



ANNUAL REPORT 2014

CEYLON FERTILIZER COMPANY LTD

WE HONOUR
OUR PAST
**EMBARK ON
FUTURE**



50 YEARS LEGACY...
SINCE 1964

WE HONOUR
OUR PAST
**EMBARK ON
FUTURE**



Ministry of Agriculture

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

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CEYLON FERTILIZER COMPANY LTD.

ANNUAL REPORT

2014



Ceylon Fertilizer Company Ltd.

Lakpohora Swarna Jayanthi Mawatha,
Hunupitiya, Wattala,
Sri Lanka.

Tel : 011 - 2930298 / 99
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STRAIGHT FERTILIZERS FOR PADDY

We offer straight fertilizers such as Urea, Muriate of Potash, Triple Super Phosphate, Sulphate of Ammonia, Kieserite, Zinc Sulphate.



COMPANY AT A GLANCE



CORPORATE INFORMATION



Name of the Company
Ceylon Fertilizer Company Limited.

Legal Status
Limited Liability Company
incorporated and
domiciled in Sri Lanka and
is fully owned by the Secretary to the
Treasury.

**Registration No.
of the Company**
PB 499

Registered office and Address
Lakpohora Swarna Jayanthi Mawatha
Hunupitiya, Wattala, Sri Lanka.
Tele: 0112947764 Fax: 0112947763
e-mail: chairman@lakpohora.lk
Web: www.lakpohora.lk

DIRECTORS

Mr. Buddhika Madihahewa <i>Chairman</i> 18.02.2008 – 31.03.2014	Mr. N.G Ratnayake <i>Director (Planning)</i> Ministry of Agriculture <i>Director</i> 10.04.2013 – 27.10.2013
Mr. Sudarsha Ganegoda <i>Working Director</i> 12.05.2010 – 31.03.2014	Mr. A.L.A. Asoka Siriwardana <i>Additional Secretary (Admin.)</i> Ministry of Agriculture <i>Director</i> 28.10.2013 – 31.03.2014
Mr. Premasiri Abeynayake <i>Working Director</i> 07.06.2010 – 31.03.2014	Mr. Neville Abeyratne <i>(Attorney-at-Law & Notary Public)</i> <i>Director</i> 07.06.2010 – 31.03.2014
Mr. H.M. Ajithchandra <i>(Additional Director General)</i> Department of Treasury Operations <i>Director</i> 20.05.2011 – 31.03.2014	Mr. Dhammika Dahanayake Yapa <i>(Attorney-at-Law & Notary Public)</i> <i>Director</i> 03.05.2013 – 31.03.2014

Mr. S.P. Morawaka
(Attorney-at-Law & Notary Public)
Company Secretary
29.04.2005 – 31.03.2014

MANAGEMENT TEAM

Mr. Pradeep Yasarathne	<i>General Manager</i>
Mr. B.D.L. Kumarasiri	<i>Chief Internal Auditor</i>
Mr. Priyantha Samaraweera	<i>Manager (Finance)</i>
Mrs. H.M.T.P. Herath	<i>Manager (Administration & Human Resources)</i>
Mr. P.S.K. Jayakody	<i>Manager (Procurement & Import)</i>
Mrs. R.P. Surangani Bodhipala	<i>Manager (Sales & Marketing)</i>
Mr. R.A.P. Perera	<i>Manager (Distribution)</i>
Mr. D.M.N.A. Dissanayake	<i>Manager (Technical)</i>

Ceylon Fertilizer Company Limited is a fully government owned Company coming under purview of the Ministry of Agriculture. The company was established under the State Industrial Corporation Act No. 49 of 1957 in the year 1964 with the financial and technological contribution of the German Democratic Republic.

Ceylon Fertilizer Company Limited engage in importation of chemical fertilizer, producing quality fertilizer mixtures, marketing and distribution through island wide network of regional warehouses, distributors and dealer network, thereby catering to the fertilizer needs of Sri Lankan agricultural community.

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

At present, it is registered under the Companies Act No. 07 of 2007

The Thamankaduwa Agro Fertilizer Company was amalgamated with this Company in the year 2008 and it is functioning as the Polonnaruwa warehouse complex of the Ceylon Fertilizer Company Limited.

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



■ WE HONOUR
OUR PAST
**EMBARK ON
FUTURE**

VISION

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

MISSION

To ensure profit maximization and sustainability through production and marketing of fertilizer for extended, diversified market demand, while actively contributing to increase production, income and profitability in the agriculture and agrarian services sectors in Sri Lanka in compliance with the state policies, by rendering a dedicated and quality service from the Lakpohora Family.

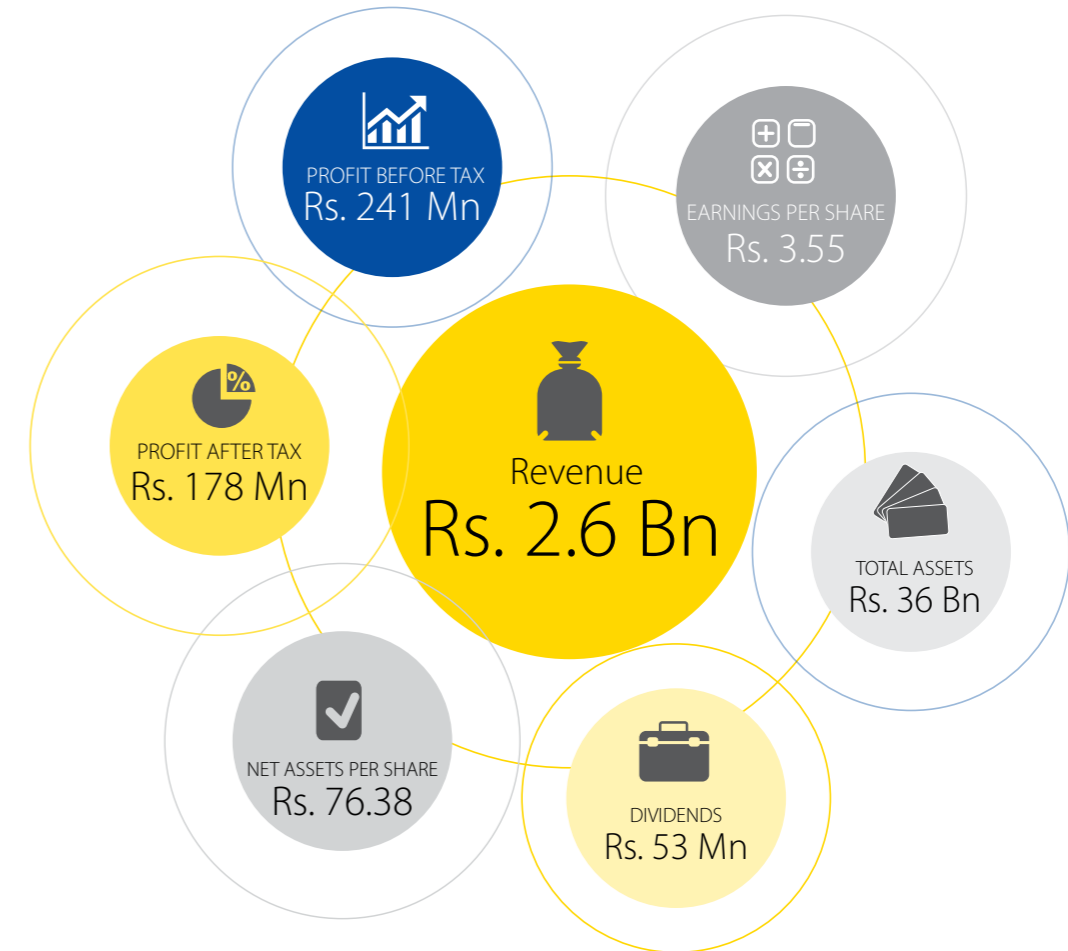


FOR OTHER CROPS

We offer special mixed fertilizers for Vegetables, Fruits, Potatoes, Chilly, Cowpea, Groundnut, Green gram and Sugarcane, etc.



FINANCIAL HIGHLIGHTS



Revenue Highlights and Ratios		2014	2013	Change
		Rs.	Rs.	%
Revenue	Rs.	2,563,549,727	2,450,132,816	5%
Profit before taxation	Rs.	241,328,764	199,894,318	21%
Income tax expenses	Rs.	62,869,313	73,037,738	-14%
Total comprehensive income for the year	Rs.	178,459,452	126,856,581	41%
Dividends	Rs.	52,930,556	38,056,974	39%
Earnings per share	Rs.	3.55	2.52	41%
Return on assets (ROA)	%	0.49%	0.48%	2.2%
Return on equity (ROE)	%	4.6%	3.4%	36%

Financial Position Highlights and Ratios		2014	2013	Change
Total assets	Rs.	36,266,731,183	26,451,828,626	37%
Total equity	Rs.	3,838,543,092	3,736,071,170	3%
Number of shares in issue	Number	50,245,608	50,245,608	-
Net assets per share	Rs.	76.38	74.36	3%

MILESTONES

FROM 1964 - 2014



Established as a government corporation to import, produce and distribute Fertilizer.



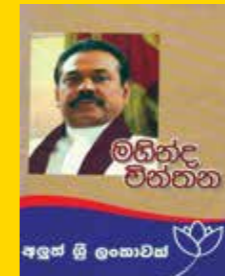
Introduced fertilizer for other crops including Tea, Rubber and Coconut.



Established regional warehouses in Mahawa, Weligama, Polonnaruwa and Anuradhapura.



Converted to a Limited Liability Company and commenced independent operation.



Distribution of Subsidized fertilizer for paddy farmers island - wide under the "Mahinda Chinthana" policy.



- Introduced 500g fertilizer packets (Mini Pack) for home gardening.
- Upgraded from "C" grade to "B" grade by the General Treasury.
- Earned Rs. 73 Mn profit after tax.
- Awarded ISO 9001:2008 Certificate of Conformity.
- Won National Productivity Award in large scale manufacturing category.

1964

1969

1978

1992

2005

2010
2011

1966

Commencement of operations in Hunupitiya Central Warehouse with a processing plant of 35 MT per hour.



1970

Introduced "Lanka Pohora" brand name.



1980

Commenced special promotions and marketing activities.



1994

Contributed to the national programme of providing fertilizer at subsidized prices.



2008

A new chapter was written



2012
2013

- ISO/IEC/17025:2005 Certification for company's Laboratory.
- Certificate of Accreditation by Sri Lanka Accreditation Board for Conformity Assessment.
- Compliance Award for Annual Report 2012/2013 awarded by the Institute of Chartered Accountants of Sri Lanka.
- Merit Award in Large Scale Manufacturing - State sector category at National Business Excellence Awards 2013 awarded by National Chamber of Commerce Sri Lanka.
- Merit Award in Large Scale Manufacturing Category at Sri Lanka National Quality Awards 2013

YEAR OF GOLDEN JUBILEE



Issuance of a Stamp and the First Day Cover to commemorate the Golden Jubilee of the Company, under the patronage of His Excellency the President Mahinda Rajapakse.



Well equipped centralised new laboratory of the company was declared open by Hon. Basil Rajapakse, Minister of Economic Development, Hon. Mahinda Yapa Abeywardena, Minister of Agriculture with the participation of Hon. Y.G. Padmasiri, Deputy Minister of Agriculture



Company has built a Bus halt in front of the office premises for passengers' convenience and also renamed the road in front as "Lakpohora Swarna Jayanthi Mawatha".



Programme of selecting best five Divisional Fertilizer Stores.



Programme of selecting "Lakpohora Star".

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	SLAS	SLAS	SLAS	SLAS	SLAS	SLAS	SLFRS	SLFRS	SLFRS	SLFRS
Statement of Comprehensive Income										
Revenue	2,008,121,747	1,738,890,120	1,597,921,714	900,461,713	1,370,080,315	1,904,299,851	2,246,402,738	2,496,268,383	2,450,132,816	2,563,549,727
Gross profit	225,039,530	123,581,353	236,228,785	204,414,682	221,286,371	322,826,103	414,124,001	310,189,751	621,684,097	575,467,461
Other income	110,500,407	166,406,012	146,931,059	76,899,044	130,892,642	132,287,779	157,164,017	197,912,757	108,809,998	93,172,755
Profit before taxation	46,977,085	20,738,590	3,599,741	26,957,610	35,088,271	42,411,705	73,979,009	159,544,495	199,894,319	241,328,764
Taxation	(28,131,616)	(10,762,878)	(13,771,790)	(19,766,392)	(25,092,763)	(35,000,000)	(43,666,668)	(52,315,944)	(73,037,738)	(62,869,313)
Profit for the year	18,845,469	9,975,712	(10,172,049)	7,191,217	9,995,508	7,411,705	30,312,341	107,228,551	126,856,581	178,459,452
Statement of Financial Position										
Stated capital	444,456,080	444,456,080	444,456,080	444,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080
Revaluation reserve	76,939,154	1,616,307,519	1,616,307,519	1,616,307,519	1,616,307,519	1,986,087,280	1,986,087,280	1,836,179,780	1,835,723,580	1,835,723,580
Revenue reserves	184,394,619	194,370,332	184,198,282	191,389,499	201,385,007	208,796,713	224,109,054	1,285,578,730	1,397,891,510	1,500,363,432
Total equity	705,789,853	2,255,133,931	2,244,961,881	2,252,153,098	2,320,148,607	2,697,340,072	2,712,652,414	3,624,214,590	3,736,071,170	3,838,543,092
Property, plant and equipment	98,704,757	1,638,495,136	1,647,477,060	1,642,814,214	1,686,442,553	1,902,075,430	1,895,412,152	1,908,557,760	1,882,887,059	1,879,174,306
Capital working progress	17,895,434	17,895,434	17,895,434	17,895,434	20,024,735	15,934,103	542,901	-	-	-
Deferred tax expense	-	-	-	-	-	-	-	4,862,949	73,037,738	5,561,375
Investment in treasury bills	94,059,906	113,633,853	132,782,037	146,109,366	172,614,796	332,205,456	434,767,955	471,025,753	338,620,163	369,088,140
Intangible assets	-	-	-	-	-	-	-	-	669,017	344,717
Deferred tax assets	-	-	-	-	-	-	76,814,523	71,951,574	-	-
Net current assets	600,326,344	600,912,136	582,772,763	592,829,041	610,949,150	124,764,054	6,975,143,544	1,706,541,296	1,915,693,141	2,025,842,182
Deferred tax liabilities	-	-	-	-	-	-	-	-	1,086,164	6,647,539
Short/ Long term loan	-	-	-	-	-	11,837,929,928	5,369,929,928	-	-	20,646,483,768
Cash Flow Statement										
Net cash inflow/(out flow) from operating activities	(1,409,015,721)	(4,487,339,145)	(5,537,840,553)	(9,812,750,171)	(23,925,719)	(12,169,047,254)	(16,012,155,140)	12,695,227,509	(9,517,159,808)	(5,094,105,859)
Net cash inflow/(out flow) from investing activities	1,584,272,550	4,509,295,472	5,347,791,109	9,796,712,574	(85,865,511)	12,216,587,459	(8,458,411)	(8,458,411)	83,232,936	(498,105,232)
Net cash inflow/(out flow) from financing activities	(6,287,476)	(30,008,448)	(40,493,187)	(19,176,247)	46,739,763	(159,725,222)	16,168,483,382	(13,079,312,780)	9,575,483,282	5,654,013,585
Other Information										
Earning per share (Rs)	1.06	0.22	(0.23)	0.16	0.22	0.17	0.60	2.13	2.52	3.55
Dividend per share (Rs)	-	-	-	-	0.06	0.06	0.18	0.18	0.76	1.05
Net assets per share (Rs)	16	51	51	51	46	54	54	72	74	76
Current ratio (No. of times)	1.30	1.17	1.10	1.07	1.04	2.09	1.29	1.08	1.08	1.06

FOR COCONUT

We offer special fertilizers such as YPM (ERP)(W), YPM (TSP)(D), APM (ERP)(W), APM (TSP)(D), TODDY TAPPING(W), TODDY TAPPING(D).





CHAIRMAN'S MESSAGE

2013/14 is a year of monument in the history of Ceylon Fertilizer Company Limited. Over the last five years we have seen the firm revolution of CFC into a profitable company, backed by an effective business model. Whilst catering the Nation's Agricultural Community since 50 years and building on this constant track record of growth CFC is celebrating the Golden Jubilee. 2013/14 was best ever year of progress both operationally and financially.

