

2010

ANNUAL REPORT

**01-04-2009
to
31-03-2010**



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Technical Division





**Ministry of Agriculture
Development &
Agrarian Services**

80/5, "Govijana Mandiraya",
Rajamalwatte Avenue,
Battaramulla. Sri Lanka.

Tel.
011 - 2887412, 011 - 2863460

Fax:
011 - 2868915

Ceylon Fertilizer Company Limited

Address:
Bishop Hill,
Hunupitiya, Wattala,
Sri Lanka

Telephone:
011 - 2930298 / 99

Fax:
011 - 2948831

Email:
lakpohora@sltnet.lk

Established in:
1964

Bankers:
People's Bank,
Bank of Ceylon,
Sampath Bank,
Commercial Bank

Auditors:
Fernando and Hewage Company
Chartered Accountants





OUR 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 profit maximization and sustainability through production and marketing of fertilizer for extended, diversified market demand, while actively contributing to increase production, income and profitability in the Agriculture and Agrarian services sector in Sri Lanka in compliance with the State policies, by rendering a dedicated and quality service from the Lakpohora Family.





Ceylon Fertilizer Company Limited

Head Office

All administrative matters are carried out through the Head Office of the Ceylon Fertilizer Company Limited located at Bishop Hill, Hunupitiya, Wattala. Within the Head Office premises Offices of the Chairman, Executive Director and General Manager as well as the Finance, Human Resource, Procurement, Marketing, Distribution, Internal Audit, Information Technology, Legal and Technical Divisions too are located.

Legal nature

Under the State Industrial Company Act No. 49 of 1957, to fulfill the fertilizer needs of the Sri Lankan cultivators Ceylon Fertilizer Corporation was established in 1964 with the contribution of the German Federal Republic. This corporation was re-established in the name of Ceylon Fertilizer Company Limited under the Act No. 27 of 1987 Appointing State Corporations and Institutions acquired by the State. From 1992 September 15 Ceylon Fertilizer Company Limited was registered as State company under the Company Act No. 17 of 1982 in order to obtain legal status. This company was again registered under the New Company Act No. 07 of 2007.

Distribution Network

All fertilizers imported will be brought to the Central Stores Complex located in the premises of the Head Office in Hunupitiya, Wattala. This stores complex has the necessary facilities to store a quantity of fertilizer of 78,000 metric tonne capacity.

In addition main regional stores complex is established in Polonnaruwa and more than 50 regional stores have been established throughout the island.

Through these stores supply of necessary fertilizers to the cultivators regionally

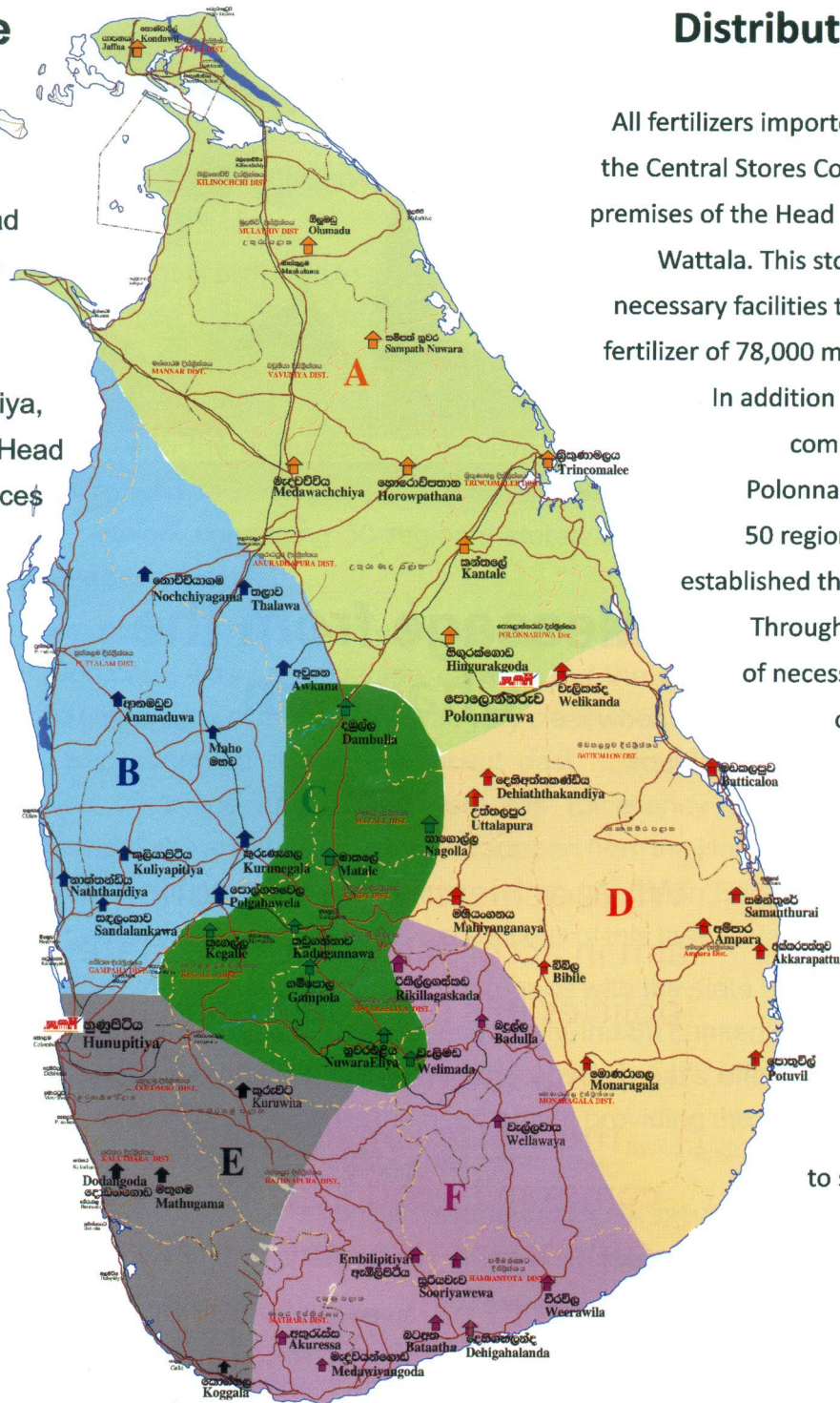
is carried out in the proper manner.

There are facilities in the stores system

established

Throughout the Island

to store about 150,000 Metric tonne Of fertilizer.





Message from the Chairman



While achieving the institutional aim in accordance with the state policies it is our prime objective to fulfill the needs of, especially, the Sri Lankan agriculture community and in general, by supporting the government's efforts to easy access to food, which has become the need of era, providing the service of a friendly state should render to the Sri Lankan people.



Between the Sri Lankan life and agriculture there is a very close relationship like a tree and its bark. Therefore it could be considered that the development of agriculture as an indicator towards the enhancing the development of our country. Getting the sunshine and rain, which are the contributions of the nature, in time is the main strength of carrying out the cultivation activities successfully.

Apart from the water resources, the fertility of the land in which cultivation is carried out depends on the appropriate amount of mineral salts contained in the soil. But to solve the deficiency in the soil various types of fertilizers are used.

Subsidy on fertilizer is provided to the cultivators by giving priority to fulfill this need in accordance with the declaration of "Mahinda Chinthana" Policy. Here the duty of the Ceylon Fertilizer Company is to supply of the necessary amount of fertilizers without shortage, during the appropriate period of time, at subsidized rates to the cultivators. To achieve this a planned process has been prepared and to implement this plan an efficient staff as well as a distribution network containing 50 regional stores and other infrastructure facilities have been provided.

With the aim of the progress and sustainability of the institution the Ceylon Fertilizer Company was successful in carrying out the challenging task of appropriate distribution of fertilizers. It was very clear when the progress of the institution was observed during the recent past. I would like recall with gratitude the blessings and advice from His Excellency the President Mahinda Rajapaksha and the guidance and support from the Hon. Maithripala Sirisena, Minister of Agriculture Development and Agrarian Services along with the officers of the ministry towards the success of this task.

While achieving the institutional aim in accordance with the state policies it is our prime objective to fulfill the needs of, especially, the Sri Lankan agriculture community and in general, by supporting the government's efforts to easy access to food, which has become the need of era, providing the service of a friendly state should render to the Sri Lankan people.

The institution, which was re-organized and now in a new set up, operating as the Divisions of Finance, Marketing, Human Resource, Procurement, Distribution, Internal Audit, Information Technology, Legal & Technical, was able to achieve its aims through team effort and process. It is my expectation to shower a new light on Mother Lanka through the courage, commitment and planning of the Lakpohara family, which is bound with the vision of the institution.



Buddhika Madihahewa
Chairman



Review by the General Manager



Our institution was successful
in achieving institutional
development suitable for the
current needs through
establishing a good
administration by
strengthening of the
administrative structure and
introducing modern electronic
communication equipment



Ceylon Fertilizer Company Limited is an institution that operates closely connected with the life of the Sri Lankan people.

It is my pleasure to state that a state of satisfaction has been in relation to the successes, during the past year, of our institution, which is committed to the process of distribution of fertilizer to the cultivators in due time and without constraints for the reformation of the agriculture sector.

The clear vision and the unshakable courage of the present Chairman enabled our institution to go towards the success by overcoming the various challenges we happened to face.

Our institution was successful in achieving institutional development suitable for the current needs through establishing a good administration by strengthening of the administrative structure and introducing modern electronic communication equipment.

Efficiency and productiveness have improved through conducting employee training course and provision of employee compensation insurance and the benefits of medical insurance to the employees made by following new methodologies and a successful marketing process launched in competitive market.

Our prayer is to see achievement of the institutional aims as well as the expectations of the employees.



M.C.L. Rodrigo
General Manager

Board of Directors



01. Mr. Buddhika Madihahewa - Chairman
02. Mr. A. M. N. Bandara - Executive Director
03. Mrs. R. M. D. K. Ratnayake - Director (Asst. Director, PED)
04. Mr. M. S. M. Suhair - Director (Director, Finance, Ministry of Agriculture)
05. Mr. Karunasena Hettiarachchi - Director
06. Mr. Lalith Senanayake - Director
07. Mr. M. R. G. Ranatunge - Director
08. Mr. S. P. Morawaka - Company Secretary



Management Team with the Chairman



01. Mr. Buddhika Madihahewa - Chairman
02. Mr. M. C. L. Rodrigo - General Manager
03. Mr. P. S. K. Jayakody - Manager (Procurement)
04. Mr. D. M. N. A. Dissanayaka - Manager (Technical)
05. Mr. Gamini Samarasinghe - Manager (Distribution)
06. Mr. B. D. L. Kumarasiri - Chief Internal Auditor
07. Mr. M. A. K. Mendis - Manager (Human Resources)
08. Mr. H. M. S. C. Jayasiri - Manager (Marketing)
09. Mr. P. R. Samaraweera - Manager (Finance)



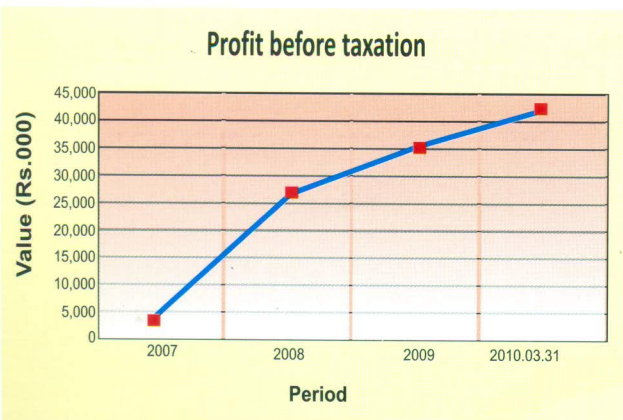
Finance Division

The basic responsibility assigned to the Finance Division is managing the finance within the institution according to the financial rules and regulations applicable with Sri Lanka complying with General Treasury and Line Ministry circulars. To fulfill that responsibility Finance Division is functioning as four sections such as Accounts and Expenditure, Payments, Income and Salaries.

