

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

**Opinion:**

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, 2019 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.

In our opinion, the Financial Statements, read together with Note 1 to 27 forming part of the accounts, give a true and fair view of the financial position of the Company as at March 31, 2019 and the financial performance, changes in equity and cash flows for the year then ended in accordance with applicable Nepal Accounting Standards and comply with provisions of the Companies Act, 2063.

**Basis of Opinion:**

We conducted our audit in accordance with the Nepal Standards on Auditing. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Group reporting pack section of our report. We are independent of the Entity in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Nepal together with the ethical requirements that are relevant to our audit of the Group reporting pack under the provisions of the Companies Act, 2063 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

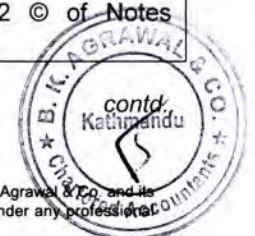
**Key Audit Matters:**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- i) Impairment of Property, Plant & Equipment
- ii) Revenue Recognition

The Key Audit Matter	How the matter was addressed in our audit
<p><b>Impairment of Property, Plant &amp; Equipment</b></p> <p>KNP Japan Pvt. Ltd. (KNP) has aggregate PPE of written down value of Rs.122.49 million which includes all the blocks of assets. The company has not carried out the physical verification of the fixed assets during the period under review. It has not been carried out in earlier also. The company has not recognized any impairment in earlier years. However due to technological &amp; time obsolesce the impairment may exists.</p>	<p>Our procedures in relation to Non impaired and Not physically verified PPE included:</p> <ul style="list-style-type: none"> <li>– Assessing the consistency of methodologies used for depreciating the assets</li> <li>– Checking, on a sample basis, the accuracy and relevance of the accounting of PPE by management</li> </ul> <p>Based on above the analysis of impairment and based on the management representation the impact of impairment has not been considered &amp; has been disclosed in Note 2.1.2 © of Notes forming Part of Financial statement.</p>





The Key Audit Matter	How the matter was addressed in our audit
<p><b>Revenue recognition:</b></p> <p>The company recognizes revenue upon transfer of ownership of goods to the customers, provided pervasive evidence of an arrangement exists whereby collectability of revenue is reasonably certain and no performance obligation is pending. Revenue from sales of goods or rendering of services is net of Indirect taxes, returns and discounts. The Component recognised revenue of NPR 1525.68 million from the paint &amp; colourant sales and during the year ended 31 March 2019.</p> <p>The large volume of transactions arising from a combination of different types of product type creates volume risk.</p> <p>Some terms of sales arrangements, including the timing of transfer of control, the nature of discount and rebates arrangements, delivery specifications generate complexity and judgment in determining sales revenues and revenue cut—off. The risk is, therefore, that revenue is not recognised in the correct period or that revenue and associated profit is misstated.</p> <p>There is no any bundled transactions under contracts with customers, through a number of different systems.</p>	<p>The procedures in addressing the risk around the accuracy of revenue recognized included:</p> <ul style="list-style-type: none"> <li>• Testing the IT environment in which billing, rating and other relevant support systems reside;</li> <li>• We tested controls in the revenue and trade account receivables cycles over the accuracy and timing of revenue accounted in the financial statements. Our work included consideration of the accounting for and presentation of the rebates and discount arrangements.</li> <li>• Testing the key controls over the accuracy in calculation and allocation of revenue to separable elements in bundled transactions under contracts with customers;</li> <li>• In addition to substantive analytical reviews performed to understand how the revenue has trended over the year, we performed a detailed testing on transactions around the year - end, ensuring revenues were recognised in the correct accounting period. We also tested journal entries recognised to revenue focusing on unusual or irregular transactions.</li> <li>• Testing a sample of transaction records in the systems to their respective customer contracts, underlying invoices and cash receipts.</li> </ul> <p>We validated the appropriateness and completeness of the related disclosures in Note 2.2.14 of Notes forming part of the financial statements.</p>

**Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Entity and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

**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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Nepal Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.





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 also conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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:

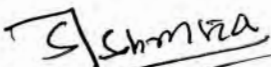
**Report on requirement of Companies Act, 2063 and other regulatory matters**

- 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;
- 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; and

**Limitation of Use**

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.

Kathmandu  
Date: April 22, 2019

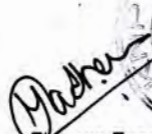
  
S.M. Shrestha, FCA  
Partner  
For: B.K. Agrawal & Co.  
Chartered Accountants



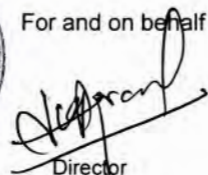
**KNP Japan Private Limited**  
**Statement of Financial Position**  
**As on March 31, 2019**

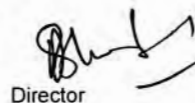
<u>Particulars</u>	<u>Notes</u>	<u>As At</u> <u>March 31, 2019</u> <u>(NRS)</u>	<u>As At</u> <u>March 31, 2018</u> <u>(NRS)</u>
<b>ASSETS</b>			
<b>Non-Current Assets:</b>			
Property, Plant and Equipment	4	122,490,618.45	133,576,575.44
Intangible Assets	5	-	2,773.39
Capital Work in Progress		484,484.45	-
<b>Non Financial Assets:</b>			
Prepayments, Advance & Deposits	6	329,650.00	329,650.00
<b>Total Non-Current Assets</b>		<b>123,304,752.90</b>	<b>133,908,998.83</b>
<b>Current Assets:</b>			
Inventories	7	267,745,371.22	236,017,097.58
<b>Financial Assets:</b>			
Trade Receivables	8	424,567,542.53	356,011,358.87
Cash & Cash Equivalents	9	90,479,100.04	43,819,438.59
Prepayments, Advance & Deposits	10	838,101.00	80,006.50
<b>Non Financial Assets:</b>			
Current Tax Assets	20	917,555.63	-
Prepayments, Advances & Deposits	11	13,966,511.66	7,601,815.81
<b>Total Current Assets</b>		<b>798,514,182.08</b>	<b>643,529,717.35</b>
<b>Total Assets</b>		<b>921,818,934.98</b>	<b>777,438,716.18</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Equity Share Capital	12	130,000,000.00	130,000,000.00
Other Equity	13	458,876,822.78	322,171,287.05
		<b>588,876,822.78</b>	<b>452,171,287.05</b>
<b>Liabilities:</b>			
<b>Non-Current Liabilities:</b>			
<b>Financial Liabilities:</b>			
Other Financial Liabilities	14	12,767,077.45	7,477,427.25
Provisions	15	21,317,775.00	23,123,994.00
<b>Non- Financial Liabilities</b>			
Deferred tax liabilities (Net)	16	3,951,041.00	4,688,651.00
<b>Total Non-current liabilities</b>		<b>38,035,893.45</b>	<b>35,290,072.25</b>
<b>Current Liabilities:</b>			
<b>Financial Liabilities:</b>			
Trade payables	17	120,001,504.39	107,286,228.23
Other current liabilities	18	47,244,749.78	73,254,479.66
Provisions	19	127,659,964.58	97,770,031.91
Current Tax Liabilities	20	-	11,666,617.08
<b>Total Current liabilities</b>		<b>294,906,218.75</b>	<b>289,977,356.88</b>
<b>Total Equity and Liabilities</b>		<b>921,818,934.98</b>	<b>777,438,716.18</b>

