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நேஷனல் பேப்பர் கம்பெனி லிமிடட்
National Paper Company Limited

NPCL

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ஆண்டு அறிக்கைகள்
Annual Report

2014 - 2015

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தொழில்துறை அமைச்சகம்

Ministry of Industries

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For the Year ended as at 31.03.2015

Message from the Chairman

Titled as the pilot of Sri Lanka's paper industry under the name of National Paper Company Limited, this Institution, registered as a Government Company in 1992, has fulfilled an enormous service by accomplishing the paper requirements of the Nation for nearly seven decades since 1956 up to the present, and has been honoured with the National Productivity Award in the years 1995 and 1996.

When the present Board of Directors including myself was appointed as the Comptrollers of the National Paper Company in February 2020, both the Valaichchenai and Embilipitiya Mills were idling, and except for a limited number of workers, all other employees had retired under the Voluntary Retirement System (VRS) implemented since 2016. Thus, at a time when the nation's paper industry was facing a setback, I would like to recall that the assigned challenge, to place the National Paper Company in a self-financing position in the paper market, was taken up by me with pleasure.

Even though the audited financial reports of the National Paper Company from April 2012 to March 2015 were available, the other challenge we were faced with was that they had not been prepared and presented as Annual Reports, and also the Annual Accounts had not been prepared since April 2015. As the year-end accounts and annual reports since the year 2020 were required to be systematically and properly prepared based on previous data, preparation and submission of Annual Reports for the years 2012 – 2015 within a very short period of time, was a hesitant responsibility I took upon myself during my tenure, and I'm pleased that I'm able to submit at least this type of report based on the data we had possessed.

I recall with gratitude His Excellency the President, Hon. Minister and his Staff as well as the Staff of the Treasury for encouraging me and giving me all assistance at all times, and taking decisions required to expand the autonomy of the National Paper Company again in the present competitive market by avoiding various obstacles that existed in the past.

Further, I recall with heartfelt gratitude the Secretary to the Ministry and his Staff for having placed confidence in us and constant supervision of the Company's activities, offering us necessary guidance, and also the Board of Directors of our Company for giving me immense strength in building the future of the local paper industry, and I recollect with wholehearted pleasure the devoted Staff of our Company, the fore-runners of the paper industry who, as a strong team, works hand-in-hand with me for the uplift of the National Paper Company.

Wimal Rupasinghe
Chairman
National Paper Company Limited

2022

Incumbent Board of Directors including Chairman

Mr. K.A. Wimal Rupasinghe
Chairman

Mrs. Ruvini Senarathna
Director

Mr. J.B. Heenkenda
Director

Mr. Dinundu Munidasa
Director

Mr. S.S. Ketawalagedara
Director

Mrs. H.D. Himali C. Wijetunga
Director

Mr. G.P.S.S. Weerasuriya
Director

Corporate Vision & Mission

Our Vision

To become the forerunner in Sri Lanka in the marketing of printing paper, photocopy paper and computer stationery, etc. and billboards, which are not produced at present, to contribute for the progress of Sri Lanka's paper industry.

Our Mission

To become a profit-making, environment-friendly, customer-driven, exceptionally innovative and diversified paper company with human resources and an excellent management, by producing and marketing all kinds of paper and billboards.

National Paper Company Limited

Content

Financial Year 2014/2015

National Paper Company Limited

Corporate information: **2014/2015**

Competent Authority - Mr. Mangala C. Senarath

Company Secretaries

Dayananda Samarawickrama & Company
Chartered Accountants
No. 20/26, Railway Avenue,
(Public Market Road)
Nugegoda, Sri Lanka.

Registered Office

No. 93, Jawatta Road,
Colombo - 05.

Auditors

Ernst & Young
Chartered Accountants
201, De Saram Place,
P.O. Box 101, Colombo 10.
Sri Lanka.

Bankers

People's Bank
Bank of Ceylon
National Development Bank

Report from the Directors

The Annual Report with Audited Accounts for the year ended as at 31.03.2015 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 Valaichchenai 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 shares @ Rupees 10/- a capital share).

3. Turnover

   The net turnover of the Company for the financial year ended as at 31.03.2015 was Rupees 74,905 million.

4. Cost of Production of the Company

   The Cost of Production of the Valaichchenai Mill during the period under review was Rupees 243,118 million.

