gain On Exchange Fluctuation	113,822.47	816,899.13
Other Income	8,486.82	369,893.79
Stock Adjustment Income On Physical Count	-	562,982.00
	<u>2,916,883.07</u>	<u>4,796,858.70</u>

Note - 17

Cost of Sales

<u>Particulars</u>	Current Year 01.04.15 to 31.03.16 NRS	Previous Year 01.04.2014 To 31.03.2015 NRS
Opening Stock		
Raw Materials	90,702,106.68	76,133,241.54
Packing Materials	18,698,338.05	14,631,356.27
Semi Finished Goods	5,077,141.75	7,790,354.70
Finished Goods	99,000,348.82	105,142,715.30
Auxiliary Raw Materials	682,111.08	533,471.54
	<u>214,160,046.39</u>	<u>204,231,139.35</u>
Add:		
Raw Materials Purchase	259,421,286.92	317,087,033.79
Finished Goods Purchase	457,776.47	757,092.76
Packing Materials Purchase	50,349,498.47	60,971,697.56
Consumption of Store & Spare Parts	1,132,339.05	896,340.20
Manufacturing Expenses:		
Wages	14,701,375.18	12,399,645.88
Electricity Expenses	1,171,835.46	1,268,623.40
Machinery Repairs & Maintenance	518,013.73	729,893.99
Factory Insurance	1,916,250.41	1,049,792.07
Other Production Expenses	645,901.22	691,471.94
Building Repairs & Maintenance	1,318,230.75	502,075.39
Laboratory Expenses	38,785.01	-
Generator Running Expenses	2,265,756.76	1,576,980.11
Generator Repair & Maintenance	296,194.06	223,009.82
	<u>334,233,243.49</u>	<u>398,153,656.91</u>
Less: Closing Stock		
Raw Materials	73,703,611.35	90,702,106.68
Packing Materials	16,923,741.95	18,698,338.05
Semi Finished Goods	8,310,647.55	5,077,141.75
Finished Goods	75,751,648.34	99,000,348.82
Auxiliary Raw Materials	1,296,848.22	682,111.08
	<u>175,986,497.41</u>	<u>214,160,046.39</u>
Less: Captive Consumption for Repair & Maintenance	-	337,096.00
	<u>372,406,792.47</u>	<u>387,887,653.87</u>

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Kansai Paints Nepal Private Limited
Schedules forming part of the Accounts for the Year ended March 31, 2016