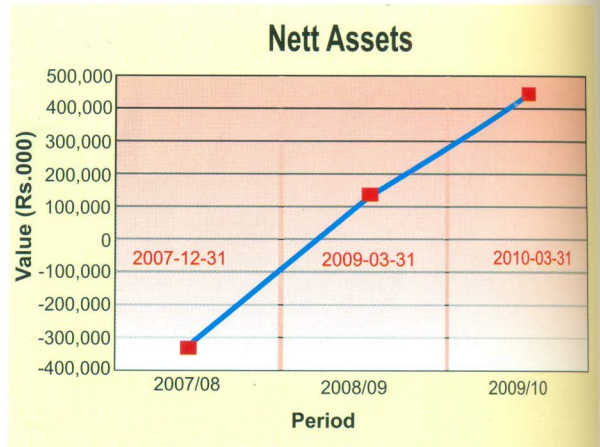
Providing the financial allocation necessary for the functioning of the all Division within the institution, conducting the accounts actions of such allocations, easing the policy decision making by compiling from time to time the information necessary to higher management and controlling the budget is the responsibility of the Finance Division.

It is also the responsibility of this Division to account correctly the whole transactions of the institution, prepare the final accounts, submitting to the auditors and forwarding the financial statements certified by them to the relevant Authorities.

Ceylon Fertilizer Company could be introduced as an institution contributing actively to supply of the necessary fertilizers to the cultivators at a



subsidy price in relation to the policy decision taken under 'Mahinda Chinthana'. The expenditure incurred due to engaging in that matter is reimbursed by the General Treasury



through our line Ministry. Our company had to pay a large sum of money as interest due to the constraints in reimbursing the expenditure. During this period it was able to credit the Bank account of the Company the amount due to our institution through the General Treasury to avoid this situation.

Further this Division was able to prepare a programme to quickly effect the payment made by the institution to the third party, the salaries and other payments to the employees of the institution by using modern technical method. Within that programme it was able to pay the money payable to the parties as well as the employees spread in various regions in due time.

Our company, which is getting profit out of business activities, is not receiving funds from the consolidated funds of the General Treasury and during this year the institution gave a dividend of Rs. 3 million from the nett profit to the General Treasury.

By facing successfully to the market financial challenges existing within the country, within this period of time was able to earn a profit of Rs. 42.4 million before taxation and Rs. 7.4 million profit after paying the taxes.

It is a great victory to convert the Liability of Rs. 330 million assets of the institution in 2007 to more than in 440 million nett asset by now.

Human Resource Division

High contribution from CFC staff is obtained to achieve the activities of the company. This staff is entitled for all the benefits given to a state companies.

The institution has a human resource that has the qualifications and experiences required professionally as well as carrying out their duties as a team with discipline.

The actions taken during the past for the development of the employees by the Human Resource Division are given below.

- Restructuring the Human Resource Division in order to improve the provision of much better service to the employees of the institution and, efficiency and productivity of the human resource.
- Conducting workshops and seminars to develop the personality and competency of the employees.
- Directing the employees to professional course sponsored by the institution to develop the professional competency of the employees.
- Conducting lectures and sermons by educationists / religious dignitaries for the spiritual development of the employees.
- Conducting the disciplinary inquires Expediently.
- Introduction of new revised performance appraisal system.
- Effecting the promotion method according to the achievement level of the employees.
- Directing 100 district fertilizer stores employees to the internationally accepted ICDL computer training.
- Felicitating the employees who have served for a long period and those who go on retirement.
- Taking action to provide financial assistance to the employees who are affected by natural disasters. (A separate fund has been allocated for this purpose)

- Implementing tree planting programme in the premises of the head office.
- According to management service circular No. 30 taking actions to place the employees in the appropriate cadre.

To develop, more methodically, the achievement level of the employees training needs are identified and the relevant employees are directed to the training course. In this actions will be taken not only to develop the professional competency of the employees but also the attitude development.

Human Resource Division has taken necessary actions to improve the essential employee attitudes to develop group activities within the institution and through appraising enhanced the efficiency of the employees In this, through appraising the achievement of all the permanent employees a scheme has been introduced for affecting incentive payment. Through this employees efficiency has been raised to a high level.

Human Resource Division has focussed its attention on the development of the human resources of the institution as well as the welfare actions. For this necessary actions have been taken to provide more facilities by way of providing medical insurance and employee compensation insurance according to Labour Compensation Act. Also actions have been taken to provide sanitary water supply and to install first aid boxes in all the sections of the institution.

Boards have been fixed to improve the creativeness and knowledge of the employees and to inform them the important news. Also Suggestion Boxes have been installed so that the employees can inform the management of their suggestions.



Procurement Division

Procuring the necessary fertilizers and other goods and services, nationally and internationally, is carried out by the Procurement Division. All purchases are made in accordance with the government procurement guidelines and the approval of the Board of Directors.

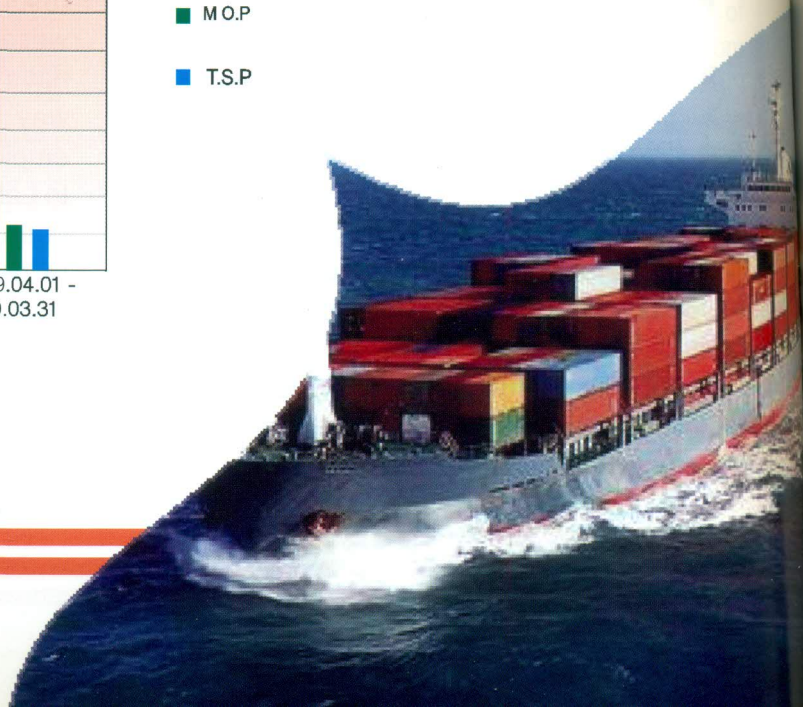
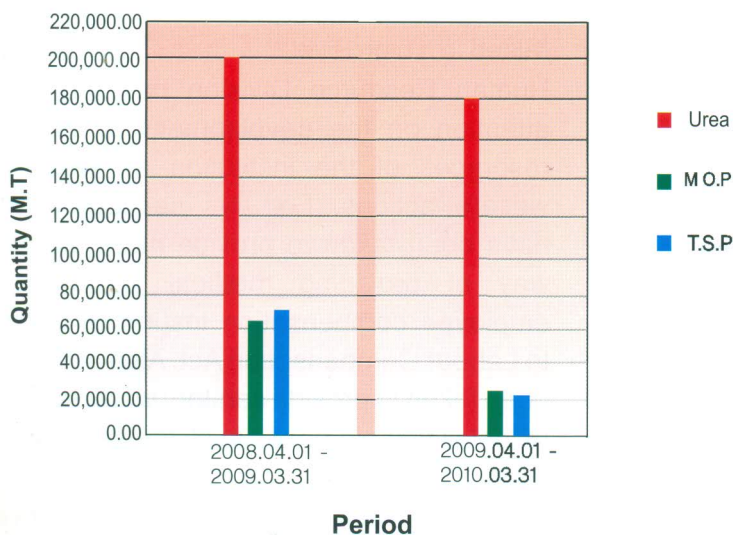
Apart from the company purchasing locally, dolomite and Eppawela Rock Phosphate,, Fertilizer is imported mainly from countries such

as United Arab Emirates, China, Tunisia, Egypt, Qatar, Lebanon, Russia and Belarussia.

During the 12 months period from 2009. 04. 01 to 2010. 03. 31 the quantity of fertilizer imported was 229,332.40 metric tonne. In this period through efficient handling of the our team a gain of Rs. 75,438,102.50 was earned. (by clearing the fertilizer from the harbour quickly).

Import of Fertilizer

Year	Urea (m. t)	M. O. P (m. t)	T. S. P (m. t)
2008.04.01 - 2009.03.31	200,293.60	65,017.00	74,937.72
2009.04.01 - 2010.03.31	181,131.40	25,101.00	23,100.00



Marketing Division

Ceylon fertilizer Company archived the highest market share by efficient distribution of subsidy fertilizer under "Mahinda Chinthana" Programme.

We as the premier Fertilizer supplier to the nation are proud of being able to contribute the Sri Lanka's achievement of target paddy harvest during the period.

The company also re-branded Lakpohora products under "Sanstha" Name and the government's certification of the Lakpohora product helped to reassure quality of the product among the farmers resulting in increased sales.

The company achieve record sales volume of Fertilizer in the urban sector through participation of number of trade exhibitions.

The marketing division in collaboration with the agriculture faculty of University of Peradeniya conducted a work shop on fertilizer, fertilizer usage and deficiency syndromes to enhance the knowledge of the field staff.

We were also very successful in winning number of government tenders in competitive bidding and introduction of special commission scheme to the field staff also contributed to the increase of sales, bringing in an additional Rs. 50 million to the organization's turn over.



Distribution Division

The basic activity of the Distribution Section is carrying out the distribution functions in such a manner that the required quantities of fertilizer required for the cultivators spread all over Sri Lanka, especially for paddy cultivation during “Yala” and “Maha” seasons and other crops reach them in due time.

There is large transport network to transport the imported fertilizer from the harbour to the main fertilizer store complex in Wattala Hunupitiya and to the district stores spread all over the island additional 'wagon' facilities are obtained from Department of Railways for transport as required.

The total amount of fertilizer distributed throughout the island, during this year is 249,332, metric tonne.



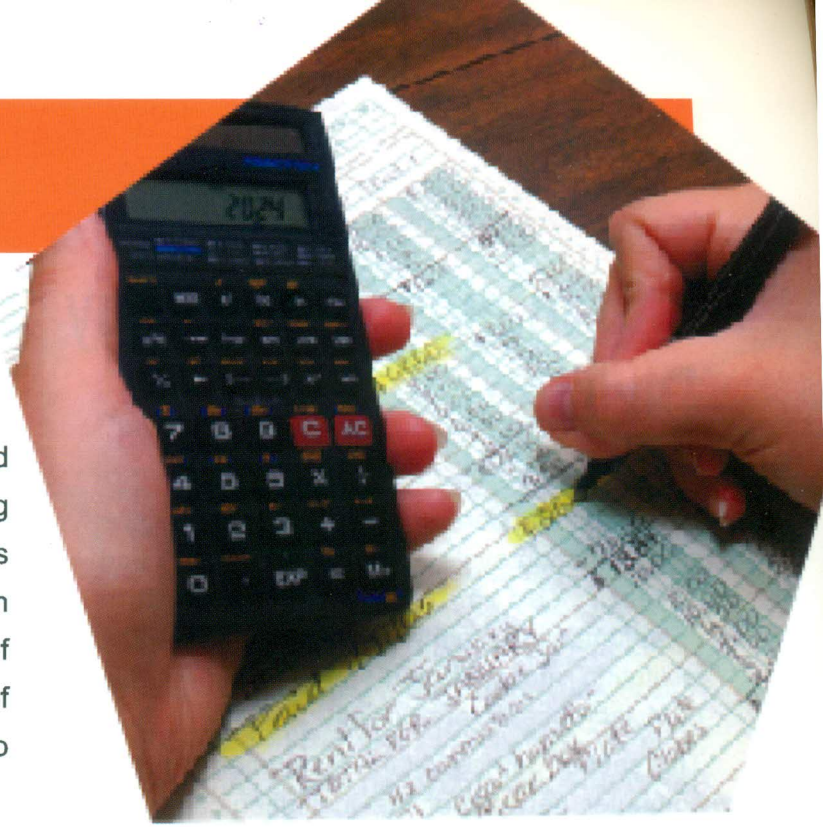
Within this Division there is a full fledged plant to mix the appropriate types of fertilizers for various crops, according to government approved standards, to suit the climate and soil condition of each region.