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 31.03.2015, 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 31.03.2015 were audited by Ernst & Young Chartered Accountants.

NATIONAL PAPER COMPANY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2015

EY
Building a better working world

Ernst & Young
Chartered Accountants
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P.O. Box 101
Colombo 10
Sri Lanka

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eysl@lk.ey.com
ey.com

PNS/KAVS/JJ

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF NATIONAL PAPER COMPANY LIMITED

We were engaged to audit the accompanying Financial Statements of National Paper Company Limited ('the Company') , which comprise the Statement of Financial Position as at 31 March 2015, and the Statement of Profit of Loss, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and other explanatory information.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. These responsibility includes designing implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud and error. Selecting and applying appropriate policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Sri Lanka Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

01. The financial statements of the Company for the year ended 31 March 2014 were audited by another auditor who has expressed an adverse opinion on those financial statements on 02 February 2017. We were unable to obtain sufficient and appropriate audit evidences about the appropriateness of opening balances and matters described in the basis for adverse opinion.

02. We were not allowed physical access to premises and respective records of Valachchenai mill and any other adequate information were not provided for our review for the balances tabulated below.

    Further, the Embilipitiya mill has been disposed on 15th November 2011 to AUS Lanka Paper Company. Neither disposal agreement nor other adequate evidences were provided for our review. As a result we were unable to verify balances tabulated as below.

Description	Embilipitiya 000"	Valachchenai 000"
Total Non- Current Assets	17,886	38,344
Total Current Assets	11,202	177,767
Total Non-Current Liabilities	483,757	406,086

(Contd...2/-)

3. **In relation to the balances recorded under Head Office,**

3.1 No proper records have been maintained for the Property, Plant and Equipment. Hence we were unable to verify the property plant and equipment balance recorded in the financial statements amounting to LKR 33,376,922/-.

3.2 We were appointed as auditors of the Company on 23 December 2016 which was subsequent to the financial year and thus did not observe the counting of physical inventories at the end of the year. Further Company has not maintained proper accounting records in relation to inventory quantities and value in the Statement of Financial Position amounting to LKR 15,926,363/-.

3.3 We were prevented to call direct confirmations and were not provided with adequate information to verify Trade and Other Receivable and Trade and other Payable stated in the financial statements amounting to LKR 257,200,355/- and LKR 471,307,505/- respectively.

3.4 We were not provided with sufficient and appropriate audit evidence to verify the capital reserve and foreign grant stated in the financial statements amounting to LKR 45,087,534/-, LKR 41,777,052/- respectively. Further we were not provided with adequate information or acceptable rational for an amount of LKR 103,258/- credited to revenue reserve.

3.5 We were prevented to call direct confirmation for the foreign loan stated in the Statement of Financial Position amounting to LKR 159,654,648/-. Neither loan agreement or nor adequate information in relation to the loan were provided for our review.

3.6 As at the reporting date the Company has recorded gratuity payable at LKR 100,681,254/-. Basis for the provision and adequate information for the payments made during the year were not available for our review.

3.7 We were unable to verify the completeness of revenue and accuracy of the cost of sale recorded in the financial statements amounting to LKR 74,905,615/- and 243,140,251/- respectively due to control deficiencies and lack of audit trial.

3.8 The Company is liable for statutory taxes such as VAT, NBT ESC and the Income tax. However, we were not provided with sufficient and appropriate audit evidence to ensure that the Company has made due payments or adequately provided for such dues in the Financial Statements.

3.9 We were unable to verify expenses recorded in the profit or loss account as tabulated below due to unavailability of sufficient and appropriate audit evidences.

Description	Amount LKR
Salaries and Wages	20,705,764
ETF	528,085
Employee Provident Fund	2,112,340
Rent, Rate and Taxes	3,756,229
Contract Staff Allowances	1,440,467
Vehicle Rent	1,035,000
Repair and Maintenance	2,852,751
Waste Paper Expenses	3,222,458

We were unable to satisfy ourselves by alternative means for the matters described above 1 to 3.9. Further we identified below concern with regards to going concern ability of the Company.

(Contd...3/-)

4. The Company has prepared financial statements on a going concern basis. However following condition were presented as at reporting date.

   - The Valachchenai mill has discontinue its operation during the year.
   - Embilipitiya mill has been disposed on 15 November 2011.
   - The Company has recorded a loss amounting to LKR 123 Mn. for the year ended 31 March 2015. (LKR 209 Mn. for the year ended 31 March 2014)
   - The Company has recorded negative net assets position amounting to LKR 1,090 Mn. as at 31 March 2015. (LKR 967 Mn. as at 31 March 2014).

