

NATIONAL PAPER COMPANY
LIMITED

ANNUAL REPORT
2007/2008

NO.356, UNION PLACE
COLOMBO 02.

CONTENTS

1. Corporate Vision & Mission
2. Corporate Information
3. Directors Report
4. Auditors Report & Financial Statements

Corporate Vision & Mission

Vision

To be the market leader in Sri Lanka with respect to certain products of Paper & Board such as Newsprint, Photocopying 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.

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, environmentally friendly and customer oriented manner with technological, human resources and management excellence.

Corporate Information – 2007/2008

Name of the Company – National Paper Company Limited

Directors,

- | | |
|----------------------------|----------|
| 1. Mr. M.K.S. De Alwis | Director |
| 2. Mr. L.K. Sanjaya | Director |
| 3. Mr. M.R.S. Perera | Director |
| 4. Mr. K.G.A.B. Amaradasa | Director |
| 5. Mr. W.M.P.L. Wadugedara | Director |
| 6. Mr. S. Amarasinghe | Director |
| 7. Mr.G. Lakshman | Director |

Secretaries

Nexia Corporate Consultants (Pvt) Ltd
No. 51/1A, Fife Road
Colombo 05.

Registered Office

No.356, Union Place,
Colombo 02.

Auditors

Tissa Fernando & Co.,
Chartered Accountants
519/2B, Elvitigala Mawatha,
Colombo 05.

Bankers

People's Bank
Bank of Ceylon

Directors Report

The Board of Directors pleased present the Annual Accounts for the year ended 31st March 2008 and the audited account of the National Paper Company Limited for the year ended 31st March 2008.

01. Principal Activity

The main activity of the company is the manufacture and sale of paper and paper boards with two factories at Valaichchenai and Embilipitiya Mills.

02. Share Capital

NPCL is a Government Owned Business Unit (GOBU) with 100% share vested in Secretary to the Treasury. The total share capital is Rs. 323 million with 32,300,000 share of Rs. 10/- each.

03. Turnover

The net turnover of the company for the year ended 31/03/2008 is 52.531 million.

04. Capital Expenditure

Since NPCL has ear marked for restructuring, the capital expenditure has been restricted to very minimum.

05. Directors Interest in Contracts

The directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March 2008

06. Auditors

The account of the Company for the year ended 31/03/2008 has been audited by M/S. Tissa Fernando & Co., Chartered Accountants.

Tf *Tissa Fernando & Co.,*
CHARTERED ACCOUNTANTS

319/2B, Elvitigala Mawatha,
Colombo 05, Sri Lanka

Tel : (01) 2588766, 2500236

Fax : (01) 2500236

E - Mail: tissafdo@tissafernando.com

www: www.tissafernando.com

One of the Ten Audit Firms Selected and Listed by the Central Bank under Section 38A (1) Of the Banking Act. No. 30 of 1988 as amended by Act. No. 33 of 1995 for Auditing the Accounts of Licensed Banks

NATIONAL PAPER COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST MARCH 2008

TF *Tissa Fernando & Co.,*
CHARTERED ACCOUNTANTS

519/2B, Elvirigala Mawatha,
Colombo 05, Sri Lanka

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AUDITORS' REPORT
TO THE MEMBERS OF THE NATIONAL PAPER COMPANY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of National Paper Company Limited comprising the balance sheet as at March 31, 2008, and the income statement and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.



Opinion

Financial statements of the company had not been prepared in accordance with General Accepted Accounting Principles and as per requirements of the companies act No. 07 of 2007 and Sri Lanka Accounting Standards No.03,05, 09,10, 12,14,16,29,,34,,36, 41.

Therefore in our opinion, because of the effects on the matters referred in the above paragraph, we do not express an opinion on the financial statements of National Paper Company Limited for the year ended 31st March 2008 and notes thereto.

Emphasis of Matter

As indicated in last year also, the company had continued to make losses and the accumulated losses as at the year under review amounted to Rs 427,586,000/-. Also the gross revenue of the company had reduced to Rs. 52,531/- in 2007/2008 from Rs. 83,232,000/- in 2006 /2007. Also against a gross loss of Rs. 27,203,000/- in 2006/2007 for the current period the gross loss was Rs. 77,679,000/-. The ability of the company to function as a going concern depends largely on continuous financial support from the general treasury. During the year, the treasury had provided funds up to 31st March 2008, amounting to Rs. 38,100,000/- and continued to provide funds up to 31st December 2008.

Report on Other Legal and Regulatory Requirements

These financial statements do not comply with the requirements of Section 151 sub section (1) & (2) of the Companies Act No. 07 of 2007.

