

Annual report of laxpana batteries assignment



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Laxapana Batteries PLC Annual Report 2010 / 2011 Our Mission “ Our mission is to provide best value energy generating products” To our shareholders - We will continuously improve our manufacturing capabilities and technology as part of our growth strategy and thereby improve profits and return on investment. To our customers - We will provide high quality products that will consistently meet customer expectations. To our employees - We will create a work environment where employees will be treated with dignity & respect and made active participants in the development of the organization.

To our suppliers - We will work towards building long term relationships and commitment for mutual growth. To our society - We will commit ourselves to ensure that our present and future manufacturing systems and services will be so designed to create the least environmental impact. We will always promote good governance and ethical practices in business and honour the rights of all racial, religious and gender sections in our society. LAXAPANA BATTERIES PLC / Annual Report 2010-2011 1 Contents

Our Mission Notice of Meeting Chairman’s Review Company Profile Board of Directors Annual Report of the Board of Directors Audit Committee Report Independent Auditors’ Report to the Shareholders Income Statement Balance Sheet Statement of Changes In Equity Cash Flow Statement Notes to the Financial Statements Share Information Ten Year Financial Summary Notes Form of Proxy Corporate Information Inner Front Cover 2 3 4 5 6 9 10 11 12 13 14 15 31 33 34 35 Inner Back Cover 2 LAXAPANA BATTERIES PLC / Annual Report 2010-2011 Notice of Meeting

Notice is hereby given that the Fifty Fifth Annual General Meeting of Laxapana Batteries PLC will be held at the Grand Oriental Hotel, No. 2, York Street, Colombo 01, on Tuesday, 27th September 2011 at 10. 00 a. m. for the following purposes, namely: 1. To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2011, with the Report of the Auditors thereon. 2. To re-elect as a Director, Mr. S. Rajaratnam who retires in accordance with Articles 84 and 85 of the Articles of Association. 3. To reappoint Mr. R. N.

Bopearatchy who has attained the age of seventy years as a Director. A special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note 4 below). 4. To reappoint as Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co. and to authorize the Directors to determine their remuneration. By Order of the Board CORPORATE MANAGERS & SECRETARIES (PRIVATE) LTD. Secretaries Colombo 11th August 2011 Notes:

1. Any member of the Company who is entitled to attend and vote may appoint a proxy to attend and vote instead of him or her.

A proxy need not be a member of the Company. 2. A Form of Proxy for the Meeting is enclosed with this Report. 3. The instrument appointing a proxy should reach the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited, No. 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, not less than 48 hours before the time appointed for the holding of the meeting. 4. A Special Notice has been received by the Company from a shareholder giving notice of the intention to

move the following Resolution as an Ordinary Resolution at the Annual General Meeting: “ Resolved ??? That Mr.

R. N. Bopearatchy who is seventy years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. R. N. Bopearatchy.

LAXAPANA BATTERIES PLC / Annual Report 2010-2011 3 Chairman’s Review

It gives me much pleasure to present to you on behalf of the Board of Directors the Annual Report and the Audited Accounts for the year ended 31st March, 2011 and also to welcome you to the 55th Annual General Meeting of the Company.

The peaceful domestic environment after the 30 year trauma of civil unrest and with the gradual recovery of the global economy the Sri Lankan economy too recorded a promising growth of 8% in the year 2010. For many years the main stay of the battery market has been the farming sector of the country. The heavy rains experienced by the country resulting in severe flooding during the latter part of the year however adversely affected the agricultural sector, specially the paddy farming sector. In this economic environment, your Company had achieved a turnover of Rs. 316. Million, recording a growth of 18% over the turnover of Rs. 267. 9 Million which was achieved during the previous financial year. During the current financial year the Company made a profit before tax of Rs. 12. 8 Million, which is an improvement against the loss of Rs. 12. 2 Million recorded during the previous financial year. This profit was achieved after the extraordinary write off of Rs. 6. 5 Million for obsolete plant and machinery. In my previous year’s

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review I drew attention to the declining sales of the D-Size batteries on account of the increasing popular usage of energy saving lighting equipment.

This trend continued and is evident during the current year too. To circumvent the declining sales of the traditional batteries, the medium term strategy adopted by the Company continues to focus on trading opportunities and also adopting many strategies to mitigate the loss arising from the declining volumes of our standard D-Size batteries. The Company is actively seeking new opportunities and is in discussion with overseas principals to diversify its businesses to ensure the long term viability and profitability of the Company.

I take this opportunity to thank all the shareholders for the continued confidence in the Company and the employees for their dedication and hard work during the year and to my colleagues on the Board for their invaluable counsel at all times. A. Rajaratnam Chairman 24th June 2011 4 LAXAPANA BATTERIES PLC / Annual Report 2010-2011 Company Profile Elephant Lite Corporation Ltd was incorporated as a Public Limited liability Company in 1956. The Company is the pioneer manufacturer of dry cell batteries in Sri Lanka. In 1982, it was quoted on the Colombo Stock Exchange.

In August 2005, the name of the Company was changed to Laxapana Batteries Limited and subsequently re-registered as Laxapana Batteries PLC. The Company manufactures two types of torch cell batteries using modern technology. The LAXAPANA brand name under which the products of Laxapana Batteries PLC are sold, holds the SLS quality certification from the

Sri Lanka Standards Institution. In December 2006 the Company was awarded ISO 9001-2000 Certification by the Sri Lanka Standards Institution. To ensure high quality of its products and to facilitate innovation and product modification, the factory maintains a fully equipped laboratory.

The factory and office are located on a 3 ? acre freehold land at Homagama and employs 95 persons. The LAXAPANA brand name carries a reputation for defect free, reliable lighting equipment. The Company currently imports and sells Penlite Batteries LAXAPANA BATTERIES PLC / Annual Report 2010-2011

5 Board of Directors Mr. A. Rajaratnam - Chairman FCA Mr. A. Rajaratnam joined the Board in 1997 and was appointed Chairman in the year 2003. He also holds Directorships in several listed and unlisted Companies within The Colombo Fort Land & Building Group. Mr. K. D. Sumanasekara - Director/Chief Executive Officer FCA

Mr. K. D. Sumanasekara joined the E. B. Creasy Group in 1992 and headed the Finance Division until December, 2008. He was appointed to the Board of Laxapana Batteries PLC in November, 2009 and also functions as the Chief Executive Officer of the Company. He has served in senior financial positions in the Government and Private Sector and has also been associated with overseas companies in Zambia. Mr. S. D. R. Arudpragasam - Director FCMA (UK) Mr. S. D. R. Arudpragasam was appointed to the Board in 1997. He holds the positions of Deputy Chairman of Lankem Ceylon PLC and Managing Director of E.

B. Creasy & Co. PLC in addition to serving on the Boards of other Group Companies. Mr. R. N. Bopearatchy - Director B. Sc. (Cey), Dip. BM, MBA

(Univ. of Col.) Mr. R. N. Bopearatchy was appointed to the Board in the year 2000 . He has considerable expertise in product development, manufacturing and marketing of pesticides, pharmaceuticals and consumer products. Soon after graduation he was employed in Research in the Plant Pathology Division of the Tea Research Institute and subsequently joined Chemical Industries Colombo Limited and was appointed to its Board.

