



Towards a
**GREEN FERTILIZER
PARADIGM**



Ministry of Agriculture

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ANNUAL REPORT

2017

CEYLON FERTILIZER COMPANY LIMITED



Ceylon Fertilizer Company Limited

Lakpohora Swarna Jayanthi Mawatha,
Hunupitiya, Wattala.

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AWARDS



CNCI Achievers Awards 2014
National Level Merit Award



Annual Reports Awards 2014
Compliance Award



National Agri Business Awards 2014
Silver Award



ISO 14001:2004
Environmental Quality Certification



JASTECA CSR Awards 2014
Merit Award



Akimoto 5S Awards 2014
Merit Award



National Business Excellence
Awards 2014
Golden Award



SLCBCC Business Star 2014
Silver Award



Human Resource
Management Awards 2014
Silver Award



National Productivity
Awards 2012/13
Second Place



Human Resource
Management Awards 2013
Merit Award

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Paddy

Straight Fertilizer FOR PADDY CULTIVATION

Straight fertilizers including Urea, Muriate of Potash, Triple Super Phosphate, Zinc Sulphate are provided to farmers by us.

It has Been an Eventful and Rewarding Journey So Far

Mixing operations commence at the Hunupitiya facility with a mixing capacity of 35 MT/hour. 70,000 MT was thus mixed here. The monopoly of private companies in the import, manufacture and distribution was broken forever.

1966

The permit system is abolished and the fertilizer subsidy introduced.

1976

Work on establishing regional warehouses in Maho, Weligama, Polonnaruwa and Anuradhapura is started with a gift of Rs. 28 million and technical assistance from the German Government.

1978

The fertilizer coordinating committee established by the state to optimize the distribution of fertilizer. Through this committee, the first education, training and awareness programs on fertilizer use started for the agricultural community.

1986

1964

Ceylon Fertilizer Corporation (CFC) established under the Agriculture, Food and Cooperatives' Ministry headed by Hon. Felix Dias-Bandaranaike with an initial investment of just Rs. 58,000 and with Senior Additional Secretary of the ministry Mr. Sam Silva as its first Chairman. The Head Office was at Darley Road and the stores capable of handling 80,000 MT was established at Hunupitiya.

With no money to hire a van Mr.K.K. Anthony, one of the first employees of the corporation picks up 12 wicker baskets to be used for discarded paper for the newly established corporation and bicycles back to the HO with those baskets hung around his bicycle.

1970

The corporation's products are sold under the brand name "Lanka Pohora" (Ceylon Fertilizer)

1977

With the introduction of the open economy, the sector-leader status of the CFC is lost. Responding aggressively to private sector competition, the corporation expands its distribution network which hitherto was exclusively through cooperatives and agrarian services centers to authorized private dealers.

1980

The newly established stores are now fully operational with capacities ranging from 13,000MT – 16,000MT. For the first time, marketing material is created and distributed by the corporation.

A critical year in the history of the corporation when the government decided to divest itself of these assets. The Hunupitiya facility became the Ceylon Fertilizer Corporation while five other limited liability companies were created based on the geographic spread of the stores. Three of these were subsequently sold to private interests while the Thamankaduwa Fertilizer Company and the Ceylon Fertilizer Corporation were run as two separate companies.

The Head Office of the CFC which has been at Chatham Street was shifted to the Hunupitiya facility.

The company was in serious fiscal vulnerability with net assets amounting to 330 million red.

The company, guided by wise management decisions starts to pull itself out of the red. It reduces its losses and by 2013, has a net asset worth of Rs.1606 million black paying Rs.39 million as profit back to the treasury.

1992

2002

2007

2010

1988

1994

2005

2008

2013

With a Rs.22 million from the German Government, the modernization of the central store at Hunupitiya is completed. A new mixer capable of 30Mt/hour is also installed.

The main responsibility of efficiently running the fertilizer subsidy was vested in the CFC. During these years of war, it worked hard to provide fertilizer to outliers and remote rural areas despite significant terrorist threats.

The historic paddy fertilizer subsidy commenced by the then government. A massive program to provide a 50kg bag of fertilizer at the subsidized rate of Rs.350 per bag was implemented providing relief to 70% of farmers.

With the promise of the government not to privatize state agencies, a new board of management was appointed to the CFC and the company was re-registered under the Companies Act Number 07 of 2007

52 high quality fertilizer stores established island wide as well as a transportation network with GPS tracking technology.



CORPORATE INFORMATION



Company Name

Ceylon Fertilizer Company Limited

Company Registration Number

PB 499

Legal Nature

A limited liability company incorporated in Sri Lanka with full ownership vested with the Secretary to the Ministry of Finance.

Registered Office and Address

Ceylon Fertilizer Company Limited
Lakpohora Swarna Jayanthi Mawatha,
Hunupitiya, Wattala, Sri Lanka.

Tel : +94 11 2 930 298 / 99

Fax : +94 11 2 947 763

E-mail : lakpohora@slt.net.lk

Web : www.lakpohora.lk

BOARD OF DIRECTORS

Chairman

Mr. Roshana Waduge
(19.02.2015 - 31.03.2017)

Working Director

Mr. Madhawa Waththegama (19.02.2015 - 31.03.2017) **Mr. Chandana Palpita** (01.04.2015 - 31.12.2016)

Director

Mrs. J.M.S.D. Rathnayaka (Additional Director General)
National Policy Planning Department
(10.03.2015 - 31.03.2017) **Mrs. Anoja Herath**
Director Development
Ministry of Agriculture
(25.02.2015 - 31.03.2017)

Mr. Hemaka Lasith Balasuriya (19.02.2015 - 31.03.2017) **Mr. Upul Peiris** (19.02.2015 - 31.03.2017)

Company Secretary

S & A Consultant Private Limited

SENIOR MANAGEMENT TEAM

Mr. P.R. Samaraweera General Manager (Acting)
Manager (Finance) **Mr. B.D.L. Kumarasiri**
Chief Internal Auditor

Eng. D.M.N.A. Dissanayaka Manager (Technical) **Mr. R.A.P. Perera**
Manager (Distribution)

Mrs. R.P.S. Bodhipala Manager (Sales & Marketing) **Mrs. U. Perera**
Manager (Laboratory)

Mr. C.P.P. Bulathsinghala Acting Manager
(Administration & Human Resources) **Mr. G.G. Saman**
Acting Manager
(Procurement & Imports)



Tea

FOR TEA CULTIVATION

T-65, T-200, T-750, UT-1625, UT-397, UT-752,
VPLC-880, VPLC-945, VPUM-910, U-625,

Purpose

To provide the chemical and organic fertilizer manufactured according to the highest international standards for the agricultural community of Sri Lanka

Vision

To be a centre of excellence as a diversified agricultural service provider and will become a model organization of the public sector.

Mission

To ensure the profitability and sustainability of the company manufacturing and distributing a portfolio of fertilizer products for the agriculture and agrarian services sectors that caters to the demand of a diversified market in line with state policies.

Values

Keeping environment sustainability and connecting to farmers at grassroots level are the key values upon which we will build our future product range.



THE WORLD ACCORDING TO ORGANICS...

Understanding market realities as well as global and local trends, the company has taken steps to commercially manufacture organic agriculture fertilizer inputs in collaboration with domestic and international organic fertilizer suppliers by the end 2nd quarter in 2016.

.....

With rapid depletion of global natural resources that has resulted in industrial age choices that thoughtlessly exploited these commons without regard for their replenishment and regeneration, the world is currently facing four crises. These are the climate crisis, the food crisis, the energy crisis and the fiscal crisis. Each of these alone is quite capable of destroying civilization as we know it but combined they are a formidable challenge that seems almost impossible to address.

However, the world's leaders, coming together under the common banner of the United Nations, has firmly established seventeen targets known as the Sustainable Development Goals (SDGs) to address all of these challenges. Our President came out with a very strong statement to the global community on the commitment to these goals on the part of Sri Lanka and the entire policy and development scenario of the country was based on these goals and works directly in accordance with the manifesto on which he was elected to lead the nation.

Target 2 (zero hunger), target 3 (good health), target 12 (sustainable consumption and



production), target 13 (climate action) and target 15 (life on land) were taken very seriously by the Ceylon Fertilizer Corporation since they directly impacted its business model and process logic. This was a key reason why the organization decided to direct its focus towards a green fertilizer paradigm based on supplying organic inputs to the greater agrarian community of Sri Lanka.

Organic agriculture is a production system that sustains the health of soil, regenerates ecosystems and assures sound health for the people. It relies on ecological processes, biodiversity and the adaptation of natural cycles within local conditions, rather than the use of inputs that are known to have adverse effects. Organic agriculture combines tradition, innovation and science for the benefit of our shared environment or commons and promote equitable relationships for all those involved in the demand-supply matrix.

Given His Excellency The President's pledge to the international community, the government created a national level agrarian policy

named the "Toxin Free Nation Program" to be implemented under the National Food Production Program (NFPP). The shift is aimed, in part, towards minimizing the usage of synthetic fertilizer, pesticides and herbicides to reduce the incidence of a wide range of NCDs including kidney disease that has affected farming communities across the country. It will additionally discourage the supply of chemical fertilizer to the Sri Lankan market and encourage low impact agrarian practices such as organic agriculture by providing incentives to develop organic fertilizer manufacture locally for the domestic market.

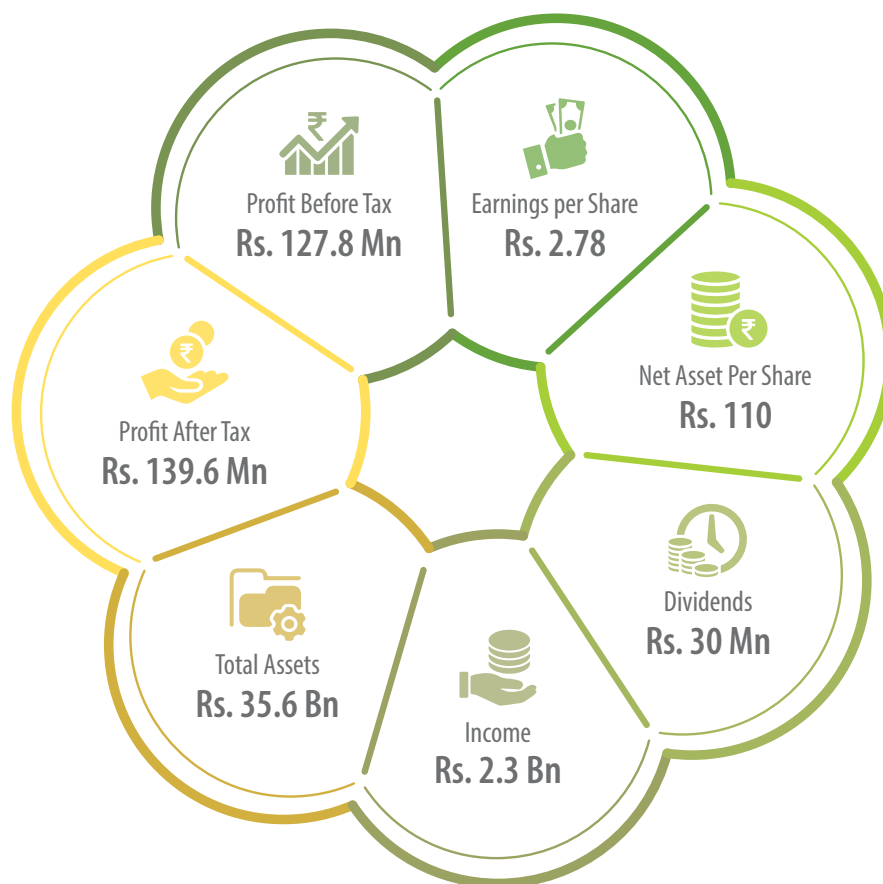
Understanding market realities as well as global and local trends, the company has taken steps to commercially manufacture organic agriculture fertilizer inputs in collaboration with domestic and international organic fertilizer suppliers by the end 2nd quarter in 2016. The company sees that its future in the fertilizer business will rest upon such paradigm shifts and has undertaken a wide range of initiatives from process to distribution to farmer education to position itself as the eventual market leader in organics.



FOR OTHER CROPS

Specially mixed fertilizers for vegetables, fruits, potatoes, chillies, cow-pea, peanuts, green gram, maize and sugar-cane etc.

FINANCIAL HIGHLIGHTS



Income Statements and Rates		2017	2016	Difference
		Rs.	Rs.	%
Income	Rs.	2,350,637,985	4,242,769,733	-45%
Profit before tax	Rs.	127,804,541	836,604,005	-85%
Income tax cost	Rs.	11,787,491	233,331,176	-95%
Profit after tax for the year	Rs.	139,592,032	603,272,829	-77%
Dividends	Rs.	30,000,000	30,000,000	-
Earnings per share	Rs.	2.78	12.01	-77%
Benefits on assets	Rs.	0.39%	1.65%	-
Benefits on liabilities	Rs.	2.54%	12.76%	-
Financial Status Statements and Rates				
Total Assets	Rs.	35,608,679,679	36,603,359,337	-3%
Total Equity	Rs.	5,504,165,203	4,728,367,363	16%
Number of shares issued	No.	50,245,608	50,245,608	-
Net asset per share	Rs.	110	94	17%

FINANCIAL SUMMARY FOR LAST TEN YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	SLAS	SLAS	SLAS	SLAFS	SLAFS	SLAFS	SLAFS	SLAFS	SLFRS	SLFRS
	(For 7 Month)	(For 7 Month)								
Statement of Comprehensive Income										
Revenue	900,461,713	1,370,080,315	1,904,299,851	2,246,402,738	2,496,268,383	2,450,132,816	2,563,549,727	3,835,989,834	4,242,769,733	2,350,637,985
Gross profit	204,414,682	221,286,371	322,826,103	414,124,001	310,189,751	621,684,097	575,467,461	855,558,167	1,097,447,923	231,025,777
Other income	76,899,044	130,892,642	132,287,779	157,164,017	197,912,757	108,809,998	93,172,755	142,197,667	122,926,594	29,096,825
Profit before taxation	26,957,610	35,088,271	42,411,705	73,979,009	159,544,495	199,894,319	241,328,764	520,200,738	836,604,005	127,804,541
Taxation	(19,766,392)	(25,092,763)	(35,000,000)	(43,666,668)	(52,315,944)	(73,037,738)	(62,869,312)	(134,184,888)	(233,331,176)	(11,787,491)
Profit for the year	7,191,217	9,995,508	7,411,705	30,312,341	107,228,551	126,856,581	178,459,452	386,015,851	603,272,829	139,592,032
Statement of Financial Position										
Stated capital	444,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080
Revaluation reserve	1,616,307,519	1,616,307,519	1,986,087,280	1,986,087,280	1,836,179,780	1,835,723,580	1,835,723,580	1,833,071,080	1,833,071,080	2,506,976,187
Revenue reserves	191,389,499	201,385,007	208,796,713	224,109,054	1,285,578,730	1,397,891,510	1,500,363,432	1,869,914,195	2,392,840,203	2,494,732,936
Total equity	2,252,153,098	2,320,148,607	2,697,340,072	2,712,652,414	3,624,214,590	3,736,071,170	3,838,543,092	4,205,441,355	4,728,367,363	5,504,165,203
Property, plant and equipment	1,642,814,214	1,686,442,553	1,902,075,430	1,895,412,152	1,908,557,760	1,882,887,059	1,879,174,306	1,865,055,225	1,838,655,988	2,683,237,393
Capital working progress	17,895,434	20,024,735	15,934,103	542,901	-	-	-	29,982,587	32,152,294	21,960,737
Deferred tax expense	-	-	-	-	4,862,949	73,037,738	5,561,375	37,484,888	-	-
Investment in treasury bills	146,109,366	172,614,796	332,205,456	434,767,955	471,025,753	338,620,163	471,894,936	489,125,747	514,903,604	532,548,539
Intangible assets	-	-	-	-	-	669,017	344,717	115,417	79,667	-
Deffered tax assets	-	-	-	76,814,523	71,951,574	-	-	-	-	-
Net current assets	592,829,041	610,949,150	12,476,640,540	6,975,143,544	1,706,541,296	1,915,693,141	2,025,842,182	2,417,551,302	2,963,028,124	3,020,938,645
Deferred tax liabilities	-	-	-	-	-	1,086,164	6,647,539	44,132,427	40,928,542	155,078,112
Short/ Long term loan	-	-	11,837,929,928	5,369,929,928	-	-	17,728,367,618	31,304,325,268	-	-
Cash Flow Statement										
Net cash inflow/(out flow) from operating activities	(9,812,750,171)	(23,925,719)	(12,169,047,254)	(16,012,155,140)	12,695,227,509	(9,517,159,808)	(5,094,105,859)	(9,560,794,959)	(738,963,570)	11,542,320
Net cash inflow/(out flow) from investing activities	9,796,712,574	(85,865,511)	12,216,587,459	(36,565,665)	(8,458,411)	83,232,936	(508,688,188)	(1,021,212,231)	(1,086,700,012)	(591,862,107)
Net cash inflow/(out flow) from financing activities	(19,176,247)	46,739,763	(159,725,222)	16,168,483,382	(13,079,312,780)	9,575,483,282	5,654,013,585	10,614,850,014	(3,843,885,272)	834,304,831
Other Information										
Earning per share (Rs)	0.16	0.22	0.17	0.60	2.13	2.52	3.55	7.68	12.01	2.78
Dividend per share (Rs)	-	0.06	0.06	0.18	0.18	0.76	1.05	2.3	3.60	0.83
Net asstes per share (Rs)	51	46	54	54	72	74	76.4	83.7	94	110
Current ratio (No.of times)	1.07	1.04	2.09	1.29	1.08	1.08	1.06	1.06	1.09	1.10



Coconut

FOR COCONUT

YPM (W) / (D), APM (W) / (D),
Toddy tapping (W) / (D)



The Ceylon Fertilizer Company is committed towards fulfilling the needs of the agrarian community of Sri Lanka with the intention of contributing to strengthen the development processes implemented as per the government's visionary plans. Having overcome many challenges over the years, the company made remarkable achievements through its operations in 2017 recording yet another historical year. Many strategic moves made within the year were firmly tied into larger state recommendations and initiatives to strengthen the agricultural sector of the country. From this standpoint, it is imperative that clarity is achieved as to the position of the company as well as ways in which the company can contribute towards future development strategies through mechanisms that are aligned and harmonized with the overarching strategies of the organization.

Compared to the challenges and issues related to agriculture in other countries, Sri Lanka has fared well under tough circumstances prevailed during the year due to various reasons and has progressed in many ways going beyond bounds exploring new avenues and opportunities that could open up new access paths to success.

Our dedicated team at the Ceylon Fertilizer Company has performed well in the efforts aimed at achieving the expected targets to raise the bar and take the company to the next level by taking every measures to successfully and continuously provide fertilizer to the nation through our island wide distribution network which contributed significantly to the economic development and growth of the company. The commendable service, dedication and commitment of our team members deserve special mention as they made an immense contribution towards achieving the goals.

I wish to express my gratitude on behalf of the company to the visionary leadership of the country that guided us in the right direction to achieve beyond expectations. It is with heartfelt sincerity that I thank His Excellency President Maithripala Sirisena for his blessings and guidance, Hon. Minister of Agriculture Duminda Dissanayake for the encouragement given, the Ministry Secretary and key ministerial officials for the support extended to us towards achieving the goals of the company.

The company has established a network of 1750 authorized dealers across Sri Lanka while it distributes its products through 40 divisional fertilizer stores.

Message From the Chairman

Total taxes paid to the government in the year ending 31st March 2017 was Rs. 11 Million. The company has been able to operate profitably without any financial assistance from the integrated state fund.

The company has established a network of 1750 authorized dealers across Sri Lanka while it distributes its products through 40 divisional fertilizer stores that enhances the ability of the company to directly engage with its customers.

Moving forward with the objective of achieving short and long term strategic goals, an efficient team of employees has been identified and motivated to carry out operations in an effective manner. Recruitments under the processes of employee recruitments and promotions approved by the Management Services Department have been standardized, enabling all employees the opportunities of obtaining promotions based on their skills and qualifications.

Going beyond conventional ways of thinking, we are using the state-of-the art technology in our operations and an innovative information

technology optimizing the management information system is being maintained by the company while continuous training programs to educate users on the latest software are held to maximize inter-office process efficiency.

The company, being a responsible corporate entity in Sri Lanka, contributes towards the wellbeing of our community. We, as a corporate citizen, strongly believe in understanding key performance and future goals for long term corporate sustainability. With the objective of fulfilling those goals, the company is in the process of formulating a strategic roadmap by classifying and drilling down into short and long term strategies that would benefit the nation in the years to come.



Roshana Waduge
Chairman



I am pleased to present the audited financial statement and the annual report for the financial year of 2016/17 and address all of you, our valued shareholders when yet another financial year comes to an end.

The year has been a difficult one for the agrarian sector with both floods and droughts playing havoc with farming activities resulting in a significant drop in production and reciprocal drop in the contribution of the agrarian sector to the GDP.

However, the year also saw the company expand its product portfolio to organics in line with state policy to reduce dependent on agrochemicals and position Sri Lanka in the vanguard of sustainable development and become an example to the world as one of the first countries to wholeheartedly espouse sustainable agrarian practices.

