



தாதுதல் தீதர் துாதிதாதி திதிதி
நேஷனல் தீத்பர் தம்பெனி லிமிடட்
National Paper Company Limited



தார்திக தார்தால
ஆண்டு அறிக்கைகள்
Annual Report
2017 - 2018

தர்துதா துத வதவதாததீவ துதர்துத துதாதுதுது
தகத்ததாதுதில் தற்றுதும் துதாதுதில் துதயற்றதயாண்துத அதிவிருத்தி அதுதத்சு
Ministry of Industry and Entrepreneurship Development

National Paper Company Limited

Annual Report

2017- 2018

Financial Statements, Statements of Accounts and Independent Audit Reports

National Paper Company Limited

Financial Statements

For the Year ended as at **31.03.2018**



Message from the Chairman

National Paper Company Limited, known as the pioneer of the paper industry in Sri Lanka, has given a great service to fulfill the national paper needs for nearly 7 decades from 1956 to the present. This institution has been registered as a state-owned company in 1992 and was awarded the national Productivity Award in 1995 and 1996.

I remember with great pleasure the role of the previous Chairman, Mr. Wimal Rupasinghe, who performed in reviving the two paper mills, Valachchenei and Embilipitiya, which were completely dormant in 2020. The current Board of Directors, including my self, took over the authority in November 2024, at a time when the country's paper industry was in decline. I gladly accepted the challenge given to me by the previous management to reposition the National Paper Company in the paper market under a self-financing system and was able to implement strategic measures to significantly increase production capacity and achieve an operating profit.

The annual financial statements of the National Paper Company for the years 2017 to 2018 have been prepared and the auditing has been completed by now. Our current staff has been able to prepare and present it as an annual report. The fact that the annual accounts have not been prepared since the year 2014/2015 up to date was another challenge had to be faced to our staff and since the annual final accounts and annual reports must be prepared properly from the year 2020 onwards, it is a responsibility that I have taken on during my tenure to prepare and finalize the annual report for the year 2017/2018 within a very short period of time based on past data and, I am happy that I have been able to present even such a report based on the data we had.

I would like to express my deepest gratitude to the Honorable Minister Sunil Handunnetti and the staff, staff of the Treasury, who have been encouraging and supporting me at all times, taking all necessary decisions to re-establish the independence of the National paper Company in the current competitive market, overcoming the various obstacles that existed in the past.

I also remember with great respect the Secretary to the Ministry and the staff, the Board of Directors of our Company, who constantly monitor the activities of the institution and provide the necessary guidance and work with confidence in us, and the great strength they give me to build the future of local paper. I also remember with much pleasure and gratitude the employees of the Company, who work together with me cooperatively and steadily, as pioneers in the paper industry, are committed to the advancement of the National Paper Company.

Engineer R.M.S.Upali Rathnayake
The Chairman,
National Paper Company

2025

Incumbent Board of Directors including Chairman



Eng. MR. R.M.S. UPALI RATHNAYAKE
CHAIRMAN



Eng. MR. W.A. KULATHILAKA
DIRECTOR



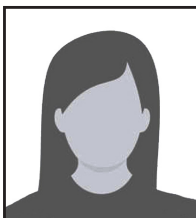
MR. KAMALANATH JINADASA
DIRECTOR



MR. N.A. NANDASENA
DIRECTOR



MR. NIHAL PERERA
DIRECTOR



MRS. YASURI LAKSHANI WIJESURIYA
DIRECTOR



MR. DINIDU MUNIDASA
DIRECTOR

Corporate Vision & Mission

Our Vision

To be the market leader in Sri Lanka with respect to certain products of Paper & Board such as newsprint, photocopy paper and computer stationery which are not being manufactured at present and to contribute towards the prosperity of the paper industry of Sri Lanka and to the people at large.

Our Mission

To be the most innovative and diversified Paper Company manufacturing and trading in all kinds of paper and board products in the most profitable, environment friendly and customer oriented manner with technological, human resources and management excellence..

National Paper Company Limited

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Financial Year 2017/2018

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National Paper Company Limited

Corporate Information: 2017/2018

Competent Authority - Mr. K.M.S Kandegedara

Company Secretaries

D.M.J Management and Secretaries Service Pvt Ltd

No. 20/26

Station Road

Nugegoda

Registered Office

No. 93, Jawatta Road

Colombo 05

Auditors

National Audit Office

306/72 Polduwa Road

Battaramulla

Bankers

People's Bank

Bank of Ceylon

Report from the Directors

The Annual Report with Audited Accounts for the year ended as at 31.03.2018 is hereby submitted by the Board of Directors of the National Paper Company Limited.

1. Main operational activity

The main operational activity of the company is marketing of paper and paper boards produced in Valachchenai paper Mill.

2. Share Capital

The National Paper Company Limited is a State – Owned Enterprise with the Secretary to the Treasury having a 100 % share- ownership. Its share capital is Rupees 323 million (i.e. consisting of 32,300,000) capital share @ Rupees 10/= a capital share)

3. Turnover

The net turnover of the company for the financial year ended as at 31.03.2018 was Rupees 322,389.

4. Cost of production of the Company

The Cost of Production of the Valachchenai Mill during the period under review was Rupees 807,850.

5. Capital Expenditure

Since the day allotted to restructuring of the National Paper Company Limited, its capital expenditure was limited to a lesser extent.

6. The keenness that was shown by the directors to venture into agreements regarding the company

During the year ended as at 31.03.2018, the directors of the company were not able to venture into agreements with the company directly or indirectly.