He also served on the Boards of Crop Management Services (Pvt) Ltd. the managing agents for Mathurata Plantations Ltd. , CIC Fertilizers Ltd. and Cisco Speciality Packaging (Pvt) Limited. He has been a former Chairman of the Pesticide Association of Sri Lanka and the Toxicological Society of Sri Lanka and is now the Chairman of the International Mosquito Spiral Manufacturers Association (IMSMA). Mr. R. N. Bopearatchy currently holds several other Directorships within The Colombo Fort Land & Building Group. Mr. S. Rajaratnam- Director B. Sc. , CA Mr. S. Rajaratnam was appointed to the Board in the year 2006.

He holds a Bachelor of Science Degree in Business Administration from Boston College, U. S. A. and is a member of the Institute of Chartered Accountants in Australia. He has been associated with overseas companies in the field of Finance and currently holds the position of Deputy Managing Director of E. B. Creasy & Company PLC amongst other Directorships. Mr. R. C. A. Welikala – Director Mr. R. C. A. Welikala was appointed to the Board in the year 2000. He has an extensive experience in marketing of fast moving consumer goods and has successfully developed key brands in the E.

B. Creasy Group to market leadership positions. He also holds other Directorships within The Colombo Fort Land & Building Group. Mr. P. M. A. Sirimane – Director FCA, MBA Mr. P. M. A. Sirimane joined the E. B. Creasy Group in October, 2009 and was appointed to the Board of Laxapana Batteries PLC in November, 2009. Amongst other senior positions, he has functioned as Managing Director/ CEO of Mercantile Leasing Ltd. , Group Finance Director of United Tractor & Equipment Ltd. , Chief Financial Officer, Sri Lanka Telecom Ltd. and Director SLT Hong Kong Ltd.

He has served as a Member of several Committees of the Institute of Chartered Accountants of Sri Lanka and was also an ex-officio member of the International Leasing Association. Mr. Sirimane serves on the Board of E. B. Creasy & Company PLC and some of its subsidiaries. He also holds several other Directorships. 6 LAXAPANA BATTERIES PLC / Annual Report 2010-2011 Annual Report of the Board of Directors The Board of Directors of Laxapana Batteries PLC present their Report on the Affairs of the Company together with the Audited Financial Statements for the year ended 31st March, 2011.

The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007, and the Colombo Stock Exchange Listing Rules and are guided by recommended best practices Principal Activities, Business Review / Future Developments The principal activity of the Company is the manufacture of dry cell batteries. A review of the Company's business and its performance during the year with comments on financial results and future developments is contained in the Chairman's Review, which together with the financial statements reflect the state of affairs of the Company.

The Directors to the best of their knowledge and belief confirm that the Company has not engaged in any activities that contravene laws and regulations. Financial Statements The Financial Statements of the Company are given on pages 11 to 30. Auditors' Report The Auditors' Report on the Financial Statements is given on Page 10. Accounting Policies The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 15 to 20. There were no changes in the Accounting Policies adopted.

Interest Register Directors' Interest in transactions The Directors have made general disclosures as provided for in Section 192(2) of the Companies Act No. 7 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in Note 21 to the financial statements on page 29.

Directors' Interest in Shares None of the Directors including the Director/ Chief Executive Officer held shares in the Company during the financial year as well as in the previous year. Directors' Remuneration No remuneration

was paid to the Directors of the Company for the financial year. 2009/2010

Nil) Corporate Donations Donations amounting to Rs. 5, 500/- have been made during the year. (2009/2010-Rs. 4, 000/-) Directorate The names of the

Directors who held office during the financial year are given below. Brief profiles of the Directors currently in office appear on page 5. Mr. A.

Rajaratnam – Chairman Mr. S. D. R. Arudpragasam – Director Mr. K. D.

Sumanasekara – Director/ Chief Executive Officer Mr. S. Rajaratnam –

Director Mr. R. N. Bopearatchy – Director Mr. R. C. A. Welikala – Director Mr.

P. M. A. Sirimane – Director Mr A.

Rajaratnam, Chairman will be retiring at the conclusion of the Annual General Meeting. In terms of Articles 83 and 84 of the Articles of Association Mr. S. Rajaratnam retires by rotation and being eligible offers himself for re-election. Mr. R. N. Bopearatchy who has attained the age of seventy years offers himself for reappointment under and virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting. Corporate Governance Corporate Governance is the process by which Company objectives are established, achieved and monitored.

Corporate Governance is concerned with the responsibilities of the Board and its relationships with all relevant stakeholders within a legal and regulatory framework. LAXAPANA BATTERIES PLC / Annual Report 2010-2011 7 Annual Report of the Board of Directors (Contd...) Board Composition The Board consists of six Non -Executive Directors and an Executive Director who also functions as the Chief Executive Officer of the Company. They are equipped with a balance of skills and experience and together they provide strategic direction to the Company.

The Non- Executive Directors have submitted declarations of their non-independence to the Board of Directors. Appointments and Re-election of Directors The Board as a whole decides on the appointments of Directors in accordance with the Articles of Association of the Company. All appointments are approved by the Board of The Colombo Fort Land & Building Co. PLC. The Company's Articles of Association require any Director appointed by the Board to hold office until the next Annual General Meeting at which he seeks re-election by the Shareholders.

The Articles require one-fourth of the Directors in office to retire at each Annual General Meeting (not being an Appointed Director or Nominee Director). The Directors to retire in each year are those who have been longest in office since their appointment/ re-appointment. Retiring Directors are generally eligible for re-election. Decision Making In addition to Board Meetings matters are referred to the Board and decided by Resolutions in writing. Management Meetings The Management team meets on a weekly basis to review progress, discuss operational issues and other important developments that require consideration and follow up action.

Financial Acumen The Board includes five finance professionals who possess the necessary knowledge and experience to offer the Board guidance on financial matters. Financial Reporting The Board of Directors considers the timely publication of its Quarterly and Annual Financial Statements as a high priority. The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards. Audit Committee The Audit Committee of the Parent Company E. B. Creasy & Company PLC functioned as the Company's Audit Committee. The Audit Committee Report is set out on page 9.

