

KNP Japan Private Limited
(Formerly: Kasai Paints Nepal Private Limited)

Auditor's Report & Financial Statements for the year ended March 31, 2017

**Independent Auditors' Report
to the Directors of
KNP Japan Private Limited
(Formerly: Kansai Paints Nepal Private Limited)**

Report on Financial Statements

We have audited the accompanying Standalone Balance Sheet of M/s KNP Japan Private Limited (Formerly: Kansai Paints Nepal Private Limited) as of March 31, 2017 and Statement of Profit & Loss 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

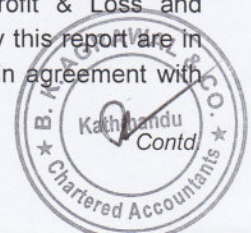
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether 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 Standalone Balance Sheet, Statement of Profit & Loss 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;



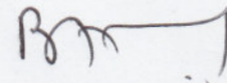
- d. In our opinion, so far as appeared from our examination of the books, the business of the Company has been conducted satisfactorily; and
- e. To the best of our information and according to the explanations given to us and from our examination of the books of accounts of the Company necessary for 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, pursuant 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 Note 1 and 27 to 43 forming part of the accounts, give a true and fair view of the financial position of the Company as at March 31, 2017 and the financial performance, changes in equity for the year then ended in accordance with Nepal Financial Reporting Standards and comply with provisions of the Companies Act, 2063.

Kathmandu
Date: 30th April, 2017

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



CA. B.K. Agrawal
Managing Partner



KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
STANDALONE BALANCE SHEET AS AT 31ST MARCH, 2017

NPR. in Crores

	Note	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
ASSETS				
Non-current Assets				
Property, Plant and Equipment	2	13.69	14.24	14.88
Other Intangible Assets	3	0.01	0.05	0.08
		13.70	14.29	14.96
Financial Assets:				
Other Financial Assets	4	0.03	0.03	0.02
		0.03	0.03	0.02
Other non-current assets	5	0.86	0.88	0.70
Total Non-current Assets		14.59	15.20	15.68
Current Assets				
Inventories	6	19.39	17.93	22.09
Financial Assets:				
Trade Receivables	7	34.18	39.09	37.39
Cash and cash equivalents	8	8.68	1.00	0.66
		42.86	40.09	38.05
Other Current Assets	9	1.08	1.69	1.32
Total Current Assets		63.33	59.71	61.46
Total Assets		77.92	74.91	77.14
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	10	13.00	13.00	13.00
Other Equity	11	25.36	17.04	12.05
Total Equity		38.36	30.04	25.05
Liabilities				
Non-current Liabilities				
Financial Liabilities:				
Borrowings	12	10.20	16.09	17.52
Deferred Tax Liabilities (Net)	13	0.42	0.45	0.47
Total Non-current Liabilities		10.62	16.54	17.99
Current Liabilities				
Financial Liabilities:				
Trade Payables	14	22.64	21.97	21.58
Other Financial Liabilities	15	-	2.63	8.81
		22.64	24.60	30.39
Other Current Liabilities	16	4.03	2.35	2.33
Provisions	17	0.32	0.14	0.12
Current Tax Liabilities (Net)	18	1.95	1.24	1.26
Total Current Liabilities		28.94	28.33	34.10
Total Liabilities		39.56	44.87	52.09
Total Equity and Liabilities		77.92	74.91	77.14

Significant Accounting Policies

1

The notes referred to above form an integral part of Standalone Financial Statements

Kathmandu
Date: 30th April, 2017

For and on behalf of the board

As per our attached report of even date

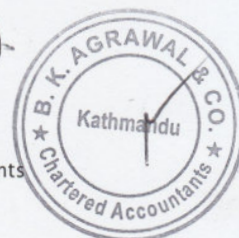
Finance Executive



Director

Director

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



KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

	Note	Year Ended 31st March, 2017	NPR. in Crores Year Ended 31st March, 2016
Revenue from Operations	19	87.90	65.23
Other Income	20	0.91	0.29
Total Income		88.81	65.52
Expenses:			
Cost of Materials Consumed	21	42.53	29.94
Purchases of Stock-in-trade		0.12	0.05
Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress	22	(0.02)	2.00
Employee Benefits Expense	23	6.79	5.11
Finance Costs		0.74	1.70
Depreciation and Amortisation Expenses	24	0.94	0.93
Other Expenses	25	26.54	19.10
Total Expenses		77.64	58.83
Profit Before Tax		11.17	6.69
Tax Expense			
Current Tax		2.88	1.71
Deferred Tax		(0.03)	(0.01)
Total Tax Expense		2.85	1.70
Profit for the period		8.32	4.99
Earning per Share		64.00	38.38

