



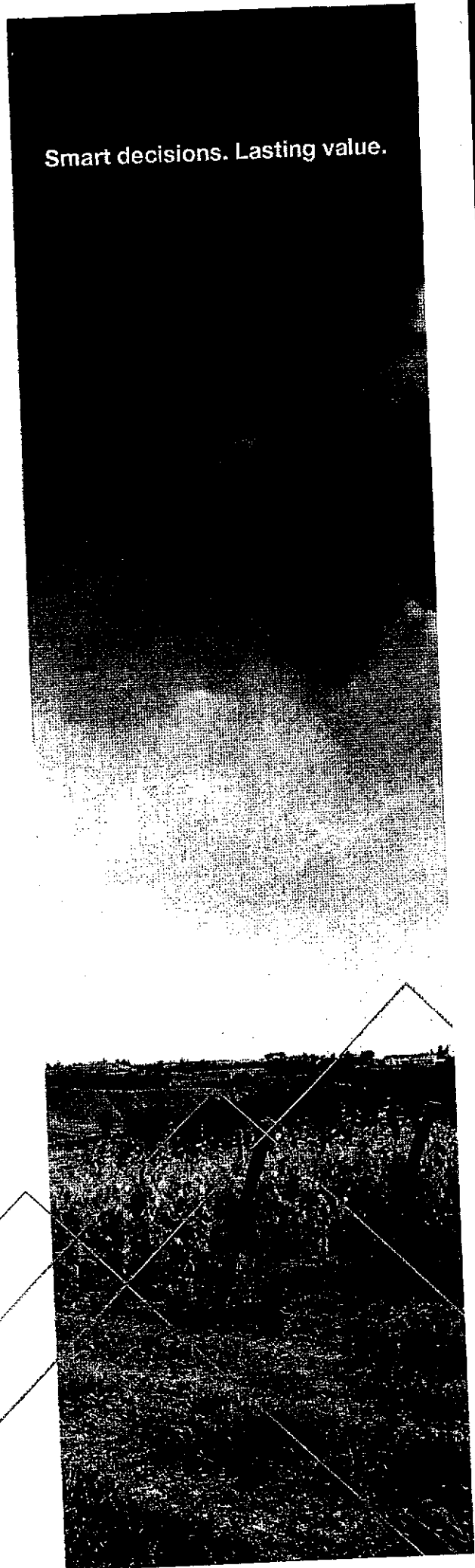
Smart decisions. Lasting value.

**Berger Jenson & Nicholson (Nepal) Pvt. Ltd.**

**Auditor's Report & Financial Statements  
for the year ended March 14, 2019**

**B.K. Agrawal & Co.**  
Chartered Accountants

**Audit / Tax / Advisory**





**B.K. Agrawal & Co.**  
Chartered Accountants  
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## Independent Auditors' Report to the Directors of Berger Jenson & Nicholson (Nepal) Private Limited

### Opinion:

We have audited the accompanying Standalone Balance Sheet of M/s Berger Jenson & Nicholson (Nepal) Private Limited (The Company) as of March 14, 2019 and Statement of Profit or 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 58 forming part of the accounts, give a true and fair view of the financial position of the Company as at March 14, 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 summarized 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>Revenue recognition:</b> 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 3157.22 million from the paint &amp; colourant sales and during the year ended 14 March 2019.</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> </ul>

The Key Audit Matter	How the matter was addressed in our audit
<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>	<ul style="list-style-type: none"> <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 (m) of Significant accounting policies and Notes forming part of the financial statements.</p>
<p><b>Impairment of Property, Plant and Equipment</b></p> <p>Berger Jenson &amp; Nicholson (Nepal) Private Limited (BJN) has aggregate PPE of written down value of Rs.451,187 thousand 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 (e) of Significant accounting policies &amp; Notes forming Part of Financial statement.</p>

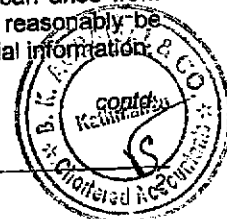
**Management's Responsibility for the Financial Statements**

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 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 Statement of Financial Position, Statement of Profit or Loss, Statement of Cash Flows 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 as required u/s 136 and 137 of Indian Companies Act, 2013, in regard to the consolidation of the company's Financial Statements with the Holdings Company M/s Berger Paints India 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: 12<sup>th</sup> May, 2019

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



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT MARCH 14, 2019**

<u>Particulars</u>	<u>Notes</u>	<i>in NPR 000</i>	
		<u>As At</u> <u>March 14, 2019</u>	<u>As At</u> <u>March 14, 2018</u>
<b><u>ASSETS</u></b>			
<b><u>Non-Current Assets:</u></b>			
Property Plant and Equipment	3	451,187	423,991
Capital Work-in-Progress		220,616	75,906
Other Intangible Assets	3.1	4,388	1,510
Other Non-current Assets	4	74,160	49,447
Deferred Tax Asset (Net)		-	5,266
		<u>750,351</u>	<u>556,120</u>
<b><u>Current Assets:</u></b>			
Inventories	5	514,905	457,811
<b>Financial Assets:</b>			
(a) Trade Receivables	6	727,602	687,906
(b) Cash and Bank Balances	7	238,071	219,346
(c) Other Financial Assets	8	24,687	18,537
(d) Investment in Fixed Deposits		1,230,285	1,002,916
		4,801	-
Income Tax Assets		9,988	18,910
Other Current Assets	9	<u>2,750,339</u>	<u>2,405,426</u>
		<u>3,500,690</u>	<u>2,961,546</u>
<b>TOTAL ASSETS</b>			
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>Equity:</u></b>			
Equity Share Capital	10	34,542	34,542
Other Equity	11	<u>2,858,932</u>	<u>2,215,190</u>
		<u>2,893,474</u>	<u>2,249,732</u>
<b><u>Non-Current Liabilities:</u></b>			
Other Financial Liabilities	12	63,400	44,722
Other Non Current Liabilities	13	22,381	14,372
Deferred Tax Liabilities (Net)	14	26,115	-
		<u>111,896</u>	<u>59,094</u>
<b><u>Current Liabilities</u></b>			
<b>Financial Liabilities:</b>			
(a) Trade Payables	15	201,575	226,727
(b) Other Financial Liabilities	16	233,147	361,675
Other Current Liabilities	17	54,258	34,226
Income Tax Liability		-	25,059
Provisions	18	6,340	5,033
		<u>495,320</u>	<u>652,720</u>
		<u>3,500,690</u>	<u>2,961,546</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			

Summary of Significant Accounting Policies 2

The accompanying notes form an integral part of the financial statements.

This is the Statement of Financial Position referred to in our report of even date.