   These matters together with matters described above 1 to 3.9 indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as going concern. In the absence of detail and appropriate management assessment on the application of going concern, we were unable to determine use of going concern assumption is appropriate.

   Based matters discussed above we were unable to determine whether any adjustments were necessary in respect of Company's assets, labilities as at 31 March 2015 and whether any adjustments were necessary in respect of profit or loss and the element making up the Statement of Changes in Equity and Statement of Cash Flows for the year ended 31 March 2015.

Disclaimer of Opinion

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

Other Matter

The financial statements of the Company for the year ended 31 March 2014 were audited by another auditor who expressed an adverse opinion on those financial statements due to the following reasons.

1. Financial statements that were presented to the auditor's examination incompliance with the presentation of financial statements as required under accounting standards on Framework for the preparation and presentation of Financial Statements LKAS 01- (Presentation of Financial Statements). The value of five plantations consisting 525 acres at Rs. 11,188,275/-, shown as cultivation stock of Embilipitiya Mills continuing unchanged for several years, in unverifiable.

2. Out of the two mills which operated under the NPCL Embilipitiya Mill, has been disposed on 15th November 2011 to Aus Lanka Paper Company (Pvt) Limited under the Ministry of State Resources and Enterprise Development by tender, the terms and conditions of the Disposal Agreement are not comprehensive and the acceptable accounting records has not been maintained in respect of the Disposal of Embilipitiya Mill. FCID (Investigation No. FCID/145/15) and the Presidential Investigation Commission (Investigation No. PCI 859/2015) are holding investigations regarding this disposal at present. This situation precludes us from making any comments further on this matter.

3. No proper records had been maintained for Property, Plant and Equipment and some fixed assets could not be traced by us. The Company has not followed the correct procedure for disposal of scraped items. Further we have noted that some fixed assets were fully depreciated and the Company has not revalued those Plant & Machinery which were still being used. According to the policy for Accounting of Property, Plant and Equipment and other assets residual values, useful lives and methods of depreciation are required to be reviewed and adjusted as appropriate at the end of each financial year. (LKAS 16).

(Contd...4/-)

4. The following four cases are pending before legal authorities regarding the disposal of scraped items at Valachchenai Mill.

Legal Authority	Case No./Investigation File No.
1. Bribery Commission	B/C 3067/2012 B/15
2. Fraud Bureau	IR 606/03/15
3. Department of Criminal Investigations	B 201 - 2016
4. Magistrate Court - Valachchenai	B 661/12

In addition to the items raised in the above four cases the NPCL has not followed the proper procedure regarding disposal of scraped items as there instances where had been released before the realization of cheques received by them.

5. We observed that the Company has several Court cases in connection with Labour Disputes. Statutory requirements for E.P.F. and E.T.F. have not been paid as at date of 31.03.2014.

   However after implementing Voluntary Retirement Scheme (VRS) these types of payments due to them had been paid according to the sample examined.

   Provisions and disclosures are required for contingent liabilities such as Statutory Requirement and Court cases. Hence the Financial Statements of the Company have not complied with the LKAS 37.

6. **Directors' interest in contracts with the Company**

   Precedent auditor has not been provide with any information on Directors' interest in contracts with the Company, during the year ended 31 March 2015 and we noted that the Board of Directors has been replaced by a Competent Authority to manage the Company with effect from 02 April 2012.

Report on other legal and Regulatory Requirements

Because of the significance of the matters described in the basis of Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion. Accordingly, we do not express our opinion, under the requirements of section 163(2) of the Companies Act No. 7 of 2007.