Significant Accounting Policies and Notes to Accounts 2 & 3

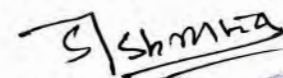
  
Finance Executive

For and on behalf of the board

  
Director

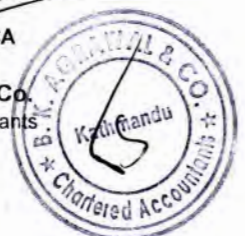
  
Director

As per our attached report of even date



S.M. Shrestha, FCA  
Partner  
B.K. Agrawal & Co.  
Chartered Accountants

Kathmandu  
Date: April 22, 2019





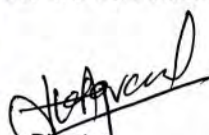
**KNP Japan Private Limited**  
**Statement of Profit or Loss**  
**For the year ended March 31, 2019**

<u>Particulars</u>	<u>Notes</u>	<u>Year ended March 31, 2019 (NRS)</u>	<u>Year ended March 31, 2018 (NRS)</u>
<b>Income:</b>			
Revenue From Operations	21	1,525,684,314.70	1,179,512,579.36
Other Income	22	4,366,141.49	4,188,707.17
<b>Total Income</b>		<b>1,530,050,456.19</b>	<b>1,183,701,286.53</b>
<b>Expenses:</b>			
Cost of Sales	23	791,648,387.96	636,875,983.54
Administrative Expenses	24	177,490,320.99	133,867,283.16
Selling & Distribution Expenses	25	329,377,047.02	255,479,378.91
<b>Total expenses</b>		<b>1,298,515,755.97</b>	<b>1,026,222,645.61</b>
<b>Profit before Interest, depreciation, exceptional items &amp; tax</b>		<b>231,534,700.22</b>	<b>157,478,640.92</b>
Finance Cost	26	57,118.51	1,988,859.07
Depreciation & Amortization Expenses	27	11,141,326.98	8,941,839.48
<b>Profit before Tax</b>		<b>220,336,254.73</b>	<b>146,547,942.37</b>
<b>Tax expense:</b>	17		
Current Tax		40,430,178.00	40,613,349.50
Deferred Tax		(987,506.00)	153,953.00
<b>Profit for the year</b>		<b>180,893,582.73</b>	<b>105,780,639.87</b>

Significant Accounting Policies and Notes to Accounts 2 & 3

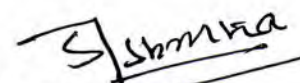
  
 Finance Executive

For and on behalf of the board

  
 Director

  
 Director

As per our attached report of even date



**S.M. Shrestha, FCA**

Partner

**B.K. Agrawal & Co.**


Chartered Accountants

Kathmandu  
 Date: April 22, 2019

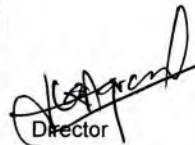


**KNP Japan Private Limited**  
**Statement of Total Comprehensive Income**  
**For the year ended March 31, 2019**

<u>Particulars</u>	<u>Year ended March 31, 2019 (NRS)</u>	<u>Year ended March 31, 2018 (NRS)</u>
Profit for the year	180,893,582.73	105,780,639.87
<b>Other Comprehensive Income</b>		
Items that will not be reclassified to profit or loss		
- Actuarial Gain/(Loss) Remeasurements of the defined benefit plans	1,561,849.00	1,993,523.00
Less: Income Tax on Above	(249,896.00)	(318,964.00)
Items that will be reclassified to profit or loss		
Other Comprehensive Income	<b>1,311,953.00</b>	<b>1,674,559.00</b>
<b>Total Comprehensive Income for the period</b>	<b><u>182,205,535.73</u></b>	<b><u>107,455,198.87</u></b>
Earnings per equity share :	32.18	
(1) Basic		
(2) Diluted		

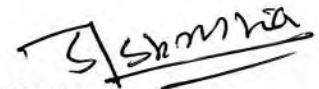
  
 Finance Executive

For and on behalf of the board

  
 Director

  
 Director

As per our attached report  
 of even date



S.M. Shrestha, FCA

Partner

B.K. Agrawal & Co.

Chartered Accountants

Kathmandu


Date: April 22, 2019



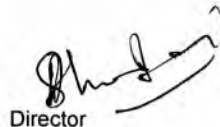
**KNP Japan Private Limited**  
**Statement of Cash Flows**  
**For the Year ended March 31, 2019**

<u>Particulars</u>	<u>Year ended</u> <u>March 31, 2019</u> <u>(NRS)</u>	<u>Year ended</u> <u>March 31, 2018</u> <u>(NRS)</u>
<b>(A) Cash Flow from Operating Activities:</b>		
Profit/(Loss) before changes in working capital & Non-recurring Income & Expenditure.	220,336,254.73	146,547,942.37
<b>Add:</b>		
Depreciation	11,141,326.98	8,941,839.48
Interest Expenses	57,118.51	1,988,859.07
Non Operating Expenses	1,556,808.00	2,304,358.00
Other Comprehensive Income( Expenditure) net of taxes	1,561,849.00	1,993,523.00
Earlier year Adjustments	-	727,075.00
Non Operating Income	<u>(271,466.20)</u>	<u>(65,428.48)</u>
<b>Cash from Operating activities before changes in Working Capital</b>	<b>234,381,891.02</b>	<b>162,438,168.44</b>
<b><u>Changes in working Capital</u></b>		
Decrease/(Increase) in Current Assets	(107,407,247.65)	(46,881,523.42)
Increase/(Decrease) in Non Current Liabilities	3,483,431.20	
Increase/(Decrease) in Current Liabilities	52,988,289.23	23,349,883.22
Utilization of CSR Fund	<u>(247,226.56)</u>	<u>-</u>
<b>Cash from Operating activities before tax paid</b>	<b>183,199,137.24</b>	<b>138,906,528.24</b>
Income Tax Paid	<u>(53,014,350.71)</u>	<u>(49,142,383.42)</u>
<b>Net cash flow from Operating Activities</b>	<b>130,184,786.53</b>	<b>89,764,144.82</b>
<b>(B) Cash Flow from Investing Activities:</b>		
Purchase of Property, Plant and Equipment	(26,726,053.48)	(26,275,082.05)
Increase in CWIP	(484,484.45)	-
Fixed Assets Sales	<u>26,944,923.08</u>	<u>20,712,756.71</u>
<b>Net Cash Flow from Investing Activities</b>	<b>(265,614.85)</b>	<b>(5,562,325.34)</b>
<b>(C) Cash Flow from Financing Activities:</b>		
Interest Paid	(709,510.23)	(25,175,124.87)
Dividend Paid	(82,550,000.00)	-
Increase/(Decrease) in Medium & Long Term Loan	<u>-</u>	<u>(102,000,000.00)</u>
<b>Net Cash Flow from Financing Activities</b>	<b>(83,259,510.23)</b>	<b>(127,175,124.87)</b>
<b>Net Cash Flow (A+B+C)</b>	<b>46,659,661.45</b>	<b>(42,973,305.39)</b>
Opening Cash and Cash Equivalents	43,819,438.59	86,792,743.98
<b>Closing Cash and Cash Equivalents</b>	<b>90,479,100.04</b>	<b>43,819,438.59</b>

For and on behalf of the board

  
Finance Executive

  
Director

  
Director

As per our attached report of even date

  
S.M. Shrestha, FCA  
Partner  
B.K. Agrawal & Co.  
Chartered Accountants

Kathmandu  
Date: April 22, 2019





**KNP Japan Private Limited**  
**Statement of Changes in Equity**  
**For the year ended March 31, 2019**

<u>Particulars</u>	<u>Share Capital (NRS)</u>	<u>Retained Earnings (NRS)</u>	<u>Total (NRS)</u>
Opening Balance	130,000,000.00	214,716,088.18	344,716,088.18
Total Comprehensive Income of the year	-	107,455,198.87	107,455,198.87
<b>Restated Opening Balance</b>	<b>130,000,000.00</b>	<b>322,171,287.05</b>	<b>452,171,287.05</b>
Total Comprehensive Income of the year	-	182,205,535.73	182,205,535.73
Transferred to General Reserves	-	-	-
Dividend to shareholders	-	(45,500,000.00)	(45,500,000.00)
Shares Issued	-	-	-
<b>Closing Balance</b>	<b>130,000,000.00</b>	<b>458,876,822.78</b>	<b>588,876,822.78</b>






**KNP Japan Private Limited**  
**Notes forming part of the Accounts for the year ended March 31, 2019**

**1) 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 Company is domiciled and incorporated in Nepal and has its registered Office and principal place of business is at Aadarsha nagar, 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 and is subsidiary of Kansai Nerolac Paints Limited.

