



ANNUAL REPORT

(2011-04-01 - 2012-03-31)

CEYLON FERTILIZER COMPANY LIMITED

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Ministry of Agrarian Services and Wild Life

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Bankers

Peoples Bank
Bank of Ceylon
Sampath Bank

Auditors

M/s Fernando and Hewage Co on behalf of the Auditor General
(Chartered Accountants)

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VISION

As the pioneer of the Sri Lankan Fertilizer market, being the leading institution commensurate with the diversified new world, providing new products, services and inputs in the agricultural and allied sectors.

MISSION

Ensuring the sustainable profitability of the company through the production and marketing of fertilizer in conformity with the varied demands of the market for the development of production, income and profitability in the agricultural and agrarian services sectors of Sri Lanka with the maximum contribution of the Lak Pohora family, commensurate with the state policies.

MESSAGE OF THE CHAIRMAN



"This year could be considered a period where it was possible to make historical foot steps in the forward path where the Lak Pohora family expanded the horizons of its strength day by day "

NATIONAL RESPONSIBILITY

When one looks at the various issues and set backs faced by other countries of the world, the rapid development of the agricultural sector in the country also played a major role for the relatively favourable economic advances made by Sri Lanka recently. Due to the creation of a peaceful atmosphere in the country, every possible tract of land was cultivated. With the cessation of the brutal war which lasted for around thirty years, there was a rapid resurgence in agricultural activities, mainly in the North and the

East. Consequent to this, the agricultural sector was subject to a high impetus. The energy required for this impetus was fertilizer and its issue by the government at subsidized prices was a prominent act. At this juncture, the Ceylon Fertilizer Company was also able to contribute towards the efforts of the Government to create the background required for the enhancement of the prosperity of the entire agrarian community.

I am of the view that the basis of all these achievements was the realization of the programme for the issue of fertilizer at subsidized rates to farmers, which was a major chapter in the "Mahinda Chinthana Policy Statement" of His Excellency the President Mahinda Rajapakse. However much the prices of goods, ranging from pins to airplanes, went up in the world market, it was a great boon to the farmers of Sri Lanka that they were able to obtain fertilizer at the same price continuously for 15 agricultural seasons, operating on this basis.

POSITIVE DEVELOPMENT

When considering the achievements of the Ceylon Fertilizer Co during the era from its inception up to the year 2012, the financial year 2011-2012 could be treated as the most successful year so far. This institution, which has come up throughout 48 years, sometimes declining, sometimes prospering, became unprofitable by the year 2007-2008. Consequent to my being appointed as the Chairman of the Ceylon Fertilizer Co Ltd by His Excellency the President on the 10th of February, 2008, it became possible to make several major achievements through our team work. I believe that we should view in retrospect the performance of the institution for the period up to now. The strategic planning and decisive measures implemented subsequent to case studies undertaken

regarding the losses incurred by the institution in the past helped to carry it towards a positive development. It resulted in the institution, which was in a bankrupt state with an asset deficit of Rupees 330 million in the year 2007, being able to achieve the highest recorded profit in its history in the year 2012, with net assets worth Rupees million 543 by this financial year and making a pre tax profit of Rupees million 95.4.

STURDY BASE OF DEVELOPMENT

After identifying the competitive fertilizer market thoroughly during the past period, we were able to launch skillful operations required to acquire a greater part of the market. As a result, our share of the sales volume in the market expanded. Due to the sales achievements gained in the market, it became possible to increase the income of the institution. The major outcome of this was capability to remit to the General Treasury, the owner of this institution, Rs 03 million in the year 2009, Rs 03 million in the year 2010, Rs 09 million in the year 2011, and Rs 09 million in the year 2012 respectively as dividends.

Likewise, Rs 35 million in the year 2010, Rs 43.6 million in the year 2011, and Rs 50.2 million in the year 2012 had been paid as taxes to the Government.

With a view to reinforce the foundation of the growth achieved by the institution and in order to continuously maintain in the coming years the growth achieved, the Corporate Plan for 2011-2015 and the Operational Plan for 2011-2013 have been formulated and follow up action is under way accordingly. In addition to this, several measures of importance to the institution have been planned and have been implemented by now. The Board of Directors highly appreciates the support given in this regard by the entire staff including the management team.

A VICTORIOUS MARCH

The award of the ISO 9001:2008 International Standard Certificate during this period to this institution was also a notable achievement. The team dedication of the staff was amply demonstrated through this. It must be mentioned that this achievement won by us as a Government Owned Company is a record in Sri Lanka. The functions of the institution are being carried out with the expectation of achieving victory at the National Productivity Award Competition by taking part in it this year.

I believe that we of Lak Pohora are travelers marching steadily forward for the prosperity of the entire Sri Lankan community. I take this opportunity to thank the Hon Minister of Agrarian Services and Wild Life, all its staff including the Secretary as well as all the members of the Lak Pohora family, who provide strength to our institution which is constantly in touch with the people.

At this juncture, we of the Lak Pohora family always remember especially His Excellency the President, the Hon Ministers who were in charge of the subject, the Hon Minister of Economic Development and all officials including the Secretary to the President, as we firmly believe that they were the people who guided us and who were strength to us.



Buddhika Madihahewa

Chairman

CEYLON FERTILIZER CO LTD



LEGAL STATUS

In the year 1964, the Ceylon Fertilizer Corporation was established under the State Industrial Corporations Act No. 49 of 1957, for the purpose of fulfilling the fertilizer requirements of Sri Lankan farmers, with the financial and technological contribution of the German Republic.

In accordance with the Conversion of Public Corporations and Government Owned Business Undertakings into Public Companies Act No 23 of 1987, this Corporation was re established under the name of the Ceylon Fertilizer Company Ltd with effect from 15th September 1992.

At present, it has been re registered under the new Companies Act No. 07 of 2007. With effect from 15th August 2008, the Thamankaduwa Agri-cultural Fertilizer Company was amalgamated with this company, and it is functioning as the Polonnaruwa stores complex of the Ceylon Fertilizer Company Ltd.



ROLE

The main role of this company is the import, production and marketing and distribution in the competitive market of all types of fertilizer required for tea, coconut, rubber and traditional exports and all other agricultural crops.

The Ceylon Fertilizer Co Ltd, which is the leading institution relevant to the programme for the issue of fertilizer at subsidized prices to farmers under the Mahinda Chinthanaya, is taking action to distribute island wide approximately 70% of the total subsidized fertilizer requirements for paddy cultivation.

A major share of the market has been captured by us competing in the market with private fertilizer companies during the process of issuing subsidized fertilizer for other crops also declared by the Government.



ADMINISTRATIVE STRUCTURE

This Company, in addition to the offices of the Chairman, Working Director and General Manager, comprises of the finance, human resources, procurement, marketing, distribution, internal audit, legal, technical and information technology divisions.

The main administrative office and the central stores complex of the Company are located at Hunupitiya, Wattala. This Company has a wide marketing and distribution network covering the entire island comprising 54 regional fertilizer stores, including the main stores complex at Polonnaruwa.

REVIEW OF THE BOARD OF DIRECTORS

During this period, the ownership of the land in extent around 22 acres where the Head Office and the Hunupitiya Stores Complex are located, was vested in this Company by a free grant of His Excellency the President. (Since 1964 the ownership of this land was not with the institution).

Under the procedure for the grading of state enterprises, the General Treasury upgraded the Ceylon Fertilizer Co Ltd from group "C" to group "B" with effect from 29th April 2011.

The Company was able to get the "Lakpohora" logo and title officially registered at the Intellectual Property Office and to ensure the legal ownership of the title and the logo.

The Corporate Plan for 2011-2015 and the Operational Plan for 2011-2013 of the Company have been formulated and implemented. The Annual Procurement Plan has been formulated.

The Company was able to obtain the ISO 9001:2008 International Standard Certificate for its services and management during this period. This was a notable achievement as a state enterprise.

The official website www.lakpohora.lk was developed and relaunched.

It was possible for the Ceylon Fertilizer Co Ltd which was in a bankrupt state with a net liability of 330 million minus (deficit) in the year 2007-2008 to develop to the extent of net assets of Rupees Million 543 plus (excess) by the year 2011-2012.

It became possible to record the highest profits in the history of the institution by earning a pre tax profit of Rs Mn 95.4 during the accounting year 2011 – 2012. The Company's earlier record was a pre tax profit of Rs. Mn.73.9 during the year 2010 – 2011.

It was possible to pay Rs. Mn 03 in the year 2009, Rs. Mn. 09 in the year 2010, Rs.Mn.09 in the year 2011 respectively as dividends. It has been decided to pay Rs. Mn. 09 in the year 2012 also as dividends.

Approval of the Department of Management Services has been obtained not only for the Company's cadre, but also for the recruitment procedure. Also, all recruitments and promotions are subject to the approval of the Board of Directors.

In order to enhance the efficiency of the Company's staff, productivity oriented programmes including the 5-S concept and productivity concepts have been

implemented, embracing all the divisions. (The institution is preparing for the 2012 Productivity Awards).

The laboratory of the Company is being renovated in coordination with the National Fertilizer Secretariat, which is under our line Ministry, and measures have already been undertaken to convert it to an internationally certified central laboratory in respect of fertilizer.

For this, necessary measures are under way to obtain internal standard certificate no. ISO/IEC/7025.

04 buildings which had been lying idle within the Polonnaruwa regional stores complex had been renovated at minimum cost with the labour contribution of the staff, and converted into 04 holiday bungalows. Facilities have been made available for these 04 fully equipped holiday bungalows to be let to the staff at special concessionary rates, as well as to outsiders. This has become an additional source of income to the institution.