7. The financial statements of the company for the year ended as at 31.03.2018 were audited by National Audit Office.

NATIONAL PAPER COMPANY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2018

The Chairman,
National Paper Company

**Report of the Auditor General on the Financial Statements of the National Paper Company
for the year ended 31 March 2018.**

1. Financial Statements

The audit of the financial statements of the of National Paper Company Limited for the year ended 31 March 2018 comprising the statement of financial position as at 31 March 2018 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.1 Responsibility of the Board of Directors for the financial statement

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

1.2 Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards . I was unable to obtain sufficient and appropriate audit evidence to provide a basis for my opinion on this financial statements in accordance with matters described in the section of disclaimer of opinion of my report.

1.3 Basis for Opinion

- (a) Even though the cost of lands and buildings should be identified separately in the financial statements in terms of Sri Lanka Accounting Standard 16, the cost of the lands and buildings totalling Rs. 132,274,693 had not been identified separately.
- (b) As a result of computing the allocation of depreciations amounting to Rs.2,192,232 for the motor vehicles and allocation of depreciations amounting to Rs Rs.18,882 for computers of the Company exceeding the value of cost ,the annual profit had been under stated by Rs.2,211,114 in financial statements.

- (c) Computing of income tax expenditure and computing of differed tax had not been done by the Company for the year ended 31 March 2018 in accordance with Sri Lanka Accounting Standard No.12.
- (d) Although the reports and based documents which the transactions of the Company are reported correctly and clarify as per Section 148 of the Companies Act, No.07 of 2007, should be kept, action had not been taken by the competent authority of the Company to keep safely the accounts books and accounting evidences in relation to transactions and incidents relevant to the period of accounts .
- (e) Assets and liabilities, and revenue and expenses shall not be offset unless required or permitted by a SLPSAS , as per Paragraph 32 of Sri Lanka Public Sector Accounting Standard. However, assets amounting to Rs.43,153,550 had been offset with the liabilities amounting to Rs. 10,151,947 in the year under review by the Company.
- (f) The management was failed to present the required evidences to audit ,to confirm the transactions and balances of accounts totaling Rs.2,908,655,158 as 01 balance of revenue accounts amounted to Rs.775,150 , 06 balances of expenditure accounts amounted to Rs.2,143,837 , property, plants and equipment valued at Rs.484,423,303 , Capital work-in-progress of Rs.37,428,597 , long –term investment of Rs.(1,967,061) , final stock valued at Rs.120,820,606, trade receivables valued at Rs.105,550,749 , other receivables valued at Rs.518,760,175 , cash and cash equivalent amounting to Rs.29,263,264 , loans with interest amounted to Rs.159,958,713 ,trade payables amounting to Rs.134,039,935 ,and other payables valued at Rs.1,298,579,271, bank overdraft amounting to Rs.13,153,268, statutory payments amounting to Rs.5,725,351.

1.4 Going Concern of the company

Minus balance of retained earnings by 01 April 2017 amounted to Rs.1,476,074,877 had been a minus balance of Rs.1,468,939,085 further more with the profit amounting to Rs.7,135,792 in the year under review . As a result of that, existence of the net assets at a minus value of Rs.1,059,074,498 further more at the end of the year under review. had been adversely effected on the going concern of the Company .

1.5 Disclaimer of Opinion

Because of the matters described in paragraph of Disclaimer of Opinion of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

1.6 Report on Other Legal and Regulatory Requirements

According to Section 163(2) of the Companies Act, No. 7 of 2007, I express the following matters.

(a) Basis for opinion and scope and purview are as stated above.

(b) I have not obtained all the information and explanation that considered necessary for the purpose of audit. As such I do not express an opinion on the accompanying financial statements.

1.7 Other Matters

- (a) As a result of the electricity bill in arrears amounted to Rs.483,997,075 to be paid to the Lanka Electricity Board by 09 February 2015 had not been paid, supply of electricity to the Valachchaneai factory had been temporarily suspended from that date. As the electricity supply not available, no any production work occurred in the Valachchaneai factory up to June 2020. However, according to the letter No.EP/EE (COM) /CS/Bulk Supply and dated 08 September 2022 of the chief manager of the Sri Lanka Electricity Board and by the Cabinet decision No.අම/20/0561/224/015, dated 26 March 2020, approval had been obtained subject to the condition of completion of the payment as installments within the period of ensuing six months after passing of two years period from the date of which the production activities of the factory commenced again after writing off the penalty interest amounted to Rs.361,992,685, the remaining electricity bill in arrears amounted to Rs.122,004,390, the production activities of the factory had been re-started in July 2020. Accordingly, a sum of Rs.10,000,000 out of the value of electricity bill in arrears amounted to Rs.122,004,390 had been paid by the factory as at 31 December 2023 and a value of Rs.112,004,390 had to be paid further more.
- (b) The total number of employees were 149 including 23 employees who were recruited as 09 employees on permanent basis, 12 employees on contract basis and 02 employees recruited on days salary payment in the head office of the Company from July 2020 and including 126 employees in the Valachcheneai factory who were recruited as 06 employees on contract basis and 120 employees on days salary basis. However, and the approval from the Treasury Operations Department had not been obtained as yet for the said staff.
- (c) When commencing the production activities in the Valachcheneai paper factory, a sum of Rs.40 million had been obtained from People's Bank on 09 December 2020 including the conditions of paying by 54 installments during a period of 05 years subject to the period of 06 months relief period with the Treasury guarantee. Further, a loan amount of Rs.100 million had been obtained again by the Company on 17 May 2021 from the People's Bank subject to the payment within 05 years period for the working capital requirements of the Valachcheneai paper factory. The said loans had been obtained with the Treasury guarantee

under the market interest rates and no any support had been given by the Ministry of Industry which is the line Ministry , to the National Paper Company.