I am proud to announce that Ceylon Fertilizer Company is the first state organization to produce and distribute organic pellet fertilizer to the local

market. During this fiscal year, in its efforts to change the thinking of both its distributor network as well as the farmers, large scale, island wide programs were implemented to improve farmer awareness of the positives of using organics over synthetics and these exercises increased marketing potential by driving paradigm shifting attitudinal changes deep into the minds of our primary target – our farming communities.

Such is our commitment to local and global efforts towards a more durable world that we aim to minimize agrochemical use in Sri Lanka and shift our agricultural production towards organic exclusivity by the year 2020. Towards this, the company strategically plans to provide an ever expanding range of organic fertilizer products both in solid and liquid form in the very near future.

The company succeeded in implementing a number of strategic plans towards promoting the concept of organics across Sri Lanka with a far-sighted vision of revolutionizing the local agro industry by reinventing age old practices to bring

I am proud to announce that Ceylon Fertilizer Company is the first state organization to produce and distribute organic pellet fertilizer to the local market.

General Manager's Statement

wonderful results. The concept of using organic fertilizer has never been alien to local farmers who treated the organic world around them as an integral part of their day-to-day life. Natural organic resources played an important role in Sri Lankan agriculture even in the ancient history of the country. It is said that our great grandparents who used natural organics for their crops amazed the world by producing unbelievably higher harvests from a variety of crops including paddy, fruits and vegetables, tea, rubber, coconut, cinnamon and cardamom etc.

Sri Lanka is recorded to have yielded excess amounts of agricultural produce which was exported over to other countries across the world in the ancient times. Behind all these marvels were organic fertilizer gathered from the natural environment with which our great grandparents had had a symbiotic and intimate relationship that benefited them in manifold ways. With the perception that we can certainly learn from the past and move forward with more comprehensive and developed methods of using organic fertilizer for agricultural purposes, we have planned and

initiated new projects to promote organic fertilizer amongst farmers and planters across the island. We have been carrying out numerous studies and researches to learn more about organic fertilizers with the help of well qualified professionals over the years and gathered that the organic fertilizers comprise a variety of plant-derived materials that range from fresh or dried plant material to animal manures and litters to agricultural by-products.

The nutrient content of organic fertilizers varies greatly among source materials, and readily biodegradable materials make better nutrient sources. Nitrogen and phosphorus content is lower, often substantially lower, in organic fertilizers compared to chemical fertilizers. Moisture content is another factor that reduces or dilutes the nitrogen and phosphorus concentrations of organic fertilizers. Thus, it can be cost ineffective to transport high-moisture organic fertilizer long distances. However, use of locally available sources is perfectly reasonable if its use is consistent with the production strategy. Nutrient value of animal manures is more variable than that of agricultural by-products. The animal's diet,

the use and type of bedding material, manure age, and how it was stored are factors that affect manure nutrient value; these factors can vary seasonally on and among farms, and regionally or on a larger geographic scale. In contrast, nutrient content of agricultural by-products is less variable but can be affected by the industrial process used to produce the by-product. However, it always is advisable to analytically determine the nutrient content of the organic fertilizer.

Our efforts in the recent past in the areas of research, strategic planning and development have started bringing in expected results for us to proceed with our proposed new projects towards achieving higher standards of manufacturing and promoting organic fertilizer that would help us revolutionize local agro industry without causing any harmful effects to nature. The said projects are designed based on research findings to meet the needs of our local farmers and cultivators who would gain more benefits by using organic fertilizer. Our recent development projects, I believe, would certainly take Sri Lankan agriculture to the next level in the very near future enabling us to reach our targets of producing higher yields of which the excess

quantities could be exported. Our new projects, planned and implemented with the objective of achieving this target, are based on the concept of organics which would open up new avenues in local agriculture.

The journey so far has been very successful and the future seems to be promising. Strong determination and will power of our team will drive us to make more and more achievements along the way irrespective of many obstacles, challenges and difficulties. We believe in ourselves knowing very well that the potential is there for us to excel in many ways that are yet to be recognized. We know that we have the talent, commitment and expertise to become a team of trendsetters in the field of agriculture. Let's join hands and move forward together to make our big dreams come true in the years to come.



Priyantha Samaraweera
General Manager



Rubber

FOR RUBBER CULTIVATION

Special mixed fertilizer including R A – 465,
R U – 462, R U - 465, R/Y B, R/S A

BOARD OF DIRECTORS



Mrs. Anoja Herath
Director

Mr. Madhawa Wattagama
Working Director

Mr. Hemaka Lasith Balasuriya
Director



Mr. Roshana Waduge
Chairman



Mr. Upul Peiris
Director



Mrs. J.M.S.D. Rathnayake
Director

BOARD OF DIRECTORS



MR. ROSHANA WADUGE
Chairman

An old boy of Mahanama College, Colombo, He has obtained a diploma from Australia on Business Administration and followed a vocational training course on Motor Mechanism in Japan.

He was the captain of the school cricket team under 15 and a member of the cricket team under 17. He held positions as the president of the Lions Club and the vice president of the school radio club.

He presided over the Lions Club of the capital city of Kotte for 3 years and performed duties as its member Director for 3 years and works as the Director of the District 306 C International Lions Club.

He established the Arya Lanka Foundation, a non-governmental organization for social services and performs duties as its Chairman and holds positions as President of the Lanka United Transporters Society and Vice President of the Lanka Vehicles Importers Society.

He was awarded with the 'Jeewanasoori' Award by the Sri Lanka United Nations Friendship Organization in 2006.



MR. MADHAWA WATTEGAMA
Working Director

Having completed his secondary school education at Nalanda College, Colombo, and obtained the Post Graduate Degree in Business Administration from the University of New Castle, he qualified in Examinations I and II of the Business Executives Association in London. He has obtained Diploma qualifications including those on Auto Cad from Geocomp in Western Australia and Auto Cad Windows from Arab Computer Service in Sultan State of Oman.

He is presently working as Chairman/ Managing Director of Silver Bird International (Pvt) Company, Chairman of Independence Architectural Homes (Pvt) Company and Colombo Global Shipping (Pvt) Company, and has worked as a Working Director at Central Cultural Fund.



MRS. SHIRANTHI DHAMMIKA RATHNAYAKA

Director

Having obtained her Bachelor of Science Degree (Physical Science) from the University of Kelaniya, she has pursued higher education in other disciplines and obtained Post Graduate Degrees on Economic Development from the University of Colombo, Development Studies from the IDEAS School in Tokyo, Japan and State Policies and Management from the University of Melbourne, Australia.

Being a member of the Sri Lanka Economics Association and Sri Lanka Policy Planning Association, she has worked as a Standards Officer at the Sri Lanka Standards Institute (1993 – 1994), as an Assistant Director of the Finance and National Implementations Department (1994 – 2004), as an Assistant Director in the Development Finance Department of the same Ministry and as the Project Director of the Program. for Rural Finance Sector Development. After performing her duties as the Director in the Department of Budget Preparations

of the same Ministry from 2011 to 2013, she is presently working as the Additional Director General in the Ministry of National Implementations.

She has taken part in research studies of a number of local and international universities including the University of Melbourne in Australia, IDEAS School in Japan and the University of Colombo.

BOARD OF DIRECTORS



MR. HEMAKA LASITH BALASURIYA
Director

Obtained his Post Graduate Degree in Business Administration from the University of Wales and a Post Graduate Diploma in Marketing from the Institute of Chartered Marketers.

A winner of black belt in the Six Sigma concept from the Sri Lanka National Institute of Management, he has gained expertise over 16 years in many fields playing a multitude of roles covering many areas of work including frontline operations in telecommunication (sole operations), business processes, sales management, group management, customer retention, business planning and administration, knowledge management and customer experience management.



MR. UPUL PEIRIS
Director

A product of St, Thomas' College, Mount Lavinia, he is a former Director of the Plantations Corporation of Sri Lanka and the Land Reforms and Development Board of Sri Lanka.

He has worked as the Co-ordination Secretary to the former Chief Minister of the Uva Province. He has been working as a member of the Board of Directors of Ceylon Fertilizer Company Limited from February 4, 2015.



MRS. ANOJA HERATH
Director

A past student of Devi Balika College, Colombo, she has obtained a Bachelor of Science (Agriculture) (Special) Degree from the University of Peradeniya and the Masters Degree in Sociology from the University of Kelaniya.

Having started her career life as a lecturer at the University of Peradeniya, she joined the Ministry of Environmental Affairs and Natural Resources as a Research Assistant and joined the Sri Lanka Administrative Service in September, 2003 as an apprentice officer.

She has worked as an Assistant Commissioner in the Department of Land Settlement, Assistant Director in the Ministry of Environment and Renewable Energy and as a Director in the Ministry of Technology and Research and is presently working as a Director in the Ministry of Agriculture. She has

worked as Project Coordinator of the Project for assessment of technological requirements with regard to reception and balancing of climatic changes in Sri Lanka. She has attended a number of international conferences on Environmental and Sustainable Development representing Sri Lanka as a specialist and participated as Sri Lanka's State Representative in many conferences held when the United Nations' Climatic Changes Pact and the Neon Protocol were being prepared.

Being an expert who has done a number of researches on organic tea in Sri Lanka and published them, she is currently working as the member who represents the Ministry of Agriculture, the linear Ministry of Ceylon Fertilizer Company Limited.

**S & A Consultant
Private Limited**

Company Secretary
894/4, B,
Athurugiriya Road,
Malabe.

SENIOR MANAGEMENT TEAM



Mr. P.R. Samaraweera
General Manager (Acting) & Manager (Finance)



Mr. B.D.L. Kumarasiri
Chief Internal Auditor



Eng. D.M.N.A. Dissanayaka
Manager (Technical)



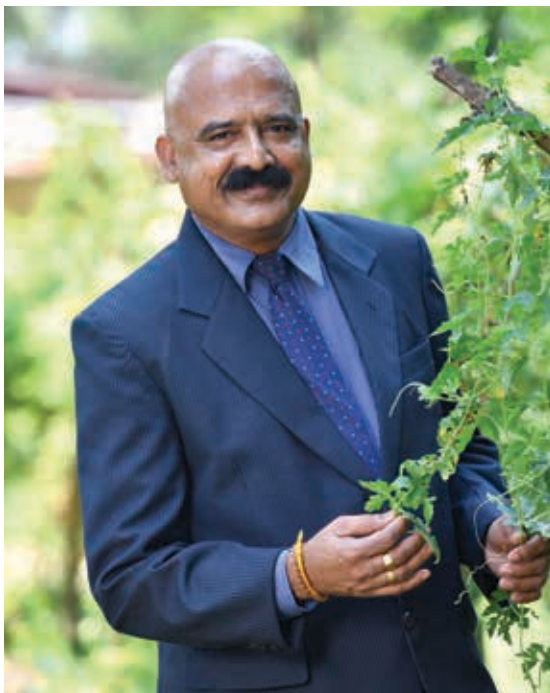
Mr. R.A.P. Perera
Manager (Distribution)



Mrs. R.P.S. Bodhipala
Manager (Sales & Marketing)



Mrs. U. Perera
Manager (Laboratory)



Mr. C.P.P. Bulathsinghala
Acting Manager (Administration & Human Resources)



Mr. G.G. Saman
Acting Manager (Procurement & Imports)

SENIOR MANAGEMENT TEAM



Mr. P.R. Samaraweera

General Manager (Acting) and Manager (Finance)

He has obtained a Commerce (Special) Degree from the University of Sri Jayawardhanapura. He holds the higher membership of the Public Finance and Development Accountants Institute of Sri Lanka, the Chartered Business Administrators Institute, the Sri Lanka Public Financial Accountants Association and the reference membership of the Professional Institute of Accountants in Sri Lanka. Joining the Ceylon Fertilizer Company Limited in 1987 he has come a long way with us and has become the most senior Manager of the company.

Mr. B.D.L. Kumarasiri

The Chief Internal Auditor of the company

He has a Degree in Commerce (Special) from the University of Kelaniya. He holds the fellow memberships of the Sri Lanka Public Financial Accountants Association and the Public Finance and Development Accountants of Sri Lanka. He has received certificates for internal auditing from the Public Accounts and Finance Institute and the Internal Auditors Institute. He has worked as Accountant and Chief Internal Auditor at the National Equipment Machinery Organization.

Eng. D. M. N. A. Dissanayaka

The Manager (Technical)

He has a BSc Engineering Degree from the University of Peradeniya and a Masters in Business Administration (Finance) from the University of Kelaniya. He is a member of the Sri Lanka Institute of Engineers and a member of the Engineering Division Committee of the same institute.

Mr. R.A.P. Perera

The Manager (Distribution)

He has a special degree in Sociology from the University of Colombo. Additionally he holds diplomas in Management and Information Technology. He has successfully completed diploma program on productivity at the National Productivity Secretariat and is an expert in human resource management, industrial health and safety, fire safety and machinery and equipment maintenance.



**Mrs. R.P.S.
Bodhipala**

The Manager
(Sales & Marketing)

She holds a Science Special Degree in Agriculture (Plantation Management) from the University of Sabaragamuwa and a Masters in Business Administration from the Post Graduate Institute of Agricultural Science of the University of Peradeniya. She has sound experience in plantation industry management.



**Mrs. U.
Perera**

The Manager
(Laboratory)

She holds a Bachelor of Science Degree (Bio Science) from the University of Kaleniya and a post graduate Degree(M.Sc) in Analytical Chemistry from the University of Colombo. Joining the Ceylon Fertilizer Company Limited in 1996 and come along way with sound experience in fertilizer analysis.



**Mr. C.P.P.
Bulathsinghala**

The Acting Manager
(Administration & Human Resources)

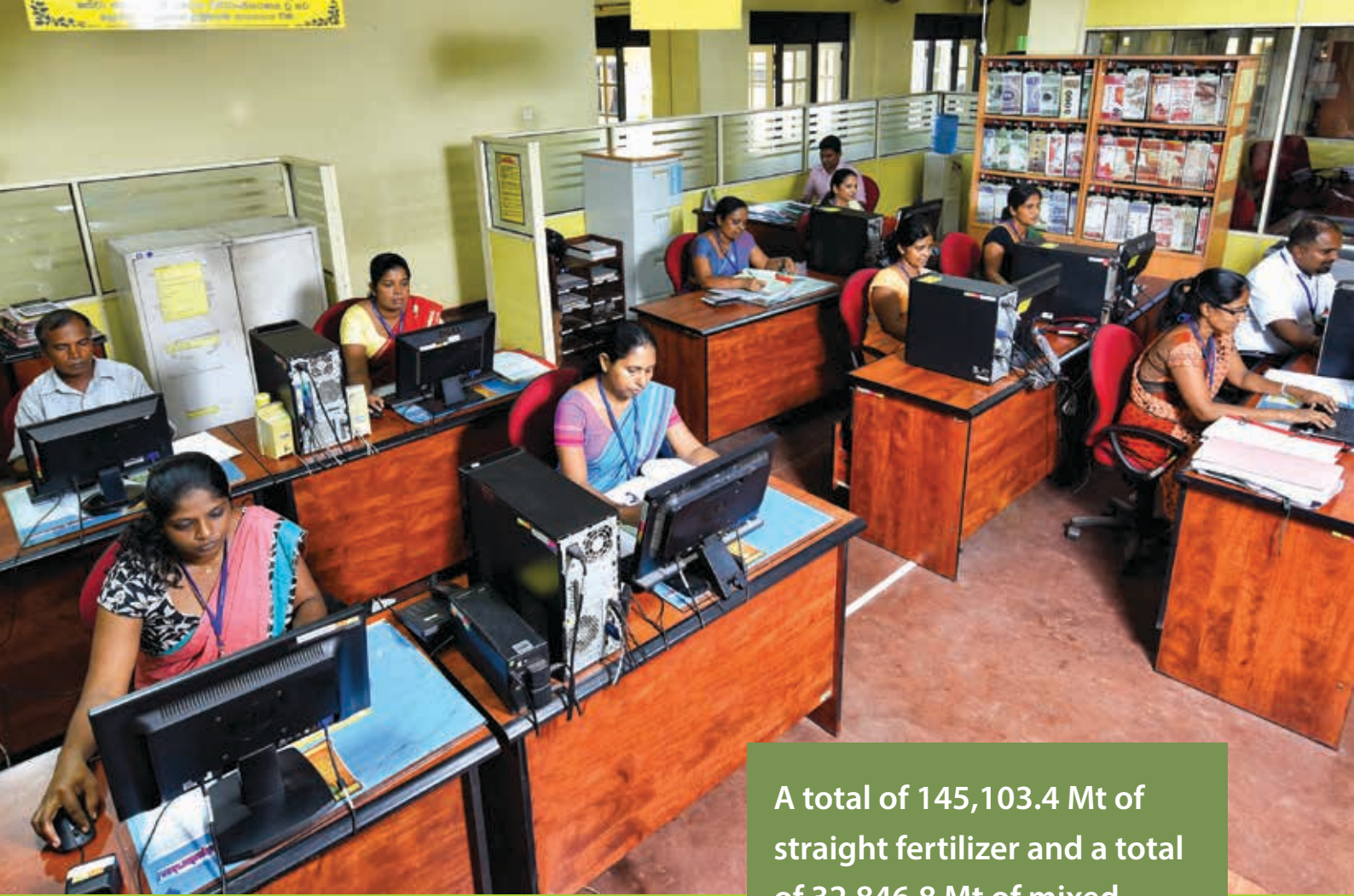
He has 36 years' experience at the company. He is also a Justice of the Peace for all Island.



**Mr. G.G.
Saman**

The Acting Manager
(Procurement & Imports)

He holds a degree in arts from the University of Colombo. He is currently following a diploma in procurement and contract management at the Sri Lanka Institute of Development Administration (SLIDA).



MANAGEMENT REVIEW AND ANALYSIS

CORPORATE REVIEW

Sectoral Analysis

In 2016, Sri Lankan economy grew by 4.4 per cent in real terms compared to 4.8 per cent in 2015, in the midst of headwinds from both domestic and external fronts. On the domestic front, recommencement of a few large scale government infrastructure projects and private sector investment activities supported economic growth. However, continuation of fiscal consolidation measures specifically related to revenue enhancement, increase in inflationary pressure towards the latter part of 2016 driven by supply side impediments and tax policy measures, tightening of the monetary policy stance of the Central Bank and adverse weather conditions that prevailed throughout the year dampened the growth momentum.

A total of 145,103.4 Mt of straight fertilizer and a total of 32,846.8 Mt of mixed fertilizers were sold during the year under review for total sales of 177,950.2Mt. straight fertilizer used mostly for paddy cultivation contributed 90% of the sales. Here, more than 80% of Urea, TSP and MOP Fertilizer which issued as straight fertilizer for paddy. The rest of the sales were in specialized products for coconut, tea, rubber, vegetables, fruits & flowers, export crops, other crops and organics.

On the basis of production side estimates, growth was mainly driven by expansion in Industry and Services related activities amidst the contraction recorded in Agriculture activities due to unfavorable weather conditions that prevailed throughout 2016. Destructive weather conditions, fragile demand and low prices for Sri Lanka's major agricultural commodity exports from destinations such as Russia and some of the Middle Eastern countries, also explained the contraction in Agriculture activities.

Due to adverse weather conditions, the agricultural sector showed a negative growth of 4.2% contracting its share of the GDP from 7.8% in 2015 to 7.1% in 2016 with the production of paddy, tea and rubber declining by 8.3 %, 11.0% and 10.7%, respectively. The adverse weather conditions that prevailed throughout the year, particularly the floods due to heavy rainfalls in the second quarter and the prolonged drought conditions negatively affected Agriculture performance.

2016 marked the first year that the government did not provide an automatic fertilizer subsidy. Instead, the fertilizer subsidy was converted to an allowance of Rs.25,000 in December 2016 for a total of Rs.37.5 billion. The government also decided to grant Rs. 10,000 per hectare annually for the farmers who grow vegetables and additional crops as the fertilizer subsidy. The subsidies will be given to farmers cultivating vegetables, green gram, cow pea,, soya bean, Bombay onion and several other crops.

Year	Direct Fertilizer (Mt.)	Mixed Fertilizer (Mt.)	Total
2015/2016	98,804.912	27,840.517	126,645.429
2016/2017	46,298.535	5,006.250	51,304.785

The company is continuing to make all the arrangements to introduce organic fertilizer manufacturing with the name of 'Corporation Compost' in the next year to minimize the harmful effects of using chemical fertilizers on a long term basis.

Organizational Analytics

The key objective of Ceylon Fertilizer Company Limited, Sri Lankan farmer's friend in need who imports fertilizer and distributes it in mixed and unmixed forms, is to function as a state institute that is committed to develop the agricultural industry.

Fully committed to distribute quality fertilizer as and when it is necessary to the farmers island wide, our company ensures the highest standard of all imported fertilizer by getting them tested for quality by industrial research institutes. Samples of each type of fertilizer distributed from our stores to authorized dealers are tested at our own laboratory, which has been authorized by the Sri Lanka Authorization Board and ISO/IEC/17025:2005 certified.

Our company's central stores complex in Hunupitiya, Wattala has a capacity of 67,000 metric tons and the main regional stores complex in Polonnaruwa has a capacity of 18,500 metric tons. In addition to that, the total capacity of the stores network consisting 40 stores island wide is 15,000 metric tons.

Manufacture of mixed fertilizer is done as per state recommended rates to suit each crop at the central warehouses complex in Hunupitiya.