Sri Lanka is well known as an agricultural nation from ancient times. Since the independence in 1948 to date, the successive governments came into power have taken many steps to develop Sri Lanka as an agricultural economy. In order to achieve this objective, Ceylon Fertilizer Corporation was incorporated in year 1964 as the sole importer, producer, marketer and distributor of fertilizer to the agriculture community of the country. Since then CFC stood with and for the agricultural community of the nation. The direction of the visionary leaders who headed the company, strong management team and loyal employees, for the past 50

years, have facilitated us to continue as an important pillar of national development.

CFC became unprofitable by the year 2007/08. Consequent to my being appointed as the Chairman of the Ceylon Fertilizer Co Ltd by His Excellency the President Mahinda Rajapaksa on the 18th of February, 2008, it became possible to make several major achievements through strategic planning and implementation of vital changes and dedicated team work it was possible to march towards greater heights.

During the year 2008 / 2009, the net assets of Ceylon Fertilizer Co. Ltd were Rs. 2,320 Million and this amount increased to Rs. 3839 Million in during the year 2013 / 2014.

Through the disciplined application of a long-term strategy, the company has increased its profit before tax from 35 million in 2008/09 to Rs. 241 million in 2013/14 being the highest in the

Today CFC has a strong balance sheet with 36 billion total assets. I am proud of the significant value we have created for our only Shareholder, Government Treasury. Since 2008, we remain committed to a progressive dividend policy and this year the board has proposed a final dividend of Rs.53 million, whereas we have paid Rs.38 million as dividend in the year 2012/13.

organization's history. The highest profit before tax recorded prior to this has been Rs 199 million, during the year 2012 / 2013.

Today CFC has a strong balance sheet with 36 billion total assets. I am proud of the significant value we have created for our only Shareholder, Government Treasury. Since 2008, we remain committed to a progressive dividend policy and this year the board has proposed a final dividend of Rs.53 million, whereas we have paid Rs.38 million as dividend in the year 2012/13.

Simultaneously, Rs. 63 million had been paid during the year 2013/14 as taxes to the Government. CFC does not receive any financial assistance from the Government Consolidated Fund right now for its operations. The primary emphasis of the management was on building the confidence in Lakpohora's capacity to achieve a steady top and bottom line growth. All aspects of the business were assessed and changed extensively with a remarkable change in the quality of the performance.

Corporate Plan for 2011-2015 had been formulated and the Action Plan for 2013-2015 been implemented and follow up action taken.

I believe we are able to implement standards that accelerate our business strategy to develop solutions to some of the most deep-seated social and environmental challenges of the country and deliver wider benefits to society.

ISO 9001:2008 International Standards, ISO/IEC 17025:2005 Accreditation for Chemical Testing for CFC Laboratory, Sri Lanka National Quality Merit Award, National Productivity Award, National Business Excellence Merit Award, Annual Report Compliance Award received by us provide ample evidence in support of success story of CFC in this era.

All members of Lakpohora family are skilled, motivated, and proud of the organization's heritage and ambitious for its future. We did not maintain an efficient cost structure at the expense of building talent for the company and hindering the future growth of the company. During the recent years the company invested on training the young and re-skilling our experienced employees. We are focused on continuing this commitment for the long-term benefit of our loyal employees.

Lakpohora family always stands at the heart of our business. Our past, current and future success rest entirely with them. I thank the members of Lakpohora family for their dedication.

In all parts of our business we see opportunities for sustainable growth, building on the effective business model developed during the last five years. Five years on, we believe that this effective business model provide the right framework for preparing ourselves for the challenges of the next 50 years.

I extend with gratitude, my sincere appreciation to His Excellency President Mahinda Rajapakse, Minister of Agriculture and former Ministers of the line Ministries, Secretary to the President, Secretary to the Treasury, Secretary and former Secretaries to the line Ministries and other government officials, who gave their utmost support for our success. Reflecting therefore on a successful 2013/14, let me express my thanks and appreciation to the members of the Board of Directors and members of our management team.

We remain confident that our strategy will continue to generate sustainable returns for all our stakeholders.

Buddhika Madihawewa
Chairman

GENERAL MANAGER'S STATEMENT



The routing for 2014 presented by CFC sketch out proposal for consolidation of the agriculture industry and we are in the decisive process of establishing our own strategy. In this context we will evaluate the growth opportunities presented to ensure alignment with the organization's long term strategy.

Presently CFC is the leading institution relating to the National Program for supplying fertilizer at subsidized prices in compliance with "Mahinda Chinthana policy." A major share of the market has been captured by the CFC competing with the private sector Fertilizer Companies.

Focusing on the various issues and challenges faced by other countries of the world, the rapid development of the agricultural sector in Sri Lanka played a major role for the relatively favorable economic advances made recently. With the establishment of a peaceful atmosphere in the country, every possible area of land was cultivated. With the end of the brutal war which lasted for around 30 years, there was a rapid renaissance in agricultural activities, in the Northern and the Eastern Provinces. Consequent to this, the agricultural sector was subject to a high impetus. The energy required for this impetus was fertilizer and the policy decision taken by the government to issue

fertilizer at subsidized prices was a noteworthy step towards development of Agriculture. 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.

Distribution Network

New Regional warehouses were established in Northern and Eastern Provinces after 2009 and Stock officers and Marketing executives were appointed with the intention to cater the market captured after the peace in the above provinces.

CFC expanded its warehouse capacity gradually to cater the 376 Agrarian Service Centers and appointed more than one thousand Authorized Dealers islandwide to cater the paddy farmers and meeting marketing needs of other crop fertilizer. Islandwide distribution network consists of 52 Divisional Fertilizer Stores. Identification and innovative product offerings to enter new market, to attracted new customers, and provided opportunities for expanding relationships with existing customers,

Marketing

CFC was able to launch skillful strategic operations required to acquire a major share of the market and as a result, the organizations' share of the sales volume in the market expanded rapidly. Due to the sales achievement in this competitive advantage, the income and profit of the organization increased.

Image and reputation that CFC has gained over time by selling its products under strong brand name "Lakpohora" has made CFC prominent among the competitors. Therefore CFC has been positioned as the best fertilizer in the farmer's mind islandwide. This image of the brand name has strengthened CFC products in the local market and is now working with a new marketing strategy for selling "mini packs" of fertilizer for home gardening especially in the urban areas.

Series of customer satisfaction surveys were carried out. Studying and identifying the comparative data of market from the precedent period while continuously observing behavior of the competitors, CFC were able to launch the strategic operations

process necessary to acquire major component of the market share.

Human Resources Development

CFC focuses on capacity development with a continuous increase in human centered productivity which has been the ground work for our performance this year.

Planning of human resource was effected to accomplish CFC's short and long term strategic objectives. Action plan Addressed the potential impacts on employees and vital changes essential to enhance the workforce capability and capacity needs.

Scheme of Recruitment and Promotions approved by the "Management Services Department" provides all employees opportunity of promotion on merits, considering the valuable service given to the company as well as promotions within the grade through efficiency bar examinations. Employees have been always encouraged to earn knowledge through training programmes. Innovative ideas of employees are always considered and modifications implemented. Personal performance based rewarding systems has been introduced.

Presently CFC is the leading institution relating to the National Program for supplying fertilizer at subsidized prices in compliance with "Mahinda Chinthana policy." A major share of the market has been captured by the CFC competing with the private sector Fertilizer Companies.

Young under graduates are given opportunity to join as Interns to develop their career path and to complete their training requirements under the supervision of experienced managerial staff. Most of them have been absorbed to the permanent cadre after completion of the qualifications, when vacancies exist. This concept brought in knowledge of young blood to the organization while helping the Interns to complete their educational practical requirements as well.

QMS Certification

CFC received ISO 9001:2008 International Standard Certificate for the quality service and administrative functions, which is a significant achievement by a state enterprise.

The organization recently developed the existing Fertilizer Analyzing Laboratory in compliance with the International Standards which was accredited by SLAB for ISO 17025:2005 certification. The organization is engaged in acquiring modern equipments to this Laboratory which would benefit both the internal and external customers who seek the services for getting their fertilizer specimens tested.

The company is preparing to obtain the ISO 14000:2004 certification this year by complying with the rules and regulations and several environmental related projects are under way.

Information Technology

CFC maintains the user friendliness of software and hardware by using high performance computers, installing latest upgrades of software and organizing training programs for users on new technology.

Our website www.lakpohora.lk has been re-launched enabling the users to get information regarding the organization's activities.

Corporate Social Responsibility

CFC always helps community and consider same as societal responsibility. It has appointed a cross-functional team to plan, manage and execute the CSR

Believing that long-term organizational sustainability is needed for development of core competencies and projections for future, the long term and short term strategic objectives are categorized and the strategy map was developed accordingly.

We expect 2015 to be a challenging year with opportunities for growth of the agricultural community in Sri Lanka. A veteran and energetic team are responsible for capturing new opportunities for growth.

I thank the Chairman and the Board for providing leadership, vision and strategic direction given throughout previous years, leading us to a new era of growth, enhanced productivity and quality. I wish to thank all members of "Lakpohora family" for their continued commitment in achieving our vision.

Farmers islandwide are our key customers who consider us to be their trustworthy partner in growth and have been the strength behind our success and we renew our promise to be responsive to their needs as we grow together.



Pradeep Yasarathne
General Manager

BOD THE BOARD OF DIRECTORS



Mr. Buddhika Madihahewa
Chairman



Mr. Sudarsha Ganegoda
Working Director



Mr. Premasiri Abeynayake
Working Director



Mr. H.M. Ajithchandra
Director



Mr. Neville Abeyratne
Director



Mr. Dhammika Dahanayake Yapa
Director



Mr. A.L.A. Asoka Siriwardana
Director

“ We are Proud to be Part of the
Continuing Legacy of **LAKPOHORA** ”

THE BOARD OF DIRECTORS



Mr. Buddhika Madihahewa
Chairman

Mr. Madihahewa was appointed as the Chairman of Ceylon Fertilizer Company Ltd. in February 2008 and performing duties to date. Presently he is the Managing Director / CEO of Swarnakalum Group of Companies.

Mr. Madihahewa, as Chairman, has been in the leadership and policy formulation position in the CFC for more than 06 years and has been responsible for transformational and people focused leadership.

Mr. Buddhika Madihahewa possesses 22 years of experience in the management of private sector business. With the experience and expertise acquired in managing business successfully in the private sector, he as the leader of CFC is involved in providing guidance for making CFC an interesting place for all levels of employees to work for, in terms of employee inter-relationship, technology, creativity and professionalism.

Mr. Madihahewa was educated at Royal College, Colombo and presently reading for an MBA of Australian Institute of Business.



Mr. Sudarsha Ganegoda
Working Director

Mr. Sudarsha Ganegoda, holds the Bachelors of Science Degree (Software Engineering) from Edith Cowan University of Western Australia. He was appointed as a Working Director of Ceylon Fertilizer Co. Ltd in May 2010.



Mr. Premasiri Abeynayake
Working Director

Mr. Premasiri Abeynayake was appointed as Working Director of Ceylon Fertilizer Co. Ltd., in 2010. As an entrepreneur he has been serving the rural community specially in the Southern area in assisting the agricultural sector and delivering the benefits of various schemes.



Mr. H.M. Ajithchandra
Director

Mr. H.M. Ajithchandra counts 30 years of experience in Sri Lanka Accountants' service. Throughout his carrier he has contributed a lot to the Public Financial Management field as an Accountant of the Department of National Planning and Apex Training organization of the government, SLIDA, Project Accountant and Finance Manager of World Bank and Asian Development Bank funded projects, Director Finance and Administration of Public Enterprises Reforms Commission, Chief Accountant of the Leading Ministries, Director Revenue, Director Foreign Aid Management and Additional Director General of Foreign Aid Management, Public Debt, Finance and Administration of the Department of Treasury Operations of Ministry of Finance and Planning.

Not limiting to departmental service, he held the directorship of Ocean University and the State

Pharmaceutical Corporation. He has been appointed to CFC in 2012 as a Director and directed the company towards the success. During past few years, he was able to resolve company's major outstanding issues in relation to Accounts, Debt Collection, and overall performance while chairing the Audit and Management Committee. Also he is holding the directorship of Central Engineering and Consultancy Bureau.

He holds the B.Com (Special), PGDM and MBA from University of Sri Jayewardanepura. He is a certified business Accountant of Institute of Chartered Accountants of Sri Lanka, Fellow member of the Association of Public Financial Accountants of Sri Lanka, Associate Member of AAT Sri Lanka and a Master Trainer of Singapore Civil Service College.

THE BOARD OF DIRECTORS



Mr. Neville Abeyratne
Director

Mr. Neville Abeyratne, is an Attorney - At - Law. He Enrolled as an Attorney - At - Law to the Supreme Court in 1984. He possesses a Post Graduate Diploma in Forensic Medicine & Science (Faculty of Medicine, Colombo), Post Attorney Diploma in Intellectual Property Law (Sri Lanka Law College), a Post Attorney Diploma in International Trade Law (Sri Lanka Law College) and Diploma in Commercial Arbitration (Institute for the Development of Commercial Law and Practices). He is an Active Legal Practitioner for 30 Years and works as a Visiting Lecturer in Sri Lanka Law College and National Seminary - Kandy. He is a former President of Colombo Chief Magistrate Court Lawyers Association. He also holds membership of the executive committee of the BAR Association of Sri Lanka and University Council of the University of Kelaniya.



Mr. Dhammika Dahanayake Yapa
Director

Mr. Dhammika Dahanayake Yapa, is an Attorney - At - Law. He holds a Bachelor's of Law Degree from University of Colombo and is a member of Colombo Law Society. He is an active Legal Practitioner for 31 Years. He Worked as the Chief Internal Auditor & Finance Manager in State Mining & Mineral Development Corporation.



Mr. A.L.A. Asoka Siriwardana
Director

Mr. A.L.A. Asoka Siriwardana possesses 23 years experience in Sri Lanka Administrative Service. He holds Post Graduate Degree (M.A.) in Sociology and Arts from University of Kelaniya and Post Graduate Diploma in Devolution and Local Government Studies from University of Colombo.

He has served as Regional Director of Ministry of Urban Development and Water Supply, Divisional Secretary under Ministry of Public Administration, General Manager of Ceylon Fertilizer Co. Ltd., Director (Planning/Land), Ministry of Agricultural Development, Managing Director Ruhunu Tourist Bureau, Municipal Commissioner, of Galle Municipal Council, Probation Commissioner of Southern Province Probation Department, Housing Commissioner of

Southern Province Housing Department, Deputy Post Master General for the Southern Province Postal Department, and Secretary to the Ministry of Fisheries, Cultural Affairs, Food Supply and Distribution, Trade and Co-operative Development. (Southern Province)

He is a member of Board of Directors of HARTI, SL SEA, EDB Helpo Organization, and also a member of The Netherlands Alumni Association of Sri Lanka and Environmental Council of CEA.

Presently Mr. A.L.A. Asoka Siriwardana is serving in the Ministry of Agriculture as Additional Secretary.



Mr. S.P. Morawaka
Company Secretary

Mr. S.P. Morawaka is an advocate and former Registrar of Companies trained in intellectual property law in France, Germany and Switzerland. He has been serving as Company Secretary of Ceylon Fertilizer Co. Ltd. during the past 10 years.

MANAGEMENT TEAM



Mr. Pradeep Yasarathne

The General Manager of the Company and is a Bachelor of Arts (Hons) (special) from University of Sri Jayewardanapura and Master of Arts from University of Kelaniya. He possesses a Post Graduate Diploma from University of Sri Jayewardanapura, Certificate in Professional Development (AIT Thailand), Advance Certificate in General Management, Certificate in Human Centered Productivity (Indonesia), Certificate in Leadership & Organization management (INTAN Malaysia) and Certificate in Change Management (Oxford University U.K). He was a former Divisional Secretary (Ratmalana & Homagama), Director Media (Samurdhi Authority) and Assistant Secretary (Ministry of Plantation)



Mr. Lal Kumarasiri

The Chief Internal Auditor of the Company and holds a B.Com (Special) Degree from University of Kelaniya. He is a fellow member of Association of Public Finance Accountants of Sri Lanka, Institute of Public Finance Development Accountancy and possesses Certificate in Internal Audit from Institute of Government Accounts and Finance and Institute of Internal Auditors. He was a former Accountant and Chief Internal Auditor in National Equipment and Machinery Organization.