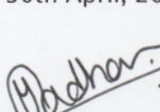

Significant Accounting Policies 1

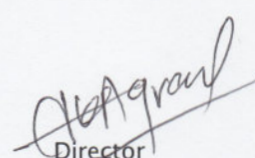
The notes referred to above form an integral part of Standalone Financial Statements

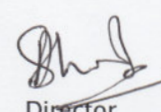
Kathmandu
Date: 30th April, 2017

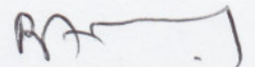
For and on behalf of the board

As per our attached report of even date

Finance Executive




Director


Director


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



KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
STANDALONE CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

NPR. in Crores

	Year Ended 31st March, 2017	Year Ended 31st March, 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES :		
Profit before tax	11.17	6.69
Adjustments for:		
Depreciation and amortisation	0.94	0.93
Interest expenses	0.74	1.70
Earlier Year Adjustment	0.36	-
Non Operating Expenses	-	(0.02)
Non Operating Income	(0.07)	(0.28)
Operating profit before working capital changes	<u>13.14</u>	<u>9.02</u>
Adjustment for:		
Increase/(decrease) in trade payables, other liabilities and provisions	4.10	(0.49)
(Increase)/decrease in trade receivables	4.91	(1.70)
(Increase)/decrease in inventories	(1.46)	4.16
(Increase)/decrease in loans and advances and other assets	0.61	(0.66)
Cash generated from operating activities	<u>21.30</u>	<u>10.33</u>
Taxes paid	(2.52)	(1.73)
Net cash generated from operating activities	<u><u>18.78</u></u>	<u><u>8.60</u></u>
B. CASH FLOWS FROM INVESTING ACTIVITIES :		
Purchase of fixed assets (including capital work-in-	(1.67)	(1.23)
Proceeds from sale of fixed assets	1.40	1.26
Net cash used in investing activities	<u><u>(0.27)</u></u>	<u><u>0.03</u></u>
C. CASH FLOWS FROM FINANCING ACTIVITIES :		
Increase/(decrease) in Short Term Loans	(2.63)	(6.18)
Increase/(decrease) in Medium & Long Term Loans	(5.89)	(1.43)
Interest paid	(2.31)	(0.68)
Net cash generated from financing activities	<u><u>(10.83)</u></u>	<u><u>(8.29)</u></u>
Net increase / (decrease) in cash and cash equivalents during the year (A+B+C)	7.68	0.34
Cash and cash equivalents at the beginning of the year		
Cash on hand	0.13	0.22
Balance with banks in:		
- current accounts	0.87	0.44
	<u>8.68</u>	<u>1.00</u>
Cash and cash equivalents as at the end of the year		
Cash on hand	0.10	0.13
Balance with banks in:		
- current accounts	8.58	0.87
	<u><u>8.68</u></u>	<u><u>1.00</u></u>

Kathmandu
Date: 30th April, 2017

For and on behalf of the board

Finance Executive

Director

Director

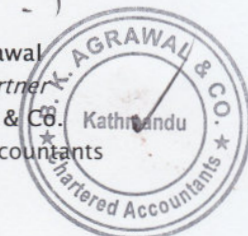
As per our attached report
of even date

CA. B.K. Agrawal

Managing Partner

B.K. Agrawal & Co.