Remuneration Committee The Remuneration Committee of the Ultimate Parent Company, The Colombo Fort Land & Building Company PLC functioned as the Company's Remuneration Committee. Auditors The Financial Statements of the Company for the year have been audited by Messrs KPMG Ford, Rhodes, Thornton & Co. the retiring Auditors who have expressed their willingness to continue as Auditors of the Company and are recommended for reappointment. A resolution to reappoint them and to

authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co. were paid Rs. 360, 000. /-. (2010Rs. 320, 000/-) as audit fees and fees for audit related services by the Company . In addition they were paid Rs. 811, 000/- (2010- Rs. 470, 500/-) by the Company for non-audit related work, which consisted mainly of taxation work. As far as the Directors are aware the Auditors do not have any relationship (other than that of an Auditor) with the Company. The Auditors do not have any interests in the Company. Revenue The Revenue of the Company for the year was Rs. 316. 6 Mn. 2009/10- Rs. 267. 9 Mn) 8

LAXAPANA BATTERIES PLC / Annual Report 2010-2011 Annual Report of the Board of Directors (Contd...) Results The Company made a net profit before tax of Rs. 12. 8 Mn in the current financial year. The net loss before tax for the previous year was Rs. 12. 2 Mn. Property, Plant & Equipment The

carrying amount of property, plant and equipment as at the Balance Sheet date was Rs. 176. 1Mn. (2009/10Rs. 186. 7 Mn) . The details are given in

Notes 10. 1 & 10. 2 on page 23. Stated Capital The Stated Capital of the Company as at 31st March 2011 was Rs. 38, 010, 000/- and is represented by 39, 000, 000 Ordinary Shares and 1000, 5% Cumulative Preference

Shares. During the year the Company made a Rights Issue of shares to its ordinary shareholders the details of which are disclosed under Note 15 to the Financial Statements on page 25. Reserves The Revaluation Reserve was Rs.

130. 6 Mn. as at 31st March, 2011. The Company had accumulated losses of Rs. 4. 4 Mn. as at this date. The movements are shown in the Statement of Changes in Equity in the Financial Statements. Taxation The Income Tax on

current year's profit is Rs. 6. 4 Mn. (2009/10-Rs. . 7 Mn.) Share Information Information relating to earnings (deficit), net assets, market value per share and share trading is given on pages 31 and 32. Events Occurring after the Balance Sheet Date No circumstances have arisen since the Balance Sheet date that would require adjustments to or disclosures in the Financial Statements. Capital Commitment and Contingent Liabilities There were no capital commitments and material contingent liabilities outstanding as at the Balance Sheet date. Employment Policy The Company's recruitment and employment policy is non-discriminatory.

The number of persons employed by the Company at the year end was 95. (2009/2010 – 94) Statutory Payments The Directors to the best of their knowledge and belief are satisfied that all statutory payments due in relation to employees and the Government have been made . Environmental Protection The Company has obtained an Environmental Protection license under the National Environmental Act No. 47 of 1980 from the Central Environmental Authority valid until April 2012, for the factory at Homagama. Internal Control The Directors are satisfied with the Internal Control systems in operation at present.

Going Concern The Board of Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Therefore the Going Concern basis has been adopted in the preparation of the financial statements. For and on behalf of the Board (Sgd.) S. D. R. Arudpragasam Director By Order of the Board (Sgd.) K. D. Sumanasekara Director (Sgd.) Corporate Managers & Secretaries (Private) Limited

Secretaries 24th June 2011 LAXAPANA BATTERIES PLC / Annual Report 2010-2011 9 Audit Committee Report

The audit committee report focuses on the activities of the Company for the year under review, which the committee has reviewed and monitored as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective views. Composition The Audit Committee of the Parent Company, E. B. Creasy & Company PLC (EBCPLC) functioned as the Company's Audit Committee and consists of members of the Audit Committee of The Colombo Fort Land & Building Company PLC (CFLB) (Ultimate Parent Company) and an Independent Non-Executive Director of E.

B. Creasy & Company PLC . Mr. R. Seevaratnam – Chairman (Independent Non- Executive Director-CFLB) Mr. A. M. de S. Jayaratne – Member (Independent Non- Executive Director-CFLB) Mr. R. Senathirajah – Member (NonExecutive Director – CFLB) Mr. A. R. Rasiah – Member (Independent Non- Executive Director-EBCPLC) The members have varied experience, financial knowledge and business acumen to carry out their role effectively and efficiently. The Company's Secretaries, Corporate Managers and Secretaries (Pvt) Ltd functioned as the Secretaries to the Audit Committee.

Role of the Audit Committee The Audit Committee reviews and advise the Company to ensure that the financial reporting system is in adherence with the Sri Lanka Accounting Standards and other regulatory and statutory requirements. It also reviews the adequacy of internal controls and the business risks. Meetings and Attendance The Audit Committee has met on

two occasions during the year ended 31st March, 2011 and the attendance was as follows: Mr. R. Seevaratnam Mr. A. M. de S. Jayaratne Mr. R. Senathirajah Mr. A. R. Rasiah (2/2) (1/2) (1/2) (2/2) Senior management personnel of the Company are invited to the meeting as and when required.

The proceedings of the Audit Committee are reported to the Board of Directors. External Audit The Company has appointed KPMG Ford, Rhodes, Thornton & Co. as its external Auditor and the service provided by them are segregated between audit/assurance services and other advisory services such as tax consultancy. The Audit Committee has determined that KPMG Ford, Rhodes, Thornton & Co. , Auditors are independent on the basis that they do not carry out any management related functions of the Company. The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG Ford, Rhodes, Thornton & Co. s Auditors for the financial year ending 31st March 2012, subject to the approval of the shareholders at the Annual General Meeting. Conclusion The audit committee is of the view that adequate controls are in place to safeguard the Company's assets and that the financial position and the results disclosed in the audited accounts are free from any material misstatements. (Sgd.) R. Seevaratnam Chairman, Audit Committee 24th June 2011. 10 LAXAPANA BATTERIES PLC / Annual Report 2010-2011 INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LAXAPANA BATTERIES PLC Report on the Financial Statements We have audited the accompanying inancial statements of Laxapana Batteries PLC, which comprise the balance sheet as at March 31, 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of

significant accounting policies and other explanatory notes as set out on pages 11 to 30 of the Annual Report. 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 policies 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 In our opinion, so far as appears from our examination, the

Company maintained proper accounting records for the year ended March 31, 2011 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements These financial

statements also comply with the requirements of Section 151(2) of the

Companies Act No. 7 of 2007. Chartered Accountants, Colombo 24th June

2011 LAXAPANA BATTERIES PLC / Annual Report 2010-2011 11 Income

Statement For the year ended 31st March Note Revenue Cost of sales Gross

profit Royalty Income on Laxapana Brand Other income / (expense) Property,

plant & equipment written off Write down of inventories Administrative

expenses Selling expenses Finance cost Finance income Net finance cost

Profit/ (loss) before tax Income tax expense Profit/ (loss) for the year

Attributable to: Equity holders of the company Earnings/ (deficit) per share 9

6, 399, 489 0. 1 (12, 930, 272) (0. 48) 6 6 6 7 8 5 4 2011 Rs. 316, 639, 898

(237, 663, 767) 78, 976, 131 1, 179 1, 180, 046 (6, 495, 776) (502, 124) (25,

482, 910) (28, 340, 742) (7, 688, 463) 1, 164, 695 (6, 523, 769) 12, 812, 036

(6, 412, 547) 6, 399, 489 2010 Rs. 267, 959, 984 (243, 655, 347) 24, 304,

637 17, 846, 063 312, 341 (54, 844) (6, 805, 516) (17, 530, 587) (22, 495,

306) (8, 406, 568) 608, 868 (7, 797, 700) (12, 220, 912) (709, 360) (12, 930,

272) The Notes form an integral part of these Financial Statements. 12

LAXAPANA BATTERIES PLC / Annual Report 2010-2011 Balance Sheet

As at 31st March ASSETS Non-current assets Property, plant & equipment

Current assets Inventories Trade and other receivables Taxes recoverable

Cash and cash equivalents Total assets EQUITY AND LIABILITIES Equity

Stated capital Revaluation reserve Retained profit/(loss) Total equity Non-current liabilities Deferred tax liabilities Interest bearing loans and borrowings Retirement benefit obligations Current liabilities Trade and other payables Interest bearing loans and borrowings Amounts due to related parties Income tax payable Total liabilities Total equity and liabilities The Notes form an ntegral part of these Financial Statements. I certify that the above financial statements have been prepared in accordance with the requirements of the Companies Act No. 7 of 2007. (Sgd.) K. M. N. C.

