
ASIAN PAINTS (NEPAL) PVT. LTD.

Independent Auditors' Report

ASIAN PAINTS (NEPAL) PVT LTD

We have audited the accompanying financial statements of Asian Paints (Nepal) Pvt Ltd (the "Company") which comprise the balance sheet as at 14 March 2015, and the statement of income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 principles used and the reasonableness of accounting estimates made by

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 basis for our opinion.

Report on the Requirements of the Companies Act 2063

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, the balance sheet, the statements of income and the cash flows have been prepared in accordance with the requirements of the Companies Act 2063 and are in agreement with the books of account of the Company; and proper books of account as required by law have been kept by the Company.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Asian Paints (Nepal) Pvt Ltd as of 14 March 2015, and its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards and Companies Act 2063.

Shashi Satyal
Managing Partner

T R Upadhya & Co
Chartered Accountants

Kathmandu
21 April 2015

Balance Sheet

as at 14th March, 2015 (30th November, 2071)

(NPR)			
Particulars	Schedule	As on 14 th March 2015	As on 14 th March 2014
Equity Share Capital	1	31,905,000	31,905,000
Preference Share Capital		-	-
Retained Profits		1,094,153,962	895,876,795
Total shareholders Fund		1,126,058,962	927,781,795
TOTAL FUNDS		1,126,058,962	927,781,795
REPRESENTED BY:			
Fixed Assets - Gross Book Value		871,681,778	841,755,652
Accumulated Depreciation		(215,378,816)	(171,029,132)
Fixed Assets - Net Book Value	2	656,302,963	670,726,520
Software costs (to be amortized)		5,418,224	5,895,121
TOTAL NON CURRENT ASSETS		661,721,186	676,621,641
TRADE CURRENT ASSETS			
Stock in Trade	3	365,017,721	355,743,959
Trade Debtors: 3rd Party	4	259,860,368	153,221,822
Cash on hand & marketable securities	5	240,630,466	172,727,192
Other Current Assets: 3rd Party	6	381,040,964	286,736,637
TOTAL CURRENT ASSETS		1,246,549,519	968,429,610
TRADE CURRENT LIABILITIES			
Trade Creditors: 3rd Party	7	128,054,358	128,362,071
Trade Creditors: Interco - Non-APINTL Group		14,831,291	32,981,103
Other Creditors/Accruals: 3rd Party	8	292,207,011	274,513,567
Current Portion of Term Loan		-	7,500,000
TRADE CURRENT LIABILITIES		435,092,659	443,356,741
TRADE WORKING CAPITAL		811,456,860	525,072,869
Group Service Fee Payable		3,543,615	8,258,129
Intercompany Royalty Payable		17,434,637	16,123,099
Provision for income tax		326,166,629	257,476,084
Deferred tax assets		(25,797)	(7,944,597)
OTHER LIABILITIES		347,119,084	273,912,715
TOTAL FUND EMPLOYED		1,126,058,962	927,781,795
Significant Accounting Policies and Notes to Account	16	0.07	(1.11)

Schedules 1 to 8 and 16 are integral part of Balance Sheet

G.B. Khanal

Finance Manager

Budhadiya Mukherjee

General Manager

I.K. Jaiswal

Director

L.G. Shrestha

Chairmen

As per our report of even date

Shashi Satyal, FCA

Managing Partner

T.R. Upadhy & Co.

Date: 21st April, 2015

Kathmandu

Profit and Loss Accounts

For the period ended 14th March, 2015 (30th November, 2071)

(NPR)