Chartered Accountants
Colombo 05
27th January 2009

22/1/09



NATIONAL PAPER COMPANY LIMITED
BALANCE SHEET AS AT 31ST MARCH 2008

ASSETS	Notes	31-03-2008 Rs.'000	31-03-2007 Rs.'000
Fixed Assets	1	49,455	59,109
Capital Work -in -Progress		508	508
		<u>49,963</u>	<u>59,617</u>
<u>CURRENT ASSETS</u>			
Stock - Raw Materials & Consumables	2	223,747	219,791
Work -in- Progress	3	459	5,688
Finished Goods	4	16,310	26,932
Trade Debtors	5	1,771	1,629
Short Term Investments	6	35,040	159,011
Deposits & Prepayments	7	12,507	8,416
Other Current Assets	8	15,763	23,494
Cash at Bank & in Hand	9	1,282	964
Total Current Assets		<u>306,879</u>	<u>445,925</u>
Total Assets		<u>356,842</u>	<u>505,542</u>
<u>EQUITY AND LIABILITIES</u>			
<u>CAPITAL AND RESERVES</u>			
Stated Capital		323,000	323,000
Foreign Grants	10	41,805	41,805
Capital Reserve	11	45,088	45,088
Profit & Loss Account	11a	(427,586)	(253,950)
Total Equity		<u>(17,693)</u>	<u>155,933</u>
<u>CURRENT LIABILITIES</u>			
Dues to Government	12	17,081	12,574
Foreign and Other Short Term Creditors	13	86,230	86,230
Trade, Other Creditors & Provisions	14	254,421	208,415
Bank Overdraft	15	16,803	42,390
Total Current Liabilities		<u>374,535</u>	<u>349,609</u>
Total Equity and Liabilities		<u>356,842</u>	<u>505,542</u>

The Board of directors are responsible for preparation and presentation of these financial statements.
Approved and signed for and on behalf of the Board of directors of National Paper Company Limited

.....
Director

.....
Director

The Accounting Policies and Notes form an integral part of the Financial Statements.

Colombo
27th January 2009



NATIONAL PAPER COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2008

Description	Share Capital Rs.	Foreign Grants Rs.	Capital Reserves Rs.	Revenue Reserves Rs.	Total Rs.
Balance as at 31/03/2006	323,000	41,805	45,088	(194,092)	215,801
Adjustment on Profit				1,364	1,364
Prior Year Adjustment				1,829	1,829
Net Profit/(Loss) for the Period				(63,062)	(63,062)
Balance as at 31/03/2007	323,000	41,805	45,088	(253,961)	155,932
adjustment on Profit				26,030	26,030
Net Profit/(Loss) for the Period				(199,654)	(199,654)
Balance as at 31/03/2008	323,000	41,805	45,088	(427,585)	(17,692)



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NATIONAL PAPER COMPANY LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

	Notes	31-03-2008	31-03-2007
		Rs.'000	Rs.'000
Revenue - Sales		52,531	83,232
Cost of Sales		(130,210)	(110,435)
Gross Profit /(loss)		(77,679)	(27,203)
Other Operating Income	16	16,778	17,281
		(60,901)	(9,922)
Administrative Expenses		(11,246)	(7,985)
Selling & Distribution Expenses		(8,522)	(5,893)
Other Operating Expenses (Embilipitiya)		(114,933)	(32,392)
Profit /(Loss) From Operations		(195,602)	(56,192)
Finance Expenses		(2,311)	(903)
Profit /(Loss) Before Taxation		(197,913)	(57,095)
Taxation*		-	(2,761)
Profit /(Loss) After Taxation		(197,913)	(59,856)
Extraordinary Expenses		(1,741)	(3,205)
Net Profit /(Loss) For the Year		(199,654)	(63,061)



NATIONAL PAPER COMPANY LIMITED

Accounting policies for the year ended 31st March 2008

01. ACCOUNTING POLICIES

1.1. GENERAL ACCOUNTING POLICIES

No adjustments have been made for inflationary factors affecting the accounts. Where appropriate; policies are explained in the succeeding notes. The going concern concept of the company depends on the continuous support by the treasury.

1.2 FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated to Sri Lanka rupees at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to rupees at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost are translated to rupees at the foreign exchange rates ruling at the date of the transaction.

1.3 ASSETS AND BASIS OF THEIR VALUATION

1.3.1 Property, Plant & Equipment and Depreciation

- i) Property, Plant & Equipment is stated at cost less accumulated depreciation.
- ii) Depreciation is charged on all assets excluding lands, but including land development on a straight-line basis consistent with that of the previous years.
- iii) Depreciation is not provided in the year of acquisition or commissioning. The Property, Plant & Equipment are depreciated at varying rates to be written off with the assets over their estimated useful life span.