Note - 18

Administrative, Selling & Distribution Expenses

<u>Particulars</u>	Current Year 01.04.15 to 31.03.16 <u>NRS</u>	Previous Year 01.04.2014 To 31.03.2015 <u>NRS</u>
Administrative Expenses:		
Salary & Allowances	23,774,556.50	22,685,828.51
Uniform Expenses	217,401.90	142,610.60
Gratuity	210,677.00	433,548.00
Security Charges	2,765,486.82	2,814,438.70
Postage & Telegram	101,612.48	164,578.80
Printing & Stationery	383,394.67	338,687.95
Rent	8,831,754.56	8,183,944.22
Insurance Premium	1,786,932.80	2,207,859.71
Travelling Expenses	8,206,783.14	6,918,123.57
Staff Welfare Expenses	1,269,385.37	1,412,826.98
Electricity & Water	300,915.18	278,521.84
Telephone Expenses	1,103,811.24	1,167,748.92
Email & Internet	729,843.32	732,969.42
Bank Commission	385,434.74	401,716.65
Audit Fee	275,000.00	275,000.00
Tax Audit Fee	50,000.00	50,000.00
Other Professional Services	481,709.00	525,000.00
Audit Expenses	157,443.23	340,135.25
Rates & Taxes & Renewals	403,885.30	450,188.40
Books & Periodicals	22,320.00	33,954.00
Puja Expenses	243,415.50	222,812.00
Donation & Presentation	194,995.75	225,042.15
Cleaning Expenses	307,154.33	287,210.76
Repairs & Maintenance-"Pool A"	278,439.62	240,811.87
Repairs & Maintenance-"Pool B"	105,802.04	200,661.95
Repairs & Maintenance-"Pool C"	1,119,275.38	813,330.81
Vehicle Fuel	874,109.59	1,325,807.39
Customer Compensation/Claims	265,678.00	50,629.00
General Office Expenses	144,020.52	185,345.56
Garden Expenses	23,822.00	-
Hospitality Expenses	39,246.34	37,852.20
Medical Expenses	64,645.72	34,703.75
Miscellaneous Balance Written Off	33,299.39	2,919.49
Software Amc Charges	422,614.38	604,841.36
Royalty Expenses	5,418,565.68	6,263,024.39
Bad Debts	7,214,000.00	3,043,000.00
Legal Expenses	863,839.79	370,430.00
Exchange Gain & Loss	-	(113,538.00)
Loss On Disposal Of Assets	-	260,765.00
Fine & Penalty	299,280.00	1,219,193.00
Prior Year Taxes	1,425,212.94	
	<u>70,795,764.22</u>	<u>64,832,524.20</u>
Selling and Distribution Expenses		
Advertisement	39,672,461.64	29,379,775.77
Transportation/Loading-Unloading	19,734,014.74	18,088,946.05
Painter Token	4,307,076.50	2,516,411.70
Sales Promotion	10,553,390.90	16,210,979.19
Sales Commission	29,877,798.08	27,857,295.13
Trip/Travel Scheme	11,292,226.36	2,344,847.30
Painter Scheme Expenses	6,881,358.26	14,699,439.14
Dealers Season Scheme	15,992,060.08	16,217,941.41
Colourant Amc Charges	1,627,672.31	2,083,288.20
	<u>139,938,058.87</u>	<u>129,398,923.89</u>
	<u>210,733,823.09</u>	<u>194,231,448.09</u>

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Kansai Paints Nepal Private Limited
Schedules forming part of the Accounts for the Year ended March 31, 2016

Note - 19

Interest Expenses

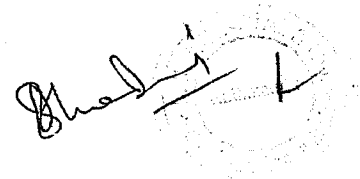
Particulars	Current Year 01.04.15 to 31.03.16 <i>NRS</i>	Previous Year 01.04.2014 To 31.03.2015 <i>NRS</i>
Interest on Overdraft Loan	1,923,975.50	3,603,619.88
Interest on Demand Loan	-	2,409,920.20
Interest on Trust Receipt	-	167,349.76
Interest on Term Loan	2,853,759.52	4,212,592.61
Interest on Hire Purchase Loan	226,418.66	324,085.95
Interest on Loan from Shareholders	12,000,000.00	12,000,000.00
	<u>17,004,153.68</u>	<u>22,717,568.40</u>

Note - 20

Contingent Liability

Particulars	Current Year 01.04.15 to 31.03.16 <i>NRS</i>	Previous Year 01.04.2014 To 31.03.2015 <i>NRS</i>
EB0060FOU00383 (Dairen Chemical (JIANGSU) Co. Ltd. China)	2,251,798.25	-
EB0060FOS01081 (FEATHERLITE PRODUCTS PVT. LTD.)	585,290.64	-
EBL/BRJ/DAA/007/0072 (TRONOX PIGMENT LTD, AUSTRALIA)	4,365,270.00	-
EBL/BRJ/DAA/008/0072 (EASTMAN CHEMICAL, SINGAPORE)	1,788,696.00	-
Bank Guarantee (EBL0060PG00191)	750,000.00	-
	<u>9,741,054.89</u>	<u>-</u>

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Kansai Paints Nepal Private Limited
Schedules forming part of the Accounts for the Year ended March 31, 2016

21) Income Tax:

i) Provision for Income Tax:

Income tax has been provided in accordance with the Nepal Income Tax Act, 2058. The taxable income has been computed after claiming all the business related deductible expenditure under Income Tax Act, 2058.

ii) Income Tax Assessment:

The Income Tax assesment has been completed up to F/Y 2069/70 (up to Ashwin 14, 2069 equivalent to September 30, 2012). As per re-assessment made by Income Tax Department, additional income tax liability of Rs. 14,25212.94 and VAT liability of Rs. 2,99,280.00 up to F/Y 2069/70 (up to Ashwin 14, 2069). These tax liabilities have been paid by the Company.