Particulars	Schedule	Current Year	Previous Year
Paint Sales Volume ('000 Ltrs) :3rd Party		17,777	15,365
Total Gross Sales		3,230,087,817	2,849,875,084
VAT/Excise		(528,453,338)	(465,173,705)
Rebates and Discounts		(209,373,656)	(166,929,060)
Total Net Sales		2,492,260,823	2,217,772,319
Material cost - Of Paints sold		(1,458,975,317)	(1,265,839,029)
Contribution		1,033,285,506	951,933,290
Employee Cost	9	(195,955,692)	(165,662,954)
Manufacturing Expenses	10	(26,780,834)	(24,901,041)
Administration Expenses	11	(32,181,456)	(27,922,258)
Advertisement and sales promotion	12	(237,679,526)	(194,821,977)
Selling and distribution	13	(116,672,035)	(91,093,541)
Intercompany service fee		(3,007,259)	(1,817,776)
Intercompany royalty		(25,956,232)	(23,263,406)
Royalty to third parties		(1,716,221)	(1,864,212)
Total operating cost		(639,949,255)	(531,347,165)
Provision for doubtful debts	14	(2,923,285)	909,470
PBDIT		390,412,966	421,495,595
Depreciation	2	(56,975,996)	(54,267,109)
PBIT & Other Income		333,436,970	367,228,486
Interest expenses non group		(2,775,064)	(8,541,531)
Other financial charges		(2,916,977)	(3,246,991)
Exchange gain/(loss)		(810,494)	(2,028,946)
PBT & Other Income		326,934,435	353,411,017
Interest receivable - non group		7,203,521	2,465,404
Other Income	15	20,511,055	18,055,148
Profit before tax		354,649,012	373,931,570
Taxation			
Current Year Tax		(68,690,544)	(82,123,096)
Deferred Tax		(7,918,800)	745,199
Profit after tax		278,039,667	292,553,672
Retained Profit - beginning of year		895,876,795	667,133,122
Bonus share issue			
Dividends - Group		(40,678,875)	(32,543,100)
Dividends - Non Group		(39,083,625)	(31,266,900)
Retained Profit - Closing		1,094,153,962	895,876,795
Significant Accounting Policies and Notes to Account	16		

Schedules 2 and 9 to 16 are integral part of Profit and Loss Account

Cash Flow Statement

For the period ended 14th March, 2015 (30th November, 2071)

(NPR)		
Particulars	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation and extra ordinary item	354,649,012	373,931,570
Adjustments for :		
Depreciation expense	55,208,883	53,366,424
Intangible assets amortised	1,767,113	900,685
Interest income	(7,203,521)	(2,465,404)
Interest expense	2,775,064	8,541,531
Loss/(Profit) on disposal of property, plant & equipment	(11,670,643)	(11,134,887)
Loss/(Profit) on subsidiaries written off (prior period/DTA)		
Operating profit before working capital changes	395,525,908	423,139,918
Trade receivables	(106,638,546)	(13,944,644)
Other receivables and prepaid expenses	(18,921,799)	(14,632,256)
Inventories	(9,273,762)	(92,234,466)
Trade payables	(8,264,081)	35,527,298
Other payables	4,097,025	3,866,924
Income tax paid	(75,382,529)	(73,893,661)
Net Cash(used in) generated from operations	181,142,217	267,829,114
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	22,150,396	23,924,779
Purchase of property, plant and equipment	(52,555,295)	(70,415,961)
Dividends paid	(79,762,500)	(63,810,000)
Interest received	7,203,521	2,465,404
Interest paid	(2,775,064)	(8,541,531)
Net Cash (used in)/generated from investing activities	(105,738,942)	(116,377,309)
CASH FLOWS FROM FINANCING ACTIVITIES :		
Bank loans	(7,500,000)	(103,246,744)
Net cash from financing activities	(7,500,000)	(103,246,744)
Net (decrease) increase in cash	67,903,275	48,205,060
Cash at beginning of year (overdrawn)	172,727,191	124,522,131
Cash at end of year (overdrawn)	240,630,466	172,727,191
Significant Accounting Policies and Notes to Account		

Schedules 1 to 16 are integral part of Cash Flow Statement

G.B. Khanal

Finance Manager

Budhadiya Mukherjee

General Manager

I.K. Jaiswal

Director

L.G. Shrestha

Chairmen

As per our report of even date

Shashi Satyal, FCA

Managing Partner

T.R. Upadhy & Co.

Date: 21st April, 2015

Kathmandu

Statements of Change in Equity

For the period ended 14th March, 2015 (30th November, 2071)

Particulars	Share Capital	Share Premium	Accumulated profit/ (loss)	Total
Opening Balance as on 14 March 2014	31,905,000	-	895,876,795	927,781,795
Change in accounting policy	-	-	-	-
Restated balance	31,905,000	-	895,876,795	927,781,795
Net profit /(loss) for the period	-	-	278,039,667	278,039,667
Transfer to general reserve	-	-	-	-
Dividend paid	-	-	(79,762,500)	(79,762,500)
Issue of Bonus Share	-	-	-	-
Tax on Bonus tax	-	-	-	-
Balance as at 14 March, 2015	31,905,000	-	1,094,153,962	1,126,058,962

G.B. Khanal
Finance Manager

Budhadiya Mukherjee
General Manager

I.K. Jaiswal
Director

L.G. Shrestha
Chairmen

As per our report of even date
Shashi Satyal, FCA
Managing Partner
T.R. Upadhy & Co.