**2) Significant Accounting Policies:**

**2.1 Basis of Preparation:**

**2.1.1 Statement of Compliance**

The Financial Statements have been prepared on a going concern basis and in accordance with Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN). The company had adopted NFRS First time for the financial Year ended July 16, 2018. Current Accounting period being of between April 2018 to March 2019, Comparative Figures of previous year have not been restated as per NFRS recognition principles.

**Basis of Measurement:**

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

- Impairment of assets recognized based on the recoverable value of the assets.

**2.1.2 Critical Accounting Estimates:**

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

**a) Income Taxes**

**Current Income Tax**

Current Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity. Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

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

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognized amounts, and it is intended to realize the asset and settle the liability on a net basis or simultaneously.

**Deferred Tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognized in respect of carried forward tax losses and tax credits.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available.

Therefore, in case of a history of recent losses, the Company recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

**b) Functional and Presentation Currency**

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





**KNP Japan Private Limited**  
Notes forming part of the Accounts for the year ended March 31, 2019

Notes contd...

c) **Property, Plant & Equipment:**

Land is recorded in the books at the original cost of acquisition with land development expenses.

Items of property, plant and equipment are stated at cost of acquisition or construction or at revalued amounts, net of impairment loss, if any, less depreciation/amortization. Cost includes the purchase price and other directly attributable costs as well as financing costs of borrowed funds attributable to acquisition or construction of fixed assets, up to the date the assets are put to use. Assessment of indication of impairment of an asset is made at the year end and impairment loss, if any, recognized.

Subsequent expenditure relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property,

Plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

**Revaluation:**

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.  
No any fixed assets have been revalued during the year.

**Depreciation And Amortization:**

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

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

Estimated Useful life and depreciation rates of assets have been taken as under:

Particulars	Useful Life	Rate
Buildings	30 years	3.33%
Furnitures	15 years	6.67%
Computers	6 years	16.67%
Electrification	20 years	5.00%
Networking	15 years	6.67%
Vehicles	10 years	10.00%
Plants & Machinery	20 years	5.00%

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.

Computer software are amortized over a period of 5 years.

**Capital work-in-progress**

Capital work-in-progress represents directly attributable costs of construction or Installation/ Fabrication of Plant and Machinery to be capitalized. All other expenses including interest incurred during construction period to be capitalized as part of construction cost to the extent to which these expenditures are especially attributable to the construction.

Capital work-in-progress includes assets under construction/installations for:

- Contractors / Suppliers Advance for capital expenditure.
- Inventory of Capital stores.

**Impairment of Assets:**

The carrying amounts of the company's assets, other than biological assets, investment property, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets that are not yet available for use, the recoverable amount are estimated at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Recoverable amount is the greater of the asset's net selling price and value in use.

The company has not carried out the physical verification of the fixed assets during the period under review and has not recognized any impairment in earlier years. However due to technological & time obsolesce the impairment may exists.

*(Handwritten signatures)*





**KNP Japan Private Limited**  
Notes forming part of the Accounts for the year ended March 31, 2019

Notes contd...

**d) Inventories (As taken, valued and certified by the management):**

Inventories are initially recognized at cost net of impairment (if any), and subsequently at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the variable selling expenses.

The cost is determined on first-in first-out (FIFO) method or weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

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   |

**e) Current versus non-current classification:**

The company presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is treated as current when it is:

- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**Financial Instruments:**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, transaction costs that are attributable to the acquisition of the financial asset except in the case of financial assets recorded at fair value through profit or loss.

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- Fair Value through Other Comprehensive Income (FVTOCI) – Debt Investment;
- Fair Value through Other Comprehensive Income (FVTOCI)– Equity Investment; or
- Fair Value through Profit or Loss (FVTPL)

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and deferred payment credit.

**Subsequent measurement**

**i) Financial assets carried at amortised cost**

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

**ii) Financial assets at fair value through other comprehensive income (FVTOCI)**

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

Further, in cases where the Company has made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognised in other comprehensive income.

**iii) Financial assets at fair value through profit or loss (FVTPL)**

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

**iv) Equity investments**

All equity investments in scope of NFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which NFRS 9 applies are classified as at FVTPL. Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the P&L.







**KNP Japan Private Limited**  
**Notes forming part of the Accounts for the year ended March 31, 2019**

*Notes contd...*

v) **Financial liabilities**

Financial liabilities are subsequently carried at amortised cost using the effective interest method, except for contingent consideration recognised in a business combination which is subsequently measured at fair value through profit and loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate the fair value due to the short maturity of these instruments.

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the Effective Interest Rate (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

**Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**De-recognition of financial instrument**

A financial asset is primarily derecognised when:

- the rights to receive the cash flows from the asset have expired or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive the cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

f) **Fair value measurement:**

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between marked participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

g) **Earnings per share:**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split.







**KNP Japan Private Limited**  
Notes forming part of the Accounts for the year ended March 31, 2019

Notes contd...

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all potentially dilutive securities. The Company uses profit or loss from continuing operations attributable to the parent entity as the control number to establish whether potential ordinary shares are dilutive or antidilutive.

**h) Provisions, Contingent Liabilities & Contingent Assets:**

A provision is recognized when the enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognized in the financial statements. However, when the inflow of benefits is virtually certain, the asset ceases to be contingent and hence, is recognized in the statement of financial position.

**2.2 Accounting Policies:**

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

**2.2.1 Going Concern:**

The Financial Statements are prepared on a going concern basis.

**2.2.2 Foreign currency transactions:**

*Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction.

*Conversion*

Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

*Exchange differences*

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

*Income in Foreign Exchange*

The bills for services rendered are raised in Nepalese Rupees. The payment received in foreign currency against these bills is credited and accounted for at the rate/rates prevalent on the date of receipt of payment. The gains/losses arising out of fluctuation in the exchange rates are accounted for on realization from bank.

**2.2.3 Capital Work-in-progress:**

Capital work-in-progress represents directly attributable costs of construction or Installation/ Fabrication of Plant and Machinery to be capitalized. All other expenses including interest incurred during construction period to be capitalized as part of construction cost to the extent to which these expenditures are especially attributable to the construction.

**2.2.4 Auditors Remuneration:**

Particulars	Current Year (NRS)	Previous Year (NRS)
Statutory Audit Fee	425,000.00	425,000.00
Consultancy fees	400,000.00	400,000.00
<b>Total</b>	<b>825,000.00</b>	<b>825,000.00</b>

**2.2.5 Leases :**

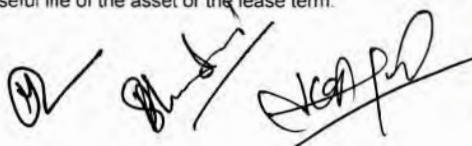
**Operating lease**

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 statement of profit and loss on a straight-line basis over the lease term. Company has operating lease for tenure of 1 to 10 Years under cancellable terms with prior intimation of 1 months. Generally on expiry of agreement it is renewed with mutual consent. There are no any non-cancellable leases

**Finance lease**

Finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized as they are directly attributable to the asset.