The estimated useful life spans of more important Property, Plant & Equipment are given below.

Buildings at Valachchenai, Embilipitiya & Kirulapone	Over 40 Years
Furniture, Fittings & Equipment	Over 10 Years
Vehicles	Over 04 Years
Process Equipment	Over 16 Years

1.3.2 Stocks

Stocks have been valued as at 31st March 2008 on the following basis.

- i) Raw materials at the lower of cost or net realizable value.
- ii) Finished products and work-in-progress at the lower of cost or net realizable value. Cost in this context is generally confined to the cost of direct materials, wages and expenses.

1.3.3 Debtors

Debtors are stated at book values with a brought forward provision for bad and doubtful debts. The estimated realizable values are not worked out. We also noted that the following material debtors are omitted in the financial statements.

Valachchenai mills, amount due from 232 brigade head quarters of the Army for electricity balance due of Rs.4,362 million and rent due from houses occupied amounting to Rs. 129,058.00 until end of 31st March 2005 and the rent due from houses occupied by the army for the years ending 31st March 2006, 31st March 2007 & 31st March 2008 had not even been accrued and accounted.

NATIONAL PAPER COMPANY LIMITED

Accounting policies for the year ended 31st March 2008

1.3.4 Investments

Investments are stated as cost.

1.3.5 Inventory Items Relating To Engineering and Machinery Spare parts.

At Embilipitiya and Valachchenai Mills there were Rs. 223,746,866.20 worth of spares and raw materials in the books. Most of these stocks are bought way back in 1980's when the German currency Dutch mark was valued around Rs.25/-. The percent value of Euro is around Rs.145.79. Therefore if the engineering stocks are stated at fair value, the cost will be approximately six times the book value with respect to items that can be used. Therefore these items are not stated at fair value in the balance sheet for the year ending 31st March 2008; which is a violation of SLAS 41.

1.4 LIABILITIES AND PROVISIONS

1.4.1 Terminal Benefits

Provisions had been made in the accounts for terminal benefits under the Gratuity Act No. 12 of 1983 and this had been shown under non-current liabilities in the balance sheet. However we were unable to verify whether the provisions were adequate due to lack of relevant documents except for Valachchenai & head office

1.4.2 Workmen's' Compensation

There are Workmen's Compensation Funds at Embilipitiya & head office to the value of Rs 365, 400.52 at Embilipitiya and Rs. 5,520,142.02 at head office. These are represented by fixed deposits. However at Valachchenai though there is a provision of Rs. 3,468,884.54; there was no specific fixed deposit representing this. This is operative for employees of the manual and manipulative grade as per guidelines given in the Workmen Compensation Ordinance - 1934.

1.5 REVENUE RECOGNITION

Revenue is accounted for on an accrual basis matched with related expenditure.

1.6 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

a) Account at Bank of Ceylon Union Place is overdrawn by Rs. 6.8 million and People's Bank Corporate division is overdrawn by Rs. 13.2 million as at end of last week of December 2008. This means the overdrafts are covered by the two fixed deposits Rs 25mn held at these banks and the company has no money to operate. Therefore the company has no funds to operate and closing down is eminent unless treasury grants funds.

NATIONAL PAPER COMPANY LIMITED

Accounting policies for the year ended 31st March 2008

1.7 Contingencies

There are contingent liabilities with respect of the following labour and other cases.

CASE NUMBER	COURT	NAME OF THE PLAINTIFF	REMARKS
HCRA -153-06	High court	S.Sivasidambaram	This case was settled on 2008/09/29
64-362/05	Magistrate court		
A 3153	Labour courts	S.P.W.Vagaarchchi & K.P. Susantha	Pending
13364	Labour Courts	M.G. Sirisena	Overtime claims
13365	Labour Courts	U A Jayatissa	Overtime Claims
?	Magistrate Courts	Ejection orders for 6 ex-employees occupying German Quarters D 2 ,3, 6,8,9,11	Final notice given to vacate the houses by 15 th of February 2009. After 15 th of February 2009, cases are to be heard for ejection

However no provision had been made during the year for the above indicated contingent liabilities.

02. INCOME STATEMENT

02.1. The loss incurred by the company as shown in the income statement is after charging the following.

02.01.01 Depreciation on Property, Plant & Equipment.

02.01.02 All expenses incurred in the running of the business and in maintaining the capital assets in a state of efficiency

02.01.03 Gain or losses on the disposal of Property, Plant & Equipment.

02.01.04 Compensation on voluntary retirement.

02.01.05 However charges due and recoverable from the 232 brigade head quarters of the Army for electricity balance due Rs.4.362 million and rent due from houses occupied amounting to Rs. 129,058.00 until end of 31st March 2005 and beyond had not been taken into accounts.