Without limiting ourselves to supplying straight fertilizer for paddy cultivations, we supply special mixed fertilizer for tea, coconut, rubber, vegetables, fruits and other crops also and presently we are making arrangements to introduce organic fertilizer under the name of 'Corporation Compost' to the farmers in due course.

A total of 145,103.4 Mt of straight fertilizer and a total of 32,846.8 Mt of mixed fertilizers were sold during the year under review for total sales of 177,950.2 Mt. Straight fertilizer used mostly for paddy cultivation contributed 90% of the sales. Here, more than 80% of Urea, TSP and MOP Fertilizer which issued as straight fertilizer for paddy. The rest of the sales were in specialized products for coconut, tea, rubber, vegetables, fruits & flowers, export crops, other crops and organics.

Our new products are marketed through our island wide dealer network and the supermarkets including Arpico, Cagills and Keels promoting our brand name 'Lakpohora' to the greater farming community of the country.

Fledging forays into the organics market in 2015 became a full blown initiative in 2016 with the company introducing its first line of organic fertilizers. While the price point requires some readjustment, a total of 295Mt of organics were sold during the year.



This initiative was in partnership with Hyosung ONB (Pvt.) Ltd. a Korean company with a presence in Sri Lanka.



Sales achievements of Lakpohora clients being recognized by the Korean Company

The range of organics introduced included solid organic pellet fertilizer with 2kg & 20kg bags, compost 2kg & 20kg for the cultivators of Tea, Paddy, Vegetables and minor exports.

The target for organic sales were 2500 Mt.

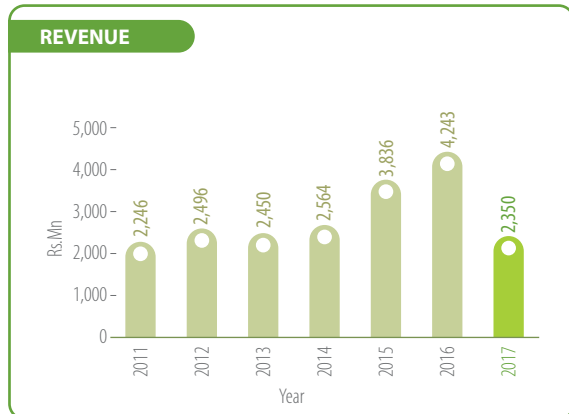
In order to increase top-of-mind awareness of organics in the minds of the distributors and farmers, awareness programs were held throughout the fiscal year with support from the Makadura Agricultural Training Center of the Ministry of Agriculture. The awareness program

was first held to educate sales staff and 50 Regional Managers and Executives were trained. Subsequently, awareness programs were held in Polonnaruwa, Anuradhapura, Ampara and Matale. A total of 150 Agricultural Inspectors and 250 farmers were thus trained.

Additionally, to showcase its organic product line and its commitment to green fertilizer, a highly productive organic agricultural plot was created on the premises of the Head Office of CFC at Hunupitiya.

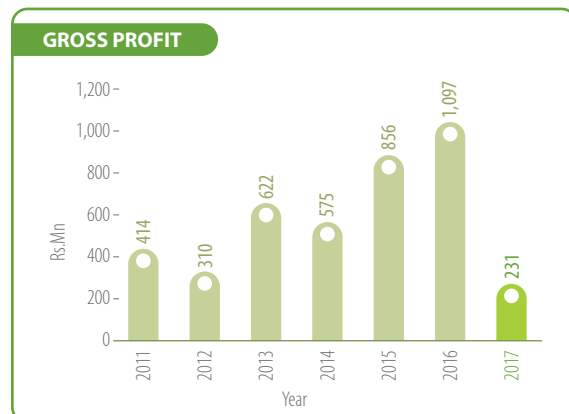
Financial review

Due to external dependencies including significant climate events as well as its portfolio shift to align itself with national policies, the company recorded a significant decline in revenue year-on-year from LKR 4,243 Mn to LKR 2,350 Mn, a reduction of 45%.



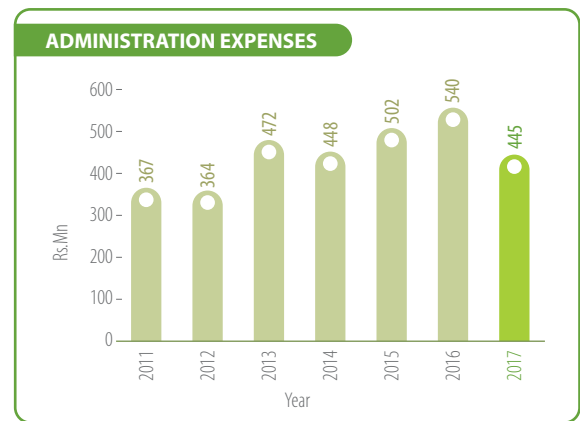
Gross profit

Company had recorded a gross profit of Rs.231 Million in the year under review, a decline of 79% and it was an increase of 28.27% compared to the previous year for the reasons outlined above.



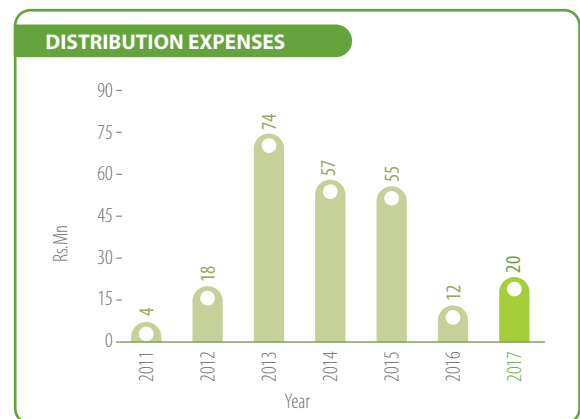
Administrative expenses

Continuing a trend, the company further reduced its administrative expenses with decline of 18% year-on-year from LKR 540 Mn to LKR 445 Mn.



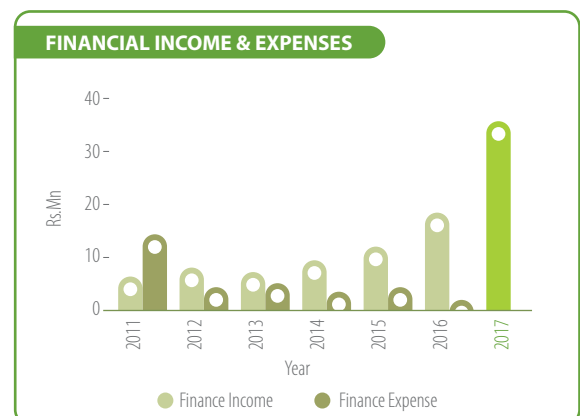
Distribution expenses

Company's distribution expenses increased by 66.67% year-on-year due to difficulties encountered due to climate events.



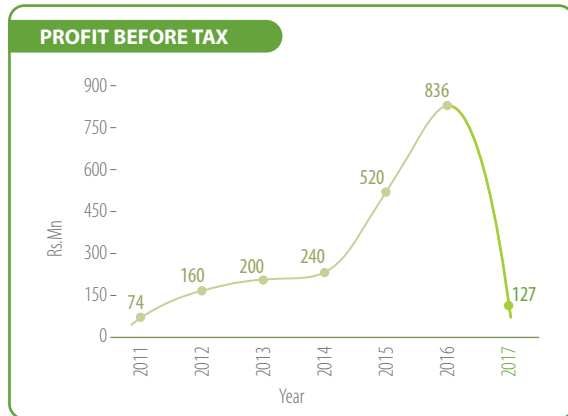
Financial income and expenses

Company's financial income has increased to Rs.333.5 Million in the financial year. Due to internal efficiencies being leveraged, the financial expenses have dropped dramatically year-on-year by as much as 93% to LKR 126,125.



Profit before tax (PBT)

Company's lowest recorded profit before tax since 2012 was recorded as Rs.127 Mn, a decline of 85%. The fact that the downturn occurred after a bumper year for agricultural produce when the company registered its highest ever profit contributed to the significant year-on-year percentage fall.

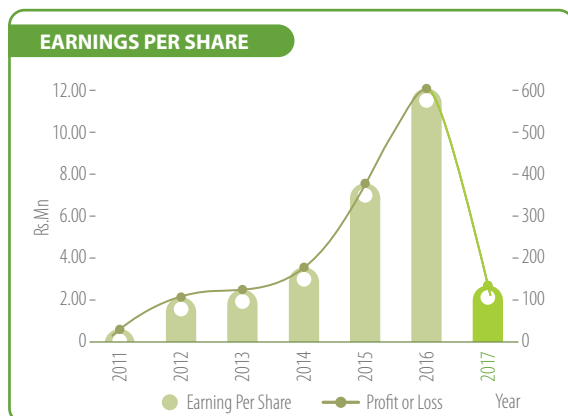


Tax

Income tax expenses for the financial year was Rs. 11 Million and it was Rs. 233 Million in 2016/17. Differed tax expenses of Rs. 69 Million is included in the income tax expenses.

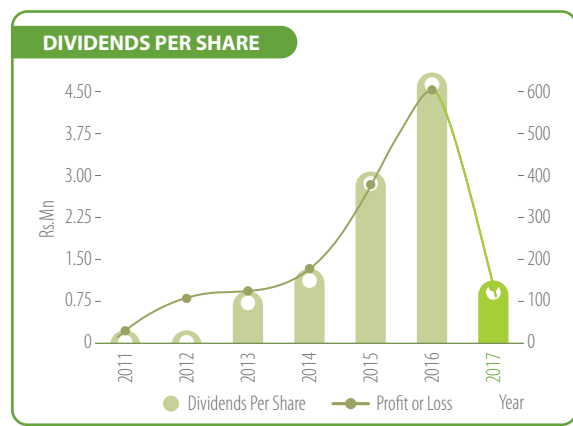
Earnings Per Share (EPS)

EPS dropped to its lowest since 2013 with the company recording a value of LKR 139. This is a decline of 77% year-on-year.



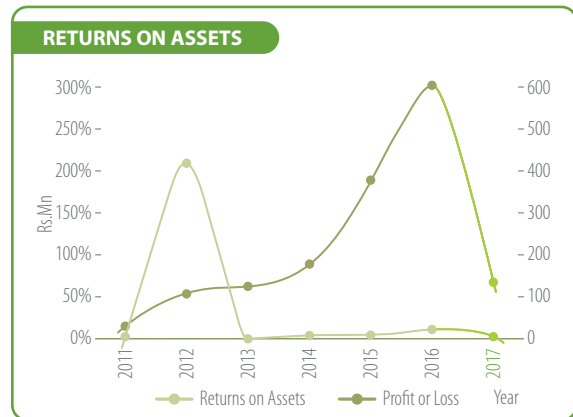
Dividends Per Share (DPS)

Dividend Per Share in the financial year was LKR 139, a decline of 77%.



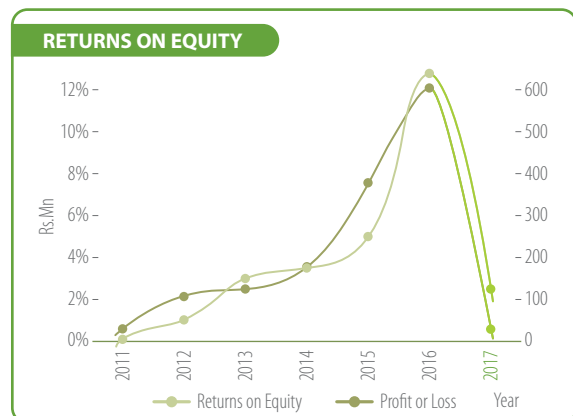
Returns on Assets

The company was able to generate a re-profit of 0.39% on total assets in the year under review. This was a decrease of 76% year-on-year.



Returns on Equity (ROE)

The company generated a return on equity of 2.54% and it was a decrease of 80% year-on-year.

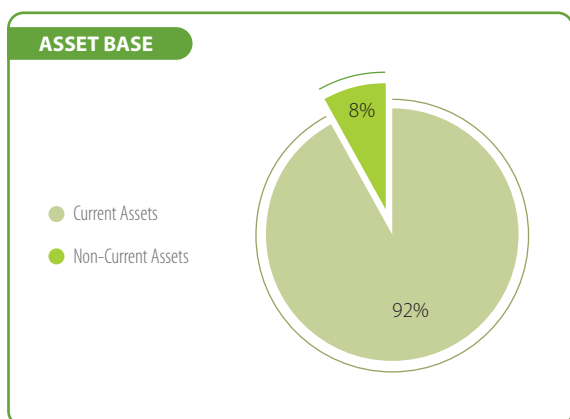


Asset base

The company's total asset value, with non-mobile assets of 8% and mobile assets of 95%, is LKR. 35.6 Billion at the close of the financial year of 2016.

Total non-mobile asset of the company consisted mainly of properties, liabilities and equipment was Rs. 2.7 Billion for the projected year.

Total assets had decreased by 2.72% compared to the last year.



Cash flow and liquidity

Cash generated by way of operations and investments are the main cash sources of the company. Cash flow from operations was Rs. 214 Million and the net cash flow from investments was Rs. 591 Million in the projected financial year. Cash flow from the company's financial functions in the reviewed year was Rs. 834 Million.

Service credit and working capital requirements

The company was able to maintain a sufficient liquidity to pay capital costs and dividends.

Shareholders' funds

100% shares owned by Government Treasury.
Number of shares Issues 50,245,608.

HUMAN RESOURCES MANAGEMENT



Good Practices and Employee Policies

Our Human Resources Management Strategies have been properly prepared in accordance with Shop and Office Act, Wages Board Ordinance, Guide issues by the Treasuries and Linear Ministry and all the relevant Labor Laws presently being practiced in Sri Lanka. Adhering to the highest standards of the Administrative Regulations and E-code of the state, the company strives to optimize the management of its human resources while exercising due-diligence and transparency in creating its organizational structure, identifying its gaps and filling them against directives issued by the Salaries and Cadre Commission and giving promotions and establishing remuneration packages according to standards and directives established by the Department of Management Services.

Employee Benefit Plan

Complying with state directives, the company contributes 15% of the gross salary (Basic+Cost of Living) for Employees' Provident Fund (EPF) and 3% of the gross salary (Basic+Cost of Living) for Employees' Trust Fund (ETF).

Introduction of Benefit Plan

A qualified assessor calculates the benefit liability indicated in the financial statement each year in compliance with the accounting standards of Sri Lanka while provisions for retirement benefit obligation liability is calculated from the first service year of every employee.

Employee Motivation

The company pays serious attention to motivating its staff to maximize their performance and productivity by creating a harmonious work environment, improving facilities, reducing stress and giving employees a stronger sense of ownership in the day-to-day business of the company as well as its short and long term profit resulting in a significantly reduced level of attrition.

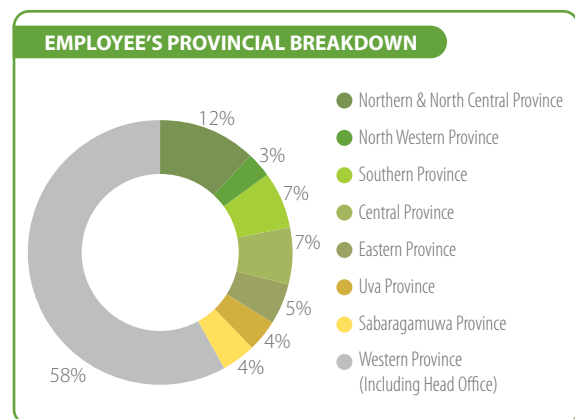
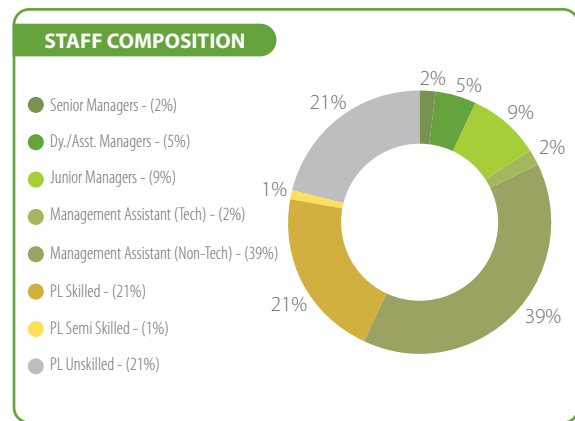
Financial benefits

- An annual incentive program identifies individual performance of each employee according to internationally accepted standards for performance evaluation.

- Annual bonus pay based on circular issued by treasury of the level of profitability.
- Allowances for tea, dust and clothing etc. are paid to eligible staff to reduce financial stress.
- Cash is paid for balance medical leave as an incentive to spend more days of the year at the place of work of all employees.
- Mobile phones are provided to eligible employees and mobile and residence TP bills are reimbursed to conducting business operations on behalf of the company.
- Understanding its responsibility to the staff that goes beyond simple economic remuneration for work, financial assistance is offered to the children of our staff who excel in educational, cultural or sports activities at local or international arenas.

Other benefits

- Official vehicles are provided to Regional Managers who achieve sales targets.
- Motorcycles are offered to District Marketing Executives and sales promotion officers in order to reduce fatigue and increase productivity.
- All employees can reserve our circuit bungalow in economical rates.
- A medical insurance scheme is established to improve access to health services from a financial perspective for all employees and their family members.
- Incentivized local or foreign tours are offered to District Marketing Executives who record the highest sales.
- An organizational culture is established encouraging a fear-free environment where open communication policies encourages the free and candid flow of information from bottom to top.



- Spiritual and skills related training programs are regularly offered to our staff and aims at overall improvement of mental health and career skills.

Welfare and human resources

We have well understood the importance of creating the sort of enabling environment that would support, help and facilitate performance enhancement, self-improvement, leadership and response to challenges among our valued staff and our commitment to this vital facet of the organization continues to be a matter of top priority for the management.

Additionally, as part of our overall human resource development activity cloud, we utilize the services of both internal and external professionals in many sectors, themes and thrusts to develop technical

and leadership skills while increasing motivation, encouraging learning through experience and improving consultative capacity.

A comprehensive understanding of the products of the company is essential to its outreach staff and this is assured through special training programs organized at the head office and regional stores for employees in the marketing division where they get a sound background knowledge of organic fertilizers.

Learning is everything and books are the basis for it and therefore, the company has been farsighted in providing the best possible learning environment for its staff and as such, library facilities have been provided for employees to update and improve their knowledge.

Special technical training programs are conducted for the Laboratory Staff to enable them to be more efficient and more technically consistent in standardizing fertilizer analyses in the modern laboratory.

Retention

The company is proud of the achievement made by maintaining a lower employee cost and lower level of staff attrition in the financial year thanks to employment satisfaction facilitated by staff development, equality, friendliness and the creation of a learning-enabled atmosphere where facilities and benefits are provided to optimize opportunities for developing professional proficiency.





CORPORATE GOVERNANCE

Has been institutionalized with a code of strong corporate values and a hierarchy governed by a standard process of Human Resources Management.

The full responsibility of maintaining the corporate governance of Ceylon Fertilizer Company Limited in compliance with the highest standards lies with the Board of Directors. The mechanism of the company's corporate governance ensures an agreed upon value to all the parties. Corporate governance is carried out in compliance with the following regulations, laws and ordinances.

1. Companies Act of No. 07 in 2007
2. State Business Department's State Business Guide for Good Governance
3. State Business Department's Policy Document on Good Governance

Board of Directors

The responsibility of the Board of Directors is to ensure efficient and effective Management of state enterprise in compliance with state policies. This can be achieved by way of protecting the resources, maintaining proper accounts, ensuring the procurement of correct reports and obliging to all the statutory and other legal requirements with regard to management.

The Board of Directors would ensure that the enterprise has strategic goals and that the company

functions to achieve the strategic goals. The Board of Directors would systematically supervise that there is an effective system for internal governance and risk management, that the management activities are effectively functioning and that the resources and assets are effectively utilized. The Board of Directors would annually evaluate the performances of the General Manager and the Senior Management Staff, provide interested parties with sufficient details on financial matters and as and when reveal other requirements of the same nature on a systematic ground.

The responsibility of appointing Audit and Risk Management Committees lies with the Board of Directors. The company has introduced a standard governance guide, code of ethics and the strategies of corporate governance. The Board of Directors would ensure that all the constitutions and guides will be followed as per state circulars without causing any conflict with regard to the operations and ownership.

Appointing the Board of Directors

When Board of Directors are appointed by the government, those appointments are done in a standard, competitive and responsible way. The liabilities, duties and responsibilities of the Board of Directors are clearly indicated by the authorized person in the letter of appointment.

The appointed Board of Directors will be assigned with the responsibilities related to company's

strategic targets and corporate goals, corporate governance of the company, management and administrative systems and procedures.

Board of Director Meetings

The Board of Directors have held 12 meetings in the financial year of 2014/15 and the management has submitted timely and relevant information to the Board of Directors through Board of Director papers.

Directors' Allowances

Directors are paid their allowances based on policies and scales of allowances designed by the government. Directors would not interfere in decisions on these allowances.

Chairman

Chairman's role is of very important for the entire corporate structure and he is expected to steer the organization in the right direction. Chairman would ensure the smooth functions related to maintaining the corporate governance, treating every director equally, distributing responsibilities in the correct manner, balancing the power and authority, Ensuring the process of continuing the Board of Director Meetings he presides those meetings. He would contribute to the areas where he has expertise and stay away from getting actively involved in operations and play supervisory role whilst encouraging all the Directors to play a pre active role.