In this Division there are machine power and human power necessary to achieve any target given to the Distribution Division. There are permanent employees within the institution to win this challenge as well as there are employees who have been outsourced.



Internal Audit Division

In comparison to the past years well organised procedures have been implemented according to the annual audit by establishing regulations for the internal administration. Full attention was focused on regularising importing of fertilizer under institution's main activity of providing subsidy. Thus, it was able to successfully avoid deceit and various abuses. With a clear understanding about the strategic plans and strategic management processes, especially identifying the sectors that place us in status of danger and in order to find successful solutions for them setting up an internal management method and whenever necessary changing the mode of operations in a relevant manner have given the ability to reach viable success through analyzing them. It has been recommended to work in collaboration with the external auditors, as well as replying Internal Audit Department has been Co-operating with internal auditors providing them the necessary information to the enquiries of the government audit and take



necessary actions at appropriate instances. The process of responding to all audit inquiries for this accounting year by collaborating with the internal audit division of the Ministry has been 100% successfully carried out.

More than 50 district fertilizer stores belonging to the institution established all over the island and up to now the audit of these district fertilizer stores has been carried out by the head Office audit section and now that process is carried out efficiently and fruitfully through the new audit unit established in the decentralised main regional stores complex in Polonnaruwa.



Information Technology Division

This Division operates with the aim of creating an information system, which will be safe and formal, by making the information communication technology system of the institution more efficient and appropriate in order to increase the productivity.

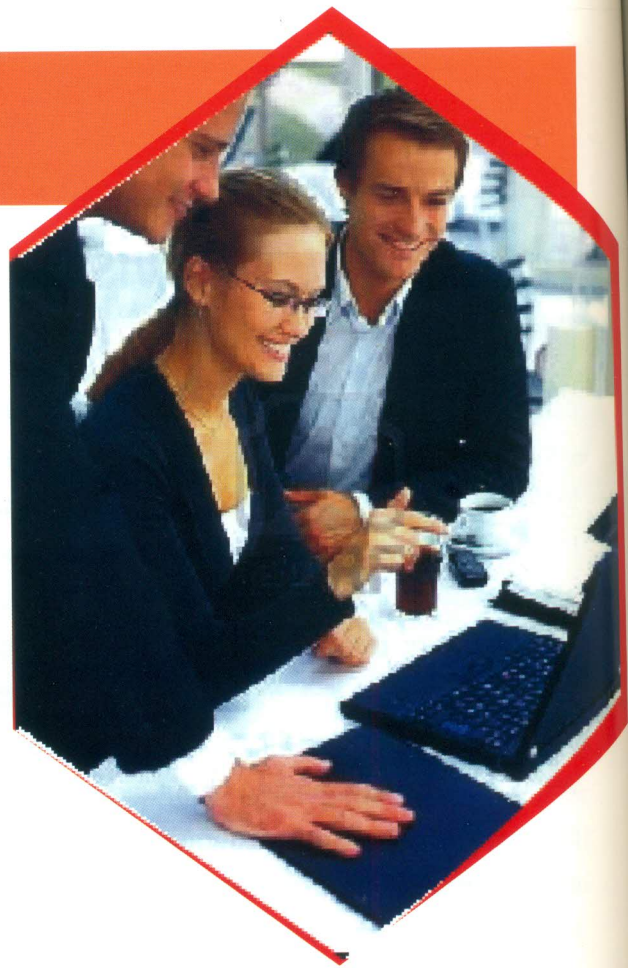
This section carries out the maintenance of the computer network of the institution, applying solutions to eradicate errors, installing and repairing ICT, and managing appropriately the computerized accounting and preparation of salaries system. The following activities have been carried out by the Information Technology Division during the recent past.

Through the wireless computer network brought the stores in the Hunupitiya complex into the network, made the necessary arrangements to computerize the procurement and distribution of all commodities and provided the training.

Provided the necessary facilities for Flat File Transfer Method, by which the salaries and all other payments to the employees could be directly banked.

Providing the necessary facilities to directly bank the third party payments and payments to the suppliers.

Bringing all the computers of the institution under a single computer network and protected all the computers by anti virus software, scanning and updating.



Introducing Open Office software, installing that software in all computers and organised training workshops.

Installing PABX system in the Regional Stores Complex in Polonnaruwa

Introducing and using UNICORD letters

Introducing Proxy Server and managing through it the entire computer network by inter network approach.

Issuing the cheques through the institution's accounting package.

Increasing the capacities of the main computers and increasing the capacity of the computers used according to the need.

Future Plans

Introducing the software to manage the fixed assets.

Updating the internal computer network to suit the needs of the present and the future requirements. Introducing a policy for ICT.

Legal Division

It could be shown that recovery of significant amount of outstanding for a long time and the ability to take legal actions against individuals and institutions which were absconding from repaying the out standings are the special contributions made to the progress of the institution by the Legal Section during the period 2009/2010.

Similarly, during this period the Legal Division took action on complaints during the formal disciplinary inquiries and through carrying out that process quickly and successfully it contributed to reduce the indiscipline actions within the institution. Those actions were made effective through formalizing the disciplinary actions of the company. Accordingly now about 95% of the disciplinary inquiries has been finalized.

During this period Legal Division provided the necessary support to both the employer and the employee an opportunity to solve the problems of the employees through discussion and as result the Legal Section provided an effective contribution to minimize the industrial conflicts of the employer and employees.

During this period necessary contracts, forms and other legal documents were properly prepared in order to carry out the activities of the institution successfully.

Success in winning all cases, during this period, filed against the company in Labour Tribunal, Commercial High Court, Appeal Court and Supreme Court was a great support to further assure formal legal process followed by the company. Our Legal Division Coordinates with the legal division of the line ministry and Attorney General's Department in accomplishment of the above tasks.



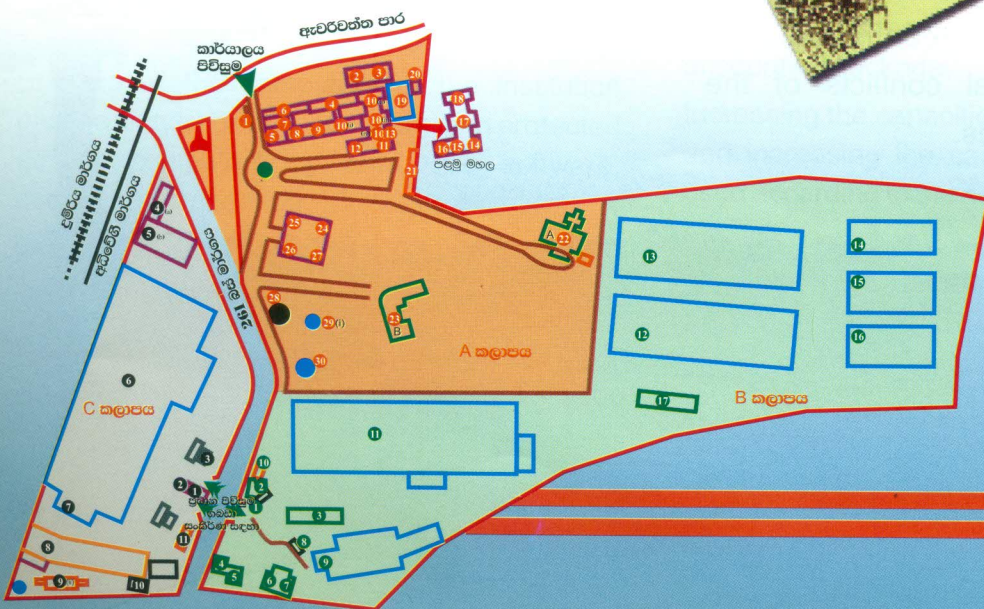
Technical Division

The Technical Division carries out all the maintenance activities of the buildings, internal roads, machines, engines, vehicles, electricity, telephones and water supply of the Ceylon Fertilizer Company Limited Head Office complex and the district store complexes spread throughout the country. In addition, the employees of the Technical Division contribute to the strong implementation of the institution's distribution process by efficiently maintaining the mixing machine and the weigh - bridge which carry out the main task of the distribution process as well as the stacker machine.

The employees of this division are maintaining a home garden in the main stores complex and it is very important for the beauty of the institution as well as supplying the relevant crop at a cheaper price to the employees. This Division won the first place, consecutively during the last two years, as the "Best Home Garden" in the competition held under the programme "Let's Plant - Let's build the

country", for the government sector in Kelaniya Divisional Secretariat Division. The commitment of the employees of this Division was a great support for this and they have prepared the Ceylon Fertilizer Company's home garden for this year's competition too.

Further the employees of the Technical Division contribute highly for the general activities of the institution.



Financial Statements

for
the year ended March 31.2010

Ceylon Fertilizer Company Limited
Hunupitiya
Wattala.

FERNANDO + HEWAGE CO

(Chartered Accountants)

Tel/Fax: 094 11 - 2641589

E-mail : f heo@sltnet.lk

gregory f@sltnet.lk

CEYLON FERTILIZER COMPANY LIMITED

FOR THE YEAR ENDED MARCH 31, 2010

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FERNANDO + HEWAGE CO

(Chartered Accountants)

32, Fernando Place, Moratuwa, Sri Lanka

Tel: +094 11- 2641589 Fax +94 11- 2641589 Email f_hco@slt.net.lk , gregory_f@slt.net.lk

L. S. G. Fernando . *MBA, BA, FCA, ACMA, APFD, DIP In ACC.*

INDEPENDENT AUDITOR'S REPORT

TO THE SHARE HOLDERS OF CEYLON FERTILIZER COMPANY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Fertilizer Company Limited, which comprise the balance sheet as at 31.03.2010, the income statement, statement of changes in equity and cash flow statement for the year then ended, and summary of significant accounting policies and the explanatory notes as set out on pages 7 to 31.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

1. Land – Revalue at Rs. 1,525,455,000/=

We refer to the note 2.1. Land at Hunupitiy which more fully full explains the status.

2. Receivables

It is appeared that the amount of Rs. 130,328,770.51 receivable from General Treasury, shown under note 9 c, has been shown in the books of accounts since 1988. No evidences were made available to confirm that theses balance will be settled by General Treasury. No provision has been made in the accounts for this non-recoverable balance.



3. Deposits

No evidence was made available that the amounts of Rs. 1,680,000 shown under Note 10 a - Treasury deposit, with the General Treasury made in 1990, would likely to be refunded by General Treasury. Provision has not been made in the accounts for this deposit.

4. Circuit bungalow - Gamploa

A sum of Rs. 15,391,201.54 has been spent on the construction of Circuit Bungalow at Ambuluwawa, No evidence that the Company will get ownership or any economic benefit from this expenses at present or in future. Further we refer the Note 3. A. which more fully explains the status.

5. Advance payments and engineering stock management

Accounting errors and procedural weakness were observed.

6. Tax payable

The Tax payable by the Company as per Note 14 .C taxation is Rs 17,246,683. The status of this liability was not be able to ascertain as the taxation of the Company is handled by the Tax Consultant, H. T, Peris & Co, (Chartered Accountants).