A leased asset is depreciated on a straight-line basis over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.







**KNP Japan Private Limited**  
**Notes forming part of the Accounts for the year ended March 31, 2019**

*Notes contd...*

**Leased Assets:**

When all the risks and rewards incidental to ownership of a leased asset are transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between principal and interest. The interest element is charged to the statement of comprehensive income over the period of the lease so that it represents a constant proportion of the lease liability. The principal element reduces the balance owed to the lesser. When all the risks and rewards incidental to ownership are not transferred to the company (an "operating lease"), the total rentals payable under the lease are charged to the statement of Profit or loss over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term.

**2.2.6 Corporate Social responsibility (CSR):**

As per Industrial Enterprise Act 2073, 1% of Annual Net Profit is to be provided for Corporate Social Responsibility. As the Company has not earned any profit, no provision for CSR has been made during the year with effect from FY 2073/74. Accordingly, NRs 15.56 Lakh being, 1% net profit after tax has been provided. Last year company had provided 1% CSR on before tax amount Rs.23.04 Lakh.

**2.2.7 Intangible Assets:**

**Computer Software**

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

**2.2.8 Trade and other receivables:**

Trade and other receivables are stated at their cost less provision for non-recoverability. The amount of the provision is recognized in the income statement.

**2.2.9 Cash and cash equivalents:**

Cash and cash equivalents comprises cash balances, call deposits and other short term highly liquid investments. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included within borrowings in current liabilities on the balance sheet.

**2.2.10 Share Capital:**

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

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary at the option of the directors. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon is recognized in the income statement as interest expense.

**2.2.11 Borrowing costs:**

Financing/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.

**2.2.12 Retirement Benefits:**

*Provision for Employee Benefits*

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds due to absence of quality corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables for the country.

Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on exposed future inflation rates for the country.

**Retirement Benefits:**

The Company has schemes of retirement benefits for staffs in the form of provident fund, gratuity and leave encashment. Employee Provident fund is maintained on an equal contributory basis and company has made contribution at the rates prescribed by Provident Fund Act of Nepal. Both employer and employee contribution is maintained in a separate fund account in Bank as per local act of Nepal.

Staff bonus has been made in accordance with the provision of the Bonus Act 2030.

The company has obtained Actuarial Valuation report for Gratuity Liability of continuing staffs. Accumulated differential Gratuity liability and Leave Encashment Liability compared to Actuarial Valuation of those Fund assets and liability have been recognized in current period / Previous year's Comprehensive Income Statement.





**KNP Japan Private Limited**  
Notes forming part of the Accounts for the year ended March 31, 2019

Notes contd...

Since statutory provision for Gratuity obligation has changed from defined benefit to defined contribution nature according to recently amended Labour Act of Nepal applicable from Bhadra 19, 2074 (September 04, 2017), Actuarial Valuation liability has been determined till Bhadra 18, 2074 (September 03, 2017) only and Company will be exonerated from any liability on account of Gratuity on the transfer of liability to a designated Fund.

Major assumptions in Actuarial estimation of Long Term Defined Benefit Obligation in the nature of Gratuity and Earned leave encashment:

Description	31.3.2019	31.3.2018
Mortality Rate	100%	100%
Discounting rate	7.70%	7.70%
Salary escalation rate	7.75%	7.75%
Attrition rate	2% to 10%	2% to 10%

**2.2.13 Trade and other payables:**

Trade and other payables are stated at their cost.

**2.2.14 Revenue Recognition:**

**Sale of goods**

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 fair value of the consideration received or receivable net of Value added tax and Excise Duty. Revenue comprises sale of paints, dispensing and mixing Machines (Colourant Machine) and allied services relating to paints business.

Revenue is recognized upon transfer of ownership of goods to the customers, provided pervasive evidence of an arrangement exists whereby collectability of revenue is reasonably certain and no performance obligation is pending. Revenue from sales of goods or rendering of services is net of Indirect taxes, returns and discounts.

**Interest Income**

Interest Income is recognized on the time proportion basis

**2.2.15 Net financing costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange gains and losses.

Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognized in the income statement when the right to receive payment is established.

**2.2.16 Segment reporting:**

A segment is a distinguishable component of the company that is engaged either in providing products or services/business segment, or in providing products or services within a particular economic environment/geographical segment, which is subject to risks and rewards that are different from those of other segments.

The Company is primarily engaged in a single segment (business and geographical) i.e. manufacturing and sales of different type of paints and chemicals including machines used for colour mixing called (Colour Banks) in trade. The Company is managed as one entity and is governed by similar sets of risks and returns. All assets are located at Nepal. Accordingly, disclosures required as per Accounting Standard on Segment Reporting are not made.

**2.2.17 Discontinued operations:**

A discontinued operation is a clearly distinguishable component of the company's business that is discontinued or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

**2.2.18 Related Party Transactions:**

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

**2.2.19 Provision for doubtful debt**

The summary of provision for doubtful debt and its movement is given below:

Particulars	Opening	Provision	Reversal/ Bad debts recognised	Closing
Sundry Debtors	59,757,000.00	55,000,000.00	-	114,757,000.00
<b>Total</b>	<b>59,757,000.00</b>	<b>55,000,000.00</b>	<b>-</b>	<b>114,757,000.00</b>

**2.2.20 Financial risk management**

The Company's financial assets majorly comprise of trade receivables, security deposits and cash & cash equivalents. The Company's financial liabilities majorly comprise of deferred payment credit, trade payables, and other commitments.

The Company is exposed to credit risk and liquidity risk arising out of operations and the use of financial instruments. The Board of Directors have overall responsibility for establishment and review of the Company's risk management framework.





**KNP Japan Private Limited**  
**Notes forming part of the Accounts for the year ended March 31, 2019**

*Notes contd...*

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions affecting business operations and the Company's activities.

**i) Credit Risk**

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract leading to financial loss. The Company's exposure to credit risk arises from its operating and financing activities. The credit risk arises primarily from trade receivables, and the maximum exposure to credit risk is equal to the carrying value of financial assets.

The receivables comprise of receivable from Travel agents, Institutional Customers, Diplomatic Missions, Airlines, Government Ministries and insurance companies. The company uses the parameters from its past business experience and collection trends and provision is made for doubtful debts based on such parameters.

The Company's maximum exposure to counterparty credit risk at the reporting date is the carrying value of financial assets.

**ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company has a treasury team which monitors on a daily basis the fund positions/requirements of the Company. The treasury management team plans the cash flows of the Company by planning and identifying future mismatches in funds availability and reports the planned and current liquidity position to the top management and board of directors of the Company.

**2.2.21 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.

**2.2.22 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.



**KNP Japan Private Limited**  
Notes forming part of the Accounts for the year ended March 31, 2019

**Note 3: Notes to Accounts**

**3.1 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 assessment has been completed up to F/Y 2073/74 (up to Asadh 31, 2074 equivalent to July 15, 2017). The company has not accepted the said assessment of the tax liabilities regarding Income Taxes assessed @ 20%. The company has appealed against it and the case is pending at Supreme court, the verdict of which is still awaiting. The detail of demand is given below:

FY	Tax
2073/74	13,776,107.62
<b>Total</b>	<b>13,776,107.62</b>
Letter Reference No.	Ch. No.1826
Letter Reference Date	6/11/2075

The IRD has also assessed the VAT & TDS amount of FY 2073/74. The company has accepted the said assessment & the company has paid these tax liabilities. The detail of TDS & VAT paid is given below:

FY	VAT Fine	TDS Fine	Total
2073/74	3,017,553.00	327,156.94	3,344,709.94
<b>Total</b>	<b>3,017,553.00</b>	<b>327,156.94</b>	<b>3,344,709.94</b>
Letter Reference No.	Ch. No.1827	Ch. No.1825	
Letter Reference Date	6/11/2075	6/11/2075	

**3.2 Revaluation of PPE:**

Fixed Assets are not revalued during the year.