Secretary to the Board of Directors

Professionally qualified Secretary to the Board of Directors is responsible for informing the Board of Directors of Board of Directors' Meetings and Annual General Meetings and updating the Board of Directors on relevant terms and regulations from time to time.

The Secretary ensures that the procedures related to having Board of Directors Meetings are followed, the Board of Directors perform effectively and Board of Directors' papers are distributed in time. Guidance with regard to responsibilities, terms and conditions related to the Board of Directors and instructions along with assistance to the members of the Board of Directors will be provided by him.

General Manager and The Senior Management

General Manager and the Senior Management bear the responsibility of the Company's business management. They are responsible for

implementing policies effectively and initializing the decisions made by the Board of Directors. General Manager and the Senior Management provide the Board of Directors with information and required explanations for their consideration and making decisions. They prepare operations, plans and budgets enabling the achievement of company's vision and mission whilst maintaining administrative and regulatory systems for effective management of the company.

Instructions of the allowance payment proposal are followed to determine the allowances for General Manager and the Senior Management.

Financial Reports

Board of Directors are responsible for preparing annual financial reports indicating company's annual status and performance in an accurate and fair manner. Financial statements need to be prepared and presented in accordance with the financial recording standards of Sri Lanka and the Companies Act of No. 07 in 2007. Financial reports should fully reveal the important information as and when they are required enabling the Board of Directors and the Senior Management including the General Manager perform their responsibilities effectively.

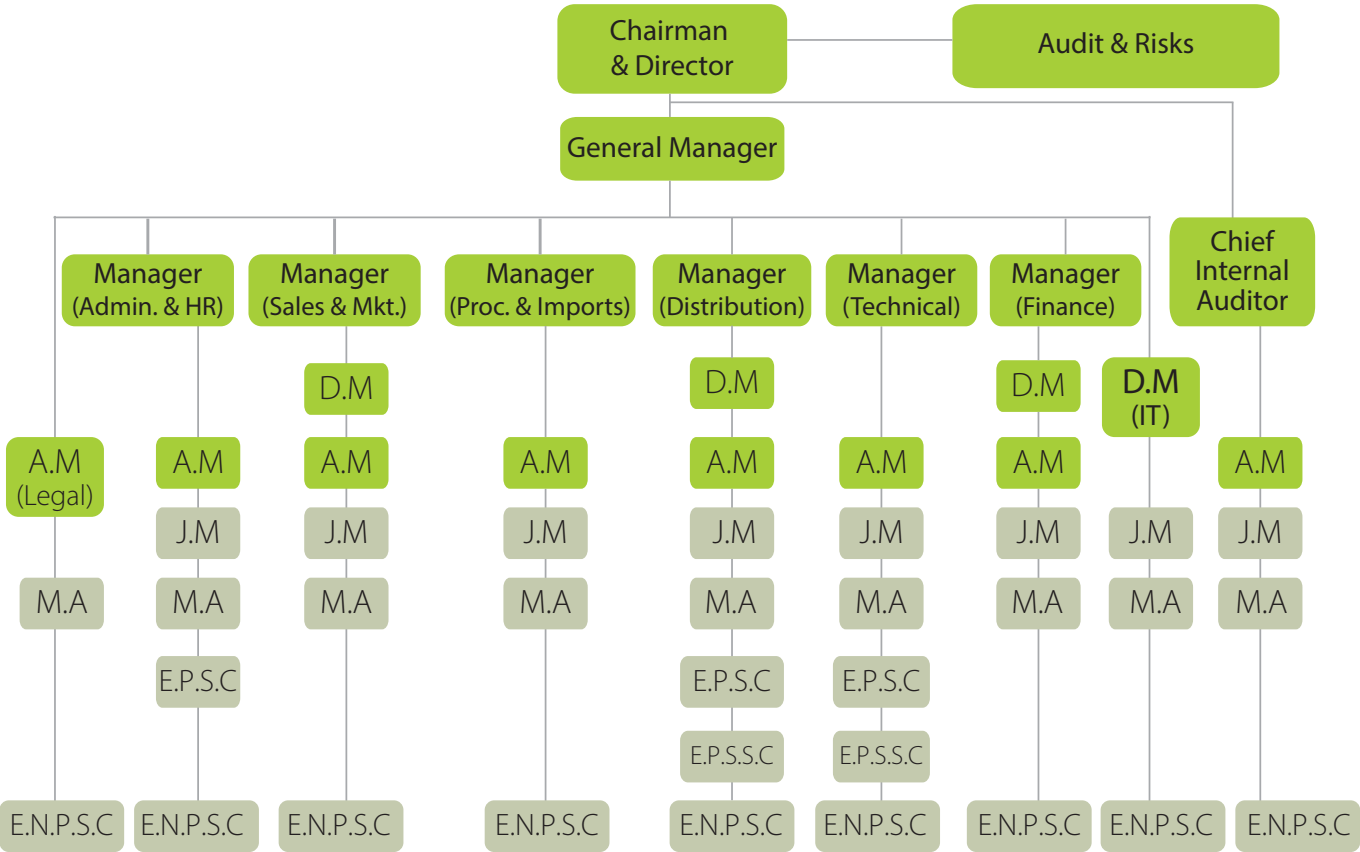
Annual Audit

Annual Audit of the company is done by an external auditor who is recommended from the list of Chartered Accountants by the Auditor General / Treasury and approved by the Board of Directors upon the recommendation of the Audit and Management Committee. The Annual Audit Report is reviewed by the Board of Directors and presented at the Annual General Meeting for approval. In the process of auditing the external auditors will prevent from providing consulting or other services that could disrepute the unbiased and independent decisions and the external auditors are changed every 05 years.

Audit and Risk Management Committee

The Audit and Risk Management Committee of the company plays an important role by helping the Board of Directors in administrative work. This committee consists three non-executive members of the Board of Directors including a financially qualified representative of the treasury. This representative holds the position of the President of the audit committee.

ORGANIZATIONAL STRUCTURE OF THE COMPANY



- D.M** - Deputy Manager
- A.M** - Assistant Manager
- J.M** - Junior Manager
- M.A** - Management Assistant
- E.P.S.C** - Employees of the Primary Skill Services category
- E.P.S.C** - Employees of the Primary Semi Skill Services category
- E.N.P.S.C** - Employees of the Non-Primary Skill Services category



RISK MANAGEMENT

Risk management process

Identification and realization of a revealed risk of an organization is determined by Risk Management. It ensures that the organization prepares and implements an effective plan to avoid losses and minimize the impact caused by a loss. Risk Management provides a clear and structured path to identify risks. By gaining a clear understanding about all the risks, an organization can evaluate and prioritize and take necessary steps to minimize those risks.

The Company has followed an instantly established process to identify, evaluate, minimize and change negligence. The main objective of our Risk Management System is to help in the operations of our business based on complete attention about risks.

Identification and evaluation of risks are the first and foremost things that need be done. Strategies that could be used to avoid, minimize and change the identified risks are planned after that. The Board of Directors should ensure the availability of an effective Risk Management System that focuses on the operations of the company.

Key Risk Factors

There are exposures for a few risk factors in our company and an uncertainty prevails in the operational set up. Those risk factors faced by the company and the steps taken to minimize them are discussed later.

Strategic Risks

Risks caused by uncertainties embedded in our strategic objectives and unused opportunities are called Strategic Risks. This type of risk arises mainly from the key decisions made by the Directors according to the goals of the organization. The key concept behind strategic risk is the failure to achieve our proposed organizational goals. Taking this into kind consideration, the Board of Directors and the Management Team are carrying out systematic post reviews based on the future composite plan of five years, active plan of 3 years and the annual plan.

Business Risks

This Risk includes the risks related to Production, Marketing and Sales of products, economic risks that affect the production cost, and the risks

arising due to the change of technical environment and customers' choices. The main internal risks related to our business are the inability to deal with existing products and the risks connected to new product developments. Inability to deal with existing products is four-fold : i.e: inability to understand the customer's needs, technology, industrial and economical facts and theoretical needs.

The company conducts systematic surveys on customers' satisfaction and assessments about the changes in their needs. To understand future changes in regulations and recommendations that could take place in the company, it works closely with leading legal boards and organizations such as the state, Coconut Research Institute, Tea Research Institute and the Rubber Research Institute.

New products are introduced only after a complete study of the market and customer needs.

Non-Business Risks

This risk is not related to the main business and is primarily related to long term financing. Sources are identified to fulfill these financial requirements by pre assessing long term financial needs of the company through the composite plan for future 5 years and the active plan prepared for 3 years. The cash flow coming into and going out of the company is made efficient by the planned annual budget and the procurement plan and any instant cash requirement never arises.

Operational Risks

This gives an idea of what is happening at the grass root level of the organization. Operational risks are directly connected mainly to internal resources, systems, processes and employees of the organization. This also include natural scenarios like mal-functioning of stores and machinery, cost for employees and bad weather conditions.

- A large fire safety system including adequate fire extinguishers and alarms is maintained by the company.
- The company has purchased a fire insurance cover and an additional electronic insurance for ultra-sensitive laboratory equipment in order to cover the damages that could happen due to a fire.
- Has purchased insurance for mobile cash and cash safes to minimize the effect of burglary and corruption.

- Has purchased adequate marine insurance certificates for each imported cargo shipment.
- Due to cash and non-cash motivational employee programs, the cost for employees of the company is at a lower level.

Cash Risks

The company has the cash risk including credit risk, liquidity risk and the market risk in using cash equipment.

Credit Risk

If the corresponding parties fail to face up with the agreed upon responsibilities of the company, the credit risk is the risk related to the financial loss of the company. The credit risk arises mainly due to sales on credit and deposits with financial organizations. In order to minimize risks,

- Before appointing distributors, a comprehensive analysis of the ability of each individual is done by a team consisting of Regional Marketing Managers, Chief Internal Auditor, Finance Manager, and Company's Legal Officers.
- Bank guarantees are obtained from distributors and corresponding parties before releasing credit facilities.
- Credit periods and value limits are indicated according to the conclusions made at credit analyses for distributors and corresponding parties.

Liquidity Risk

Company's inability to face up with financial responsibilities is called Liquidity Risk. Company's approach to manage liquidity is to ensure there is adequate amount of cash to face up with general and unexpectedly arising responsibilities. The composite plan for future five years and the active plan for future three years help in identifying the pre-assessment of the out flow of cash from the company and the sources of these cash flows and the cash flows that come into and going out of the company are made efficient and facilities are provided for settling all the financial responsibilities by the annual report and procurement plan.



Market Risk

Fluctuation of market price due to the fluctuation of interest rates (Interest Risk) of the fluctuation of foreign exchange (Exchange Currency Risk) is called the Market Risk which could affect the company's income and the capacity of maintaining financial equipment.

Exchange Currency Risk

Risk caused by the fluctuation of Sri Lanka Rupee value against US Dollar puts the company at the Exchange Currency Risk.

Interest Risk

Fluctuation of market interest rates for credit purchases under a fixed interest rate and holding interest with bank deposits is called the Interest Risk.

Regulatory Risk

When the state regulations with regard to the import, production, distribution and consumption of fertilizer, and the recommendations enforced by the state organizations such as the Coconut Research Institute, Tea Research Institute and the Rubber Research Institute are changed, the company has the regulatory power to act accordingly. In identifying any possible change in the regulatory setting, the company works closely with these organizations.

However, the risk factors are not limited to this list and the company is very cautious about such changes that could affect its operations.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORTS

In the year ended on 31st March 2017, the Audit and Risk Management Committee has acted in accordance with the work rules recommended by the Board of Directors.

Composition of the committee

Audit and Risk Management Committee has been appointed by the Board of Directors. The Committee comprises of three Non-Executive Directors and a Representative of the treasury who acts as the Committee Chairman. Representative of the Auditor General's department and Chief Internal Auditor of the Ministry of Agriculture act as observes of the committee. This committee comprised of the following Members in 2016/17.

1. Ms. J. M. S. D. Rathnayake
Committee Chairperson
2. Ms. Anoja Herath
Committee Member
3. Mr. Hemaka Lasitha Balasuriya
Committee Member
4. Ms. R.P. Sunanda Padmini
Observer
5. Mr. P.L. Namasena
Observer

Committee Meetings and Attendance

Audit committee has assembled 4 times in this financial year. The Chief Internal Auditor has functioned as the convener of the audit committee and upon the invitation of the committee, the General Manager, relevant divisional heads and other officials have attended the meetings to provide explanations. Attendance at the meetings were as follows :

Meetings and Attendance -2016/2017

Date	Ms. J.M.S.D. Ratnayake	Ms. Anoja Herath	Mr. Hemaka Lasitha Balasooriya	Ms. R.P. Sunanda Padmini	Mr. P.L. Namasena
27.02.2017	✓	✓	✓	✓	✓
19.12.2016	✓	✗	✓	✓	✓
13.09.2016	✓	✓	✓	✓	✓
17.05.2016	✓	✓	✓	✓	✓
	4/4	3/4	4/4	4/4	4/4

Duties of the Committee

1. Analyzing the accuracy and fairness of the financial statements to ensure that the financial statements have been prepared according to Sri Lankan and international accounting standards.
2. Ensuring, reviewing and assessment of economy, efficiency and effectiveness of the company's internal control system.
3. Reviewing the effectiveness of the company's risk management system.

4. Discussing with government auditors and reviewing the auditor's management letter.
5. Ensuring whether the company activities are complied with the rules, regulations, terms and circulars etc.
6. Reviewing and recommendation Internal Audit Reports / Auditor General's audit queries.
7. Implementing the recommendations / orders of the Public Enterprises Department.

Activities in the year

The committee reviewed the financial reporting system that has been activated to ensure the accuracy and authenticity of the information provided to relevant parties and made its observations paying special attention on Sri Lankan and international accounting standards and related partial transactions. Additionally, the committee pays special attention to audit queries raised by the Auditor General's Department which acts in the capacity of the external auditor and takes on the task of issuing reciprocal directives on steps to be taken to rectify matters.

Internal Audit

The company has a well-organized internal audit division and its staff comprises of experienced professionals representing many areas including auditing, financial accountancy, taxation and business administration.

Key Objectives of the Internal Audit Section:

1. Reviewing accounting and internal control systems
2. Examination financial and operational information
3. Reviewing the economy, efficiency and effectiveness of the operations
4. Ensuring that the operations and the programs assigned to managers are in control and with a fair assessment confirming that the operations and programs are carried out as planned and that the operational results are in line with established goals and targets
5. Ensuring that the laws, regulations and other external requirements are in line with management policies
6. Conducting special investigations

The audit committee supervised the internal audit process during the period of reporting, focusing on internal audit plan, audit programs of regional fertilizer stores, regulatory risk assessment methodology and audit plans based on risks. The audit committee has hold discussions with the internal auditor to consider the internal auditor's reports and recommendations in the reviewed year.

Internal audit reports of 40 regional fertilizer stores and 08 key divisions were thoroughly reviewed and a considerable growth was observed in total internal control systems and internal audit process.

The company's Chief Internal Auditor attends the Audit and Management Committee Meetings held at the Ministry of Agriculture to discuss important matters on quarterly basis. An information technology audit unit has been established to obtain information ensuring confidentiality from the public and interested parties who wish to provide information to control bribery and corruption in the process of fertilizer sales and distribution. The support extended by the Auditor General Department, Attorney General Department and the Department of Police in this respect is highly appreciated.

External Audit

The Auditor General's Department has functioned as the company's External Auditor.

Support given to the committee

The expected support was given to the committee by the Committee Chairmen and Management Committee Members, and it was of great help for the committee to function effectively during the period of reporting.

Committee Assessment

The committee's work process is assessed by the Board of Directors doing its review as well. The Board of Directors have concluded that the committee's work process has been effective.



Mrs. J.M.S.D. Rathnayake

Chairperson
Audit and Risk Management Committee
31st May 2017

THE INFORMATION & TECHNOLOGY DIVISION REPORT

The Information Technology Division is expected to perform functions of IT policy and planning, application and maintenance of software, acquisition and maintenance of hardware, development and maintenance of networking, website maintenance and ensure information security and assure the organization is fed critical data and information efficiently and effectively for the purpose of making qualified management decisions. Its activities over the year under review are as follows:

- Implementing the introduced Enterprise Resource Plan (ERP) software system at Head Office of Ceylon Fertilizer Co. Ltd.
- Initially connecting 10 Regional Fertilizer Stores including Polonnaruwa, Weerawila, Kuruwita, Mathugama etc. through VPN with the ERP System.
- Upgrading the Local Area Network to connect 250 computers in Head Office premises. (130 already connected).
- Introducing a secure Wi-Fi zone within the Head Office premises to official mobile devices and laptops.

The main objective of the CFC's ERP project is to track its supply chain activities from inventory purchase to processing and final shipment to customers. This integrated view of company data aims to improve information sharing and collaboration across functional and corporate boundaries.

The company uses the ERP system to make its internal processes more efficient. The real-time information flow in this system simplifies data collection, analysis and reporting, which improves decision-making. ERP system requires planning, inventory restocking and production scheduling

functions, which reduces the need for maintaining multiple databases and separate reporting systems. This process reduces the production delays because management can make adjustments almost in real-time. ERP design processes mean less rework, which also reduces costs.

SPECIFIC FEATURES

Procurement & Shipping

- Planning
 - Item / Vendor / Purchase Code / Forecast / Planned Production order
- Order Processing
 - Quote
 - Blanket PO
 - Purchase Orders – Local/Imports
 - Purchase Invoice
- Inventory & Costing
 - Item / SKU / N Stock Item
- History
 - GRN / Purchase invoice (AP)
- Analysis & Reports

Sales & Marketing

- Sales
 - Contact
 - Customer
 - Salesperson
- Order Processing
 - Quote
 - Blanket Order
 - Sales Order - Distribution
 - Sales Invoice
- History
 - Posted Sales Invoice
 - Posted Shipment
- Reports and Analysis

Financial Management

- General Ledger
- Cash Management
- Cost Accounting
- Cash Flow Forecast
- Receivables
- Payables
- Fixed Assets
- Inventory
- Periodic Activities

Distribution, Warehouse and Inventory

- Orders and Contacts
 - Locatons/PO/SO/TO/Release Prod Order
- Planning & Execution
 - Item Reclassification
- Inventory
 - Item Journal
 - Transfer Orders – Location Transfer
 - Revaluatoin Journals
 - Physical Journals
- History
 - Transfer Receipts / Shipments / GRN
- Analysis & Reports

Production

- Product Design
 - Production BOM
 - Routings
- Capacities
 - Machine Centre
 - Work Centre
- Planning
 - Stock Keeping unit
 - Production Forecast
- Execution
 - Firm Plan Production Orders
 - Released Production Orders
- Costing - SKU

Home Page

- Microsoft Outlook
- Generic Charts – 3D
- User-Based Interface
- Cash Flow Forecast
- My Notifications
- Web Client
- Connect Online

HR/Payroll & Time Attendance

- Employee Master
- Attendance
- Overtime, Incentive, Bonus and allowances
- Loans
- Integrated salary journals
- Reports
 - Pay Sheet
 - Pay Slip
 - C Form
 - Coin Analysis
 - Slip Transfer

BI Tool

- Memory Based BI Tool
- What if Analysis
- Off-line Analysis
- Role Based User Restrictions
- Multiple databases at a time
- Web based user access



End to End Solution

- One Solution for everything
- No Duplication of Data
- Easy integration with other SQL database Systems



User Friendly

- In-built integration with Microsoft Office – Excel , Word, E-mail, O365 etc.
- Familiar Interfaces
- Web Based



Software + Services

- Based on Microsoft Best Practices
- Flexible for Customer specific Customization
- Availability of Local Implementation Team



Cost

- Low TCO (Total Cost of Ownership)
- High Return on Investment (ROI)
- Lower maintenance Cost



TECHNICAL DIVISION REPORT

The fact that Ceylon Fertilizer Company Limited is the foremost state agency importing and retailing fertilizer need not be constantly repeated or clarified. As the technical division of the company, we involve ourselves from the point of import to the point of delivery to our consumers and ensure that their satisfaction is optimized. Towards this ultimate goal we engage with the procurement, finance, retail and distribution divisions to optimize the bottom line of the company, provide the most conducive work environment for our staff through a 24 x 365 work ethic.

The Quality Circle Team comprising of about 20 staff members of the technical division provide yeoman services to our wages division staff, all registered transport service providers and their representatives, all registered retail distributors and those who engage with us from organizations providing us with various services. Since we have identified the fact that providing a friendly service directly results in increase of profits, we are committed to assuring such a high quality of service at all times.