- (d) Even though ,there are two main machines called as Paper Machine for production of paper and Board Machine for production of boards to use for the production activities of the factory , only the board production machine was being used. When re-starting of the production activities of the Valachchenei paper factory, the method followed by the company when the instance of inoperative and technical errors in the board production machine is to remove the parts in paper production machine and fixed into the board production machine for proper operation. In that manner 08 main items from the Paper Machine has been fixed into the Board Machine and the value of those items amounted to Rs.34,433,059. Accordingly, due to the paper Machine was at an inoperative condition and couldn't be used as at 22.01.2023 ,the date of audit.. Therefore , production of cardboard had been discontinued.
- (e) Out of the sum of Rs.600 million as per the lease agreement No.1037 dated 19 December 2011 , entered into with the two institutions that the State Resource Management Company , situated at No.561/3, Elvitigala Mawatha, Colombo 05 and National paper Company Ltd and Perth Engineering and maintenance (Pvt) Ltd, business address of No.03/43, Ventanor Avenue , Western Perth, West Australia , for a sum of Rs.600 million for the renovation and re-development of the Embilipitiya factory for a period of 30 years , a sum of Rs.200 million had not been paid by the lease holder. Further, production activities has been carried out by the relevant Company for a short period and after that the paper production machine belonging to the Embilipitiya factory has been mortgaged to the Ceylan Bank for a sum of Rs.418,483,037 and action had been taken to leave the factory in the year 2012 . A sum of Rs.120 million had to be paid to the bank by the second lease holder to settle the same mortgage and the relevant lease agreement had been cancelled on 25 September 2014 on the advice of the Attorney General by the Ministry of State Resources and Enterprise Development on the failure to pay the lease installments properly. However, necessary actions had not been taken to recover the lease rent of Rs.42 million which is to be receivable for the period of three years from 19 September 2011 up to 25 September 2014 , the period which is the agreement cancelled.

As such, actions had not been taken to recover the loss occurred to the Company from the relevant responsible parties by identifying clearly the parties entered into the agreement as per representing the National Paper Company for giving lease the production machines to the Ceylan Bank and no any legal action had been taken by the lease holding party regarding the breaching of the agreement due to stopping the production activities by the Perth Engineering and Maintenance (Pvt) Ltd Company which is entered into the agreement.

- (e) Ambilipitiya factory of the National Paper Company has been given on lease for a period of 30 years on a sum of Rs.260 million to K.S.P.A. Ambilipitiya Paper Mills private limited under the lease agreement dated 09 March 2022 . According to the agreement ,the production activities should be started within 18 months and a sum of Rs.13,000,000 of monthly lease rent should be paid by the lessee to the Company within the same period. After the commencement of the production activities, a value equal to 3 per cent on the sales income should be paid as lease rent according to the lease agreement. Accordingly, production activities had been commenced on 18 April 2024 by the K.S.P.A. Ambilipitiya Paper Mills private limited Company and no any lease rent had been received as at the date of this report.

W.P.C Wickramarathne

Auditor General

NATIONAL PAPER COMPANY LIMITED

STATEMENT OF ASSETS & LIABILITIES

as at 31st March 2018

	<u>Notes</u>	<u>2018</u> <u>Rs.</u>	<u>2017</u> <u>Rs.</u>
ASSETS			
<u>Non Current Assets</u>			
Property, Plant & Equipment	7	35,847,007	41,169,550
Capital Work in Progress		37,428,597	37,428,597
Long Term Investment	8	(1,967,061)	(1,967,061)
		<u>71,308,543</u>	<u>76,631,085</u>
<u>Current Assets</u>			
Inventory	9	120,820,606	121,020,606
Trade & Other Receivables	10	589,018,137	553,204,613
Cash & Cash Equivalents	11	29,816,388	38,005,467
		<u>739,655,131</u>	<u>712,230,686</u>
Total Assets		<u>810,963,674</u>	<u>788,861,771</u>
Equity & Liabilities			
<u>Equity</u>			
Stated Capital	12	323,000,000	323,000,000
Foreign Grants		41,777,052	41,777,052
Capital Reserve		45,087,534	45,087,534
Retained Losses		(1,468,939,085)	(1,476,074,877)
		<u>(1,059,074,499)</u>	<u>(1,066,210,292)</u>
<u>Non Current Liabilities</u>			
Interest - Bearing Loans & Borrowings	13	161,512,110	161,693,450
<u>Current Liabilities</u>			
Trade & Other Payables	14	1,662,630,179	1,647,943,513
Payables to Government	15	32,742,616	32,281,832
Bank Overdraft	16	13,153,268	13,153,268
		<u>1,708,526,063</u>	<u>1,693,378,613</u>
Total Equity & Liabilities		<u>810,963,674</u>	<u>788,861,771</u>

Figures in brackets indicate deductions.

The Note to the Financial Statements form an integral part of these Financial Statements.

The Board of Directors are responsible for preparation & presentation of these financial statements.
Signed for and on behalf of the board.

.....
Director

17th May 2021

NATIONAL PAPER COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS

for the year ended 31st March 2018

	<u>Notes</u>	<u>2018</u> <u>Rs.</u>		<u>2017</u> <u>Rs.</u>	
Revenue	1	322,389		15,967,214	
Cost of Sales	2	(807,850)		(2,193,270)	
Gross Profit/ (Loss)		(485,460)	-151%	13,773,944	86%
Other Income	3	25,786,507		45,382,065	
Administration Expenses	4	(16,096,153)		(103,113,344)	
Selling and Distribution Expenses	5	(2,035,046)		(2,389,635)	
Operating Loss for the Year		7,169,847		(46,346,971)	
Finance Cost	6	(34,055)		(541,966)	
Profit / (Loss) before Tax		7,135,792		(46,888,937)	
Income Tax Expense		-		-	
Net Profit/ (Loss) for the Year		7,135,792		(46,888,937)	

Figures in brackets indicate deductions.