On behalf of the Board of Directors

Krishna Bisht  
Company Secretary

Abhimanyu Chatterjee  
Director

Rishma Kaur  
Director

Kanwardip S. Dhingra  
Director

Srijit Dasgupta  
Director

Abhijit Roy  
Director

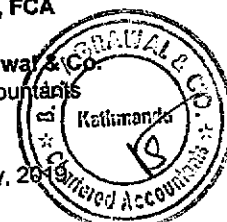
G. S. Dhingra  
Director

K. S. Dhingra  
Chairman

S.M. Shrestha, FCA  
Partner

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

Kathmandu  
Date: 12th May, 2019



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED MARCH 14, 2019**

Particulars	Notes	in NPR 000	
		Year ended March 14, 2019	Year ended March 14, 2018
<b>Income:</b>			
Revenue from operations	19	3,157,216	2,735,736
Other Income	20	152,573	106,342
<b>Total Income</b>		<b>3,309,789</b>	<b>2,842,078</b>
<b>Expenditure:</b>			
Cost of materials consumed	21	1,603,038	1,347,263
Purchases of Stock-in-Trade	22	62,694	97,152
Decrease/ (Increase) in inventories of finished goods, work-in-process and stock-in-trade	23	(12,703)	(110,822)
Employee benefits expense	24	146,985	111,643
Depreciation and amortization expense	25	57,823	46,435
Other expenses		458,865	488,927
Royalty & Technical Service Fee		31,627	30,475
<b>Total Expenditure</b>		<b>2,348,329</b>	<b>2,011,073</b>
<b>Profit before Statutory allocation &amp; Tax</b>		<b>961,460</b>	<b>831,005</b>
Less: Housing Reserves		-	11,704
Less: Employee Bonus		96,146	81,771
Less: Allocation for CSR		8,653	7,359
<b>Profit before Tax</b>		<b>856,661</b>	<b>730,171</b>
Less: Tax expense:			
Current Tax		178,717	153,283
Deferred Tax		31,858	(4,740)
Prior period expenses	26	435	5,154
<b>Profit after Tax for the year</b>		<b>645,651</b>	<b>576,474</b>
<b>Other Comprehensive Income:</b>			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains and (losses) on defined benefit obligations (net)		(2,386)	(1,595)
Deferred Income tax		477	319
<b>Other comprehensive income/(loss) for the year, net of tax (ii)</b>		<b>(1,909)</b>	<b>(1,276)</b>
<b>Total comprehensive income for the year, net of tax (i + ii)</b>		<b>643,742</b>	<b>575,198</b>
<b>Earnings per share ( in Rs.)</b>	27		
Basic		1,863.64	1,665.21
Diluted		1,863.64	1,665.21

Summary of significant accounting policies 2

The accompanying notes form an integral part of the financial statements.

This is the Statement of Profit or Loss referred to in our report of even date.

On behalf of the Board of Directors

Krishna Bisht  
Company Secretary

Abhimanyu Chatterjee  
Director

Abhijit Roy  
Director

Rishma Kaur  
Director

Kanwardip S. Dhingra  
Director

Srijit Dasgupta  
Director

K. S. Dhingra  
Chairman

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



Kathmandu  
Date: 12th May, 2019

**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 14, 2019**

*in NPR 000*

Particulars	Year ended March 14, 2019	Year ended March 14, 2018
<b>A. Operating Activities</b>		
Profit after Tax	645,651	576,474
Add: Depreciation	57,823	46,435
Less: Gain on Sale of Fixed Asset	(4,514)	(3,538)
Less: Interest Income from Non Operating Fund	(11,275)	(2,568)
Add: Deferred Tax Liability	31,858	(4,740)
Operating Profit before changes in Working Capital	<u>719,543</u>	<u>612,063</u>
<b>Working Capital Change in:</b>		
Current Financial Assets	(36,924)	(153,005)
Inventories	(57,094)	(173,935)
Non Current Liabilities	21,886	13,586
Current Liabilities	(157,400)	38,808
Other Comprehensive Income	(2,386)	(1,595)
Change in Other non-current Assets	(24,713)	(2,855)
<b>Cash Flow from Operating Activities</b>	<u>462,912</u>	<u>333,067</u>
<b>B. Investing Activities</b>		
Purchase of Fixed Assets	(242,953)	(204,033)
Profit on sale of fixed assets	4,514	3,538
Proceeds from deletion of fixed assets	10,346	29,760
Purchase of Investment	(227,369)	(1,002,916)
	<u>(455,462)</u>	<u>(1,173,651)</u>
<b>C. Financing Activities</b>		
Increase / (Decrease) in Housing Reserves	11,275	13,864
	<u>11,275</u>	<u>13,864</u>
<b>Net Cash In/(Out) flow (A+B+C)</b>	<u>18,725</u>	<u>(826,920)</u>
Add: Cash and Bank Balance at the beginning of the year	219,346	1,046,266
<b>Cash and Bank Balance at the closing of the year</b>	<u><u>238,071</u></u>	<u><u>219,346</u></u>

The accompanying notes form an integral part of the financial statements.  
 This is the Statement of Cash Flows referred to in our report of even date.

On behalf of the Board of Directors

Krishna Bisht  
Company Secretary

Abhimanyu Chatterjee  
Director

Rishma Kaur  
Director

Kanwardip S. Dhingra  
Director

Srijit Dasgupta  
Director

Abhijit Roy  
Director

G. S. Dhingra  
Director

K. S. Dhingra  
Chairman

S.M. Shrestha, FCA  
Partner

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

Kathmandu

Date: 12th May, 2019



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 14 MARCH 2019**

In NPR 000

**a. Equity Share Capital:**

<u>Particulars</u>	Number of Equity Shares as at		Paid-up Equity Capital as at	
	March 14, 2019	March 14, 2018	March 14, 2019	March 14, 2018
Equity Shares of Rs 100 each issued, subscribed and fully paid	345,421	345,421	34,542	34,542

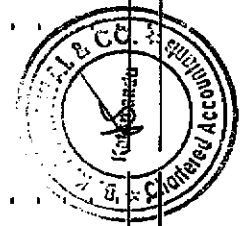
**b. Other equity**

**For the year ended 14 March 2019**

<u>Particulars</u>	Reserves & Surplus				Items of OCI		Total Equity
	Share Premium	Employee Stock options outstanding account	Retained earnings	Capital Reserve	Capital Redemption reserve	Other Items of OCI	
At the beginning of year	15,556	-	2,102,746	-	-	-	2,118,302
Profit allocation for the period	-	-	634,376	-	-	-	634,376
Other comprehensive income	-	-	-	-	-	(1,909)	(1,909)
<b>Total Comprehensive Income</b>	<b>15,556</b>	<b>-</b>	<b>2,737,122</b>	<b>-</b>	<b>-</b>	<b>(1,909)</b>	<b>2,750,769</b>
Issue of share capital	-	-	-	-	-	-	-
Exercise of share options	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-	-
Cash Dividend	-	-	-	-	-	-	-
<b>At the closing of year</b>	<b>15,556</b>	<b>-</b>	<b>2,737,122</b>	<b>-</b>	<b>-</b>	<b>(1,909)</b>	<b>2,750,769</b>