Chartered Accountants



KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
STANDALONE STATEMENT OF CHANGES IN EQUITY

A – Equity Share Capital

	NPR. in Crores
Balance as at 1st April, 2015	13.00
Changes in equity share capital during 2015-2016	-
Balance as at the 31st March, 2016	13.00
Changes in equity share capital during 2016-2017	-
Balance as at 31st March, 2017	13.00

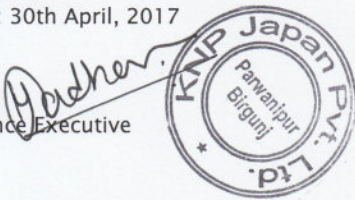
B – Other Equity

	NPR. in Crores				
	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2015	-	-	-	12.05	12.05
Profit for the Year	-	-	-	4.99	4.99
Balance as at 31st March, 2016	-	-	-	17.04	17.04

	NPR. in Crores				
	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2016	-	-	-	17.04	17.04
Profit for the Year	-	-	-	8.32	8.32
Balance as at 31st March, 2017	-	-	-	25.36	25.36

Kathmandu
Date: 30th April, 2017

Finance Executive



For and on behalf of the board

[Signature]
Director

[Signature]
Director

As per our attached report
of even date

[Signature]
CA. B.K. Agrawal
Managing Partner
B.K. Agrawal & Co.
Chartered Accountants



KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 1

A) Corporate Information:

KNP Japan Private Limited (formerly Kansai Paints Nepal 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 and selling of such products in domestic & foreign market.

B) 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:

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:

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:

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%

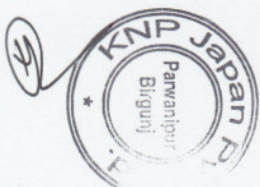
No depreciation has been charged on Colorant Machine, capitalized under the head Plant & Machinery, as these machines are not put to use by the company.

e) Impairment of Assets:

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.



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KNP JAPAN PRIVATE LIMITED
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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Notes contd...

g) Related party transactions:

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.

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:

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:

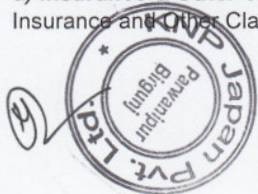
Revenue from dividend is recognised in the income statement when the right to receive have been established.

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.



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KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Notes contd...

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".

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:

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:

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.

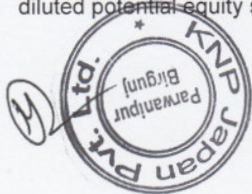
Deferred Tax:

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:

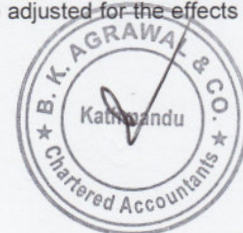
Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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.



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KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Notes contd...

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.

v) **Cash Flow Statements:**

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:**

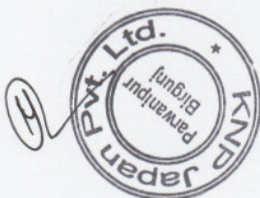
Having regard to the integrated nature of the Paints Manufacturing Business of the company, the disclosure requirement of "Segment Reporting" pursuant to the Nepal Financial Reporting Standards is not applicable.

x) **Share Based Payments:**

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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KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

NPR. in Crores

Note 2: Property, Plant and Equipment

Description	Gross Block			Accumulated Depreciation			Net Block	
	As at 31.03.2016	Additions	Deductions	As at 31.03.2016	Additions	Deductions	As at 31.03.2017	As at 31.03.2017
Freehold Land	0.37 (0.37)	-	-	-	-	-	-	0.37 (0.37)
Buildings	9.47 (9.47)	-	-	1.78 (1.46)	0.32 (0.32)	-	2.10 (1.78)	7.37 (7.69)
Plant and Equipments	6.10 (6.02)	0.05 (0.08)	-	1.91 (1.62)	0.28 (0.29)	-	2.19 (1.91)	3.96 (4.19)
Furniture and Fixtures	0.20 (0.20)	0.14	-	0.07 (0.06)	0.02 (0.01)	-	0.09 (0.07)	0.25 (0.13)
Vehicles	2.09 (2.09)	-	-	1.53 (1.32)	0.19 (0.21)	-	1.72 (1.53)	0.37 (0.56)
Office Equipments	0.72 (0.68)	0.04 (0.04)	-	0.16 (0.13)	0.04 (0.03)	-	0.20 (0.16)	0.56 (0.56)
Computers	0.32 (0.28)	-	-	0.24 (0.20)	0.05 (0.04)	-	0.29 (0.24)	0.03 (0.08)
Colourant Machine	0.66 (0.57)	0.12 (0.09)	-	-	-	-	-	0.78 (0.66)
Total Tangible Assets	19.93 (19.68)	0.35 (0.25)	-	5.69 (4.79)	0.90 (0.90)	-	6.59 (5.69)	13.69 (14.24)

Figures in the brackets are the corresponding figures in respect of the previous year.