**3.3 Advances to Suppliers and Others:**

The Company has given advances to suppliers amounting to NRs.37.13 Lakh (PY NRs.24.05 Lakh) and others in ordinary course of business, which is considered good and recoverable.

**3.4 Staff Bonus:**

Provision for Staff Bonus has been made at 10% of net profit amounting to Rs. 22487833.00 (PY Rs. 6902244.00) during the year.

**3.5 Housing Reserves:**

- i) Provision for housing reserve has not been provided as there is no any provision regarding this in New Labour Act, 2074.  
ii) The company has accumulated housing reserve provision amounting to Rs.21299952.

**3.6 Earnings per share:**

Earning per share has been calculated as below:

Particulars	Current Year	Previous Year
Profit after tax for the year (Rs.)	182,205,535.73	107,455,198.87
Weighted average no. of equity shares (Units)	130,000.00	130,000.00
Diluted number of equity shares (Units)	130,000.00	130,000.00
Nominal value of shares (Rs.)	100.00	100.00
Basic Earning per share (Rs.)	1,401.58	826.58
Diluted Earning per share (Rs.)	1,401.58	826.58

**3.7 Current Liabilities:**

The current liabilities include a sum equal to Rs. 4174401.5 (PY Rs. 4831335.72) received as advance from customers in the ordinary course of business.

**3.8 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.737610.00 which resulted from the timing differences between the Book Profit and Tax Profit, for the Year ended March 31, 2019 in Statements of profit or loss, the details of which is as under:

Particulars	Balance As at March 31, 2018	Arising during the year	Balance As at March 31, 2019
<b>Deferred Tax Assets/(Liabilities):</b>			
On account of timing difference in:			
a) Fixed Assets	(4,367,299.00)	660,318.00	(3,706,981.00)
b) Closing Stocks	(171,245.00)	(157,931.00)	(329,176.00)
c) Gratuity	(150,107.00)	235,223.00	85,116.00
d) Housing Reserves	-	-	-
<b>Net Assets /(Liabilities)</b>	<b>(4,688,651.00)</b>	<b>737,610.00</b>	<b>(3,951,041.00)</b>

*[Handwritten signatures]*

*[Handwritten signature]*

*[Circular stamp: Nepal Chartered Accountants]*

*[Circular stamp: B.K. A. & CO. Chartered Accountants]*

# KNP Japan Private Limited

Notes forming part of the Accounts for the year ended March 31, 2019

Notes contd...

### 3.9 Royalty:

The Company has paid Royalty amounting to NRs. 12.52 Millions (PY NRs. 9.74 millions) for the year ending March 31, 2019 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.

### 3.10 Payment of Dividend:

The company has paid the dividend of NPR 82.55 million to the shareholders after approval in the Annual General Meeting.

### 3.11 Provision for Bad Debts:

The Company has made provisions for Bad Debt during the year for Rs.45 million (PY NRs.33.50 Millions). The total Provision as on reporting date amounts to NRs.114.76 millions (PY NRs.59.757 millions).

### 3.12 Deputation Service Charges:

i) The Company has provided the deputation service charges amounting to NRs.12.80 Millions (PY NRs.9.59 Millions) for the period from April 01, 2018 to March 31, 2019 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 and included in salary & allowances in Note 26.

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.

### 3.13 Interest Income:

The company has received interest from FD amounting to NRs.4.055 Lakh which has been recognized as other Income.

### 3.14 Related Party Transactions:

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

Party Name	Relation - Nature of Transaction	Opening Dr	Opening Cr	Period Dr.	Period Cr.	Closing Dr	Closing Cr
Nepal Shalimar Cement Pvt. Ltd.	Common Director - Advances	45,923.01		235,707.86	125,988.45	155,642.42	
Shalimar Steels Pvt. Ltd.	Common Director - Advances	9,620.82		35,919.87	45,540.69	-	
Shalimar Homes Pvt. Ltd.	Common Director -	1,634,861.03		604,993.79	2,239,854.82	-	
Goyal Hardware, Biratnagar	Common Director -	261,043.72		2,523,846.16	2,350,334.00	434,555.88	
Siddhi Vinayak Pvt. Ltd., Birgunj.	Related to Director -	-		277,943.51	203,812.48	74,131.03	
Shalimar Investment Co. Pvt. Ltd.	Common Director - Creditor		148,500.00	2,212,650.00	1,900,800.00	163,350.00	-
Kansai Nerolac Paints Ltd. Kanpur, Jainpur	Investing Company - Creditor		66,158.80	-	-		66,158.80
Kansai Nerolac Paints Ltd. Patna	Investing Company - Creditor		1,767.75	1,767.75	-		-
Kansai Nerolac Paints Ltd. Mumbai	Investing Company - Creditor		14,461,372.80	11,732,393.04	17,376,960.92		20,105,940.68
Shalimar Plastic Industries Pvt. Ltd.	Related to Director - Creditor		11,800.00	11,800.00	-		-
Siddhi Vinayak Pvt. Ltd., Birgunj.	Related to Director - Creditor		2,493,768.75	22,464,165.78	23,858,996.87		3,888,599.84
Shalimar Hospitality & Foods Pvt. Ltd.	Related to Director - Creditor		-	383,930.94	383,930.94		-
<b>Total</b>		<b>1,951,448.58</b>	<b>17,183,368.10</b>	<b>40,485,118.70</b>	<b>48,486,219.17</b>	<b>827,679.33</b>	<b>24,060,699.32</b>





## KNP Japan Private Limited

Notes forming part of the Accounts for the year ended March 31, 2019

Notes contd...

### 3.15 Provision for Selling & Distribution Expenses:

The company has made provisions for sales promotion expenses & other sales related expenses like trip schemes, dealer season schemes etc. based on the estimated calculations related to the sales for the year ending March 31, 2019. The summary of provisions made during the year are given below:

Particulars	Opening Balance	Closing Balance	Provision not settled since Opening	Provision created for March
Provision For Advertisement	4,000,000.00	13,767,945.43		13,767,945.43
Provision For Sales Commission	34,867,448.18	30,926,759.34	467,644.04	30,459,115.30
Provision For Trip Scheme	7,841,203.74	15,136,029.58	124,144.82	15,011,884.76
Provision For Painter Scheme	13,947,429.39	23,114,813.92	625,617.97	22,489,195.95
Provision For Dealers Season	609,029.48	573,029.48	573,029.48	-
Provision For Sales Promotion	13,354,410.47	9,888,713.17	7,000,000.00	2,888,713.17
<b>Total</b>	<b>74,619,521.26</b>	<b>93,407,290.92</b>	<b>8,790,436.31</b>	<b>84,616,854.61</b>

### 3.15 Allocation to CSR Fund:

As per requirement of The Industrial Enterprises Act, 2073, 1% of the net profit has been provided as CRS expenses which amounts to NRs.15.57 Lakh (PY NRs.23.04 Lakh).