Dahanayake Finance Manager The Board of Directors is responsible for the preparation and presentation of these Financial Statements. (Sgd.) S. D. R.

Arudpragasam Director 24th, June 2011 (Sgd.) K. D. Sumanasekara Director

Note	2011 Rs.	2010 Rs.
10	176, 063, 489	11 42, 703, 638
12	116, 283, 872	13 9, 700, 024
14	1, 317, 997	170, 005, 531
15	346, 069, 020	86, 705, 374
16	49, 105, 635	59, 853, 859
13	554, 538	205, 252
122	719, 284	309, 424, 658
15	138, 010, 000	130, 823, 311
(4, 550, 367)	264, 282, 943	16 17 18 19 17 20
8, 745, 303	1, 137, 513	13, 426, 457
23, 309, 273	13, 960, 924	43, 922, 917
516, 150	76, 813	58, 476, 804
81, 786, 077	346, 069, 020	42, 010, 000
134, 961, 353	(14, 747, 920)	162, 223, 433
8, 940, 339	3, 158, 293	12, 606, 537
24, 705, 169	77, 825, 996	39, 840, 840
4, 847, 175	(17, 955)	122, 496, 056
147, 201, 225	309, 424, 658	LAXAPANA BATTERIES PLC / Annual Report
2010-2011	13	Statement of Changes in Equity Stated Capital Ordinary
Preference	Revaluation	Share Capital Share Capital Reserve Rs.

Rs. Rs. Balance as at 31 March 2009 180, 000, 000 10, 000 124, 624, 487

Reduction of stated capital (Note 15) (138, 000, 000) Gain on revaluation of Property, Plant & Equipment - 12, 414, 940 Deferred tax effect on

revaluation - (2, 078, 073) Profit/ (loss) for the year Balance as at 31 March
 2010 42, 000, 000 10, 000 134, 961, 354 Right issue of shares 96, 000, 000
 Direct cost on right issue Reversal of revaluation surplus on asset written off
 (55, 015) Realisation of revaluation surplus - (4, 278, 064) Deferred tax
 effect on transfer of revaluation surplus 195, 036 Profit for he year Balance
 as at 31 March 2011 138, 000, 000 10, 000 130, 823, 311 Retained Total
 Profit/(Loss) Rs. Rs. (139, 817, 649) 164, 816, 838 138, 000, 000 12, 414,
 940 - (2, 078, 073) (12, 930, 272) (12, 930, 272) (14, 747, 920) 162, 223,
 433 - 96, 000, 000 (480, 000) (480, 000) 4, 278, 064 (55, 015) - 195, 036 6,
 399, 489 6, 399, 489 (4, 550, 367) 264, 282, 943 - Revaluation reserve
 relates to surplus on revaluation of Property, Plant & Equipment. The Notes
 form an integral part of theses Financial Statements. 14 LAXAPANA

BATTERIES PLC / Annual Report 2010-2011 Cash Flow Statement

For the year ended 31st March CASH FLOWS FROM OPERATING ACTIVITIES
 Profit/ (loss) before taxation Adjustments for: Depreciation on property, plant
 and equipment Interest cost Interest income Provision for Retiring Gratuity
 Loss on disposal of property, plant & equipment Creditors no longer payable
 written back Write down of inventories Property , Plant & Equipment written
 off Operating cash flows before working capital changes (Increase)/Decrease
 in Inventories (Increase)/Decrease in Trade and Other Receivables
 Increase/(Decrease) in amounts due to Related parties Increase/(Decrease)
 in Trade & Other Payables Cash flows from operations Economic service
 charge paid / With holding tax Interest paid Retiring gratuity paid Net cash
 flows from operating activities CASH FLOWS FROM INVESTING ACTIVITIES
 Purchase and construction of Property, Plant & Equipment Interest received

Net cash flows from investing activities CASH FLOWS FROM FINANCING
 ACTIVITIES Short term loan (net of repayments) Repayment of Term Loan
 Repayment of Finance Lease Obligations Right issue of shares net of
 expenses Net cash used in financing activities Net (Decrease) /Increase in
 cash & cash equivalents Cash & cash equivalents at the beginning of the
 year Cash & cash equivalents at the end of the year (Note 14) The Notes
 form an integral part of these Financial Statements. 2011 Rs. 2, 812, 036 6,
 023, 197 7, 688, 463 (276, 932) 1, 973, 648 (458, 572) 502, 124 6, 495, 776
 34, 759, 740 5, 899, 873 (56, 204, 871) (4, 105, 875) (63, 356, 002) (83,
 007, 138) (2, 463, 265) (6, 444, 219) (1, 604, 028) (93, 518, 650) (1, 932,
 102) 276, 932 (1, 655, 170) 17, 269, 488 (9, 411, 000) (4, 545, 899) 95, 520,
 000 98, 832, 589 3, 658, 770 (3, 152, 180) 506, 590 2010 Rs. (12, 220, 912)
 7, 031, 354 8, 406, 568 921, 132 54, 844 6, 805, 516 10, 998, 502 (930, 549)
 (29, 485, 886) 532, 691 31, 512, 967 12, 627, 725 (2, 734, 934) (7, 789, 580)
 (1, 602, 574) 500, 637 (486, 125) (486, 125) 23, 475, 468 (24, 700, 000) (4,
 014, 376) (5, 238, 908) (5, 224, 396) 2, 072, 216 (3, 152, 180) LAXAPANA
 BATTERIES PLC / Annual Report 2010-2011 15 Notes to the Financial
 Statements 1 REPORTING ENTITY Laxapana Batteries PLC is a limited liability
 Company incorporated and domiciled in Sri Lanka. The registered office of
 the Company and the principal line of business are given on the inner back
 cover of this report. 2 BASIS OF PREPARATION 2. Statement of Compliance
 The financial statements have been prepared in accordance with Sri Lanka
 Accounting Standards (SLAS's) adopted by the Institute of Chartered
 Accountants of Sri Lanka (ICASL), and the requirements of the Companies
 Act No. 07 of 2007. The financial statements were authorised for issue by the
 Directors on 24th June 2011. 2. 2 Basis of Measurement The financial

statements have been prepared on the historical cost basis except for certain categories of property, plant and equipment, which are measured at fair value and retirement benefit obligations which are measured at the present value of the defined benefit obligations.