**For the year ended 14 March 2018**

<u>Particulars</u>	Reserves & Surplus				Items of OCI		Total Equity
	Share Premium	Employee Stock options outstanding account	Retained earnings	Capital Reserve	Capital Redemption reserve	Other Items of OCI	
At the beginning of year	15,556	-	1,530,116	-	-	-	1,545,672
Profit allocation for the period	-	-	572,630	-	-	-	572,630
Other comprehensive income	-	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>15,556</b>	<b>-</b>	<b>2,102,746</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,118,302</b>
Issue of share capital	-	-	-	-	-	-	-
Exercise of share options	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-	-
Utilized during the year	-	-	-	-	-	-	-
Cash Dividend	-	-	-	-	-	-	-
<b>At the closing of year</b>	<b>15,556</b>	<b>-</b>	<b>2,102,746</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,118,302</b>





**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
Notes to the Financial Statements for the year ended March 14, 2019

**1. Corporate Overview:**

Berger Jenson & Nicholson (Nepal) Private Limited (The "Company") is a private limited company incorporated under Foreign Investment and Technology Transfer Act and Companies Act of Nepal having its Registered Office at Bhaktapur Industrial District, Bhaktapur, PO Box 3530, Kathmandu, and Manufacturing Unit-1 at Bhaktapur Industrial District (BID), Bhaktapur and Manufacturing Unit-2 at Hetauda Industrial District (HID), Makawanpur, Nepal. The primary objectives of the company is to manufacture decorative paints and related products.

**2. Statement of Significant Accounting Policies:**

**a) Basis of preparation of Financial Statements:**

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

**b) Use of estimates:**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities on the date of the financial statements. Examples of such estimates include provision against litigations, provision for sales return, provision for customer claims and impairment of assets. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on ongoing basis. Differences between actual results and estimates are recognized in the periods in which the results are known/materialized.

**c) Current and non-current classification:**

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out by the company.

**Assets:**

An asset is classified as current when it satisfies any of the following criteria:

1. It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
2. it is held primarily for the purpose of being traded;
3. It is expected to be realized within 12 months after the reporting date; or
4. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

**Liabilities:**

1. It is expected to be settled in the Company's normal operating cycle;
2. it is held primarily for the purpose of being traded;
3. It is due to be settled within 12 months after the reporting date; or
4. The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Current assets/liabilities include the current portion of non-current financial assets/liabilities respectively. All other assets/liabilities are classified as non-current.

**Operating Cycle:**

Operating Cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.

**d) Fixed Assets:**

**D.1) Tangible Assets:**

**Owned assets:**

Fixed assets are stated at their original cost of acquisition/installation/construction (net of Value Added Tax), less accumulated depreciation and impairment losses, if any, except land. Land is stated at cost inclusive of land development expenses. The cost of an item of tangible fixed assets comprises its purchase price, including import duties.

**Leased assets:**

The Company has renewed on 15/01/2002 (2058/10/02) the lease agreement of land & buildings with Bhaktapur Industrial District (BID), Bhaktapur, Nepal for initial period of 20 years with an option to renewal. The lease rental paid to the BID has been charged to revenue.

The Company has, with approval from concern authorities of Government of Nepal, also acquired a land on 2064/06/01 (18/09/2007) on lease from Hetauda Industrial District (HID), Makawanpur, Nepal for initial period of 20 years, with an option to further renewal for a period mutually agreed between the parties. The lease rental paid to HID has been charged to revenue.

**Capital work in Progress:**

Capital work in progress includes expenditure incurred during construction and or advances paid for acquisition of capital assets (including financing cost relating to borrowed funds for construction or acquisition of qualifying fixed assets), and is stated at the amount expended/paid up to the reporting date.



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
Notes to the Financial Statements for the year ended March 14, 2019

Notes Contd..

**D.2) Intangible Assets:**

Intangible assets comprise of Computer Software acquired by the Company and Trade Marks which is stated at cost less amortization.

**D.3) Depreciation:**

Depreciation is charged to statement of profit & loss on straight line method (SLM) as per their estimated useful life. The rates derived as per their useful life are given below: Depreciation on additions to fixed assets has been charged from the date it put to use. Land is not depreciated. The management considers that the assets if depreciated at the following rates, the assets shall be amortized during its useful life as per Nepal Accounting Standards, The rate applied are as follows:

Particulars	Rate
Buildings	4%
Furniture/ Fixtures & Office Equipment	10%
Computer, Printer & Accessories	25%
Vehicles	20%
Plants & Machineries	5%
Colourbank Machine	20%
Others (Product display Furniture & fixtures at dealers place SLM)	20%
Intangible (SLM)	20%

Buildings has been constructed on the leased land obtained from Bhaktapur Industrial District and Hotauda Industrial District for initial period of 20 years with option to renewal of the same for further period as agreed between the parties. As such, the depreciation on buildings has been charged as per the rates as specified above.

As per the Company's policy written down value below of Rs 2,000 of individual asset is fully amortised & charged to revenue.

**D.4) Amortization:**

Intangible assets, i.e. computer software and Trade Marks are amortized on straight line method over the period of expected benefit as detailed below:

Particulars	Rate
Software	5 Years
Product display Furniture & fixtures at dealers place	5 Years
Trade Marks	7 Years

**D.5) Subsequent Expenditure:**

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

**e) Impairment of Assets:**

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

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.

**f) Going Concern:**

The financial statements have been prepared on a going concern basis.

**g) Inventories (As taken, valued & certified by the Management):**

Inventories comprises of the stocks remains at the third party location sent for job work under an agreement. Finished goods inventories are stated at the lower of cost or estimated net realizable value. Net realizable value is the estimated selling price in the ordinary course of business. Costs comprise stocks of purchases and manufacturing overheads. Other inventories are valued as follows:

- i) Raw Materials, Packing Materials and Stores & Spares are valued at weighted average cost.
- ii) Work in Progress is valued at cost.
- iii) Scrap is valued at net realizable value.

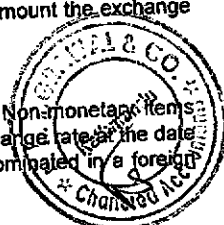
**h) Foreign Currency Transaction:**

**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 the transaction.

**Conversion:**

Foreign currency monetary items are translated using exchange rates prevailing at the reporting date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are translated using the exchange rates that existed when the values were determined.



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
Notes to the Financial Statements for the year ended March 14, 2019

Notes Contd..

**Exchange Difference:**

Exchange differences arising on the settlement of monetary items or on restatement of the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

**i) Trade and other payables:**

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

**j) Cash and Bank Balances:**

Cash and bank balances comprises cash in hand and balances with Banks as on reporting date.

**k) Employee Benefits:**

i) Short term employee benefits are recognized in the year during which the services have been rendered.

ii) The Company has hired HR Companies to provide few marketing and other Staffs under their payroll for the company's work and the payments for the service provided by employees of HR Companies is directly made to the HR Companies. No any long term liabilities for those staff is required to be recognized in the books of the company.

iii) The Company has schemes of retirement benefits viz. Provident Fund, Gratuity and Leave Encashment. Periodic contributions to the retirement fund are charged to revenue and the same has been deposited with statutory authorities of Government of Nepal.