Mr. Priyantha Samaraweera

The Finance Manager of the Company and holds B. Com (Special) Degree from University of Sri Jayewardanapura. He is a fellow member of the Institute of Public Finance and Development Accountancy, Institute of Chartered Business Administrators, The Association of Public Finance Accountants of Sri Lanka and associate member of The Association of Accounting Technicians of Sri Lanka. He joined the Company in the year of 1987 and is the most senior manager of the Company.



Mrs. Tharanga Herath

The Human Resource Manager of the Company and is a Bachelor of Arts (University of Kelaniya) and Master in HRM (University of Kelaniya). She possesses Post graduate Diploma in HRM (University of Kelaniya) and Certificate in Change Management (Oxford University U.K). She was a Former Assistant Divisional Secretary in Ratmalana and Former Assistant Secretary in the Ministry of Wild life.



Eng. Kumara Jayakody

The Manager Procurement and Import of the Company and holds a B.Sc Engineering Degree from University of Peradeniya. He possesses a Post Graduate Diploma in Public Procurement and Contract Administration. He is experienced in Telecommunication Engineering and Road Construction.



Mrs. Surangani Bodhipala

The Sales and Marketing Manager of the Company and is a Bachelor of Science Agriculture (Plantation Management Special) (University of Sabaragamuwa) and Master of Business Administration (University of Peradeniya). Experienced in Plantation Management Specially in Tea Sector.



Mr. Priyantha Perera

The Distribution Manager of the Company and is a Bachelor of Arts (Specialized in Sociology) from University of Colombo. He possesses a Diploma in Management from Vocational Training Authority and Certificate in Human Resource Management from Institute of Personnel Management. He professionally specialized in the fields of Fire & Rescue, Industrial Health & Safety, and Maintenance of Machinery and Equipments.



Eng. Anurasiri Dissanayake

The Technical Manager of the Company and is a Bachelor of Science Engineering (Special) (University of Peradeniya) and Master of Business Administration (Finance) (University of Kelaniya). He is a member of Institute of Engineers of Sri Lanka and Building Services Engineers Sectional Committee.

MANAGEMENT DISCUSSION AND ANALYSIS



INDUSTRY REVIEW

Sri Lankan economy returned to its high growth momentum recording a 7.3% growth in GDP during 2013 compared to the 6.3% growth recorded in 2012. As the cornerstone of the Sri Lankan economy, the agriculture sector contributes to this growth, recording a growth of 4.7% during the year while accounting for a share of 10.8% of the GDP and 30% of employment. All Sub sectors except rubber and coconut contributed positively to this growth while paddy and tea sectors recorded the highest contribution.

Total paddy production of the country grew to 4.62 million metric tons recording a 20% growth in paddy production. The Tea production in 2013 reached an all time high in 2013. total production of other field crops (OFCs) increased by 3.4 per cent to 968,246 metric tons in 2013 while minor export crops including cinnamon, pepper, cloves, cocoa, nutmeg, betel and cashew recorded a growth. Vegetable production grew by 15% to 1,091,491 metric tons.

The national fertilizer subsidy scheme contributed significantly to the growth in agriculture sector, distributing 759,512 metric tons of fertilizer at a

total subsidy cost of Rs. 40 billion in 2013. More than 50% of the fertilizer imported was consumed extensively for paddy cultivation. The two state companies Ceylon Fertilizer Co Ltd and Colombo Commercial Fertilizer Co Ltd cater to the entire paddy sector.

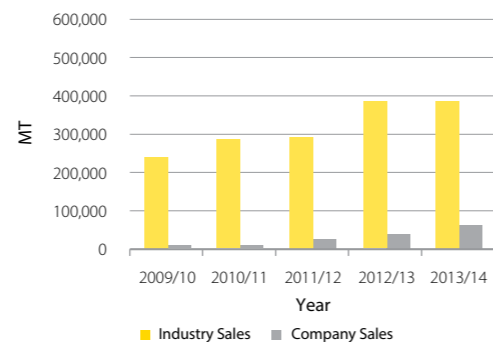
Ceylon Fertilizer Co Ltd caters to 65% of the paddy fertilizer sector. A policy decision was taken in 2012 to maintain the usage of chemical fertilizer at optimum level and encourage the usage of organic fertilizer.

Other crop segment recorded a significant growth throughout the last five years period. With the extension of National Fertilizer Subsidy programme for the other crops in 2011, the state companies expanded their market to the other crop segment. During 2011 to 2013 state companies catered to 10% of the other crop sector. In 2014, a policy decision was taken by the government of Sri Lanka to increase the market share of state companies to 40% as a strategy for eliminating deficiencies in the distribution of fertilizer by the private sector throughout the country.

Market Share of Paddy Sector



Market Share of Other Crops Sector



ORGANIZATION REVIEW

Ceylon Fertilizer Company is the leading government sector importer, blender and wholesaler of paddy and other crop fertilizers to the country.

As a company fully owned by the Sri Lanka government, our primary objective is to support the development of the agriculture sector of the country. We, not only provide fertilizers for farmers but provide them the quality fertilizer at affordable prices.

The new blue line printed in all our packing materials reflects the quality of our products.

A sample from each shipment of fertilizer imports to the country by CFC, is sent to Industrial Technology Institute for testing the quality. A sample from each consignment dispatched from our stores to the shelves of our dealers is tested in our own laboratory which is accredited by Sri Lanka Accreditation Board (SLAB) for and certified with ISO/ICE/17025 : 2005.

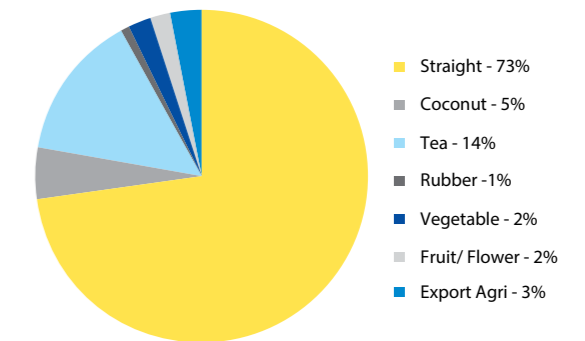
Our central warehouse complex at Hunupitiya comprises large warehouses with 75,000 metric tons capacity and blending machines to provide different blends to suit variety of crops. The main regional warehouse complex at Polonnaruwa is equipped with 22,000 metric tons storage capacity. We have 148,000 metric tons storage capacity at regional warehouse Complexes Island wide.

With the introduction of 5-S concept for the Head Office, the productivity of company staff enhanced. The Office is certified with ISO 9001:2008 Quality Management System.

We continuously introduce innovative, value added and quality products to farmers without limiting to providing fertilizer for paddy segment. Our well equipped laboratory regularly conducts laboratory tests in formulizing different blends of fertilizers to suit different demands by crop varieties and soil conditions to optimize the yield of our farmers.

At present, we supply specialized fertilizers for various crops including tea, coconut, rubber, vegetables, fruits other field crops.

Cropwise Sales in 2014 (Other Crops)



Understanding deep-seated environmental and social problems of the country, we have taken measures in introducing a new organic fertilizer mixture under Lakpohora brand name. The new product will be issued to the market in mid September

Our fertilizer products are made available in different pack sizes to meet the diverse needs of our clientele, from commercial cultivations to small home gardens. To grab the opportunity of increased usage of fertilizer in the newly liberated lands in the Northern and Eastern regions, where farmers have access to fertilizer, the company recently introduced the Tamil translation in new fertilizer packs.

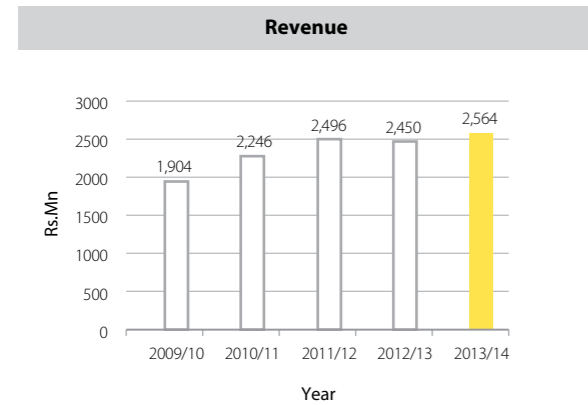


Along with this our work-shops and pocket meetings we continuously provide necessary advice and assistance to our clientele. The brand image together with the development of island wide sales and distribution network to suit requirements of different crops helped us in maintaining our position as the market leader during the year.

FINANCIAL REVIEW

Revenue

The company reported revenue of Rs.2.6 billion during the financial year 2013/14 from sale of fertilizer for paddy and other crops. This has been an increase of 5% from the previous year in comparison.



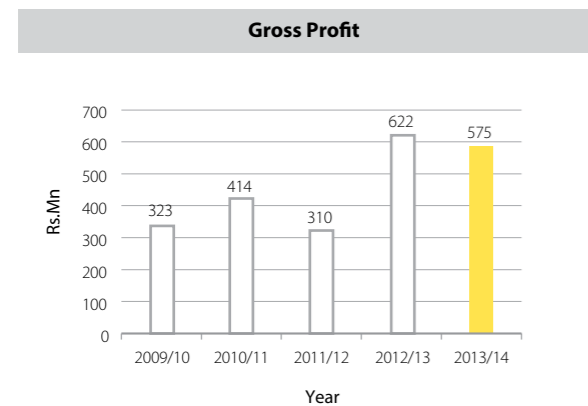
The momentous growth in other crop segment contributed largely to the revenue growth of the company.

Paddy segment contributed to 48% of the total revenue in 2013/14. The segment reported a drop of 23% from 2012/13 with a marginal fall short of the target. This was primarily due to the strategic decision taken by the government in order to promote organic fertilizer usage.

Other crops segment has given a 52% contribution to the revenue with a momentous increase of 62% from 2012/13 and exceeding the target for the year dramatically.

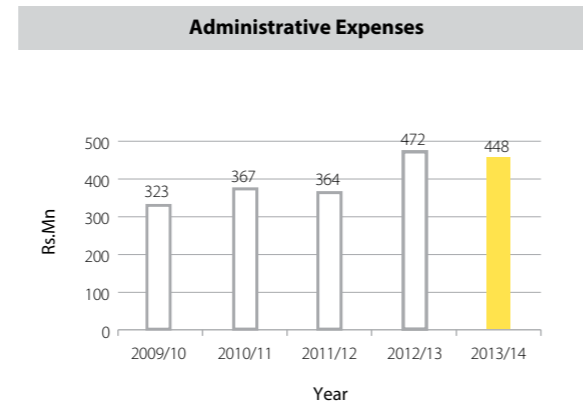
Gross Profit

The Company reported gross profit of Rs.575,467,461 during the financial year which is a 7% decline comparing with the previous year. This is mainly due to the drop in paddy fertilizer sales.



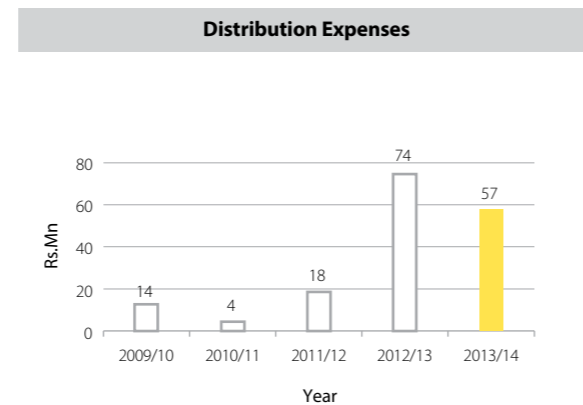
Administrative Expenses

The administrative expense of the company for the financial year amounted to Rs. 448 million which was a 5% reduction when comparing with previous year.



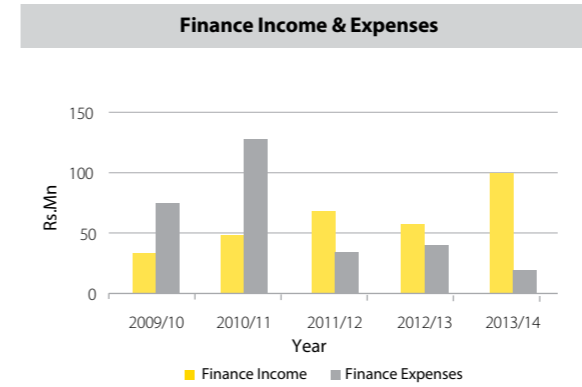
Distribution Expenses

The company's distribution expenses have been decreased to Rs.57 million while there was a significant expansion in the distributor network of the company due to effective and efficient management.



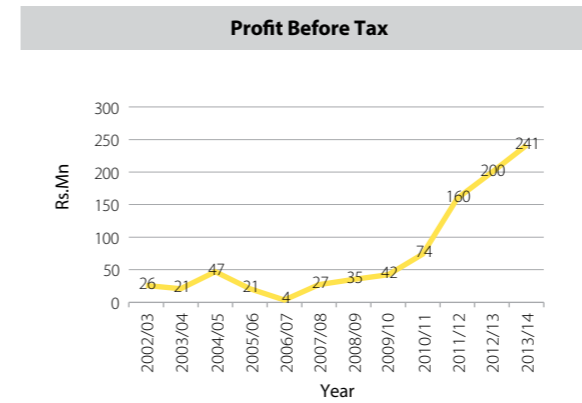
Finance Income & Expenses

Finance income of the company increased to Rs.97 million in the year. The finance income includes interest income related to the prudent investment in fixed deposits and REPO investments. The finance expenses of the company reduced by 53% comparing with previous year. The interest on overdraft was included in finance expense.



Profit Before Taxation (PBT)

During the year, the company reported the highest ever profit before taxation of Rs. 241,328,764 with an increase of 21% from previous year in comparison.



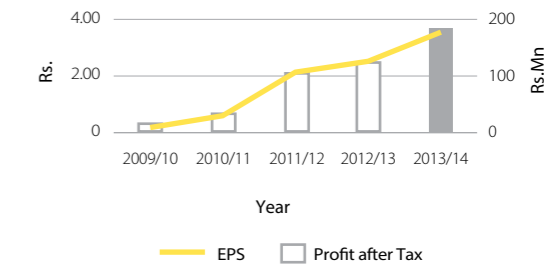
Taxation

The income tax expense for the financial year amounted to Rs. 62,869,313 which was Rs. 73,037,738 in 2012/13 financial year. The income tax expense includes deferred tax expense of Rs. 5,561,375. In terms of the Inland Revenue Act No 10 of 2006 and subsequent amendments there to, the company is liable for income tax at a rate of 28%.

Earnings Per Share (EPS)

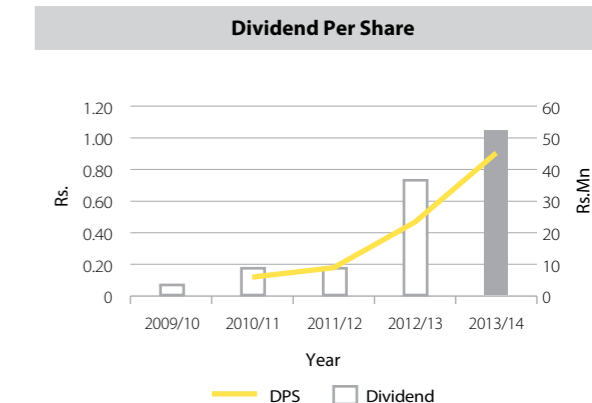
During the financial year the company generated the ever highest earnings per share of Rs.3.55. This has been an increase of 41% compared to the previous year.

Earning Per Share



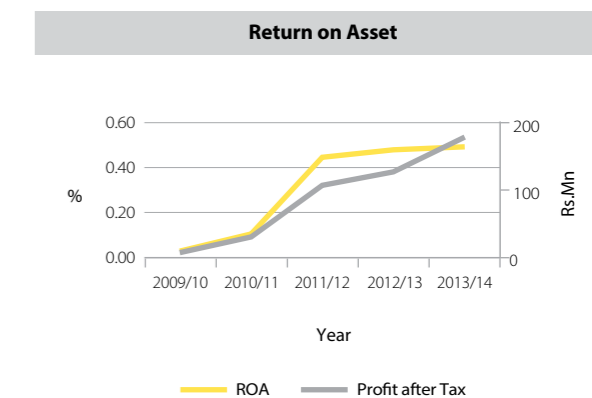
Dividend Per Share (DPS)

The Board of Directors has recommended the ever highest dividend of Rs.1.05 per share in the current financial year which is to be approved by the shareholder at the Annual General Meeting.