THE LABORATORY DIVISION

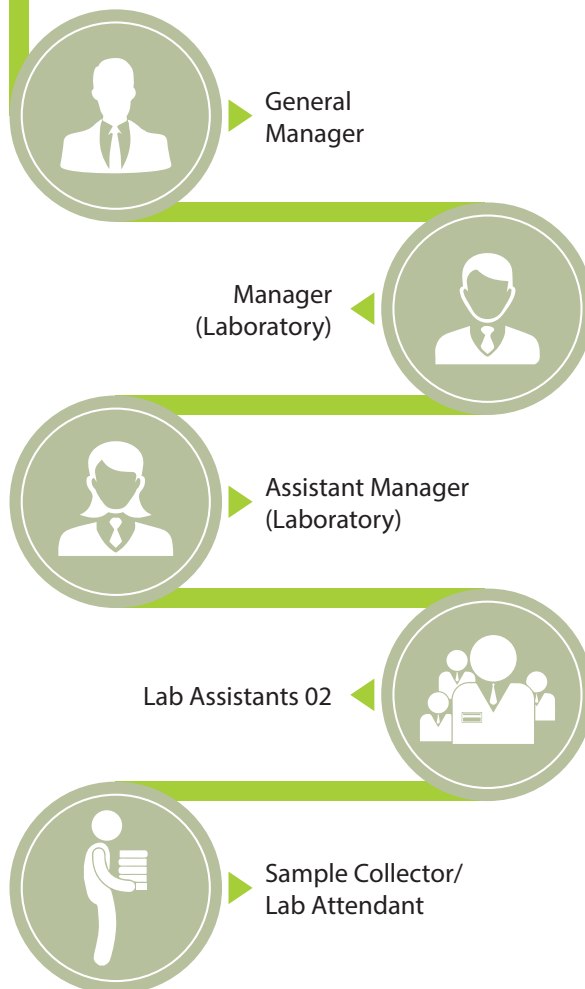
The CFC fertilizer testing laboratory is equipped with facilities for fertilizer & packing material testing having received ISO/IEC 17025:2005 certificate and accredited from Sri Lanka Accreditation Board.

The management and staff of the CFC fertilizer testing laboratory provides its customers with excellent services in testing and analysis by continually working to ensure that the facilities, personnel and the information produced are on time, cost effective and of the highest quality.

The CFC fertilizer testing laboratory carries out test services in accordance with standard methodologies, customer's requirements and applicable statutory and regulatory requirements.

The laboratory's goal is to create an environment where each employee is given clear requirements, appropriate tools/equipment and proper training to do their job tasks right the first time. All the laboratory staff is trained in the processes and procedures relevant to their duties and is obligated to make the ISO/IEC 17025:2005 Quality System a success.

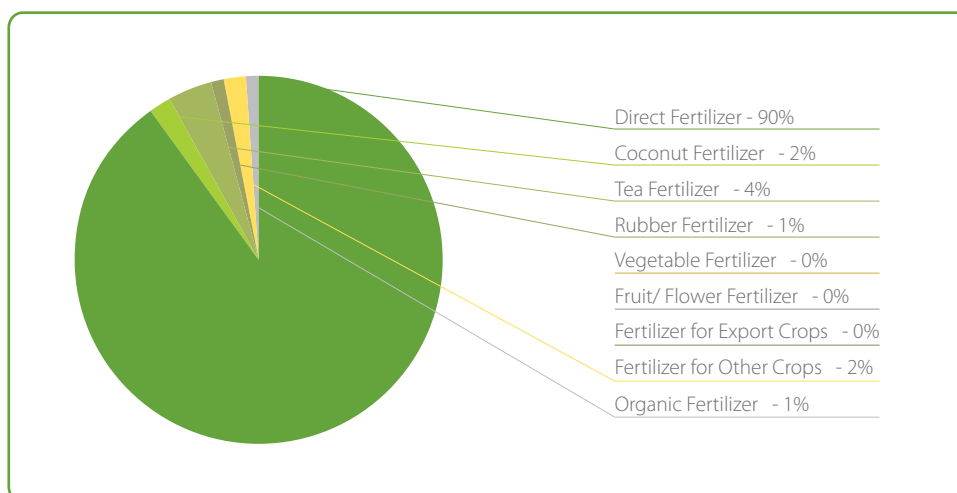
Structure of the CFC's Fertilizer Testing Laboratory



THE MARKETING DIVISION REPORT

Despite a difficult year, the marketing division initiated a number of programs to consolidate the CFC brand and promote its product lines to farmers. The following exercises were done during the year under review:

- A dealer convention and get together was organized at the Grandeeza hotel in Negombo to increase network strength on the one hand and launch the organic pellet fertilizer on the other.
- During the agricultural week the marketing division organized a wide range of programs.
 - Lighting 2000 oil lamps at "Kala Wewa" in Anuradhapura.
 - Held pocket meetings as awareness programmes for state offices such as Agrarian services, Agrarian organizations and for farmers, dealers and customers.
 - Did organic fertilizer promotion campaign at Viharamahadevi Park for participating Organic food promotion festival.
- Promoting strategically, the company launched a TV advertisement during the commemoration of World Children's Day.
- Brand promotion exercises aimed at its organic line were organized at Agrarian Services Centers in Kurunegala, Galle and Matara.
- In order to increase "Lakpohora" brand awareness among farmers, banners, posters and name boards were given to main authorized dealers and distributors. Further marketing collateral was created including a DVD with all current information on CFC and its product range.
- Understanding the importance of social media, the marketing division established a facebook presence to increase interactive engagement between CFC and its wide customer base.
- As part of its incentives and motivation scheme, both local and overseas tours were organized for high performing field officers.



PROCUREMENT DIVISION

The Procurement Division plays a vital role within the company to ensure that the achieving the mission of CFCL. Profit maximization and profit sustainability is achieved through production and marketing fertilizer to an extended, diversified market while actively contributing to increase product income and profitability in the agriculture and agrarian services sector in Sri Lanka.

The primary duty of the division is procuring goods, services, works and consultancy services as per the procurement guideline and manuals approved by the cabinet. The prime focus is being the procure of main fertilizer such as Urea, MOP and TSP.

CFC does not obtain any financial assistant from the consolidated fund despite being owned by the General Treasuring of Sri Lanka since it is

a fiscally stable State Owned Enterprise (SOE). Furthermore, the company's astute procurement system has fulfilled the main share of the overall needs of the country's requirement of fertilizer for paddy.

Since the government policies is to reduce the usage of chemical fertilizer while enhancing organic fertilizer consumption under its toxin-free nation program themed **"Wasa visen thora ratak- Nirogimath hetak"**, the procurement division executed strategies for procure organic fertilizer products such as organic liquid fertilizer, organic pallet fertilizer and compost fertilizer in line with state policy.

The Company has decided to diversify its business by introducing Agricultural related machinery and accessories under the Lakpohora brand.



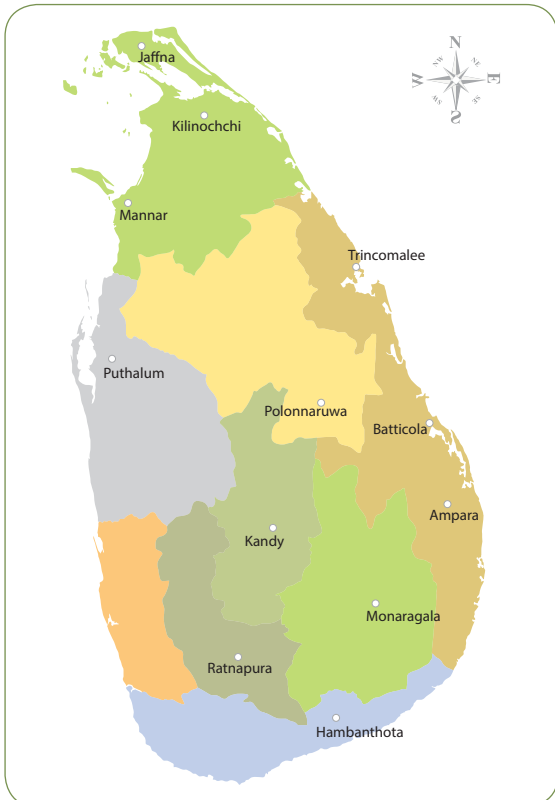
DISTRIBUTION DIVISION

The Distribution Division's primary task is the management of the company's logistics. It optimizes the demand-supply equation utilizing the island wide distribution network of Lak Pohora consisting of 44 regional warehouses.

The appointment of these distributors has contributed substantially to the outreach of the company and facilitates the supply of fertilizer right to the doorstep of the farmers. This is especially true for the distribution of organic liquid fertilizers.

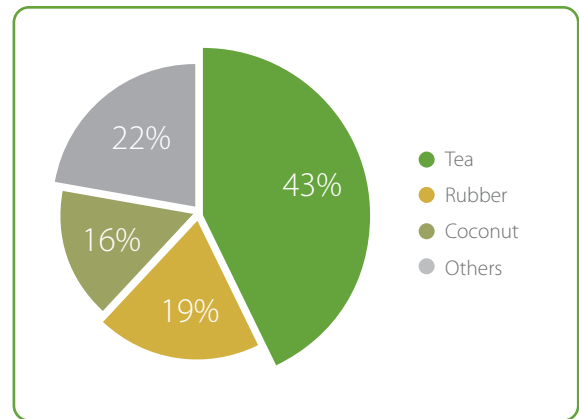
Areas of distribution coverage done by Distributors

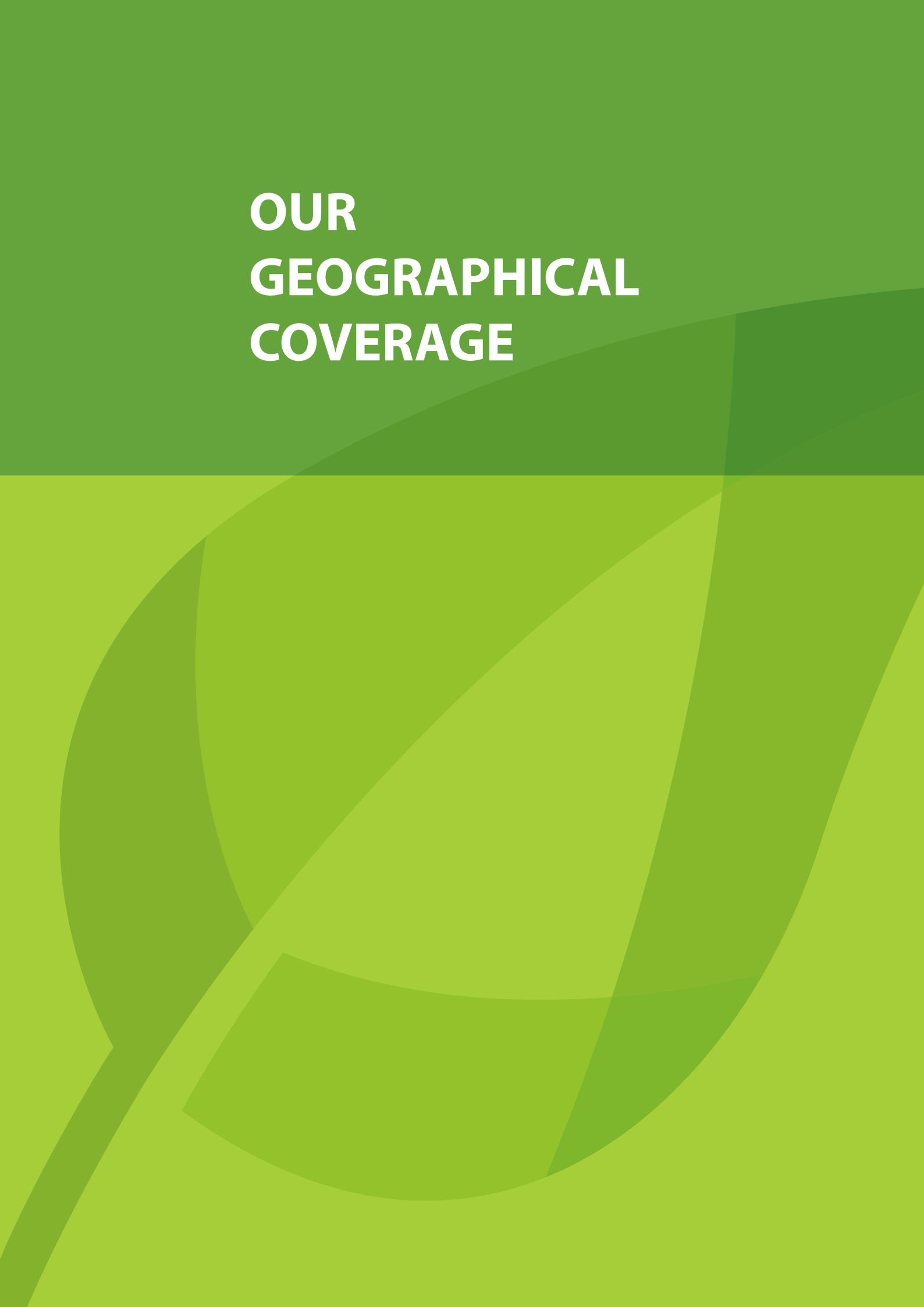
- Monaragala Kandy
- Batticola Puthalum
- Trincomalee Ampara
- Kandy Monaragala
- Polonnaruwa Hambanthota
- Batticola Ratnapura
- Jaffna Mannar
- Kilinochchi



Production Performance 2016/17

A second function performed by the division is the production of mixed fertilizers and this is done in accordance with formulas established by research institutions. Advanced blending machines using the latest technology are used in the production of mixed fertilizers with the annual production for the year under review being 8,488.455 Mt.



The background is a solid green color with several overlapping, semi-transparent shapes in various shades of green. These shapes include a large circle on the left, a large triangle on the right, and several curved, leaf-like shapes that overlap each other and the other shapes, creating a layered, organic effect.

OUR GEOGRAPHICAL COVERAGE

44 Island wide fertilizer distribution warehouse network....



Ceylon Fertilizer Co. Ltd. Islandwide Fertilizer Distribution Network

Northern Region

Kondavil
Kilinochchi
Varani
Olumadu
Murankan

North Central Region

Medawachchiya
Horowpathana
Nochchiyagama
Hingurakgoda
Welikanda
Polonnaruwa

North Western Region

Anamaduwa
Maho
Kurunegala
Nattandiya

Central Region

Dambulla
Nagolla
Matale
Gampola
Rikillagaskada
Nuwara-Eliya

Eastern Region

Trincomalee
Kantale
Batticaloa
Dehiattakandiya
Ampara
Pothuvil

Western Region

Hunupitiya
Dodangoda
Matugama
Pelawatte

Sabaragamuwa Region

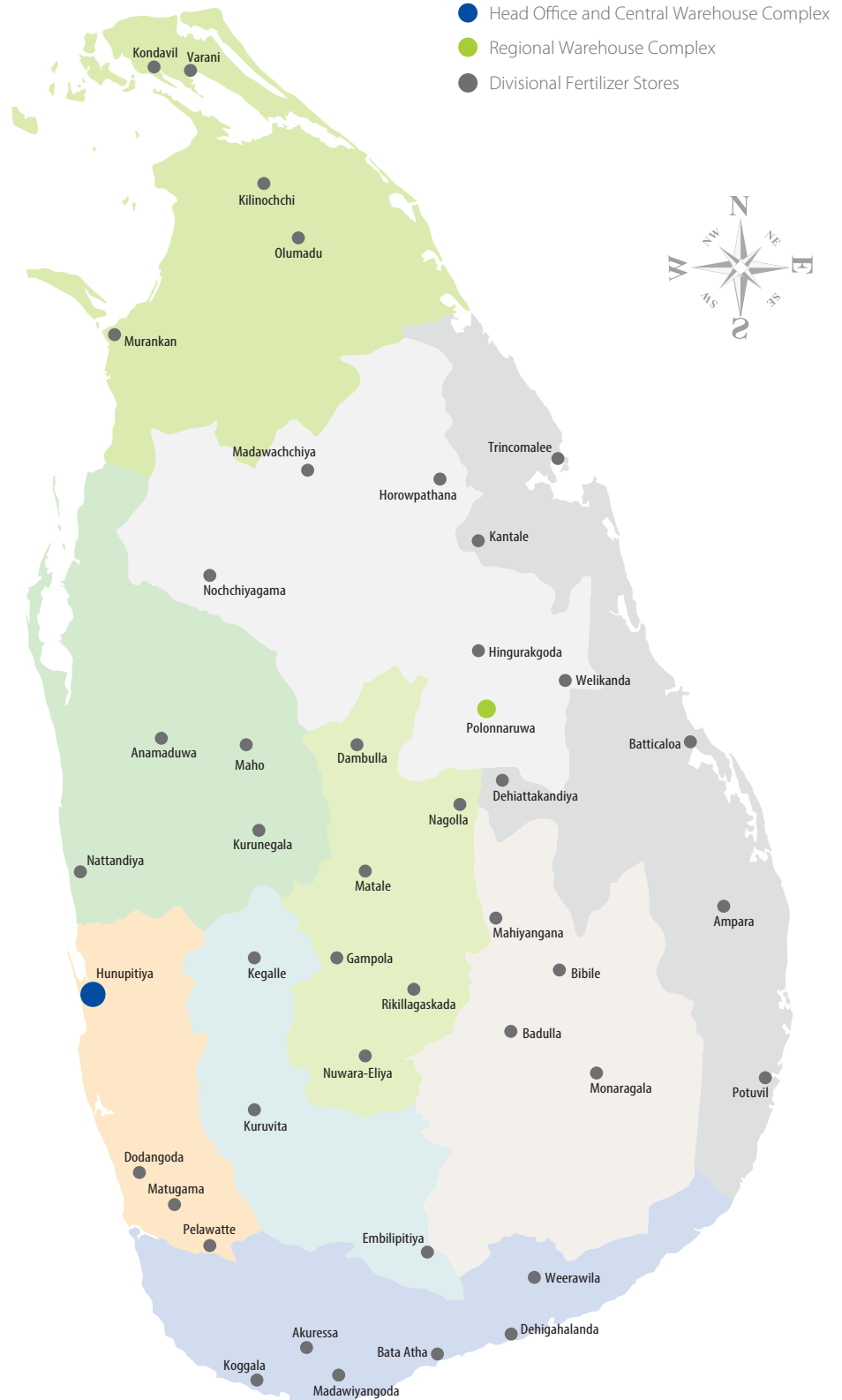
Kegalle
Kuruwita
Embilipitiya

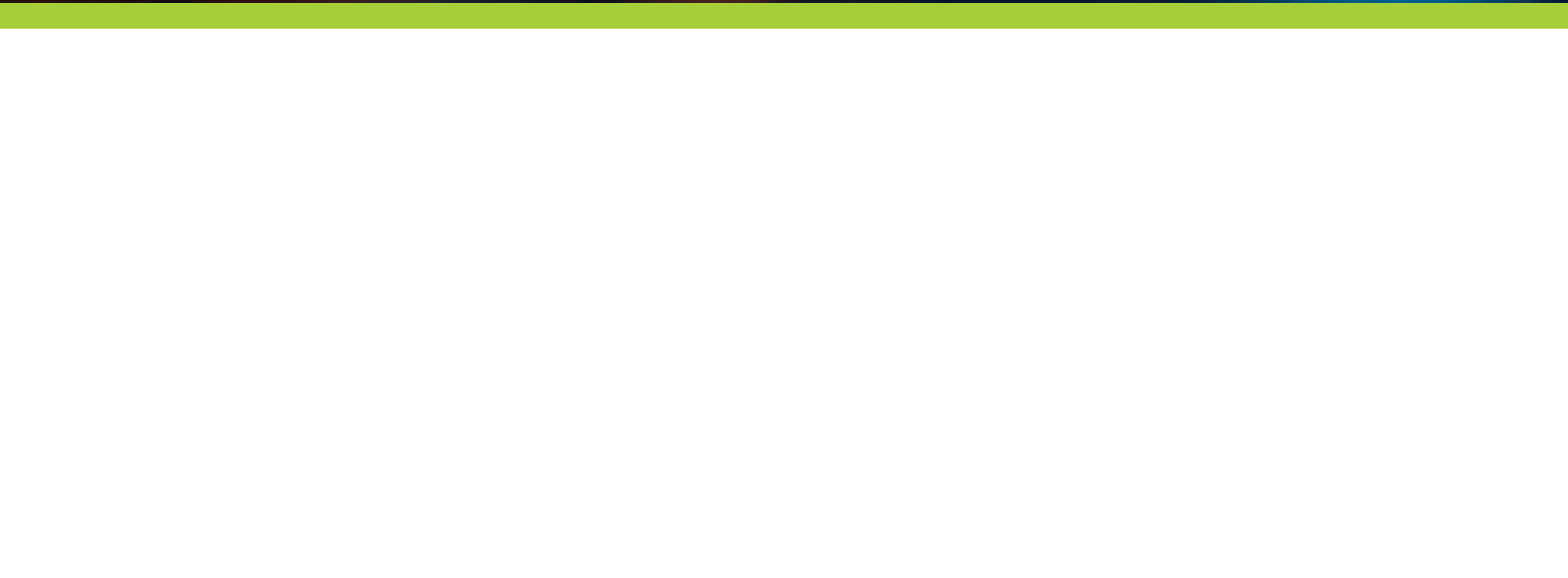
Uva Region

Mahiyanganaya
Bibile
Badulla
Monaragala

Southern Region

Weerawila
Dehigahalanda
Bata-Atha
Medawiyangoda
Akuressa
Koggala







FINANCIAL STATEMENTS

for the year ended 31st march 2017
Ceylon Fertilizer Company Limited

Statement of Directors' Responsibilities

The Directors are responsible under Sections 150 (1), & 151 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for the financial year.

The Directors are also responsible, under Section 148, for ensuring that proper accounting records are kept to enable for determination of financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards- SLFRS and Companies Act No. 07 of 2007.

Further, the Financial Statements provide the information required by the Companies Act.

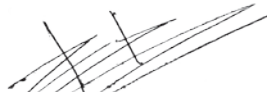
The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities. As required by Section 56 (2) of the Companies Act, the Board of Directors has authorised distribution of the dividend now proposed, being satisfied based on information available to it that the Company would satisfy the solvency test after such distribution in accordance with Section 57 of the Companies Act, and have sought in respect of the dividend now proposed, a certificate of solvency from the Auditors.