22) Revaluation of Fixed Assets:

Fixed Assets are not revalued during the year.

23) Advances to Suppliers and Others:

The Company has given advances to suppliers amounting to NRs.56.29 Lakh and others in ordinary course of business, which is considered good and recoverable.

24) Staff Bonus:

Provision for Staff Bonus has been made amounting to Rs. 6688948.00 (PY: Rs. 6523440.00) during the year.

25) Housing Reserves:

i) Provision for Housing Reserves, as required under Sec 41 of Labor Act, 2048, has been made amounting to Rs. 3872550.00 (PY Rs. 3776728.00) during the period.

ii) The provision for housing reserve has been made @ 5% of net profit before tax and bonus.

iii) However, the Company has not invested the amount of Housing Reserves in a separate fund in accordance with section 41(2) of Nepal Labour Act, 2048.

26) Earnings per share:

Earning per share has been calculated as below:

Particulars	Current Year 01.04.15 to 31.03.16	Previous Year 01.04.2014 To 31.03.2015
Profit after tax for the year (Rs.)	49,920,821.85	57,794,857.56
Weighted average no. of equity shares (Units)	1,300,000.00	1,300,000.00
Diluted number of equity shares (Units)	1,300,000	1,300,000
Nominal value of shares (Rs.)	100.00	100.00
Basic Earning per share (Rs.)	38.40	44.46
Diluted Earning per share (Rs.)	38.40	44.46

27) Transaction with Related Parties:

The Company has following transaction during the period from 01.04.2015 to 31.03.2016 with related parties the details of the same are given hereunder.

Party Name	Relation-Nature of Txn.	Opening Dr.	Opening Cr.	Period Dr.	Period Cr.	Closing Dr.	Closing Cr.
Shalimar Investment Co. Pvt.Ltd.	Common Director-Advances	-	-	540,000.00	540,000.00	-	-
Kansai Nerolac Paints Ltd, Kanpur, Jainpur	Investing Company-Creditor	-	32,288,294.35	32,288,294.36	4,075,266.11	-	4,075,266.11
Kansai Nerolac Paints Ltd., Patna	Investing Company-Creditor	-	2,749,447.75	2,747,680.00	-	-	1,767.75
Goyal Hardware Biratnagar(300069242)	Common Director-Debtor	632,251.35	-	2,342,378.44	2,423,321.35	551,308.44	-
Kansai Nerolac Paints Ltd.	Investing Company-Creditor	-	-	-	-	-	-
Kansai Nerolac Paints Ltd.Chennai	Investing Company-Creditor	-	800,000.00	800,000.00	-	-	-
Kansai Nerolac Paints Ltd. Mumbai	Investing Company-Creditor	-	26,918,561.16	1,178,463.15	13,369,556.82	-	39,109,654.83
Pradeep & Co. Birganj (302116292)	Common Director-Advances	-	170.00	-	-	-	170.00
Pradeep & Company Pvt. Ltd.	Common Director - Creditor	-	-	-	2,442,709.70	-	2,442,709.70
Shalimar Plastic Industries Pvt.Ltd.	Common Director-Advances	-	-	-	-	-	-
Siddhi Vinayak, Birgunj	Related to Director-Creditor	-	45.00	1,551,652.96	204,648.41	1,346,959.55	-
Siddhi Vinayak Pvt Ltd, Birgunj		-	-	7,159,918.09	8,266,685.29	-	1,106,767.20

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Kansai Paints Nepal Private Limited
Schedules forming part of the Accounts for the Year ended March 31, 2016

Notes contd...