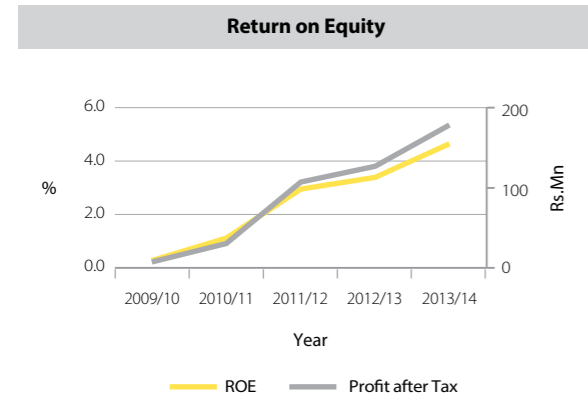
Return on Assets (ROA)

In the year, the company has been able to generate a return of 0.49% on the total assets. This has been an increase of 2% compared with the last year.



Return on Equity (ROE)

The company generated 4.6% return on equity for the financial year which has been a 36% increase from the previous year.

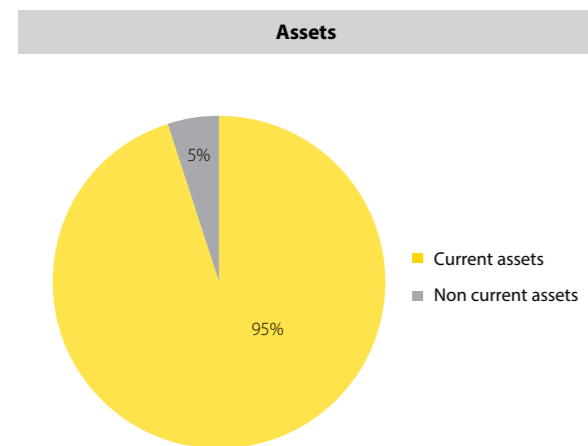


Assets Base

The asset base of the company at the end of the financial year 2014 was Rs. 36,266,731,183 with a non-current assets base of 95% and 5% of current asset base.

Non-current assets base of the company stood at Rs. 1,879,519,023 in current financial year which is mainly consisted of property, plant and equipment.

Total current assets increased by Rs. 9,818,939,610 in comparison with the last year.



Cash Flow and Liquidity

The company's key sources of finance are cash generated from operations, investments. During the current financial year net cash out flow from operating activities was Rs. 5.1 billion and net cash outflow from investing activities was Rs. 0.5 billion. Company has generated Rs. 5.6 billion cash inflow from financing activities for the year in concern.

The Company ensured adequacy of liquidity to service debt and meet working capital requirements, capital expenditure and dividend payments.

Shareholder's Funds

Shareholder's funds of the Company increased to Rs. 3.8 billion as compared to Rs. 3.7 billion in the previous year as a result of increase in retained earnings due to the profit made during the year



FOR HOME GARDENS

We offer fertilizers in MINIPACKS for Fruits, Vegetables and Flowers.



LAKPOHORA FAMILY

Human Resource Management

Our People are our strength and their indisputable contribution is vital for the continued success of the company and country.



Best Practices and Employee Policy

Our personnel management strategy is formulated in compliance with the Shop and Office Act, the Wages Boards Ordinance, Guidelines issued by the General Treasury, line ministry and all applicable labour laws prevailing in Sri Lanka. Further we also have streamlined the recruitment procedure as per employee cadre and scheme of recruitment approved by the Management Services Department to improve the transparency of personnel management.

Employee Benefit Plan

Ceylon Fertilizer Company contributes 15% of gross salary towards Employees' Provident Fund (EPF). Also, contributes 3% of gross salary towards the Employees' Trust Fund (ETF).

Defined Benefit Plan

The defined benefit obligation that is reflected in the Statement of Financial Position is calculated annually by a qualified actuary according to LKAS 19 stipulations. Provision for retirement benefit obligation is computed from the first year of service for all employees, but under the payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

Employees' Motivation

The ownership of the government creates the mind of job safety and work towards the public responsibility among our employees. Also we have provided many financial and non-financial benefits for our employees as the high level of employee motivation is vital to the organization success.

Financial Benefits

- The annual incentive scheme of the company has been designed in evaluating the personal performance of each employee.
- Dust, tea, meal, clothing, cold allowances are paid to employees who are entitled.

- Encashment of medical leave.
- Reimbursement of mobile and land phone bills for employees who are entitled.
- Financial awards were given to employees' children who accomplish education, cultural or sports events nationally or internationally.

Other Benefits

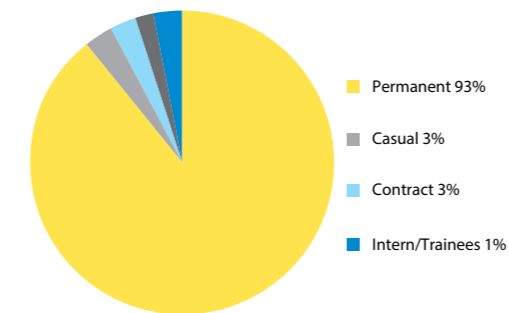
- Official vehicles have been allocated for Regional Marketing Managers in recognition of their performance.
- Motor bicycles have been given to District Marketing Executives.
- A medical insurance scheme has been introduced for the benefit of employees and their families.
- Foreign tours are arranged for the District Marketing Executives recording highest sales.
- The open door communication policy is implemented to encourage free communication flow from bottom to top.
- The spiritual development as well as the skills development and enhancement of team work have been done through various training programmes such as positive thinking and team building etc. Also we have provided opportunities to improve their ICT skills and English language proficiency.
- A structured Employee Communication Plan such as monthly meeting was implemented to facilitate knowledge sharing and idea generation in addition to the general communication.
- The Employee Grievance Handling process was also designed for better alignment with the HR policy framework in order to strengthen the process.

- Employee counseling programme also has been designed to ensure that employees have access to expert advice on handling issues related to official as well as personal matters.
- Awards in recognition of long service of employees over 25 years by presenting them with a gold coin.

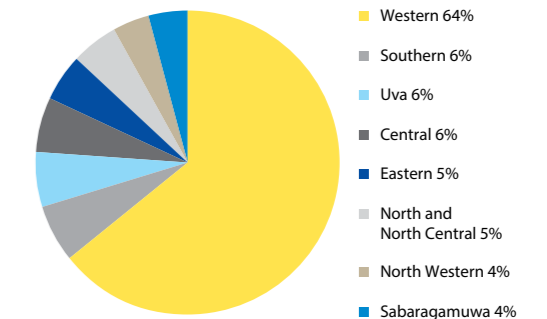
Composition of our people

Entire success of the organization is the harvest of hard work by members of Lakpohora family. We have a team of 428 dedicated employees who consistently go above and beyond the set targets in implementing our core company strategies. The breakdown of employees by Employment Contract, Category, Region and Gender is as follows. When appointing employees it is ensured that a right balance of age and gender is maintained.

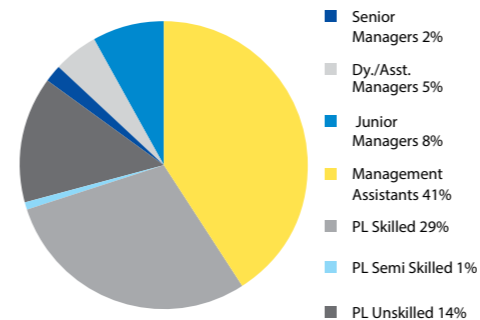
Employees by Employment Contract



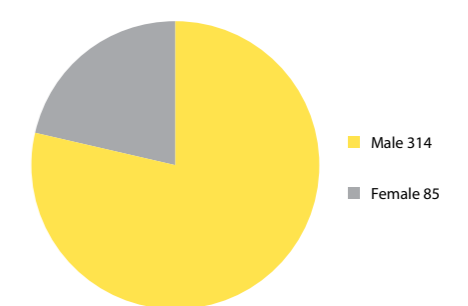
Permanent Employees by Region



Permanent Employees by Category



Permanent Employees by Gender





we have given great importance in the HR agenda of the company for health and safety of the employees in order to improve the employee well-being and heightened productivity.

There is a proceeding medical insurance system within the organization, the company spends 75% of the total insurance cost. Moreover, there is an employee compensation scheme for emergency accidents. The company has commenced a programme to provide aids for employees who face with natural disaster such as flood, landslides, and cyclone. Accordingly, company is providing equipments and financial aids for those affected employees.

Furthermore, monthly religious or scholarly lectures have been organized in order to improve the productivity of employees. With the purpose of maintaining good physical fitness of employees the company established a gym, badminton court and a volleyball court.

Employees' Health and Safety

The health of our employees is essential to the smooth operation of the Company. Therefore we have given great importance in the HR agenda of the company for Health and safety of the employees in order to improve the employee well-being and heightened productivity.

Any minor or major occupational injuries or diseases that occur causing an employee to be unable to report to work for more than three days have been recorded and regularly reviewed in order to take prompt action for prevention.



Advancement of Human Resources

We know the importance of nourishing a work environment that provides our employees with inspiring and challenging opportunities that allow for achievement, development and knowledge. Our commitment to these principles and our devotion to invest in our employees have continued to yield outstanding results.

Further continued advancement of Human resources mainly linked with technical and soft skills development, leadership development, and consciousness about the job, experiential learning and counselling. The company has organized all the training programmes using both internal and external professionals who are experts in their fields.



The company has organized all the training programmes using both internal and external professionals who are experts in their fields



- The company has conducted ICT training programmes since year 2010 and awarded ICIDL certificate which is recognized internationally for successful completion of training programme with the sponsorship of the Company.
- Conduct English courses with the purpose of improving English knowledge of employees.
- Consign Executive staff for training sessions and organize out bound trainings which improve their team management skills, positive attitudes and decision making skills.
- Consign selected employees by covering all the divisions in the organization for computing, computer software and hardware in order to provide IT skilled employee for each divisions.
- Organize special training for employees in marketing division to further educate about chemical fertilizer in Head office and Polonnaruwa regional warehouse and maintaining library to enhance the knowledge of the employees

Retention

We have pride in maintaining significantly lower employee turnover rate during the year which is mainly due to a combination of factors that increase employee satisfaction which include best practices and employee policies that enhance the advancement of human resources, personal development, diversity, recognition, friendly & learning environment, high standards of professionalism, rewards and benefits, many of which have been discussed above.

Employee Turnover by Age Group

	No. of employees	%
Under 30 Years	1	2.7
30 – 49 Years	8	3.1
50 Years & above	1	1

Employee Turnover by Gender

	No. of Employees	%
Male	9	2.28
Female	1	0.25
Total Turnover (%)		2.53

Employee Development

Buddhist society takes the patronage to maintain the statue of "Lord Buddha", which placed in front of office complex and central warehouse at Hunupitiya.

Changing the unhygienic environment around the age-old "Bodhi" at office complex and central warehouse in Hunupitiya, the company has positioned a Statue of "God Ganapathi" in year 2011 encouraging the ethnic and religious harmony.

The company organizes spiritual development programmes for employees regularly. In addition, the Lakpohora Family Day and Christmas Carols are being organized annually encouraging togetherness of our employees and their families.

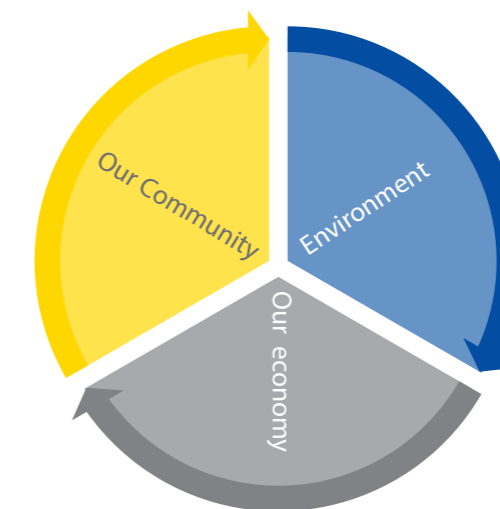


OUR COMMUNITY

Our Corporate Social Responsibility

The rational basis of our CSR Policy is to contribute towards sustainable development of the country. In this process, we grow to be a company that is admired and trusted by all our stakeholders and society at large.

Overview of Our CSR Policy



Our Community

- Regular laboratory tests on introducing quality products.
- Sponsorship programmes
- Respect for diversity
- CFC Internship Scheme
- Organization and sponsorship of community events
- Regular education programmes for customers on fertilizer usage

Our Environment

- Contribution for the development of agricultural sector
- Direct and indirect employment opportunities
- Payment of taxes
- Return for shareholder
- Corporate Governance

Our Economy

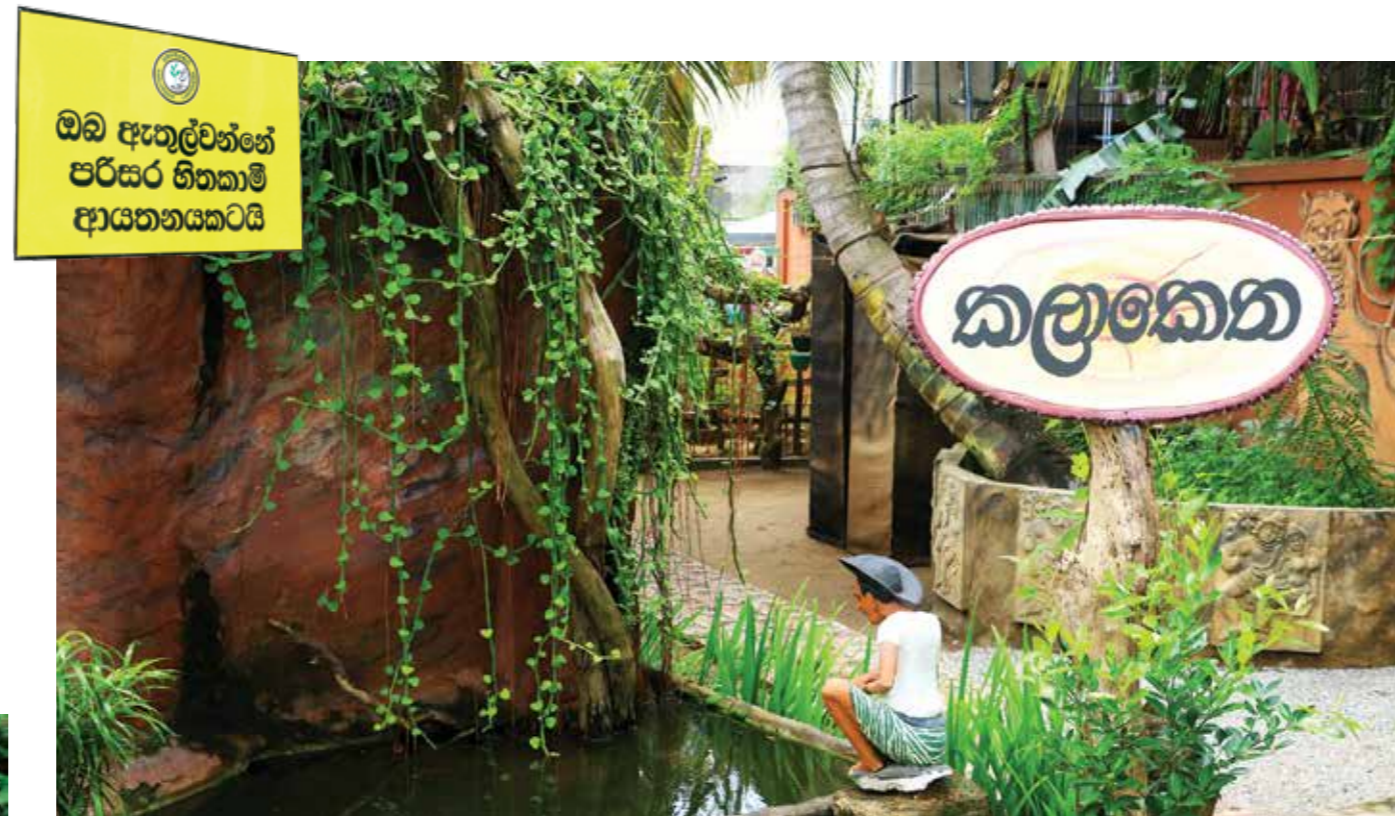
- Reduction of energy consumption
- Regular laboratory tests on introducing eco-friendly products.
- Contribution for National Organic Fertilizer Programme
- Clean and green office environment
- Waste Management System Environmental management system

OUR ENVIRONMENT

We believe that we have a duty to protect our environment and save it for the future generations as a responsible company.