The Auditor General who was empowered to audit the Ceylon Fertilizer Co. Ltd., under the provisions of Nineteenth amendment to the constitution of Democratic Socialist Republic of Sri Lanka, was provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company as at the Balance Sheet date have been paid or where relevant, provided for.



Roshana Waduge

Chairman

On behalf of the Board of Directors

Ceylon Fertilizer Co Ltd.

7th December 2017

Chairman's and Financial Manager's Responsibility Statement

The Financial Statements of Ceylon Fertilizer Co. Ltd. As at 31st March 2017 are prepared and presented in compliance with the requirements of the following.

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka;
- Companies Act No. 07 of 2007;
- Code of Best Practice on Corporate Governance issued by General Treasury

We confirm that the significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, as described in the Notes to the Financial Statements. The prescribed Accounting Standards have been adopted without any deviations. The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and the Auditor General.

We have also taken proper and sufficient care in installing systems of internal control and accounting records, to safeguard assets, and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established policies and procedures of the Company have been consistently followed were provided by periodic audits conducted by company's internal auditors.

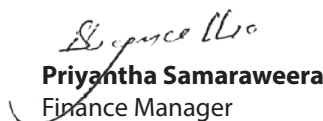
However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits, and to discuss auditing, internal control and financial reporting issues. The Auditor General and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by the Auditor General to the Democratic Socialist Republic of Sri Lanka



Roshana Waduge
Chairman



Priyantha Samaraweera
Finance Manager

7th December 2017



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



Report of the Auditor General on the Financial Statements of the Ceylon Fertilizer Company Ltd., for the year ended 31 March 2017.

Ceylon Fertilizer Company Limited - 2016/2017

The audit of financial statements of the Ceylon Fertilizer Company Limited for the year ended 31 March 2017 comprising the statement of financial position as at 31 March 2017 and the comprehensive 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 information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My observations on the performance of the Company in the year under review which I consider should be presented to Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are





appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 **Establishment of the Company**

The Ceylon Fertilizer Company Limited has been incorporated under the State Industrial Corporations Act, No. 49 of 1957 with the financial and technical assistance of the Federal Republic of Germany in the year 1964. It had been re-established as Ceylon Fertilizer Company Limited with effect from 15 September 1992 in terms of the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act, No. 23 of 1987 and it has been registered and operated under the Companies Act, No.07 of 2007 at present.

1.5 **Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. **Financial Statements**

2.1 **Qualified Opinion**

In my opinion, because of the significance of the matters described in paragraph 2.3 of this report, the financial statements give a true and fair view of the financial position of the Ceylon Fertilizer Company Limited as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



2.2 Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act, No.07 of 2007, I state the followings.

(a) The basis of opinion and scope and limitations of the audit are as stated above.

(b) In my opinion:

- I have obtained all the information and explanations that were required for the audit and as far as appears from my examination , proper accounting records have been kept by the Company.
- The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No.07 of 2007.

2.3 Comments on Financial Statements

2.3.1 Sri Lanka Accounting Standards

The instances of non-compliance with Sri Lanka Accounting Standards are given below.

(a) Sri Lanka Accounting Standard 19

Even though an entity shall separately recognize the net defined benefit liabilities and assets in the statement of financial position in terms of Paragraph 63 of the Standard, it had not been so done.

(b) Sri Lanka Accounting Standard 39

(i) In terms of Paragraph 08 of the Standard, the financial assets held-to-maturity with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity should be classified as financial assets held to maturity. Nevertheless, assets valued at Rs.3,844,988,912 had been classified as other financial assets in the financial statements.



- (ii) Even though held-to-maturity investments amounting to Rs. 532,548,539 should be measured at amortized cost using the effective interest method in terms of Paragraph 46(b) of the Standard, action had not been taken accordingly.

2.3.2 Accounting Deficiencies

The following observations are made.

- (a) The interest income on fixed deposits and Treasury bills as at 31 March 2017 had been understated by Rs.12,632,701 and as such, the income tax payable had been understated by Rs.3,537,156.
- (b) Taxes amounting to approximately Rs.130,724 had been under-assessed as the bungalow charges, rental income, income from transportation and sales of fertilizer bags totalling Rs.7,498,445 included in the operating income shown in the financial statements had not been considered in the computation of Nation Building Tax.

2.3.3 Unexplained Differences

Even though the turnover on redemption from Nation Building Tax of the Company for the year under review amounted to Rs.253,056,860 , it was shown as Rs. 249,439,632 in the Report on Nation Building Tax, thus indicating a difference of Rs.3,617,228.

2.4 Accounts Receivable and Payable

A sum of Rs.87,474,958 recoverable from 4 institutions to the Company pertaining to a period ranging from 10 to 20 years had not been recovered in the year under review as well.



2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed.

Reference to Laws, Rules and Regulations	Non-compliance
(a) Companies Act, No. 07 of 2007	
(i) Section 131(1)	Annual returns of the years 2014/2015 had not been delivered to the Registrar of the Company even by 30 September 2017.
(ii) Section 223	The changes in the Board of Directors made after 05 May 2015 had not been notified to the Registrar of the Company even by 15 September 2017.
(b) Government Procurement Guidelines -2006	
Guidelines 2.8.1, 2.8.5, 4.3.1, 4.3.2, 5.4.8, 7.9.2	A detailed estimate for the evaluation of bids in respect of the contract valued at Rs.1,992,175 for the repairing of roof of the Stores No.4, had not been submitted while no agreement had been entered into with the contractor as well. Further, a performance security therefor had also not been obtained.
(c) Public Finance Circular No.PF/PE/21 of 24 May 2002	A draft annual report had not been submitted along with the financial statements of the year under review.



3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Company for the year under review had been a surplus of Rs.139,592,032 as compared with the corresponding surplus of Rs.603,272,829 for the preceding year thus indicating a deterioration of Rs.463,680,797 in the financial result of the year under review as compared with the preceding year. Even though the financial income had increased by Rs.164,008,366, the decrease in the administration expenditure and gross profit by Rs.94,368,978 and Rs.866,422,146 respectively had been the main reasons for the said deterioration.

In the analysis of the financial results of the year under review and 04 preceding years, it was observed that the net profit of Rs.126,856,580 for the year 2012/2013 had increased up to Rs.603,272,829 continuously by the end of the year 2015/2016. Nevertheless, after the discontinuation of fertilizer subsidy programme, the net profit of the year under review had decreased to Rs.139,592,032. After readjusting the employees' remuneration, depreciation for property, plant and equipment and Government tax to the financial result, the contribution of the Company amounting to Rs.428,414,541 in the year 2012/2013 had improved up to Rs.476,433,758 continuously by the year 2016/2017.

4. Operating Review

4.1 Performance

The Ceylon Fertilizer Company Limited had been established under the mission of ensuring the profitable sustainability of the company by manufacturing and distributing fertilizer catering to the multitude of market demands in order to increase products, income and profitability in the Sri Lanka agricultural and Farmer Community services in compliance with State policies.



As the paddy cultivation is a main crop in the Agriculture Sector in Sri Lanka, opportunity had been provided to farmers for the purchase of a fertilizer bag at a concessionary rate of Rs.350 from the year 2006 to 28 February 2016 as a State policy. Sixty five per cent of the requirement of fertilizer in respect of that subsidy programme had been fulfilled by the Ceylon Fertilizer Company Limited.

Even though an income of Rs.12.197 billion was targeted from the direct fertilizers such as Urea, MOP and TSP and mixed fertilizers, the actual sales income had been Rs.2.371 billion due to the discontinuation of fertilizer subsidy programme from 01 March 2016. As such, the sales income earned had been at a minimum level representing 19.44 per cent.

4.2 Idle and Underutilized Assets

A fully equipped laboratory of 3000 square feet in extent with laboratory and other equipment valued at Rs.17,617,653 had been constructed with a view to carrying out sample tests of fertilizer under the provisions of Ministry of Agriculture and 04 laboratory assistants and a sample collector had been employed under a laboratory manager. Nevertheless, quality tests for samples of fertilizer which are being carried out by the Fertilizer Secretariat had not been carried out by this laboratory and as such, those assets had remained underutilized.

4.3 Legal Action initiated against the Company or by the Company

A case had been filed against four sales representatives claiming a compensation of Rs.268,335,298 pertaining to shortages of fertilizer stocks suffered by the Ceylon Fertilizer Company Limited from the year 2005 to the year 2007.

4.4 Management Activities

Only a case had been filed as at 05 December 2017 to recover the loss of Rs.15,269,218 sustained by the company as a result of the shortage of fertilizer stocks of 281 metric tons for which the former Stocks Officer in the regional fertilizer stores at Pottuvil in the year 2015 was responsible.



4.5 Uneconomic Transactions

A sum of Rs.15,409,813 had been spent by the Company on the sponsorship for advertising and sales promotion and community services during the year under review. The following observations are made in this connection.

- (a) A sum of Rs.2,749,129 had been spent exceeding the expenditure limit of Rs.5,000,000 approved by the Board of Directors for the meeting of Sales Representatives and the programme of launching the organic fertilizer production held at the Grandia Hotel at Kurana in Negombo on 29 July 2016.

Even though quotations had been invited from three institutions for the organizing purposes of the programme as per the Government Procurement Guidelines, it was confirmed in audit that the said three institutions were the affiliated institutions under one institution. Further, a sum of Rs.3,232,500 or 43 per cent of the expenditure incurred for the organizing purposes of the function had been spent on the instructions of the Chairman and the Working Director.

- (b) Sums totalling Rs.2,813,140 had been spent for dramas, concerts, processions, schools for 97 New Year Festivals(Bakmaha Ulela) in Anuradhapura and Polonnaruwa districts, Rs.513,505 for 11 get-togethers, Rs.390,000 for lighting and floating 2000 candles in Kala Wewa at the inauguration day of the All island Agriculture Week and a sum of Rs.480,000 for birthday greeting cards had been spent contrary to the objectives of the Company.

4.6 Matters of Contentious Nature

The following observations are made on the decision to pay a sum of Rs.35,848,212 as outstanding transport charges in respect of the transportation of 365,359 metric tons of fertilizer imported by the Company from January 2015 to January 2016 to the stores within 10 kilometers from the Port of Colombo.



- (i) An agreement for the payment of Rs.735 for the transportation of one metric ton had been entered into with the institution selected for obtaining transport services from 01 January 2014 to 31 December 2014 and subsequently the agreement period had been extended to 31 December 2016. However, the payments had been made at Rs.629.16 for the transportation of one metric ton during the period from 25 March 2015 to 29 April 2016 on the approval dated 30 April 2015 of the Board of Directors on the basis of decreasing prices of diesel on 22 January 2015.
- (ii) The relevant transport company had not raised any objection to the payment under the decreased price up to 23 February 2016 and for the first time a letter had been forwarded on 24 February 2016 stating that they were not agreed with the price decrease and claiming an outstanding amount of Rs.35,848,212.
- (iii) The said transport company had submitted a price of Rs.635 for the transportation of one metric ton of fertilizer pertaining to the bid opened on 16 June 2015, thus it was observed in audit that the decision to pay the outstanding amount had been baseless.

4.7 Procurement and Contract Process

The following observations are made.

- (a) An agreement had been entered into with a contractor for tarring roads of the premises of the Head Office of the Company and a mobilization advance of Rs.8,859,708 had been paid on a bank bond in February 2014. Subsequently, the construction work of contract had been abandoned on 11 May 2014 and as such, the value of performance bond amounting to Rs.2,214,927 had been recovered. Nevertheless, a court case for the recovery of advances totalling Rs.6,644,781 paid had been pending in an Arbitration Court even by 30 October 2017, the date of audit.



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- ❖ A Kumbuk flooring of 100 square meters in extent completed at a cost of Rs.959,500, had come off while the stone wall and the parapet wall constructed at a cost of Rs.3,081,568 had developed cracks and separated in most of the places due to failure in constructing them up to the standard.
- (v) The building had been utilized after a delay of one year and 04 months since the completion of the construction of building.

4.8 Staff Administration

The following observations are made.

- (a) Even though the approved cadre for Primary Level (Skilled) of the Company had been 163, the actual staff stood at 184, thus 21 officers had been employed without the approval of the Department of Management Services.
- (b) Five officers had been recruited as Stores Assistants under contract basis on 01 June 2016 and out of them, four officers had been employed in a Soya Project implemented under the Minister's office in the Anuradhapura District while one officer had been employed as the Karyala Karya Sahayaka of the Office of the Working Director of the Company. Further, sums totalling Rs.425,333 and Rs.350,578 had been spent by the Company for their salaries respectively in the year under review.

5. Accountability and Good Governance

5.1 Tabling of Annual Reports

The Annual Report for the year 2015/2016 had not been tabled in Parliament even by 31 October 2017.



5.2 Budgetary Control

Variances ranging from 99 per cent to 281 per cent were observed between the budgeted and the actual income and expenditure of 113 items in the year under review, thus it was observed in audit that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Company from time to time. Special attention is needed in respect of the following areas of control.

<u>Areas of Systems and Controls</u>	<u>Observations</u>
(a) Staff Administration	Failure to make the recruitments of employees properly.
(b) Contract and Procurement Procedure	Failure to follow the Procurement Procedure.
(c) Assets Control	Failure to utilize the underutilized assets.
(d) Budgetary Control	Failure to prepare a Budget in a realistic manner.
(e) Maintenance of Books and Registers	Failure in maintaining the books and registers to be maintained in terms of the Companies Act and for accounting.

(Expressed in Sri Lankan Rupees)

	Note	2017	2016
Revenue	3	2,350,637,985	4,242,769,733
Cost of Sales	4	(2,119,612,208)	(3,145,321,810)
Gross Profit		231,025,777	1,097,447,923
Other Operating Income	5	29,096,825	122,926,594
Administrative Expenses	6	(445,490,134)	(539,859,112)
Distribution Expenses	7	(20,490,594)	(11,712,957)
Profit from Operation		(205,858,126)	668,802,448
Finance Income	8	333,536,542	169,528,176
Finance Cost	8	126,125	(1,726,619)
Profit Before Taxation		127,804,541	836,604,005
Income Tax Expenses	9	11,787,491	(233,331,176)
Profit for the Year		139,592,032	603,272,829
Other Comprehensive Income			
Surplus on Revaluation of Property, Plant and Equipment		847,136,318	-
Deferred Tax Benefits / (Expenses) on Revaluation Surplus		(173,231,211)	-
Total Other Comprehensive Income		673,905,107	-
Total Comprehensive Income for the Year		813,497,139	603,272,829
<hr/>			
Basic Earnings Per Share (EPS)	10.1	2.78	12.01
Dividends Per Share (DPS)	10.2	0.83	3.60

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 72 to 99 form an integral part of these Financial Statements.

	Note	2017	2016
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	2,683,237,393	1,838,655,988
Capital Work-in-Progress	12	21,960,737	32,152,294
Intangible Assets	13	-	79,667
Total Non-Current Assets		2,705,198,130	1,870,887,948
Current Assets			
Inventories	14	2,043,336,119	251,765,999
Trade and Other Receivables	15	26,288,316,003	30,803,548,992
Employees Loans and Advances	16	45,206,196	46,209,130
Held-to-Maturity Investments (HTM)	17	532,548,539	554,361,934
Other Financial Assets	18	3,970,073,287	3,059,582,808
Cash and Cash Equivalents	19	24,001,404	17,002,525
Total Current Assets		32,903,481,549	34,732,471,389
Total Assets		35,608,679,679	36,603,359,337
EQUITY AND LIABILITIES			
Equity			
Stated Capital	20	502,456,080	502,456,080
Revaluation Reserve	21	2,506,976,187	1,833,071,080
Retained Earnings		2,494,732,936	2,392,840,203
Total Equity		5,504,165,203	4,728,367,363
Non-Current Liabilities			
Retirement Benefits Obligation	22	66,893,460	61,731,050
Government Grants	23	-	2,889,117
Deferred Taxation	24	155,078,112	40,928,542
Total Non-Current Liabilities		221,971,572	105,548,709
Current Liabilities			
Trade and Other Payables	25	1,400,959,514	3,799,678,633
Interest Bearing Borrowings	26	28,294,744,826	27,460,439,996
Deposits and Advances Received	27	138,241,125	142,371,790
Current Tax Liability	28	8,266,616	180,984,083
Accrued Expenses and Provisions	29	39,571,679	164,200,505
Bank Overdrafts	19	759,143	21,768,258
Total Current Liabilities		29,882,542,904	31,769,443,265
Total Equity and Liabilities		35,608,679,679	36,603,359,337
Net Asset Value Per Share		109.55	94.11

I certify that these Financial Statements of the Company comply with the requirements of the Companies Act No. 07 of 2007.


Finance Manager

The Board of Directors is Responsible for Preparation and Presentation of these Financial Statements.
Approved and Signed for and on behalf of the Board,


Chairman

07.12.2017
Colombo.


Director

Figures in brackets indicate deductions.
Notes to the Financial Statements on Pages 72 to 99 form an integral part of these Financial Statements.

(Expressed in Sri Lankan Rupees)

	Stated Capital	Revaluation Reserve	Retained Earnings	Total
Balance as at 01 April 2015	502,456,080	1,833,071,080	1,869,914,195	4,205,441,355
Profit for the Year	-	-	603,272,829	603,272,829
Prior Year Adjustments	-	-	35,457,620	35,457,620
Provision of Dividend	-	-	(115,804,442)	(115,804,442)
Balance as at 31 March 2016	502,456,080	1,833,071,080	2,392,840,203	4,728,367,363
Profit for the Year	-	-	139,592,032	139,592,032
Prior Year Adjustments	-	-	(7,699,299)	(7,699,299)
Other Comprehensive Income	-	673,905,107	-	673,905,107
Provision of Dividend	-	-	(30,000,000)	(30,000,000)
Balance as at 31 March 2017	502,456,080	2,506,976,187	2,494,732,936	5,504,165,203

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 72 to 99 form an integral part of these Financial Statements.

(Expressed in Sri Lankan Rupees)

	2017	2016
Cash Flows from Operating Activities		
Profit Before Taxation	127,804,541	836,604,005
Adjustments for;		
Depreciation	50,069,487	29,148,977
Amortization of Intangible Assets	79,667	107,750
Amortization of Government Grants	(2,889,117)	(5,643,699)
(Profit) / Loss on Sale of Property, Plant and Equipment	(601,448)	(6,527,192)
Impairment of Trade Receivables	-	992
Gratuity Charge for the Year	11,001,717	17,591,797
Interest Income	(333,536,542)	(169,528,176)
Interest Expenses	126,125	1,726,619
Prior Year Adjustments	(7,699,299)	35,457,620
Operating Profit before Working Capital Changes	(155,644,869)	738,963,570
Inventories	(1,791,570,120)	243,625,115
Trade and Other Receivables	4,515,232,989	8,874,174,868
Employees Loans and Advances	1,002,934	(12,347,257)
Trade and Other Payables	(2,428,719,124)	(4,903,922,705)
Deposits and Advances Received	(4,130,665)	(21,968,213)
Accrued Expenses and Provisions	(124,628,826)	44,015,170
Cash Flow from / (Used in) Operations	11,542,320	4,962,540,547
Gratuity Paid	(5,839,307)	(6,049,880)
Interest Paid	(126,125)	(1,726,619)
Taxes Paid	(220,011,618)	(95,290,494)
Net Cash Flow from / (used in) Operating Activities	(214,434,731)	4,859,473,554
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(14,082,872)	(5,698,774)
Acquisition of Intangible Assets	-	(72,000)
Work-in-Progress	(23,276,640)	(3,629,474)
Proceeds from Sale of Property, Plant and Equipment	637,948	6,527,191
Investment in Treasury Bills / Fixed Deposits	(2,162,425,736)	(1,479,404,640)
Withdrawal of (Net of Interest) in Treasury Bills / Fixed Deposits	1,317,159,252	240,000,000
Interest Received (Gross)	290,125,942	155,577,685
Net Cash used in Investing Activities	(591,862,107)	(1,086,700,012)
Cash Flows from Financing Activities		
Borrowings During the Year	11,474,044,093	14,023,172,748
Settlements of Borrowings During the Year	(10,639,739,262)	(17,867,058,020)
Net Cash Flow from / (used in) Financing Activities	834,304,831	(3,843,885,272)
Net Changes in Cash and Cash Equivalents During the Year	28,007,993	(71,136,605)
Cash and Cash Equivalents at Beginning of the Year	(4,765,733)	66,370,872
Cash and Cash Equivalents at End of the Year	(Note 19) 23,242,261	(4,765,733)

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 72 to 99 form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

1.1 General

Ceylon Fertilizer Company Limited is a Limited Liability company incorporated and domiciled in Sri Lanka and is fully owned by the Government of Sri Lanka.

1.2 Principal Activities And Nature Of Operations

The principal activity of the company is importing, blending and marketing fertilizer required for paddy, tea, coconut, rubber and other crops.

1.3 Financial Year

The Company's financial reporting period ends on 31st March.

1.4 Registered Office

Registered office of the Company is at Bishop hill, Hunupitiya, Wattala

1.5 Number Of Employees

The number of employees of the Company as at 31 March 2017 was 408 (2016 - 420)

1.6 Date Of Authorization For Issue

The financial statements of the Company for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the Board of Directors dated 07th Dec 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. The preparation of financial statements, in conformity with Sri Lanka Accounting Standards (SLFRSs), requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.26.