2.3 Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupee which is the Company's functional currency.

2. Use of Estimates and Judgments

The preparation of financial statements in conformity with SLAS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes: Note 18 measurement of defined benefit obligations

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Certain comparative amounts have been reclassified to conform to current year's presentation. The Directors have made an assessment of the Company's ability to continue as going concern in the foreseeable future, and they do not foresee

a need for liquidation or cessation of trading. 3. 1 Foreign Currency

Translation Transactions in foreign currencies are translated to Sri Lanka Rupees at the rates of exchange prevailing on the date of the transaction.

All monetary assets and liabilities denominated in foreign currencies are retranslated to the Sri Lanka Rupees at the rate of exchange ruling at the balance 16 LAXAPANA BATTERIES PLC / Annual Report 2010-2011 Notes to the Financial Statements (Contd...) sheet date. Non-monetary assets and liabilities denominated in foreign currencies are retranslated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in profit and loss. 3. 2 ASSETS AND BASES OF THEIR VALUATION Assets classified as current assets on the Balance Sheet are cash and cash equivalents and those which are expected to be realised in cash during the normal operating cycle or within one year from the reporting date, whichever is shorter. on the date of valuation.

Revaluation is made with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value at the reporting date.

3. 2. 1. 3 Leased Assets Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of future minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The resulting lease obligation is classified as Finance Lease Obligations net of unamortised finance costs. 3. 2. 1. Subsequent Costs The cost of replacing part of an item of property, plant and equipment is recognised in the

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carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition policy given below. The costs of day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred. 3. 2. 1. 5 Derecognition The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no 3. 2. 1 Property, Plant & Equipment 3. 2. 1. Recognition and measurement Items of Property, Plant and Equipment are measured at cost/valuation less accumulated depreciation and accumulated impairment losses. 3. 2. 1. 2 Owned assets Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use. All items of property, plant & equipment are initially recognised at cost. Property, Plant & Equipment has been subsequently revalued, and the resultant surplus credited to the Revaluation Reserve.

The revaluation surplus is transferred to retained earnings over the useful period of the respective assets that have been revalued. The revalued amount is the market value of the asset as determined by a qualified valuer LAXAPANA BATTERIES PLC / Annual Report 2010-2011 17 Notes to the Financial Statements (Contd...) future economic benefits are expected from its use or disposal. Gains or losses on derecognition are recognised in profit and loss and gains are not classified as revenue. 3. 2. 3 3. 2. 1. 6

Depreciation Depreciation is recognised in profit and loss on a straight-line

basis over the estimated useful lives of each part of an item of property, plant and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold Land is not depreciated.

The estimated useful lives are as follows. Buildings on freehold land Plant & Machinery Furniture and Fittings Equipment Motor Vehicles 50 years 15 years 7 years 7 years 4 years in the normal course of business after allowing for cost of realisation and/ or cost of conversion from their existing state to saleable condition. Trade and Other Receivables Trade receivables are stated at the amounts they are estimated to be realised, inclusive of provisions for bad and doubtful debts. Other receivables and dues from Related Parties are recognised at cost less provision for bad and doubtful receivables. . 2. 4 Cash and Cash Equivalents Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to liquid known amounts of cash and subject to insignificant risk of changes in value. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in bank net of outstanding bank overdrafts. 3. 2. 5 Impairment of Assets The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a

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pre-tax discount rate that reflects Depreciation of an asset commences when the asset is available for use and ceases at the earlier of the date in which the asset is derecognised and held for sale. Depreciation methods, useful lives and residual values are reassessed at the reporting date. 3. 2. 2 Inventories Inventories are measured at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. The cost of inventories is based on the first-in-firstout principle.

Net realisable value is the price at which inventories can be sold 18

LAXAPANA BATTERIES PLC / Annual Report 2010-2011 Notes to the Financial Statements (Contd...) current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other asset groups. Impairment losses are recognised in profit and loss.

Reversal of impairment losses are recognised only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. 3. 3 LIABILITIES AND PROVISIONS Liabilities classified as current liabilities on the Balance Sheet date are those that fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment later than one year from the reporting date. All known liabilities have been accounted for in preparing the financial statements. 3. 3. 1 Employee Benefits 3. 3. 1. Defined

Contribution Plans - EPF & ETF A defined contribution plan is a postemployment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Employees Provident Fund and Trust Fund are recognised as an expense in profit and loss in the periods during which services are rendered by employees.

3. 3. 1. 2 Defined Benefit Plan- Retiring Gratuity A defined benefit plan is a postemployment benefit plan other than a defined contribution plan. The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the Projected Unit Credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Provision has been made for retiring gratuities from the first year of service for all employees in conformity with Sri Lanka Accounting Standard No. 16 Employee Benefits. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only on completion of 5 years of continued service with the Company.

Short - Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

LAXAPANA BATTERIES PLC / Annual Report 2010-2011 19 Notes to the Financial Statements (Contd...)

3. 3. 2 Provisions A provision is recognised if, as a result of a past event, the Company has a present legal or constructive

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obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Trade and Other Payables Trade and other payables are stated at their cost. Capital Commitments and Contingencies All material capital commitments and contingent liabilities of the Company are disclosed in the Notes to the financial statements.

3. 4. 1. 2 Interest Income Interest income is recognised on an accrual basis.

3. 4. 1. 3 Royalty Royalty income is recognised on an accrual basis.

3. 4. 1. 4 Others Other income is recognised on an accrual basis. Gains and losses on the disposal of Property, Plant and Equipment have been accounted for in profit and loss.

3. 4. 2 Expenditure Recognition All expenditure incurred in running the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of Income Statement, the directors are of the opinion that “function of expenses method” present fairly the elements of the enterprises performance, and hence such presentation method is adopted.

3. 4. 2. 1 Borrowing Costs Borrowing costs are recognised as an expense in the period in which they are incurred.

3. 4. 2. 2 Financing Income and Expenses Finance income comprises gains on translation of foreign currency. Finance expense comprises interest payable on borrowings and losses on translation of foreign currency. The interest expense component of finance lease payments is allocated to each period during the lease term so as to

3. 3. 3 3. 3. 4 3. 4

INCOME STATEMENT

3. 4. 1 Revenue Recognition Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3. 4. 1.

Sale of Goods Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, revenue can be measured reliably, there is no continued management involvement with the goods, recovery of the consideration is probable and the cost of the transaction can be measured reliably. 20 LAXAPANA

BATTERIES PLC / Annual Report 2010-2011 Notes to the Financial Statements (Contd...) produce a constant periodic rate of interest on the remaining balance of the liability. 3. 4. 2. 3 Income Tax Expense Income tax expense consists of current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous year.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for tax purposes. Deferred tax is measured at rates applicable to the temporary differences when they reverse based on the laws enacted or substantively enacted by the reporting date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 3. 5 GENERAL 3. 5. 1 Events Occurring After Balance Sheet Date All material post Balance Sheet events have been considered and where appropriate adjustments to or disclosures have been made in the financial statements. 3. 5. Earnings per Share The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. 3. 6 CASH FLOW STATEMENT

The cash flow statement is prepared under the “ indirect method”. Interest paid is classified as operating cash flows whereas interest received classified as investing cash flows. 3. 7 SEGMENTAL REPORTING A segment is a distinguishable component of the Company that is engaged in providing products and services, which is subject to risks and returns that are different from those of other segments.