During the last year, 07 Board of Directors meetings, 06 Audit and Management meetings and 12 Management Committee meetings had been held.

Mr. Buddhika Madihahewa
Chairman

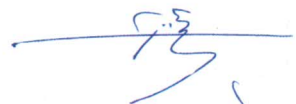
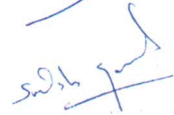
Mr. Sudarsha Ganegoda
Working Director

Mr. Premasiri Abeynayake
Working Director

Mr. H.M.Ajit Chandra
Director
(Director /Dept of Treasury
Operations)

Mrs. K.R.S.Perera,
Directress
(Director/Engineering - Ministry
of Agrarian
Services and Wild Life)

Mr. Neville Abeyratne,
Attorney at law
Director





CHAIRMAN AND THE BOARD OF DIRECTORS



Mr. Sudarsha Ganegoda (Working Director), Mr. Premasiri Abeynayake (Working Director), Mr. Buddhika Madihahewa (Chairman)



Mr. Neville Abeyratne - Attorney at law (Director), Mr. H.M.Ajit Chandra (Director),
Mrs. K.R.S.Perera (Directress), Mr. S.P. Morawaka - Attorney at law (Company Secretaries)

REVIEW BY THE GENERAL MANAGER



"Let us march towards success through administrative reforms."


The Ceylon Fertilizer Company Ltd, functions as the major state institution which converts into reality the fertilizer subsidy for the Sri Lankan agrarian community as declared in the Mahinda Chinthana, and its current progress is confirmed by this annual report too.

The administrative reforms carried out with the leadership of the present Chairman and the guidance of the Board of Directors greatly helped especially to issue the fertilizer requirements of the Sri Lankan farmers without delay and in an efficient manner.

Through the implementation of the above administrative reforms and restructuring which embraced all sectors, Ceylon Fertilizer Co Ltd was provided the opportunity to get rid of the label of a "losing concern and a burden to the Government"

The use of internationally recognized modern office and administrative systems, as well as new information technology in the Company, have created an opportunity to enhance the efficiency and productivity of all divisions of the Company. This had provided an opportunity for the Company to obtain the Internal Standard Certificate ISO 9001 : 2008.

Also, staff welfare programmes and various staff training programmes had been prominent in enhancing the productivity and efficiency of the Company. Another achievement reached by the Company has been the conversion of even the negative minded staff into positive minded staff providing a maximum service and contribution to the Company. Also, the entire staff, from Managers down to Labourers working as a team in the esprit-de-corps of the "Lakpohora Family" had been a major factor for the recent achievements of the Company. Therefore, marching forward in the future too as one family undeterred by challenges would be a factor further reinforcing the Company's success.


Pradeep Yasaratne
General Manager

THE MANAGEMENT TEAM WITH THE CHAIRMAN



From Left : Mr. P.R. Samaraweera (Finance Manager), Mr. S.M.H.C. Jayasiry (Marketing Manager),
Mr. D.M.N.A. Dissanayaka (Technical Manager), Mr. M.A.K. Medis (Human Resources Manager),
Mr. Buddhika Madihahewa (Chairman), Mr. Pradeep Yasaratne (General Manager), Mr. P.S.K. Jayakody (Procurement Manager),
Mr. B.D.L. Kumarasiri (Chief Internal Auditor), Mr. R.A.P. Perera (Distribution Manager)

FINANCIAL PROGRESS

The Ceylon Fertilizer Co does not obtain any financial assistance from the Government Consolidated Fund.

Due to the successful financial discipline and good governance maintained by the institution, and the stable and efficient business strategy used by the institution for a long time, it became possible to develop the financial strength of the institution due to minimizing costs and lowering to the minimum bank interest and service rates payable.

It was possible to achieve progress in financial efficiency through accelerating the methodology for obtaining from the Treasury the subsidy due for fertilizer meant for farmers.



— Net Assets (Rs. Mn)



Pre tax profits (Rs.Mn)



HUMAN RESOURCE DEVELOPMENT

No matter however much physical resources such as plant and machinery are available in a business, its major resource is human resources. The permanent cadre of the Ceylon Fertilizer Co comprises 383 members of the staff. During the past period, a regular programme for their welfare and motivation was put into effect.

A methodology for performance evaluation for all permanent staff has been introduced, and a methodology has been introduced for giving promotions and incentive allowances based on that.

The spiritual development as well as the skills development and enhancement of team work in respect of the entire work force is being done through erudite lectures, seminars and various training programmes. For this purpose:

- A two day residential training was conducted at the Youth Corps Headquarters at Naula in improving team work, positive thinking and decision making for all Executive Officers and Managers of the Company.
- To enable the staff to obtain the internationally recognized ICDL computer certificate, a Computer Diploma Course was conducted with the financial support of the institution.
- Members of the staff embracing all Divisions of the Company were allowed to participate in a Computer Hardware Networking Diploma Course.
- An internal English course was conducted to improve the English knowledge and skills of the staff.
- A one day training workshop was held in collaboration with the Faculty of Agriculture, Peradeniya, to brief the institution's marketing force about fertilizer and the application of fertilizer.
- Training workshops were conducted for drivers regarding the Highway Code and the technical maintenance of vehicles.
- Workshops were conducted to brief the staff dealing in fertilizer related functions about the handling of chemicals and safety precautions to be taken in the use of chemicals.
- Officers dealing with stores administration and store keeping were provided an opportunity to participate in a course on "Stores Management" conducted by the Sri Lanka Institute of Supplies and Materials Management.
- Officers in the Procurement Division were provided an opportunity to participate in a course on "Procurement Management" conducted by the Sri Lanka Institute of Development Administration.
- A Physical Fitness Unit was established for the improvement of the physical health of the staff.
- A sports club was opened and the necessary facilities provided for those with varied sports skills to take part in sports.
- A distress fund was set up to provide relief to members of the Lakpohora family affected by distress situations.
- Gold sovereigns are awarded in appreciation of long service.
- Free office transport facilities are provided to ease the travelling facilities of the staff.
- Action was taken to create religious harmony in the institution and to provide an opportunity for kids to enjoy by holding Christmas carols.

PROCUREMENT PROCEDURE

The procurement process for the purchase of fertilizer locally and from the foreign market and the procurement of other goods and services to the institution takes place with the approval of the Board of Directors, in accordance with the government procurement procedure.

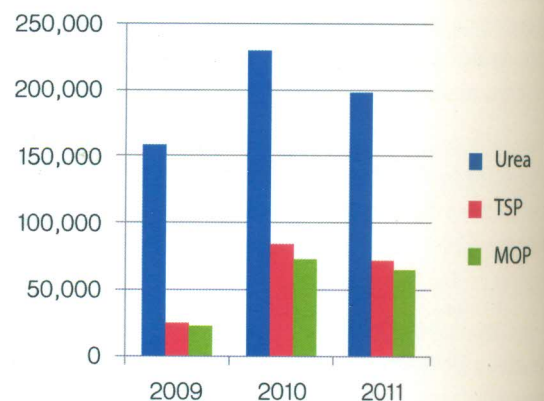
Dolomite and Eppawala rock phosphate are purchased locally for fertilizer. Other types of fertilizer, mainly urea, MOP, TSP as well as SA, DAP, zinc sulphate, SOP, borate etc. are imported from countries such as United Arab Emirates, China, Tunisia, Egypt, Qatar, Lebanon, and Russia.

Necessary action in this regard is taken by Procurement Planning Committee and a Procurement Committee appointed by the Cabinet.

Action has been taken to dispose of condemned items and unserviceable items of the institution by an approved Board of Survey in accordance with the procurement procedure.

Volume of imports of major types of fertilizer (metric tons.)

Year	Urea	Tsp	Mop	Total
2009	158,347	25,101	23,100	206,548
2010	229,560	84,177	73,273	387,011
2011	197,425	71,753	65,317	334,495



MARKETING PROGRESS

There is a very high trust and demand for "Lakpohora" issued to farmers under the government certified label of "Sanstha". A volume of 306,691 metric tons of fertilizer had been sold in the year 2011/2012 by the Company's sales network under the paddy fertilizer subsidy.

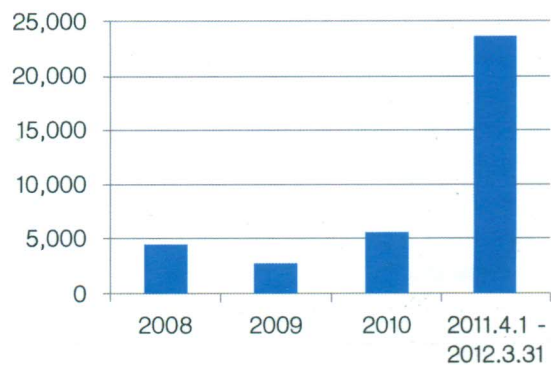
Without being confined to the sale of subsidized paddy fertilizer only, it became possible for the institution to capture a major share of the market through operating in the competitive market by supplying fertilizer to cater to the requirements of the government and private sectors, under the scheme for providing subsidized fertilizer for all other crops introduced by the government on 06/05/2011. A volume of 23,656 metric tons had been sold in the financial year 2011/2012. Compared to last year, these sales reflect a 326% growth.

Falling in line with the agricultural policy of the government, Lakpohora products are being presented and the public are being made aware of the application of fertilizer, at national programmes such as "Deyata Kirula" and "Govi Sathiya", and at such programmes at regional level.