Opinion

In our opinion, except for the effects on financial statement of the matters referred to preceding paragraph number 1, 2, 3, 4, 5 and 6 so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2010 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2010 and its profits and cash flow statement for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

Fernando + Hewage Co.
Fernando + Hewage Co.
(Chartered Accountants)
August 25, 2010



CEYLON FERTILIZER COMPANY LIMITED
BALANCE SHEET AS AT 31ST MARCH 2010

	Note	31/03/2010 Rs.Cts	31/03/2009 Rs.Cts
ASSETS			
NON CURRENT ASSETS			
Property, Plant & Equipment	2	1,902,075,430.00	1,686,442,552.66
Capital Work-in-progress	3	15,934,102.62	20,024,735.08
Investment			
Investment in Treasury Bills (Compensation)	4	135,999,999.14	
Fixed Deposit for Housing Loan	5	1,685,856.57	1,491,248.63
Gratuity Investment	6	61,396,105.32	56,194,184.38
Insurance Fund Investment	7	133,123,495.45	114,929,363.54
		<u>2,250,214,989.10</u>	<u>1,879,082,084.29</u>
CURRENT ASSETS			
Inventories	8	330,434,908.34	551,316,544.25
Receivables	9	23,385,304,898.81	14,720,830,192.05
Deposits, Prepayments & Advances	10	146,974,283.62	116,697,296.83
Cash and Cash Equivalents	11	24,630,569.25	44,657,368.59
		<u>23,887,344,660.02</u>	<u>15,433,501,401.72</u>
TOTAL ASSETS		<u>26,137,559,649.12</u>	<u>17,312,583,486.01</u>
EQUITY AND LIABILITIES			
CAPITAL & RESERVES			
Share Capital	12	502,456,080.00	502,456,080.00
Revaluation Reserve		1,986,087,279.89	1,616,307,519.30
Profit & Loss Account		208,796,712.58	201,385,007.29
		<u>2,697,340,072.47</u>	<u>2,320,148,606.59</u>
NON CURRENT LIABILITIES			
Housing Loan Investment Fund		1,685,856.57	1,510,422.00
Gratuity Fund		56,776,176.88	53,442,842.51
Insurance Fund		133,123,495.45	114,929,363.54
Long Term Loan	13	11,837,929,927.91	0.00
		<u>12,029,515,456.81</u>	<u>169,882,628.05</u>
CURRENT LIABILITIES			
Creditors	14	6,275,234,271.16	9,662,407,555.32
Accrued Expenses	15	86,337,531.29	56,254,351.16
Refundable Deposits & Receipts in Advance	16	24,826,318.65	75,487,080.93
Bank Loans	17	4,851,000,000.00	4,947,255,482.31
Bank Overdrafts	18	173,305,998.74	81,147,781.65
		<u>11,410,704,119.84</u>	<u>14,822,552,251.37</u>
TOTAL EQUITY & LIABILITIES		<u>26,137,559,649.12</u>	<u>17,312,583,486.01</u>
Net assets per share		5.37	4.62

It is certified that the Financial Statements have been prepared in compliance with the requirements of Companies Act No 07 of 2007

Priyantha Samaraweera
Priyantha Samaraweera
Finance Manager

The Board of Directors is responsible for preparation and presentation of these financial statements.

Signed for and on behalf of the Board.

B. Madhahewa
B. Madhahewa
Chairman

Hunupitiya Wattala
04.08.2010

S. Ganaegoda
S. Ganaegoda
Director



CEYLON FERTILIZER COMPANY LIMITED

TRADING PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 st MARCH 2010

	<u>Note</u>	01/04/2009 31/03/2010 <u>Rs.Cts</u>	01/08/2008 31/03/2009 <u>Rs.Cts</u>
Net Turnover	19	1,904,299,850.80	1,370,080,315
Less: Cost of Sales	20	<u>1,581,473,747.54</u>	<u>1,148,793,944</u>
Gross Profit		322,826,103.26	221,286,371
Add: Other Operating Income	21	<u>132,287,778.96</u> 455,113,882.22	<u>130,892,642</u> 352,179,013
Administration Expenses	22	322,908,465.10	203,854,247
Selling & Distribution Cost	23	13,703,032.28	7,631,488
Profit from Operations		<u>118,502,384.84</u>	<u>140,693,278</u>
Finance Cost	24	76,090,679.55	103,977,800
Amortisation of Good Will		0.00	1,627,207
Profit for the year before Taxation		42,411,705.29	35,088,271.03
Provision for the Income Tax	25	(35,000,000.00)	(25,092,763)
Net Profit		<u>7,411,705.29</u>	<u>9,995,508</u>
Earnings per Share		0.17	0.22



CEYLON FERTILIZER COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2010

	<u>Share Capital</u>	<u>Revaluation Reserve</u>	<u>Accumulated Profit</u>	<u>Total</u>
	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2009	502,456,080	1,616,307,519	201,385,007	2,320,148,607
Revaluation of assets as at 31.03. 2010		233,779,760		233,779,760
Recognition of value of land acquired by RDA		136,000,000		136,000,000
Profit for the Year	-	-	7,411,705	7,411,705
Balance as at 31st March 2010	<u>502,456,080</u>	<u>1,986,087,280</u>	<u>208,796,713</u>	<u>2,697,340,072</u>



CEYLON FERTILIZER COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2010

	<u>31.03.2010</u>	<u>01.08.2008 to 31.03.2009</u>
<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Cash Flows from Operating Activities		
Net Profit before Taxation	42,411,705	36,715,478
Adjustments for :-		
Depreciation	22,372,077	13,602,442
Provision for Bad & Doubtful Debts	8,763,071	4,027,737
Provision for Insurance	18,194,132	13,015,098
Provision for Gratuity	3,333,334	9,372,573
Provision for Housing Loan	175,435	
Write off of Goodwill		(1,627,207)
Income Tax paid	31,035,038	22,730
Export Subsidy	<u>(9,391,231,688)</u>	<u>(26,075,243,610)</u>
	<u>(9,307,358,602)</u>	<u>(26,036,830,237)</u>
Operating Profit before working capital changes	(9,264,946,897)	(26,000,114,759)
Increase)/Decrease in Inventories	220,881,636	(69,592,034)
Increase)/Decrease in Receivables	379,080,898	56,318,913
Increase)/Decrease in Other Receivables	(30,276,987)	270,353,390
Economic Service Charge & Income Tax Paid	(5,385,830)	(4,190,708)
Increase)/(Decrease) in Payables	(3,447,822,492)	1,785,355,169
Increase)/(Decrease) in other Payables	<u>(20,577,582)</u>	<u>31,960,379</u>
	<u>(2,904,100,357)</u>	<u>2,070,205,109</u>
Cash Generated from Operations	(12,169,047,254)	(23,929,909,650)
Financial Activities		
Share capital		58,000,000
Subsidy Received	338,913,013	18,971,393,930
Compensation for land acquired	136,000,000	
Short / Long Term Loan	<u>11,741,674,446</u>	<u>4,947,255,482</u>
	<u>12,216,587,459</u>	<u>23,976,649,412</u>
	47,540,205	46,739,762
Investing Activities		
Acquisition for Property, Plant & Equipments	(5,315,358)	(57,230,781)
Proceeds on Disposal of Assets	1,090,164	
Work in Progress	4,090,632	(2,129,301)
Housing Fund Investment	(194,608)	0
Gratuity Fund Investment	(5,201,921)	(13,490,331)
Insurance Fund Investment	(18,194,132)	(13,015,098)
Special Fund Investment	<u>(135,999,999)</u>	
	<u>(159,725,222)</u>	<u>(85,865,511)</u>
Net Increase/Decrease in Cash and Cash Equivalents	(112,185,016)	(39,125,749)
Cash & Cash Equivalents 31/03/2009	(36,490,413)	2,635,336
Cash & Cash Equivalents 31/03/2010	(148,675,429)	(36,490,413)
Cash and Cash Equivalents	As At 31/03/2010	As At 31/03/2009
Cash at Bank and in Hand	24,630,569	44,657,369
Bank Overdrafts	(173,305,999)	(81,147,782)
	<u>(148,675,429)</u>	<u>(36,490,413)</u>



1. Accounting Policies

1.1 Reporting Entity

Ceylon Fertilizer Company Limited is a Company incorporated and domiciled in Sri Lanka.

The address of the Company's Registered Office is at Bishop hill, Hunupitiya, Wattala .

On August 01, 2008 Thamakaduwa Agro Fertilizer Company Limited having shareholders equity of Rs. 56,372,272.57 as at July 31, 2008 was amalgamated with the Company.

Accounting period of the Company was January 01 to December 31 up to financial year 2007. In 2008 the financial statements was prepared for the seven months ended 31 July 2008 and eight from August 01, 2008 to March 31, 2009.

1.2 Basis of Preparation

1.2.1 Statement of Compliance

The financial statements have been prepared in accordance with Sri Lanka Accounting and auditing Standards Act no 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLASs) promulgated by The Institute of Chartered Accountants of Sri Lanka, and compliance with the requirements of companies Act No. 7 of 2007.

The Financial Statements were authorised to issued by Directors on 25.08.2010

1.2.2. Responsibility for Financial Statement

The Board of Directors is responsible for the preparation and presentation of the financial statements.

1.2.3 Basis of measurement m

The Financial statements are presented in Sri Lankan rupees, which is the functional currency.

The Financial Statements prepared on the historical cost basis except Land and buildings, Plant and equipments office furniture which are stated at fair value as explained in the Note 2- Property, Plant & Equipment in page 14 to the Financial Statements.

The Company's balance sheet represents the assets and liabilities and equity of the share holders.

The accounting policies have been applied consistent with those used in previous year except changes in categorization of Income tax liabilities under liabilities in current year. It was indicated under current assets in the previous year.

1.3 Significant Accounting policies

The Accounting Policies set out below are consistent with those used in the previous year. Certain comparative information has been reclassified to conform to current year's presentation.

The Directors have made assessment of the Company's ability to continue as a going concern in the foreseeable future, and they do not foresee a need for liquidation of trading.



Ceylon Fertilizer Company Limited
Notes to the Financial Statements

1.3.1 Foreign Currency Transaction

Transactions in foreign currencies are translated into rupees at exchange rates applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to rupees at exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

1.3.2 Assets and their bases of valuation

Assets classified as current assets on the Balance Sheet are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle or within one year from the Balance Sheet date, whichever is shorter

1.3.2.1 Property Plant and Equipment

1.3.2.1.1 Owned assets

Items of property, plant and equipment are measured at cost or fair value or revalued value less accumulated depreciation and accumulated impairment losses.

In principle, the cost of property, plant and equipment is cost of acquisition or constructions together with any expenses incurred in bringing the assets to its working condition for its intended use. Where an item comprises major components having different useful lives, they are accounted for as separate items of Property, plant and equipment.

When assets are revalued, any increase in carrying amounts is transferred to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual assets are charges against revaluation reserve directly in equity. All other decreases are expensed in the Income statement.

The expenditure incurred in constructing structures and building in state land used by the Company, except in Hunupiitya complex, is recognised in the Income statement as an expense as incurred.

Expenditure incurred to replace an item of property, plant and equipment that is accounted for separately, and is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

1.3.2.1.2 Leased assets

The land and property which will be leased to the Company in future will be recognised in accordance with the nature and terms of leases.



Ceylon Fertilizer Company Limited
Notes to the Financial Statements

1.3.2.1.3. Recognition and derecognition

The lands and properties that were not recognized due to non vesting or acquired by another state authority are recognised when the ownership was transferred or approval given for transfer or paid compensation.

The carrying amount of an item of property, Plant and equipment is derecognized on disposal or when no future benefits are expected from its use or disposal. Gains and losses on derecognition are recognized in profit and losses.

1.3.2.4 Depreciation

Depreciation is charged to the income statement on straight line basis over the estimate useful lives of items of property, plant and equipment and major components that are accounted separately, free hold lands are not depreciated.

The estimated useful lives are as follows:

Building	40 years
Plant and Equipment	10 years
Mixing plant	05 years
Mortar Vehicle	05 years
Bicycles	03 years
Office Furniture	03 years
Office equipments	03 years
Workshop tools	05 years
Lab equipments	03 years
Other equipments	03 years
Canteen equipments	05 years
Computer accessories	03 years

Depreciation of assets begins when it is available for use and ceases at the earlier of the date on which the assets is classified as held for sale or derecognised.

Depreciation methods, useful lives and residual values are re-assessed at the Balance Sheet date.



Ceylon Fertilizer Company Limited

Notes to the Financial Statements

1.3.2.2 Inventories

Inventories eligible for government subsidiary are stated at the subsidy rate decided by the Government.

Inventories owned by Company but not imported under subsidy scheme are stated at the cost including the entire expenses incidental to the purchasing and cost of transports incurred to distribute to the District Fertilizer Stores (DFSs).

In the case of finished products cost includes all direct expenditure and production overhead are based on a normal level of activity.

Consumable stocks and packing materials that are stated at the cost, the cost is determined on first in first out basis.