**l) Provisions, contingent Liability and Contingent Assets:**

Provisions are recognized when the Company has a present obligation as a result of past event; it is more likely than not that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These are reviewed at each reporting date and adjusted to reflect the current best estimates in accordance with Nepal Accounting Standards "Provisions, Contingent Liabilities and Contingent Assets".

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

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

**m) Revenue Recognition:**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable net of value added tax, excise, rebates and discount. The following specific criteria are used for the revenue recognition:

**Sale of goods:**

Revenue from the sale of goods is recognized in the Statement of Profit and Loss when the significant risks and rewards of ownership have been transferred to the buyer.

**Sale of Scrap:**

Revenue from the sale of scrap is recognized in the Statement of Profit and Loss when the significant risks and rewards of ownership have been transferred to the buyer and are stated under other income.

**Income from Color-Bank Machine:**

Income from color bank machine is recognized in the Statement of Profit and Loss on Straight Line basis over the term of agreement and are stated under other income.

**Interest Income:**

Interest income is recognized on a time proportion basis taking into account the principal outstanding and interest rate applicable.

**Insurance & Other Claims:**

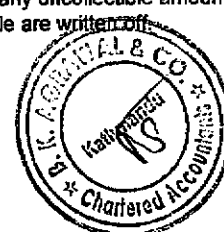
Insurance and Other Claims, to the extent it is not ascertainable, are accounted for on cash basis which is not in accordance with Nepal Accounting Standards.

**n) Related party transactions:**

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

**o) Trade and other Receivables:**

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



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
Notes to the Financial Statements for the year ended March 14, 2019

Notes Contd..

- p) **Borrowing Costs:**  
Borrowing costs attributable to the acquisition of the asset is capitalized as part of the cost of the asset. Other Financing/Borrowing costs are charged to the Statement of Profit and Loss in accordance with Nepal Accounting Standards on "Borrowing Costs".
- q) **Taxation:**  
**Current Tax:**  
Current Income tax is measured at the amount expected to be paid to the tax authorities in accordance with Nepalese Income Tax Act, 2058 and provided for.
- Deferred Tax:**  
Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets are recognized and reviewed at each reporting date, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. At each reporting date, unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized in accordance with Nepal Accounting Standards "Income Taxes". Deferred tax has been recognized up to the close of Nepali Fiscal Year on July 16, 2018. The actual deferred tax expenses/income arising from July 17, 2018 to March 14, 2019 has not been computed and accounted for as the same shall be recognized as of close of Nepali Fiscal Year on July 16, 2019.
- r) **Leases:**  
**Financial Lease :**  
The company does not have any item covered under finance lease which needs disclosure as per Nepal Accounting Standards.
- Operating Lease :**  
*Where the Company is the Lessee:*  
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.
- Where the Company is the Lessor:*  
Assets given under operating lease are included in fixed assets. Lease income is recognized in the Statement of Profit & Loss Costs, including Depreciation are recognized as an expenses in the Statement of Profit & Loss
- s) **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.
- t) **Prior Period Items:**  
The prior period expenses are charged separately to the Statement of Profit & Loss.
- u) **Operating Segments:**  
Having regard to the integrated nature of the Paints production Business of the company, the management of the Company is of view that the disclosure requirement of "Operating Segments" pursuant to the Nepal Accounting Standards is not applicable.
- v) **Share Based Payments:**  
Share based payment transaction is a transaction in which entity receives goods and services as consideration for equity instruments (including shares or share options) of the entity (referred to as "equity settled share passed transaction"). There is no share based transactions during the Year.
- w) **Earning Per Share (EPS):**  
Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.
- For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all diluted-potential equity shares.



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
Notes to the Financial Statements for the year ended March 14, 2019

**3. Property Plant & Equipment**

Particulars	Gross Block at Cost			Depreciation / Amortisation			Net Block			
	As at 14/03/2018	Additions during the year	Deletion/ adjustment during the year	Total as of 14/03/2019	As at 14/03/2018	For the Year	On Deletions	Total As at 14/03/2019	As on	As on
									14/03/2018	14/03/2019
Buildings (Leasehold)	284,605	-	-	284,605	89,230	11,384	-	100,614	183,991	195,375
Furniture & Fixtures and Office Equipment	22,932	14,258	229	36,961	10,284	2,994	25	13,253	23,708	12,648
Computer Printer & Accessories	9,492	4,278	272	13,498	5,156	2,045	106	7,095	6,403	4,336
Plant & Machineries	160,846	48,106	-	208,952	50,615	9,207	-	59,822	149,130	110,231
Color Bank Machine	175,181	14,194	10,424	178,951	88,053	25,588	10,424	103,217	75,734	87,128
Vehicles	18,303	2,604	1,467	19,440	5,926	3,338	522	8,742	10,698	12,377
Other Assets	14,421	2,014	-	16,435	12,525	2,387	-	14,912	1,523	1,896
<b>Total</b>	<b>685,780</b>	<b>85,454</b>	<b>12,392</b>	<b>758,842</b>	<b>261,789</b>	<b>56,943</b>	<b>11,077</b>	<b>307,866</b>	<b>451,187</b>	<b>423,991</b>
Capital Work-in-Progress	75,906	153,741	9,031	220,616	-	-	-	-	220,616	75,906
<b>Total</b>	<b>75,906</b>	<b>153,741</b>	<b>9,031</b>	<b>220,616</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>220,616</b>	<b>75,906</b>

**3.1 Other Intangible Assets**

Computer Software & Licenses	4,125	3,758	-	7,883	2,615	880	-	3,495	4,388	1,510
<b>Grand Total (This Year)</b>	<b>765,811</b>	<b>242,953</b>	<b>21,423</b>	<b>987,341</b>	<b>264,404</b>	<b>57,823</b>	<b>11,077</b>	<b>311,150</b>	<b>676,191</b>	<b>501,407</b>
<b>Grand Total (Last Year)</b>	<b>603,385</b>	<b>204,033</b>	<b>41,607</b>	<b>765,811</b>	<b>229,616</b>	<b>46,435</b>	<b>11,847</b>	<b>264,404</b>	<b>501,407</b>	<b>373,569</b>