Understanding the deep-seated environmental challenges of the country, CFC comprehend the long term significance of organic fertilizer usage. On this ground, the Company has engaged in national and organizational level programmes which encourage the organic fertilizer usage among agrarian community. During the year, Company collaborated with the National Organic Fertilizer Programme, as the sole supplier of Eppawala Rock Phosphate (ERP). The Company has supplied 1,925 metric tonnes of ERP for the National Organic Fertilizer Programme during the year.

At the organizational level, Company has taken measures to introduce a Compost fertilizer mixture under Lakphora brand name in promoting organic fertilizer usage. The management



expects to release the new Compost fertilizer mixture to the market in Mid September. Walking the talk the company maintain a model farm named "Goviya Paaya" within the CFC premises.

Reflecting the dedication to preserve the environment the company maintains the office complex with a clean and green surrounding. The company is currently working to obtain ISO 14001:2004 certification. The company has already taken measures to develop an efficient environmental management system to control the environmental impact and constantly improve the environmental performance of the company. Starting from simplest, a solid waste management system has been introduced in managing the daily waste of the Company. The in-house fuel station was renovated minimizing hazardous environmental impact. Stepping to next level at present the Company is in negotiation with a waste management solutions provider who uses co-processing technology to manage industrial waste in the most environment responsible manner.

As the Company focus on environmental conservation and protection the Company has executed energy conservative strategies that use advanced technologies in order to minimize the energy consumption within the office premises. As the first step, in January 2014 the fluorescent bulbs (tube lights) fixed all over the office premises were replaced with compact fluorescent lamp (CFL) which save one-fifth to one-third of the electricity and last eight to fifteen times longer. Electricity consumption of the company substantially decreased with a 28% reduction in the monthly electricity expense of the company. Going further, Company is in the process of replacing CFL bulbs with light-emitting diode (LED) bulbs which are much economical in energy consumption and longer life. As the third step, management expects installing a stand alone renewable energy system which can fulfil the energy requirement of entire Company.

Parrallel to this, in agreement with the suppliers the replaced fluorescent bulbs were disposed with minimum impact to the environment. This is an encouragement for manufacturers that accepts and recycles their disposed products

We believe that community development is a process of empowering livelihoods of the individuals within the community. We engage with the community to create wealth and to improve their livelihoods in variety of ways.

Through our CSR activities we focus on developing an intelligent next generation. For this purpose we organized a programme to distribute booklets containing model question papers for the Grade Five children island wide. This effort was very successful and appreciated by both teachers and the parents.



In concurrence with the Jathika Govi Sathiya a Bicycle Race; "Lakpohora Papedi Sawariya" is arranged annually encouraging the youth participation for sports and recreation activities.



company organizes a Dansala annually at the Hunupitiya warehouse complex in celebrating Posen poya with all the facilities to cater 500 people at once. In 2013/14 approximately 15,000 people were served throughout the day.



The Posen devotional song recital; "Poson Bethi Gee Saraniya" Conducted in association with the Posen Dansala was an encouragement for the singing talents of Dhamma School students in Wattala and Kelaniya area.



CFC internship programme provides financial assistance and opportunity to gain hands on work experience while reading for the degree. Further this ensures improved placement for undergraduate students in career positions upon graduation with CFC or recognized employer.

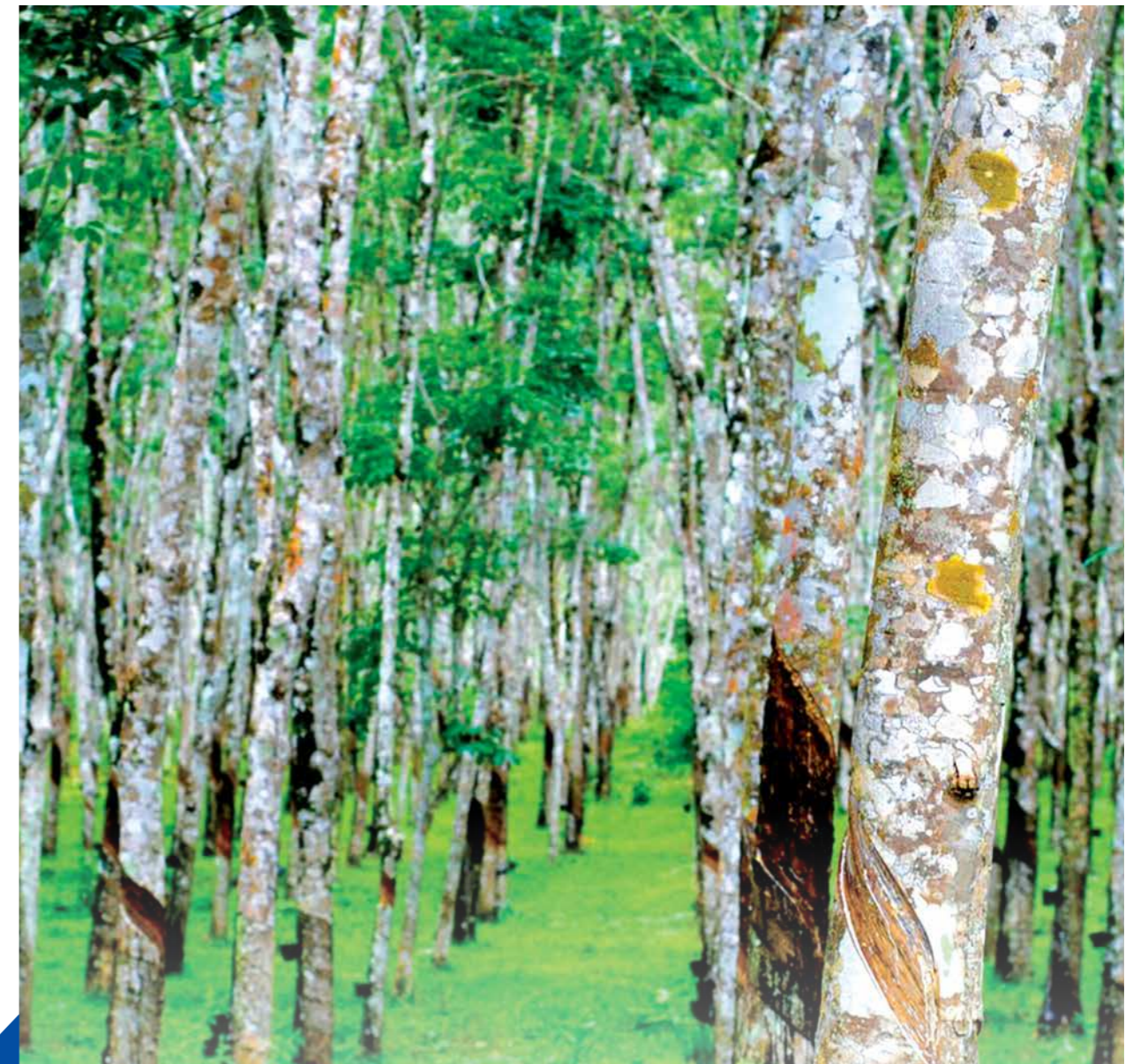
Apart from these, the company has spent about 2 million during the year in sponsoring various religious organizations, schools, associations and national events such as Deyata Kirula, National Farmers Week..etc. The main objective of this sponsorship programme is to respect the socio and religious diversity.

OUR ECONOMY

The contribution of the company for the Implementation National Fertilizer Subsidy Programme is momentous. In company's contribution for the implementation of National Fertilizer Subsidy Programme, the company shoulder to the 48% growth in paddy production of the country by 2013 from 3,131,000 metric tonnes paddy production in 2007.

The Company has provided 428 direct employment opportunities while providing thousands of indirect employments through-out the country.

As a responsible corporate citizen, the company is keen on paying all direct and indirect taxes timely understanding the economic importance of paying tax.



FOR RUBBER

We offer Special Mixtures such as RA - 465, RU - 462, RU - 465, R/YB, R/SA.





CORPORATE GOVERNANCE

Philosophy of corporate governance is institutionalized at all levels in Lakpohora through a strong set of corporate values, a written code of conduct and a board who lead by example.

The Board of Directors of Ceylon Fertilizer Company Limited is committed and takes responsibility to maintain the highest standards of Corporate Governance. The company's corporate governance mechanism ensures that the company delivers promised value to all its stakeholders. The corporate governance philosophy of the company practiced to the maximum in compliance with the following;

1. Companies Act No 07 of 2007
2. Public Enterprises Guideline for good governance by the Department of Public Enterprises.
3. The Code of Best Practice on Corporate Governance by the Department of Public Enterprises.

The Board

The Company is headed by an effective Board who are responsible in the stewardship of the enterprise on behalf of the Government and its stakeholders. Brief profiles of the Directors are outlined in page nos. 24 to 27.

Board Composition

The Board comprises of seven Directors including;

- Specialists in the field of Management, Finance, Legal and Agriculture
- Representatives from the Ministry of Agriculture and General Treasury.
- Two Executive Directors

Mr. Buddhika Madihahewa	Chairman
Mr. Sudarsha Ganegoda	Working Director
Mr. Premasiri Abeynayake	Working Director
Mr. H.M. Ajithchandra	Representative of General Treasury (NED)
Mr. A.L.A. Asoka Siriwardana	Representative of Ministry of Agriculture (NED)
Mr. Neville Abeyrathne	Non-Executive Director
Mr. Dhammika D. Yapa	Non-Executive Director

Good Governance is the secret of our 50 years Successful Journey.....

Role of the Board of Directors

The Board of Directors is responsible to ensure that the Public Enterprise is managed efficiently and effectively in line with Government policies. This is achieved whilst protecting resources, maintaining proper accounts, ensuring that accurate reports are compiled and all statutory and other regulatory requirements relating to management are complied with.

The Board ensures the strategic aims of the Enterprise are in place and lead the Company for the achievement of strategic aims. The Board regularly oversee that an effective system of internal controls and risk management is in place, management functions of the company are effectively functioning and Resources and assets are utilized effectively. The Board assesses the performance of the GM and the Senior Management Staff annually and provides sufficient reporting's to shareholder on financial aspects and disclosures necessary such other on a regular basis. The responsibility of appointing the Audit and risk management Committee rests with the Board. The Board has introduced a proper Code of Conduct, ethical standards and a Corporate Governance Strategy to the Company. The Board ensures that all the company proceedings are in conformity with relevant statutes, guidelines, circulars etc by the Government while avoiding any conflict of interest.

Appointment to the Board

Members of the Board and the chairman of the Board are appointed by the Government through a formal, competitive and transparent process of appointments. The duties, rights and responsibilities of Board Members are specified in a letter of appointment signed by the appointing authority and accepted by the Board Members.

Newly appointed or elected Board Members receive the necessary induction into his/her specific responsibilities, the company's strategic aims and corporate objectives, and the company's Corporate

Governance, managerial and control systems and procedures.

The Board Meetings

The Board met 10 times during the year 2014. The Board was provided with timely and appropriate information by the management by way of Board papers.

Director's Remuneration

Remuneration policy and remuneration for individual Board members are based on the remuneration policy and scales set by the Government. Member of the Board of Directors are not involved in deciding on his/her own remuneration.

Chairman

The chairman roles as the important link in the entire governance structure and lead the enterprise in the right direction. The chairman ensures the prevalence of Corporate Governance, equal treatment for all directors, a clear division of responsibilities and facilitates balance of power and authority. He chairs all the Board Meetings ensuring that proper proceedings are followed at the meeting. He plays a supervisory role rendering maximum input in his specialized areas of knowledge while refraining from engaging in operational activities. He also encourages all directors to play a proactive role

Board Secretary

All members of the Board have access to the advice and services of the professionally qualified Corporate Secretary who is responsible to the Board for advising the Board on compliance with Board and AGM procedures, the law and relevant rules and regulations, and for ensuring that reliable and relevant information is provided to the Board and the

AGM in a timely manner. The secretary ensures that procedures governing Board Meetings are followed and effective functioning of the Board while circulating Board papers timely. He provides guidance on the responsibilities, rules and regulations impacting the operations of the Board and advice and assist all Board Members

General Manager and the Senior Management

The responsibility for the management of the business of the Company lies with the General Manager and the Senior Management. They are responsible for the effective implementation of policies and decisions taken by the Board of Directors. The General Manager and the Senior Management team provide information and necessary clarifications to the Board to enable well considered decisions. They formulate operational plans and budgets and maintain systems, procedures and controls towards effective management of the company while achieving the Company objectives and goals.

The Company has followed the guidelines in Scheme of Remuneration when determining the remuneration of General Manager and senior Management Team.

Financial Reporting

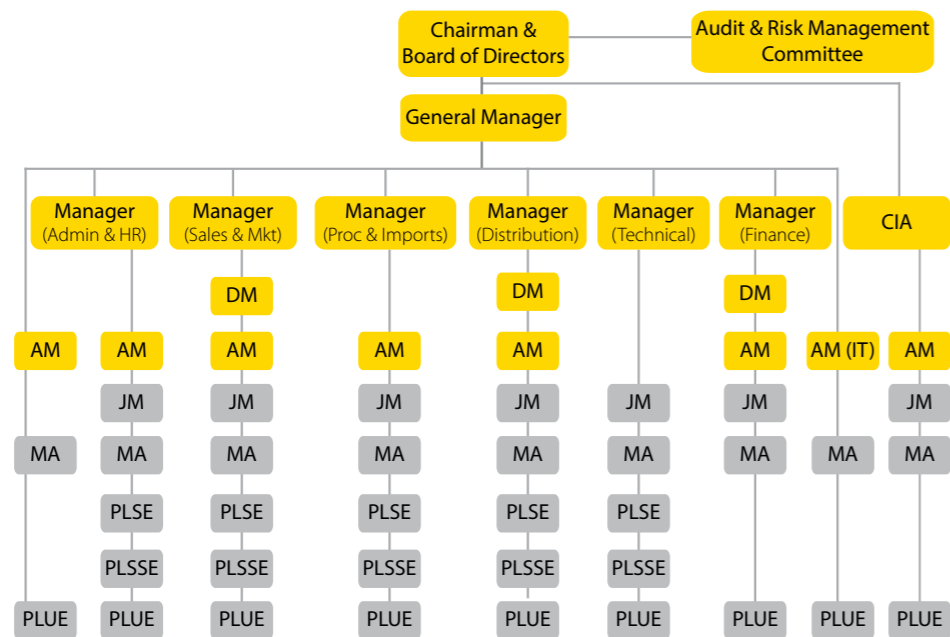
Board is responsible for the preparation of annual financial statements including true and fair view of its position and performance annually. The preparation

and presentation of financial statements are in line with the Sri Lanka Financial Reporting Standards and Companies Act No 07 of 2007. Full disclosure and transparency is enforced within the enterprise to provide the Board of Directors, the General Manager and senior management with timely and reliable information required by them to fulfill their responsibilities effectively.

Annual Audit

The annual audit of the company is conducted by an external auditor, from the list of Chartered Accountants approved by the Auditor General / General Treasury and appointed by the AGM upon the recommendation of the Audit Committee of the Board of Directors. The annual audit report is reviewed by the Board of Directors and submitted to the AGM for approval. The external auditor is precluded from providing consultancy or any other services to the company that might compromise its impartiality and independent judgment in its audit of the enterprise and the external auditors are changed every five years. Audit and Risk Management Committee
The Audit and Risk management Committee of the company plays an important role, facilitating oversight functions of its Board of Directors. The Audit Committee of the Company consists of three Non Executive Board Members including the Treasury Representative who possess financial management skills. The Audit Committee is chaired by the Treasury Representative.