At the present time, a sales network of around 700 Lakpohora sales representatives covering the entire island has been established in respect of subsidized fertilizer for other crops. Fertilizer packs of 500 grams each have been introduced to the market under the label "Mini Pack" targeting urban home gardens concurrent to the "Divi Neguma" national programme of the government. At present, these "Mini Packs" could be purchased at supermarkets such as Cargills, Keels, Arpico and Laughs and at show rooms of the State Trading Corporation and affiliated sales outlets as well as from the Lakpohora marketing network.

Due to this fertilizer subsidy, farmers today are being induced to cultivate during both "Yala" and "Maha" seasons, and have gone forward to do a third season also. Stocks of fertilizer being imported are transported from the Colombo harbor to be stored in the stores complex at Wattala, Hunupitiya and distributed to island wide regional stores by the Distribution Division.

■ Sale of subsidized fertilizer for other crops (metric tons)



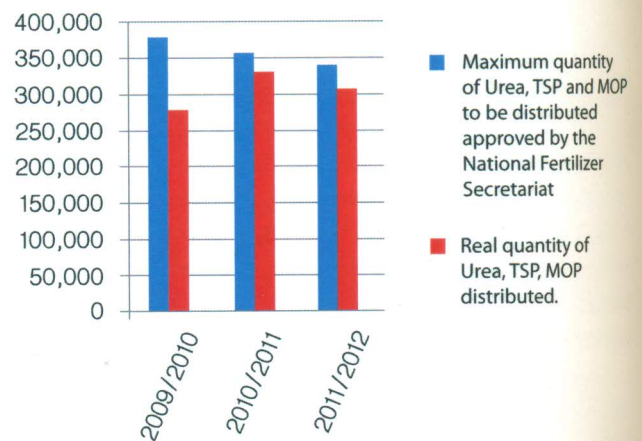
DISTRIBUTION OF FERTILIZER

Around 70% of the farmers engaged in paddy cultivation spread throughout Sri Lanka meet their fertilizer requirements through "Lakpohora". Consequent to the fertilizer subsidy being made available to farmers engaged in paddy cultivation and the fertilizer subsidy for other crops under the Mahinda Chinthana policy, the use of fertilizer in the country shows a very high percentage.

Blending of fertilizer required for various crops to conform to the various areas and climates in accordance with the government sanctions and standards is also done both at the central stores complex at Wattala, Hunupitiya and the regional stores complex at Polonnaruwa.

The transport fleet related to distribution activities is around 1000 lorries. For this purpose, there is a permanent staff directly involved and also a staff involved in extraneous activities.

The Distribution Division also gives priority to assembling fertilizer packets and seeds required for the "Divi Neguma" national programme.



INTERNAL AUDIT AND LEGAL DIVISIONS

The Internal Audit and Legal Divisions carry out their functions in a more organized manner relative to the previous years. Through firm and right management of the Internal Audit Division and the Legal Division, it has been possible to largely minimize incidents of corruption, fraud and illegal activities bound to take place in the institution. By now, the progress of replying audit queries directed at the Company is 100%. During the year 2010/2011, there was only one audit query, and no queries have been raised for the year 2011/2012.

A hot line net work has been set up to enable the public, ensuring their confidentiality, to provide to the institution information with a view to prevent corruption and fraud in the distribution of subsidized fertilizer.

Measures have been finalized to conclude investigations into any fraud, corruption or irregularity which had taken place, and to take legal action against those responsible.

A separate Internal Audit Unit has been established at the Regional Stores Complex at Polonnaruwa to efficiently carry out the institution's audit functions decentralized at regional level too.

Through the introduction of procedures for the regulation of computer based data, action has been taken to enhance the effectiveness, productivity and efficiency of the functions of the institution.

Being able to recover a considerable portion of long term bad debts of the Company and to take legal action against defaulting individuals and institutions could be demonstrated as an exceptional contribution made by the Legal Division during this period for the progress of the institution.



Further, during formal disciplinary inquiries, the function of leading the prosecution is done by the Legal Division, and contributes to minimizing acts of misconduct in the institution by attending to this process expeditiously and successfully. Accordingly, around 95% of disciplinary inquiries have been concluded by now.

The support required for negotiated settlement of worker problems and the contribution of the Legal Division are made available to both the employer and the employees, and consequently, it has become possible to minimize worker grievances.

During this period, agreements, forms and other legal documents necessary for carrying forward the institution's functions effectively were regularized

Being able to finalize cases out of those filed against the Company in the Labour Tribunal, Commercial High Court, Court of Appeal and the Supreme Court and concluded during this period by bringing victory to the Company in all the cases was a major impetus to further confirm the proper legal measures adhered to by the Company. The support given by the Legal Division of the line ministry in these matters should be appreciated.

Further, the support given by the Attorney General's Department and the Auditor General's Department in all these matters is gratefully appreciated.

TECHNICAL SERVICES



Maintenance and provision of infra structure facilities of the central stores complex of the Ceylon Fertilizer Co at Wattala, Hunupitiya and the island wide regional stores are done by the Technical Division.

In the Polonnaruwa stores complex too, a unit of the Technical Division has been established for maintenance and to provide infra structure facilities.

The maintenance of the institution's land and buildings, landscaping and regularly maintaining the water and electricity supply are considered the main function of this Division. For these purposes, there is also a trained staff with technical skills.

The contribution always received from this Division to continuously carry out the distribution of nationally important fertilizer remains at a very high level

INFORMATION TECHNOLOGY



During this period, this Division is being dedicated to enhance productivity and to maintain a safe and proper data bank by introducing a new fixed asset control software, introducing a human resources system software and through making the information and technical communication system of this institution more efficient and proper.

The computer system has been improved qualitatively and quantitatively. A "Help Line" telephone has been introduced for farmers to obtain advice to solve their problems regarding the use of fertilizer, and www.lakpohora.lk, the website of the institute has been developed and relaunched. The institution was able to make a heavy financial gain and administrative convenience by obtaining an all telephone exchange between the Hunupitiya Head Office and the regional stores network free, through a fixed and mobile communication network, in accordance with a memorandum of understanding signed with Sri Lanka Telecom and Dialog.

GREEN PRODUCTIVITY



The institution was able to obtain the first place in the state sector year after year for its farm started under the “Api Wawamu – Rata Nagamu” programme, during the cultivation competition conducted by the Kelaniya Divisional Secretariat.

By promptly making available fertilizer packets required for the home gardens programme started under the “Divi Neguma” national programme, the institution was able to provide the necessary contribution to make it successful island wide. The Lak Pohora Farm has been developed and is being maintained as a model farm, complete with all features. Methodologies are under way to minimize the consumption of energy thereby conserving energy.



SOCIAL SERVICE

Cycling is being assisted by conducting the "Lakpohora Bicycle Race" held concurrent to the National Farmers Week.

A book containing model question papers for the fifth year scholarship was prepared and made available to all children island wide who had requested for same. This book was appreciated both by teachers and the parents.

The Poson Maha Buth Dansala, with facilities for 500 persons to have meals at one time and complete with all features is conducted annually, and this time around 15000 persons were fed at this Dansala.

The Poson Devotional Song Recital was an incentive for the singing talents of the children around Wattala and Kelaniya.



Financial Statements

for
the year ended March 31.2012

Ceylon Fertilizer Company Limited
Hunupitiya,
Wattala, Sri Lanka.

FERNANDO + HEWAGE CO
(Chartered Accountants)
Tel /Fax No. 094 11- 2641589
Email f_hco@sltnet.lk
gregory_f@sltnat.lk

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 & loss 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, 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, Companies Act No. 07 of 2007.

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

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.

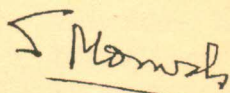
The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities. As required by Section 56 (2) of the Companies Act, the Board of Directors 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 External Auditors, Messrs Fernando + Hewage Co. who were appointed at the last Annual General Meeting were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements.

The report of the Auditors, shown on page 3 sets out their responsibilities in relation to 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 and its Subsidiaries as at the Balance Sheet date have been paid or where relevant, provided for.



S.P. Morawaka

By order of the Board
Ceylon Fertilizer Co Ltd.
Secretaries
31 July 2012,

Chairman's And Financial Manager's Responsibility Statement

The Financial Statements of Ceylon Fertilizer Co. Ltd. as at 31st March 2012 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

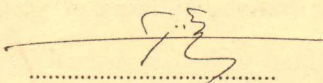
Statements are appropriate and are consistently applied, as described in the Notes to the Financial Statements. The prescribed Accounting Standards have been adopted without any deviations. The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed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

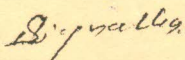
We have also taken proper and sufficient care in installing systems of internal control and accounting records, to safeguard assets, and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established 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 Independent Auditors 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 independent external auditors, Messrs Fernando + Hewage Co. Chartered Accountants


.....
Buddhika Madihahewa
Chairman


.....
Priyantha Samaraweera
Finance Manager
31 July 2012,

FERNANDO + HEWAGE CO
(Chartered Accountants)

32, Fernando Place, Moratuwa, Sri Lanka

Tel +094 11- 2641589 Fax +94 11- 2641589 Email f_hco@sltnet.lk , gregory_f@sltnet.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 31.03.2012, 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 9 to 33.

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. 1,512,855,000

We refer to the note 2.1 to 2.3. Land at Hunupitiy which more fully full explains the status.

2. Inventories. Rs. 496,590,240.55

Nearly 38% of fertilizer stocks, which were stored in the Hunupitiya stores complex, were unable to physically verified and book value has been incorporated into the accounts.