Date: 21st April, 2015
Kathmandu

Schedule Related to Balance Sheet

at 14th March, 2015 (30th November, 2011)

(NPR)

SCHEDULE-1 : Equity Share Capital

Particulars	As on 14 th March 2015	As on 14 th March 2014
Authorised Share Capital		
60,000,000 equity share of NPR 10.00 each	600,000,000	600,000,000
Issued Share Capital		
3190500 equity share of NPR 10.00 each	31,905,000	31,905,000
Paid-up Share Capital		
(a) Asian Paints (India) Limited: 1627155 equity share of NPR 10.00 each (includes 1446360 bonus shares) allotted pursuant to contract for supply of machinery, etc. without payment being received in cash	16,271,550	16,271,550
(b) Ravi Associates: 287145 equity share of NPR 10.00 each (includes 255240 bonus shares) allotted pursuant to contract for supply of machinery, etc. without payment being received in cash	2,871,450	2,871,450
(c) Local Shareholders: 1276200 equity share of NPR 10.00 each (includes 1134400 bonus shares)	12,762,000	12,762,000
Total	31,905,000	31,905,000

at 14th March, 2015 (30th November, 2071)

SCHEDULE - 2 : Fixed Assets

Description	Gross Block				Depreciation				Net block as at 14 th March, 2014	Net block as at 14 th March, 2015
	Up to beginning of the Year (14 th March 2014)	Addition during the Year	Sales/ Adjustment	Total	Up to beginning of the Year	During the Year	Disposal Depreciation	Total		
Tangible assest										
Buildings	409,467,840	394,748	-	409,862,588	36,601,268	12,923,875	-	49,525,143	360,337,445	372,866,573
Vehicles	20,782,898	4,740,177	186,223	25,336,852	13,673,804	3,280,049	186,223	16,767,630	8,569,221	7,109,094
Plant and Machinery	357,800,349	40,829,017	20,604,702	378,024,664	100,031,308	32,879,664	10,154,401	122,756,571	255,268,093	257,769,041
Furniture & Fixture	31,795,557	736,036	223,835	32,307,757	8,962,330	3,044,501	213,310.85	11,793,520	20,514,237	22,833,227
Computers	10,386,448	2,272,208	60,087.61	12,598,569	7,317,409	1,674,667	60,085.61	8,931,990	3,666,579	3,318,932
Office Equipment	10,102,934	737,460	264,106.75	10,576,288	4,443,014	1,406,127	245,180.46	5,603,960	4,972,327	5,410,027
Capital Work in Progress	1,419,627	1,555,434		2,975,061	-	-	-	-	2,975,061	1,419,627
Total	841,755,653	51,265,079	21,338,954	871,681,778	171,029,133	55,208,883	10,859,201	215,378,816	656,302,963	670,726,521
Intangible assest										
Navision-ERP/Software License	11,897,359	1,290,216	-	13,187,575	6,002,238	1,767,113	-	7,769,351	5,418,224	5,895,121
Total NPR	853,653,012	52,555,295	21,338,954	884,869,353	177,031,371	56,975,996	10,859,201	223,148,167	661,721,186	676,621,642

Schedule Related to Balance Sheet

at 14th March, 2015 (30th November, 2071)

SCHEDULE-3 : Inventory

(NPR)

Particulars	As on 14th March 2015	As on 14th March 2014
Raw Materials	175,959,401	151,142,866
Packing Materials	20,834,724	24,280,430
Finished Goods	173,678,146	184,465,034
Semi-finished Goods	7,393,218	2,682,877
	377,865,490	362,571,207
Less : Provision for Slow and Non moving Goods	(12,847,769)	(6,827,248)
Total	365,017,721	355,743,959

SCHEDULE-4 : Trade Debtors

Over 12 months outstanding	5,989,042	24,956,353
Others	259,860,368	153,221,822
	265,849,410	178,178,175
Less:Provision for Doubtful Debts	(5,989,042)	(24,956,353)
Total	259,860,368	153,221,822