The Note to the Financial Statements form an integral part of these Financial Statements.

NATIONAL PAPER COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31st March 2018

	<u>Stated Capital</u>	<u>Foreign Grants</u>	<u>Capital Reserve</u>	<u>Retained Losses</u>	<u>Total</u>
Balance as at 31st March 2016	323,000,000	41,777,052	45,087,534	(1,429,185,940)	(1,019,321,354)
Net Profit/(Loss) for the Year	-	-	-	(46,888,937)	(46,888,937)
Balance as at 31st March 2017	323,000,000	41,777,052	45,087,534	(1,476,074,877)	(1,066,210,291)
Net Profit/(Loss) for the Year	-	-	-	7,135,792	7,135,792
Balance as at 31st March 2018	323,000,000	41,777,052	45,087,534	(1,468,939,085)	(1,059,074,498)

Figures in brackets indicate deductions.

The Notes to the Financial Statements form an integral part of these Financial Statements.

NATIONAL PAPER COMPANY LIMITED

CASH FLOW STATEMENTS

for the year ended 31st March 2018

	<u>2018</u> <u>Rs.</u>	<u>2017</u> <u>Rs.</u>
<u>Cash Flow from Operating Activities</u>		
Net Profit / (Loss) before Taxation	7,135,792	(46,888,937)
<u>Adjustment for :</u>		
Depreciation	5,322,543	5,322,543
Finance Costs	34,055	541,966
	<u>12,492,390</u>	<u>(41,024,428)</u>
<u>Changes in Working Capital</u>		
(Increase)/Decrease in Inventories	200,000	461,308
(Increase)/Decrease in Trade & Other Receivables	(35,813,524)	(154,199,586)
(Increase)/Decrease in Long Term Investment	-	2,500
Increase/(Decrease) in Trade & Other Payables	14,686,666	287,006,144
Increase/(Decrease) in Payables to Government	460,784	(66,663,769)
	<u>(7,973,684)</u>	<u>25,582,170</u>
Finance Costs Paid	(34,055)	(541,966)
Net Cash Flow from Operating Activities	<u>(8,007,739)</u>	<u>25,040,204</u>
<u>Cash Flow from Investing Activities</u>		
Acquisition of Property, Plant & Equipment	-	-
Capital Work in Progress	-	-
Net Cash Flows from Investing Activities	<u>-</u>	<u>-</u>
<u>Cash Flows from Financing Activities</u>		
Loan Received	-	-
Repayment of Long Term Loan	(181,340)	(1,034,695)
Lease Rentals Paid	-	(450,510)
Net Cash Flows from Financing Activities	<u>(181,340)</u>	<u>(1,485,205)</u>
Net Increase in Cash & Cash Equivalents	(8,189,079)	23,554,999
Cash & Cash Equivalents at the beginning of the Year	24,852,199	1,297,200
Cash & Cash Equivalents at the end of the Year	<u>16,663,119</u>	<u>24,852,199</u>
<u>Analysis of Cash & Cash Equivalents</u>		
Cash & Cash Equivalents (Note - 11)	29,816,388	38,005,467
Bank Overdraft (Note - 16)	(13,153,268)	(13,153,268)
	<u>16,663,119</u>	<u>24,852,199</u>

Figures in brackets indicate deductions.

The Notes to the Financial Statements form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

1.1 General

National Paper Company Limited, ("the Company") is a fully owned government limited liability company incorporated and domiciled in Sri Lanka since 01 July 1992. The registered office of the Company is located at No.93, Jawatta, Colombo 05.

1.2 Principal Activities and Nature of Operations

The principal activities of the Company was to manufacture of paper and paper boards. During the year the Company has not operated in the main operation.

1.3 Authorization for Issue

The Financial Statements of National Paper Company Limited, for the year ended 31 March 2015, were authorized for issue by the Competent Authority on 05 November 2018.

1.4 Going Concern

The Company incurred a net loss of LKR 123,638,759/-during the year ended March 31,2015 (LKR 209,226,700/-during the year ended March 31,2014) and, as of that date, the Company's current liabilities exceeded its current assets by LKR 1,015,079,581/- (LKR 950,100,134/- during the year ended March 31,2014) and its total liabilities exceeded its total assets by LKR 1,090,931,586/- (LKR 967,396,084/- during the year ended 31 March 2014). Further the company has not operated the main business during the year which resulted gross loss of LkR 168,212,636/- during the year (LkR 181,946,583/-for the year ended 31 March 2014) and heavily dependent on the financial assistance provided by the Ministry. These factors raise substantial doubt that the Company will be able to continue as going concern.

2 Summary of Significant Accounting Policies

2.1 Current Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period.

2.2 Deferred Tax

Deferred Taxation has not been provided due to tax losses.

2.3 Cash and Cash Equivalents

Cash and Cash Equivalents in the Statement of Financial Position comprise cash at bank and in hand for the purpose of the Cash Flow Statements.

NOTES TO THE FINANCIAL STATEMENTS

2.4 Property, Plant and Equipment

Property, Plant and Equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the costs of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the useful life of assets. The rates applied for each class of Property, Plant & Equipment are given below :

Land & Buildings	40 Years
Furniture & fittings	10 Years
Motor Vehicles	4 Years
Machinery & equipments	15 Years
Process Appurtenance	15 Years
Computers	5 Years
Utilities	15 Years

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the statement of Profit or Loss in the period the asset is derecognized.

Expenditure incurred on repairs or maintenance of Property, Plant & Equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial period end.