The Company’s business comprises of manufacture of dry cell batteries and import of Zinc Chloride Penlite & AAA batteries. These two lines of businesses account for the entire operation of the Company. The financial statements taken as a whole presents the profitability, assets and cash flows related to both these operations. Further, geographic segment with distinguishable components associated with differing risks and rewards do not arise for the Company. LAXAPANA BATTERIES PLC / Annual Report 2010-2011 21 Notes to the Financial Statements (Contd...) For the year ended 31st March 4 REVENUE Gross Revenue (inclusive of VAT) – Darley Butler & Co. Ltd.

Less: Revenue Based Taxes: Value Added Tax Nation Building Tax Net Revenue OTHER INCOME Creditors no longer payable written back Sundry Income NET FINANCE COST Finance Cost Interest on Term Loans Interest on Discounted Bills Interest on TR Loans Interest on Bank Overdraft Interest on Finance Lease Interest on Short term Loans Finance Income Interest on call deposit Gain on translation of foreign currency Net finance cost 7 PROFIT/(LOSS) BEFORE TAX is stated after charging all expenses including following : Auditors’ Remuneration – Statutory audit – Non audit services Depreciation on property, plant and equipment Staff Cost (Note 7. 1) 2011 <https://assignbuster.com/annual-report-of-laxpana-batteries-assignment/>

Rs. 61, 793, 609 (38, 763, 695) (6, 390, 017) 316, 639, 898 458, 572 721,
 474 1, 180, 046 (273, 335) (118, 226) (5, 767, 606) (2, 359) (1, 294, 739)
 (232, 199) (7, 688, 463) 276, 932 887, 763 1, 164, 695 (6, 523, 769) 2010
 Rs. 308, 523, 451 (33, 057, 035) (7, 506, 432) 267, 959, 984 312, 341 312,
 341 (3, 943, 646) (47, 702) (2, 915, 087) (173, 898) (1, 306, 285) (19, 950)
 (8, 406, 568) 608, 868 608, 868 (7, 797, 700) 5 6 360, 000 811, 000 6, 023,
 197 35, 183, 356 2, 198, 798 3, 701, 898 29, 282, 660 35, 183, 356 95 320,
 000 470, 500 7, 031, 354 37, 294, 132 921, 132 3, 334, 931 33, 038, 069 37,
 294, 132 94 29, 568, 189 7, 725, 943 37, 294, 132 7. 1 Staff Cost Defined
 Benefit Plan Costs - Retiring Gratuity Defined Contribution Plan Cost -
 EPF/ETF Other Staff Cost No of staff at year end

The expense is recognised in the following items in the income statement
 Cost of sales 25, 815, 834 Administrative expenses 9, 367, 522 35, 183, 356
 22 LAXAPANA BATTERIES PLC / Annual Report 2010-2011 Notes to the
 Financial Statements (Contd...) For the year ended 31st March 8 INCOME
 TAX EXPENSE Current tax expense Income tax on current year profit (Note 8.
 2) (Over) /Under Provision respect of previous year Deferred tax expense
 Origination and reversal of temporary difference 2011 Rs. 2010 Rs. 385, 948
 323, 412 709, 360 709, 360 6, 337, 229 75, 318 6, 412, 547 6, 412, 547 8. 1
 Current Taxes In terms of provisions of Inland Revenue Act No. 10 of 2006
 and amendments there to, the Company is liable for income tax at the rate
 of 35%. 8. Reconciliation between Accounting Profit and Tax Profit
 Accounting profit/(loss) before income tax expense Disallowable expenses
 Tax deductible expenses Tax loss utilised during the year Taxable Income/
 (Loss) Tax @ 35% Social Responsibility Levy @ 1. 5% Income tax on profit for

the year Tax loss brought forward Adjustment to tax loss brought forward
 Loss utilised during the year Tax loss carried forward 9 12, 812, 036 20, 439,
 443 (5, 807, 192) 27, 444, 287 (9, 605, 500) 17, 838, 786 6, 243, 575 93,
 654 6, 337, 229 16, 079, 819 (115, 776) (9, 605, 500) 6, 358, 543 (12, 220,
 912) 19, 766, 548 (5, 874, 233) 1, 671, 404 (584, 992) 1, 086, 412 380, 244
 5, 704 385, 948 17, 155, 015 (490, 204) (584, 992) 16, 079, 819

BASIC EARNINGS/(DEFICIT) PER SHARE The calculation of the earnings/(deficit) per share is based on the earnings/(deficit) attributable to ordinary shareholders after tax for the year divided by the number of ordinary shares in issue during the year and calculated as follows; Profit attributable to Ordinary Shareholders (Rs) Weighted Average No. of Ordinary Shares (Note 9. 1) Earnings Per Share (Rs) 6, 399, 489 30, 859, 100 0. 21 (12, 930, 272) 26, 788, 650 (0. 48) 27, 000, 000 (211, 350) 26, 788, 650 9. 1 Weighted Average No. of Ordinary Shares Issued ordinary shares at the beginning of the year 27, 000, 000 Effect of shares issued in December 2010 3, 859, 100 Weighted Average No. of Ordinary Shares at the end of the year 30, 859, 100 LAXAPANA BATTERIES PLC / Annual Report 2010-2011 23 Notes to the Financial Statements (Contd...) 0 **PROPERTY, PLANT & EQUIPMENT** Balance As At 31/03/2010 Rs. Additions during the year Rs. 954, 553 15 633, 790 343, 745 1, 932, 102 1, 932, 102 Charge for the year Rs. 564, 089 2, 272, 952 143, 750 222, 021 353, 135 3, 555, 947 854, 750 1, 612, 500 2, 467, 250 6, 023, 197 Impairment Rs. (4, 250) (4, 250) (8, 500) (7, 000, 000) (7, 000, 000) (7, 008, 500) Impairment Rs. (1, 381) (1, 328) (2, 709) (455, 000) (455, 000) (457, 709) Balance As At 31/03/2011 Rs. 101, 675, 000 28, 705, 003 34, 968, 515 575, 000 1, 831, 759 2, 494, 024 170, 249, 300 6,