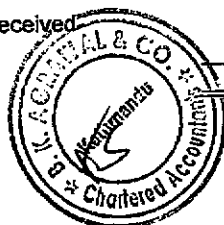


**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 14, 2019**

*in NPR 000*

	As At March 14, 2019	As At March 14, 2018
<b>4. Other Non-Current Assets</b>		
Deposit with Government authorities	71,907	47,356
Deposits with state owned authorities	352	390
Prepayments	1,901	1,701
	<u>74,160</u>	<u>49,447</u>
<b>5 Inventories (including in transit)</b> (at lower of cost and net realizable value)		
Raw Materials	191,149	143,240
Packing Materials	18,459	22,245
Work in process	10,018	11,288
Finished goods	245,970	216,133
Stores and Spare Parts	5,034	5,035
Stock-in-Trade	21,954	37,818
Shade Cards	22,321	22,052
	<u>514,905</u>	<u>457,811</u>
<b>6 Trade Receivables</b>		
Unsecured, considered good	727,602	687,906
Doubtful	1,567	2,535
	<u>729,169</u>	<u>690,441</u>
Less: Provision for Doubtful Receivables *	(1,567)	(2,535)
	<u>727,602</u>	<u>687,906</u>
<b>7. Cash and Bank balances</b>		
<u>Cash and cash equivalents</u>		
Cash in hand (As certified by management)	1,170	908
<u>Balances with banks</u>		
In Current Account	236,901	218,438
In Fixed Deposit Account (Less than 3 month)	-	-
<u>Other bank balances</u>		
In Fixed Deposit Account (with original maturity of more than three months but less than 12 months)	-	-
	<u>238,071</u>	<u>219,346</u>
<b>8 Other Financial Assets</b>		
Secured, considered good		
Unsecured, considered good		
Loans and advances to related parties		
Others		
Interest Receivable on Fixed Deposits	24,482	14,945
Other Receivables	205	3,592
	<u>24,687</u>	<u>18,537</u>
<b>9 Other Current Assets</b>		
Prepaid	8,916	11,905
Advances recoverable in cash or kind or for value to be received	1,072	7,005
	<u>9,988</u>	<u>18,910</u>

\*In the past last years Rs 2535 thousand receivables was considered as doubtful and provision provided for, out of which Rs 968 thousand had been recovered and accounted for as miscellaneous income.



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 14, 2019**

in NPR 000

	As At March 14, 2019	As At March 14, 2018
<b>10 Share Capital</b>		
Authorized : 11,136,810 Equity shares of NRs.100/- each	1,113,681	1,113,681
Issued : 11,136,810 Equity shares of NRs.100/- each	1,113,681	1,113,681
Subscribed and paid-up : 345,421 Equity shares of NRs.100/- each	34,542	34,542
	<u>34,542</u>	<u>34,542</u>

**a) Details of Shareholders having more than 5% of holding :**

The Company is promoted by Berger Paints India Limited, holding 100% Equity Shares and there are no other Shareholders holding more than 5% of Equity Shares.

**b) Reconciliation of the number of shares and the amount of share capital :**

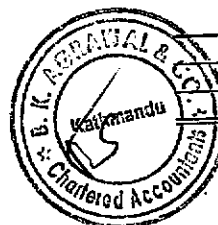
There is no movement in number of Equity Shares and Paid-up Capital in this year and during last 2 years.

**c) Terms / rights attached to equity shares**

The Company has only one class of Equity Shares having a par value of Nepalese Rupees 100 each. Each holder of Equity Shares are entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**d) Shares reserved for issue under options**

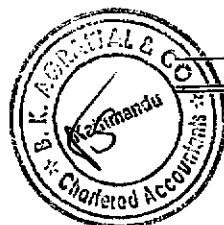
	Nil	Nil
<b>11 Other Equity</b>		
<b>A. Reserves &amp; Surplus</b>		
(I) Share Premium	15,556	15,556
(II) Retained Earnings		
Balance at the beginning of the year	2,102,746	1,530,116
Add: Net profit transferred from Statement of Profit and Loss	643,742	575,198
Less: Interest on Housing Fund Fixed Deposit transfer to Housing Fund	(11,275)	(1,960)
Interest on Welfare Fund Fixed Deposit transfer to Welfare Fund	-	(608)
Amount available for Appropriation	<u>2,735,213</u>	<u>2,102,746</u>
Less: Appropriations		
Transfer to Housing Fund	<u>2,735,213</u>	<u>2,102,746</u>
	<u>2,750,769</u>	<u>2,118,302</u>
<b>B. Other Reserves</b>		
(I) Employee Stock Options outstanding	-	-
(II) Capital Reserve	-	-
(III) Capital Redemption Reserve	-	-
(IV) Housing Fund		
Balance at the beginning of the year	96,888	83,224
Add: Transferred from Statement of Profit & Loss	-	11,704
Interest transferred	11,275	1,960
Less: Utilized during the year	-	-
Balance at the end of the year	<u>108,163</u>	<u>96,888</u>
	<u>2,858,932</u>	<u>2,215,190</u>



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 14, 2019**

*in NPR 000*

	As At March 14, 2019	As At March 14, 2018
<b>12 Other Non Current Financial Liabilities</b>		
Deposits	63,400	44,722
Others		
	<u>63,400</u>	<u>44,722</u>
<b>13 Other Non Current Liabilities</b>		
Others	22,381	14,372
	<u>22,381</u>	<u>14,372</u>
<b>14 Deferred Tax Liabilities (Net)</b>		
At the beginning of year	5,266	207
Recognized in Statement of Profit or Loss		
Deferred Tax Liabilities		
Difference in valuation method of Inventories	(227)	(95)
Difference between the Written Down Value of fixed assets as per financial books and Income Tax Act, 2058	(32,741)	(2,462)
	<u>(32,968)</u>	<u>(2,557)</u>
Deferred Tax Assets		
Housing Fund	1,110	7,616
	<u>1,110</u>	<u>7,616</u>
Adjustment of Deferred tax on OCI for Previous year	(31,858)	4,740
Others through other comprehensive income	477	319
	<u>(26,115)</u>	<u>5,266</u>
<p>The Deferred Tax Assets or Liabilities on Fixed Assets and Inventories has been calculated based on the tax base as of July 16, 2018 being the fiscal year end of Nepali Fiscal Year.</p>		
<b>15 Trade Payables</b>		
Sundry Creditors	201,575	226,727
	<u>201,575</u>	<u>226,727</u>
<b>16 Other Financial Liabilities</b>		
Employee Bonus	65,690	128,468
Accrued Employee Liabilities	10,242	11,778
Security Deposits & retention money	1,185	230
Other liabilities	156,030	221,199
	<u>233,147</u>	<u>361,675</u>
<b>17 Other Current Liabilities</b>		
Other Statutory Liabilities	44,056	27,952
Revenue Received in Advance	10,202	6,274
	<u>54,258</u>	<u>34,226</u>
<b>18 Short-term Provisions</b>		
Provision for Employee Benefits	4,837	4,030
Provision for Gratuity	1,503	1,003
Provision for Leave Encashment	6,340	5,033