3. Receivables Rs. 478,234,514.65 from General Treasury

Value Added Tax claims stock amounting of Rs. 85,624,660.53 shown in Note 09 a 1, Subsidy receivable Yala 2007 amounting to Rs. 208,757,630.70 shown in Note 09 a 2, Note 09 a 3 Japanese fertilizer grant amounting Rs. 53,523,452.91 out of Rs. 906,022,714.71 shown in Note 09 a 3 and Rs. 130,328,770.51 shown in Note 09 b, since 1988 shown under are to be received from General Treasury. The Secretary to the General Treasury is the Sole owner of the Company Positive evidences were not made available to confirm that General Treasury will settle theses balance. No provision has been made in the accounts for this apparently non-recoverable balance.

4. Tax payable

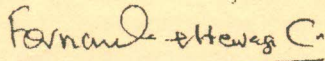
The Tax payable by the Company as per Note 14 .C taxation is Rs. 25,422,850.43 and provision for the year Rs. 50,144,626.37 The status of this liability was not be able to ascertain in considering the factious assets for which the provisions have been made and the taxation of the Company is handled by the Tax Consultant, H. T, Peris & Co, (Chartered Accountants)..

Opinion

In our opinion, except for the effects of the matters refer to preceding paragraph number 1, 2, 3 and 4 on financial statements, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2012 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2012 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.
(Chartered Accountants)
July, 31, 2012

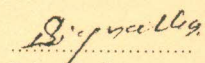
Fernando + Hewage Co (Chartered Accountants) Moratuwa

Ceylon Fertilizer Company Ltd.
Balance Sheet as at 31st March 2012

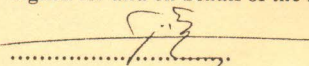
	Note	31/03/2012 Rs.Cts	3/31/2011 Rs.Cts
ASSETS			
NON CURRENT ASSETS			
Property, Plant & Equipment	2	1,908,157,760.18	1,895,412,151.57
Capital Work-in-progress	3a	-	542,901.08
Deffered Expenditure	3b	10,260,801.02	12,826,001.28
Investment			
Investment in Treasury Bills (Compensation)	4	160,766,293.25	142,719,062.89
Fixed Deposit for Housing Loan	5	2,060,576.97	2,110,692.43
Gratuity Investment	6	71,697,310.75	68,565,825.33
Insurance Fund Investment	7	155,094,690.80	144,243,385.92
		<u>2,308,037,432.97</u>	<u>2,266,420,020.50</u>
CURRENT ASSETS			
Inventories	8	530,188,811.55	581,105,603.24
Receivables	9	21,076,194,755.08	25,304,078,414.26
Deposits, Prepayments & Advances	10	271,038,772.75	598,242,080.09
Cash and Cash Equivalents	11	13,081,529.10	41,593,407.82
		<u>21,890,503,868.48</u>	<u>26,525,019,505.41</u>
TOTAL ASSETS		<u>24,198,541,301.45</u>	<u>28,791,439,525.91</u>
EQUITY AND LIABILITIES			
CAPITAL & RESERVES			
Share Capital	12	502,456,080.00	502,456,080.00
Revaluation Reserve		1,986,087,279.89	1,986,087,279.89
Profit & Loss Account		260,245,122.60	224,109,053.76
		<u>2,748,788,482.49</u>	<u>2,712,652,413.65</u>
NON CURRENT LIABILITIES			
Housing Loan Investment Fund		2,060,576.97	2,110,692.43
Gratuity Fund		72,926,371.89	61,843,642.51
Insurance Fund		155,094,690.80	144,243,385.92
Long Term Loan	13	-	5,369,929,927.91
		<u>230,081,639.66</u>	<u>5,578,127,648.77</u>
CURRENT LIABILITIES			
Creditors	14	15,638,058,379.35	7,199,873,254.72
Accrued Expenses	15	90,606,526.98	115,414,013.65
Refundable Deposits & Receipts in Advance	16	38,903,356.02	37,261,556.08
Bank Loans	17	5,369,929,927.91	13,077,604,378.46
Bank Overdrafts	18	82,172,989.04	70,506,260.58
		<u>21,219,671,179.30</u>	<u>20,500,659,463.49</u>
TOTAL EQUITY & LIABILITIES		<u>24,198,541,301.45</u>	<u>28,791,439,525.91</u>
Net assets per share		5.47	5.40

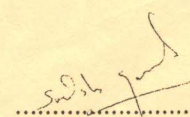
Accounting policies and notes as set out on pages 07 to 31 form an integral part of the financial statements.

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


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.


Buddhika Madihahewa
Chairman
Hunupitiya Wattala
31.07.,2012


Sudarsha Ganegoda
Working Director

Fernando + Hewage Co (Chartered Accountants) Moratuwa

Ceylon Fertilizer Company Ltd.
Trading Profit & Loss Account For The Year Ended 31st March 2012

	Note	01/04/2011	31/03/2012	01/04/2010	31/03/2011
		Rs.Cts		Rs.Cts	
Net Turnover	19	2,496,268,383.40		2,246,402,738.28	
Less: Cost of Sales	20	2,182,580,430.17		1,832,278,737.73	
Gross Profit			313,687,953.23		414,124,000.55
Add: Other Operating Income	21	266,514,885.14		157,164,016.70	
		580,202,838.37		571,288,017.25	
Administration Expenses	22	388,216,967.73		367,024,701.69	
Selling & Distribution Cost	23	59,170,862.89		3,526,308.35	
Profit from Operations			132,815,007.75		200,737,007.21
Finance Cost	24	37,408,405.78		126,757,998.22	
Profit for the year before Taxation			95,406,601.97		73,979,008.99
Provision for the Income Tax	25	(50,270,533.13)		(43,666,667.81)	
Net Profit			45,136,068.84		30,312,341.18
Profit available for appropriation			45,136,068.84		30,312,341.18
Provision for the Dividend			(9,000,000.00)		(9,000,000.00)
Retained profit carried forward			36,136,068.84		21,312,341.18
Earning per Share			0.90		0.68

Ceylon Fertilizer Company Ltd.
Statement Of Changes in Equity for The Period Ended 31st March 2012

	Stated Capital	Revaluation Reserve	Accumulated Profit	Total	31.12.2011 Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2012	502,456,080.00	1,986,087,279.89	224,109,053.76	2,712,652,413.65	2,691,340,072.47
Profit for the Year	-	-	45,136,068.84	45,136,068.84	30,312,341.18
Dividend 2011/2012 , 2010/2011			(9,000,000.00)	(9,000,000.00)	(9,000,000.00)
Balance as at 31st March 2012	<u>502,456,080.00</u>	<u>1,986,087,279.89</u>	<u>260,245,122.60</u>	<u>2,748,788,482.49</u>	<u>2,712,652,413.65</u>

Fernando + Hewage Co (Chartered Accountants) Moratuwa

Ceylon Fertilizer Company Ltd.
Cash Flow Statement for The Year Ended 31st March 2012

	Rs.	Rs.	31.03.2011 Rs.
Cash Flows from Operating Activities			
Net Profit before Taxation and dividend		95,406,602	73,979,009
Adjustments for :-			
Depreciation	23,656,020		20,360,633
Provision for Bad & Doubtful Debts	43,604,066		
Provision for Insurance	10,851,305		11,119,890
Provision for Gratuity	11,718,226		5,067,466
Provision for Housing Loan			424,836
Provision for the Non moving Fertilizer	3,780,329		
Provision for the Stock Officer Stock Shortage	4,856,728		
Provision for the Engineering Stock Shortage	1,142,758		
Income Tax paid	(45,960,525)		30,853,692
Import Subsidy	(19,935,741,535)		(16,347,845,324)
Provision for dividend	(9,000,000)		(15,000,000)
		(19,891,092,627)	(16,295,018,807)
Operating Profit before working capital changes		(19,795,686,025)	(16,221,039,798)
(Increase)/Decrease in Inventories	45,993,704		(250,670,695)
(Increase)/Decrease in Receivables	(9,435,429)		19,192,805
(Increase)/Decrease in Other Receivables	327,203,307		(451,267,796)
Economic Service Charge	8,321,496		5,926,594
Increase/(Decrease) in Payables	8,400,746,134		844,192,030
Increase/(Decrease) in other Payables	1,641,800		41,511,720
		8,774,471,012	208,884,657
Cash Generated from Operations		(11,021,215,014)	(16,012,155,140)
Financial Activities			
Subsidy Received	24,124,599,830		14,409,879,003
Short / Long Term Loan	(13,077,604,378)		1,758,604,378
		11,046,995,451	16,168,483,382
		25,780,438	156,328,242
Investing Activities			
Acquisition for Property, Plant & Equipments	(50,232,445)		(14,554,855)
Proceeds on Disposal of Assets	13,830,817		857,500
Work in Progress	542,901		15,391,202
Deferred Expenditure	2,565,200		(12,826,001)
Housing Fund Investment	-		(424,836)
Gratuity Fund Investment	(3,766,982)		(7,169,720)
Insurance Fund Investment	(10,851,305)		(11,119,890)
Special Fund Investment			(6,719,064)
Investment in treasury bills	(18,047,230)		
		(65,959,045)	(36,565,664)
Net Increase/Decrease in Cash and Cash Equivalents		(40,178,607)	119,762,577
Cash & Cash Equivalents 01/04		(28,912,852)	(148,675,429)
Cash & Cash Equivalents 31/03		(69,091,460)	(28,912,853)
Cash and Cash Equivalents		As At 31/03/2012	As At 31/03/2011
Cash at Bank and in Hand		13,081,529	41,593,408
Bank Overdrafts		(82,172,989)	(70,506,261)
		(69,091,460)	(28,912,853)

Fernando + Hewage Co (Chartered Accountants) Moratuwa
Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements as at 31.03.2012

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 08.08.2011

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 consistently with those used in previous year.