No items of property, plant and equipment were pledged as security for liabilities during any part of the financial year.

Nil amount of borrowing costs is capitalised during the financial year.

Nil amount of impairment loss is recognised during the financial year.



Signature of KNP Japan Pvt. Ltd. and Chartered Accountant.

Signature of B. K. Agrawal & Co.

KNP JAPAN PRIVATE LIMITED
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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

NPR. in Crores

Note 3: Other Intangible Assets

Description	Gross Block				Accumulated Amortisation			Net Block	
	As at 31.03.2016	Additions	Deductions	As at 31.03.2017	As at 31.03.2016	Additions	Deductions	As at 31.03.2017	As at 31.03.2017
Software	0.15 (0.15)	-	-	0.15 (0.15)	0.10 (0.07)	0.04 (0.03)	-	0.14 (0.10)	0.01 (0.05)
Total Other Intangible Assets	0.15 (0.15)	-	-	0.15 (0.15)	0.10 (0.07)	0.04 (0.03)	-	0.14 (0.10)	0.01 (0.05)

Figures in the brackets are the corresponding figures in respect of the previous year.

Nil amount of borrowing costs is capitalised during the financial year.

Nil amount of impairment loss is recognised during the financial year.



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KNP JAPAN PRIVATE LIMITED
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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

	As at 31st March, 2017	As at 31st March, 2016	NPR. in Crores As at 1st April, 2015
Note 4: Other Financial Assets			
Unsecured and Considered Good Security Deposits	0.03	0.03	0.02
	<u>0.03</u>	<u>0.03</u>	<u>0.02</u>
Note 5: Other non-current assets			
Unsecured and Considered Good Income Tax Paid	0.86	0.88	0.70
	<u>0.86</u>	<u>0.88</u>	<u>0.70</u>
Note 6: Inventories			
Raw Materials	9.19	7.50	9.14
Packing Materials	1.37	1.69	1.87
Work-in-progress	0.37	0.83	0.51
Finished Goods	8.06	7.58	9.90
Stores and Spares	0.40	0.33	0.67
	<u>19.39</u>	<u>17.93</u>	<u>22.09</u>



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KNP JAPAN PRIVATE LIMITED
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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

	As at 31st March, 2017	As at 31st March, 2016	NPR. in Crores As at 1st April, 2015
Note 7: Trade Receivables			
Other Receivables:			
Secured, Considered Good	-	-	-
Unsecured, Considered Good*	34.18	39.09	37.39
Doubtful	2.63	1.03	0.30
	<u>36.81</u>	<u>40.12</u>	<u>37.69</u>
Less: Provision for Bad and Doubtful Debts	2.63	1.03	0.30
	<u>34.18</u>	<u>39.09</u>	<u>37.39</u>
	<u><u>34.18</u></u>	<u><u>39.09</u></u>	<u><u>37.39</u></u>



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KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

	NPR. in Crores		
<u>Note 8: Cash and cash equivalents</u>	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Banks Balances	8.58	0.87	0.44
Cheques on hand	-	-	-
Cash on hand	0.10	0.13	0.22
	<u>8.68</u>	<u>1.00</u>	<u>0.66</u>
<u>Note 9: Other Current Assets</u>			
Insurance Claims Receivable	0.26	0.08	0.02
Trade Advances	0.27	0.58	0.36
Prepaid Expenses	0.40	0.21	0.14
Other Receivable	0.15	0.82	0.80
	<u>1.08</u>	<u>1.69</u>	<u>1.32</u>



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KNP JAPAN PRIVATE LIMITED
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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 10: Share Capital	NPR. in Crores		
	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
1. Authorised Share Capital (Rs. in Crores)	30.00	30.00	30.00
Par Value per Share (Rs.)	100	100	100
Number of Equity Shares	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
2. Issued (Rs. in Crores)	15.00	15.00	15.00
Par Value per Share (Rs.)	100	100	100
Number of Equity Shares	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
3. Subscribed and Fully Paid up (Rs. in Crores)	13.00	13.00	13.00
	<u>100</u>	<u>100</u>	<u>100</u>
	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>



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KNP JAPAN PRIVATE LIMITED
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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