1.3.2.3 Debtors

Debtors are stated at the amount they are estimated to realize, net of provision for bad debts and doubtful receivable. The provision for bad debts on trade debtors has been made at the following rates on principal outstanding.

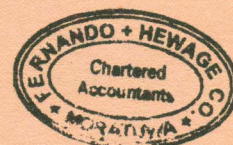
Over three to six months	05%
Six to twelve months	10%
One year to two years	25%
Two to three years	50%
Over three years	100%

1.3.2.4 Cash and cash equivalent

Cash and cash equivalent comprise cash and demand deposits, Bank overdrafts that are payable on demand form integral part of the Company cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

1.3.3 Liabilities and provisions

Liabilities classified as current liabilities on the Balance Sheet are those which fall due for payment on demand or within one year from the Balance Sheet date. None current liabilities are those balances that fall due for payment later than one year from the Balance Sheet date. All known liabilities have been accounted for in preparation of financial statements.



Ceylon Fertilizer Company Limited
Notes to the Financial Statements

1.3.3.1 Employees benefits

1.3.3.1.2. Definite contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligation for contribution to Provident Fund and Trust Fund covering all employees are recognised as expenses in profit and loss as incurred.

1.3.3.1.3 Defined benefit plan

A definite benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plans.

Provisions have been made for retirement gratuity from the first year of service for all employees in conformity with Sri Lanka Accounting Standard (SALS) 16 Retirement Benefit Cost. However, under Payment of Gratuity Act no 12 of 1983, the liability an employee arises only on completion of 5 years of continued service.

1.3.3.1.4. Insurance fund

A provision has been made for an Insurance Fund with an Investment to meet Liabilities in excess of insurance claim.

1.3.3.1.5. Short term benefits

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

1.3.3.2. Provision, contingent assets and contingent liabilities

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent assets are disclosed, where inflow of economic benefit is probable.

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

1.3.3.3. Trade and other Payable

Trade and other payables are stated at cost.

1.3.4 Capital Commitments and contingencies.

Capital commitments and contingent liabilities of the Company are disclosed in the respective Notes to the Financial Statements.



Ceylon Fertilizer Company Limited
Notes to the Financial Statements

1.3.5 Income Statement

For the purpose of presentation of the Income statement, the function of expenses method is adopted, as it represents fairly the elements of performances.

1.3.5.1. Revenue

Revenue from sale of goods is measured at the subsidized value of consideration received or receivables net of returns.

Finance income comprises Interest income on funds invested and gains on translation of foreign currency are recognised in Income Statements. Interest income is recognised in profit and loss as it accrues.

1.3.5.1.1. Turn over

The net turnover excludes turnover taxes and trade discounts. Net Turnover represents the invoiced value of fertilizer related rates less turnover tax and trade discounts.

1.3.5.1.2 Fertilizer subsidiary

Government of Sri Lanka subsidises the sale of three variety fertilizers, i.e. Urea, Muriatic of Potash and Triple Super Phosphate to the paddy farmers qualified under government subsidy scheme. The Subsidy receivable is incorporated into cost of sales.

1.3.5.2 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to the income statement.

The costs of minor construction work done at lands not belongs to the Company, to provide basic facilities for the staff at DFSS, are recognised as expenses.

1.3.5.2.1. Grants/Subsidies

Grants are recognised when there is reasonable assurance that they will be received and the Company complies with the conditions associate with the grants. Grants that compensate the Company expenses incurred are recognised in profit and loss on a systematic basis in the period in which the expenses are recognised.

1.3.5.2.2. Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred except to the extent that they are directly attributable to the acquisition, construction or production of qualifying assets in which case it is capitalized as a part of the cost of that assets.



Ceylon Fertilizer Company Limited
Notes to the Financial Statements

1.3.5.2.3 Financing expenses

Financing expenses comprises interest payable on borrowings, losses on translation of foreign currency

1.3.5.5.4 Taxation

1.3.5.5.4.1 Income tax expenses

Income tax for the year comprises current and differed tax. Income tax expenses are recognised in the Income Statement.

Current tax is the expected tax payable on taxable income for the year, using tax rate enacted at the Balance Sheet date and any adjustments to tax payable in respect for the previous years.

1.3.5.5.5.2. Differed tax

Differed taxation is the tax attributable to the temporary differences that arise when taxation authorities recognised and measure assets and liabilities with rules that differ from those the financial statements.

Differed tax is provided using the liability method on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

1.4 General

1.4.1. Events after Balance Sheet date

All material post balance sheet events have been made in the respective Notes to the Financial Statements.

1.4.2 Net Asset per share

The Company presents a net assets per share of its ordinary shares. Net assets per is calculated by dividing the total assets less current liabilities dividing to ordinary share of the Company

1.4.3 Earnings per Share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of Company outstanding during the period.

1.4.6. Cash Flow Statement

The Cash Flow statement has been prepared using the "Indirect Method"

Interest paid is classified as an operating cash flow. Grants receivable are shown under adjustments. Interest income are shown under other income and added to profits and loss.



NOTE 02 - LAND PROPERTY, PLANT & EQUIPMENT

Description	Land	Buildings	Plant & Machinery	Other Equip:	Mixing Plant	Office Furniture	Office Equip:	Workshop Tools	Lab Equip:	Motor Vehicles	Bicycle	Canteen Equipment	Computer Access:	TOTAL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST														
Cost / Revaluation Cost as at 1st April 2009	1,366,960,000	319,671,600	10,876,028	186,311	-	8,202,942	6,388,773	2,700	1,126,923	36,164,693	203,250	23,860	5,004,478	1,741,709,248
Add Addition for the Year	1,686,400	-	388,823	-	-	367,666	222,899	-	-	-	42,406	-	2,687,776	5,315,368
Less Disposal during the Year	-	-	-	-	-	-	9,600	-	-	2,143,673	-	-	-	2,163,073
Cost as at 31st March 2010	1,367,646,400	319,671,600	11,263,851	186,311	-	8,569,998	6,602,173	2,700	1,126,923	33,021,020	245,656	23,860	7,692,254	1,744,871,833
DEPRECIATION														
Accumulated as at 01st April 2009	-	27,406,442	3,917,820	76,278	-	1,431,481	2,487,319	1,766	1,081,829	16,266,668	91,646	20,013	2,486,663	55,266,696
Add Depreciation during the Year	-	7,989,290	1,087,603	82,104	-	2,734,314	1,796,266	840	44,094	6,916,919	67,260	3,638	1,668,169	22,372,077
Less Depreciation Provided on Assets Disposed	-	-	-	-	-	-	7,909	-	-	1,056,000	-	-	-	1,062,909
Accumulative Depreciation Value as at 31st March 2010	-	35,397,732	5,006,323	157,382	-	4,166,796	4,276,666	2,296	1,126,923	22,129,677	168,806	23,860	4,163,712	76,876,864
Net Book Value as at 31st March 2010	1,367,646,400	284,273,868	6,258,528	48,929	-	4,424,201	1,326,506	406	-	10,891,443	86,849	-	3,538,542	1,668,296,870
Re-valuation Value as at 31st March 2010	1,626,466,000	332,171,900	3,946,660	2,081,110	1,970,000	6,141,016	2,322,760	182,160	661,360	23,216,000	146,100	3,760	3,819,746	1,902,076,430
Re-valuation Surplus/(Deficit)	167,909,600	47,998,032	(2,311,978)	2,002,181	1,970,000	1,716,814	996,256	181,748	661,360	12,323,667	68,251	3,760	281,203	233,779,760

NOTE 02 . 1 - Land at Hunupitiya

A part of Hunupitiya stores and production complex premises was acquired for Colombo Katunayake Express Highway. This portion of land was not taken into revaluation made on 31 March 2006 by the chartered valuation Surveyor Mr. P.P.T. Mohideen of 18 A, Schofield Place, Colombo 3, due to uncertainty of transferring the ownership of the land to Company. Thus this portion of land shown in the books of accounts at zero value

This portion of land and building was taken into books of account at the revalued value of Rs. 136,000,000 which was the market values for the payment of compensation. This amount of Rs. 136,000,000 was transferred to Revaluation Account

During the year under review, the Cabinet of Ministers approved to transfer the ownership of the land and property at Boshophill, Hunupitiya where the Ceylon Fertilizer Company is located, on 09.09.2009 under cabinet paper refer 09/1534/315/070 dated 11.08.2009

Note 02 .2 Land and buildings

Land and buildings situated at Station Road Hingurakgoda, Buildings at State land Kaduruvela, land and circuit bungalow at Trincomallee, land and buildings at Akurass, Matale, Kurunagala, Nuweraeliya Kegalle Hingurakgoda, Polgahawela, Madhavachchiya, Kuruvita, Dodangoda, Mathugama, Koggala dehigahalanda and Weeravila where District Fertilizer Stores are located were not belong to Ceylon Fertilizer Co. The economic benefits derived and contribution from these assets are not reflects in the financial operations

Note 02 3. Changes in classification

The different categorization of some movable assets were done after revaluation as shown under Note 2 a, 2 b and 2 c.



Fernando + Hewage Co (Chartered Accountants) Moratuwa

Ceylon Fertilizer Company Limited
Notes to the Financial Statements

NOTE 02 a - LAND, PROPERTY, PLANT & EQUIPMENT (HUNUPITTYA)

DESCRIPTION	Land	Buildings	Plant & Machinery	Other Equip:	Mixing Plant	Office Furniture	Office Equip:	Workshop Tools	Lab Equip:	Motor Vehicles	Bicycle	Canteen Equipment	Computer Access:	TOTAL
	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts
COST														
Cost / Revaluation Cost as at 1st April 2009	1,355,960,000	261,841,600	8,104,186	149,118	-	7,266,862	3,861,643	-	965,973	30,645,313	7,125	-	4,672,814	1,673,474,633
Add Addition for the Year	1,586,400					192,989	189,497				8,535		2,311,780	4,289,201
Less Disposal during the Year										1,475,000				1,475,000
Cost / Revaluation Cost as at 31st March 2010	1,357,546,400	261,841,600	8,104,186	149,118	-	7,459,850	4,051,140	-	965,973	29,170,313	15,660	-	6,984,594	1,676,288,834
DEPRECIATION														
Accumulated as at 01st April 2009	-	21,274,630	2,271,444	62,289	-	1,175,944	2,015,881	-	921,880	13,034,807	-	-	2,298,826	43,055,701
Add Depreciation during the Year		6,546,040	810,419	49,706		2,422,287	1,287,214		44,093	6,129,063	2,375		1,557,605	18,848,801
Less Depreciation Provided on Assets Disposed										885,000				885,000
Accumulated as at 31st March 2010	-	27,820,670	3,081,863	111,995	-	3,598,231	3,303,095	-	965,973	18,278,870	2,375	-	3,856,431	61,019,502
Net Book Value as at 31st March 2010	1,357,546,400	234,020,930	5,022,323	37,123	-	3,861,619	748,045	-	-	10,891,443	13,285	-	3,128,163	1,615,269,332
Re-valuation Value as at 31st March 2010	1,525,455,000	228,171,900	3,010,500	1,027,145	470,000	5,055,940	1,731,360	182,150	651,350	18,265,000	37,250	3,750	3,746,245	1,787,807,590
Re-valuation Surplus/(Deficit)	167,908,600	(5,849,030)	(2,011,823)	990,022	470,000	1,194,321	983,315	182,150	651,350	7,373,557	23,965	3,750	618,082	172,538,258

Note 02 a 1. Changes in classification

Mixing plant has been separated from Plant and machinery, workshop and canteen equipment are identified as new sub categories.