1.3 Significant Accounting policies

The Accounting Policies set out below are consistent with those used in the previous year.

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.

1.1.1 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.

No reserve has been created to compensate the foreign exchange fluctuations as such fluctuations cannot be ascertained correctly.

1.1.2 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 charged 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, expect in Hunupiitya complex, is recognized in the Income statement as an expenses as incurred.

Expenditure incurred to replace of 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 recognized in the income statement as an expenses as incurred.

1.3.2.1.2 Leased assets

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

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 recognized 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.

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).

The fertilizer stocks held under litigations as court productions excluded from stocks held for sales.

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.

1.1.1.3 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 Short term Investments

Investment in Treasury Bills and fixed deposits are stated at cost and interest accrued as at balance sheet date.

1.3. 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.

1.1.1.1 Employees benefits

1.1.1.1.2. 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.

1.1.1.1.5. Short term benefits

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

1.1.1.1. Provision, contingent assets and contingent liabilities

A provisions is recognized 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

1.1.1.2. 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.

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 recognized 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 subsidizes 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 miner construction work done at lands not belongs to the Company, to provide basic facilities for the staff at DFSs, are recognised as expenses.

1.1.1.1.1. 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.

1.1.1.1.2. 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.

1.1.1.1.3 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 recognized 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.

Ceylon Fertilizer Company Ltd.

Notes to the Financial Statements

NOTE 02 - LAND PROPERTY, PLANT & EQUIPMENT

DESCRIPTION	LAND	BUILDING	PLANT & MACH.	OTHER EQUIP.	MIXING PLANT	OFFICE FURNITURE	OFFICE EQUIP.	WORK SHOP TOOLS	LAB EQUIP.	MOTOR VEHICLES	BICYCLES	CANTEEN EQUIP.	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 2011	1,525,455,000.00	332,171,900.00	4,384,920.12	2,639,728.43	1,970,000.00	7,180,317.57	2,658,975.60	182,150.00	779,455.89	32,257,500.00	315,199.84	3,750.00	5,773,887.50	1,915,772,784.95
Adjustment for the Year 2012														
Add Addition for the Year	-	-	223,402.12	1,040,313.50	0.00	3,571,520.69	1,766,950.10	167,006.34	4,102,774.00	36,731,376.20	-	-	263,206.50	280,816.50
Less Disposal during the Year	12,600,000.00	-	950,000.00	-	-	-	-	-	-	-	-	-	2,629,102.37	50,232,445.32
Cost as at 31st March 2012	1,512,855,000.00	332,171,900.00	3,658,322.24	3,660,226.93	1,970,000.00	10,751,838.26	4,425,925.70	349,156.34	4,882,229.89	68,988,876.20	315,199.84	3,750.00	8,139,783.37	1,952,172,208.77
DEPRECIATION														
Accumulated as at 01 st April 2011	-	8,304,297.50	431,185.84	743,119.38	394,000.00	2,154,658.65	818,055.20	36,430.00	235,922.30	5,669,375.00	55,702.09	750.00	1,517,137.42	20,360,633.38
Add Depreciation during the Year	-	8,304,297.50	443,784.03	1,007,653.24	394,000.00	2,821,127.71	1,157,446.19	52,219.39	259,818.63	6,943,182.67	105,066.61	750.00	2,354,469.24	23,843,815.21
Less Depreciation Provided on Assets Disposed	-	-	190,000.00	-	-	-	-	-	-	-	-	-	-	190,000.00
Accumulative Depreciation Value as at 31st March 2012	-	16,608,595.00	684,969.87	1,750,772.62	788,000.00	4,975,786.36	1,975,501.39	88,649.39	495,740.9300	12,612,557.67	160,768.70	1,500.00	3,871,606.66	44,014,448.59
Net Book Value as at 31st March 2012	1,512,855,000.00	315,563,305.00	2,973,352.37	1,909,454.31	1,182,000.00	5,776,051.90	2,450,424.31	260,506.95	4,386,488.96	56,376,318.54	154,431.14	2,250.00	4,268,176.71	1,908,157,760.18

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 revalue 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 previous 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, land and buildings at Akuressa, Matale, Kurunagala, Nuweraeliya Kegalle Polgahawela, Madhavachchiya, Kuruvita, Dodangoda, Mathugama, Koggala (No Suggestions) 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

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Notes to the Financial Statements

NOTE 02 - LAND, PROPERTY, PLANT & EQUIPMENT (HUNUPITIYA)

DESCRIPTION	LAND	BUILDING	PLANT & MACHL.	OTHER EQUIP.	MIXING PLANT	OFFICE FURNITURE	OFFICE EQUIP.	WORK SHOP TOOLS	LAB EQUIP.	MOTOR VEHICLES	BICYCLES	CANTEEN EQUIP.	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 2011	1,525,455,000.00	228,171,900.00	3,448,870.12	1,364,597.60	470,000.00	5,745,636.54	1,917,630.00	182,150.00	779,455.89	27,307,500.00	207,349.84	3,750.00	5,700,387.50	1,800,754,227.49
Adjustment for the Year 2012				2,205.00									263,206.50	265,411.50
Add Addition for the Year			223,402.12	253,855.00		1,193,157.98	1,290,729.50	167,006.34	4,102,774.00	36,731,376.20	-		2,460,652.37	46,422,953.51
Less Disposal during the Year	12,600,000.00		950,000.00											13,550,000.00
Cost as at 31st March 2012	1,512,855,000.00	228,171,900.00	2,722,272.24	1,616,247.60	470,000.00	6,938,794.52	3,208,359.50	349,156.34	4,882,229.89	64,038,876.20	207,349.84	3,750.00	7,897,833.37	1,833,361,769.50
DEPRECIATION														
Accumulated as at 01st April 2011	-	5,704,297.50	337,580.84	380,344.51	94,000.00	1,743,586.59	612,057.70	36,430.00	235,922.30	4,679,375.00	19,752.09	750.00	1,492,637.42	15,336,733.75
Add Depreciation during the Year		5,704,297.50	350,179.03	485,896.65	94,000.00	2,098,998.26	869,369.42	52,219.39	259,818.63	5,953,182.67	69,116.61	750.00	2,296,815.08	18,234,843.23
Less Depreciation Provided on Assets Disposed			190,000.00											190,000.00
Accumulated as at 31st March 2012	-	11,408,595.00	497,759.87	866,240.96	188,000.00	3,842,584.85	1,481,627.12	88,649.39	495,740.93	10,632,557.67	88,868.70	1,500.00	3,789,452.50	33,381,576.98
Net Book Value as at 31st March 2012	1,512,855,000.00	216,763,305.00	2,224,512.37	750,006.64	282,000.00	3,096,209.67	1,726,732.38	260,506.95	4,386,488.96	53,406,318.54	118,481.14	2,250.00	4,108,380.87	1,799,980,192.52

Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

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

DESCRIPTION	OTHER EQUIP.	OFFICE FURNITURE	OFFICE EQUIP.	BICYCLES	TOTAL
COST	Rs.Cts	Rs.Cts	Rs.Cts		Rs.Cts
Cost / Revaluation Cost as at 1st April 2011	1,245,920.83	755,020.00	49,070.60	105,350.00	2,155,361.43
Add Addition for the Year	309,648.50	535,991.23	262,040.00		1,107,679.73
Less Disposal during the Year					
Cost as at 31st March 2012	1,555,569.33	1,291,011.23	311,110.60	105,350.00	3,263,041.16
DEPRECIATION					
Accumulated as at 01st April 2011	360,507.85	250,026.39	14,594.72	35,116.67	660,245.63
Add Depreciation during the Year	452,696.60	296,339.22	28,031.45	35,116.67	812,183.94
Less Depreciation Provided on Assets Disposed					
Accumulated as at 31st March 2012	813,204.45	546,365.61	42,626.17	70,233.34	1,472,429.57
Net Book Value as at 31st March 2012	742,364.88	744,645.62	268,484.43	35,116.66	1,790,611.59

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

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

DESCRIPTION	BUILDING	PLANT & MACHL.	OTHER EQUIP.	MIXING PLANT	OFFICE FURNITURE	OFFICE EQUIP.	MOTOR VEHICLES	BICYCLES	COMPUTER & ACCESS:	TOTAL
	Rs.	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts	Rs.Cts
COST										
Cost / Revaluation Cost as at April 2011	104,000,000.00	936,050.00	29,210.00	1,500,000.00	679,661.03	692,275.00	4,950,000.00	2,500.00	73,500.00	112,863,196.03
Adjustment for the Year										
Add Addition for the Year			17,610.00							17,610.00
Less Disposal during the Year			28,550.00		93,856.48	18,971.02			168,450.00	309,827.50
Cost as at 31st March 2012	104,000,000.00	936,050.00	40,150.00	1,500,000.00	773,517.51	711,246.02	4,950,000.00	2,500.00	241,950.00	113,155,413.53
DEPRECIATION										
Accumulated as at 01st April 2011	2,600,000.00	93,605.00	2,267.22	300,000.00	161,045.67	191,402.78	990,000.00	833.33	24,500.00	4,363,654.00
Add Depreciation during the Year	2,600,000.00	93,605.00	19,253.33	300,000.00	231,510.80	232,732.88	990,000.00	833.33	57,654.16	4,525,589.50
Less Depreciation Provided on Assets Disposed										
Accumulated as at 31st March 2012	5,200,000.00	187,210.00	21,520.55	600,000.00	392,556.47	424,135.66	1,980,000.00	1,666.66	82,154.16	8,889,243.50
Net Book Value as at 31st March 2012	98,800,000.00	748,840.00	18,629.45	900,000.00	380,961.04	287,110.36	2,970,000.00	833.34	159,795.84	104,266,170.03