150, 000 6, 450, 000 12, 600, 000 182, 849, 300 Balance As At 31/03/2011
 Rs. 564, 089 2, 272, 952 143, 750 595, 501 1, 197, 269 4, 773, 561 399, 750
 1, 612, 500 2, 012, 250 6, 785, 811 176, 063, 489 10. Cost/Valuation
 Freehold Assets Freehold Land 101, 675, 000 Buildings on Freehold Land 27,
 750, 450 Plant & Machinery 34, 968, 500 Motor Vehicles 575, 000 Furniture
 Fittings & Equipment Office Equipment 1, 202, 219 Factory Equipment 2,
 154, 529 168, 325, 698 Leasehold assets Machinery Motor Vehicles Total
 Cost/ Valuation 13, 150, 000 6, 450, 000 19, 600, 000 187, 925, 698 Balance
 As At 31/03/2010 Rs. 374, 861 845, 463 1, 220, 323 1, 220, 323 186, 705,
 374 10. 2 Depreciation and Impairment Losses Freehold Assets Buildings on
 Freehold Land Plant & Machinery Motor Vehicles Furniture Fittings &
 Equipment Office Equipment Factory Equipment Leasehold assets Machinery
 Motor Vehicles Total Depreciation Carrying Amount

The Company impaired an idle asset with a carrying amount of Rs. 6, 550,
 791 during the year under review. The asset was obtained on a finance lease
 and the lease obligation was settled in April 2011. 10. 3 The book value of
 the entire Property, Plant & Equipment of the Company as at 31st March,
 2010 were written up by Rs. 12, 414, 940/- based on a valuation by Mr. H. W.
 I. G. A. Weerakoon, Incorporated valuer and M/s. The Automobile Association
 of Ceylon at market value on a going concern basis. The carrying amount of
 revalued Property, Plant & Equipment as at 31st March 2011 if they are
 carried at cost is as follows; Land Buildings Machinery Motor Furniture Total
 vehicles Fittings Rs. Rs. Rs. Rs. Rs. Rs.

Carrying Amount 18, 325 2, 310, 946 9, 037, 029 1, 651, 517 13, 017, 817

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Financial Statements (Contd...) 10. 4 Property, Plant & Equipment includes fully - depreciated assets having a gross carrying amount of Rs. 50, 165, 493/-(2010 Rs. 47, 722, 845) 10. 5 Land & Buildings Location : Property is situated along High Level Road, within a distance of about 2 kilometers from Homagama Town Centre, in the village called Panagoda and Godagama, within the Pradeshiya Sabha limits of Homagama, in Palle Pattu of Hewagama Korale, in the District of Colombo, Western Province. Extent : 3A-2R-17P 0A-0R-07P Valuation : Properties were valued at Rs. 101, 675, 000 by Mr.

H. W. I. G. A. Weerakoon, Incorporated Valuer on 31st March 2010. Floor area of the Main Factory and Office building is amounting to 33, 605 sq. ft. 2011 Rs. 11 INVENTORIES Raw Material 21, 356, 114 Work in Progress 1, 946, 790 Finished Goods 776, 902 Consumables and Spare Parts 18, 021, 452 Goods in transit 539, 484 By Products-Zinc Offcuts 62, 895 42, 703, 638 12 TRADE AND OTHER RECEIVABLES Trade Receivables - Darley Butler & Co. Ltd 113, 841, 758 Royalty Receivable - Darley Butler & Co. Ltd 1, 321 Trade Receivables - E. B. Creasy & Co. PLC 1, 198, 588 Trade Receivables - Others (Note 12. 1) Other Receivables, Deposits & Prepayments 1, 242, 205 116, 283, 872 12. Trade Receivables - Others Balance as at end of the year 4, 399, 026 Less: Provision for Bad and Doubtful Debts (4, 399, 026) 13 TAXES RECOVERABLE Economic Service Charge Recoverable Withholding Tax Recoverable CASH AND CASH EQUIVALENTS Cash at bank Cash in hand Cash in transit Cash and cash equivalents Discounted bills - (Note 17) Bank overdraft - (Note 17) Cash and cash equivalents for the purpose of Statement of Cash Flows 3, 799, 196 5, 900, 828 9, 700, 024 101, 179 216,

818 1, 000, 000 1, 317, 997 (811, 407) 506, 590 2010 Rs. 28, 160, 043 2, 562, 262 191, 810 16, 034, 280 1, 919, 948 237, 291 49, 105, 635 38, 714, 292 19, 987, 591 1, 151, 976 59, 853, 859 4, 399, 026 (4, 399, 026) 7, 686, 553 5, 867, 985 13, 554, 538 3, 710 201, 542 205, 252 (625, 000) (2, 732, 432) (3, 152, 180) 14 LAXAPANA BATTERIES PLC / Annual Report 2010-2011

25 Notes to the Financial Statements (Contd...) 5 STATED CAPITAL Issued and Fully Paid Ordinary shares Balance at the beginning of the year Issued during the year Balance at the end of the year Reduction of Stated Capital 5 % Cumulative Preference shares 1, 000 2011 No. of shares 2010 Rs. No. of shares Rs. 27, 000, 000 42, 000, 000 27, 000, 000 180, 000, 000 12, 000, 000 96, 000, 000 39, 000, 000 138, 000, 000 27, 000, 000 180, 000, 000 138, 000, 000 10, 000 138, 010, 000 (138, 000, 000) 42, 000, 000 1, 000 10, 000 42, 010, 000 The Company made a Rights Issue of 12, 000, 000 Ordinary Shares at a price of Rs. 8/= per share to the holders of the issued Ordinary Shares of the Company as at the end of trading on 10th November 2010 in the proportion of Four (4) new Ordinary Shares for every Nine (9) Ordinary Shares held by them in the capital of the Company.

The issue closed on 3rd December 2010 and was fully subscribed. The total consideration received was Rs. 96, 000, 000/-. The purpose of the issue was to raise funds for working capital requirements. The proceeds were utilized to settle part of the short term borrowings and to settle trade creditors. 2011 Rs. 16 DEFERRED TAX LIABILITIES Balance at the beginning of the year Origination and reversal of temporary differences per the Statement of Changes in Equity per the Income Statement Balance at the end of the year 8, 940, 339 (195, 036) 8, 745, 303 2010 Rs. 6, 862, 265 2, 078, 074 8, 940,

339 The above balance represents the deferred tax effect on the surplus on revaluation of Property, Plant and Equipment.

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom. 2011

Temporary Difference Rs. Property, Plant & Equipment Defined Benefit

Obligation Tax Loss carried forward 2011 Tax Effect Rs. 2010 Temporary

Difference Rs. 2010 Tax Effect Rs. 8, 159, 108 2, 284, 550 10, 428, 271 3,

649, 895 (13, 426, 457) (3, 759, 408) (12, 606, 537) (4, 412, 288) (6, 358,

543) (1, 780, 392) (16, 079, 820) (5, 627, 937) (11, 625, 892) (3, 255, 250)

(18, 258, 086) (6, 390, 330) 26 LAXAPANA BATTERIES PLC / Annual Report

2010-2011 Notes to the Financial Statements (Contd...) 7 INTEREST

BEARING BORROWINGS Amount Amount repayable Repayable Total Total

within 1 year after 1 year Rs. Rs. Rs. Rs. 31/03/2011 31/03/2011 31/03/2011

31/03/2010 Term Loan (Note 17. 1) Finance Lease Obligations (Note 17. 2)

Trust receipt loans Discounted bills Bank Overdraft 17. 1 Term Loan As At

01/04/2010 Rs. HNB Loan (Note 17. 1. 1) 17. 1. 1 Purpose Interest 9, 411,

000 9, 411, 000 Obtained Repayments As At during during 31/03/2011 the

year the year Rs. Rs. Rs. - (9, 411, 000) - (9, 411, 000) 2, 366, 555 40, 744,

955 811, 407 43, 922, 917 - 9, 411, 000 1, 137, 513 3, 504, 068 6, 755, 234

- 40, 744, 955 23, 475, 468 625, 000 811, 407 2, 732, 432 1, 137, 513 45,

060, 430 42, 999, 134 To liquidate the overdraft/ term loan outstanding.