NPR. in Crores

Note 11: Other Equity

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2015	-	-	-	12.05	12.05
Profit for the Year	-	-	-	4.99	4.99
Balance as at 31st March, 2016	-	-	-	17.04	17.04

NPR. in Crores

	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2016	-	-	-	17.04	17.04
Profit for the Year	-	-	-	8.32	8.32
Balance as at 31st March, 2017	-	-	-	25.36	25.36



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KNP JAPAN PRIVATE LIMITED
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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

<u>Note 12: Borrowings</u>	NPR. in Crores		
	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Working Capital Loan	10.20	16.09	17.52
	<u>10.20</u>	<u>16.09</u>	<u>17.52</u>

<u>Note 13: Deferred Tax Liabilities (Net)</u>			
Deferred Tax Liabilities	0.42	0.45	0.47
	<u>0.42</u>	<u>0.45</u>	<u>0.47</u>








KNP JAPAN PRIVATE LIMITED
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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

	As at 31st March, 2017	As at 31st March, 2016	NPR. in Crores As at 1st April, 2015
Note 14: Trade Payables			
Trade Payables	-	-	-
Payables to Micro and Small Enterprises	22.64	21.97	21.58
Payables to Others	-	-	-
	<u>22.64</u>	<u>21.97</u>	<u>21.58</u>
Note 15: Other Financial Liabilities			
Current Maturities of Long-term Debt	-	1.43	1.44
Borrowings	-	1.20	7.37
	<u>-</u>	<u>2.63</u>	<u>8.81</u>
Note 16: Other Current Liabilities			
Other Statutory Obligations\$	3.30	1.96	2.09
Trade Receivables with Credit Balance	0.73	0.39	0.24
	<u>4.03</u>	<u>2.35</u>	<u>2.33</u>
\$Includes payable toward TDS, Excise duty, Service tax, VAT and Employee Related Statutory Obligations.			
Note 17: Provisions			
Provision for Gratuity	0.32	0.14	0.12
	<u>0.32</u>	<u>0.14</u>	<u>0.12</u>
Note 18: Current Tax Liabilities (Net)			
Current Tax Liabilities (Net)	1.95	1.24	1.26
	<u>1.95</u>	<u>1.24</u>	<u>1.26</u>



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KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

	NPR. in Crores	
<u>Note 19: Revenue from Operations</u>	<u>Year Ended</u> <u>31st March, 2017</u>	<u>Year Ended</u> <u>31st March, 2016</u>
Sale of Products (including excise duty)		
Sales	106.47	76.27
Less: Rebates	<u>18.57</u>	<u>11.04</u>
Total Sale of Products	<u>87.90</u>	<u>65.23</u>
Other Operating Revenues	-	-
Revenue from Operations	<u><u>87.90</u></u>	<u><u>65.23</u></u>
 <u>Note 20: Other Income</u>		
<u>Other Non operating Income</u>		
Profit on Sale of Property, Plant and Equipment (Net)	0.07	0.28
Foreign Exchange Gain (Net)	0.03	0.01
Miscellaneous Income	<u>0.81</u>	<u>-</u>
	<u>0.91</u>	<u>0.29</u>
	<u><u>0.91</u></u>	<u><u>0.29</u></u>



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KNP JAPAN PRIVATE LIMITED
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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

NPR. in Crores

Note 21: Cost of Materials Consumed

	Year Ended 31st March, 2017	Year Ended 31st March, 2016
Raw Material Consumed		
Opening Stock	7.50	9.14
Add: Purchase	40.53	26.25
Less: Sales	4.22	3.16
Less: Closing Stock	<u>9.19</u>	<u>7.50</u>
	34.62	24.73
Packing Material Consumed		
Opening Stock	1.69	1.87
Add: Purchase	7.59	5.03
Less: Closing Stock	<u>1.37</u>	<u>1.69</u>
	7.91	5.21
	<u>42.53</u>	<u>29.94</u>

Note 22: Changes in Inventories of Finished Goods, Stock-in-trade and Work-in-progress

Opening Stock		
Finished Goods	7.58	9.90
Work-in-progress	0.83	0.51
Stock-in-trade (in respect of goods acquired for trading)	-	-
	<u>8.41</u>	<u>10.41</u>
Less: Closing Stock		
Finished Goods	8.06	7.58
Work-in-progress	<u>0.37</u>	<u>0.83</u>
	8.43	8.41
	<u>(0.02)</u>	<u>2.00</u>