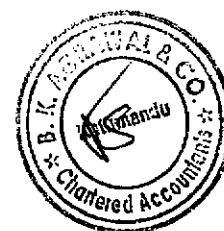




**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 14, 2019**

*in NPR 000*

	<u>As At</u> <u>March 14, 2019</u>	<u>As At</u> <u>March 14, 2018</u>
<b>19 Revenue from Operations</b>		
Sale of Products	3,128,939	2,706,927
Scrap Sales	17,297	19,118
Other Operating Income	10,980	9,691
	<u>3,157,216</u>	<u>2,735,736</u>
<b>20 Other Non Operative Income</b>		
Interest Income	128,679	85,705
Profit on sale of Fixed Assets (net)	4,514	3,538
Miscellaneous Income	19,380	17,099
	<u>152,573</u>	<u>106,342</u>
<b>21 Cost of Materials Consumed</b>		
<u>Raw Materials Consumed</u>		
Opening Stocks	143,240	107,838
Add: Purchases	1,432,553	1,193,501
Less: Closing Stock	191,149	143,240
<b>Total (A)</b>	<u>1,384,644</u>	<u>1,158,099</u>
<u>Packing Materials Consumed</u>		
Opening Stocks	22,245	17,468
Add: Purchases	214,608	193,941
Less: Closing Stock	18,459	22,245
<b>Total (B)</b>	<u>218,394</u>	<u>189,164</u>
<b>Total (A+B)</b>	<u>1,603,038</u>	<u>1,347,263</u>
	<u>1,603,038</u>	<u>1,347,263</u>
<b>22 Purchases of Stock-in-Trade</b>		
Colorant	56,144	64,086
Painting Tools	6,550	33,066
	<u>62,694</u>	<u>97,152</u>
<b>23 Decrease/ (Increase) in inventories of finished goods, work-in-process and stock-in-trade</b>		
<u>Opening Stocks</u>		
Work-in-process	11,288	-
Stock-in-Trade	37,818	11,327
Finished Goods	216,133	143,090
	<u>265,239</u>	<u>154,417</u>
<u>Closing Stocks</u>		
Work-in-process	(10,018)	(11,288)
Stock-in-Trade	(21,954)	(37,818)
Finished Goods	(245,970)	(216,133)
	<u>(277,942)</u>	<u>(265,239)</u>
	<u>(12,703)</u>	<u>(110,822)</u>



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 14, 2019**

*in NPR 000*

	<u>As At</u> <u>March 14, 2019</u>	<u>As At</u> <u>March 14, 2018</u>
<b>24 Employee Benefits Expense</b>		
Salaries and Wages	136,779	104,123
Contribution to provident and other funds	3,811	3,054
Staff Welfare Expenses	6,395	4,466
	<u>146,985</u>	<u>111,643</u>
<b>25 Other Expenses</b>		
Power & Fuel	7,847	6,773
Consumption of Stores and Spare Parts	1,881	2,785
Repairs & Maintenance	5,788	5,490
Rent	19,425	10,094
Rates & Taxes	1,978	2,986
Travelling	18,791	14,761
Advertisement and Sales Promotion Expenses	184,403	279,606
Freight Outward and Delivery	105,013	82,134
Insurance	14,985	12,513
Outsourced Sales Service	23,968	17,911
ISO Training & Development	374	-
Data Transfer Expenses - Internet	2,576	-
Other expenses *	51,959	38,141
Material Processing Expenses	19,877	15,733
	<u>458,865</u>	<u>488,927</u>
<b>* Other Expenses includes Auditor's Remuneration and expenses as below:</b>		
Statutory Audit Fee	400	300
Periodical Audit Fee	200	200
Miscellaneous Certifications	25	15
Reimbursement of expenses	50	50
	<u>675</u>	<u>565</u>
<b>26 Prior Period Expenses</b>		
Leave Encashment*	-	495
Gratuity*	-	4,598
Others	435	61
	<u>435</u>	<u>5,154</u>

\*The gratuity and leave encashment amounting to NPR 4598 Thousand & NPR 495 thousand respectively pertains to year ended March 14, 2017 is the deficit of fund in the plan assets as compared to defined benefit obligation as per the actuarial valuation report.

<b>27 Earnings Per Share</b>			
i) Profit after Taxation	Rs. 000	645,651	576,474
ii) Weighted average of Equity Shares outstanding	Nos.	345,421	345,421
iii) Effect of potential Equity Shares on Employee Stock Options outstanding	Nos.	-	-
iv) Weighted average number of Equity Shares in computing diluted earnings per share [(ii) + (iii)]	Nos.	345,421	345,421
v) Earnings per share : (Face Value Rs. 100.00 per Share) -			
-Basic [(i) / (ii)]	in Rs.	1869.17	1668.90
-Diluted [(i) / (iv)] - in Rs.	in Rs.	1869.17	1668.90



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 14, 2019**

**28. Income Tax, VAT & Excise:**

- i) Income tax on the profit for the year comprises current tax payable on the taxable income calculated as per Income Tax Act, 2058.
- ii) Income tax assessment up to fiscal year 2063-64 (FY 2006-07) was completed by the tax authorities in earlier years and all the tax payable as per the assessment has been paid by the Company. The tax assessment for the fiscal Year 2064-65 (FY 2007-08) to 2071-72 (2014-15) was also completed by the tax authorities during the period under review and has raised additional demand of income Tax and VAT from the Company. The Company has not accepted the additional demand and disputed the same (see note 3.06). The Excise Duty assessment was completed by Inland Revenue Department (IRD) from 2064-04-01 to 2072-03-31 (2007-07-17 to 2015-07-16) and raised additional demand which was not accepted by the Company and the Company filed application to IRD for administrative review. The decision of the same is still awaited.
- iii) The PCA audit has been conducted by the Custom Clearance office and excise duty of Rs.19.36 lakh and VAT of Rs.2.52 Lakh has been demanded with the company vide letter Ch. No.482, Demand No.115 dated 2074.08.04. The company has not accepted the said assessment and has gone for appeal to the revenue tribunal and has deposited a sum of Rs.21.88 lakh as deposit as per the demand order.

**29. Transactions with Parent Company:**

The company is subsidiary of M/s Berger Paints India Limited (BPIL), a Company incorporated in India under Indian Companies Act, 1956 which owns 100% of the Company's shares. The Transaction with parent company is as below:

	Year ended March 14, 2019 Rs. 000	Year ended March 14, 2018 Rs. 000
Opening balance (due to BPIL)	137,526	85,508
Purchases	220,473	144,541
Royalty & Technical Service Fee (Gross)	31,627	30,475
Payment during the Reporting period	<u>(300,188)</u>	<u>(122,998)</u>
Closing Balance	<u>89,438</u>	<u>137,526</u>

**30. Royalty & Technical Service Fee:**

The company has renewed Royalty & Technical Service Agreement dated September 24, 2006 with Berger Paints India Limited (BPIL) and obtained approval from the Department of Industries effective from November 24, 2016, for the further period of 5 years, in respect of Royalty @ 1% and Technical Service Fee @ 2% on net sales of registered products of BPIL. Accordingly, Royalty and Technical Service Fee payable on registered products has been charged to revenue during the reporting period amounting to NRs.31,627 (PY NRs.30,475) thousand.

**31. Contingent Liabilities:**

a) Claims against the Company not acknowledged as debts :

	Year ended March 14, 2019 Rs. 000	Year ended March 14, 2018 Rs. 000
VAT	34,850	34,850
Income tax	32,730	32,730
Excise Duty	25,555	25,555
TDS	22,669	21,312

The Company is of the view that none of the claims are tenable and is therefore contesting the same. The future cash flows on account of the above cannot be determined unless the judgment/decisions are received from the ultimate judicial forums.