Fernando + Hewage Co (Chartered Accountants) Moratuwa

Ceylon Fertilizer Company Limited
Notes to the Financial Statements

Note 02 b- PROPERTY, PLANT & EQUIPMENT (DISTRICT FERTILIZER STORES)

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DESCRIPTION	PLANT & MACHINERY	OTHER EQUIPMENT	OFFICE FURNITURE	OFFICE EQUIPMENT	Motor Vehicles	BICYCLES	TOTAL
	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts
COST							
Cost / Revaluation Cost as at 01st April 2009	641,841.47	18,830.50	478,047.90	1,060,118.87	839,280.00	194,625.00	3,232,743.74
Add Addition for the Year	73,025.00		98,680.65	22,818.00		33,870.00	228,393.65
Less transferred to employs					468,573.00		
Cost as at 31st March 2010	714,866.47	18,830.50	576,728.55	1,082,936.87	370,707.00	228,495.00	2,992,564.39
DEPRECIATION							
Accumulated as at 01st April 2009	103,960.81	6,329.38	112,133.61	210,245.67	202,851.00	90,056.25	725,576.72
Add Depreciation during the Year	64,184.15	6,276.83	159,349.30	353,372.96	167,856.00	64,875.00	815,914.24
Less Depreciation Provided on Assets Disposed							
Accumulated as at 31st March 2010	168,144.96	12,606.21	271,482.91	563,618.63	370,707.00	154,931.25	1,541,490.96
Net Book Value as at 31st March 2010	546,721.51	6,224.29	305,245.64	519,318.24	0.00	73,563.75	1,451,073.43
Re-valuation Value as at 31st March 2010	0.00	1,023,965.00	700,200.00	27,925.00	0.00	105,350.00	1,857,440.00
Re-valuation Surplus/(Deficit)	(546,721.51)	1,017,740.71	394,954.36	(491,393.24)	0.00	31,786.25	406,366.57

Note 02 b 1. Changes in classification

Plant and Machinery is re named as other equipments



Fernando + Hewage Co (Chartered Accountants) Moratuwa

Ceylon Fertilizer Company Limited
Notes to the Financial Statements

NOTE 02 c - PROPERTY, PLANT & EQUIPMENT (POLONNARUWA)

DESCRIPTION	BUILDING	PLANT & MACHI.	OTHER EQUIP.	MIXING PLANT	OFFICE FURNITURE	OFFICE EQUIP.	WORK SHOP	LAB EQUIP.	MOTOR VEHICLES	CANTEEN EQUIPMENT	BICYCLES	Computer & Access:	TOTAL
	Rs.	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts
COST													
Cost / Revaluation Cost as at 01st April 2009	57,730,000.00	2,129,000.00	18,363.00	0.00	458,032.00	467,011.75	2,700.00	159,950.00	3,680,000.00	23,650.00	1,500.00	331,664.19	65,001,870.94
Add Addition for the Year		315,798.00			95,385.11	10,584.00						375,996.50	797,763.61
Less Disposal during the Year						9,500.00			200,000.00				209,500.00
Cost as at 31st March 2010	57,730,000.00	2,444,798.00	18,363.00	0.00	553,417.11	468,095.75	2,700.00	159,950.00	3,480,000.00	23,650.00	1,500.00	707,660.69	65,590,134.65
DEPRECIATION													
Accumulated as at 01st April 2009	6,133,812.43	1,542,415.07	6,660.00		143,403.83	261,192.35	1,755.00	159,949.50	3,028,000.00	20,012.50	1,490.00	186,726.88	11,485,417.69
Add Depreciation during the Year	1,443,250.00	212,900.00	6,121.00		152,677.33	155,670.58	540.00	0.50	622,000.00	3,637.50	10.00	110,554.73	2,707,361.64
Less Depreciation Provided on Assets Disposed						7,908.75			170,000.00				177,908.75
Accumulated as at 31st March 2010	7,577,062.43	1,755,315.07	12,781.00	0.00	296,081.16	408,954.18	2,295.00	159,950.00	3,480,000.00	23,650.00	1,500.00	297,281.61	14,014,870.45
Net Book Value as at 31st March 2010	50,152,938	689,483	5,582	-	257,336	59,142	405	-	-	-	-	410,379	51,575,264.10
Re-valuation Value as at 31st March 2010	104,000,000.00	938,080.00	0.00	1,600,000.00	384,875.00	563,475.00	0.00	0.00	4,960,000.00	0.00	2,600.00	73,600.00	112,410,400.00
Re-valuation Surplus/(Deficit)	53,847,062	248,597	(5,582)	1,500,000	127,539	504,333	(405)	-	4,950,000	-	2,500	(336,879)	60,835,135.90

Note 02 c 1. Changes in classification

Mixing plant has been separated from Plant and Machinery.



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Ceylon Fertilizer Company Limited
Notes to the Financial Statements

		31/03/2010	31/03/2009
		<u>Rs.Cts</u>	<u>Rs.Cts</u>
<u>NOTE - 03 - CAPITAL WORK-IN-PROGRESS</u>			
Hunupitiya New Building		0.00	2,504,232.46
Circuit Bungalow - Gampola	Note 3 a	15,391,201.54	15,391,201.54
Developing Software System	Note 3 b	542,901.08	542,901.08
Maga Neguma Road Construction work		0.00	1,586,400.00
		<u>15,934,102.62</u>	<u>20,024,735.08</u>

Note 3 a Circuit Bungalow - Gampola

A sum of Rs. 15,391,201.54 was spent on the construction of Circuit Bungalow at Ambuluwawa, the title of the land was not in favour of to Ceylon Fertilizer Co. Ltd., (CFC) and the Bungalow has not been used by CFC. In this connection, CFC has communicated with then the Secretary, Ministry of Agriculture and Live Stock to ascertain the consideration of cost incurred on the Bungalow. But CFC has not received any response to date from that Ministry. Now no information is available about the current custodians, owners or administrators of this building.

Note 3 b. Developing Software System

This represents the payment made to M/s Soft logic Information Systems (Pvt) Ltd., for developing software system under the agreement signed on 18 April 2002 for Rs. 601,601,27 to be implement the program on 30 th September 2002.. Only Debtors Control System, Inventory Control System and payroll system have been completed. General Ledger System partly implemented and Production Control System of Inventory Control system has not yet been commenced

Note No: 04 Colombo-Katunayaka Compensation Special Investment

Treasury Bill - Peoples Bank - LKA 18210F044	60,999,999.14	0.00
Treasury Bill - BOC - RDA-217	<u>75,000,000.00</u>	<u>0.00</u>
	<u>135,999,999.14</u>	<u>0.00</u>

NOTE - 05 - FIXED DEPOSITS FOR HOUSING LOAN

People's Bank - Majestic City - Fixed Deposit No.5540017864	1,685,856.57	1,491,248.63
	<u>1,685,856.57</u>	<u>1,491,248.63</u>

NOTE - 06 - GRATUITY INVESTMENT

Sampath Bank/Peoples Bank (Treasury Bills)	<u>61,396,105.32</u>	<u>56,194,184.38</u>
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NOTE - 07 - INSURANCE INVESTMENT

*People's Bank (Treasury Bills)	<u>133,123,495.45</u>	<u>114,929,363.54</u>
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* Rs.102,180,145.02 kept with People's Bank International Division as a Collateral.



Ceylon Fertilizer Company Limited
Notes to the Financial Statements

	31/03/2010	31/03/2009
	Rs.Cts	Rs.Cts
<u>NOTE - 8- INVENTORIES</u>		
Inventories - 8 A	298,922,748.52	521,927,477.31
Inventories - 8 B	29,022,623.83	29,389,066.94
Inventories Shortage/excess	2,489,535.99	
	<u>330,434,908.34</u>	<u>551,316,544.25</u>
<u>NOTE - 08 A - INVENTORIES</u>		
Fertilizer Cost	297,593,937.10	520,311,165.52
Add: Provision for Transport	1,328,811.42	1,616,311.79
Balance as at 31st March 2009	<u>298,922,748.52</u>	<u>521,927,477.31</u>
<u>NOTE - 08 B - OTHER INVENTORIES</u>		
Consumable Stocks	8,297,021.19	10,993,911.39
Packing Materials	20,725,602.64	18,395,155.55
	<u>29,022,623.83</u>	<u>29,389,066.94</u>



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Ceylon Fertilizer Company Limited

Notes to the Financial Statements

	31/03/2010	31/03/2009
	Rs.	Rs.
NOTE - 09 - RECEIVABLES		
Trade Debtors		
Government Department	148,742,487.45	136,143,828.06
Multi Purpose Co-operative Society	3,139,668.49	4,507,550.01
Agrarian Services Centers	4,818,199.61	7,724,163.09
Authorized Dealer & Others	20,034,393.15	20,748,393.77
	<u>176,734,748.70</u>	<u>169,123,934.93</u>
Returned Cheques		
Polonnaruwa RWC	-	132,367.00
Less: Provision for Bad & Doubtful Debts	(118,707,606.55)	(109,944,535.97)
	<u>58,027,142.15</u>	<u>59,311,765.96</u>
Treasury Subsidiary	23,157,571,300.32	14,444,165,638.04
Other Debtors	26,221,704.20	65,948,130.40
General Treasury	130,328,770.51	130,328,770.51
Debtors Imports	8,498,391.90	16,996,783.80
Sri Lanka Port Authority	4,657,589.73	4,079,103.34
	<u>23,385,304,898.81</u>	<u>14,720,830,192.05</u>

Note 9 a Change in classification of Taxation Account

Credit balance of Rs. 18,667,550.71 in the taxation account which was shown under trade debtors, as at 31.03.2009 for 08 months period then ended as a comparative figure for previous 7 months period ended on 31.07.2008, were transferred to the Current liabilities. The impact of the changes are as follows:

	Other Debtors	Receivables
Balance as at 31.03.2009	Rs. 47,280,579.69	14,702,162,641.34
Less: Taxation account	Rs. (18,667,550.71)	(18,667,550.71)
As currently shown	Rs. 65,948,130.40	14,720,830,192.05
	Total Assets	Current Assets
Balance as at 31.03.2009	Rs. 15,414,833,851.01	17,293,915,935.30
Less: Taxation account	Rs. (18,667,550.71)	(18,667,550.71)
as currently shown	Rs. 15,433,501,401.72	17,312,583,486.01

NOTE - 09 b - OTHER DEBTORS

Shortage on Sales

D.F.S	793,600.01	1,547,403.14
Polonnaruwa RWC	3,239.00	1,309.00
Other Debtors - Stock Shortages	8,475,949.47	6,193,325.53
Fertilizer On Loan	2,707,500.00	33,204,540.00
Cash Shortage -D F S	0.00	816,601.75
Sundry Debtors	8,011,861.96	17,851,533.99
Withholding Tax Receivable	1,723,590.43	1,644,522.23
V.A.T. Receivable	4,505,963.33	4,688,894.76
	<u>26,221,704.20</u>	<u>65,948,130.40</u>

Note 09 c General Treasury

Since year 1988 and 1989 a sum of Rs. 130,328,770.51 was due from the General Treasury against the Subsidy payment on Urea. In this connection, CFC is communicating with the relevant authorities without any success to date

Note 9 d Debtors Imports

In the Year 1994, a supplier was in default for the supply of Urea fertilizer against a contract. Hence, CFC made a claim against the Performance Bond. The Supplier obtained an injunction order to restrain the release a Performance Bond from the relevant bank. Further, the supplier had referred the matter to an Arbitration and CFC awaiting final outcome of the Arbitration. The CFC Claim against the supplier Rs. 16,996,783.80. Now the Board of Directors decided to write off this in two year period



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Ceylon Fertilizer Company Limited
Notes to the Financial Statements

Note 9 d Debtors Imports

In the Year 1994, a supplier was in default for the supply of Urea fertilizer against a contract. Hence, CFC made a claim against the Performance Bond. The Supplier obtained an injunction order to restrain the release a Performance Bond from the relevant bank. Further, the supplier had referred the matter to an Arbitration and CFC awaiting final outcome of the Arbitration. The CFC Claim against the supplier Rs. 16,996,783.80, Now the Board of Directors decided to write-off this in two year period