The financial statements of the Company have been prepared on the historical cost basis except for the following items in the statement of financial position:

- liability of defined benefit obligation is recognized as the present value of the defined benefit obligation
- Freehold land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts, which are the fair values at the date of revaluation

The financial statements of the Company comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows together with accounting policies and notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (LKASs)

and SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007.

2.2 Changes in Accounting Policies

The changes in accounting policies set out below have been applied consistently to the periods presented in the financial statements, unless otherwise indicated.

The presentation and classification of the financial statements of the previous year have been amended, where relevant, for better presentation and to be comparable with those of the current year.

2.3 Foreign Currency Translation

2.3.1 Functional and Presentation Currency

Transaction and balances included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Sri Lanka Rupees (LKR), which is the company's presentation currency.

2.3.2 Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Translation differences related to changes in amortized cost are recognized in the statement of comprehensive income.

2.4.1 Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

All the item of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued (land and buildings), the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the reporting date.

Subsequent costs are included in the asset's carrying amount or recognized as an asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated; depreciation on other assets is calculated using straight-line method to allocate their cost or revalued amount over their estimated useful lives, as follows:

Buildings	40 Years
Plant and Machinery	05 -10 Years
Motor Vehicles	05 Years
Bicycles	03 Years

Office Furniture	03 Years
Office Equipment	03 Years
Workshop Tools	05 Years
Lab Equipment	03 Years
Other Equipment	03 Years
Canteen Equipment	05 Years
Computer Accessories	03 Years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.4.2 Intangible Assets

Acquired computer software and operating systems are capitalized on the basis of the costs incurred to acquire and bring to use the specific software and systems. Intangible assets acquired are stated at cost less accumulated amortization and accumulated impairment losses. These costs are amortized over their estimated useful lives, as follows:

Computer Software	03 Years
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Costs associated with maintaining computer software programmers' are recognized as an expense as incurred.

2.4.3 Impairment of Non-Financial Assets

At each end of reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company determines the cash-generating unit and estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

2.5 Financial Assets

2.5.1 The Company determines the classification of its financial assets at initial recognition and the Company classifies its financial assets as follows:

- a) Held-to- Maturity Investment
- b) Loans and receivables
- a) Held-to- Maturity Investment (HTM)

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the positive intention and ability to hold them until maturity. HTM investments are included in current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise subsidy receivables, trade and other receivables, repurchase government securities, fixed deposits, prepayments, advances, deposits, loans to employees and cash and cash equivalents in end of the reporting period.

2.5.2 Recognition and Initial Measurement

Financial assets classified as loans and receivables are recognized on the date on which the Company originates the transaction. Other financial assets are recognized on the trade-date on which the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is measured initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial assets.

2.5.3 Subsequent Measurement

a) Held-to- Maturity Investment (HTM)

HTM investments are measured subsequently at amortized cost using the effective interest method. Amortized cost is computed taking into account of discount or premium on acquisition and transaction costs.

b) Loans and receivables

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment.

2.5.4 Impairment of Financial Assets

Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables and held-to-maturity investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

2.6 Inventories

Inventories (Direct and Mixed Fertilizers) are stated at cost minus subsidy. Cost is determined using the first-in, first-out (FIFO) method. The cost of mixed fertilizer comprises raw materials, direct labour, other direct costs and related production overheads. Inventories purchased locally are stated at cost. Net realizable value is the subsidized value in the ordinary course of business, less applicable selling expenses.

Consumables and packing material are stated at cost.

2.7 Trade Receivables

Trade receivables are amounts due from customers for sale of goods in the ordinary course of business. Collection is expected in the normal operating cycle of the business and they are classified as current assets. Trade receivables are recognized initially at fair value, which is the invoice value and subsequently measured at the original invoice value less provision for impairment.

The Company assesses at the end of each reporting period whether there is objective evidence that trade receivables is impaired. Objective evidences of impairment for trade receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments past the maximum credit period of 90 days. Trade receivables are impaired and impairment losses are incurred, only if there is objective evidence of impairment. All trade receivables are assessed individually for impairment.

The model and basis used to assess the trade receivables for impairment is as follows:

Individual Evaluation Model: Following types of trade receivables are reviewed individually to measure the impairment loss.

- i) Multi Purpose Co-operative Societies
- ii) Agrarian Service Centers
- iii) Authorized Dealers
- iv) Government Institutions and Departments

2.8 Cash and Cash Equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.9 Stated Capital

Ordinary shares issued to the Government of Sri Lanka are classified as equity.

2.10 Financial Liabilities

The Company classifies financial liabilities into other financial liabilities. The Company's other financial liabilities include borrowings, trade and other payables and bank overdraft. The other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

2.11 Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities as in the normal operating cycle of the business.

Trade and other payables are recognized initially at fair value, which is the transaction price and subsequently measured at the original invoice value as they are expected to be paid within a short period, such that the time value of money is not significant.

2.12 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest method.

2.13 Borrowing Cost

Borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

2.14 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Fertilizer subsidies relating to import costs are recognized in the statement of comprehensive income to match them with the costs that they are intended to compensate. Fertilizer subsidies to compensate for import costs already incurred are recognized as subsidy receivable where there is a reasonable assurance that the subsidy will be received.

Government grants relating to property, plant and equipment are included in noncurrent liabilities as deferred government grants and are recognized in the statement of comprehensive income on a straight- line basis over the expected lives of the related assets.

2.15 Current and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income statement, except to the extent that it relates to items recognized in other comprehensive income. In this case, the tax is also recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted at the reporting period end applicable for the Company. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted at the reporting period end date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

2.16 Employee Benefits

The Company has both defined benefit and defined contribution plans.

a) Defined Contribution plan

A defined contribution plan is a post employment benefit plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions. The contributions are recognized as employee benefit expense when they are due.

The Company contributes 15% on gross emoluments of employee to Employee Provident Fund (EPF) and 3% on gross emoluments of employee to Employee Trust Fund (ETF).

b) Defined benefit plan

The company obligation in respect of defined benefit plan is the present value of the defined benefits obligation at the end of the reporting period. The defined benefits obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefits obligation is determined by discounting the estimated future benefit that employee have earned in return for their services in the current and prior period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The company will re-measure the define benefit obligation when the amounts recognized in the financial statements will differ materially from the amount that would be determine at the end of the reporting period.

Past service costs are recognized immediately in the statement of comprehensive income.

The retirement benefits obligation is not externally funded.

c) Short-term employee benefit

Short-term employee benefits obligations are measured on an undiscounted amount expected to be paid for related services provided by the employee.

2.17 Provisions and Contingent Liabilities

Provisions for operating expenses are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

All contingent liabilities are disclosed as a note to the financial statements unless the possibility of an outflow of resources is remote.

2.18 Revenue Recognition

Revenue is measured at the subsidized value received or receivable, and represents amounts receivable for sales of goods, stated net of Value Added Taxes (VAT) and Nation Building Tax (NBT). The Company recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company.

The Company applies the revenue recognition criteria set out below to each identifiable major types of services rendered.

a) Sale of Fertilizer

The Company import and sells direct and mixed fertilizers in the wholesale and retail markets. Sales of goods are recognized at the point that the risks and rewards of the goods have passed to the customer, which is the point of dispatch from the store.

b) Interest Income

Interest income is recognized using the effective interest method.

c) Rent Income

Rent income is recognized on an accrual basis over the term of lease.

d) Gain and Losses on Disposal of Property, Plant and Equipment

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

e) Other Income

Other income is recognized on an accrual basis.

2.19 Expenses

All expenditure incurred in the running of the operation has been charged to income in arriving at the profit for the reporting period.

2.20 Events Occurring after the Reporting Period

All material events after the reporting period have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

2.21 Commitments

All material commitments at the reporting period end have been identified and disclosed in the notes to the financial statements.

2.22 Significant Accounting Estimates and Judgments

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

2.22.1 The following are significant judgments in applying the accounting policies that have most significant effect on the financial statements.

(a) Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

2.22.2 Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

(a) Useful life time of Depreciable Assets

Management reviews its estimate of the useful life time of depreciable assets at each reporting date, based on the expected economic utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

(b) Defined benefit plan

The present value of the defined benefit plan obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions are used in determining the net cost and obligation for defined benefit plan including the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefits obligation.

2.23 Sri Lanka Accounting Standards (SLFRS/LKAS) issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the financial statements are listed below. The group intends to adopt those standards when they become effective.

- I. SLFRS 9-Financial Instruments: SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial instruments; Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instrument, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forwards the guidance on recognition of financial instrument from LKAS 39. Effective date of IFRS 9 is 1 January 2018.
- II. SLFRS 15 – Revenue from contracts with customers: SLFRS 15 establish a comprehensive framework for determining whether, how much and when revenue is recognized. It replace existing revenue recognition guidance, including LKAS 18 Revenue and LKAS 11 construction Contracts. SLFRS 15 is effective for annual reporting period beginning on or after 1 January 2017.

The Company is assessing the potential impacts on its financial statements resulting from the application of SLFRS 15 / SLFRS 9.

(Expressed in Sri Lankan Rupees)

3	Revenue	2017	2016
	Gross Revenue	2,371,637,211	4,278,778,469
	Less : Nation Building Tax (NBT)	(20,999,226)	(36,008,736)
	Sale of Fertilizer	2,350,637,985	4,242,769,733
4	Cost of Sales		
	Purchases	4.1 1,980,402,161	2,195,444,513
	Direct Expenses	4.2 1,937,661,679	706,080,500
	Cost of Production	3,918,063,840	2,901,525,014
	Finished Goods as at 01 April	220,891,103	472,387,199
	Finished Goods as at 31 March	(2,019,342,735)	(228,590,402)
		2,119,612,208	3,145,321,810
	4.1 Purchases		
	Fertilizer Import Bills	1,612,552,878	15,494,384,181
	Insurance	966,811	8,205,729
	Duty and Duty Surcharge	-	31,066
	Port and Airport Development Tax	121,844,663	787,110,378
	Miscellaneous (Sri Lanka Port Authority)	2,291,766	4,636,759.51
	Discharging Expenses	967,916	5,385,523
	Landing Charges	3,139,131	27,475,553
	Stevedoring Charges	26,206,731	239,059,065
	Custom Duty and Charges	5,330,243	2,151,751
	Operational Expenses	-	-
	Demurrage Charges	-	2,332,998
	Sampling Charges	2,022,051	5,592,308
	Transport and Handling Charges	24,273,162	272,739,942
	Letter of Credit Charges	6,081,724	68,143,522
	Bank Charges	97,344	559,029
	Local Purchase	29,588,355	47,666,700
	Packing Materials	16,273,076	31,578,628
	Detention Charges	1,492,843	4,382,014
	Local Agency Commission	536,248	2,616,387
	Exchange (Gain) / Loss	126,737,219	789,636,490
	Subsidy Claimed	-	(15,598,243,511)
		1,980,402,161	2,195,444,513
	4.2 Direct Expenses		
	Mixing Charges	8,409,018	26,470,825
	Handling Charges	32,407,242	158,218,034
	Labour Charges	7,001,000	15,223,069
	Transport Charges to District Fertilizer Stores	60,384,773	514,489,459
	Trading Stock (Excess) / Shortage	(16,984)	(640,667)
	Stocks Transfers / Adjustments	1,829,476,629	(7,680,219)
		1,937,661,679	706,080,500

Figures in brackets indicates deductions.
Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

5	Other Operating Income	2017	2016
	Income from Penalties - Local	1,394,553	3,411,467
	Circuit Bungalow Income - Polonnaruwa	2,169,788	1,196,587
	Dispatch Income	18,107,815	83,396,482
	Sales of Polythene and WPP Bags	1,924,446	6,912,435
	Non Refundable Tender Deposit Income	653,500	1,564,475
	Amortization of Government Grant	2,889,117	5,643,699
	Rent Income	957,207	104,502
	Profit on Disposal of Property, Plant and Equipment	601,448	6,527,192
	Earnings from Transport	213,762	512,400
	Laboratory Testing Income	99,150	178,102
	Other Income	78,789	13,960,806
	Earning from Farms	7,250	
	Profit / (Loss) on Scraps Disposals	-	(481,551)
		29,096,825	122,926,594
6	Administrative Expenses		
	Directors' Remuneration	3,559,542	3,417,136
	Motor Vehicles Running Chairman / Directors	1,070,449	1,053,441
	Telephone,Fax,E-mail and Internet Charges-Chairman/Directors	375,728	436,767
	Secretary Fees	95,075	109,160
	Salaries - Executive	33,997,004	35,354,522
	Salaries - Non Executive	153,756,286	154,257,440
	Overtime	22,689,094	43,848,678
	Travelling and Subsistence	2,916,796	4,926,059
	Employees' Provident Fund	24,486,732	28,999,236
	Employees' Trust Fund	4,897,348	5,799,852
	Government Pension	17,030	56,190
	Fuel Allowance for Managers	2,682,748	2,703,244
	Fuel Allowance for Field Staff	1,264,654	1,822,865
	Tea and Dust Allowance	6,530,438	7,081,234
	Annual Bonus	5,198,063	5,329,930
	Medical Leave Payment	8,748,312	9,014,190
	Employees on Contract Basis	4,642,829	4,835,463
	Training and Scholarships	223,261	1,512,647
	Weekend and Other Allowances	506,207	1,626,534
	Employee Compensation	-	158,579
	Medical Expenses	5,204	2,987
	Clothing and Medical Allowance	3,037,079	3,138,842
	Medical Insurance	7,574,409	7,899,876
	Other Allowances	117,600	279,125
	Employee Valuation Expenses	29,740	28,217
	Staff Transport	1,725,700	1,672,675
	Annual Incentive	10,335,177	42,015,503
	Staff Welfare	1,252,444	4,844,069
	Entertainment	337,584	563,432
	Electricity	5,316,112	6,175,008
	Telephone,Fax,E-mail and Internet Charges	6,252,956	5,411,454

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

	2017	2016
Fire Insurance	319,746	298,680
License and Insurance	1,334,410	1,369,415
Cash in Transit and Cash in Safe Insurance	137,229	171,294
Postage	752,892	777,271
Printing and Stationery	3,426,202	4,552,633
Periodicals and Books	105,260	91,182
Office Equipment Maintenance	408,251	787,726
Foot Bicycle Maintenance	18,920	12,695
Office Expenses	1,128,870	1,111,939
Vehicle Running Expenses	6,245,563	6,229,095
Vehicle Maintenance	7,193,522	7,590,569
Water Bill	1,690,714	2,550,695
Legal Fees	2,306,282	4,060,378
Security Charges	28,512,339	30,645,042
Lab/Equipment Maintenance	441,800	137,091
Plant , Machinery and Equipment Maintenance	734,969	941,691
Building Maintenance	2,749,685	8,628,241
Furniture and Fittings Maintenance	41,680	29,514
Public Notice Charges	2,534,774	4,182,433
Computer and Accessories Maintenance	685,239	1,381,701
Rent and Rates	2,253,824	13,592,873
Expenses for Temporary Storage	-	9,430,873
Depreciation	50,069,487	29,148,977
Amortization of Intangible Assets	79,667	107,750
Audit Fees	400,000	476,623
Non Audit Fees	182,988	18,745
Audit Related Fees	10,000	-
Consultancy Fees	2,477,903	656,395
Work Shop Tools Expenditure	32,198	134,410
Sanitary Facilities	2,724,794	2,221,715
Vehicle Hiring Charges	4,681,868	3,551,346
Circuit Bungalow Expenses	1,745,509	765,785
Other Equipment Maintenance	571,997	622,411
Provision for Retirement Benefit obligation	11,001,717	17,591,797
Bank Charges	756,870	860,358
Write Off / (Back)	211,793	(952,840)
Sports Equipment Maintenance	20,050	31,486
(Over) / Under Provision of Recurrent Expenses	(9,715,977)	(1,077,101)
Circuit Bungalow Expenses	181,429	313,134
Gardening and Landscaping Expenses	2,088,196	1,802,533
Charity and Donations	228,128	-
Natural Disaster Expenses	70,000	30,000
Laboratory Building Maintenance	25,632	66,773
Laboratory Expenses	743,510	510,912
Laboratory Equipment Insurance	26,662	30,516
Registration Fees	211,943.49	-
Insurance Claim	-	-
	445,490,134	539,859,112

Figures in brackets indicates deductions.
Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

7	Distribution Expenses	2017	2016
	Advertising and Publicity Notices	19,531,125	6,452,750
	Written-off of Bad Debts	449,212	24,874
	Impairment of Trade Receivables	-	992
	Sales Commission	510,257	5,096,590
	Corporate Social Responsible	-	137,750
		20,490,594	11,712,957
8 Net Finance Income			
Interest Income			
	Interest on Fixed Deposits and REPO Investments	331,646,228	167,801,299
	Interest from Employees Loans	1,890,314	1,726,878
		333,536,542	169,528,176
Interest Expenses			
	Interest on Overdrafts/Loans	126,125	(1,726,619)
		126,125	(1,726,619)
		333,662,668	167,801,557
9 Income Tax Expenses			
	Current Year	9.1	44,011,949
	Under Provision in Previous Years (Assessment Tax)		3,282,202
	Deferred Tax Charge	24	(59,081,641)
			(11,787,491)
			233,331,176
9.1 Reconciliation between current tax expenses/ (reversal) and the accounting profit/(loss);			
	Accounting Profit/(Loss) before Taxation	127,804,541	836,604,005
	Non Business Income	(349,659,809)	(168,176,565)
	Aggregate of Disallowable Expenses	56,883,387	47,949,035
	Aggregate of Allowable Claims	(24,613,281)	(22,513,982)
	Tax Adjusted Profit	(189,585,161)	693,862,493
	Income from Other Sources	346,770,691	162,532,866
	Total Statutory Income	157,185,531	856,395,359
	Loss Claimed		(11,627,286)
	Taxable Income	157,185,531	844,768,074
	Tax Charged at Statutory Tax Rate of 28%	44,011,949	236,535,061
	Rounding off Adjustment	-	-
	Current Tax Provision	44,011,949	236,535,061
	Current Tax on Ordinary Activities for the Year	44,011,949	236,535,061
Tax Losses			
	Loss Brought Forward	(0)	11,594,036
	Loss Adjustment	0	33,250
	Loss Utilized		(11,627,286)
	Loss Incurred	189,585,161	
	Loss Carried forward	189,585,161	(0)

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

10	Basic Earnings per Share/Dividends per Share	2017	2016
10.1	Basic Earnings Per Share (EPS)		
	Net Profit Attributable to Ordinary Shareholders (Rs.)	139,592,032	603,272,829
	Weighted Average Number of Ordinary Shares in Issue	50,245,608	50,245,608
	Basic Earnings per Share	2.78	12.01
10.2	Dividends Per Share (DPS)		
	Dividends Paid / Proposed	41,877,610	180,981,849
	Number of Ordinary Shares	50,245,608	50,245,608
	Dividend per Share	0.83	3.60

Figures in brackets indicates deductions.
Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

11 Property, Plant and Equipment					
Cost	01 April 2016	Adjustment of Revaluation	Additions	Adjustment	31 March 2017
Land	1,512,855,000	207,145,000	-	-	1,720,000,000
Biological Assets	-	2,086,200	-	-	2,086,200
Road Construction	2,808,041	(2,808,041)	-	-	-
Buildings	342,036,509	503,754,297	35,535,372	-	881,326,178
Plant and Machinery	6,588,905	4,935,595	556,399	-	12,080,899
Motor Vehicle	67,945,376	(12,042,876)	3,168,350	-	59,070,850
Furniture and Fittings	14,132,633	4,016,967	3,719,237	(5,100)	21,863,737
Office Equipment	7,024,477	(173,077)	1,468,188	(20,900)	8,298,688
Computer Equipment	17,707,649	(11,617,849)	2,819,054	(9,200)	8,899,654
Other	28,064,191	(8,666,686)	284,470	(1,300)	19,680,675
Total	1,999,162,781	686,629,530	47,551,069	(36,500)	2,733,306,880

Depreciation	01 April 2016	Adjustment of Revaluation	Charge for the Year	Adjustment	31 March 2017
Buildings	50,555,420	(50,555,420)	27,715,900	-	27,715,900
Plant and Machinery	4,362,695	(4,362,695)	1,332,469	-	1,332,469
Motor Vehicle	49,317,221	(49,317,221)	11,467,758	-	11,467,758
Furniture and Fittings	12,254,847	(12,254,847)	4,458,756	-	4,458,756
Office Equipment	5,211,931	(5,211,931)	2,013,276	-	2,013,276
Computer Equipment	13,795,117	(13,795,117)	1,563,071	-	1,563,071
Other	25,009,563	(25,009,563)	1,518,257	-	1,518,257
	160,506,793	(160,506,793)	50,069,487	-	50,069,487

Written Down Value	2017	2016
Land	1,720,000,000	1,512,855,000
Biological Assets	2,086,200	-
Road Construction	-	2,808,041
Buildings	853,610,279	291,481,089
Plant and Machinery	10,748,430	2,226,210
Motor Vehicle	47,603,093	18,628,155
Furniture and Fittings	17,404,980	1,877,787
Office Equipment	6,285,412	1,812,546
Computer Equipment	7,336,583	3,912,532
Other	18,162,417	3,054,628
	2,683,237,393	1,838,655,988

Land and buildings of some of the district fertilizer stores located at Hingurakgoda, Akuressa, Matale, Kurunagala, Nuweraeliya, Kegalle, Madhavachchiya, Kuruvita, Dodangoda, Mathugama, Koggala and Weeravila used for operational activities are not recognized under property, plant and equipment as ownerships or leasing arrangements of such assets are not clear. Currently, the company is in process of making contractual arrangements to transfer the legal title of such assets.