### 3.16 Contingent Liabilities:

- Income Tax : NPR 13.78 million.
- Unexpired Letter of Credit : Nil
- Custom Duty: The company has deposited Rs.8.14 Lakh to Department of custom Vide PP NO. M12183 dated 06/03/2019 against the valuation issue

### 3.17 Regrouping of Figures:

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

### 3.18 Miscellaneous:

- All amounts are stated in Nepalese Rupees.
- All the account confirmation with regards to sales, purchase, receivables and payables are not available.



**KNP Japan Private Limited**  
Notes forming part of the Accounts for the year ended March 31, 2019

Note 4 - Property, Plant and Equipment

Particulars	Land (NRS)	Building (NRS)	Computer (NRS)	Networking (NRS)	Furniture (NRS)	Vehicles (NRS)	Air Conditioner (NRS)	Electrification (NRS)	Generator (NRS)	Lab. Equipment (NRS)	Machinery (NRS)	Others (NRS)	Colourant Machine (NRS)	Total (NRS)
Cost of asset														
At April 1, 2017	3,693,016.67	94,681,363.25	3,038,569.33	173,766.50	3,409,025.00	20,909,707.85	1,092,420.01	9,469,062.15	4,071,161.80	679,437.04	47,242,904.17	6,478,592.98	7,785,016.20	202,724,042.95
Additions		414,686.55			819,651.00	151,327.44					306,284.50	506,403.56	24,076,729.00	26,275,082.05
Impairment						(150,000.00)							(20,575,566.59)	
Disposals														
At March 31, 2018	3,693,016.67	95,096,049.80	3,038,569.33	173,766.50	4,228,676.00	20,911,035.29	1,092,420.01	9,469,062.15	4,071,161.80	679,437.04	47,549,188.67	6,984,996.54	11,286,178.61	208,273,558.41
Additions			372,999.96	50,000.00	642,832.88	1,264,955.77	119,796.46	89,068.00		19,000.00	39,010.60	614,015.12	23,514,374.69	26,726,053.48
Impairment						(700,000.00)								
Disposals														
At March 31, 2019	3,693,016.67	95,096,049.80	3,411,569.29	223,766.50	4,871,508.88	21,475,991.06	1,212,216.47	9,558,130.15	4,071,161.80	698,437.04	47,588,199.27	7,599,011.66	8,428,937.53	207,927,996.12
Depreciation and impairment														
At April 1, 2017		20,956,411.00	2,893,702.00	46,346.00	922,759.00	17,130,660.00	232,653.00	2,649,651.00	710,128.00	92,753.00	18,537,280.00	1,763,699.00		65,936,042.00
Depreciation charge for the year		3,165,812.00	144,867.33	10,999.00	228,515.00	1,992,291.00	51,902.00	449,780.00	193,380.00	32,273.00	2,248,880.00	320,480.00		8,839,179.33
Disposals						(78,238.36)								
At March 31, 2018		24,122,223.00	3,038,569.33	57,345.00	1,151,274.00	19,044,712.64	284,555.00	3,099,431.00	903,508.00	125,026.00	20,786,160.00	2,084,179.00		74,696,992.97
Depreciation charge for the period		3,166,698.00	23,166.00	11,882.00	288,512.00	1,898,439.02	55,719.00	473,895.00	203,558.00	34,287.00	2,378,623.00	357,810.00		8,892,589.02
Net retrospective restatement		(56,025.00)	72,198.00	2,070.00	41,594.00	827,427.00	10,311.00	122,657.00	30,153.00	3,676.00	892,043.00	81,535.00		2,027,639.00
Impairment														
Disposals		(24,873.00)	9,941.30	980.00	19,479.00	(398,158.89)								(398,158.89)
Adjustments						(73,025.73)	4,517.00	39,174.00	16,842.00	2,805.00	195,325.00	27,161.00		218,325.57
At March 31, 2019		27,208,023.00	3,143,874.63	72,277.00	1,500,859.00	21,299,394.04	355,102.00	3,735,157.00	1,154,061.00	165,794.00	24,252,151.00	2,550,885.00		85,437,377.67

Net book value	As at March 31, 2019 (NRS)	As at March 31, 2018 (NRS)
Property, plant and equipment	122,490,618	136,788,001
Capital work in progress		

Net book value

At March 31, 2019

At March 31, 2018

At April 1, 2017

As at March 31, 2019 (NRS)

As at March 31, 2018 (NRS)

122,490,618

136,788,001













# KNP Japan Private Limited

Notes forming part of the Accounts for the year ended March 31, 2019

## Note 5 -Intangibles

<u>Block of Assets</u> <u>Particulars</u>	<u>E</u> <u>Software</u> <u>(NRS)</u>
Cost of asset	
At April 1, 2017	1,499,360.40
Additions	-
Impairment	-
Disposals	-
<b>At March 31, 2018</b>	<b>1,499,360.40</b>
Additions	-
Impairment	-
Disposals	-
<b>At March 31, 2019</b>	<b>1,499,360.40</b>
Depreciation and impairment	
At April 1, 2017	1,393,926.86
Depreciation charge for the year	102,660.15
Disposals	-
<b>At March 31, 2018</b>	<b>1,496,587.01</b>
Depreciation charge for the period	2,773.39
Impairment	-
Disposals	-
<b>At March 31, 2018</b>	<b>1,499,360.40</b>
Net book value	
At March 31, 2019	-
At March 31, 2018	2,773.39
At April 1, 2017	105,433.54

*[Handwritten signature]*

*[Handwritten signature]*



**KNP Japan Private Limited**  
**Notes forming part of the Accounts for the year ended March 31, 2019**

**Note - 6: Loans, Advances, Deposits & Other Receivables**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Long Term <i>UnSecured (considered good)</i> Security Deposits	329,650.00	329,650.00
	<b>329,650.00</b>	<b>329,650.00</b>

**Note - 7: Inventories (As taken, valued and certified by management)**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Raw Materials	89,925,912.07	116,046,866.58
Packing Materials	8,910,785.45	10,489,698.76
Work-In- Process (WIP)	219,415.90	745,052.31
Finished Goods	162,363,571.36	102,812,657.56
Auxiliary Raw Materials	960,492.23	905,454.00
Stores & Spare Parts	5,365,194.21	5,017,368.37
	<b>267,745,371.22</b>	<b>236,017,097.58</b>

**Note - 8: Trade Receivables**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Trade Receivables- Others	539,324,542.53	415,768,358.87
<b>Total Trade Receivables</b>		
Provision for doubtful receivables	(114,757,000.00)	(59,757,000.00)
	<b>424,567,542.53</b>	<b>356,011,358.87</b>

**Movement in allowances for doubtful debt**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Balance at the beginning of the year	59,757,000.00	26,257,000.00
Impairment losses recognised	55,000,000.00	33,500,000.00
<b>Balance at the end of the year</b>	<b>114,757,000.00</b>	<b>59,757,000.00</b>

**Note - 9: Cash & Bank Balance**

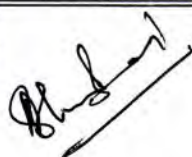
<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Cash on hand	874,766.10	863,640.37
<b>Balances with Banks</b>		
In Current & Call Accounts	19,604,333.94	42,955,798.22
In term Deposits	70,000,000.00	-
	<b>90,479,100.04</b>	<b>43,819,438.59</b>

**Note - 10: Advances & Deposits**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Insurance Claim Receivable	24,095.00	80,006.50
Custom Duty Deposit	814,006.00	-
	<b>838,101.00</b>	<b>80,006.50</b>