SCHEDULE-5 : Cash & Bank Balance

Cash in Hand	839,669	662,133
Cash at Bank	117,342,135	170,493,532
Time Deposits	122,448,662	1,571,526
Total	240,630,466	172,727,192

SCHEDULE-6 : Other Current Assets

Advance payment to suppliers	25,213,465	20,526,062
Advance to employees	9,522,761	8,531,957
Advance for capital expenditures	4,058,028	1,585,126
Sundry Deposits-LC & Others	39,586,266	29,764,158
Prepaid expenses	3,813,971	2,865,390
Advance Income Tax	298,846,472	223,463,944
Total	381,040,964	286,736,637

SCHEDULE-7 : Trade Creditors - Third Party

Trade creditors-Third party	124,389,200	121,750,180
Advance from Debtors	3,665,158	6,611,891
Total	128,054,358	128,362,071

SCHEDULE-8 : Other Creditors and Accruals - Third Party

Vat/Excise/TDS Payable	38,267,934	33,789,927
Accrual and payable	92,637,492	89,173,746
Salary & personal payable	1,623,506	1,235,236
Security and Other Deposits	78,482,000	99,802,000
Provisions		
Gratuity	10,699,166	3,621,306
Housing Fund	29,749,606	11,217,675
Bonus	25,130,345	27,776,727
Leave Provision	15,309,286	7,890,703
Employee Welfare Fund	307,676	6,247
Total	292,207,011	274,513,567

Schedule Related to Profit and Loss Account

at 14th March, 2015 (30th November, 2071)

(NPR)

SCHEDULE-9: Employee Cost

Particulars	Current Year	Previous Year
Salary	84,858,297	71,188,943
Salary contract workmen	3,737,050	1,958,000
Bonus/ exgretia	639,114	826,042
Overtime salary	2,706,007	2,705,793
Leave encashment and provision	9,286,215	2,445,496
Commissions	9,678,783	9,600,000
Payment on cessation of service	11,929,086	4,135,514
Furlough expenses	6,114,766	4,515,338
Staff cont. to ret. benefit	3,652,715	2,468,057
Rent - house for employees	804,858	1,052,597
Education - employees children	2,161,805	1,826,663
Medical Exp. Employee & family	612,971	630,137
Uniform expenses	1,235,550	1,060,061
Personal protective equipment	353,998	668,431
Other welfare expenses	445,244	249,809
Canteen exp	1,484,971	1,058,531
Resident Electricity and Water	257,042	231,715
Housing provision	20,532,312	21,648,670
Bonus provision	35,464,909	37,393,157
Total	195,955,692	165,662,954

SCHEDULE-10: Manufacturing Expenses

Stores and spares consumed	6,751,676	6,223,923
Power/ electricity - Factory	6,351,638	6,843,491
Fuel	6,035,320	4,767,837
Handling charge	1,027,891	2,665,747
Repairs and maintenance Buildings	16,990	8,850
Repairs and maintenance Plant and Machinery	4,730,914	3,611,888
Water charges	543,611	435,487
Research and Development	1,322,794	343,819
Total	26,780,834	24,901,041

Schedule Related to Profit and Loss Account

at 14th March, 2015 (30th November, 2071)

SCHEDULE-11: Administrative Expenses

		(NPR)
Particulars	Current Year	Previous Year
Stores and spares consumed	249,860	248,346
Fuel	367,596	452,061
Repairs and maint. Buildings	98,175	198,768
Repairs and maint. Vehicle	328,723	408,287
Repairs and maint. Off Eqpt	490,012	342,283
Repairs and maint. Others	26,495	75,394
Rent - Factory	1,727,797	1,069,914
State levy/property/Vehicle Tax	390,197	608,727
Water charges	276,010	217,088
Insurance - Assets	4,129,394	3,596,560
Insurance - Personnel	3,441,939	1,877,060
Telecommunication/ internet	1,160,395	1,103,870
Courier/ postage expenses	252,059	253,800
Printing and Stationary	633,294	528,647
Local travel	2,553,147	1,834,105
Foreign travel/Transfer	882,531	311,319
Donation	442,177	685,215
Security charges	3,390,396	2,767,605
Entertainment	2,674,443	2,283,686
Library / Subscription	71,923	74,930
Recruitment expenses	371,290	316,243
Training expenses	1,437,886	1,158,573
Statutory audit fees	200,000	160,000
Group audit fees	200,000	160,000
Tax audit fees	200,000	200,000
Audit fees - Certification	40,000	20,000
Audit fees - Out of pocket	454,516	265,407
Legal and professional fees	845,408	3,335,920
Miscellaneous expenses	1,693,184	1,303,976
Systems expenses	5,365,919	3,746,799
Membership fees	93,950	135,450
Research and Development	700,000	-
Total	35,188,715	29,740,033