Government grants related to income have been accounted under respective expenditure accounts subject to the following.

The treasury grants received for payment of salary had been set off against the salary expenditure of the company.

	Rs.
Total grants received	38,100,000.00
Paid-salary, EPF & ETF	(35,625,000.00)
Gratuity	(2,085,986.55)
Balance C/F	<u>389,013.45</u>

This has resulted in understatement of the loss incurred by the company.

NATIONAL PAPER COMPANY LIMITED

Accounting policies for the year ended 31st March 2008

03. CAPITAL EXPENDITURE

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature for the purpose of carrying on the business or for the purpose of increasing the earning capacity of the business had been treated as capital expenditure.

04. TAXATION

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statements after taking into account the losses brought forward and any adjustments to tax payables in respect of previous years. However in the final accounts submitted to us, taxation payable had not been accounted.

05. OTHERS DEFICIENCIES NOTED

VAT Computation

Output vat calculation had not been included at the Valachchenai mills for scrap sold amounting to Rs. 2,400,000. As a result of this the accounting and payment of VAT to department of Inland Revenue is also incorrect.

2/3

National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

NOTE 1 - FIXED ASSETS

	Valachchenai	Embilipitiya	Head Office	Total
	Rs.	Rs.	Rs.	Rs.
Land	2,425,477.44	2,344,659.89	460,526.50	5,230,663.83
Other Fixed Assets	312,967,144.94	497,413,386.62	18,882,211.70	829,262,743.26
Depreciation	(291,063,581.75)	(474,654,633.83)	(19,319,860.96)	(785,038,076.54)
	24,329,040.63	25,103,412.68	22,877.24	49,455,330.55

WORK IN PROGRESS - CAPITAL

	Rs.
Embilipitiya Mills	21,100.00
Valachchenai Mills	486,895.48
	507,995.48

NOTE 2 - STOCKS, RAW MATERIALS & CONSUMABLES

RAW MATERIALS

Valachchenai Mills

	Rs.
Stock at Site	619,660.18
Production Consumables	4,200,932.23
Waste Paper - Local	10,938,133.96
	15,758,726.37

Embilipitiya Mills

	Rs.
Stock at Site	1,667,198.18
Production Consumables	7,284,742.34
Imported Pulp	1,459,977.02
Waste Paper - (Local)	1,002,661.60
Waste Paper - (Imported)	209,646.05
Eucalyptus	121,736.90
Straw	3,413,126.30
	15,159,088.39

Head Office

	Rs.
Waste Paper Stock Control A/c (Kirulapone 11, S.P.C., Lake House)	174,492.50
	174,492.50

ENGINEERING SPARES

Valachchenai Mills

	Rs.
Paper Machine Spares	15,617,920.69
Board Machine Spares	24,560,421.20
Engineering Spares	19,316,683.85
Vehicle Spares - Others	3,271,534.89
Vehicle Spares - Tractor & Balers	5,733,758.75
Loose Tools	994,300.28
Engineering Consumables	4,199,203.24
	73,693,822.90

National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

Embilipitiya Mills

Machinery Spares	Rs.
Engineering Spares	52,292,364.35
Spares, Vehicles & Farm Equipments	12,057,264.99
Loose Tools	11,760,537.16
Engineering Consumable	683,018.38
Capital Stocks	737,036.34
Sub Total	125,495.46
	<u>77,655,716.68</u>

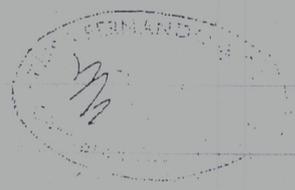
OTHER CONSUMABLES

Válachcherai Mills

Furniture & Equipments	Rs.
Hardware	244,670.38
Lubricant & Fuel	2,308,230.16
Stationery	126,569.41
Miscellaneous Consumables	531,682.97
Machine Clothing - Machine No. I	250,912.34
Machine Clothing - Machine No. II	2,486,922.22
Washing Hollander Wire	6,196,277.40
Stores Deficiency	1,870,349.29
Stores in transit Paper Dispatch for Printing	8,591.22
Stores in transit	1,250.25
"Broke"	239,594.99
Finished Stock - deficiency	750.00
Finished Goods Damaged for write off	87.48
	75,651.32
	<u>14,341,539.43</u>

Embilipitiya Mills

Furniture & Equipments	Rs.
Hardware	314,329.60
Lubricant & Fuel	1,796,479.31
Stationery	25,104.01
Miscellaneous Consumables	4,619,871.57
"Broke"	277,635.87
Stock in Transit	151,149.15
Turn out Materials	39,199.96
Store Shortages & Deficiency	6,191.45
Sub Total	8,545,244.02
	<u>15,775,204.94</u>



National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

CULTIVATION STOCK

Embilipitiya Mills

	Rs.
Mirijjawila Plantation	425,313.02
Agunakolapelassa plantation	175,516.04
Buluthota Plantation	855,183.12
Mahagama Plantation	114,555.36
Mills Farm Plantation*	9,517,707.45
	11,186,274.99

Note : During 2007/2008 audit, we noted that 25 archers approx. of this mills farm plantation occupied by the prison authorities at Embilipitiya. There is no proper documentation regarding this.