Ernst & Young

16 January 2019
Colombo

National Paper Company Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 LKR	2014 LKR
Assets			
Non-Current Assets			
Property, Plant and Equipment	4	88.827.869	90.823.839
Long Term Investments	5	(1.964.561)	56.484.145
		86.863.308	147.307.984
Current Assets			
Inventory	6	136.275.892	133.794.636
Trade and Other Receivables	7	311.535.710	286.399.252
Cash and Cash Equivalents	13.1	18.673.610	2.203.853
		466.485.212	422.397.741
Total assets		553.348.520	569.705.725
Equity and Liabilities			
Equity			
Stated Capital	8	323.000.000	323.000.000
Foreign Grants		41.777.052	41.777.052
Capital Reserve		45.087.534	45.087.534
Retained Losses		(1.500.796.172)	(1.377.260.670)
		(1.090.931.586)	(967.396.084)
Non-Current Liabilities			
Interest - bearing Loans and Borrowings	12	162,715.313	164.603.934
		162.715.313	164,603.934
Current Liabilities			
Trade and Other Payables	9	1,362.765.222	1,220.219.461
Current Portion of Interest - bearing Loans and Borrowings	12	1.973,287	1,395,005
Payables to Government	9	100.681.254	88.486.726
Bank Overdraft	13.2	16,145.030	62,396.683
		1.481.564.793	1,372,497.875
Total Equity and Liabilities		553.348.520	569.705.725

I certify that the Financial Statements comply with the requirements of the Company Act. No. 7 of 2007.

....

Accountant

The Competent Authority is responsible for these Financial Statements. Signed by:

....

Competent Authority

The accounting policies and notes on pages 09 through 16 form an integral part of the Financial Statements.

ERNST & YOUNG Chartered Accountants 2018 Colombo COLOMBO

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2015

	Notes	2015 LKR	2014 LKR
Revenue	3	74,905,615	77,131,69
Cost of Sales		(243,118,251)	(258,628,27
Gross Loss		(168,212,636)	(181,496,58
Other Income	3.1	94,769,476	13,461,978
Administration Expenses		(34,653,539)	(30,624,230
Selling and Distribution Expenses		(7,779,378)	(7,256,138
Other Operating Expenses		(3,222,458)	(2,574,498
Operating Loss for the Year		(119,098,535)	(208,489,471
Finance Income	10	4,499,115	7,203,080
Finance Cost	11	(8,705,267)	(7,377,810
Other Expenses		(334,072)	(562,500
Loss before Tax		(123,638,759)	(209,226,700
Income Tax Expense		-	-
Loss for the Year		(123,638,759)	(209,226,700

The accounting policies and notes on pages 09 through 16 form an integral part of the Financial Statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2015

	Stated Capital LKR (Note 08)	Foreign Grants LKR	Capital Reserve LKR	Retained Losses LKR	Total LKR
Balance as at 01 April 2013	323.000.000	41.777.052	45.087.534	(934.990.457)	(525.125.872
Adjustments to Loss	-	-	-	(233.043.512)	(233.043.512
Net Loss for the Year	-	-	-	(209.226.700)	(209.226.700)
Balance as at 31 March 2014	323.000.000	41.777.052	45.087.534	(1.377.260.670)	(967.396.084)
Adjustments to Loss	-	-	-	103.258	103.258
Net Loss for the Year	-	-	-	(123.638.759)	(123.638.759)
Balance as at 31 March 2015	323.000.000	41.777.052	45.087.534	(1.500.796.172)	(1.090.931.586)

The accounting policies and notes on pages 09 through 16 form an integral part of the Financial Statements.