Figures in brackets indicates deductions.
Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

12	Capital Work-in-Progress	01 April 2016	Expenditure Incurred	Amount Capitalized	31 March 2017
	Nuwara Eliya Bungalow	31,475,564	1,992,633	33,468,197	(0)
	Kataragama Bungalow	676,730	-	-	676,730
	Computer software ERP system	-	21,284,007		21,284,007
		32,152,294	23,276,640	33,468,197	21,960,737

The Board has decided to temporarily suspend the construction of bungalow in Kataragama at the board meeting held on 26 February 2016.

13	Intangible Assets			
	Cost	01 April 2016	Additions (Disposals)	31 March 2017
	Computer Software	1,044,901	-	1,044,901
		1,044,901	-	1,044,901
	Amortization	01 April 2015	Charge for the Year	31 March 2016
	Computer Software	965,234	79,667	1,044,901
		965,234	79,667	1,044,901
	Written Down Value			
	Computer Software			

14	Inventories	2017	2016
	Direct Fertilizer	2,019,342,735	224,192,876
	Mixed Fertilizer		4,397,526
	Consumables	7,643,053	8,780,039
	Packing Material	18,364,762	16,409,989
		2,045,350,550	253,780,430
	Provision for Impairment	(2,014,431)	(2,014,431)
		2,043,336,119	251,765,999

15	Trade and Other Receivables		
	Trade Receivables	15.1	278,395,589
	Provision for Impairment		(87,565,255)
			190,830,334
	Other Receivables	15.2	26,097,485,669
			30,790,750,894
			26,288,316,003
			30,803,548,992

15.1	Trade Receivables		
	Government Departments		137,787,111
	Shortage on Sale		60,199
	Agrarian Service Centers		1,213,375
	Authorized Dealers		139,247,913
	M.P.C.S.		86,991
			278,395,589
			100,363,353

The ageing of the trade receivables are as follows

	Up to 3 Months	12,773,780	34,451,757
	More than One (1) Year	179,212,938	(20,497,275)
	Over Ten (10) Years	86,408,871	86,408,871
		278,395,589	100,363,353

Trade receivables have been reviewed for impairment. Certain trade receivables are found to be impaired and provision for impairment has been made on the basis as stated in note 2.11.

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

	2017	2016
15.2 Other Receivables		
General Treasury - Subsidies	26,060,584,367	30,743,926,124
Sri Lanka Port Authority	17,190	7,230
Road Development Authority	12,600,000	12,600,000
Others (Note I)	16,491,178	26,703,810,58
Deposits	595,368	544,215
Advance and Prepaid Expenses	7,197,566	6,969,514
	26,097,485,669	30,790,750,894

Note I : During the financial year 2015/16, in the Pothuwil Stores an aggregate amount of Rs. 9,984,313.21/- had been identified as stock shortage and adjustment also incorporated in the financial statements net of recoveries. However, in the internal investigation carried out by the Internal Audit Department, subsequent to the financial year, corresponding to stock movement in the same store, it was evidenced to suspect that certain fraudulent transactions had been occurred even before the financial year 2015/16. Consequently, it was identified an aggregated amount of Rs. 7,934,279/- has been subjected to misappropriation of inventories which results stock shortage / loss to the company as of the date of signing of these financial statements. Since, this amount has not been finalized and it is subject to further investigation any losses or shortages has not been recognized in the financial year 2015/16.

16 Employees Loans and Advances		
Festival Advances	269,500	161,500
Motor Cycle Loans	914,595	1,350,832
Personal Loans	44,022,102	44,696,799
	45,206,196	46,209,130

Personal loans are measured at fair value using the interest rate of 4.2% instructed by the Government circular under procurement guidelines para XXIV subsection 3.8 since the company is covered under establishment code, the rate at which the loans have been granted is considered as the market interest rate for employees working at government organizations.

17 Held-to-Maturity Investments (HTM)		
Treasury Bills	532,548,539	554,361,934
The investments in treasury bills amounts to Rs.72,076,562 (2015 -70,975,536.42) are maintained separately for the gratuity commitments.		

18 Other Financial Assets		
Fixed Deposits	3,970,073,287	3,059,582,808
The investment in fixed deposits amounts to Rs.206,000,000 (2015 - 206,000,000) has been pledged as a part of security against bank borrowings.		

19 Cash and Cash Equivalents		
Favorable Balances		
Current Accounts	20,156,035	13,201,122
Saving Deposits	3,845,369	3,801,403
	24,001,404	17,002,525
Unfavorable Balances		
Bank Balance Overdraft	759,143	21,768,258
	759,143	21,768,258

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

20	Stated Capital	2017	2016
	Number of Ordinary Shares Issued and Fully Paid	50,245,608	50,245,608
	Ordinary Share Capital Issued and Fully Paid	502,456,080	502,456,080

21	Revaluation Reserve
	The revaluation reserve relates to the revaluation surplus of property, plant and equipment, once the respective revalued assets have been disposed, portion of revalued surplus is transferred to retained earnings.

22	Retirement Benefits Obligation		
	Balance as at 01 April	61,731,050	50,189,133
	Expenses Recognized in Comprehensive Income (Note 22.1)	11,001,717	17,591,797
	Payments Made During the Year	(5,839,307)	(6,049,880)
	Balance as at 31 March	66,893,460	61,731,050

22.1	Expense Recognized in Comprehensive Income		
	Current Service Cost	3,397,800	3,397,800
	Interest Charge for the Year	7,603,917	14,193,997
		11,001,717	17,591,797

These assumptions developed by independent actuarial consultant are based on the management's best estimates of variables used to measure the retirement benefits obligation.

The principal assumptions used are as follows.

Discount Rate [%]	11	11
Future Salary Increases [Rs.] - Executive	1,150	1,150
Future Salary Increases [Rs.] - Other	240	240
Staff Turnover Factor [%]	1 - 2	1 - 2
Retirement Age [Yrs]	60	60

Actuarial Gain / Loss does not arise as the company has not done an actuarial valuation of the gratuity liabilities for the previous year.

In addition to the above, demographic assumptions such as mortality, withdrawal and disability are considered for the actuarial valuation. The 2007 mortality table issued by the London Institute of Actuaries (A 1967/70 mortality table) has also been used in the valuation.

22.2 The sensitivity of the present value of retirement benefits obligation (gratuity provision at the reporting date) to changes in the weighted principle assumptions by 1% are:

The Principle Assumptions	Sensitivity [%]		Gratuity Liability Change	
	Increase in 1%	Decrease 1%	Increase in 1%	Decrease 1%
Discount Rate [%]	(13.18)	(1.59)	58,076,837	65,831,496
Salary Escalation Rate [%]	Considered as not significant			

23	Government Grants	2017	2016
	Balance as at 01 April	2,889,117	12,941,616
	Grants Received During the Year	-	-
	Disposals During The Year		(4,408,800)
	Amortization of Government Grants	(2,889,117)	(5,643,699)
	Balance as at 31 March	-	2,889,117

The company have decided to amortize the grant received on lab equipment within 3 years.

Figures in brackets indicates deductions.
Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

24	Deferred Taxation	2017	2016
	Balance as at 01 April	40,928,542	44,132,427
	(Originated) / Reverse for the Year Recognised in Profit or Loss	(59,081,641)	(3,203,885)
	Deferred Tax Expenses Recognised in OCI for Revaluation Surplu	173,231,211	-
	Balance as at 31 March (Note 24.1)	155,078,112	40,928,542
24.1	The Analysis of Deferred Tax Assets and Liabilities		
	Deferred Tax Liability		
	From Accelerating Depreciation	78,743,226	83,295,548
	From Revaluation Surpluses	173,231,211	-
		251,974,437	83,295,548
	Deferred Tax Assets		
	From Retirement Benefits Obligation	18,730,169	17,284,694
	From Brought Forward Tax Losses	53,083,845	-
	From Impairment Provisions - Trade Debtors	24,518,271	24,518,271
	From Impairment Provisions - Slow Moving Stocks	564,041	564,041
		96,896,326	42,367,006
		155,078,112	40,928,542
	"Deferred tax assets are recognized for provision for retirement benefits obligation, impairment provision for trade and other receivables and non- moving stocks to the extent that the realization of the related tax benefits through future taxable profits are probable and deferred tax liabilities are recognized for accelerating depreciation and revaluation surplus."		

25	Trade and Other Payables	2017	2016
	Trade Payables	1,317,375,252	3,623,767,962
	Other Payables (Note 25.1)	83,584,262	175,910,670
		1,400,959,514	3,799,678,633
25.1	Other Payables		
	Sundry Creditors	76,355,601	169,006,372
	Retention Money	912,370	1,249,937
	General Treasury	5,519,095	5,519,095
	PAYE Tax	142,674	121,168
	Others	654,522	14,098
		83,584,262	175,910,670

26	Interest Bearing Borrowings		
	People's Bank		
	Balance as at 01 April	27,460,439,996	31,304,325,268
	Obtained During the Year	11,474,044,093	14,023,172,748
	Paid During the Year	(10,639,739,262)	(17,867,058,020)
	Balance as at 31 March	28,294,744,826	27,460,439,996
	These loans are arranged by the treasury and may be settled during the next year as fund are available		

Figures in brackets indicates deductions.
Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

27	Deposits and Advances Received	2017	2016
	Refundable Performance Bond	114,364,900	110,939,860
	Staff Security Deposits	3,845,369	3,801,403
	Refundable Deposits	1,348,000	2,049,500
	Receipt in Advance	17,878,859	24,883,854
	Sundry Salary Deduction	108,837	24,289
	Excess on Sales	695,160	672,884
		138,241,125	142,371,790

28	Current Tax Liability		
	Balance as at 01 April	180,984,083	53,690,008
	Payments Made for Previous Year	(166,333,273)	(50,312,403)
	Provision for the Current Year	44,011,949	236,535,061
	Self Assessment Payments Made During the Year	(20,342,860)	(44,978,091)
	Economic Service Charges (ESC) Recoverable	(5,800,790)	-
	Withholding Tax (WHT) and notional tax Recoverable	(24,252,494)	(13,950,491)
	Balance as at 31 March	8,266,616	180,984,083

29	Accrued Expenses and Provisions		
	Accrued Expenses	39,571,679	164,200,505
	Provision for Legal Claim	-	-
		39,571,679	164,200,505

30	Capital and Other Commitments		
	The company has entered in to construction contractors with the following two contractors for :		
		Expense Incurred	
		In Year 2017	In Prior Years
	(a) Constructing a propose holiday bungalow at Nuwara Eliya for Rs. 29Mn	1,992,633	31,475,564
	(b) Over layering of Asphaltting at hunupitiya premises for Rs. 49 Mn	-	676,730

31 Events Occurring after Reporting Period

There were no events occurred, which required adjustments or disclosure in these financial statements between the 31 March reporting date and the date of authorization.

32 Contingent liabilities

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. Unless recognized as a provision (Note 29), management considers these claims to be unjustified and possibility of an outflow of resources for their settlement is remote. This evaluation is consistent with legal advices of the company's legal division. Accordingly, no provision has been made for such legal claims.

However, a court case is pending as at the reporting date filed against the company by D.S.S Construction in relation to the construction bill outstanding net of tenders deposit recovered amounting to Rs. 7,243,400/- for the Road Construction carried out in the Head Office premise. Since, the legal proceeding is in the preliminary stage provision for legal claims or the losses could not be ascertained and no adjustments relating to the transactions have been recognized in the financial statements.

Figures in brackets indicates deductions.
 Notes to the Financial Statements Continue

33 Related Party Disclosures

The Company's related parties includes Government of Sri Lanka, State-Owned Enterprises, Other Related Entities and key management personnel.

Transactions with Key Management Personnel

According to the Sri Lanka Accounting Standards LKAS.24 "Related Party disclosures" Key Management Personnel are those having responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors and the General Manager have been classified as Key Management Personnel.

Transactions with Key Management Personnel are given below.

	2016 / 17	2015/ 16
Remuneration and Other Short - Term Employee Benefits	5,005,719	4,907,344

Related Party Transactions

Details of significant related party transactions that company carries out are as follows:

Name of the Related Party	Nature of Transactions	Transaction Value (Rs.)	Balance (Due to)/ Due from
Government of Sri Lanka	Capital Grants	-	-
	Subsidies Received out of the claims made amounts to Rs. 15,741,151,537/-		12,690,996,096
	Sales of Goods	231,049,405	
State-Owned Enterprises	Recoveries of Trade Receivables	188,781,672	
	Short-term Loans borrowed	5,380,309,633	14,023,172,748
	Settlements of Loans	4,546,004,800	17,867,058,020
Investments In Treasury Bills and Repo's			
	Proceeds from Maturity of Investment	31,668,480.00	
	Interest Received	60,753,698.00	
Investments In Fixed Deposits			
	Investment during the year	797,997,585.00	
	Interest Received	207,302,796.00	
	Call Deposits and Saving Deposits	3,845,369.00	
	Current Accounts	20,156,035.00	
	Current Accounts - Overdraft	759,143.00	
Other Government Related Entities	Recoveries of Trade Receivables	9,183,190.00	

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

34	Financial Instruments and Risk Management	2017	2016
	The accounting classification of each category of financial instruments and their carrying amounts reported in the statement of financial position are stated below.		
	The Carrying Values of Financial Assets and Liabilities.		
	The carrying amount of the financial assets and liabilities reported in the statement of financial position are as follows,		
	FINANCIAL ASSETS		
	Held-to-Maturity Investments		
	Treasury Bills	532,548,539	554,361,934
	HTM investments are stated at amortized cost using the effective interest method		
	Loans and Receivables		
	Trade and Other Receivables	2,043,336,119	251,765,999
	Employees Loans and Advances	45,206,196	46,209,130
	Other Financial Assets	3,970,073,287	3,059,582,808
	Cash and Cash Equivalents	24,001,404	17,002,525
		6,082,617,007	3,374,560,463
	The loans and receivables are stated at carrying values as their carrying value approximates the fair value.		
	TOTAL FINANCIAL ASSETS	6,615,165,546	3,928,922,397
	FINANCIAL LIABILITIES		
	Other Financial Liabilities		
	Interest Bearing Borrowings	28,294,744,826	27,460,439,996
	Trade and Other Payables	1,400,959,514	3,799,678,633
	Deposits and Advances Received	138,241,125	142,371,790
	Bank Overdrafts	759,143	21,768,258
	Total Financial Liabilities	29,834,704,609	31,424,258,676
	The financial liabilities are stated at amortized cost using the effective interest method.		

Risk Management

A. Financial Risk Factors

The company has exposure to the following risks from its use of financial instruments.

01. Credit Risk
02. Liquidity Risk
03. Market Risk (Currency Risk and Interest Rate Risk)

The financial instruments of the company comprise of investments in term deposits and government securities, bank deposits, and short-term bank borrowings. The company also has trade receivables and payables and subsidy receivables arising from its core business activities. The main purpose of investment in short-term deposits and short-term borrowings are to raise and maintain liquidity for the operations.

01. Credit Risk

Credit risk is the risk of financial loss to the company if counterparty fails to meet its contractual obligations. Credit risk arises principally from deposits held with banks and financial institutions, cash and cash equivalents (excluding cash in hand), receivables from customers and subsidy receivables from the Treasury.

The maximum risk exposures of financial assets that are subject to credit risk are equal to their carrying amounts.

Figures in brackets indicates deductions.
Notes to the Financial Statements Continue

Following table depicts the maximum risk exposure of financial assets reported at the reporting date.

Risk Exposure to Financial Assets	2017	2016
Cash and Cash Equivalents	24,001,404	17,002,525
Other Financial Assets	3,970,073,287	3,059,582,808
Trade and Other Receivables	26,288,316,003	30,803,548,992

Trade and Other Receivables

The company trades mainly with agrarian service centers, government institutions and authorized dealers. The management assesses the credit quality of authorized dealers based on the past experience and other factors such as financial guarantees from them. In addition, outstanding balances are monitored on an ongoing basis by the management and the Board.

The age analysis of the company's trade receivables is given in Note 15.

The company establishes policy for provision for impairment (Refer note 2.7 to the financial statements) that represents the estimate of incurred losses in respect of trade receivables. According to the impairment policy established, customers are reviewed individually to measure the impairment loss. Please refer note 15 to the financial statements relating to trade receivables and details of provision for impairment losses.

Subsidy Receivables .

The receivables represent fertilizer subsidies to be received from the Treasury to compensate for import costs already incurred. The subsidy receivable is expected to recover within a period of 180-270 days. The company's exposure to credit risk arises from default in meeting contractual obligation of the Treasury, with a maximum exposure equal to the carrying amount of the receivables.

Other Financial Assets

Credit risk arising from other financial assets of the company comprises deposits held with banks and financial institutions, cash and cash equivalents. The company's exposure to credit risk arises from default in meeting contractual obligation of contractual parties, with a maximum exposure equal to the carrying amount of these financial instruments. The company manages its credit risks with regard to these financial instruments by mainly placing its fund with state financial institutions and other government institutions.

02. Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and unexpected conditions, without incurring unacceptable losses.

Company monitor financial assets and liabilities and prepares variance report quarterly by comparing with the annual budget. The management monitors the daily bank balances and liquidity requirements to ensure that the company has sufficient cash to meet operational needs.

The following table depicts the company's financial assets and liabilities maturity analysis as at 31 March 2016 based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Figures in brackets indicates deductions.
 Notes to the Financial Statements Continue

Financial Assets and Liabilities	Carrying Amount	6 Months or Less	6-12 Months	More than 1 Year
Financial Assets				
Held-to-Maturity Investments	532,548,539	-	532,548,539	-
Other Financial Assets	3,970,073,287	-	3,970,073,287	-
Cash and Cash Equivalents	24,001,404	24,001,404	-	-
Trade and Other Receivables	26,288,316,003	26,288,316,003	-	-
Employees Loans and Advances	45,206,196	269,500	-	44,936,696
Total Undiscounted Financial Assets	30,860,145,430	26,312,586,907	4,502,621,826	44,936,696
Financial Liabilities				
Interest Bearing Borrowings	28,294,744,826	11,025,734,462	4,932,000,000	12,337,010,364
Trade Payables	1,400,959,514	1,400,959,514	-	-
Other Payables	138,241,125	138,241,125	-	-
Bank Overdraft	759,143	759,143	-	-
Total Undiscounted Financial Liabilities	29,834,704,609	12,565,694,245	4,932,000,000	12,337,010,364
Net Undiscounted Financial Assets / (Liabilities)	1,025,440,821	13,746,892,663	(429,378,174)	(12,292,073,668)

03. Market Risk (Currency Risk and Interest Rate Risk)

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates which will affect the company's income or the carrying value of holdings of financial instruments.

Currency Risk

The company's exposure to currency risk arising from fluctuations in the value of US Dollar (USD) against the Sri Lankan Rupee after Central Bank of Sri Lanka allowed the Sri Lanka Rupees to freely float against USD during the reporting period. The company's functional currency in respect of imports fertilizers is USD however settlements of imports are made through rupee accounts. revenue is USD in which most of the transactions are denominated. Certain bank balances are denominated in USD.

The company has reported foreign exchange losses included in the operating results for the reporting period 2016 is Rs. 789,636,490/-.

Interest Rate Risk

"The company's exposure to interest risk is the changes in market interest rates relate to the interest bearing borrowings with a fixed interest rate Rs.27,460,439,995.79 (2015: Rs. 31,304,325,268) of the company's interest bearing loans and borrowings carried interest at fixed rates. The company has bank balances including term deposits placed with state banks. The company monitors interest rate risk by actively monitoring interest rate movements."

Figures in brackets indicates deductions.
Notes to the Financial Statements Continue

FORM OF PROXY
CEYLON FERTILIZER COMPANY LIMITED.

I/We.....
.....being a member of the above named Company hereby appoint Mr./
Mrs.....
.....of failing him/
her,Mr./Mrs.
.....as my Proxy to vote for me on by behalf at the
Annual General Meeting of the Company to be held on
.....
2017 and at any adjournment thereof.

Signed this

- (a) In terms of the Article 71 of the Articles of Association of the Company;
The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, or where the appointer is a corporation, either under seal, or under the hand of and of an officer or attorney duly authorized. A proxy need not to be a member of the Company.

In terms of the Article 73 of the Articles of Association of the Company.

The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or a notorially certified copy of that power of authority shall be deposited at the registered office of the company or at such other place within Sri Lanka as it specified for that propose in the notice convening the meeting not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument purposes to vote, or in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.

- (b) The full name and the registered address of the shareholder appointing the Proxy should be legibly entered in the form of proxy.
- (c) In the case of shareholder resident in Sri Lanka- a stamp duty of Rupees Twenty Five must be affixed and the shareholder must write his name and sign his initials over the stamp.
- (d) Every alteration or addition to the form of proxy must be duly authenticated by the full signature of the shareholder signing the form of proxy. Such signature should as far as possible be placed in proximity to the alternation or addition intended to be authenticated.

Signed on this day of.....2017.

.....
Signature of Shareholder