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KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

NPR. in Crores

Note 23: Employee Benefits Expense

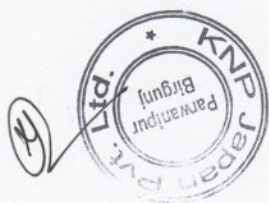
	Year Ended 31st March, 2017	Year Ended 31st March, 2016
Salaries and Wages	4.65	3.85
Contribution to Provident and Other Funds	0.18	0.02
Staff Welfare Expense	1.96	1.24
	<u>6.79</u>	<u>5.11</u>

Note 24: Depreciation and Amortisation

Depreciation and Amortisation Expenses	0.94	0.93
	<u>0.94</u>	<u>0.93</u>

Note 25: Other Expenses

Consumption of Stores and Spare Parts	0.04	0.11
Power and Fuel	0.41	0.40
Repairs to Buildings	0.07	0.13
Repairs to Machinery	0.21	0.22
Freight and Forwarding Charges	2.37	1.97
Advertisement and Sales Promotion	16.28	11.69
Rent	0.91	0.88
Rates and Taxes	0.07	0.05
Insurance	0.40	0.34
Miscellaneous Expenses	5.78	3.31
	<u>26.54</u>	<u>19.10</u>



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KNP JAPAN PRIVATE LIMITED
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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Note 26) 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 2071/72 (up to Ashad 31, 2072 equivalent to July 16, 2015). As per assesment made by Income Tax Department, additional income tax liability of NPR 0.27 Crores and VAT liability of NPR 0.02 Crores up to F/Y 2071/72 (up to Ashad 31, 2072) and TDS fine of NPR 0.04 Crores has been imposed. These tax liabilities have been paid by the Company and has been recognized as earlier year taxes & fine & penalty. Also The Income Tax assesment has been completed up to F/Y 2070/71 (up to Ashad 31, 2071 equivalent to July 16, 2014). As per assesment made by Income Tax Department, additional income tax liability of NPR 0.25 Crores and VAT liability of NPR 0.07 Crores up to F/Y 2070/71 (up to Ashad 31, 2071) and Excise liability of NPR 0.004 Crores & NPR 0.02 Crores has been assessed. These tax liabilities have been paid by the Company and has been recognized as earlier year taxes.

Note 27) Revaluation of Fixed Assets:

Fixed Assets are not revalued during the year.

Note 28) Advances to Suppliers and Others:

The Company has given advances to suppliers amounting to NPR 0.27 Crores (PY NPR 0.58 Crores) and others in ordinary course of business, which is considered good and recoverable.

Note 29) Staff Bonus:

Provision for Staff Bonus has been made amounting to NPR 1.13 Crores (PY NPR 0.67 Crores) during the year which is stated in staff welfare expenses.

Note 30) Housing Reserves:

- i) Provision for Housing Reserves, as required under Sec 41 of Labor Act, 2048, has been made amounting to NPR 0.66 Crores (PY NPR 0.39 Crores) during the period which is stated in staff welfare expenses.
- ii) The provision for housing reserve has been made @ 5% of net profit before tax, bonus and Prior Period Adjustment.
- iii) 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.

Note 31) Earnings per share:

Earning per share has been calculated as below:

(NPR. in Crores)

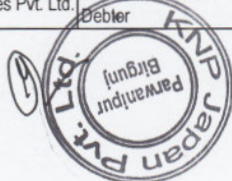
Particulars	Current Year	Previous Year
Profit after tax for the year (NPR)	8.32	4.99
Weighted average no. of equity shares (Units)	0.13	0.13
Diluted number of equity shares (Units)	0.13	0.13
Nominal value of shares (NPR)	100.00	100.00
Basic Earning per share (NPR)	64.00	38.39
Diluted Earning per share (NPR)	64.00	38.39

Note 32) Transaction with Related Parties:

The Company has following transactions during the period from 01.04.2016 to 31.03.2017 with the following related parties:

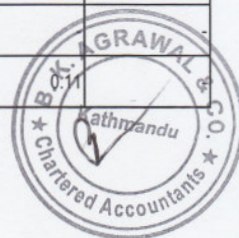
(NPR. in Crores)