ERNST & YOUNG
Chartered
Accountants

National Paper Company Limited

STATEMENT OF CASH FLOWS

Year ended 31 March 2015

	Notes	2015 LKR	2014 LKR
Cash Flow from Operating Activities			
Loss Before Tax		(123,638,759)	(209,226,70
Prior Year adjustment for Opening Balance differences		103,258	9,254,90
Adjustments for			
Depreciation		5,322,543	6,006,75
Adjustments for Accumulated Depreciation - Embilipitiya		-	(6,948,93
Loss on Disposal of Fixed Assets		8,572	-
Interest Income		(4,499,115)	(7,203,08
Finance Costs		8,705,267	7,182,51
Operating Loss Before Working Capital Changes		(113,998,235)	(200,934,54
(Increase)/Decrease in Inventories		(2,481,254)	27,575,86
(Increase)/Decrease in Receivables		(24,912,654)	(4,531,89
Increase/(Decrease) in Payables		142,545,760	168,669,84
Increase/(Decrease) in Payables to Government		12,194,528	-
Cash Generated From/ (Used in) Operations		13,348,146	(9,220,73
Finance Costs Paid		(8,705,267)	(7,182,51
Net Cash Flow From/ (Used in) Operating Activities		4,642,879	(16,403,24
Cash Flow from Investing Activities			
Acquisition of Property, Plant & Equipment		(3,381,140)	(1,809,68
Amount Received from Disposal of Fixed Assets		45,995	-
Maturity of Fixed Deposit		58,448,707	(3,278,62
Interest Received		4,499,115	7,203,08
Net Cash Flow from Investing Activities		59,612,677	2,114,77
Cash Flow from Financing Activities			
Receipts from Government		-	9,063,851
Loan Received		9,760,945	-
Repayment of Long Term Loan		(10,174,650)	-
Lease Rentals Paid		(1,120,440)	(395,811
Net Cash (Used in)/ From Financing Activities		(1,534,145)	8,668,040
Net Increase in Cash & Cash Equivalents		62,721,410	(5,620,427
Cash & Cash Equivalents at the Beginning of the Period (Note A)		(60,192,830)	(54,572,403
Cash & Cash Equivalents at the Ending of the Period (Note B)		2,528,580	(60,192,830
Note-A			
Cash Favourable Balance		2,203,853	20,022
Cash Unfavourable Balance		(62,396,683)	1,475,670
		(60,192,830)	1,495,692
Note-B			
Cash Favourable Balance		18,673,610	2,203,853
Cash Unfavourable Balance		(16,145,030)	(62,396,683
		2,528,580	(60,192,830

The accounting policies and notes on pages 09 through 16 form an integral part of the Financial Statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

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 activity 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.

ERNST & YOUNG
Chartered
Accountants
COLOMBO

2.1 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 liabiliti 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/- durin the year ended 31 March 2014).Further the Company has not operated the main business during the yea 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 factor raise substantial doubt that the Company will be able to continue as a going concern.

2.2 Summary of Significant Accounting Policies

2.2 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.

2.2 Cash and Cash Equivalents

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

2.2 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 cost 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 are disclosed in the note No. 4.4 of these Financial Statements.

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 derecognizing of the asset (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 deprecation are reviewed, and adjusted if appropriate, at each financial period end.

2.3 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 Funds Contributions and Employees' Trust Fund contributions in line with respective statues and regulations. 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.

1.1.1 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.

2.3.1 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.

2.3 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 obligations and promotions. Those are still under hearing.

2.4 Income Statement

2.4 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.

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 goods have passed to buyer, usually on dispatch of the goods.

b) **Interest**

Revenue is recognised on a time proportion basis that takes in to accounts the effective interest rate on asset.

c) **Dividends**

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

d) **Others**

Other income is recognized on an accrual basis.

2.4 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 items 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 presents fairly the elements of the Company's performance.

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		2015	2014
3.	REVENUE	LKR	LKR
	Gross Revenue	74.905.615	77.131.693
		74.905.615	77.131.693

		2015	2014
3.1	Other Income	LKR	LKR
	Pasikuda Project Income	10.171.850	9.965.995
	Other Income -Head Office	83.623.697	1.216.995
	Waste Paper Sales	973.929	2.027.708
	Other Income -Valachchaina	-	251.281
		94.769.476	13.461.978

4. PROPERTY, PLANT AND EQUIPMENT

4.1 Gross Carrying Amount	As at 01.04.2014 LKR	Additions LKR	Revaluation LKR	Disposals LKR	As at 31.03.2015 LKR
At Cost					
Land & Buildings	132.274.693	-	-	-	132.274.693
Furniture & fittings	15.715.800	125.000	-	(93.000)	15.747.800
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	723.140	250.490	-	(31.990)	941.640
Utilities	105.417.606	-	-		105.417.606
	838.833.455	375.490	-	(124.990)	839.083.955
Capital Work in Progress	34.224.272	3.005.650	-	-	37.229.922
	34.224.272	3.005.650	-	-	37.229.922
Total Gross Carrying Amount	873.057.727	3.381.140	-	(124.990)	876.313.876

4.2 Depreciation	As at 01.04.2014 LKR	Charge for the Year LKR	Disposals LKR	As at 31.03.2015 LKR
At Cost				
Land & Buildings	114.467.971	451.015	-	114.918.987
Furniture & Fittings	15.630.925	15.250	(65.100)	15.581.075
Motor Vehicles	21.924.439	1.659.598	-	23.584.038
Machinery & Equipment	438.905.786	2.754.283	-	441.660.069
Process Appurtenance	86.686.791	2.779	-	86.689.570
Computers	168.562	201.818	(5.323)	365.057
Utilities	104.449.413	237.799	-	104.687.212
Total Depreciation	782.233.888	5.322.543	(70.423)	787.486.008