SCHEDULE-12 Advertising & Promotion Expenses

Advertisement - Electronic media	36,263,968	35,760,275
Advertisement - Print media	20,694,491	20,064,613
Advertisement - Hoardings	20,846,134	2,886,797
Gifts	12,800	14,422
Advt. Event sponsorship	9,538,670	4,876,984
Market Research	1,147,936	300,000
Advt. Promotional items	11,891,819	4,617,787
Advt. Banners and signboards	8,212,094	8,244,454
Promotional exp - others	54,388,679	23,150,736
Sales Promo / Dealer Trip	70,476,942	91,301,852
Advt.- Shade Cards	4,205,992	3,604,058
Total	237,679,526	194,821,977

Schedule Related to Profit and Loss Account

at 14th March, 2015 (30th November, 2071)

SCHEDULE-13: Other Selling and Distribution Expenses

(NPR)

Particulars	Current Year	Previous Year
Stores and spares consumed	412,859	850,934
Fuel	3,925,446	3,472,187
Freight outward	72,778,063	54,351,524
Detention and other charges	14,408	11,981
Handling charge	648,685	1,241,354
Repairs and maint. Buildings	154,393	292,001
Repairs and maint. P&M	637,490	953,061
Repairs and maint. Vehicle	1,275,968	1,129,961
Repairs and maint. Off Eqpt	296,795	253,447
Repairs and maint. Others	435,478	616,797
Rent - branch/ depot/ godown	12,544,052	10,116,786
Water charges	642,961	529,017
Insurance - General/Transit	2,348,041	2,199,652
Telecommunication/ internet	1,836,691	1,680,297
Courier/ postage expenses	269,650	229,000
Printing and Stationary	1,151,866	1,149,078
Local conveyance	315,928	216,930
Local travel	8,890,021	5,963,434
Foreign travel/Transfer	453,070	288,355
Donation	45,901	101
Security charges	3,945,599	3,341,875
Entertainment	2,526,269	1,768,374
Library / Subscription	3,400	745
Electricity charges	451,754	382,266
Miscellaneous expenses	667,245	54,384
Total	116,672,035	91,093,541

SCHEDULE-14: Provision

Provision for bad debts	2,923,285	909,470
Total	2,923,285	909,470

SCHEDULE-15: Other Income

Profit on sale of assets	11,670,643	11,134,887
Other Miscellaneous income	3,131,614	1,323,701
Scrap Sales	5,708,799	5,596,561
Total	20,511,055	18,055,148

Schedule Related to Profit and Loss Account

at 14th March, 2015 (30th November, 2071)

SCHEDULE 16: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. The Company

Asian Paints (Nepal) Pvt Ltd ("APN" or the "Company") is a private limited company incorporated in Nepal under the Companies Act 2063. The registered office of the Company is located at Hetauda Industrial Area, Hetauda Municipality, Ward No 8, Makwanpur, Nepal.

The Company is a subsidiary of Asian Paints Limited, India. Its principal business is to manufacture and sale of paints products in the country and it has manufacturing facilities at Hetauda Industrial Area, Hetauda, Nepal.

2. Significant Accounting Policies

2.1 Basis of Preparation

The balance sheet, income statement, statement of changes in equity and cash flow statement, together with the accounting policies and explanatory notes ("Financial Statements") of the Company as at 14 March 2015 and for the year then ended comply with the Generally Accepted Accounting Principles ("GAAP") and Nepal Accounting Standards ("NAS") except stated otherwise.

The Financial Statements are presented on a historical cost basis and the presentation requirements of the Companies Act, 2063 and NAS.

2.2 Use of Estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") and Nepal Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of balance sheet. Actual amount could differ from those estimates; any differences from those estimates are recorded in the period in which they are identified.

2.3 Going Concern

The financial statements are prepared on the assumption that the Company is a going concern.