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	-	-	0.12	0.12	-	-
Vijay Metal Industries	Common Director-Advances	-	-	-	-	-	-
Kansai Nerolac Paints Ltd., Kanpur, Jainpur	Investing Company-Creditor	-	0.41	0.69	0.28	-	-
Kansai Nerolac Paints Ltd., Patna	Investing Company-Creditor	-	-	-	-	-	-
Goyal Hardware Biratnagar(300069242)	Common Director-Debtor	0.06	-	0.19	0.21	0.04	-
Kansai Nerolac Paints Ltd.	Investing Company-Creditor	-	-	-	-	-	-
Kansai Nerolac Paints Ltd.Chennai	Investing Company-Creditor	-	-	-	-	-	-
Shalimar Homes Pvt. Ltd.	Common Director-Debtor	-	-	0.11	-	-	-



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KNP JAPAN PRIVATE LIMITED
(FORMERLY: KANSAI PAINTS NEPAL PRIVATE LIMITED)
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Notes contd...

Party Name	Relation-Nature of Txn.	Opening Dr.	Opening Cr.	Period Dr.	Period Cr.	Closing Dr.	Closing Cr.
Kansai Nerolac Paints Ltd. Mumbai	Investing Company-Creditor	-	3.91	1.81	1.46	-	3.56
Pradeep & Co. Birgunj (302116292)	Common Director-Advances	-	-	-	-	-	-
Pradeep & Company Pvt. Ltd.	Common Director - Creditor	-	0.24	0.24	-	-	-
Shalimar Plastic Industries Pvt.Ltd.	Common Director-Advances	-	-	-	-	-	-
Siddhi Vinayak ,Birgunj	Related to Director-Creditor	0.13	-	0.16	0.29	-	-
Siddhi Vinayak Pvt Ltd, Birgunj		-	0.11	1.28	1.38	-	0.21
Shalimar Travels Pvt. Ltd.	Common Director-Advances	-	-	-	-	-	-
Shalimar Cement Pvt. Ltd.	Common Director-Advances	-	-	-	-	-	-
Shalimar Hospitality & Foods Pvt. Ltd.	Common Director-Creditor	-	-	0.06	0.05	0.01	-
Shalimar Steels Pvt Ltd.	Common Director-	-	-	-	-	-	-
Total		0.19	4.67	4.66	3.79	0.16	3.77

Note 33) Current Liabilities:

The current liabilities include a sum equal to NPR 0.73 Crores (PY NPR 0.39 Crores) received as advance from customers in the ordinary course of business.

Note 34) 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 NPR 0.03 Crores which resulted from the timing differences between the Book Profit and Tax Profit, for the reporting Period ended March 31, 2017 in Income Statements, the details of which is as under:

(NPR. in Crores)

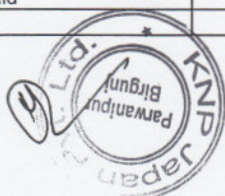
Particulars	Opening Balance	Arising during the period	Closing Balance
Deferred Tax Assets/(Liabilities)			
On account of timing difference in:			
a) Fixed Assets	(0.53)	-	(0.53)
b) Closing Stocks	0.02	-	0.02
c) Gratuity	-	-	-
d) Housing Reserves	0.06	0.03	0.09
Net Assets /(Liabilities)	(0.45)	0.03	(0.42)

Note 35) Working Capital Loan:

- The company had taken working capital loan from shareholder amounting to NRS 15 Crores in proportionate to their shareholding out of which a sum of NRS 10.20 Crores is from M/s Kansai Nerolac Paints Ltd., India for which approval from Department of Industry/Government of Nepal has been already obtained. The details of total working capital loan is hereunder:
- The company had paid the working capital loan taken from the shareholder except loan from the holding company. The details of total working capital loan is hereunder:

(NPR in Crores)

Particulars	Amount (NPR)	Paid (NPR)	Balance (NPR)
M/s Kansai Nerolac Paints Ltd.	10.20	-	10.20
Mr. Ashok Kumar Baid	1.80	1.80	-
Mr. Jiban Kumar Agrawal	1.80	1.80	-
Mr. Rajkumar Baid	0.60	0.60	-
Mr. Vijay Singh Baid	0.60	0.60	-
Total	15.00	4.80	10.20



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KNP JAPAN PRIVATE LIMITED
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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Notes contd...