TOTAL STOCK RAW MATERIALS & CONSUMABLES

223,746,866.20

NOTE 3 - WORK IN PROGRESS

Valachchenai Mills

Rs.

458,514.72

458,514.72

NOTE 4 - STOCK - FINISHED GOODS

Details

	<u>Valachchenai</u>	<u>Embilipitiya</u>	<u>Imported</u>	<u>Total</u>
	Rs.	Rs.	Rs.	Rs.
3301 to 3360/19	3,343,472.36			3,343,472.36
Stock at Emb.Mills		405,866.13		405,866.13
Stock at Col. Stores	11,670,777.37	556,082.10	86,182.48	12,313,041.95
	15,014,249.73	961,948.23	86,182.48	16,062,380.44
<u>Add:</u>				
Head Office				
Purchase of Stationery Items				247,857.72
				16,310,238.16

NOTE 5 - TRADE DEBTORS

Trade Debtors Control A/c

Provision For Doubtful Debts

Rs.

4,600,227.25

(2,829,234.46)

1,770,992.79

NOTE 6 - SHORT TERM INVESTMENTS

Valachchenai Mills

	Rs.
Fixed Deposit - People's Bank , Valachchenai	96,086.72
Security Deposit - National Savings Bank , Batticaloa	104,610.83
Fixed Deposit - People's Bank , Batticaloa	1,000,000.00
Fixed Deposit - Medical Scheme Fund N.S.B. Batticaloa	1,425,448.46
Savings A/C For Distress Loan Payments	531,193.23
	3,157,339.24

Embilipitiya Mills

Security Deposit

Fixed Deposit - Workmen Compensation Fund

Rs.

14,399.25

329,189.66

343,588.91

National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

Head Office

Fixed Deposit with People's Bank	Rs.
Fixed Deposit with Bank of Ceylon	15,131,756.47
Fixed Deposit for Workmen Compensation	10,874,500.00
Staff Security Deposit	5,520,142.02
	12,500.00
	31,538,898.49
	35,039,826.64

Total Short Term Investments

NOTE 7 - DEPOSITS & PREPAYMENTS

Deposits

Valachchenai Mills

Miscellaneous	Rs.
P.M.G. Telephone	21,900.00
Empties	49,375.00
	55,415.72
	126,690.72

Head Office

Sri Lanka Ports Authority	Rs.
Shipping Guarantee & Indent Deposit	340,155.63
Rent Deposits	441,931.87
Franking Machine	422,108.50
Telephone Deposits	16,000.00
Deposits against Legal Action Cases	64,878.50
Other Deposits	525,890.00
Deposits on Advertisement Contract	142,770.00
Refundable Deposit with Salaka	5,750.00
Advance and Deposits	3,000.00
Purchase Clg. (Materials) A/c.	100,000.00
Indent Clearing Raw Materials (Vch.)	46,921.42
Indent Clearing Raw Materials (Emb.)	191,695.26
Indent Clearing Spares (Vch.)	641,998.82
Indent Clearing Spares (Emb.)	119,009.80
	48,604.86
	3,110,714.66

Embilipitiya Mills

Ceylon Electricity Board	Rs.
Deposits - Post Master General	5,011,300.00
Deposits - Empties	13,625.00
Deposits - Trade	9,525.00
Deposits - Others	42,500.00
	100.00
	5,077,050.00

National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

Prepayments - Valachchenai Mills

	Rs.
Motor Vehicle Insurance	46,476.00
Prepaid Telephone Rent & License Fees	24,600.00
Prepaid Motor Vehicle License Fees & Fitness Test	-29,205.00
Heavy Repairs and Maintenance	772,356.91
Deferred Expenditure on Subsidized Clothing	(51,787.94)
Prov. for Machine Clothing No: I Machine	420,382.94
Prov. for Machine Clothing No: II Machine	616,003.77
	<u>1,857,238.68</u>

Embilipitiya Mills

	Rs.
Pre payment - E.P.F. & E.T.F.	(12,105.33)
Prepaid Motor Vehicle License	-8,680.55
Heavy Repairs and Maintenance	1,029,099.31
Machine Clothing	1,010,518.00
Stamp Franking Machine	287.28
Insurance - Motor vehicles	53,024.20
	<u>2,089,504.01</u>