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

		31/03/2012	31/03/2011
		Rs.Cts	Rs.Cts
<u>NOTE - 03 a - CAPITAL WORK-IN-PROGRESS</u>			
Developing Software System	Note 3 a	0.00	542,901.08
		0.00	542,901.08
Note 3a . 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			
Note 3 b. Circuit Bungalow - Gampola			
Circuit Bungalow - Gampola	Note 3 b	10,260,801.02	12,826,001.28
		10,260,801.02	12,826,001.28
A sum of Rs. 15,391,201.54 was spent on the construction of Circuit Bungalow at Ambuluwawa , Title of the land was not in favour of Ceylon Fertilizer Co. Ltd., (CFC) and the Bungalow has not been used by CFC .Now the board of directors decided to write off this in 6 years period			
<u>Note No: 04 Fixed Deposit C.K.E</u>			
Treasury Bill - Peoples Bank - LKA 18210F044		83,053,574.25	67,719,062.89
Treasury Bill - BOC - RDA-217		77,712,719.00	75,000,000.00
		160,766,293.25	142,719,062.89
<u>NOTE - 05 - FIXED DEPOSITS FOR HOUSING LOAN</u>			
Fixed Deposit (People's Bank - Majestic City)		2,060,576.97	2,110,692.43
		2,060,576.97	2,110,692.43
<u>NOTE - 06 - GRATUITY INVESTMENT</u>			
Treasury Bills (Sampath Bank/Peoples Bank)		71,697,310.75	68,565,825.33
		71,697,310.75	68,565,825.33
<u>NOTE - 07 - INSURANCE INVESTMENT</u>			
Treasury Bills(People's Bank)		155,094,690.80	144,243,385.92
		155,094,690.80	144,243,385.92

* Rs.110,480,830.08 deposited/held with People's Bank International Division as a Collateral.

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

	31/03/2012	31/03/2011
	Rs.Cts	Rs.Cts
<u>NOTE - -8- INVENTORIES</u>		
Inventories - 8 A	496,949,974.15	548,830,083.57
Inventories - 8 B	33,238,837.40	29,785,983.68
Inventories Shortage/excess	-	2,489,535.99
	<u>530,188,811.55</u>	<u>581,105,603.24</u>
<u>NOTE - 08 A - INVENTORIES</u>		
Fertilizer Cost	496,590,240.55	547,380,332.76
Add: Provision for Transport	359,733.60	1,449,750.81
Balance as at 31st March 2012	<u>496,949,974.15</u>	<u>548,830,083.57</u>
<u>NOTE - 08 B - OTHER INVENTORIES</u>		
Consumable Stocks	10,278,322.27	7,079,280.34
Packing Materials	22,960,515.13	22,706,703.34
	<u>33,238,837.40</u>	<u>29,785,983.68</u>

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

	31/03/2012	31/03/2011
	Rs.	Rs.
NOTE - 09 - RECEIVABLES		
Trade Debtors		
Government Department	145,807,174.11	145,398,893.36
Multi Purpose Co-operative Society	3,494,320.99	3,830,370.99
Agrarian Services Centers	6,453,843.86	5,993,809.61
Authorized Dealer & Others	20,785,340.58	23,217,583.15
	<u>176,540,679.54</u>	<u>178,440,657.11</u>
Less: Provision for Bad & Doubtful Debts	(158,233,895.32)	(114,629,829.25)
	<u>18,306,784.22</u>	<u>63,810,827.86</u>
Treasury Subsidiary	20,906,679,325.96	25,095,537,620.75
General Treasury	130,328,770.51	130,328,770.51
Other Debtors	6,901,768.96	9,957,832.71
Sri Lanka Port Authority	1,378,105.43	4,438,082.43
EPF 10%	(0.00)	5,280.00
Receivable from RDA	12,600,000.00	-
	<u>21,076,194,755.08</u>	<u>25,304,078,414.26</u>
Note 09 a Treasury Subsidy		
VAT claims stock as at 31.03.2009	85,624,660.53	85,624,660.53
Subsidy receivable Yala 2007	208,757,630.70	208,757,630.70
Subsidy under Japanese grant	906,022,714.71	906,022,714.71
Current year	19,706,274,320.02	23,895,132,614.81
	<u>20,906,679,325.96</u>	<u>25,095,537,620.75</u>
Note 09 a 1 VAT claims stock as at 31.03.2009	Rs. 85,624,660.53	
The Company is communicating with the relevant authorities without any success to date but management in the view that the General Treasury will meet the obligation		
Note 09 a 2 Subsidy rev\receivable Yala 2007	Rs. 208,757,630.70	
The Company is communicating with the relevant authorities without much success to date but management in the view that the General Treasury will meet the obligation		
Note 09 a 3 Japanese grant	Rs. 906,022,714.71	
There is a liability of Rs. 852,499,261.80 shown under import creditors in the this grant. Thus the net receivable amount is Rs. 53,523,452.91 The Company is communicating with the relevant authorities without any success to date but management in the view that the General Treasury will meet the obligation		
Note 09 b 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, the Company is communicating with the relevant authorities in General treasury without any success to date		
NOTE - 09 c - OTHER DEBTORS		
Shortage on Sales		
D.F.S	786,553.32	623,253.85
Hunupitiya	0.00	165,000.00
Polonnaruwa	3,508.50	3,943.50
Other Debtors - Stock Shortages	441,113.75	6,191,789.19
Debtors Fertilizer Stock Shortage Import	4,447,601.89	-
Fertilizer On Loan	120,000.00	957,850.00
Sundry Debtors	1,102,991.50	2,015,996.17
	<u>6,901,768.96</u>	<u>9,957,832.71</u>

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

	31/03/2012 Rs.	31/03/2011 Rs.
<u>NOTE - 10 - DEPOSITS, PREPAYMENTS & ADVANCES</u>		
Deposits	Note 10 a 226,073,630.08	562,767,108.28
Prepayments	Note 10 b 11,149,066.79	9,774,316.13
Advance to Employees	Note 10 c 33,816,075.88	25,700,655.68
	<u>271,038,772.75</u>	<u>598,242,080.09</u>
<u>NOTE - 10 A - DEPOSITS</u>		
<u>General Deposits</u>		
Hunupitiya/Polonnaruwa	4,868,149.97	4,426,138.86
Margin A/C Peoples Bank	135,701,490.48	126,043,214.76
National Savings Bank	2,036,531.00	2,801,416.76
Call Deposit	(0.00)	350,256,657.53
Treasury Bill	83,467,458.63	79,239,680.37
	<u>226,073,630.08</u>	<u>562,767,108.28</u>
<u>NOTE - 10 B - PREPAYMENTS</u>		
<u>Recurrent Expenses</u>		
Hunupitiya	11,149,066.79	9,774,316.13
	<u>11,149,066.79</u>	<u>9,774,316.13</u>
<u>NOTE - 10 C - ADVANCE TO EMPLOYEES</u>		
Festival Advances	131,900.00	158,600.00
Motor Bicycle Loans	478,897.88	581,909.68
Employees Personal Loans	33,205,278.00	24,960,146.00
	<u>33,816,075.88</u>	<u>25,700,655.68</u>
<u>NOTE - 11 - CASH & BANK BALANCES</u>		
People's Bank - 210921	2,822,837.33	9,795,880.52
Bank of Ceylon - Kollupitiya -Collection A/C No 0630339	1,579,775.23	10,078,084.04
Sampath Bank - 00110057164	70,000.07	5,638,376.30
People's Bank - Polonnaruwa - 0776	1,730,084.50	988,526.00
People's Bank - Polonnaruwa - 0395	280,126.00	-153,993.99
People's Bank -Wattala 976515	-	2,932,846.81
People's Bank -Collection A/C No 204501	6,599,439.17	10,547,975.88
Commercial Bank Collection A/C - 10200755301	0.00	342,130.63
<u>Petty Cash Imprest</u>		
Petty Cash Imprests District Fertilizer Stores	(733.20)	-5,050.30
Labour Payment Imprests -Distric Fertilizer Stores	-	258,033.43
Cash in Transit	-	1,170,598.50
	<u>13,081,529.10</u>	<u>41,593,407.82</u>

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

	31/03/2012	31/03/2011
	Rs.Cts	Rs.Cts
<u>NOTE - 12 - STATED CAPITAL</u>		
Authorized Capital		
80,000,000 shares of Rs. 10/- each	800,000,000.00	800,000,000.00
Issued & Fully Paid Capital		
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	-	5,369,929,927.91
	-	<u>5,369,929,927.91</u>
 <u>NOTE - 14 - CREDITORS</u>		
	Rs.Cts	Rs.Cts
Trade Creditors - Import	15,489,149,898.95	7,017,407,849.67
Sundry Creditors - Hunupitiya	10,470,397.24	20,050,923.16
Devident payable	9,000,000.00	9,000,000.00
Excess On Sales	1,025,838.30	1,464,366.93
Sundry Salary Deductions	-28,544.50	5,930.00
Suspense Cash Deposits	611,820.00	611,820.00
Fertilizer On Loan	210.00	9,879,510.00
Retention Money - Hunupitiya	14,791,771.05	21,649,359.63
Refundable Performance Bond	86,144,698.60	86,344,698.60
Withholding VAT (1/3 x 2/3)	377,191.36	2,867,386.97
Withholding Tax	742,615.46	531,750.17
Taxation	25,548,757.19	30,059,659.59
PAYE Tax	223,725.70	-
	<u>15,638,058,379.35</u>	<u>7,199,873,254.72</u>
 <u>NOTE - 14 a - EXCESS ON SALES</u>		
Polonnaruwa Complex	1,802.50	13,871.74
District Fertilizer Stores	1,024,035.80	1,450,495.19
	<u>1,025,838.30</u>	<u>1,464,366.93</u>
 <u>NOTE - 14 b - TAXATION</u>		
Balance as at 01.04 2011	30,059,659.59	40,522,961.81
Provision For Income Tax	50,270,533.13	43,666,667.81
Income Tax Paid	(45,960,524.78)	(46,315,715.00)
Withholding Tax Receivable	-	-1,887,660.90
SRL	(499,415.00)	-
Economic Service Charges Paid	(8,321,495.75)	(5,926,594.13)
Balance at 31.03.2012	<u>25,548,757.19</u>	<u>30,059,659.59</u>