4.3 Net Book Values	2015 LKR	2014 LKR
At Cost		
Buildings		
Land & Buildings	17.355.707	17.806.722
Furniture & Fittings	166.725	84.875
Motor Vehicles	2.786.562	4.446.160
Machinery & Equipments	29.313.305	32.067.588
Process Appurtenance	668.672	671.451
Computers	576.583	554.578
Utilities	730.394	968.193
	51.597.947	56.599.567
Capital Work in Progress	37.229.922	34.224.272
Total Carrying Amount of Property, Plant and Equipment	88.827.869	90.823.839

4. PROPERTY, PLANT AND EQUIPMENT (Contd...)

4.4 The useful lives of the assets are estimated as follows:

	2015	2014
Land & Buildings	40 Years	40 Years
Furniture & fittings	10 Years	10 Years
Motor Vehicles	4 Years	4 Years
Machinery & equipments	15 Years	15 Years
Process Appurtenance	15 Years	15 Years
Computers	5 Years	5 Years
Utilities	15 Years	15 Years

4.5 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of LKR 3,381,140 - (2014 - LKR 226,300 -). Cash payments amounting to LKR 3,381,140 - (2014 - LKR 226,300/-) were made during the year for purchase of Property, Plant and Equipment.

5. LONG-TERM INVESTMENTS

	2015 LKR	2014 LKR
Long-term Investments	(1,964,561)	56,484,145
	(1,964,561)	56,484,145

6. INVENTORY

	2015 LKR	2014 LKR
Raw Materials	14,618,178	13,646,258
Finished Goods	12,501,450	1,317,417
Spare Parts & Tools	79,523,390	79,328,315
Consumable Items	29,632,874	39,502,646
	136,275,892	133,794,636

7. TRADE AND OTHER RECEIVABLES

	2015 LKR	2014 LKR
Trade Receivables	58,620,894	37,932,567
Provision for Other Receivables - Others	(2,829,234)	(2,829,234)
	55,791,659	35,103,333
Other Receivables	236,294,238	243,683,627
Deposits and prepayments	19,449,813	7,612,292
	311,535,710	286,399,252

8. STATED CAPITAL

	2015 LKR	2014 LKR
Treasury Funded Stated Capital	323,000,000	323,000,000
	323,000,000	323,000,000

9. TRADE AND OTHER PAYABLES

	2015 LKR	2014 LKR
Trade Payables - Other	150.244.725	106.125.564
Other Payables	1.165.553.796	1.077.234.739
Payable to division	1.073.515	-
	1.316.872.037	1.183.360.303
Statutory Payables	45.893.185	36.859.158
	1.362.765.222	1.220.219.461
Payable to Government	100.681.254	88.486.726
	1.463.446.476	1.308.706.187

10. FINANCE INCOME

	2015 LKR	2014 LKR
Interest Income on Fixed Deposit	4.499.115	7.203.080
	4.499.115	7.203.080

11. FINANCE COST

	2015 LKR	2014 LKR
Interest Expense	8.705.267	7.377.810
	8.705.267	7.377.810

12. INTEREST - BEARING LOANS AND BORROWINGS

	2015 Amount Repayable Within 1 Year LKR	2015 Amount Repayable After 1 Year LKR	2015 Total LKR	2014 Amount Repayable Within 1 Year LKR	2014 Amount Repayable After 1 Year LKR	2014 Total LKR
Loans	-	159.590.943	159.590.943	-	160.004.648	160.004.648
Finance Leases	1.973.287	3.124.370	5.097.657	1.395.005	4.599.286	5.994.291
Bank Overdrafts (Note 14.2)	16.145.030	-	16.145.030	62.396.682	-	62.396.682
	18.118.317	162.715.313	180.833.629	63.791.688	164.603.934	228.395.621

12.1 Loans

	As At 01.04.2014 LKR	Loans Obtained LKR	Repayment LKR	As At 31.03.2015 LKR
KFW Loan	159.654.648	-	-	159.654.648
Paranthan Chemicals - Loan	350.000	-	-	350.000
People's bank U - 13785	-	8.784.850	(9.175.304)	(390.454)
People's bank U 13794	-	976.095	(999.346)	(23.251)
	160.004.648	9.760.945	(10.174.650)	159.590.943