2.5 Retirement Benefit Obligation

a) Defined Benefit Plan-Gratuity

Provision has been made for retirement gratuities when the employees were eligible for it. The entire gratuity provision has been adjusted for the year ended 31 March 2014 and no gratuity provided for the year ended 31 March 2015. Further considerable number of retired employees has claimed their gratuity by way of legal action and still those court cases are under hearing.

b) Defined Contribution Plan-EPF & ETF

Employees are eligible for employees' Provident Fund Contribution and Employees' Trust Fund contributions in line with respective statutes and regulation. The Company contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

However the company policy was not to deduct the EPF & ETF from contract employees which is not acceptable under the Employees' Provident Fund Act No. 15 of 1958 and Employees' Trust Fund Act No. 46 of 1980.

NOTES TO THE FINANCIAL STATEMENTS

2.6 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition is accounted for using the weighted average basis of valuation.

2.7 Trade and Other Receivables

Trade Receivables are stated at the amounts they are estimated to realise net of impairment of receivables. Other receivables recognised at cost less impairment of other receivables.

2.8 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

There are legal cases filed by staff claiming their staff obligation and promotions. Those are still under hearing.

2.9 Income Statement

2.10 Revenue Recognition

Revenue is recognition 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.

The following specific criteria are used for the purpose of recognition of revenue.

a) Sales of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the good have passed to buyer, usually on dispatch of the goods.

b) Interest

Revenue is recognised on a time proportion basis that takes into account the effective interest rate on asset.

c) Dividends

Dividend Income is recognized when the shareholders' right to receive the payment is established.

d) Other

Other income is recognized on an accrual basis.

NOTES TO THE FINANCIAL STETMENTS

2.11 Expenditure Recognition

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific item of income. All Expenditure incurred in the running of the business has been charged to the Statement of Profit or Loss.

For the purpose of presentation of the Statement of Profit or Loss, the Company has adopted "the function of expenses" method on the basis that it present fairly the element of the Company's performance.

NOTES TO THE FINANCIAL STATEMENTS

	<u>2018</u> <u>Rs.</u>	<u>2017</u> <u>Rs.</u>
1) <u>Revenue</u>		
Sales Income	322,389	4,931,895
Sales of Photocopy Papers	-	10,318,000
Sales of Exercise Books	-	717,319
	<u>322,389</u>	<u>15,967,214</u>
2) <u>Cost of Sales</u>		
Stock as at 01.04.2017	11,864,343	12,325,651
Production Cost During the Year	-	2,700
Waste Paper Expenses	607,850	1,729,262
Stock as at 31.03.2018	(11,664,343)	(11,864,343)
	<u>807,850</u>	<u>2,193,270</u>
3) <u>Other Income</u>		
Pasikuda Project Income	-	3,099,135
Grants from Head Office	775,150	23,035,256
Waste Paper Sales	25,008,357	18,797,374
Non Refundable Deposit	-	16,000
Other Income	3,000	434,300
	<u>25,786,507</u>	<u>45,382,065</u>
4) <u>Administration Expenses</u>		
Staff Salaries & Bonus	10,977,495	13,976,532
Statutory Benefits - EPF & ETF	1,255,588	1,444,027
- Gratuity	-	-
Rent and Rates	957,954	2,686,320
Staff Welfare	89,537	83,309
Contract staff Allowances	162,947	226,412
Telephone, Fax, Courier & Postage	352,206	468,391
Vehicle Rent	-	21,000
Printing and Stationery	156,521	184,862
Repair and Maintenance	94,204	82,249
Audit Fee	-	15,000
Legal & Professional Fees	169,028	162,209
Charitable Donation	-	11,000
Depreciation	3,662,944	3,662,944
Power & Electricity	223,716	239,136
Water	70,238	96,284
Secretarial Expenses	30,000	-
General Expenses	14,800	12,030
Compensation - VRS	(2,121,024)	79,741,640
	<u>16,096,153</u>	<u>103,113,344</u>

NOTES TO THE FINANCIAL STATEMENTS

	<u>2018</u> <u>Rs.</u>	<u>2017</u> <u>Rs.</u>
5) <u>Selling & Distribution Cost</u>		
Repairs & Maintenance-Vehicle	322,238	516,677
Depreciation for Vehicle	1,659,598	1,659,598
Travelling & Subsistence	11,465	51,630
Entertainment Expenses	-	7,005
Advertisement Expenses	41,745	154,725
	<u>2,035,046</u>	<u>2,389,635</u>
6) <u>Finance Cost</u>		
Bank Charges	24,742	65,631
Lease Interest	-	381,044
Interest on Trust Loan & Overdraw	9,313	95,292
	<u>34,055</u>	<u>541,966</u>

7) Property, Plant & Equipment

<u>Cost</u>	<u>Balance as at</u> <u>01.04.2017</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance as at</u> <u>31.03.2018</u>
Land & Buildings	132,274,693	-	-	132,274,693
Furniture & fittings	15,954,499	-	-	15,954,499
Motor Vehicles	26,370,600	-	-	26,370,600
Machinery & Equipments	470,973,374	-	-	470,973,374
Process Appurtenance	87,358,241	-	-	87,358,241
Computers	951,630	-	-	951,630
Utilities	105,417,606	-	-	105,417,606
	<u>839,300,644</u>	<u>-</u>	<u>-</u>	<u>839,300,644</u>
 <u>Depreciation</u>				
Land & Buildings	115,821,017	451,015	-	116,272,032
Furniture & Fittings	15,611,575	15,250	-	15,626,825
Motor Vehicles	26,903,234	1,659,598	-	28,562,832
Machinery & Equipment	447,168,635	2,754,283	-	449,922,918
Process Appurtenance	86,695,128	2,779	-	86,697,907
Computers	768,694	201,818	-	970,512
Utilities	105,162,810	237,799	-	105,400,609
	<u>798,131,094</u>	<u>5,322,543</u>	<u>-</u>	<u>803,453,637</u>
 Written Down Value	<u>41,169,550</u>			<u>35,847,007</u>