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

	31/03/2012	31/03/2011
	Rs.Cts.	Rs.Cts.
<u>NOTE - 15 - ACCRUDE EXPENSES</u>		
Hunupitiya	89,590,043.29	114,312,239.28
Polonnaruwa Complex	1,016,483.69	1,101,774.37
	<u>90,606,526.98</u>	<u>115,414,013.65</u>
<u>NOTE - 16- REFUNDABLE DEPOSITS</u>		
Refundable Deposits 16 A	7,818,370.69	8,450,238.61
Receipts in Advance 16 B	31,084,985.33	28,811,317.47
	<u>38,903,356.02</u>	<u>37,261,556.08</u>
<u>NOTE - 16 A - REFUNDABLE DEPOSITS</u>		
Staff Security Deposits	2,029,445.69	2,797,522.09
Refundable Deposits	5,788,925.00	5,652,716.52
	<u>7,818,370.69</u>	<u>8,450,238.61</u>
<u>NOTE - 16 B - RECEIPTS IN ADVANCE</u>		
Hunupitiya	650,300.00	2,411,648.00
District Fertilizer Stores	7,866,403.52	10,495,995.12
Polonnaruwa Complex	535,255.00	971,265.50
Claim against Bank Guarantee	-	138,408.85
Laboratory Development Fund	22,033,026.81	14,794,000.00
	<u>31,084,985.33</u>	<u>28,811,317.47</u>
<u>NOTE - 17- BANK LOAN</u>		
Short Term Loan (People's Bank)	5,369,929,927.91	6,468,000,000.00
Domestic Bed STL	(0.00)	6,609,604,378.46
	<u>5,369,929,927.91</u>	<u>13,077,604,378.46</u>
<u>NOTE - 18 - BANK OVERDRAFT</u>		
People's Bank - International 210919	78,951,693.06	70,616,325.45
People's Bank - 210920	1,000.00	(110,064.87)
People's Bank Wattala - 976515	3,220,295.98	0.00
	<u>82,172,989.04</u>	<u>70,506,260.58</u>

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

	01/04/2014 31/03/2012	01/04/2011 31/03/2012	01/04/2010 31/03/2011
	Rs.Cts	Rs.Cts	Rs.Cts
NOTE - 19- NET TURNOVER			
Hunupitiya		357,634,470.70	215,009,433.07
Polonnaruwa		118,475,264.00	146,313,563.60
District Fertilizer Stores		2,271,531,808.46	2,126,909,058.01
		<u>2,747,641,543.16</u>	<u>2,488,232,054.68</u>
Less: Discount			
Hunupitiya	29,754,198.96		11,914,430.86
District Fertilizer Stores	188,975,538.34		179,903,749.12
Polonnaruwa	10,029,154.00	228,758,891.30	12,180,031.00
Less: Taxes			
Turnover Tax / NBT		22,614,268.46	37,831,105.42
Return In Words			-
		<u>2,496,268,383.40</u>	<u>2,246,402,738.28</u>
NOTE - 20 - COST OF SALES			
Opening Stock	1.04.2012	20 a	548,830,083.57
Add: Purchase		20 b	1,535,915,422.58
Direct Expenses		20 c	621,099,557.65
			<u>2,705,845,063.80</u>
Less: Closing Stock 31.03.2012			<u>496,949,974.15</u>
			2,208,895,089.65
Stock Adjustments		(22,508,220.48)	(2,780,700.00)
Stock Excess		(26,110.00)	2,199,611.43
None Moving Stock Adjustment		(3,780,329.00)	
		<u>2,182,580,430.17</u>	<u>1,832,278,737.73</u>
NOTE - 20 a - OPENING STOCK 01/04/2011			
Cost		547,501,272.15	297,593,937.10
Add: Transport Cost to Complex/District Fertilizer Stores		1,328,811.42	1,328,811.42
		<u>548,830,083.57</u>	<u>298,922,748.52</u>
NOTE - 20 b - PURCHASES			
Import of Fertilizer CIF Value		19,634,866,520.84	16,946,765,063.60
Subsidy Income		(19,935,741,534.96)	(16,347,845,323.70)
Cargo Insurance		12,570,843.59	9,554,715.71
Duty & Duty Surcharge		(598,274.60)	89,229,220.00
Port & Airport Development Tax		986,964,969.00	588,657,022.00
Discharging Expenses		2,639,451.05	3,036,476.94
Social Responsibility Levy		0.00	1,338,147.00
Landing Charges		24,785,209.88	19,278,813.88
Stevedoring Charges		187,530,074.65	149,255,391.00
Miscellaneous (Custom)		8,145,245.80	4,167,309.84
Miscellaneous (Sri Lanka Port Authority)		5,692,722.96	3,553,684.98
Demurrage Charges		1,491,807.60	1,853,075.16
Sampling Charges		10,657,447.19	4,689,228.35
Transport & Handling Charges		225,446,689.71	169,622,371.75
Letter of Credit Charges		109,149,978.19	124,728,156.72
Bank Charges		3,783,538.82	734,441.33
Local Purchase		28,952,340.00	19,623,620.00
Packing Materials		12,627,731.77	6,627,638.20
Shipping Guarantee Charges		(1,104,371.17)	(110,933.93)
Exchange Gain/Loss		218,055,032.26	(311,875,165.32)
		<u>1,535,915,422.58</u>	<u>1,482,882,953.51</u>

Fernando + Hewage Co (Chartered Accountants) Moratuwa

Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

	01/04/2011 31/03/2012	01/04/2010 31/03/2011
	Rs.Cts	Rs.Cts
NOTE - 20 c - DIRECT EXPENSES		
Mixing Charges - Hand & Plant	662,154.70	114,005.89
Handling Charges	148,824,491.73	129,995,443.54
Labour Charges	20,831,582.70	17,104,775.09
Transport Charges to District Fertilizer Stores	450,781,328.52	452,669,983.32
	<u>621,099,557.65</u>	<u>599,884,207.84</u>
NOTE - 21- OTHER INCOME		
Sundry Income	5,721,626.43	1,088,331.20
Liquidated Damages Income	18,068,237.46	-
Inter Note 21 a	66,686,430.08	46,515,679.98
Income from Penalties - Local	3,283,294.55	3,212,510.35
Packing Material Ex:	3,215.30	115,436.90
Income from Penalties - Import	5,801,909.37	23,509,029.51
Circuit Bungalow Income - Polonnaruwa	54,000.00	-
Earning From Garden	44,055.00	44,410.00
Dispatch Income	102,577,552.14	77,549,510.81
Sales of Polythene & WPP Bags	3,458,619.90	1,123,950.00
Non Refundable Tender Deposit Income	1,337,500.00	800,819.40
Interest Income From Trade Debtors	449,151.90	-
Fertilizer Stock Excess	3,817,552.99	-
Rent Income	90,000.00	52,500.00
Assets Disposal Account	6,911,505.00	1,829,540.55
Earning From Transport	8,000.00	1,322,298.00
Claim against performance bond	48,063,826.17	-
Claim against Bank Guarantee	138,408.85	-
	<u>266,514,885.14</u>	<u>157,164,016.70</u>
NOTE - 21 a - INTEREST INCOME		
Bank Interest Fixed Deposit / Treasury Bills	65,435,306.41	45,546,127.45
Personal Loan Interest Income	1,251,123.67	969,552.53
	<u>66,686,430.08</u>	<u>46,515,679.98</u>