Organization Structure of the Company



- Mkt - Marketing
- DM - Deputy Manager
- AM - Assistant Manager
- JM - Junior Manager
- MA - Managing Assistant
- PLSE - Primary Level Skilled Employees
- PLSSE - Primary Level Semi Skilled Employees
- PLUE - Primary Level Unskilled Employees



FOR TEA PLANTATIONS

We offer special products such as
 T - 65, T - 200, T - 750, UT - 1625, UT - 397,
 UT - 752, VPLC - 880, VPLC - 945, VPUM - 910,
 U - 625, ST/UM - 400, STUVA - 435, U - 709.



OUR GEOGRAPHICAL COVERAGE

53 Island wide fertilizer distribution warehouse network....



Ceylon Fertilizer Co. Ltd.
Islandwide Fertilizer Distribution Network

Northern Region

Kondavil
Kilinochchi
Varani
Murankan

North Central Region

Padaviya
Medawachchiya
Horowpathana
Nochchiyagama
Kiralogama
Hingurakgoda
Welikanda
Polonnaruwa

North Western Region

Anamaduwa
Maho
Kuliyapitiya
Kurunegala
Nattandiya
Polgahawela

Central Region

Dambulla
Nagolla
Matale
Gampola
Rikillagaskada
Nuwara-Eliya

Eastern Region

Trincomalee
Kantale
Batticaloa
Dehiattakandiya
Samanthurai
Ampara
Pothuvil

Western Region

Hunupitiya
Dodangoda
Matuhgama
Pelawatte

Sabaragamuwa Region

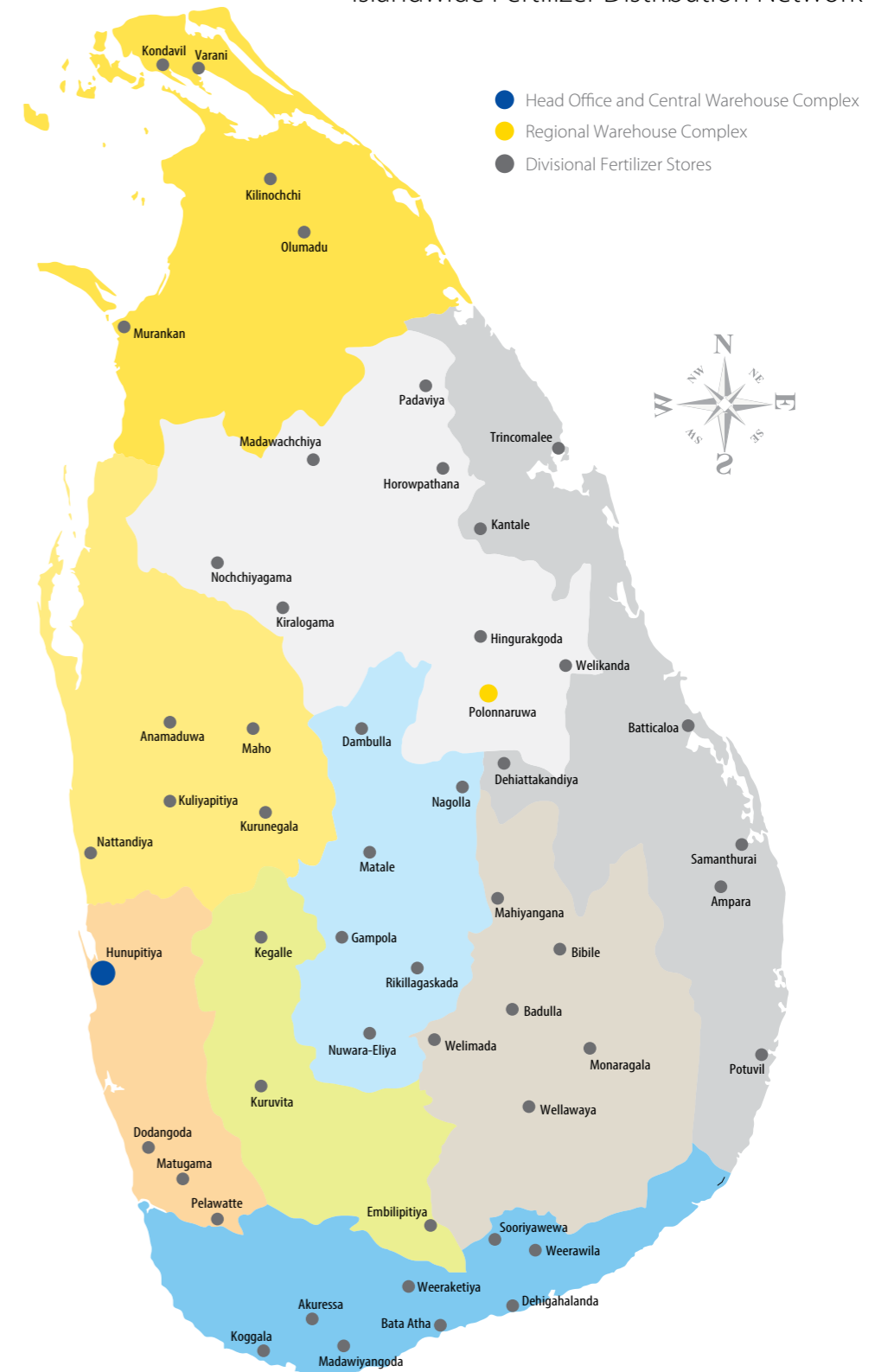
Kegalle
Kuruvita
Embilipitiya

Uva Region

Mahiyanganaya
Bibile
Badulla
Welimada
Monaragala
Wellawaya

Southern Region

Sooriyawewa
Weerawila
Dehigahalanda
Weeraketiya
Bata-Atha
Medawiyangoda
Akuressa
Koggala



RISK MANAGEMENT



Risk management process

Risk management ensures that an organization identifies and understands the risks to which it is exposed. Risk management also guarantees that the organization creates and implements an effective plan to prevent losses or reduce the impact if a loss occurs. Risk management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows an organization to measure and prioritize them and take the appropriate actions to reduce those risks.

The company has adopted well established process to identify, evaluate, avoid, mitigate and transfer the risks. The primary goal of our risk management system is to support smooth operation of our business based on the complete alertness of the risks.

First of all other activities, risk is identified and measured accordingly. Then plan the strategies which can be used to avoid, mitigate, and transfer the identified risks. Directors of the company assure that there is an effective risk management system in place in order to manage the risks fundamental to the company's operation.

Principal Risk factors

Our business has exposure to several risk factors and uncertainties occurred within the environment in which we operate. Following section outlines those risk factors faced by the company and mitigating activities adopted by the company. But risk factors are not confined to this list. There are other factors which may affect the company's operation but not known to the company.

Strategic Risk

Strategic risk is a kind of risk faced due to uncertainties and untapped opportunities embedded in our strategic intent. These risks basically arise from the fundamental decisions made by the Directors relevant to the organization's objectives. The basic idea behind the strategic risk is the failure to achieve our proposed organization objectives. In this regard, regular follow ups are carried out on five years Corporate Plan, three years Action Plan and Annual Plans by the Board of Directors and the management team

Sub division of strategic risk can be identified as follows:

Business Risks

This includes risks associated with production, marketing and sales of the products, economic risks affecting product costs,

Identify and evaluate Risk

Mitigate and monitor the risk

risks arising from technological environment and changes of customer preference. The main internal risks associated with our business are the failure of existing products and risk associated with new product developments.

Reasons for failure in existing product can be fourfold; due to changes in customer requirements, technology, industry and economic conditions and regulatory requirements. Company regularly conduct customer satisfaction surveys and assess the changes in their requirements. Company works in close contact with government, main regulatory bodies and Institutions such as Coconut Research Institute, Tea Research Institute and Rubber Research Institute for identifying potential changes in regulations and recommendations in advance.

The new products are only introduced to the market after a thorough study of the market and consumer requirements.

Non-business Risks

These risks not directly related to the core business of the company and mainly associated with the long term financing. The Corporate plan prepared for five years and action plans prepared for three years, assess the long term financing requirements of the company in advance and identify sources for fulfilling these finance requirements. Annual budget and procurement plan prepared streamline the cash inflows and outflows of the company and eradicate any sudden financing requirements.

Operational Risk

This refers to the awareness of what is happening "on the ground" of the organization. Basically operational risks are associated with the internal resources, systems, processes and employees of the organization. This includes warehouse and machine disruption, staff turnover and natural events such as adverse weather conditions in this regard,

- Company maintains ample fire safety system including sufficient fire extinguishers, fire alarms and during the year a fire fighting training programme was conducted for all employees.
- Company has obtained a fire insurance policy covering damages resulting from fire disruption and an electric extra insurance for high sensitive laboratory equipments.
- Cash in transit and cash in safe insurance policies minimize any impact of theft and corruptions.
- Adequate marine insurance policy is obtained for each shipment of imports.
- Staff turnover of the company is at minimal level due to monetary and non monetary employee motivation programmes of the company.

Financial Risk

Company has exposure to financial risks including credit risk, liquidity risk and market risk from its use of financial instruments.

Credit Risk

Credit risk is the risk of financial loss to the company if counterparty fails to meet its contractual obligations. Credit risk is arisen principally from the credit sales made by the company and deposits held with the financial institutions. Further, in order to mitigate the credit risk,

- Prior to appointing dealers, a detailed credibility analysis is conducted for each individual by a panel consisting of the Regional marketing managers, Chief Internal Auditor, Finance Manager and Legal Officer of the Company.
- Bank guarantees are obtained from the dealers as well as any counterparty before granting any credit facilities.
- Credit period limitations and value limitations are placed for each dealer and counterparty based on the conclusions derived at the credit analysis.

Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure that it will always have sufficient cash to meet its liabilities when due under normal and unexpected conditions. The Corporate plan prepared for five years and action plans prepared for three years, assess in advance the cash outflows of the company and identify sources for finding these out flows while Annual budget and Procurement Plan prepared streamline the cash inflows and outflows of the company and facilitate settlement of all financial obligations on due.

Market Risk

Market risk is the risk that, changes in the market prices, due to change in foreign exchange rates (currency risk) and interest rates (Interest risk) which will affect the company's income or the carrying value of holdings of financial instruments.

Currency Risk

The company's exposure to currency risk arising from fluctuations in the value of US Dollar against the Sri Lankan Rupee. The company's functional currency in respect of imports fertilizer is USD, however settlements of imports are made through rupee accounts

Interest Risk

The company's exposure to interest risk is the changes in market interest rates relate to the interest bearing borrowings with a fixed interest rate and bank deposits.

Regulatory Risk

Company has exposure to changes of the government regulations with regard to import, produce, distribution and consumption of fertilizer and recommendations imposed by the government institutions such as Coconut Research Institute, Tea Research Institute and Rubber Research Institute. Company works closely with these entities in identifying any potential changes in the regulatory environment.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Committee Composition

Audit and risk management Committee has been appointed by the Board of directors. The Committee comprises of three non-executive directors and chairmen of the committee, who is the representative of the General Treasury. The Board has assured that the committee members are well equipped in management financial, legal and other relevant matters.

Meeting and attendance of the Committee

The audit committee formally met 11 times during the year ended 31 March 2014.

When necessary, General Manager, relevant divisional heads and other officers are welcome to the committee for the inquiries. The internal Auditor acts as the convener of the audit and risk management committee. The recommendations and reports of the committee have to be reported to the Board accordingly. The External Auditor also participates in the committee meetings as observer.

Functions of the committee

The Committee uses its extensive experience, knowledge and specialized expertise to assist the Board of Directors to perform their duty of ensuring that the Company's internal controls & risk management systems are adequate, and that the conduct of businesses are in accordance with best practices.

- Determination of the responsibilities of the Internal Audit Division and review of the annual audit plans.
- Review and evaluate internal control systems for all activities of the entity.
- Review performance at regular intervals for cost effectiveness and to eliminate wasteful expenditure etc.

Decisions for effective operations are taken after careful deliberations by the Committee.

- Negotiate with external auditors and follow up on auditor's Management Letter.
- Ascertain whether statutes, regulations, rules and circulars are complied with.
- Review financial statements to ensure compliance with Accounting Standards.
- Review internal audit/external audit reports, Management letters for remedial actions.
- Review implementation of recommendations/directives of the Committee of Public Enterprises.

Execution of committee's functions

Internal audit functions

In order to execute the above mentioned function company has well organized internal audit division. This division comprises experienced professionals in the field of financial accounting, auditing and business administration.

The main objectives of the Internal Audit Division are to;

- Review of the accounting and Internal Control Systems.
- Examination of financial and operating information.
- Review of the economy, efficiency and effectiveness of operations.
- To determine whether controls over operations and programs provide managers with reasonable assurance that the operations and programs are being carried out as planned, and that the results of operations are consistent with established goals and objectives.
- Review of compliance with laws, regulations and other external requirements and with management policies.
- Conducting special Investigations.

In the reporting period Audit Committee reviewed the internal audit plan and monitored the effectiveness of internal audit function on a regular basis. The Committee was responsible for ensuring they have adequate access to information required to conduct their audits. During the year under review, the Audit Committee has met the Internal Auditors to consider their reports, management responses and matters requiring follow up on the effectiveness of the internal controls and audit recommendations.

The frequency of the internal audit is depended on the risk profile of each area and Committee is of the opinion that this basis is an optimal solution for the risk management. A hot line network 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. Further, Chief Internal Auditor of the company participates for the Audit and Management meetings held at the Ministry of Agriculture to discuss the significant matters raised in quarterly basis. Further, the support given by the Auditor General's Department, Attorney' General's Department and Company's Legal Officers on all these matters is gratefully appreciated.

External Audit Function

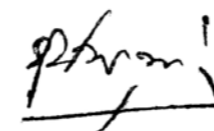
The External Auditor of the company is Fernando + Hewage Co. (Chartered Accountants) which is an independent firm of Chartered Accountants. The committee held meeting with the auditors in order to perform the external audit for the year ended 31 March 2014.

Support to the committee

The management committee including the chairman, had given the necessary information and the assistance to the committee when required and that was the great help to the committee for providing the services effectively during the reporting period.

Evaluation of the committee

The Board has evaluated the performance of the committee and self review is also conducted. The Board has concluded that performance of the committee was effective.



H.M. Ajithchandra
(Additional Director General-
Department of Treasury Operations)
Chairman of the Committee

26th August 2014



FINANCIAL STATEMENTS

for the year ended

March 31, 2014

Ceylon Fertilizer Company Limited

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control

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

The 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 61 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 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.
Secretary

26th August 2014

Chairman's and Financial Manager's Responsibility Statement

The Financial Statements of Ceylon Fertilizer Co.Ltd. As at 31st March 2014 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

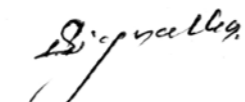
that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

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
Manager (Finance)

30th July 2014.

FERNANDO + HEWAGE CO
(Chartered Accountants)

32, Fernando Place, Moratuwa, Sri Lanka.

Tel: +94 11 2641589 Fax: +94 11 2641589 e-mail: f_hco@sltnet.lk, gregory_f@sltnet.lk

L.S.G. Fernando

MBA, BA, FCA, FIPFASL, 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 ("the Company") which comprise the Statements of financial position as at March 31 2014, and the Statement of Comprehensive income, 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 66 to 89.

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 comply with ethical requirements and Plan and perform the audit to obtain reasonable assurance about 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 of accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

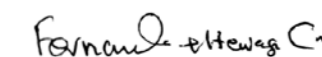
We have obtained all the information and explanations, to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2014 and the financial statements give a true and fair view of the Company as at March 31, 2014 and its financial performance and its cash flow 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)

August, 28, 2014

(Expressed in Sri Lankan Rupees)

	Note	2014 March	2013
Revenue	3	2,563,549,727	2,450,132,816
Cost of Sales	4	(1,988,082,266)	(1,828,448,719)
Gross Profit		575,467,461	621,684,097
Other Operating Income	5	93,172,755	108,809,998
Administrative Expenses	6	(447,891,771)	(472,067,026)
Distribution Expenses	7	(57,427,928)	(74,037,323)
Profit from Operation		163,320,516	184,389,745
Net Finance Income	8	78,008,248	15,504,573
Profit Before Taxation		241,328,764	199,894,318
Income Tax Expenses	9	(62,869,312)	(73,037,738)
Profit for the Year		178,459,452	126,856,580
Basic Earnings Per Share	10	3.55	2.52
Profit for the Year		178,459,452	126,856,580
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		178,459,452	126,856,580

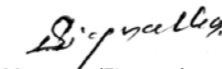
Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 66 to 89 form an integral part of these Financial Statements.