	NPR 000	NPR 000
b) Guarantees issued by the Company in ordinary course of business	Nil	Nil
c) Unexpired Letter of Credit/ DAP/ DAAP	47,497	50,932

**32. Capital & Other Commitments:**

Estimated amount of contracts remaining to be executed on capital account not provided for	38,548	Nil
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**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 14, 2019**

*Notes Contd..*

**33. Employee Bonus:**  
 Employee Bonus has been provided @10% of net profit before tax as per Bonus Act, 2030. Accordingly, a sum of NPR 96146 (PY NPR 81771) thousand has been provided in the books and company has already paid for the Bonus, for the period of 15th March, 2018 to 15th July, 2018 based on Nepali fiscal year

**34. Advances:**  
 The Company has given advances to various parties in the ordinary course of business which are considered good and recoverable.

**35. Housing Reserves:**  
 Housing Reserve appearing in statement of profit & loss of FY 2017-18 is the allocation for housing reserve provided as per requirement of old Labour Act, 2048 up to July 15, 2017. As per new Labour Act, there is no requirement to allocate housing reserve, hence Housing reserve provision has not been provided during the year.

The Company has utilized, in 2071-72 (2014-15) year, a sum of Rs. 7,059 thousand from the Housing Reserves to provide repairing assistance to employees for repair & maintenance of house damaged due to the Devastating Earthquake of April 2015.

**36. Revaluation:**  
 Fixed assets are not revalued during the period.

**37. Land & Buildings on Lease:**  
 The details of the leased properties are as follows:

Particulars	Bhaktapur Industrial District	Hetauda Industrial
Industrial District	Bhaktapur	Hetauda
Lease started from	15.01.2002	18.09.2007
Property	Land & Part of Factory Buildings	Land
Period of Lease	20 Years	20 Years
Renewal Option	Available	Available

**38. Foreign currency risk**  
 Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates of any currency . The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities by way of direct imports or financing of imports through foreign currency instruments.

The Company proactively hedged its currency exposures in case of a significant movement in exchange rates for imports and in case the hedged cost of foreign currency instrument is lower than the domestic cost of borrowing in case of short term import financing .

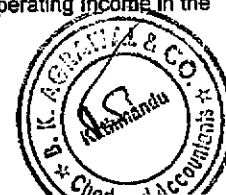
**39. Liquidity risk**  
 The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, cash credit facilities and buyers' credit facilities. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company has access to a sufficient variety of sources of funding and debt.

**40. Share Premium:**  
 The Company have Share Premium Reserve of Rs 15,556 thousand since earlier years and stated under Reserves & Surplus.

**41. Color Bank Machine at Dealers Place:**  
 The Company provides Colorbank Machines (Color Mixing Machine) to its Dealers' on rental for the purposes of paint mixing and make these salable. The income generated from such machine rental is shown under Revenue from operation on Straight Line basis over the term of agreement period. The machines are in the ownership of the company and the Company is charging depreciation.

The Company has disposed off 57 sets of color shade developing machines (CBM) during the reporting period as per the policy of the Company. The profit on the disposal of these CBM are shown under Other Non Operating Income in the Income Statement.



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 14, 2019**

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**42. Capital Work-in-Progress:**

Capital Work-in-Progress includes various civil constructions and Office equipment not put-to-use. The value of capital work-in-progress is as certified by the management.

<u>Particulars</u>	NPR 000
	<u>Closing Balance</u>
Colorbank Machine (Not put to use)	10,049
Asset not put to use	27,001
Civil Construction	183,566
<b>Total</b>	<b>220,616</b>

**43. Donation;**

The Company has paid donations to various parties which is in excess of the limit mentioned in section 105(1)(Ga) of Companies Act, 2063, wherein a maximum limit of NPR 50 thousand has been fixed.

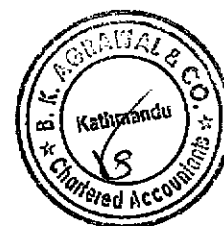
**44. Earning Per Shares (EPS):**

The earning per shares has been calculated as below:

<u>Particulars</u>	Year ended	Year ended
	<u>March 14, 2019</u>	<u>March 14, 2018</u>
Profit after tax for the year (Rs.)	643,742,000	575,198,000
Weighted average no. of equity shares (Units)	345,421	345,421
Diluted number of equity shares (Units)	345,421	345,421
Nominal value of shares (Rs.)	100	100
Basic Earning per share (Rs.)	1,864	1,665
Diluted Earning per share (Rs.)	1,864	1,665

**45. Advertisement and Sales Promotion Expenses:**

The Company has incurred advertisement and sales promotion expenses to the tune of NPR 184403 (PY NPR 279606) thousand during the reporting period, which comprises of expenses on various promotional activities, advertisement activities and guest entertainment expenses related to sales.



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 14, 2019**

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46. Employee Benefits Obligation

(I) Defined benefit plans

(a) Gratuity

(i) The following table summarizes the components of net benefit expense recognised in the Statement of Profit or loss and OCI and the funded status and amounts recognised in the Statement of Financial Position.

Particulars	NPR 000	
	Current Year	Previous Year
<b>Changes in the present value of defined benefit obligation</b>		
Present value of defined benefit obligation as at year beginning	17,727	15,048
Current Service Cost	1,757	1,948
Interest Cost	1,494	1,266
<b>Remeasurements (gains)/losses</b>		
-Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
-Actuarial (gains)/losses arising from changes in financial assumptions	-	-
-Actuarial (gains)/losses arising from changes in experience adjustments	2,234	41
Benefits Paid	(1,598)	(576)
<b>Present value of defined benefit obligation as at year end</b>	<b>21,614</b>	<b>17,727</b>

<b>Changes in fair value of plan assets</b>		
Fair Value of Plan Assets as at year beginning	13,697	10,450
Interest Income	1,074	1,015
<b>Remeasurements (gains)/losses</b>		
-Return on plan assets, (excluding amount included in net interest expense)		
-Actuarial (gains)/losses arising from changes in financial assumptions	-	-
Employer's Contribution	3,604	2,808
Benefits Paid	(1,598)	(576)
<b>Fair Value of Plan Assets as at year end</b>	<b>16,777</b>	<b>13,697</b>

<b>Amounts Recognised in the Statement of Financial Position</b>		
Present value of defined benefit obligation at the year end	21,614	17,727
Fair Value of the Plan Assets at the year end	16,777	13,697
<b>Liability/(Asset) Recognised in the Statement of Financial Position</b>	<b>(4,837)</b>	<b>(4,030)</b>

Particulars	Current Year	Previous Year
<b>Expense recognised in the Statement of Profit or Loss:</b>		
Current Service Cost	1,757	1,948
Net Interest Cost/(Income)	420	251
<b>Net Cost Recognised in the Statement of Profit or Loss</b>	<b>2,177</b>	<b>2,199</b>

<b>Expense recognised in the Other Comprehensive Income:</b>		
Remeasurements (gains)/losses	2,386	1,595
<b>Net Cost Recognised in the Statement of Profit or Loss</b>	<b>2,386</b>	<b>1,595</b>

(ii) The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

Significant Actuarial Assumptions	Current Year	Previous Year
Discount Rate	8.5%	8.5%
Employee turnover	2.00%	2.00%
Mortality Rate	Nepal Mortality Rates	Nepal Mortality Rates
Future Salary Increase (%)		

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market

Assumptions regarding future mortality experience are set in accordance with the Nepal Mortality Rates.