Head Office

General Prepayments	<u>246,080.50</u>
Total Deposits And Prepayments	<u>12,507,278.57</u>

NOTE 8 - OTHER CURRENT ASSETS - STAFF DEBTORS

Valachchenai Mills

	Rs.
Staff Debtors	51,428.02
Staff Debtors (Issues of Shoes on Subsidy)	9,274.12
Staff Debtors Telephone Recovery	2,820.00
Staff Debtors (Rent & Elec)	15,544.40
Private Jobs	6,137.41
Bicycle Advance Staff (Exe. & Tech.)	241,292.00
Distress Loan Staff (Exe. & Tech.)	393,514.71
Past Dues A/c. (Distress Loan)	21,542.00
Traveling Advance	3,950.00
	<u>745,502.66</u>

Embilipitiya Mills

	Rs.
Staff Debtors	9,715.37
Staff Debtors (Uniform)	1,739.39
Staff Debtors (Over Payment Salary)	(5,376.27)
Staff Debtors (Telephone Recoveries)	(3,489.50)
Staff Debtors (Vehicle Hire)	(26.28)
Staff Debtors (Issue of Company Products)	1,462.06
Salary Advance	92,789.14
Special Advance	2,739.00
Cycle Advance	16,508.20
Traveling Advance	201,143.50
Festival Advance	29,628.65
Distress Loan	145,071.53
Advance for Incidental Expenses	(7,470.51)
	<u>484,434.28</u>

National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

<u>Head Office</u>	Rs.
Vehicle Advance	53,950.00
Six Months Distress Loan	208,652.18
Festival Advance	14,750.00
Salary Advance	4,700.00
Special Advance	3,430.00
Other Staff Debtors	39,091.84
Salary Adjustment	395.58
	324,969.60

<u>Other Debtors</u>	Rs.
<u>Valachchenai Mills</u>	
National Apprentice Board Allowance	46,692.06
Other Debtors	51,738.59
Services Rendered to Armed Forces	3,747,352.13
	3,845,782.78

<u>Head Office</u>	Rs.
Mineral Sands Ltd.	34,260.40 ✓
Insurance Corporation of Sri Lanka	380,992.13 ✓
Ace Cargo (Pvt.) Ltd.	9,941.26 ✓
State Hardware Corporation	900,000.00
Economic Service Charges	2,218,548.10
Prov. for Electricity Bill Receivable on H/O. Bldg.	19,351.79
Prov. for Telephone Bill Receivable	11,127.81
Prov. for Interest Receivable on Fixed Deposit	1,147,564.69
Study Tours	57,630.82
Advance for Services etc.	516,087.80
Withholding Tax	1,464,665.75
	6,760,170.55

<u>Embillipitiya Mills</u>	Rs.
Issue of Stores on Loans	66,016.97
Private Jobs (Outsiders)	16,782.10
Other Debtors	731,012.20
Other Debtors - P.C.C.Limited	66,627.03
Private Jobs - Wood Cutting	10,702.80
National Apprentice Board	41,968.15
	933,109.25

<u>Advances</u>	Rs.
<u>Valachchenai Mills</u>	
Colombo Purchases	877,808.01
Incidental Advance	3,500.00
Advance for Emergency Purchases	76,392.00
	957,700.01

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National Paper Company Limited
Notes to the Financial Statements as at 31st March 2008

Head Office

	Rs.
Local Purchases - H/O.	206,225.13
Cash Advance to Employees for Local Purchases	131,777.12
Cash Advance (Welfare)	2,121.50
	340,123.75

Embilipitiya Mills

	Rs.
Advance to Emergency Purchases	8,764.11
Advance to Colombo Purchases	1,362,018.52
	1,370,782.63

TOTAL STAFF DEBTORS ; OTHER DEBTORS & ADVANCES

15,762,575.51

NOTE 9 - CASH AT BANK AND IN HAND

Cash at Bank

Valachchenai Mills

	Rs.
People's Bank - Valachchenai	31,170.30
People's Bank - Union Place, Colombo	24,069.22
People's Bank - Batticaloa, Town Branch	24,193.11
Cash at Bank of Ceylon, Batticaloa	38,996.18
	118,428.81

Head Office

	Rs.
People's Bank - A/c.No: 210898	18,192.34
	18,192.34 ✓

Embilipitiya Mills

	Rs.
Hatton National Bank, Cinnamon Garden	183.33
Bank of Ceylon, Embilipitiya	654,512.21
	654,695.54