NOTES TO THE FINANCIAL STATEMENTS

	<u>2018</u>	<u>2017</u>
	<u>Rs.</u>	<u>Rs.</u>
8) Long Term Investment		
Fixed Deposit with Peoples Bank	(2,734,584)	(2,734,584)
Staff Security Savings	8,042	8,042
Security Deposit- Bank	14,706	14,706
Workmen Compensation Fund	377,005	377,005
Security Deposits - National Savings	4,087	4,087
S/A for Distress Loan Payment	29,190	29,190
Fixed Deposit - People's Bank, Batticaloa	11,233	11,233
Fixed Deposit - Medical Scheme Fund	323,260	323,260
	<u>(1,967,061)</u>	<u>(1,967,061)</u>
9) Inventories		
Raw Materials	6,260,743	6,460,743
Finished Goods	5,403,600	5,403,600
Spare Parts & Tools	79,523,390	79,523,390
Consumable Items	29,632,874	29,632,874
	<u>120,820,606</u>	<u>121,020,606</u>
10) Trade & Other Receivables		
Trade Receivables	108,379,984	90,584,790
Provision for Bad Debts	(2,829,234)	(2,829,234)
	105,550,749	87,755,556
Other Receivables (10.1)	236,294,238	236,294,238
Deposits and Prepayments (10.2)	19,574,048	19,648,048
Receivable from Division	227,599,102	209,506,772
	<u>589,018,137</u>	<u>553,204,613</u>
10.1) Other Receivables		
Staff Debtors	(193,910)	(193,910)
Staff Debtors(Issue of Shoes on Sub.)	9,274	9,274
Staff Debtors(T/phone Recovery)	325	325
National App.Board - Allowance	46,692	46,692
Staff Debtors (Rent & Elect.)	238,662	238,662
Private Job	53,331	53,331
Other Debtors (Other than Staff)	30,074,220	30,074,220
Insurance Corporation Claims	15,000	15,000
Service Rendered - Armed Forces	5,336,013	5,336,013
Supply of Water to National Water Supply & D.B	(9,112)	(9,112)
Human Vision Centre	3,188	3,188
Provision-Access Engineering Ltd	72,926	72,926
Vonlan Construction pvt ltd	2,057	2,057
Contract Employees Filter Plant	6,137,049	6,137,049
Salary Advance	2,224,675	2,224,675
Bicycle Advance	8,750	8,750
Festival Advance	357,870	357,870
B/C/F	44,377,008	44,377,008

NOTES TO THE FINANCIAL STATEMENTS

	<u>2017</u>	<u>2016</u>
	<u>Rs.</u>	<u>Rs.</u>
10.1) Other Receivables		
B/B/F	44,377,008	44,377,008
Distress Loan	119,909	119,909
Past Dues A/c. Distress Loan	15,217	15,217
Travelling Advance	96,925	96,925
Advance for Emergency Purchases	775,938	775,938
Advance to Colombo Purchases	5,992,031	5,992,031
Advance for Incidental Expenses	97,717	97,717
Provision - Machine Clothing No: I M/c.	389,031	389,031
Provision - Machine Clothing No: II M/c.	1,445,078	1,445,078
Deposit Indents	882,506	882,506
Deposit Miscellaneous	21,900	21,900
Deposit P.M.G.(Telephone)	53,055	53,055
Deposits Empties	55,416	55,416
Pro. for Int. Receivable	(2,258,808)	(2,258,808)
S.R.M.C.	213,793,727	213,793,727
Inventory Asset	(36,679,597)	(36,679,597)
Prov.for Int.on Trust Loan & OD	7,103,561	7,103,561
Deposits - Telephone	13,625	13,625
	<u>236,294,238</u>	<u>236,294,238</u>
10.2) Deposits and Prepayments		
Staff Debtors	36,737	36,737
Distress Loan	101,598	101,598
Festival Advance	12,050	12,050
Special Advance	3,430	3,430
Vehicle Loan	25,850	25,850
Salary Adjustment	406	406
Salary Advance	444,478	444,478
Ports Authority	340,156	340,156
Shipping Guarantee, Indent Depo	446,932	446,932
Rent Deposits	1,007,598	1,007,598
Franking Machine Deposits	16,000	16,000
Telephone Deposit	64,879	64,879
Deposit - Salaka	3,000	3,000
Advance Deposit	200,000	200,000
Purchase Clearing A/C	46,921	46,921
Indent Clearing - VCH	191,695	191,695
Indent Clearing - Emb	641,999	641,999
Indent Clearing - Vch (Spares)	476,819	476,819
Indent Clearing - Emb (Spears)	48,605	48,605
Other Deposit	197,770	197,770
Cash Advance - Local Purchase	2,091,111	2,125,111
Incorrect Account	1,438,245	1,438,245
Cash Advance Welfare	(1,277,539)	(1,277,539)
B/C/F	<u>6,558,739</u>	<u>6,632,739</u>