2.4 Comparative Information

The accounting policies have been consistently applied by the APN and are consistent with those used in the previous period. All figures are rounded off to the nearest rupee. Previous period's figures have been regrouped/ rearranged wherever necessary.

2.5 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 recognized on transfer of all significant risks and rewards of ownership to the buyer and net of excise duty and Value Added Tax ("VAT").

2.6 Fixed Assets

Fixed assets are stated at historical cost less accumulated depreciation and inclusive of all expenses incurred up to the date of commissioning/ putting the assets to use.

2.7 Depreciation

Depreciation is charged on straight line method based on the useful life of the assets estimated by the management. The useful lives of the assets are as follows:

Schedule Related to Profit and Loss Account

at 14th March, 2015 (30th November, 2071)

Particulars	Estimated Useful Life (Years)	Depreciation Rate (%)
Building	30 to 61	1.63 to 3.34
Plant and Machinery	4 to 21	4.75 to 25
Vehicle	5	20
Personal Computer	4	25
DTS Machine (C/W machine)	9	11.11
Furniture	5 to 10	10 to 20
Office Equipment	4 to 8	12.5 to 25

2.8 Impairment

At balance sheet date, an assessment is done to determine whether there is any indication of impairment of the carrying amount of the fixed assets. If any such indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of asset exceeds its recoverable amount.

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

After recognition of an impairment loss or reversal of an impairment loss as applicable, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), over its remaining useful life.

2.9 Inventories

Inventories contain raw materials, packing materials, finished goods, Semi finished goods and accessories. Inventories are valued at lower of cost and net realizable value after making due allowance for obsolescence and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and cost necessary to make the sale.

Raw and packing materials have been valued on the basis of weighted average cost.

Finished stock has been valued on the basis of weighted average cost at conversion cost price.

Allowance for obsolescence been made for obsolete stocks i.e., for any item manufactured or purchased twelve months before the stock taking date or an item manufactured or purchased within twelve months before the stock taking date, but it has outlived its shelf life and cannot be used or is damaged or defective or cannot be sold in the market.

2.10 Trade Debtors and Other Receivables

Trade debtors and other receivables are stated at book value. All debtors and receivables outstanding for more than one year are fully provided for bad and doubtful debts.

2.11 Cash and Cash Equivalents

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

For the purpose of cash flow statements, cash and cash equivalents consist of cash in hand, cash at bank in call accounts and cheques sent for the collection less cash credit.

2.12 Income Tax

Current year tax is determined as the amount of tax payable in respect of taxable income for the year as per the provisions of the Income Tax Act, 2002.

Schedule Related to Profit and Loss Account

at 14th March, 2015 (30th November, 2071)

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases using the asset and liability method. Temporary differences between the income as per financial statement and income as per the Nepal Income Tax Act, 2002 is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet date. Deferred tax assets arising from the temporary differences are recognized to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

2.13 Foreign currency transactions

Foreign currency transactions are accounted for at the exchange rates prevailing on the date of the transactions taking place. All exchange difference in respect of foreign currency transactions are dealt with in the income statement (except those relating to acquisition of Fixed Assets, which are adjusted in the cost of the assets). All foreign currency assets and liabilities at the balance sheet date are restated at the exchange rates prevailing at that date.

2.14 Interest Expense

Interests on loans and bank overdraft are accounted for on accrual basis.

2.15 Employee Benefits

Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognised in the period in which the employee renders the related service. The Company recognises the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

Post-employment Benefits:

(a) Defined contribution plans

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

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior period, that benefit is discounted to determine its net value. The calculation is performed annually by a qualified actuary using the projected unit credit method.

(i) Provident Fund Scheme

The Company operates a provident fund scheme by paying contributions to the Public Provident Fund, a separate state owned entity. The contributions to the provident fund is recognized in the Statement of Profit and Loss in the financial year to which they relate.

(ii) Gratuity Scheme (Funded)

The Company operates a gratuity scheme for employees. The contribution is paid to a separate entity (a fund) or to a financial institution, towards meeting the Gratuity obligations based on the liability determined using the projected unit credit method with actuarial valuations being carried out at each Balance Sheet date.