# KNP Japan Private Limited

Notes forming part of the Accounts for the year ended March 31, 2019

## Note - 11: Other Non Financial Assets

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Staff Advances	1,059,500.25	1,379,126.22
L/C & L/C Margin	2,201,984.15	607,129.50
Prepaid Expenses	4,134,844.27	3,033,577.07
Advance To Suppliers	3,713,427.46	2,405,073.02
Reverse VAT Receivable	804,608.00	-
Other Advances	2,052,147.53	176,910.00
	<b>13,966,511.66</b>	<b>7,601,815.81</b>

## Note - 12: Equity Share Capital

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
<b>Authorized:</b>		
Equity shares of Rs. 100/- each	300,000,000.00	300,000,000
3,000,000 (3,00,000) Equity Shares		
<b>Issued:</b>	150,000,000.00	150,000,000
Equity shares of Rs. 100/- each		
1,50,000 (1,50,000) Equity Shares		
<b>Subscribed and fully paid:</b>	130,000,000.00	130,000,000
Equity shares of Rs. 100/- each		
1,30,000 (1,30,000) Equity Shares		
<i>Of Which:</i>		
68% Shares owned by Kansai Nerolac Paints Ltd., India		
32% Shares are held by Local Parties.		
	<b>130,000,000.00</b>	<b>130,000,000</b>

## Reconciliation of share Capital:

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Opening Equity Shares	130,000.00	130,000
Add: -No. of Shares, Share Capital issued/		
Closing balance	<b>130,000</b>	<b>130,000</b>
Value of Shares	<b>130,000,000</b>	<b>130,000,000</b>

## Shares in the company held by shareholder

<u>Name of the Shareholder</u>		As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
- Kansai Nerolac Paints Limited, India	68%	88,400	88,400
- Ashok Baid	12%	15,600	15,600
- Jeevan Kumar Agrawal	12%	15,600	15,600
- Raj Kumar Baid	4%	5,200	5,200
- Vijay Singh Baid	4%	5,200	5,200
		<b>130,000</b>	<b>130,000</b>







**KNP Japan Private Limited**  
**Notes forming part of the Accounts for the year ended March 31, 2019**

**Note - 13: Other Equity/Reserve & Surplus**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
General Reserve	-	-
<b><u>Income Statement Balance</u></b>		
Opening Balance	322,171,287.05	253,716,088.18
Add: Profit During the year	182,205,535.73	107,455,198.87
Dividend Paid	(45,500,000.00)	(39,000,000.00)
	<u>458,876,822.78</u>	<u>322,171,287.05</u>
	<u>458,876,822.78</u>	<u>322,171,287.05</u>

**Note - 14: Other Financial Liabilities**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Staff Welfare Fund	12,767,077.45	7,477,427.25
	<u>12,767,077.45</u>	<u>7,477,427.25</u>

**Note - 15: Provisions**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Long Term FOR EMPLOYEE BENEFITS		
Housing Reserve	21,299,952.00	21,299,952.00
Gratuity (Expected Maturity After 1 Year)	17,823.00	1,824,042.00
Total	<u>21,317,775.00</u>	<u>23,123,994.00</u>

**Note - 16: Tax Expenses**

**Note - 16.1: Tax recognised in Statement of profit and loss**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
<b>Current income tax</b>		
Current year	40,430,178.00	36,538,993.00
Adjustments for prior years	-	4,074,356.50
Sub Total (A)	<u>40,430,178.00</u>	<u>40,613,349.50</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(737,610.00)	472,917.00
Changes in tax rate		
Effect of Deferred Taxes on Remeasurement of Defined Benefit Plans in OCI	(249,896.00)	(318,964.00)
Sub Total (B)	<u>(987,506.00)</u>	<u>153,953.00</u>
Sub Total (C)		
Total (A+B+C)	<u>39,442,672.00</u>	<u>40,767,302.50</u>









**KNP Japan Private Limited**  
**Notes forming part of the Accounts for the year ended March 31, 2019**

**Note- 16.2: Tax recognised in other comprehensive income**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Defined benefit plan actuarial gains (losses)	(249,896.00)	(318,964.00)
	<u>(249,896.00)</u>	<u>(318,964.00)</u>

**Note -16.3: Recognised deferred tax assets and liabilities**  
Deferred tax assets and liabilities are attributable to the following:

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
<b>Deferred Tax Liability</b>		
Property, plant and equipment	3,706,981.00	4,367,299.00
Employee benefits	(85,116.00)	150,107.00
Inventories	329,176.00	171,245.00
<b>Sub Total</b>	<u>3,951,041.00</u>	<u>4,688,651.00</u>
<b>Net Deferred Tax Liabilities</b>	<u>3,951,041.00</u>	<u>4,688,651.00</u>

**Note - 17: Trade Payables**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Sundry Creditors (Net)	120,001,504.39	107,286,228.23
	<u>120,001,504.39</u>	<u>107,286,228.23</u>

**Note - 18: Other Current Liabilities**

<u>Particulars</u>	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
B.K.Agrawal & Co.	318,750.00	318,750.00
Tax Deduction At Source Payable	6,444,735.25	3,082,752.98
Salary & Wages Payable	2,259,918.76	2,003,449.99
Rent Payable	133,015.20	337,008.53
Advance From Customers	4,098,471.44	3,847,886.26
LC Payables	13,548,043.83	11,257,252.66
Excise Duty Payable	10,842,809.11	7,326,988.29
Vat Payable	8,794,398.19	8,030,390.95
Dividend Payable	-	37,050,000.00
Reverse Vat Payable	804,608.00	-
	<u>47,244,749.78</u>	<u>73,254,479.66</u>







# KNP Japan Private Limited

Notes forming part of the Accounts for the year ended March 31, 2019

## Note - 19: Provisions

### Particulars

	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Provision For Staff Bonus	28,121,020.00	18,558,941.00
Provision For Provident Fund	312,170.00	349,482.00
Provision For Interest	-	652,391.72
Provision For Citizen Investment Trust	-	32,000.00
Provision for Selling & Distribution and Other Expenses	95,098,682.14	75,787,071.19
Allocattion for CSR Fund	3,613,939.44	2,304,358.00
Gratuity (Expected Maturity within 1 Year)	514,153.00	85,788.00
	<u>127,659,964.58</u>	<u>97,770,031.91</u>

## Note - 20: Current tax Assets/ (Liabilities)

### Particulars

	As At March 31, 2019 (NRS)	As At March 31, 2018 (NRS)
Advance Income Tax	36,839,755.63	16,238,224.92
Less: Provision for Taxes	<u>(35,922,200.00)</u>	<u>(27,904,842.00)</u>
	<u>917,555.63</u>	<u>(11,666,617.08)</u>



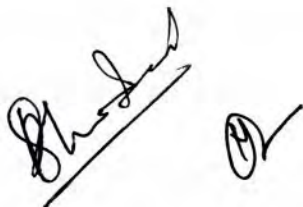


# KNP Japan Private Limited

Notes forming part of the Accounts for the year ended March 31, 2019

## Note -21: Revenue From Operations

<u>Particulars</u>	<u>Year ended March 31, 2019 (NRS)</u>	<u>Year Ended March 31, 2018 (NRS)</u>
<b><u>Sale of Products</u></b>		
Paint Sales (Net)	1,462,863,467.20	1,133,615,500.76
<b><u>Raw Material Sales</u></b>		
Colourant Sales (Net)	62,653,449.00	45,836,737.60
<b><u>Other Operating Revenue</u></b>		
Scrape Sales	167,398.50	60,341.00
<b>Total</b>	<b>1,525,684,314.70</b>	<b>1,179,512,579.36</b>