NOTES TO THE FINANCIAL STATEMENTS

	<u>2018</u>	<u>2017</u>		
	<u>Rs.</u>	<u>Rs.</u>		
10.2) Deposits and Prepayments				
B/B/F	6,558,739	6,632,739		
General Prepayment	246,081	246,081		
Travelling Advance	34,400	34,400		
Deposit - Advertisement Contrac	5,750	5,750		
Mineral Sands Ltd	34,260	34,260		
Insurance Corporation	377,944	377,944		
A.C.E. Cargo	9,941	9,941		
State Hardware Corporation	900,000	900,000		
Economic Service Charge	3,241,368	3,241,368		
Prov.Elc. Receivable on H/O.Bld	19,352	19,352		
Prov. Telephone Receivable	12,628	12,628		
Withholding Tax	7,559,866	7,559,866		
Study Tours	57,631	57,631		
Advance for Services	516,088	516,088		
	<u>19,574,048</u>	<u>19,648,048</u>		
11) Cash & Cash Equivalents				
Peoples Bank - 2479	1,698,668	1,697,468		
NDB 316602	84,344	84,344		
Cash In Hand	131,037	131,037		
Sundry Payments Imprest	218,967	189,998		
Cashier's Imprest	4,975	4,975		
Retail Sales from Imprest	3,000	3,000		
Cash Imprest W/P K'pona	73,959	73,959		
Stamp Imprest	21,321	21,321		
Peoples Bank - 210898	-	1,087		
Cash at People's Bank, U/Place, Colombo	7,931	7,931		
Cash at People's Bank, T/Br. Batticaloa	7,591	7,591		
Cash in Transit	13,500,000	13,500,000		
Cash at Bank of Ceylon, Batticaloa	651,506	651,506		
Bank of Ceylon - 164807	13,413,090	21,631,251		
	<u>29,816,388</u>	<u>38,005,467</u>		
12) Stated Capital				
Treasury Funded Stated Capital	323,000,000	323,000,000		
	<u>323,000,000</u>	<u>323,000,000</u>		
13) Interest - Bearing Loans and Borrowings				
13.1) Loans	<u>As at</u>	<u>Loans Obtained /</u>	<u>Repayment</u>	<u>As at</u>
	<u>01.04.2017</u>	<u>Int TFR to P&L</u>		<u>31.03.2018</u>
KFW Loan	159,654,648	-	-	159,654,648
Paranthan Chemicals - Loan	300,000	-	-	300,000
BOC Loan A/c 77522444	177,289	-	(177,289)	-
BOC Loan A/c 77522563	8,116	-	(4,051)	4,064
	<u>160,140,052</u>	<u>-</u>	<u>(181,340)</u>	<u>159,958,713</u>

NOTES TO THE FINANCIAL STATEMENTS

13.2) Finance Leases	<u>As at</u> <u>01.04.2017</u>	<u>Leases</u> <u>Obtained</u>	<u>Repayment</u>	<u>As at</u> <u>31.03.2018</u>
Lease - 8822 : HCLELE1200063800	-	-	-	-
Lease - 8825 : HCLELE1200063700	1,553,398	-	-	1,553,398
Lease - 8709 : HCLELE1200063600	-	-	-	-
	<u>1,553,398</u>	<u>-</u>	<u>-</u>	<u>1,553,398</u>

	<u>2018</u> <u>Rs.</u>	<u>2017</u> <u>Rs.</u>
14) Trade & Other Payables		
Trade Payables	134,039,935	134,645,393
Other Payables (14.1)	1,483,042,152	1,467,467,276
Payable to Division	-	-
Statutory Payables (14.2)	45,548,091	45,830,843
	<u>1,662,630,179</u>	<u>1,647,943,513</u>

14.1) Other Payables		
Payable Settlements with Sales	(4,326,767)	(4,326,767)
Mills Payable	1,435,757	1,435,757
Advance Received From Customer	821,011	821,011
Sundry Creditors - Waste Paper	29,088,114	29,024,960
Union & Insurance Payable	30,362	26,552
Sundry Creditors- General Purch	424,663	424,663
Sundry Creditor - W.P.-OLD	5,168,230	5,168,230
Stale Cheque Account	169,319	169,319
Sundry Creditors - Rent	3,063,323	3,063,323
Transport Contractor	699,706	699,706
Clearing Chgs -V.V. Karunaratne	(150,000)	(150,000)
Customer Deposits	59,783,202	42,850,007
Refundable Deposit	2,738,579	3,169,479
Refundable Container Deposit	4,417	4,417
Grant from Treasury	104,900,930	104,900,930
Cash paid advance - Waste Paper	825,489	825,489
Grant from Ministry	324,784,692	324,784,692
Grant from Treasury - VCH Boile	23,249,642	23,249,642
Cash Paid in Adv. (Suspense)	24,500	24,500
Salary Control A/C	(1,119,722)	(883,360)
Salaries Control A/c - Contract	(376,859)	(333,159)
Unpaid salary	113,112	113,112
Accrued Liabilities	361,970	491,808
Central Bank - EPF	27,267,960	27,817,126
Central Bank - EPF Surcharge	12,807,144	12,839,508
Employees Trust Fund	(2,365,994)	(1,432,074)
Refundable Turnover Tax	1,741,638	1,741,638
Rent Payable	14,724,025	13,769,261
Telephone Payable	(22,860)	29,756
<i>B/C/F</i>	<u>605,865,583</u>	<u>590,319,525</u>