		31/03/2010	31/03/2009
		Rs.Cts	Rs.Cts
<u>NOTE - 10 - DEPOSITS, PREPAYMENTS & ADVANCES</u>			
Deposits	Note 10 a	93,516,404.40	87,518,527.86
Prepayments	Note 10 b	29,365,227.78	4,316,231.97
Advance to Employees	Note 10 c	24,092,651.44	24,862,537.00
		<u>146,974,283.62</u>	<u>116,697,296.83</u>
<u>NOTE - 10 A - DEPOSITS</u>			
<u>General Deposits</u>			
Hunupitiya		3,034,230.70	4,355,360.00
Treasury Deposit		1,680,000.00	1,680,000.00
Margin A/C Peoples Bank		86,174,294.40	79,175,761.74
National Savings Bank		2,627,879.30	2,307,406.12
		<u>93,516,404.40</u>	<u>87,518,527.86</u>
<u>NOTE - 10 B - PREPAYMENTS</u>			
<u>Recurrent Expenses</u>			
Hunupitiya		29,298,803.18	4,249,807.37
Polonnaruwa		66,424.60	66,424.60
		<u>29,365,227.78</u>	<u>4,316,231.97</u>
<u>NOTE - 10 C - ADVANCE TO EMPLOYEES</u>			
Festival Advances		160,700.00	131,050.00
Motor Bicycle Loans		515,040.00	682,080.00
Employees Personal Loans		23,042,001.00	24,049,407.00
		<u>24,092,651.44</u>	<u>24,862,537.00</u>
<u>NOTE - 11 - CASH & BANK BALANCES</u>			
People's Bank - 210921		774,559.32	884,908.47
Bank of Ceylon - Kollupitiya -Collection A/C No 0630339		5,555,823.75	10,289,761.79
Sampath Bank - 00110057164		-	14,069,564.63
People's Bank - Polonnaruwa - 0776		5,165,197.00	46,075.00
People's Bank - Polonnaruwa - 0395		2,787,154.77	221,808.45
People' Bank - Majestic City 157001033		-	3,714,454.94
Peels Bank-Wattala 976515		-	6,021,976.32
Peels Bank-Collection A/C No 204501		5,545,104.34	2,230,153.00
Sampath Bank Collection A/C 5064		-	763,652.71
Commercial Bank Collection A/C - 10200755301		4,348,670.41	5,100,454.73
Petty Cash Imprest - Managers		91,123.60	36,657.00
Petty Cash Imprest - Hunupitiya		(36,245.50)	(31,250.50)
Petty Cash Imprest - Polonnaruwa		50,000.00	-
Petty Cash Imprests DFS		157,518.50	387,801.50
Labour Payment Imprests - D.F.S.		6,057.06	913,119.55
Cash in Transit		185,606.00	8,231.00
		<u>24,630,569.25</u>	<u>44,657,368.59</u>



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Notes to the Financial Statements

	31/03/2010 Rs.Cts	31/03/2009 Rs.Cts
<u>NOTE - 12 - STATED CAPITAL</u>		
<u>Authorized Capital</u>		
80,000,000 shares of Rs. 10/- each	800,000,000.00	800,000,000.00
<u>Issued & Fully Paid Capital</u>		
50,245,608 Shares for Rs. 10/- each	502,456,080.00	502,456,080.00
	<u>502,456,080.00</u>	<u>502,456,080.00</u>
<u>NOTE 13 LONG TERM LOAN</u>		
People's Bank	11,837,929,927.91	-
	<u>11,837,929,927.91</u>	<u>-</u>

This represents the loan granted by People's Bank by converting existing short term loans into long term loan payable in 34 months with the consultations of the General Treasury against the subsidy receivable from the General Treasury



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Ceylon Fertilizer Company Limited

Notes to the Financial Statements

	31/03/2010	31/03/2009
	Rs.Cts	Rs.Cts
NOTE - 14 - CREDITORS		
Trade Creditors - Import	6,119,586,239.46	9,482,251,243.82
Sundry Creditors - Hunupitiya	92,859,037.49	118,758,804.01
Excess On Sales	Note 14 b 1,381,243.08	3,436,606.47
Sundry Salary Deductions	-	3,375.00
Suspense Cash Deposits	2,526,578.04	-
Fertilizer On Loan	14,409,860.00	18,136,305.00
Retention Money - Hunupitiya	18,528,624.07	12,519,363.28
Refundable Performance Bond	4,012,230.00	6,700,000.00
1/3 Withholding VAT	3,621,891.14	1,262,079.72
Withholding Tax	732,437.96	343,316.41
Banking Repayable	-	656.00
Welfare	1,500.00	1,500.00
Net Salary Payable	327,935.44	326,743.90
Cashier Banking Exes	11.00	11.00
Taxation	Note 14 c 17,246,683.48	18,667,550.71
	<u>6,275,234,271.16</u>	<u>9,662,407,555.32</u>

Note 14 a Change in classification of Taxation Account

Credit balance of Rs. 18,667,550.71 in the taxation account which was shown under trade debtors in as at 31.30 2009 for the 8 months period then ended as a comparative figure for previous 7 months period ended on 31.07.2008 were transferred to the Current liabilities creditors. The impact of the changes are as follows:

	Total liabilities	Current Liabilities
Balance as at 31.03.2009 creditors		9,643,740,004.61
Add Taxation account		18,667,550.71
As currently shown		9,662,407,555.32
	Total liabilities	Current Liabilities
Balance as at 31.03.2009	17,293,915,935.30	14,803,884,700.66
Add: Taxation account	18,667,550.71	18,667,550.71
As currently shown	17,312,583,486.01	14,822,552,251.37

NOTE - 14 b - EXCESS ON SALES

Polonnaruwa RWC	12,297.24	12,170.24
District Fertilizer Stores	1,368,945.84	3,424,436.23
	<u>1,381,243.08</u>	<u>3,436,606.47</u>

NOTE - 14 c - TAXATION

Balance at 01.04 2009/ 01.08.2009	Note 14 c a 18,667,550.71	(2,234,504.12)
Prohibition For Income Tax	35,000,000.00	25,092,763.00
Income Tax Paid	(31,035,037.50)	(270,205.00)
Social Responsibility Levy	-	(3,469.47)
Economic Service Charges Paid	(5,385,829.73)	(3,917,033.70)
Balance at 01.03.2010/31.03.2009	<u>17,246,683.48</u>	<u>18,667,550.71</u>

Note 14 c a Balance at 01.04 2009 Rs. 18,667,550

Rs. 18,667,550 indicated as Income tax payable for the period to 01.04.2009 is subjected to the finalization of the Income tax reviews by the Inland Revenue Department. According to the Income tax returns submitted under the guidance of Tax Consultants H.T, Peris & Co. no tax outstanding for that period



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Notes to the Financial Statements

	31/03/2010	31/03/2009
	<u>Rs.Cts.</u>	<u>Rs.Cts.</u>
<u>NOTE - 15 - ACCRUDE EXPENSES</u>		
Head Office	85,244,533.11	55,338,170.21
Polonnaruwa RWC	1,092,998.18	916,180.95
	<u>86,337,531.29</u>	<u>56,254,351.16</u>
<u>NOTE - 16- REFUNDABLE DEPOSITS</u>		
<u>& RECEIPTS IN ADVANCE</u>		
Refundable Deposits 16 A	9,107,440.12	7,215,425.17
Receipts in Advance 16 B	15,718,878.53	51,303,129.44
	<u>24,826,318.65</u>	<u>58,518,554.61</u>
<u>NOTE - 16 A - REFUNDABLE DEPOSITS</u>		
Staff Security Deposits	2,627,879.30	2,277,826.56
Refundable Deposits	6,479,560.82	7,732,157.57
	<u>9,107,440.12</u>	<u>10,009,984.13</u>
<u>NOTE - 16 B - RECEIPTS IN ADVANCE</u>		
Hunupitiya	625,748.00	915,942.05
District Fertilizer Stores	10,985,615.02	28,353,047.25
Polonnaruwa RWC	1,642,309.50	208,107.50
Claim against Bank Guarantee	2,465,206.01	-
Road Development Authority	-	36,000,000.00
	<u>15,718,878.53</u>	<u>65,477,096.80</u>
<u>NOTE - 17- BANK LOAN</u>		
People's Bank - Short Term Loan	4,851,000,000.00	4,947,255,482.31
	<u>4,851,000,000.00</u>	<u>4,947,255,482.31</u>
<u>NOTE - 18 - BANK OVERDRAFT</u>		
People's Bank - Wattala 976515	5,048,466.07	-
People's Bank - International 210919	113,908,033.19	78,646,879.86
People's Bank - 210920	45,136,390.80	2,500,901.79
Sampath Bank - 000110057164	9,213,108.68	-
	<u>173,305,998.74</u>	<u>81,147,781.65</u>



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Ceylon Fertilizer Company Limited
Notes to the Financial Statements

NOTE - 19- NET TURNOVER	01/04/2009	01/04/2009	01/08/2008
	31/03/2010	31/03/2010	31/03/2009
	<u>Rs.Cts</u>	<u>Rs.Cts</u>	<u>Rs.Cts</u>
Hunupitiya		154,721,751.00	220,091,620.81
Polonnaruwa		139,201,568.50	88,964,052.00
District Fertilizer Stores		<u>1,818,067,975.29</u>	<u>1,214,360,847.88</u>
		2,111,991,294.79	1,523,416,520.69
Less: <u>Discount</u>			
Hunupitiya	9,396,620.92		9,888,079.46
Polonnaruwa	12,807,568.40		8,919,295.00
District Fertilizer Stores	<u>162,957,755.24</u>	185,161,944.56	121,450,307.56
Less: <u>Taxes</u>			
Turnover Tax		18,384,385.43	13,078,523.95
Return In Wards		<u>4,145,114.00</u>	
		<u>1,904,299,850.80</u>	<u>1,370,080,314.72</u>

NOTE - 20 - COST OF SALES

Opening Stock	20 a	521,927,477.31	451,740,174.10
Add: Purchase	20 b	955,302,756.71	911,007,712.71
Direct Expenses	20 c	<u>378,723,432.14</u>	<u>317,174,058.43</u>
		1,855,953,666.16	1,679,921,945.24
Less: Closing Stock		<u>298,922,748.52</u>	<u>521,927,477.31</u>
		1,557,030,917.64	1,157,994,467.93
Stock Adjustments		26,770,595.00	9,200,524.00
Stock Shortage		2,327,765.10	
		<u>1,581,473,747.54</u>	<u>1,148,793,943.93</u>

NOTE - 20 a - OPENING STOCK 01/01/2008

Cost	520,311,165.52	401,059,293.95
Add: Transport Cost to Complex/DFS's	1,616,311.79	50,680,880.15
	<u>521,927,477.31</u>	<u>451,740,174.10</u>

NOTE - 20 b - PURCHASES

Import of Fertilizer CIF Value	9,186,762,416.93	23,806,492,389.86
Subsidy Income	(9,052,318,675.36)	(26,075,243,610.39)
Cargo Insurance	11,747,207.17	17,311,001.92
Duty & Duty Surcharge	213,324,981.00	569,659,993.00
Port & Airport Development Tax	371,922,226.00	610,060,113.00
Discharging Expenses	19,723,884.22	22,480,148.68
Social Responsibility Levy	3,739,447.00	8,544,939.00
Landing Charges	13,097,925.00	14,313,847.00
Stevedoring Charges	104,400,817.00	85,803,464.32
Miscellaneous (Sri Lanka Port Authority)	2,202,580.50	2,604,421.07
Miscellaneous (Custom)	2,532,401.12	1,694,238.34
Demurrage Charges		1,707,676.65
Sampling Charges	8,080,823.22	4,679,887.81
Transport & Handling Charges	161,757,543.97	110,110,221.29
Letter of Credit Charges	49,214,597.08	91,183,322.88
Bank Charges	25,507,686.89	46,159,419.15
Local Purchase	8,811,300.00	4,312,060.82
Packing Materials	2,601,036.59	1,562,370.17
Loss / (Gain) on Exchange	(177,805,441.62)	1,587,571,808.14
	<u>955,302,756.71</u>	<u>911,007,712.71</u>



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**Ceylon Fertilizer Company Limited
Notes to the Financial Statements**