The discount rate is based on the return on Long Term Fixed Deposits.

The Company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 14, 2019**

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(iii) Major category of Plan Assets of the fair value of the total plan assets are as follows:-

	<u>Current Year</u>	<u>Previous Year</u>
Investments quoted in active markets:		
Quoted equity investments	-	-
Manufacturing and consumer products sector	-	-
Telecom sector	-	-
Cash and cash equivalents	-	-
Unquoted Investments:	-	-
Bonds issued by India government	-	-
Property	-	-
Assets under scheme of insurance	100%	100%

(iv) A quantitative sensitivity analysis for significant assumption as at 31 March 2019 is as shown below:

Assumptions Sensitivity Level	<u>Current Year</u>		<u>Previous Year</u>	
	<u>Discount rate</u>		<u>Discount rate</u>	
	<u>1% increase</u>	<u>1% decrease</u>	<u>1% increase</u>	<u>1% decrease</u>
	<u>NPR 000</u>	<u>NPR 000</u>	<u>NPR 000</u>	<u>NPR 000</u>
Impact on defined benefit obligation	(2,261)	2,674	(1,883)	2,220

Assumptions Sensitivity Level	<u>Current Year</u>		<u>Previous Year</u>	
	<u>Future Salary increase</u>		<u>Future Salary increase</u>	
	<u>1% increase</u>	<u>1% decrease</u>	<u>1% increase</u>	<u>1% decrease</u>
	<u>NPR 000</u>	<u>NPR 000</u>	<u>NPR 000</u>	<u>NPR 000</u>
Impact on defined benefit obligation	2,640	(2,274)	2,199	(1,900)

Assumptions Sensitivity Level	<u>Employee Turnover</u>		<u>Employee Turnover</u>	
	<u>1% increase</u>	<u>1% decrease</u>	<u>1% increase</u>	<u>1% decrease</u>
	(Rs. crores)	(Rs. crores)	(Rs. crores)	(Rs. crores)
Impact on defined benefit obligation				

Impact on defined benefit obligation

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by one percentage, keeping all other actuarial assumptions constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(a) Based on interest rates of government bonds

(b) Based on management's estimate

(v) Risk Exposure

Since the employees gratuity fund is a defined benefit plan the liability to be provided will be subject to interest rate risk since the future valuation of benefit depends upon the yield of government bonds for matching maturities

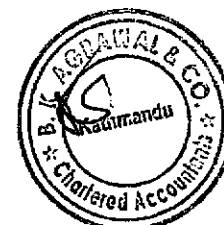
(vi) Defined Benefit Liability and Employer Contributions

Since the employees gratuity fund is a defined benefit plan maintained by Life Insurance Corporation of India the return is generated from a pool of assets invested by them and any deficit in the liability and return on plan assets is funded by the Company on a yearly basis.

(vii) In 2018-19, the Company expects to contribute Rs. 2300 Thousand (31 March 2018: Rs 1757 Thousand) to gratuity.

(viii) Maturity profile of the defined benefit obligation

	<u>Current Year</u>	<u>Previous Year</u>
Weighted Average duration of the defined benefit obligation	12 Years	12 Years
Expected benefit payments for the year ending		
Not Later than 1 year	456	349
Later than 1 year and not later than 5 years	4,896	3,243
More than 5 years	18,199	6,537



**BERGER JENSON & NICHOLSON (NEPAL) PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 14, 2019**

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47. **Retirement Benefits:**  
The Company has arrangement with Citizen Investment Trust (CIT) for depositing the amount of Gratuity & Paid Absence of the employees as per the prevailing Labour Act. The liability against the same is deposited with CIT.
48. **Operation of Depot:**  
The Company has opened its depots at Pokhara, Biratnagar, Nepaigunj, Narayangarh & Kathmandu (Vanasthali), Butwal and Jhapa. All depots are in business operations of the company. All the expenses of the said Depots have been consolidated in the respective expenses head.
49. **Furniture & Fixtures at dealers place:**  
As per the decision of the management, the expenditure incurred on creation of the Product Display, Furnitures & Fixtures at dealers place have been capitalized in the books under Other Assets and amortized over a period of five years on straight line basis.
50. **Outsourced Sales Support Expenses:**  
The Company has outsourced sales support service from agencies, and incurred a sum of Rs. 23,968 (Last year Rs.17,911) thousand on outsourced sales support service cost during the reporting period.
51. **Tax on Staff Welfare Fund:**  
The company has Withheld Rs.48,315 thousand (PY 31,282 thousand) for tax from staff welfare fund of Berger labour relation committee.
52. **Production at third Party Manufacturers' place:**  
With approval of Department of Industries, the company has arranged to get certain products to be manufactured at third party manufacturers on payment of agreed processing charges. The said production is included in the Company's Production. Further, the cost of raw materials, Processing charges paid to the third party manufacturer and stock of raw materials and finished goods has been accounted by the Company. During the reporting period, the Company has paid NPR 19,877 thousand (PY 15,733 thousand) Processing charges to the third party manufacturer and included in the Cost of Materials Consumed.
53. **Recovery of Bad Debts:**  
The Company had provided for to Rs 25.35 lac as bad & doubtful debt in the year 2017-18. Out of Provision provided of Rs 25.35 lac, receivables of Rs 9.68 lac has been recovered.
54. **Recognition of Deferred Tax Assets and Liabilities:**  
Deferred tax has been recognized up to the close of Nepali Fiscal Year on July 15, 2018. The deferred tax expenses/ income arising during the period from July 16, 2018 to March 15, 2019 has been not computed and accounted for as the same shall be recognized as of close of Nepali Fiscal Year on July 16, 2019.
55. **Event after reporting date:**  
No events have occurred since the Balance Sheet date in respect of the matters which would require adjustment to or disclosure in the accounts, or which should be disclosed to shareholders through some other medium.
56. **Period of Financial Statement:**  
The company's accounts closes on 15th/16th July as per prevalent Laws of Nepal, however, since these accounts are prepared for consolidation with the holding company, whose accounts closes on 31st March, these accounts are prepared for the period from 15th March, 2018 to 14th March, 2019 (01.12.2074 to 30.11.2075 i.e. 12 months period).
57. **Regrouping of Figures:**  
Previous year's figures have been re-grouped/rearranged wherever necessary to comply with IND-AS and make them comparable with the figures of the current year.
58. **Miscellaneous:**  
i) All amounts are stated in Nepalese Rupees and rounded nearest to thousand Rupees.  
ii) The accounts confirmations on account of purchase, sales, receivables & payables are in the process of obtaining from them.