Cash in Hand

Valachchenai Mills

	Rs.
Cash in Hand	14,363.10
Stamp Imprest	2,291.00
	16,654.10

Head Office

	Rs.
Stamp Imprest	2,630.00
Cash Imprest for Waste Paper - Kirulapone	24,500.00
Bank A/C 014-1-001-2-0112479	446,855.85
	473,985.85

TOTAL CASH AND BANK BALANCES

1,281,956.64

NOTE 10 - FOREIGN GRANTS

Canadian Aid	100,000.00 ✓
CIDA Capital Aid	10,609,048.08 ✓
F.R.G. Commodity Grant	21,095,503.54 ✓
F.R.G. Commodity Grant (Spares)	10,000,000.00 ✓
	41,804,551.62 ✓

National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

NOTE 11- CAPITAL RESERVE

Capital Reserve	2,988,408.52 ✓
Loan Redemption Reserve	41,722,450.41 ✓
CIDA Consultancy Reserve Fund	376,674.69 ✓
	<u>45,067,533.62</u>

NOTE 11B - REVENUE RESERVE

Profit and Loss Appropriation A/c.	(427,144,041.04) ✓
	<u>(427,144,041.04)</u>

NOTE 12 - DUES TO GOVERNMENT

Provision for Income Tax	Rs.
Provision for VAT	2,731,299.14
	14,349,309.96
	<u>17,080,609.10</u>

NOTE 13 - SHORT TERM CREDITORS

K.F.W. Loan (Embilipitiya) - Spares	Rs.
Provision Interest on K.F.W. Loan	55,020,834.50 ✓
Provision for Interest on KFW Loan	6,901,897.99
	24,307,251.46
	<u>86,229,983.95</u>

NOTE 14 - TRADE AND OTHER CREDITORS & PROVISIONS

<u>Medical Scheme Fund</u>	Rs.
Valaichchenai Mills	862,676.32
Embilipitiya Mills	639,124.86
Head Office	2,975.37
	<u>1,504,776.55</u>

Workmen's Compensation Fund Provision

Valaichchenai Mills	Rs.
Embilipitiya Mills	3,468,884.54
Head Office	40,000.00
	5,520,142.02
	<u>9,029,026.56</u>

Gratuity Fund Provision

Prov. for Valaichchenai Mills	Rs.
Embilipitiya Mills	50,441,420.12
Head Office	51,713,624.95
	8,454,540.00
	<u>110,609,585.07</u>

Personnel Accident Insurance Fund

Provision - Personnel Accident	Rs.
	2,079,946.49
	<u>2,079,946.49</u>



National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

NOTE 11- CAPITAL RESERVE

Capital Reserve	2,988,408.52 ✓
Loan Redemption Reserve	41,722,450.41 ✓
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	<u>45,087,533.62</u>

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Personnel Accident Insurance Fund

Provision - Personnel Accident	Rs.
	2,079,946.49
	<u>2,079,946.49</u>



National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

Provision For Liabilities

Valachchenai Mills

	Rs.
Provision - Fines	238,562.17
Provision - Losses, Damages & Non Moving Items	264,699.73
Provision - Rail Freight	65,756.25
Provision - Operation and Maint. of Vahanery Pump House	234,000.00
Ministry Grant for Purchase of TDR	1,926,065.00
Ministry Grant for Purchase of Machine Clothing	1,256,938.79
Ministry Grant for Purchase of DDR Disk	93,494.25
Surcharge CEB	13,364,853.56
	17,444,389.75

Head Office

	Rs.
Provision - Clearing Charges (Indents - Spares)	284,280.89 ✓
Provision - Clearing Charges (Indents - Raw Materials)	923,247.24 ✓
Provision - Emp. against the Legal Action	525,890.00
	1,733,418.13

Embilipitiya Mills

	Rs.
Provision - Water Tax	61,123.82
Provision - Write Off	8,545,244.02
Provision - Spares	2,203,000.00
Provision - Indent	493,673.19
Provision for Electricity	25,213,070.63
	36,516,111.66

Creditors And Accrued Charges

Valachchenai Mills

	Rs.
Sundry Creditors	2,972,416.11
Unpaid - National Apprentices Allowance	6,175.53
Purchase Creditors	1,446,359.00
Creditors Waste Paper	534,970.25
Sundry Creditors Payment & Others	91,269.27
Sundry Creditors - Stock Control	16,435.25
Stores Excess	8,788.73
Finished Stock Excess	8,100.66
Value Added Tax	(5,188.77)
Sundry Creditors - Costing	1,243.54
	5,080,569.57

Embilipitiya Mills

	Rs.
Fine Mills Employees - Refundable	147,587.87
Sundry Creditors General	497,737.98
Compensation Duty Stamp	11,689.00
Salary Remittance	1,276,466.93
Creditors Control	3,543,441.43
Unpresented Cheques	859,250.35
	6,336,173.56