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

NOTE - 22 - ADMINISTRATION & ESTABLISHMENT EXPENSES

Description	Hunupitiya	Polonnaruwa	District Fertilizer Stores	Total	Total
	Rs.Cts	Rs.Cts	Rs.Cts	01/04/2011 31/03/2012 Rs.Cts	01/04/2010 31/03/2011 Rs.
Director Remunerations	2,319,727.56	-	-	2,319,727.56	1,140,930.58
Secretary Fees	106,920.00	-	-	106,920.00	
Salaries - Executive	16,268,808.98	1,183,534.50	6,816,376.69	24,268,720.17	23,103,793.01 ✓
Salaries - Non-Executive	48,431,990.74	7,450,610.71	37,534,259.36	93,416,860.81	90,996,184.24 ✓
Overtime	26,257,995.06	2,585,389.01	17,114,746.52	45,958,130.59	41,011,595.47 ✓
Travelling and Subsistence	3,251,619.70	536,141.50	1,810,618.19	5,598,379.39	5,227,460.10 ✓
Employees Provident Fund	18,124,996.30	-	-	18,124,996.30	17,075,601.85 ✓
Employees Trust Fund	3,624,611.90	-	-	3,624,611.90	3,440,202.99 ✓
Government Pension (Company 15%)	99,500.00	-	-	99,500.00	69,768.99 ✓
Fuel Allowance for Managers	2,126,710.00	-	-	2,126,710.00	1,602,858.33 ✓
Entertainment	734,640.21	41,120.00	5,025.00	780,785.21	640,293.00 ✓
Tea and Dust Allowance	1,189,781.50	149,396.00	570,370.00	1,909,547.50	2,042,938.00 ✓
Annual Bonus	1,501,287.50	202,500.00	1,061,875.00	2,765,662.50	2,881,125.00 ✓
Medical Leave Payment	4,513,999.87	555,155.00	2,888,505.69	7,957,660.56	7,902,275.70 ✓
Employees of Contract Basis	3,912,907.43	-	-	3,912,907.43	-
Electricity	4,646,655.21	358,759.20	501,281.53	5,506,695.94	4,934,851.47
Telephone, Telex & Cables	2,518,535.10	-	1,095,593.21	3,614,128.31	4,591,230.06
Fire Insurance	127,774.85	-	-	127,774.85	247,988.10
License & Insurance	1,171,423.24	30,525.00	-	1,201,948.24	1,117,956.75
Postage	389,883.50	42,275.00	681,970.25	1,114,128.75	1,088,023.37
Printing & Stationery	6,072,623.99	139,723.49	826,263.26	7,038,610.74	3,920,326.84
Periodicals & Books	56,960.00	5,820.00	2,179.00	64,959.00	65,939.00
Office Equipment Maintenance	465,484.13	17,610.00	2,250.00	485,344.13	675,709.54
Office / Sundry Expenses	2,264,628.39	127,019.85	405,755.30	2,797,403.54	1,604,755.75
Vehicle Running Expenses	5,057,213.15	1,416,625.44	610,535.04	7,084,373.63	5,072,204.81
Water Bill	2,346,943.41	49,036.00	432,946.60	2,828,926.01	2,155,560.45
Vehicle Maintenance	4,513,858.68	327,812.62	45,857.91	4,887,529.21	3,122,151.69
Balance C/F	162,097,480.40	15,219,053.32	72,406,408.55	249,722,942.27	225,731,725.09

Ceylon Fertilizer Company Ltd.

Notes to the Financial Statements

NOTE - 22 - ADMINISTRATION & ESTABLISHMENT EXPENSES

Description	Hunupitiya	Polonnaruwa	DFS	Total	
	Rs.Cts	Rs.Cts	Rs.Cts	01/04/2011	01/04/2010
Balance B/F	162,097,480.40	15,219,053.32	72,406,408.55	249,722,942.27	225,731,725.09
Legal Fees	3,552,821.68	-	-	3,552,821.68	4,405,272.55
Security Charges	3,597,272.94	1,502,898.83	17,180,669.40	22,280,841.17	20,360,519.36
Research & Development Expenses	386,130.00	-	-	386,130.00	392,000.00
Training & Scholarships	2,238,187.60	-	-	2,238,187.60	1,625,801.98
Special Duty Allowance	2,094,106.13	133,337.75	100,978.13	2,328,422.01	1,883,841.51
Lab/Equipment Maintenance	70,632.96	-	-	70,632.96	72,686.53
Plant, Machinery & Equipment Maintenance	668,651.83	88,177.00	70,240.00	827,068.83	914,224.75
Mixing Plant Maintenance	675.78	-	-	675.78	97,637.47
Building Maintenance	5,823,035.84	585,533.30	3,560,016.14	9,968,585.28	3,544,528.08
Road Construction	145,098.24	-	-	145,098.24	-
Computer & Accessories	2,725,433.94	109,822.80	-	2,835,256.74	-
Medical Expenses	24,016.83	-	-	24,016.83	1,749,731.43
Uniform & Shoe Allowance	1,270,933.64	190,129.50	993,627.00	2,454,690.14	9,016.30
Rent & Rates	280,214.53	-	2,600,304.10	2,880,518.63	2,081,965.04
Expenses for Temporary Storage	44,928.00	-	-	44,928.00	2,927,385.68
Depreciation	18,234,843.22	4,796,788.05	812,183.94	23,843,815.21	11,836,530.52
Audit Fees	300,000.00	-	-	300,000.00	20,489,258.38
Consultancy Fees	2,621,075.00	-	-	2,621,075.00	250,000.00
Work Shop Tools Expenditure	645,804.66	9,868.52	-	655,673.18	2,938,927.13
Sanitary Facilities	2,293,288.04	307,872.89	54,043.80	2,655,204.73	200,945.22
Medical Insurance	4,330,497.70	-	-	4,330,497.70	787,239.15
Payee					4,829,090.29
Stamp Duty	26,568.00	-	-	26,568.00	276,695.12
Other Equipment Maintenance	525,210.40	69,883.59	27,796.80	622,890.79	1,271.00
Charity & Donations	1,249,160.03	-	-	1,249,160.03	294,619.93
Annual Incentive	15,777,669.53	2,105,048.89	9,204,356.90	27,087,075.32	243,433.33
Balance C/F	231,023,736.92	25,118,414.44	107,010,624.76	363,152,776.12	25,152,677.67
					333,097,023.51

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

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NOTE - 22 - ADMINISTRATION & ESTABLISHMENT EXPENSES

<u>Description</u>	Hunupitiya	Polonnaruwa	DFS	Total	Total
	Rs.Cts	Rs.Cts	Rs.Cts	01/04/2011 31/03/2012	01/04/2010 31/03/2011
Balance B/F	231,023,736.92	25,118,414.44	107,010,624.76	363,152,776.12	333,097,023.51
Cash in Transit & Cash in safe	95,427.51	-	-	95,427.51	122,916.52
Cahier Risk Allowance	-	3,910.00	-	3,910.00	2,530.00
Provision for Fertilizer Insurance Fund	10,851,304.88	-	-	10,851,304.88	11,120,440.47
Provision for Gratuity	11,718,226.14	-	-	11,718,226.14	9,682,386.13
Provision for Housing Loan Fund	-	-	-	0.00	424,835.86
Provision for the Non moving Fertilizer	3,780,329.00	-	-	3,780,329.00	
Provision For the Stock Officer Stock Shortage	4,856,727.78	-	-	4,856,727.78	
Provision For the Engineering Stock Shortage	1,142,758.20	-	-	1,142,758.20	
Staff Welfare (5)	1,240,913.76	15,033.76	66,924.48	1,322,872.00	676,853.58 ✓
Natural Disaster Expenses	20,000.00	-	-	20,000.00	369,386.70 ✓
Employee Compensation	-	-	-	0.00	115,090.00 ✓
Write off of Bad Debts	-	56.00	-	56.00	8,807,311.58
Write back	(8,220,432.91)	-	-	(8,220,432.91)	
P & L Appropriation	-	-	-	0.00	1,567,890.01
Over/(Under) Provision of Recurrent Expenses	(1,759,498.99)	-	-	(1,759,498.99)	(3,949,086.43)
VAT Payable	-	-	-	0.00	4,987,123.76
Staff Transport (5)	1,237,900.00	-	-	1,237,900.00	
Circuit Banglow Expenses	0	14,612.00	-	14,612.00	
Total	255,987,392.29	25,152,026.20	107,077,549.24	388,216,967.73	367,024,701.69

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements

	01/04/2011 31/03/2012	01/04/2010 31/03/2011
	Rs.Cts	Rs.Cts
<u>NOTE - 23 - SELLING & DISTRIBUTION EXPENSES</u>		
Advertising & Publicity Notices	10,284,151.36	6,819,053.88
Provision for Bad & Doubtful Debts	43,604,066.07	(4,077,777.30)
Sales Commission	5,282,645.46	785,031.77
	<u>59,170,862.89</u>	<u>3,526,308.35</u>
<u>NOTE - 24 - FINANCE COST</u>		
Bank Interest	33,860,665.47	102,327,514.32
Bank Charges	655,734.56	455,437.41
Debit Tax	2,892,005.75	23,975,046.49
	<u>37,408,405.78</u>	<u>126,757,998.22</u>
<u>NOTE 25 INCOME TAX</u>		
Provision for Income Tax	50,270,533.13	43,666,667.81
	<u>50,270,533.13</u>	<u>43,666,667.81</u>

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Ceylon Fertilizer Company Ltd.
Notes to the Financial Statements as at 31 March 2012

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

27.1 All other material post balance sheet events have been considered and where appropriate adjustment has been made. Foreign exchange fluctuations and its impact on subsidy receivable and imports were recognized on the basis that the General Treasury will compensate such fluctuations.

28. Capital commitment

Company does not have any significant capital commitments outstanding as at Balance sheet date except grant of received for the Laboratory Development from Ministry of Agriculture Services and Wildlife. All other material post balance sheet events have been considered and where appropriate adjustment has been made.

29. Contingent Liabilities.

29.1 Two cases in the Sri Lanka National Arbitration Centre, one case in the appeal courts and one case in Commercial High Courts are in process against the Company. The Board of Directors is of the opinion that the claim can be successfully defended by the Company and specific disclosures are not required.

29.2 06 labour dispute cases are pending in labour courts for demanding compensation. 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 under review, 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.

32. **Future change in Accounting Policies**

Following the convergence of Sri Lanka Accounting Standards with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) , all existing Sri Lanka Accounting Standards will be prefixed as SLFRS or LKAS which refer to Sri Lanka Financial Reporting Standards or Sri Lanka Accounting Standards corresponding to IFRS or IAS respectively. The Institute of Chartered Accountants of Sri Lanka has mandated all specified business enterprises to adopt these new Accounting Standards effective for the financial periods beginning on or after January 01, 2012.

The effect of the application on these new standards will be substantially different to the effect of application of existing Accounting Standards.