12.2 Finance Leases

		As At 01.04.2014 LKR	Leases Obtained LKR	Repayment LKR	As At 31.03.2015 LKR
Lease - 8822 :	HCLELE1200063800	1.875.646	-	(262.395)	1.613.251
Lease - 8825 :	HCLELE1200063700	1.957.753	-	(341.740)	1.616.013
Lease - 8709 :	HCLELE1200063600	2.384.698	-	(516.305)	1.868.393
		6.218.097	-	(1.120.440)	5.097.657

	2015 LKR	2014 LKR
Gross Liability	6.345.539	8.183.864
Finance Charges Allocated to Future Periods	(1.247.882)	(1.965.767)
Net Liability	5.097.657	6.218.097

		2015	2014
13.	**CASH AND CASH EQUIVALENTS**		
	Components of Cash and Cash Equivalents	**LKR**	**LKR**
	Favourable Cash and Cash Equivalents Balance		
13.1	Cash at Bank and in Hand	18,673,610	2,203,853
	Unfavourable Cash and Cash Equivalents Balance		
13.2	Bank Overdrafts	(16,145,030)	(62,396,683)
	Total Cash and Cash Equivalent Balances	2,528,580	(60,192,830)

14. CONTINGENCIES

14.1. Contingencies

15.1 The Company has several court cases filed by the staff requesting the company to satisfy its obligations.
The outcome of which remains unsettled at the date of 31 March 2015. No provision had been provided to settle such obligations in the financial statements.

16. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

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COLOMBO

DETAILED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 MARCH 2015

DETAILED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2015

STATEMENT - I

COST OF SALES

	2015 LKR	2014 LKR
Opening Stock	3,306,054	3,707,00
Production Cost During the Year	254,007,898	258,227,33
Closing Stock	(14,195,701)	(3,306,05
Cost of Sales	243,118,251	258,628,27

STATEMENT - II

FINANCE COST

	2015 LKR	2014 LKR
Bank Charges	261,179	195,299
Lease Default Interest	-	36,529
Lease Interest	1,579,219	5,713,753
Interest on Trust Loan & Overdraw	6,864,870	1,432,229
	8,705,267	7,377,810

STATEMENT - III

OTHER EXPENSES

	2015 LKR	2014 LKR
Asset Disposal Loss	8,572	-
Legal Fees	96,500	131,500
Transport Charges	229,000	431,000
	334,072	562,500

DETAILED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2015

STATEMENT - IV

ADMINISTRATION EXPENSES	2015 LKR	2014 LKR
Staff Salaries & Bonus	20.787.907	19.520.723
Statutory Benefits - EPF & ETF	2.640.426	2.456.849
- Gratuity	-	95.024
Rent and Rates	3.756.229	3.378.918
Staff Welfare	1.454.021	884.995
Contract staff Allowances	1.440.467	949.276
Telephone, Fax, Courier & Postage	1.201.898	826.314
Vehicle Rent	1.035.000	47.500
Printing and Stationery	571.424	710.757
Repair and Maintenance	456.712	175.412
Audit Fee	-	77.000
Legal & Professional Fees	239.270	349.500
Charitable Donation	252.833	6.600
Depreciation	229.950	131.781
Insurance	-	233.676
Power & Electricity	383.113	225.880
Water	118.532	103.949
Secretarial Expenses	2.240	425.000
Risk Allowance	-	12.000
General Expenses	75.830	13.078
Fine Surcharge	7.686	-
	34.653.539	30.624.230

STATEMENT - V

SELLING AND DISTRIBUTION EXPENSES	2015 LKR	2014 LKR
Repairs & Maintenance-Vehicle	2.852.571	478.605
Depreciation for Vehicle	1.659.598	361.330
Business promotion	1.068.304	400.397
Travelling & Subsistence	876.628	2.820.904
Exhibition Expenses	595.440	-
Entertainment Expenses	418.792	770.963
Advertisement Expenses	300.595	1.659.598
Photo Copy Paper Sales Expenses	7.451	714.340
Carriage Outward & Transport	-	50.000
	7,779.378	7.256.138

STATEMENT - VI

OTHER OPERATING EXPENSES	2015 LKR	2014 LKR
Waste Paper Expenses	3.222.458	2.574.498
	3.222.458	2.574.498

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National Paper Company Limited
No: 61, Stratford Avenue, Colombo 05