National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

<u>Head Office</u>	Rs.
Sundry Creditors General	580,948.43 ✓
Sundry Creditors Waste Paper	19,269,856.33 ✓
Sundry Creditors - Rent	2,370,933.25 ✓
Transport Contractors	699,705.98 ✓
National Insurance Corporation	152,537.08 ✓
Clearing Charges - V.V. Karunaratne	(75,000.00)
Accrued Liabilities General	1,300,894.46
Central Bank - E.P.F.	2,446,632.00
P.A.Y.E. Tax	4,236.73
Employees Trust Fund	320,010.10
Commissioner of Inland Revenue (Stamp Fees)	3,702.00
Refundable Turnover Tax	1,741,638.00
State Cheques	171,009.38
Cash Sales Collection	1,674,188.18
Cash Sales Collection - R.S.R.	170,872.79
Recoverable G.S.T. on Imports	(113,404.24)
Recoverable G.S.T. on Local Purchase	(38,777.44)
Unclaimed Waste Paper Payments	1,717.38
Cancelled cheques	(29,467.91)
	<u>30,652,232.50</u>

Deposits

Valachchenai Mills

	Rs.
Staff Security	104,610.83
Welfare Society Discount Received	59,239.16
Deposits Contractors	9,250.00
Deposits Inner-canteen	25,600.00
Deposits - Tender	9,200.00
Library Fines	7,910.85
Fund for Loss of Identity Cards	211,065.05
Mini Bus Fair for Employees Transport	31,526.26
	<u>458,422.15</u>

Head Office

	Rs.
Grants from Treasury	389,013.45
Treasury Grant for Compensation	157,688.54
Refundable Deposits	916,650.00
Cash Paid in Advance A/c.	6,081,514.58
Cash Paid in Advance (Suspense) A/c.	24,500.00
Cash Paid in Advance Waste paper	746,903.10
Staff Security Deposits	14,500.00
Advance Received from Customers	821,011.36
	<u>9,151,781.03</u>



National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

<u>Embilipitiya Mills</u>	Rs.
Library Fines Fund	11,433.98
Staff Security	14,500.00
Contractors	50,000.00
Tenders	92,850.00
Retention Money Contractors	3,794.56
Canteen	10,000.00
Indent Deposit	4,361,247.73
Mini Bus Fair for Employees Transport	441,310.00
Laundry	250.00
	4,985,386.27
	4,985,386.27

<u>Salaries & Wages Payable</u>	Rs.
<u>Valachchenai Mills</u>	
Unclaimed Payments	45,580.07
Unpaid Gratuity	152,841.05
Refund of Employees Trust Fund	2,881.52
Staff Creditors	495,824.47
	697,127.11
	697,127.11

<u>Head Office</u>	Rs.
Unclaimed Medical Payments	900.00
Accrued Payment Salaries & Wages	365,633.80
Unclaimed Allowance A/c.	171.00
Gratuity Payable	972,087.50
	1,338,792.30
	1,338,792.30

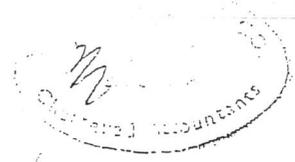
<u>Embilipitiya Mills</u>	Rs.
Unclaimed Payments	511,367.84
Provision Accrued Payments	6,012,253.75
"Accrued Salaries & Wages"	10,279,643.44
	16,803,265.03
	16,803,265.03

TOTAL TRADE ,OTHER CREDITORS & PROVISIONS	254,421,003.73
	254,421,003.73

NOTE 15 - BANK OVER DRAFTS

<u>Head Office</u>	Rs.
Bank of Ceylon A/c.No: 0000164807	6,960,850.85 ✓
People's Bank - A/c.No: 100140210899	9,842,393.43
	16,803,244.28
	16,803,244.28

TOTAL BANK OVERDRAFTS	16,803,244.28
	16,803,244.28



National Paper Company Limited
Notes to the financial Statements as at 31st March 2008

NOTE 16 - OTHER INCOME

Valaichchenai
Embilipitiya
Head Office
Waste Paper Sales (Note 17A)

	Rs.
	3,568,874.10
	187,250.25
	7,170,577.27
	5,851,222.01
	<u>16,777,923.63</u>

NOTE 16A - WASTE PAPER SALES

Sale of Waste Paper
VAT
Net Sales
Cost of Sales
Net Profit

	Rs.
	12,340,311.90
	(1,570,655.00)
	10,769,656.90
	(4,918,434.89)
	<u>5,851,222.01</u>

Due to liquidity problem of the Company, we have started selling Waste Paper in order to reduce the financial crisis