AWPLR or 3 months TB rate (which ever is higher) + 1. 5% Repayment Fully

settled in August 2010 2011 Rs. 17. 2 Lease Obligation-Finance Lease

Balance at the beginning of the year Obligations entered during the year

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Accrued default interest during the year Payments during the year Balance at the end of the year Finance charges unamortized Net lease obligation (Note A) 2010 Rs. 8, 607, 809 9, 584, 345 - 2, 942, 100 275, 366 95, 740 (4, 545, 899) (4, 014, 376) 4, 337, 276 8, 607, 809 (833, 208) (1, 852, 575) 3, 504, 068 6, 755, 234 LAXAPANA BATTERIES PLC / Annual Report 2010-2011 27 Notes to the Financial Statements (Contd...) For the year ended 31st March 2011 Rs. 2010 Rs.

Note A Analysis of Finance Lease obligations by year of repayment Finance lease obligation repayable within 1 year from year end Gross liability 2, 768, 150 Finance charge unamortized (401, 595) Net lease obligations repayable within 1 year from year end 2, 366, 555 Finance lease obligation repayable between 1 and 5 years from year end Gross liability Finance charge unamortized 18 RETIREMENT BENEFIT OBLIGATIONS Present value of unfunded gratuity Total present value of the obligation Provision for retiring gratuity Balance at the beginning of the year Transferred from related Company 4, 616, 313 (1, 019, 373) 3, 596, 940 1, 569, 120 (431, 607) 1, 137, 513 13, 426, 457 13, 426, 457 3, 991, 496 (833, 202) 3, 158, 293 12, 606, 538 12, 606, 538 12, 606, 538 225, 150 12, 831, 688 743, 832 1, 242, 951 212, 015 15, 030, 485 (1, 604, 028) 13, 426, 457 13, 287, 979 13, 287, 979 738, 736 1, 881, 037 (1, 698, 640) 14, 209, 112 (1, 602, 574) 12, 606, 538 Current service cost Interest cost Actuarial losses / (gains) Provision for the year Payments made during the year Balance at the end of the year The expense is recognised in the following items in the income statement Cost of sales 1, 730, 006 Administrative expenses 468, 791 2, 198, 798 619, 030 302, 102 921, 132 28

LAXAPANA BATTERIES PLC / Annual Report 2010-2011 Notes to the Financial Statements (Contd...) (i) SLAS 16 (revised 2006) requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit.

The following key assumptions were made in arriving at the above figure using the gratuity formula as per SLAS 16 (revised 2006). 2011 2010 Rate of interest 11% 16% Rate of salary increase 9% 14% The Company will continue as a going concern (ii) The liability as per Payment of Gratuity Act as at 31st March 2011 was Rs. 12, 959, 753/-. 2011 Rs. 19 TRADE AND OTHER PAYABLES Trade payables - Related Party - Others Loan interest payable Value Added Tax payable Nation Building Tax payable Sundry creditors including accrued expenses 3, 055, 227 1, 118, 766 264, 604 9, 522, 327 13, 960, 924 2010 Rs. 64, 921, 465 2, 179, 868 50, 495 361, 510 10, 312, 658 77, 825, 996 20 AMOUNT DUE TO RELATED PARTIES E. B. Creasy & Company PLC E. B. Creasy Logistics Ltd. 516, 150 516, 150 4, 718, 653 128, 522 4, 847, 175

LAXAPANA BATTERIES PLC / Annual Report 2010-2011 29 Notes to the Financial Statements (Contd...) 21 RELATED PARTY DISCLOSURES (a) Parent and Ultimate Controlling Party The ultimate parent of the Company is The <https://assignbuster.com/annual-report-of-laxpana-batteries-assignment/>

Colombo Fort Land & Building Co PLC. (b) Transactions with Key Management Personnel Key Management Personnel comprises the Board of Directors of the Company. Loans to Directors No loans have been given to the Directors of the Company. (ii) Key Management Personnel Compensation No compensation have been paid to the Directors of the Company. (iii) Other Transactions with Key Management Personnel There were no transactions with its key management personnel during the year under review.

Transactions with Related Companies During the year Company had following transactions with its related companies. Nature of Transaction Amount Involved 2011 2010 Rs. Rs. (i) (c) Name of the Company Names of Directors and Relationship E. B. Creasy & Co. PLC Mr. A. Rajaratnam Parent Company Mr. S. D. R. Arudpragasam Mr. S. Rajaratnam Mr. R. N. Bopearatchy Mr. R. C. A. Welikala Mr. P. M. A. Sirimane Imported raw materials and machinery spares 9, 894, 569 64, 890, 962 and transferred Reimbursement of interest on Import Loans 205, 312 1, 002, 307 Settled bills payable due to beneficiaries 140, 216 2, 660, 957 Consumable purchases 244, 434 30, 503 Rental payable on the sub lease 2, 216, 753 2, 216, 753 Recovery of cost of electricity - (1, 161, 365) Cost of services provided , 387, 045 Transfer gratuity provision of an Employee (225, 150) Transferred to Darley Butler Current Account (58, 701, 883) Settlement of Current Account (30, 000, 000) Corporate guarantee for Term Loan 50, 000, 000 50, 000, 000 Sale of batteries (Note 4) 361, 793, 609 308, 523, 451 Royalty income (inclusive of VAT) on imported 1, 321 19, 987, 591 consumer products under Company's brand name Imported raw materials and machinery (7, 392, 035) (122, 359, 155) spares and transferred Settled bills payable due to

beneficiaries (1, 561, 897) (24, 111, 993) Consumable purchases (2, 698) (33, 881) Promotional expenses (4, 095, 819) (2, 576, 300) Transferred from E. B. Creasy Current Account (58, 701, 883) Settlements during the year (234, 898, 398) 6, 406, 843 (6, 019, 215) 1, 004, 315 (875, 793) Darley Butler & Co. Ltd Mr. A. Rajaratnam Affiliated Company Mr. S. D. R. Arudpragasam Mr. S. Rajaratnam Mr. R. N. Bopearatchy Mr. R. C. A. Welikala Mr. P. M. A. Sirimane E. B. Creasy Logistics Ltd Mr. A. Rajaratnam Imports clearance Affiliated Company Mr. S. D. R. Arudpragasam Advance payments Mr. S. Rajaratnam Mr. R. N. Bopearatchy Mr. R. C. A. Welikala Mr. P. M. A. Sirimane Lankem Consumer Mr.

A. Rajaratnam Consumable purchases Products Ltd Mr. S. D. R. Arudpragasa