(c) Other long-term employee benefits

Schedule Related to Profit and Loss Account

at 14th March, 2015 (30th November, 2071)

Entitlements to annual leave and sick leave are recognized when they accrue to employees. Sick leave can only be availed while annual leave can either be availed or encashed subject to a restriction on the maximum number of accumulation of leaves. The Company determines the liability for such accumulated leave using the Projected Unit Credit (PUCM) Method with actuarial valuations being carried out at each Balance Sheet date.

2.16 Software Costs

Acquired computer software licenses are capitalized on the basis of cost incurred to acquire and bring to use the specific software. The costs are amortized over their estimated useful lives (i.e. estimated useful life of software is considered 48 months from the date of installation).

3. Notes to Accounts

3.1 Lien on Company's assets

Company's assets viz plant and machineries, buildings and inventory and debtors have been mortgaged in the name of bankers for the purpose of credit facility.

3.2 Balance with Banks

Balance with various banks (including cheque-in-transit) amounting to NPR 239,790,797 (previous year NPR 172,065,058)

3.3 Long term loan

The outstanding term loan of NPR 7,500,000 as on 14th March 2014 has been duly settled in the current year.

3.4 Royalty

Royalty payable to Asian Paints Limited India and Dupont Taiwan Limited has been accrued based on approval received from Nepal Government/Department of Industry.

3.5 Deferred Taxes

Carrying amount of assets and liabilities where temporary differences arising on 14 March 2015 are as follows:

(Amount in NPR)					
Particulars	Book Carrying Amount	Tax Base Amount	Diff Asset/ (Liability)	Tax Rate	Def. Tax Asset/ (Liability)
Temporary Difference for:					
Retirement Benefits					
Provision for Gratuity	10,699,166		10,699,166	20%	2,139,833
Provision for Leave Encashment	15,309,286		15,309,286	20%	3,061,857
Total Deferred Tax Assets/(Liability)					5,201,690
Provision for Possible Losses					
Provision for Doubtful debtors	5,989,042		5,989,042	20%	1,197,808
Provision for Inventory	12,847,769		12,847,769	20%	2,569,554
Provision for trip and ads exp/CN	81,255,007		81,255,007	20%	16,251,001
Provision for incentive/LTA	5,899,316		5,899,316	20%	1,179,863
Total Deferred Tax Assets/(Liability)	105,991,134	-	105,991,134		21,198,226
Fixed Assets (including Repairs)					
WDV of Fixed Assets	661,721,186				
Less: Capital WDV	(2,975,061)				
WDV of Assets included under Tax	658,746,126	526,875,533	(131,870,593)	20%	(26,374,119)
Total Deferred Tax Assets/(Liability)					(26,374,119)
Net Deferred Tax Assets/(Liabilities)					25,797
Net Deferred tax assets as on 14 March 2014					7,944,597
Adjustment in Income Statement					7,918,800

3.6 Related Party Transactions

Schedule Related to Profit and Loss Account

at 14th March, 2015 (30th November, 2071)

Asian Paints Limited, India which is the parent company of Asian Paints Nepal Pvt Ltd is the only related party. The related party transactions during the year were as follows:

(NPR in '000)

Transaction with Asian Paints Limited, India	Current Period	Previous Period
Purchase of material	183,054	182,831
Purchase of services/sundries	6,078	12,693
Royalty	25,956	23,263
Intercompany trade creditor (Trade/Non trade)	18,375	41,239

3.7 Managerial Remuneration

Personal cost includes NPR 100.70 lacs paid to the General Manager against remuneration and benefits including those provided in kind.

3.8 Staff Housing and Bonus

Provision for staff housing and staff bonus has been made as per the provisions of the Labor Act and Bonus Act respectively on the profits of the Company. The provision for bonus and housing has been included in the provision for current year's tax. The Company has fully funded the amount provided for staff housing fund.

3.9 Contingent Liabilities

Contingent liabilities in respect of unexpired irrevocable Letter of Credit amounts to NPR 1389.76 lacs (Previous Year NPR 364.79 lacs)

Additional income tax liability amounting to NPR 262 lacs for F/Y 2004/05 (2061/62), F/Y 2005/06 (2062/63), F/Y 2006/07 (2063/64), F/Y 2007/08 (2064/65), 2008/09 (2065/66) and 2009/2010 (2066/67) have not been provided in the account as the Company has disputed the demand of the Inland Revenue Office and has filed an appeal with the Revenue Tribunal and Administrative review respectively.