NOTES TO THE FINANCIAL STATEMENTS

	<u>2018</u>	<u>2017</u>
	<u>Rs.</u>	<u>Rs.</u>
14.1) Other Payables		
B/B/F	605,865,583	590,319,525
Electricity Payable	180,292	162,923
Water Payable	(12,796)	(9,625)
Accrued Sal. & Wages, Travelling	164,539	164,539
Cancelled & Returned Cheque	151,691	151,691
Unclaimed Medical Payments	900	900
Cash Sales Collection	167,630	167,630
Cash Sales Collection (R.S.R.)	7,650,641	7,650,641
Clearance Chgs. Indents - Spares	2,367,662	2,367,662
Clearance Chgs. Indents - R.M.	923,247	923,247
Tmp loan Mineral Sands	5,000,000	5,000,000
Ministry Account	25,578,996	25,578,996
Loan from Treasury	50,000,000	50,000,000
Dimo - Vehicle Payable	44,643	44,643
Medical Scheme Fund	25,533	24,057
Pro. Workmen Compensation Fund	7,617,403	7,617,403
Pro. Personnel Accident Fund	2,079,946	2,079,946
Treasury Grant for Compensation	157,689	157,689
Staff Security Deposit	4,351	7,506
Provision - Accrued Payments	8,615,267	8,615,267
Creditors Control	3,543,441	3,543,441
Accrued Salaries & Wages	3,478,964	3,478,964
Aus Lanka (Pvt) Ltd	467,972,042	467,972,042
Fines Mills Emp. (Refundable)	147,588	147,588
General Clearing Account EPF Casual /Contract	982,188	982,188
General Clearing Account ETF Casual /Contract	27,801	27,801
Clearing Account Paddy Husk	7,914,294	7,914,294
Saw Dust Stock A/C	139,179	139,179
Provisions - F i n e s	253,876	253,876
Provisions - Free Tea	1,378,348	1,378,348
Provision - Deffred Expenditure	25,000	25,000
Provision-Vahaner Pump House	263,250	263,250
Provisions - Losses and Damages	264,700	264,700
Provisions- Surcharges CEB	231,282,413	231,282,413
Provision for Labour Filter Plant & VPH	209,836	209,836
Accrued Salaries and Wages	26,281,819	26,281,819
Unclaimed Payments	779,708	779,708
Composition - Duty Stamps	12,375	12,375
Sundry Creditors - Personnel Emoluments	11,087,261	11,087,261
Unpaid Gratuity	152,465	152,465
Staff Creditors	122,742	122,742
Refund of Employees Trust Fund	2,882	2,882
Unpaid - National Apprentice Allowance	6,176	6,176
Creditors Control - Waste Paper	2,304,974	2,304,974
Sundry Creditors - Payments & Others	1,681,453	1,681,453
B/C/F	1,476,897,995	1,461,339,419

NOTES TO THE FINANCIAL STATEMENTS

	<u>2018</u> <u>Rs.</u>	<u>2017</u> <u>Rs.</u>
14.1) Other Payables		
B/B/F	1,476,897,995	1,461,339,419
Sundry Creditors - Stock Control	(1,776,949)	(1,776,949)
Medical Scheme	842,074	842,074
Workmen Compensation Fund	4,051,385	4,051,385
Staff Security	4,087	4,087
Welfare Society Discount Received	59,239	59,239
Deposit - Contractors	77,400	77,400
Security Deposit Casual	10,000	10,000
Deposit - Inner Canteen	25,600	25,600
Deposit - Tender	2,117,346	2,117,346
Defence Levy	2,000	2,000
Stores Excess	8,789	8,789
Rent & Electricity CEB	536,821	536,821
Insurance Motor Vehicle	41,906	41,906
Pre Paid T/Phone Rent & Licence Fees	50,991	50,991
Deferred Expenditure Subsidy on Cloth	68,068	68,068
Welfare Society Fund	25,400	9,100
	<u>1,483,042,152</u>	<u>1,467,467,276</u>
14.2) Statutory Payables		
NBT Payable	3,852,090	3,843,690
ESC Payable	807,583	807,583
Income Tax Payable	3,291,167	3,291,167
PAYE Tax Payable	8,522	233,683
Stamp Duty Payable	2,326	132,578
VAT Payable	37,586,403	37,522,143
	<u>45,548,091</u>	<u>45,830,843</u>
15) Payables to Government		
Balance as at 01.04.2017	32,281,832	98,945,600
Add :- Gratuity	<u>34,524,026</u>	<u>-</u>
	66,805,858	98,945,600
Less :- Retirement Gratuity Fund	(34,063,242)	(34,063,242)
Gratuity Paid	-	(32,600,526)
Balance as at 31.03.2018	<u><u>32,742,616</u></u>	<u><u>32,281,832</u></u>
16) Bank Overdraft		
Peoples Bank - 210899	50	50
Cash at People's Bank, Valaichchenai	<u>13,153,218</u>	<u>13,153,218</u>
	<u><u>13,153,268</u></u>	<u><u>13,153,268</u></u>

NATIONAL PAPER COMPANY LIMITED
INCOME TAX COMPUTATION
for the year of Assessment - 2017/2018

		<u>Rs.</u>
Net Profit / (Loss) before Tax		7,135,792
<u>Add :</u> Disallowed Expenses		
Depreciation	5,322,543	
Legal Fees	169,028	
Charitable Donation	-	
Entertainment Expenses	-	
Advertisement Expenses	10,436	5,502,007
		<u>12,637,799</u>
<u>Less :</u> Depreciation Allowances (Note-1)	43,338	(43,338)
Total Business Income		12,594,462
<u>Less :</u> Losses		
Loss B/f from 2014/2015		
Loss claimed		-
Loss C/f to 2016/2017	<u>-</u>	
Assessable Income		12,594,462
Less : Qualifying Payments		-
Taxable Income		12,594,462
Income Tax Payable @ 28%		

Note 01

Depreciation Allowance

<u>Item</u>	<u>Year of Assessment</u>	<u>Rate</u>	<u>Cost</u>	<u>Capital Allowances</u>
Furniture & fittings	2015/2016	20%	206,699	41,340
Computers	2015/2016	20%	9,990	1,998
				<u>43,338</u>



National Paper Company Limited

No: 61, Stratford Avenue, Colombo 05