# KNP Japan Private Limited

Notes forming part of the Accounts for the year ended March 31, 2019

## Note -22: Other Income

<u>Particulars</u>	Year ended March 31, 2019 (NRS)	Year ended March 31, 2018 (NRS)
<b>Separate for Colorant and Sale of Fixed Assets</b>		
Profit/(Loss) On Sale Of Colorant Machine	271,466.20	65,428.48
Gain On Exchange Fluctuation	-	615,606.18
Other Income	39,232.25	-
Insurance Claim Received	-	3,384,731.22
Interest from :-		
- Bank deposits	4,055,443.04	122,941.29
	<b>4,366,141.49</b>	<b>4,188,707.17</b>

## Note -23: Cost of Sales

<u>Particulars</u>	Year ended March 31, 2019 (NRS)	Year ended March 31, 2018 (NRS)
Raw Material Consumed	685,984,199.73	523,303,820.96
Packing Material Consumed	115,737,094.98	94,684,759.51
Changes in Inventories of Finsihed Goods, WIP & Stock in Trade	(59,025,277.39)	(16,208,762.60)
Production & Manufacturing Overheads	48,952,370.64	35,096,165.67
	<b>791,648,387.96</b>	<b>636,875,983.54</b>

## Note -23.1: Cost of Material Consumed

<u>Particulars</u>	Year ended March 31, 2019 (NRS)	Year ended March 31, 2018 (NRS)
<b>Raw Material Consumed</b>		
Opening Stock	116,952,320.58	91,927,343.71
Add: Purchase During the Year	659,918,283.45	548,328,797.83
Less : Sales		
Less : Closing Stock	90,886,404.30	116,952,320.58
	<b>685,984,199.73</b>	<b>523,303,820.96</b>
<b>Packing Material Consumed</b>		
Opening Stock	10,489,698.76	13,711,676.67
Add: Purchase During the Year	114,158,181.67	91,462,781.60
Less : Sales		
Less : Closing Stock	8,910,785.45	10,489,698.76
	<b>115,737,094.98</b>	<b>94,684,759.51</b>
	<b>801,721,294.71</b>	<b>617,988,580.47</b>

## Note -23.2: Changes in Inventories of Finsihed Goods, WIP & Stock in Trade

<u>Particulars</u>	Year ended March 31, 2019 (NRS)	Year ended March 31, 2018 (NRS)
<b>Stock at the Beginning of the Year</b>		
Finished Goods	102,812,657.56	80,579,321.02
Semi Finished Goods	745,052.31	3,724,776.25
Adjustment	-	-
	<b>103,557,709.87</b>	<b>84,304,097.27</b>
<b>Stock at the end of the Year</b>		
Finished Goods	162,363,571.36	102,812,657.56
Semi Finished Goods	219,415.90	745,052.31
	<b>162,582,987.26</b>	<b>103,557,709.87</b>
Add: Purchase of Finished Goods	-	3,044,850.00
	<b>(59,025,277.39)</b>	<b>(16,208,762.60)</b>









# KNP Japan Private Limited

Notes forming part of the Accounts for the year ended March 31, 2019

## Note -23.3: Production & Manufacturing Overheads

<u>Particulars</u>	Year ended	Year ended
	March 31, 2019	March 31, 2018
	(NRS)	(NRS)
Consumption of Store & Spares	565,657.73	297,250.25
Labour Wages & Other Benefits	31,491,500.64	23,272,643.38
Electricity Expenses	2,712,430.74	1,913,949.40
Repair & Maintenance	-	-
- Machinery	1,333,060.28	890,545.80
- Generators	176,319.19	639,690.68
- Building	4,212,404.12	889,475.19
Insurance Expenses	2,577,831.84	2,159,167.01
Other Production Expenses	1,160,188.59	1,093,081.18
Loading/Unloading & Transportation Expenses	-	-
Staff Welfare Production	319,836.31	176,406.84
Security Expenses Factory	2,928,730.00	2,300,940.00
Cleaning/Housekeeping Expenses	762,285.72	597,744.71
Laboratory Expenses	93,099.39	23,238.83
Generator Running Expenses	619,026.09	842,032.40
	<b>48,952,370.64</b>	<b>35,096,165.67</b>

## Note -24: Administrative Expenses

<u>Particulars</u>	Year ended	Year ended
	March 31, 2019	March 31, 2018
	(NRS)	(NRS)
Employee Benefit Expenses	58,526,935.43	51,079,377.66
Insurance Expenses	3,822,070.14	3,295,752.94
Security Expenses	1,679,274.01	976,098.21
Telephone and Other Communication Expenses	2,210,530.20	1,675,351.92
Printing and Stationery	932,808.07	600,701.39
Rent	11,865,571.00	10,413,021.85
Repair & Maintenance	-	-
- Vehicle	1,636,374.09	1,462,541.68
- Computer & office Equipment	224,450.26	72,973.75
Travelling and Conveyance	10,832,078.75	9,764,542.83
Auditors' Remuneration	-	-
- Audit Fees	425,000.00	425,000.00
Legal Expenses	1,840,000.00	1,049,180.00
General Consultancy and Professional Charges	817,700.00	934,588.85
Bank Commission	1,302,655.82	1,104,762.24
Rates & Taxes & Renewals	566,231.65	395,827.15
Miscellaneous Office Expenses	1,434,462.14	1,338,006.74
Donation & Presentation	285,271.87	199,710.36
Sales Support Service Expenses	2,972,088.26	601,700.00
Vehicle Fuel	1,522,610.84	1,145,155.37
Customer Compensation/Claims	180,000.00	-
Miscellaneous Balance Written Off	138,000.00	18,226.22
Software Amc Charges	522,192.44	541,407.89
Royalty Expenses	12,520,297.84	9,745,328.02
Bad Debts	55,000,000.00	33,500,000.00
Loss Of Stock In Transit	-	120,879.42
Exchange Gain & Loss	949,225.80	509,842.42
Fine & Penalty	3,344,709.94	592,948.25
Allocation for CSR Fund	1,556,808.00	2,304,358.00
Electricity Expenses	382,974.44	-
	<b>177,490,320.99</b>	<b>133,867,283.16</b>









# KNP Japan Private Limited

## Notes forming part of the Accounts for the year ended March 31, 2019

### Note -25: Selling & Distribution

<u>Particulars</u>	Year ended March 31, 2019	Year ended March 31, 2018
	(NRS)	(NRS)
Advertisement	89,013,897.41	67,516,412.36
Transportation/Loading-Unloading	43,246,206.43	32,746,410.53
Painter Token	12,457,869.12	7,751,746.50
Sales Promotion	10,726,512.82	16,625,822.59
Sales Commission	67,789,679.06	56,159,230.20
Trip/Travel Scheme	28,795,100.04	13,849,678.65
Painter Scheme Expenses	32,441,905.25	21,592,110.13
Dealers Season Scheme	42,130,414.68	37,131,481.21
Colourant Amc Charges	2,775,462.21	2,106,486.74
	<b>329,377,047.02</b>	<b>255,479,378.91</b>

### Note -26: Finance Cost

<u>Particulars</u>	Year ended March 31, 2019	Year ended March 31, 2018
	(NRS)	(NRS)
Interest Expenses	57,118.51	1,988,859.07
	<b>57,118.51</b>	<b>1,988,859.07</b>

### Note -27: Depreciation And Amortization Expenses

<u>Particulars</u>	Year ended March 31, 2019	Year ended March 31, 2018
	(NRS)	(NRS)
Tangible Assets	11,138,553.59	8,839,179.33
Intangible Assets	2,773.39	102,660.15
	<b>11,141,326.98</b>	<b>8,941,839.48</b>