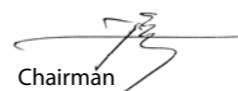
(Expressed in Sri Lankan Rupees)


	Note	2014 March 31	2013
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	11	1,879,174,306	1,882,887,059
Intangible Assets	12	344,717	669,017
Total Non-Current Assets		1,879,519,023	1,883,556,076
Current Assets			
Inventories	13	368,758,034	309,147,848
Trade and Other Receivables	14	32,677,680,725	23,485,322,540
Held-to-Maturity Investment (HTM)	15	369,088,140	338,620,163
Deposits		850,400	704,400
Advance and Prepaid Expenses		26,488,734	2,345,327
Statutory Receivables	16	-	34,439,690
Employees Loans and Advances	17	33,926,652	42,364,042
Other Financial Assets	18	768,606,041	228,474,651
Cash and Cash Equivalents	19	141,813,435	126,853,889
Total Current Assets		34,387,212,161	24,568,272,551
TOTAL ASSETS		36,266,731,182	26,451,828,627
Equity and Liabilities			
Equity			
Stated Capital	20	502,456,080	502,456,080
Revaluation Reserve	21	1,835,723,580	1,835,723,580
Retained Earnings		1,500,363,432	1,397,891,510
Total Equity		3,838,543,092	3,736,071,170
Non-Current Liabilities			
Retirement Benefits Obligation	22	50,189,133	44,748,577
Government Grants	23	9,981,441	17,343,307
Deferred Taxation	24	6,647,539	1,086,164
Total Non-Current Liabilities		66,818,113	63,178,048
Current Liabilities			
Trade and Other Payables	26	11,362,419,612	7,399,153,649
Interest Bearing Borrowings	25	20,646,483,768	14,954,413,210
Deposits and Advances Received	27	116,261,797	108,096,315
Dividends Payable		52,930,556	15,000,000
Statutory Payables	28	4,771,727	1,314,401
Accrued Expenses and Provision	29	172,963,926	122,220,294
Bank Overdrafts	19	5,538,591	52,381,540
Total Current Liabilities		32,361,369,977	22,652,579,410
TOTAL EQUITY AND LIABILITIES		36,266,731,182	26,451,828,627

I certify that these Financial Statements of the Company comply with the requirements of the Companies Act No. 07 of 2007. Notes to the Financial Statements on Pages 66 to 89 form an integral part of these Financial Statements.


 Manager (Finance)

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


 Chairman


 Director

28th August 2014,
 Colombo,
 Figures in brackets indicate deductions.

(Expressed in Sri Lankan Rupees)

	Stated Capital	Revaluation Reserve	Retained Earnings	Total
Balance as at 0 April 2012	502,456,080	1,835,723,580	1,412,891,510	126,856,580
Dividends	-	-	(15,000,000)	(15,000,000)
Balance as at 31 March 2013	502,456,080	1,835,723,580	1,397,891,510	111,856,580
Profit for the Year	-	-	178,459,452	178,459,452
Total Comprehensive Income				178,459,452
Dividends 2012/2013	-	-	(23,056,974)	(23,056,974)
Dividends Provision 2013/2014	-	-	(52,930,556)	(52,930,556)
Balance as at 31 March 2014	502,456,080	1,835,723,580	1,500,363,432	102,471,922

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 66 to 89 form an integral part of these Financial Statements.

(Expressed in Sri Lankan Rupees)

	2014	2013
Cash Flows from Operating Activities		
Profit Before Taxation	241,328,764	199,894,318
Adjustments for;		
Depreciation	26,339,772	35,042,042
Provision for Impairment of Property, Plant and Equipment	-	680,000
Amortization of Intangible Assets	324,300	208,884
Amortization of Government Grants	(7,361,866)	(2,791,284)
(Profit) / Loss on Sale of Property, Plant and Equipment	(2,277,722)	(867,702)
Impairment of Trade Receivables	40,351,788	15,740,931
Gratuity Charge for the Year	7,144,846	6,679,983
Impairment of Non-Moving Inventory	(31,606)	1,400,455
Provision for Legal Claims	22,943,253	36,080,199
Interest Income	(97,262,460)	(56,041,160)
Interest Expenses	19,254,213	40,536,587
Operating Profit Before Changes in Working Capital	250,753,282	276,563,253
Changes in Working Capital		
Inventories	(59,578,579)	222,175,641
Trade and Other Receivables	(9,232,709,973)	(2,671,060,458)
Deposits and Advances	(146,000)	4,706,651
Prepaid Expenses	(24,143,407)	8,803,740
Employees Loans and Advances	8,437,390	(8,481,196)
Trade and Other Payables	3,963,265,963	(7,264,318,480)
Statutory Payable / Receivable	(5,563,170)	-
Deposits and Advances Received	8,165,482	3,781,287
Accrued Expenses and Provision	27,800,379	(4,466,431)
Cash Generated from Operations	(5,063,718,634)	(9,432,295,993)
Gratuity Paid	(1,704,290)	(4,632,856)
Interest Paid	(19,254,213)	(40,536,587)
Taxes Paid	(9,428,723)	(39,694,372)
Net Cash Flow from Operating Activities	(5,094,105,859)	(9,517,159,808)
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(22,628,659)	(10,707,368)
Acquisition of Intangible Assets	-	(877,901)
Proceeds from Sale of Property, Plant and Equipment	2,279,362	1,523,729
Net Proceeds / (Investment) in Treasury Bills	(30,467,976)	132,405,590
Net Investments in Other Financial Assets	(540,131,390)	(90,712,583)
Interest Received	92,843,432	51,601,469
Net Cash used in Investing Activities	(498,105,232)	83,232,936
Cash Flows from Financing Activities		
Dividends Paid During the Year	(38,056,974)	(9,000,000)
Borrowings During the Year	25,113,976,817	21,465,432,551
Settlements of Borrowings During the Year	(19,421,906,258)	(11,880,949,269)
Net Cash used in Financing Activities	5,654,013,585	9,575,483,282
Net Changes in Cash and Cash Equivalents During the Year	61,802,494	141,556,410
Cash and Cash Equivalents at Beginning of the Year	74,472,349	(68,398,461)
Cash and Cash Equivalents at End of the Year	(Note 19) 136,274,843	74,472,349

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 66 to 89 form an integral part of these Financial Statements.

1 CORPORATE INFORMATION**1.1 GENERAL**

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

1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

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

1.3 FINANCIAL YEAR

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

1.4 REGISTERED OFFICE

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

1.5 NUMBER OF EMPLOYEES

The number of employees of the Company as at 31 March 2014 was 399 (2013 - 389)

1.6 DATE OF AUTHORIZATION FOR ISSUE

The financial statements of the Company for the year ended 31 March 2014 were authorized for issue in accordance with a resolution of the Board of Directors dated 28th August 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of Preparation**

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

2.1.1 New accounting standards, amendments and interpretations issued and adopted in 2013.

Amendments to LKAS 19, 'Employee Benefit', the Company and the Company adopted the amendment to LKAS 19 which is effective from the financial year beginning on or after 1 January 2013.

2.1.2 Sri Lanka Accounting Standards (SLFRS/LKAS) issued but not yet effective Standards issued but not yet effective up to the date of issuance of the financial statements are listed below. The company intends to adopt those standards when they become effective.

- a. SLFRS 9-Financial Instruments: SLFRS 9 as issued reflects the replacement of LKAS 39 and applies to recognition, classification and measurement of financial assets and financial liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 1 January 2015.
- b. SLFRS 12 Disclosure of Interests in Other Entities: SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates. This standard becomes effective for annual periods beginning on or after 1 January 2014.
- c. SLFRS 13-Fair Value Measurement: SLFRS 13 establishes guidance for all fair value measurements and disclosures. The company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

2.2 Changes in Accounting Policies

The changes in accounting policies set out below have been applied consistently to the periods presented in the financial statements and to the opening SLFRS statement of financial position at the date of transition to SLFRSs, unless otherwise indicated.

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

2.3 Foreign Currency Translation**2.3.1 Functional and Presentation Currency**

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

2.3.2 Transactions and Balances

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

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

2.4.1 Property, Plant and Equipment

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

The Company measures land and buildings at revalued amounts and changes in fair value was recognized in the statement of equity. The Company engaged independent valuation specialists to determine fair value of land and buildings in 2010.

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

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

Buildings	40 Years
Plant and Machinery	05 - 10 Years
Motor Vehicles	05 Years
Bicycles	03 Years
Office Furniture	03 Years
Office Equipment	03 Years
Workshop Tools	05 Years
Lab Equipment	03 Years
Other Equipment	03 Years
Canteen Equipment	05 Years
Computer Accessories	03 Years

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

2.4.2 Intangible Assets

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

Computer Softwar	03 Years
------------------	-----------------

Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

2.4.3 Impairment of Non-Financial Assets

At each end of reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of

the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company determines the cash-generating unit and estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

2.9 Financial Assets**2.9.1 The Company determines the classification of its financial assets at initial recognition and the Company classifies its financial assets as follows:**

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

a) Held-to- Maturity Investment (HTM)

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

b) Loans and receivables

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

2.9.2 Recognition and Initial Measurement

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

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

2.9.3 Subsequent Measurement**a) Held-to-Maturity Investment (HTM)**

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

b) Loans and receivables

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

2.9.4 Impairment of Financial Assets**Assets carried at amortized cost**

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

For loans and receivables and held-to-maturity investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced and the amount of the loss is recognized in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

2.10 Inventories

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

Consumables and packing material are stated at cost.

2.11 Trade Receivables

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

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

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

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

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

2.12 Cash and Cash Equivalents

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

2.13 Stated Capital

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

2.14 Financial Liabilities

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

2.15 Trade and Other Payables

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

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

2.16 Borrowings

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

2.17 Borrowing Cost

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

2.18 Government Grants

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

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

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

2.19 Current and Deferred Tax

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

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

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that

have been enacted at the reporting period end date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

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

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

2.20 Employee Benefits

The Company has both defined benefit and defined contribution plans.

a) Defined Contribution plan

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

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

b) Defined benefit plan

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of comprehensive income in the period in which they arise. The company will recognize the Define Benefit Obligation when the amount recognized in the financial statements will defer materially from the amount that would be determine at the end of the reporting period.

The retirement benefits obligation is not externally funded.

c) Short-term employee benefit

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

2.21 Provisions and Contingent Liabilities

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

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

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

2.22 Revenue Recognition

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

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

- a) Sale of Fertilizer
The Company import and sells direct and mixed fertilizers in the wholesale and retail markets. Sales of goods are recognized at the point that the risks and rewards of the goods have passed to the customer, which is the point of dispatch from the store.
- b) Interest Income
Interest income is recognized using the effective interest method.
- c) Rent Income
Rent income is recognized on an accrual basis over the term of lease.
- d) Gain and Losses on Disposal of Property, Plant and Equipment
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.
- e) Other Income
Other income is recognized on an accrual basis.

2.23 Expenses

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

2.24 Events Occurring after the Reporting Period

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

2.25 Commitments

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

2.26 Significant Accounting Estimates and Judgments

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

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

(a) Recognition of Deferred Tax Assets

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

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

(a) Useful life time of Depreciable Assets

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

(b) Defined benefit plan

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

(Expressed in Sri Lankan Rupees)

3	Revenue	2014 March	2013
	Gross Revenue	2,585,461,395	2,472,787,219
	Less : Nation Building Tax (NBT)	(21,911,668)	(22,654,403)
		2,563,549,727	2,450,132,816
4	Cost of Sales		
	Purchases (Note 4.1)	1,640,562,990	998,919,088
	Direct Expenses (Note 4.2)	414,275,191	613,400,995
	Cost of Production	2,054,838,180	1,612,320,083
	Finish Goods as at 01 April	287,058,889	503,187,525
	Finish Goods as at 31 March	(353,814,803)	(287,058,889)
		1,988,082,266	1,828,448,719
4.1	Purchases		
	Fertilizer Import Bills	14,332,252,236	17,082,884,609
	Insurance	15,876,076	26,793,573
	Duty & Duty Surcharge	5,438	-
	Port & Airport Development Tax	750,198,629	856,507,229
	Discharging Expenses	4,746,029	3,545,915
	Landing Charges	23,619,226	21,965,965
	Stevedoring Charges	187,222,746	149,293,323
	Miscellaneous (Custom)	1,952,532	6,570,313
	Miscellaneous (Sri Lanka Port Authority)	3,313,565	5,597,771
	Demurrage Charges	-	(3,486,307)
	Sampling Charges	3,387,564	8,882,769
	Transport & Handling Charges	250,874,144	234,828,726
	Letter of Credit Charges	108,180,105	81,139,101
	Bank Charges	795,721	717,765
	Local Purchase	47,570,780	34,872,760
	Packing Materials	31,281,046	32,849,735
	Shipping Guarantee Charges	3,146,493	(841,978)
	Exchange Gain/Loss	(3,057,911)	103,521,575
		15,761,364,419	18,645,642,845
	Subsidy Claimed	(14,120,801,429)	(17,646,723,758)
		1,640,562,990	998,919,087
4.2	Direct Expenses		
	Mixing Charges	11,743,015	2,043,731
	Provision for Impairment of Non Moving Inventories	(31,606)	1,400,455
	Handling Charges	132,712,261	145,526,802
	Labour Charges	27,120,902	24,934,854
	Transport Charges to District Fertilizer Stores	374,143,309	447,193,066
	Trading Stock (Excess) / Shortage	(194,186)	(1,185,473)
	Stocks Transfers / Adjustments	(131,218,504)	(6,512,439)
		414,275,191	613,400,996

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

(Expressed in Sri Lankan Rupees)

5	Other Operating Income	2014 March	2013
	Liquidated Damages Income	-	3,761,371
	Income from Penalties - Local	1,559,996	2,217,531
	Income from Penalties - Imports	173,280	523,217
	Circuit Bungalow Income - Polonnaruwa	1,210,601	311,250
	Earning From Garden	14,480	32,770
	Dispatch Income	57,857,011	84,837,552
	Sales of Polythene & WPP Bags	7,662,198	8,155,080
	Non Refundable Tender Deposit Income	1,148,725	708,400
	Amotization of Government Grant	7,361,866	2,791,284
	Rent Income	86,545	90,000
	Profit on Disposal of Property, Plant and Equipment	2,277,722	867,702
	Earnings from Transport	96,809	102,820.00
	Laboratory Testing Income	32,200	
	Others	13,691,322	4,411,020
		93,172,755	108,809,997
6	Administrative Expenses		
	Directors Remuneration	2,264,354	3,110,152
	Motor Vehicles Running Chairman / WD	903,375	-
	Telephone,Fax,E-mail & Internet Charges-Chairman/WD	209,296	-
	Secretary Fees	89,013	98,920
	Salaries - Executive	25,861,881	26,771,901
	Salaries - Non Executive	107,103,667	96,698,965
	Overtime	38,532,240	40,554,669
	Travelling and Subsistence	4,848,940	6,123,926
	Employees Provident Fund	20,488,090	19,392,417
	Employees Trust Fund	4,097,618	3,873,374
	Government Pension (Company 15%)	88,244	60,645
	Fuel Allowance for Managers	2,345,851	2,708,153
	Fuel Allowance for Field Staff	377,215	-
	Entertainment	746,948	992,309
	Tea and Dust Allowance	5,334,740	3,694,594
	Annual Bonus	3,628,246	2,807,625
	Medical Leave Payment	8,488,588	8,370,494
	Employees on Contract Basis	5,190,464	6,277,600
	Electricity	6,737,183	6,333,340
	Telephone,Fax,E-mail & Internet Charges	4,369,519	4,528,737
	Fire Insurance	333,155	174,808
	License & Insurance	1,116,447	1,671,156
	Postage	1,282,862	965,846
	Printing & Stationery	5,002,267	5,642,788
	Periodicals & Books	290,350	114,125
	Office Equipment Maintenance	411,192	578,981
	Office / Sundry Expenses	1,941,088	2,891,782
	Vehicle Running Expenses	10,320,613	11,893,036

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

(Expressed in Sri Lankan Rupees)