Additional VAT liability amounting to NPR 218.63 lacs for F/Y 2006/07 (2063/64), F/Y 2007/08 (2064/65), 2008/09 (2065/66) and 2009/10 (2066/67), respectively have not been provided in the account as the Company has disputed the demand of the Inland Revenue Office and has filed an application with the Inland Revenue Department for Administrative Review.

3.10 Capital Commitments

The capital commitment (net of advances) on account of capital works in expansion of the factory as on 14 March 2015 is NPR 153.41 lacs.

3.11 Disclosure for operating lease

Lease Rental Income

The company has entered into lease agreement for leasing of the color world machine along with Automatic Color Dispenser and 20 Liter capacity Sekar to the dealer for the period of 1 to 5 years which can be terminated if the clauses as mentioned in the lease agreement are violated. The future minimum lease payments under non cancellable operating leases are as follow:

(Amount in NPR)

Schedule Related to Profit and Loss Account

at 14th March, 2015 (30th November, 2071)

Particular	Current Year	Previous Year
Amount due within one year from the balance sheet date	253,363	300,000
Amount due in the period between one year & five year	333,097	789,500
Amount later than five years	Nil	Nil

The rental Income under non cancellable (though there is clause of cancellation) operating lease aggregate NPR 304,637 (previous year NPR 329,096)

The general description of lessor's leasing agreements is as follow:

- The user needs to deposit amount as per agreements for the use of machine.
- The user needs to pay NPR 100 (Including vat) as monthly rental for use of machine.
- The maximum agreement period is 5 years and after the expiry of the period, the deposit amount will be considered as sales value including VAT and invoice will be issued accordingly.

The agreements will be terminated automatically incase of violation of clauses as mentioned in lease agreements.

Lease Rental Expenses

The Company has entered into a lease arrangement for factory land, office premises, residential apartment and godown space for a period of 1 to 5 years. The future minimum lease rental expenses under non-cancellable operating lease is as follows:

Amount in NPR

Particulars	Current Year	Previous Year
Amount due within one year from the balance sheet	13,269,401	11,726,055
Amount due in the period between one year & five years	56,877,978	93,514,746
Amount more than five years	38,797,086	124,468,127

3.12 Employee benefits

a. Employee Benefits Liability

Particulars	31-Mar-15
Present Value of unfunded Obligations	
Present value of funded obligations	
- Sick Leave	3,128,189
- Gratuity	27,952,953
- Accumulated Leave	12,181,097
Total present value of obligations	43,262,239
Fair Value of plan assets	-
Recognised asset for defined benefit obligations	43,262,239

b. Movement in the present value of the defined benefit obligations

Particulars	31-Mar-15
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Schedule Related to Profit and Loss Account

at 14th March, 2015 (30th November, 2071)

Defined Benefit obligations (Opening)	31,320,275
Current Service Cost	13,058,944
Interest Costs	3,875,919
Actuarial (gains) losses in other comprehensive income	(2,216,239)
Benefits paid by the plan	(2,776,659)
Past Service Costs	-
Defined benefit obligations at End	43,262,239

c. Amount recognized in Profit or Loss

Particulars	1 April 2014 to 31 March 2015	1 April 2013 to 31 March 2014
Current Service Cost	13,058,944	6,796,076
Interest Costs	3,875,919	3,290,842
Past Service Costs	-	(75,225)
Total Charge/(Credit) recognised in income statement	16,934,863	10,011,693

d. Actuarial gains and losses recognized in statement of profit and loss.

Particulars	31-Mar-15	31-Mar-14
Cumulative Income/(Expenses) Amount at Beginning of Period	7,103,238	(192,365)
Gains/(Losses) recognized during the period		
Gains/(Losses) on Plan Assets	1,798,496	-
(Gains)/losses due to change in Demographic Assumptions	(1,046,441)	(53,584)
(Gains)/losses due to change in Financial Assumptions	820,769	(15,729,106)
Experience (Gains)/Losses on PBO	(1,990,565)	8,487,087
Cumulative Income/(Expenses) Amount at End of Period	11,117,971	7,103,238

e. Actuarial Assumptions

Principal actuarial assumptions at the reporting date

Particulars	31-Mar-15	31-Mar-14
Discount Rate on 31 March	10.50%	10.50%
Expected Rate of Return on Assets	NA	NA
Future Salary Increases	1st Year : 14 % Next 5 Year : 12 % Thereafter: 11%	12.00%