Party Name	Relation-Nature of Txn.	Opening Dr.	Opening Cr.	Period Dr.	Period Cr.	Closing Dr.	Closing Cr.
Shalimar Travels Pvt. Ltd.	Common Director-Advances	0.68	-	89,194.92	67,858.71	21,336.89	-
Shalimar Travels Pvt. Ltd.	-	-	113,105.00	260,653.00	147,548.00	-	-
Shalimar Travels Pvt. Ltd.	Common Director - Advances	-	-	121,420.44	121,420.44	-	-
Shalimar Hospitality & Foods Pvt. Ltd.	Common Director-Creditor	-	37,499.90	-	-	-	37,499.90
Total		632,252.03	62,907,123.17	49,079,655.36	37,659,014.83	1,919,604.88	46,773,835.49

28) Current Liabilities:

The current liabilities include a sum equal to Rs. 3864897.62 (PY Rs. 2391461.84) received as advance from customers in the ordinary course of business.

29) Recognition of Deferred Tax Liability & Assets:

Deferred tax is measured based on the tax rates and the laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets are realized.

The Company has recognized deferred tax liabilities amounting to Rs. 122672.00 which resulted from the timing differences between the Book Profit and Tax Profit, for the reporting year ended March 31, 2016 in Income Statements, the details of which is as under:

Particulars	Opening Balance (NRS)	Arising during the period (NRS)	Closing Balance (NRS)
Deferred Tax Assets/(Liabilities)			
On account of timing difference in:			
a) Fixed Assets	(5,084,170.00)	(243,659.00)	(5,327,829.00)
b) Closing Stocks	(314,248.00)	532,987.00	218,741.00
c) Gratuity	73,310.00	(55,020.00)	18,290.00
d) Housing Reserves	661,080.00	(111,636.00)	549,444.00
Net Assets /(Liabilities)	(4,664,028.00)	122,672.00	(4,541,354.00)

30) Working Capital Loan:

The company had taken working capital loan from shareholder amounting to Rs.150 Million in proportionate to their shareholding out of which a sum of Rs. 102 Million is from M/s Kansai Nerolac Paints Ltd., India for which approval from Department of Industry/Government of Nepal is under process of obtaining. The details of total working capital loan is hereunder:

Particulars	Amount (NRS)
M/s Kansai Nerolac Paints Ltd.	102,000,000.00
Mr. Ashok Kumar Baid	18,000,000.00
Mr. Jiban Kumar Agrawal	18,000,000.00
Mr. Rajkumar Baid	6,000,000.00
Mr. Vijay Singh Baid	6,000,000.00
Total	150,000,000.00

31) Interest on Working Capital Loan:

The company has provided interest on working capital loan from shareholders of Rs. 150 Million at the rate of 8% per annum. Accordingly, the company has provided a sum of NRs. 12 Million (PY: NRs. 12 Million) as interest for the period from Apr 01, 2015 to March 31, 2016. However the approval of the Loan Agreement is still under process by the Department of Industry (DOI).

The total outstanding amount of interest not paid stands at NRs.39.48 million up to the reporting period.

32) Royalty:

i) The Company has paid Royalty amounting to Rs. 5.42 Millions (PY Rs. 6.26 millions) for the period from Apr 01, 2015 to March 31, 2016 to "M/s Kansai Nerolac Paints Ltd., India, as per the agreement entered into with them and duly approved by the Government of Nepal. The Royalty is paid towards the use of Trademark, Business Systems & Know-how, Software & patents & General Administrative & Management Services.

ii) The company has deposited the reverse charge of VAT on Royalty paid to the Holding Company M/s Kansai Nerolac Paints Ltd., India.

33) Deputation Service Charges:

i) The Company has provided the deputation service charges amounting to NRs. 8.76 Millions for the period from April 01, 2015 to March 31, 2016 to "M/s Kansai Nerolac Paints Ltd., India, as per the agreement entered into with them. The deputation service charge is paid towards the manpower service provided by the parent company to the subsidiary as per the requirement of the subsidiary.

ii) The company has deposited the reverse charge of VAT on deputation service charge paid to the holding company, Kansai Nerolac Paints Ltd., Mumbai, India up to December 31, 2015 as per the provisions of sec. 8(2) of Value Added Tax Act of Nepal.

34) Regrouping of Figures:

Previous Year's figures have been regrouped/rearranged wherever necessary.

35) Miscellaneous:

(i) All amounts are stated in Nepalese Rupees.

(ii) All the account confirmation with regards to sales, purchase, receivables and payables are not available.

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