	01/04/2009 31/03/2010	01/08/2008 31/03/2009
	<u>Rs.Cts</u>	<u>Rs.Cts</u>
<u>NOTE - 20 c - DIRECT EXPENSES</u>		
Mixing Charges - Hand & Plant	588,752.65	4,993,416.55
Handling Charges	75,242,175.73	40,378,602.33
Labour Charges	10,672,986.53	8,588,957.52
Transport Charges to DFS	292,219,517.23	263,213,082.03
	<u>378,723,432.14</u>	<u>317,174,058.43</u>
<u>NOTE - 21- OTHER INCOME</u>		
Sundry Income	558,427.71	665,565.00
Claim against performance bond	-	272,300.00
Interest Income	33,442,186.07	23,587,293.91
Income from Penalties - Local	3,545,984.25	2,970,391.27
Packing Material Ex:	2,125.83	12,440.12
Income from Penalties - Import	28,466,629.80	13,881,929.16
Earning From Garden	46,075.00	38,335.00
Dispatch Income	62,613,246.98	84,799,482.33
Sales of Polythene & WPP Bags	1,039,453.57	2,757,599.46
Non Refundable Tender Deposit Income	316,500.00	483,500.00
Rent Income	22,500.00	-
Sale of Fixed Assets	1,671,933.75	-
Earning From Transport	562,716.00	1,423,804.50
	<u>132,287,778.96</u>	<u>130,892,640.75</u>
<u>NOTE - 21 a - INTEREST INCOME</u>		
Bank Interest Fixed Deposit / Treasury Bills	32,444,892.45	22,948,213.91
Personal Loan Interest Income	997,293.62	639,080.00
	<u>33,442,186.07</u>	<u>23,587,293.91</u>



Ceylon Fertilizer Company Limited
Notes to the Financial Statements

NOTE - 22 - ADMINISTRATION & ESTABLISHMENT EXPENSES

<u>Description</u>	Hunupitiya	DFS	Polonnaruwa	Total	Total
	Rs.Cts	Rs.Cts	Rs.Cts	01/04/2009 31/03/2010 Rs.Cts	01/08/2008 31/03/2009 Rs.
Director Remunerations	1,063,995.26	-	-	1,063,995.26	838,871.85
Salaries - Executive	16,358,297.45	4,771,380.93	2,572,125.92	23,701,804.30	12,329,526.77
Salaries - Non Executive	42,885,692.12	37,859,868.89	6,926,068.52	87,671,629.53	52,064,426.25
Employees of Contract Basis	-	-	-	-	53,740.13
Overtime	15,598,720.79	12,443,322.97	1,793,366.58	29,835,410.34	21,254,539.26
Travelling and Subsistence	2,925,924.25	1,287,312.67	406,310.50	4,619,547.42	3,698,893.46
Employees Provident Fund	16,536,832.08	-	-	16,536,832.08	10,848,143.31
Employees Trust Fund	3,307,066.46	-	-	3,307,066.46	2,170,203.32
Government Pension (Company 15%)	98,767.60	-	-	98,767.60	197,495.42
Fuel Allowance for Managers	1,435,832.76	-	-	1,435,832.76	-
Entertainment	439,610.42	34,474.00	32,298.00	506,382.42	167,653.00
Tea Allowance	1,312,576.00	466,138.50	10,828.00	1,789,542.50	1,048,478.00
Annual Bonus	2,825,625.00	-	-	2,825,625.00	-
Medical Leave Payment	7,583,628.47	252,732.90	481,587.62	8,317,948.99	-
Relief Watcher Salary	-	961,848.21	-	961,848.21	105,339.83
Electricity	3,615,872.60	400,358.79	238,020.97	4,254,252.36	3,124,742.71
Telephone, Telex & Cables	1,735,961.12	986,744.75	253,830.22	2,976,536.09	2,462,543.86
License & Insurance	864,498.70	-	20,960.00	885,458.70	717,743.79
Postage	378,340.00	513,855.50	38,960.00	931,155.50	589,751.00
Printing & Stationery	2,148,555.10	597,927.39	139,736.08	2,886,218.57	2,041,586.31
Periodicals & Books	66,430.00	-	14,846.60	81,276.60	56,697.48
Office Equipment Maintenance	604,817.11	9,300.00	-	614,117.11	256,504.92
Office / Sundry Expenses	851,547.45	348,634.40	116,837.00	1,317,018.85	1,213,820.23
Vehicle Running Expenses	2,993,760.82	591,715.80	1,206,425.97	4,791,902.59	3,797,478.11
Water Bill	1,681,114.40	270,044.81	-	1,951,159.21	1,200,954.57
Vehicle Maintenance	3,343,033.65	91,110.00	538,012.76	3,972,156.41	2,699,407.19
Legal Fees	2,682,292.42	375.00	24,994.24	2,707,661.66	1,043,700.00
Security Charges	6,608,377.43	6,143,328.79	1,226,901.10	13,978,607.32	9,067,497.00
Research & Development Expenses	-	-	-	-	1,100.00
Training & Scholarships	2,066,244.70	-	-	2,066,244.70	386,675.00
Balance C/F	142,013,414.16	68,030,474.30	16,042,110.08	226,085,998.54	133,437,513



Ceylon Fertilizer Company Limited
Notes to the Financial Statements

NOTE - 28 - ADMINISTRATION & ESTABLISHMENT EXPENSES

Description	Hunupitiya	DFS	Polonnaruwa	Total	Total
	Rs.Cts	Rs.Cts	Rs.Cts	01/04/2009 31/03/2010	01/08/2008 31/03/2009
Balance B/F	142,013,414.16	68,030,474.30	16,042,110.08	226,085,998.54	133,437,513
Casual Wages	576,972.08	-	132,845.00	709,817.08	9,021,393
Special Duty Allowance	1,583,861.32	95,219.25	82,918.75	1,761,999.32	1,197,406
Lobotomy Equipment Maintenance	850.00	-	-	850.00	2,956
Plant , Machinery & Equipment Maintenance	2,363,583.92	34,945.00	7,115.00	2,405,643.92	613,796
Mixing Plant Maintenance	42,438.55	-	-	42,438.55	33,578
Building Maintenance	1,841,762.85	428,628.34	114,730.95	2,385,122.14	2,079,950
Computer & Accessories	552,243.70	-	29,215.00	581,458.70	550,081
Medical Expenses	6,552.91	-	-	6,552.91	3,582
Uniform & Shoe Allowance	2,529,119.78	15,281.67	-	2,544,401.45	2,121,521
Rent & Rates	305,702.72	1,399,490.35	-	1,705,193.07	2,194,474
Expenses for Temporary Storage	1,158,360.00	-	-	1,158,360.00	1,296,123
Depreciation	18,848,801.41	815,914.24	2,707,361.64	22,372,077.29	13,602,440
Audit Fees	250,000.00	-	-	250,000.00	193,125
Gratuity Payment	-	-	-	-	2,287,333
Cunsultancy Fees	1,987,702.50	-	-	1,987,702.50	954,959
Work Shop Tools Expenditure	30,167.39	-	-	30,167.39	35,102
Sanitary Facilities	572,649.64	84,821.26	22,673.73	680,144.63	391,041
Medical Insurance	4,028,003.81	-	-	4,028,003.81	1,441,278
PAYE	3,224.96	-	-	3,224.96	140,396
Stamp Duty	4,762.00	-	6,614.00	11,376.00	24,248
Other Equipment Maintenance	182,820.62	2,332.00	18,263.00	203,415.62	92,944
Charity & Donations	75,000.00	-	-	75,000.00	52,060
Annual Incentive	19,097,250.79	10,835,933.88	234,679.55	30,167,864.22	12,347,366
Fidelity Guarantee & Cash in Transit	166,919.57	-	-	166,919.57	28,578
Cahier Risk Allowance	-	-	2,070.00	2,070.00	2,595
Provision for Fertilizer Insurance Fund	18,194,131.91	-	-	18,194,131.91	13,015,098
Provision for Gratuity	7,526,273.62	-	-	7,526,273.62	4,195,955
Provision for Housing Loan Fund	175,434.57	-	-	175,434.57	-
Staff Welfare	554,172.10	325.00	-	554,497.10	691,175
Disposal - Packing Material	-	-	-	-	19,246
Write off of Bad Debts	(236,485.88)	-	-	(236,485.88)	375,041
Write off or back	(3,139,760.89)	-	-	(3,139,760.89)	1,411,890
Ownership Transfer	468,573.00	-	-	468,573.00	-
Total	221,764,503.11	81,743,365.29	19,400,596.70	322,908,465.10	203,854,246



Ceylon Fertilizer Company Limited
Notes to the Financial Statements

	01/04/2009 31/03/2010 <u>Rs.Cts</u>	01/08/2008 31/03/2009 <u>Rs.Cts</u>
<u>NOTE - 23 - SELLING & DISTRIBUTION EXPENSES</u>		
Advertising & Publicity Notices	4,631,961.70	3,603,750.58
Provision for Bad & Doubtful Debts	8,763,070.58	4,027,737.40
Sales Commission	308,000.00	-
	<u>13,703,032.28</u>	<u>7,631,487.98</u>
<u>NOTE - 24 - FINANCE COST</u>		
Bank Interest	72,688,757.74	95,678,779.22
Bank Charges	609,355.68	6,248,394.82
Debit Tax	2,792,566.13	2,050,625.90
	<u>76,090,679.55</u>	<u>103,977,799.94</u>
<u>NOTE 25 INCOME TAX</u>		
Provision for the Income Tax	<u>35,000,000.00</u>	<u>25,092,763.00</u>
	<u>35,000,000.00</u>	<u>25,092,763.00</u>

The income tax provisions has been made on the basis of the instruction given by the Tax Consultant **H. T. Peris & Co.** (Chartered Accountants) of 2 /5 Station Road, Colombo 3.



Ceylon Fertilizer Company Ltd.

Notes to the Financial Statement

26. Related party transactions

26.1 The Directors of the Ceylon Fertilizer Company are not the directors of any other Government own business under takings.

26.2 Transactions of Ceylon Fertilizer Company Limited with related companies.

Ceylon Fertilizer Company being a Government owned undertaking, all the other Government owned undertakings can be considered as related parties due to common ownership. However Company engaged with the all Government owned undertakings in day today normal commercial and operational activities.

26.3 Directors interest in the contract with the company

According the information made available to us, the directors of the company were not directly or indirectly interested in the contract with the company

27. Event after balance sheet day

All material post balance sheet events have been considered and where appropriate adjustment has been made except Turnover Tax on subsidy.

The Western Provincial Council (WPC) has taken a decision to charge Turn over tax on the subsidy received from the government for issuing the 50 Kg three variety fertilizers, i.e. Urea, Muriatic of Potash and Triple Super Phosphate to the paddy farmers qualified under government subsidy scheme from 01.01.2006 to todote.

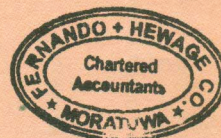
28. Capital commitment

Company does not have any significant capital commitments outstanding as at Balance sheet date. All material post balance sheet events have been considered and where appropriate adjustment has been made.

29. Contingent Liabilities.

29.1 Turn over tax on subsidy

The WPC has decided to recover Turnover Tax under section II (I) of the Financial Statue No 06 of 1990 amended by Financial Amendment Statue No 02 of 2010 from 01.01. 2006. Thus the principal amount estimated as payable for the period from 01.01.2006 to 31.03.2009 is Rs. 65,579,988



Ceylon Fertilizer Company Ltd.
Notes to the Financial Statement

Amount payable for the financial year 2009/10 is estimated as Rs. 5, 223,187.

Currently Turnover tax has to be payable by the Company. The Turnover tax component is not considered in deciding the subsidy amount.

As the company, it is in the opinion that it can pursue the WPC to exempt the subsidy for fertilizer from charging Turnover Tax with the concurrence of General Treasury and the Government.

No provision has been made for the Turnover tax liability.

In the event of Turnover Tax payment become due, it is expected to obtain approval for reworking of subsidy formula to include Turnover Tax with retrospective effect.

29.2 Labour dispute

15 labour dispute cases are pending in labour courts for demanding compensation while six cases relating business transactions are pending in courts.

In the opinion of the directors and in consultation with company lawyers litigation currently pending against the company will not have a material impact on the reported financial results of future operations of the Company.

All pending litigations have been evaluated and adequate provisions have been made in the financial statement wherever necessary.

30. Differed Tax

During the period no differed tax elements were recognized as not having time differences in taxable items.

31. Comparative Information

The accounting policies have been constantly applied by the company and consistent with those used in the previous year. Where necessary comparative information is reclassified and impact has been noted, if material.

Comparative figures for the eight months period from August 01, 2008 to March 31, 2009, are shown against the twelve month period from April 01, 2009.