Note 36) Interest on Working Capital Loan:

- i) The company had provided interest on working capital loan from shareholders of NPR 10.20 Crores at the rate of 8% per annum. Subsequently, the rate of interest has been revised from 8% to 5.5% effective from the date of receipt of loan. Accordingly, the company has provided interest amounting to NPR 0.56 Crores (PY NPR 1.2 Crores as interest for the period from April 01, 2016 to March 31, 2017.
- ii) The total outstanding amount of interest not paid to the shareholder stands at NPR 2.38 Crores (PY NPR 3.95 Crores) up to the reporting period.
- iii) The interest rate of the Working Capital Loan from shareholders has been revised @ 5.5% p.a. from 8% p.a. with effect from the date of receipt of loan on January 1, 2013. Hence the company has made the reversal of excess provision of interest from 01/01/2013 to 31/03/2016 amounting to NPR 0.83 Crores and booked it as prior period adjustment in the Income Statement, which is stated in payable to others in trade payable schedule. The details of reversal is given below:

(NPR in Crores)

Shareholder's Name	Loan Amount	No. of Days	Interest @ 8%	Interest @ 5.5%	Reversal booked as income
Kansai Nerolac Paints Ltd. (Wcl)	10.20	1186	2.65	1.82	0.83
Total	10.20		2.65	1.82	0.83

- iii) The company has provided the provision for interest expenses on promoters loan @ 5.5% for which no any TDS has been deducted at the time of provisioning of expenses. The company has paid the interest amount of other shareholders except Kansai Nerolac Paints Ltd. after deducting TDS @ 15%. The TDS has also been paid. The summary of total provision for interest & TDS liability till date from the date of loan is given below:

(NPR in Crores)

Shareholder's Name	Outstanding Loan Amount	Interest @ 5.5% (Up to September 30, 2016)	TDS @15%	Net Interest Paid	Provisioned from 30/09/2016 to 31/03/2017	Outstanding Interest	Outstanding TDS Not Provisioned
Kansai Nerolac Paints Ltd. (Wcl)	10.20	2.10	0.32	-	0.28	2.38	0.36
Total	10.20	2.10	0.32	-	0.28	2.38	0.36

Note 37) Royalty:

- i) The Company has paid Royalty amounting to NPR 0.75 Crores (PY NPR 0.54 Crores) for the year April 01, 2016 To March 31, 2017 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, which is stated in miscellaneous expenses.
- ii) The company has deposited the reverse charge of VAT on Royalty payable to the Holding Company M/s Kansai Nerolac Paints Ltd., India up to Dec 31, 2016. However, the reverse charges of VAT for the period from Jan 01, 2017 to March 31, 2017 (90 days) shall be paid on receipt of invoice.

Note 38) Earlier Period Adjustments:

Earlier period adjustments amounting to NPR 0.03 Crores includes changes in expenses for year ended July 15, 2013 which was not recorded on Financials of September 30, 2013. The effect of same has been adjusted in financials for the period 01.10.2013 to 31.12.2013 as earlier period adjustments.

Note 39) The Company has made provisions for Bad Debt amounting to NPR 2.63 Crores (PY NPR 1.03 Crores).

Note 40) Deputation Service Charges:

- i) The Company has provided the deputation service charges amounting to NPR 0.87 Crores (PY NPR 0.88 Crores) for the period from April 01, 2016 to March 31, 2017 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/payable to the Holding Company, Kansai Nerolac Paints Ltd., India as per the provisions of sec. 8(2) of Value Added Tax Act of Nepal. However, the reverse charges of VAT for the period from Jan 01, 2017 to March 31, 2017 (90 days) shall be paid on receipt of invoice.

Note 41) Regrouping of Figures:

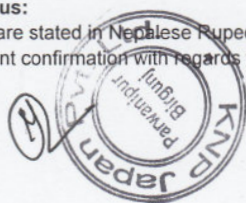
Previous Year's figures' have been regrouped/rearranged wherever necessary.

Note 42) Period of Financial Statements:

The financial statements are prepared for the period from April 01, 2016 to March 31, 2017 for the purpose of consolidation with the Financial Statements of Kansai Paints Limited, India.

Note 43) 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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