	2014 March	2013
Water Bill	2,924,179	2,489,870
Vehicle Maintenance	6,806,623	3,238,635
Legal Fees	813,926	1,455,322
Security Charges	32,513,688	30,187,241
Research & Development Expenses	2,000	-
Training & Scholarships	1,644,417	734,407
Weekend and Others (Exertive)	1,576,210	1,957,326
Lab/Equipment Maintenance	281,412	520,109
Plant, Machinery & Equipment Maintenance	1,149,742	710,645
Mixing Plant Maintenance	-	65,550
Building Maintenance	13,504,454	5,478,559
Furniture and Fittings Maintenance	91,975	-
Public Notice Charges	1,703,744	-
Internal Road Construction	-	660,685
Computer & Accessories Maintenance	1,185,108	1,394,819
Medical Expenses	4,888	42,360
Clothing & Medical Allowance	2,639,696	2,648,682
Rent & Rates	667,472	15,671,095
Expenses for Temporary Storage	3,233,992	12,890,137
Depreciation	26,341,412	35,044,326
Amortization of Intangible Assets	324,300	208,884
Audit Fees	300,000	300,000
Non Audit Fees	101,250	-
Consultancy Fees	2,948,656	4,146,933
Work Shop Tools Expenditure	894,571	584,425
Sanitary Facilities	1,890,630	3,631,317
Medical Insurance	4,185,485	5,517,369
Stamp Duty	-	9,843
Value Added Tax	-	1,327,351
Other Equipment Maintenance	1,225,929	468,601
Charity & Donations	550,660	71,762
Annual Incentive	40,001,183	35,803,683
Cash in Transit & Cash in Safe Insurance	153,180	242,074
Gratuity Payment	7,144,846	6,679,983
Bank Charges	682,238	700,938
Staff Welfare	4,714,796	3,236,007
Natural Disaster Expenses	-	100,000
Write Off / (Back)	100,581	(1,216,241)
Provision for Legal Claims	22,943,253	36,080,199
Provision for Impairment PPE	-	680,000
Over / (Under) Provision of Recurrent Expenses	(3,963,335)	221,196
Staff Transport	1,569,456	1,581,273
Circuit Bungalow Expenses	803,494	171,324
Gardening And Landscaping Expenses	1,719,811	-
Labortory Building Expenses	64,395	-
Labortory Expenses	48,008	-
	447,891,771	472,067,026

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

(Expressed in Sri Lankan Rupees)

	2014 March	2013
7 Distribution Expenses		
Advertising & Publicity Notices	12,237,486	12,431,942
Written-off of Bad Debts	245,652	33,750
Written-off of Treasury Receivables	-	41,387,759
Provision for Impairment of Trade Receivables	40,351,788	15,740,931
Sales Commission	4,593,001	4,442,942
	57,427,928	74,037,323
8 Net Finance Income		
Interest Income		
Interest on Fixed Deposits and REPO Investments	95,829,840	54,279,393
Interest from Employees Loans	1,432,621	1,487,335
Interest Income From Trade Debtors	-	274,431
	97,262,460	56,041,160
Interest Expenses		
Interest on Overdrafts/STL	(19,254,213)	(40,536,587)
	(19,254,213)	(40,536,587)
	78,008,248	15,504,573
9 Income Tax Expenses		
Current Tax Expense	Note 9.1 47,000,471	-
Adjustment on Under / (Over) Provision	10,307,466	-
Deferred Tax Charge	5,561,375	73,037,738
	62,869,312	73,037,738
9.1 Reconciliation Between the Current Tax Expense and the Product of Accounting Profit		
Accounting Profit / (Loss) Before Taxation	241,328,764	199,894,318
Aggregated Disallowable Items	99,682,019	102,501,054
Aggregated Allowable Items	(75,404,571)	(550,001,202)
Income from Other Sources	(98,259,494)	(59,425,715)
Profit / (Loss) from Trade or Business	167,346,717	(307,031,545)
Other Income Liable for Tax	90,897,628	56,634,431
Total Statutory Incomqwe	258,244,345	(250,397,114)
Tax Losses Utilized	(90,385,521)	-
Assessable Income / Taxable Income	167,858,824	(250,397,114)
Tax Charged at Statutory Tax Rate of 28%	47,000,471	-
Current Tax on Ordinary Activities for the Year	47,000,471	-
Tax Losses		
Loss Brought Forward	287,932,213	-
Loss Incurred	-	307,754,264
Loss Utilized	(90,385,521)	(19,822,051)
Loss Carried forward	197,546,692	287,932,213
10 Basic Earnings Per Share		
Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.		
Amount used as the Numerator		
Net Profit Attributable to Ordinary Shareholders (Rs.)	178,459,452	126,856,580
Number of Ordinary Shares used as the Denominator		
Weighted Average number of Ordinary Shares in issue	50,245,608	50,245,608
Basic Earnings Per Share	3.55	2.52

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

(Expressed in Sri Lankan Rupees)

Notes to the Financial Statements for the year ended 31 March

11 Property, Plant and Equipment	Land	Road Construction	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Office Equipment	Computer	Others	Total
Freehold Cost										
Balance as at 1 April 2013	1,512,855,000	820,000	332,948,654	5,672,122	70,037,876	11,349,761	4,545,831	11,129,001	13,785,580	1,962,323,826
Additions		820,000	5,961,243,445	333,982		1,285,069	1,008,914	2,146,433	11,073,017	22,628,659
Disposals						(118,360)		(98,250)	(17,050)	(233,660)
Balance as at 31 March 2014	1,512,855,000	820,000	338,909,897	6,006,105	70,037,876	12,516,470	5,554,745	13,177,184	24,841,547	1,984,718,825
Depreciation										
Balance as at 1 April 2013			24,912,893	2,195,942	26,352,783	8,590,920	3,268,198	6,938,648	6,497,383	78,756,768
Charge for the Year			8,323,716	574,812	7,003,788	1,530,109	633,417	2,213,563	6,060,367	26,339,772
Disposals						(118,360)		(98,250)	(15,410)	(232,020)
Balance as at 31 March 2014			33,236,609	2,770,754	33,356,571	10,002,669	3,901,615	9,053,962	12,542,341	104,864,519
Net Carrying Values										
Land										2013
Buildings										1,512,855,000
Road Construction										305,673,289
Plant and Machinery										820,000
Motor Vehicles										3,235,351
Furniture and Fittings										36,681,306
Office Equipment										2,513,801
Computer Equipment										1,653,130
Others										4,123,223
Provision for Impairment										12,299,207
										1,879,854,306
										1,883,567,059
										2014 March 31
										1,512,855,000
										308,035,762
										820,000
										3,235,351
										36,681,306
										2,513,801
										1,653,130
										4,123,223
										12,299,207
										1,879,854,306
										1,883,567,059

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

(Expressed in Sri Lankan Rupees)

Property, Plant and Equipment Contd...

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

12 Intangible Assets

At Cost	As at 01 April 2013	Additions (Disposals)	As at 2014 March 31
Computer Software	877,901	-	877,901
	877,901		877,901
Depreciation	As at 01 April 2013	Charge for the Year	As at 2014 March 31
Computer Software	208,884	324,300	533,184
	208,884	324,300	533,184
Net Carrying Value	As at 01 April 2013		As at 2014 March 31
Computer Software	669,017	324,300	344,717

Categories Of Financial Assets And Financial Liabilities

The carrying amount of the financial assets and liabilities reported in the statement of financial position are as follows,

	2014 March	2013
The Carrying Values of Financial Assets and Liabilities.		
Financial Assets		
Held-to-Maturity Investments		
Treasury Bills	Note 15	369,088,140
HTM investments are stated at amortized cost using the effective interest method		338,620,163
Loans and Receivables		
Trade and Other Receivables	Note 14	32,677,680,725
Deposits		850,400
Employees Loans and Advances	Note 17	33,926,652
Other Financial Assets	Note 18	768,606,041
Cash and Cash Equivalents	Note 19	141,813,435
		126,853,889
		33,622,877,253
		23,883,719,522
The loans and receivables are stated at carrying values as their carrying value approximates the fair value.		
Total Financial Assets		33,991,965,393
		24,222,339,685
Financial Liabilities		
Other Financial Liabilities		
Interest Bearing Borrowings	Note 25	20,646,483,768
Trade and Other Payables	Note 26	11,362,419,612
Deposits and Advances Received	Note 27	116,261,797
Bank Overdrafts	Note 19	5,538,591
		52,381,540
Total Financial Liabilities		32,130,703,769
		22,514,044,714

The financial liabilities are stated at amortized cost using the effective interest method.

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

Notes To The Financial Statements
For The Year Ended 31 March 2014

CEYLON FERTILIZER COMPANY LTD

(Expressed in Sri Lankan Rupees)

13 Inventories	2014 March	2013
Direct Fertilizer	337,837,402	270,946,389
Mixed Fertilizer	15,977,401	16,112,500
Consumables	9,179,224	9,328,027
Inventories PMS	7,132,855	14,161,388
	370,126,883	310,548,304
Provision for Impairment	(1,368,849)	(1,400,455)
	368,758,034	309,147,849

14 Trade and Other Receivables		
Trade Receivables	129,204,572	136,085,192
Provision for Impairment	(52,553,513)	(27,789,115)
	76,651,058	108,296,077
Other Receivables (Note 14.1)	32,601,029,666	23,377,026,463
	32,677,680,725	23,485,322,540

As at 31 March 2013, trade receivables amounts to Rs. 83,242,224/- (2011/12: Rs 105,441,674/- and 2010/11: Rs 98,924,676/-) were past due but not impaired. These relate to a number of significant customers who are individually reviewed for impairment and for whom there are no reliable evidence for impairment in the reporting years.

The ageing of the trade receivables are as follows

Up to 3 Months	35,742,408	19,524,289
3 to 6 Months	2,952,958	3,234,841
6 to 12 Months	926,077	5,899,964
More than One Year	89,583,129	107,426,098
	129,204,572	136,085,192

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

The Details of Provision for Impairment of the Trade Receivables	2014 March	2013
Multi Purpose Corporative Society	-	393,050
Agrarian Service Centers	247,500	1,185,347
Government Departments	123,220,448	16,186,358
Authorized Dealers	5,736,624	10,024,360
	129,204,572	27,789,115

14.1 Other Receivables		
From General Treasury - Subsidies	32,423,671,525	23,357,948,977
Sri Lanka Port Authority	180,666	513,411
Road Development Authority	12,600,000	12,600,000
Others	164,577,475	5,964,075
	32,601,029,666	23,377,026,463
Provision for Impairment	-	-
	32,601,029,666	23,377,026,463

15 Held-to-Maturity Investment (HTM)		
Investments In Treasury Bills	369,088,140	338,620,163

The investments in treasury bills amounts to Rs.75,421,290 (2014 -Rs50,189,133, 2012 -Rs 44,748,577) are maintained separately for the gratuity commitments.

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

(Expressed in Sri Lankan Rupees)

16 Statutory Receivables	2014 March	2013
Current Tax	-	30,000,000
Tax Credits - WHT / Notional Tax	-	4,439,690
	-	34,439,690

17 Employees Loans and Advances		
Festival Advances	99,000	160,400
Motor Cycle Loans	794,083	333,910
Net Salary / Other	(0.00)	7,773,242
Personal Loans	33,033,569	34,096,490
	33,926,652	42,364,042

In accordance with Para 3.8 in chapter XXVI in Establishment Code amended by public administration circular no 26/97 dated at 19.11.97 Personal loans are measured at fair value using the interest rate of 4.2% the rate at which the loans have been granted is considered as the market interest rate for employees working at Public sector entities

18 Other Financial Assets		
Fixed Deposits		
Call Deposit	768,606,041	228,474,651

The investment in fixed deposits amounts to Rs.206,000,000 (2012 -110,480,830 2011 -102,180,145) has been pledged as a part of security against bank borrowings.

19 Cash and Cash Equivalents		
Favorable Balances		
Repo's	102,746,796	92,163,840
Cash at Bank	35,690,510	32,514,230
Saving Deposits	3,376,129	2,175,819
	141,813,435	126,853,889
Unfavorable Balances		
Bank Overdrafts	5,538,591	(52,381,540)
Cash and Cash Equivalents for the Purpose of Cash Flow Statement	5,538,591	74,472,349

20 Stated Capital		
<i>Issued and fully paid</i>		
Number of Ordinary Shares	502,456,080	50,245,608
Value (Rs.)	502,456,080	502,456,080

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

22 Retirement Benefits Obligation	2014 March	2013
Balance as at 01 April	44,748,577	42,701,450
Expenses Recognized in Comprehensive Income (Note 22.1)	7,144,846	6,679,983
	(1,704,290)	(4,632,856)
Balance as at 31 March	50,189,133	44,748,577

22.1 Expense Recognized in Comprehensive Income		
Current Service Cost	2,661,194	2,661,194
Interest Charge for the Year	4,483,652	4,483,652
(Gain) / Loss Arising From Changes in the Assumptions	-	(464,863)
	7,144,846	6,679,983

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

(Expressed in Sri Lankan Rupees)

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

The principal assumptions used are as follows.

Discount Rate [%]	10.50	10.50
Future Salary Increases [Rs.] - Executive	1,150	1,150
Future Salary Increases [Rs.] - Other	240	240
Staff Turnover Factor [%] - up to 50 yrs	1-5	1-5
Staff Turnover Factor [%] - over 50 yrs	0	0
Retirement age [Yrs]	55	55

Retirement Benefits Obligation Contd...

Discount rate is determined by examining the market rates of interest on short-term corporate bonds/government bond and the anticipated long-term rate of inflation. Other assumptions such as mortality, staff turnover, disability and promotion are used by the actuarial consultants are based on management's historical experience.

The Company has changed its basis used to measure the retirement obligation to project unit credit method using the qualified actuarial consultants for the reporting period including 2010/11 and 2011/12. As a result of changing the accounting policy to measure the obligation, the adjustment made at the date of transition to SLFRSs amounts to Rs 25,183,392/- is recognized in retained earnings.

23 Government Grants	2014 March	2013
Balance at 01 April	17,343,307	20,134,591
Grants Received During the Year	-	-
Amortization of Government Grants	(7,361,866)	(2,791,284)
Balance at 31 March	9,981,441	17,343,307

24 Deferred Taxation	2014 March	2013
Balance as at 01 April	1,086,164	(71,951,574)
(Charge) / Reverse for the Year	5,561,375	73,037,738
Balance as at 31 March	6,647,539	1,086,164

24.1 The Analysis of Deferred Tax Assets and Liabilities

Deferred Tax Liability		
From Accelerating Depreciation	91,111,832	91,900,037
	91,111,832	91,900,037
Deferred Tax Assets		
From Retirement Benefits Obligation	14,052,957	12,529,602
From Brought Forward Tax Losses	55,313,074	70,111,192
From Impairment Provisions - Trade Debtors	14,714,984	7,780,952
From Impairment Provisions - Slow Moving Stocks	383,278	392,127
	84,464,293	90,813,873
	6,647,539	1,086,164

Deferred tax assets are recognized for provision for retirement benefits obligation, impairment provision for trade and other receivables and non-moving stocks to the extent that the realization of the related tax benefits through future taxable profits are probable and deferred tax liabilities are recognized for accelerating depreciation and revaluation surplus.

The net deferred tax assets arising from the adjustment made at the date of transition to SLFRSs in relating to initial recognition of deferred taxation is adjusted to retained earnings.

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

(Expressed in Sri Lankan Rupees)

25 Interest Bearing Borrowings	2014 March	2013
Settlement Fall Due Within One Year		
People's Bank	20,646,483,768	14,954,413,210
	20,646,483,768	14,954,413,210

These loans are arranged by the treasury and may be settled during the next year as fund are available

25.1 Movement of the Loan		
Balance as at 01 April	14,954,413,210	5,369,929,928
Obtained During the Year	5,692,070,558	21,465,432,551
Settlements Made During the Year	-	(11,880,949,269)
Balance as at 31 March	20,646,483,768	14,954,413,210

26 Trade and Other Payables		
Trade Payables	11,335,078,346	7,364,698,238
Other Payables (Note 26.1)	27,341,266	34,455,411
	11,362,419,612	7,399,153,649

Other Payable Contd...

26.1 Other Payable		
Sundry Creditors	23,780,309	30,254,323
Excess On Sales	646,316	617,952
Suspense Cash Deposits	-	611,820
Retention Money	-	2,819,415
Payable to General Treasury	2,711,806	151,901
Others	202,835	-
	27,341,266	34,455,411

27 Deposits and Advances Received		
Refundable Performance Bond	84,594,699	91,499,699
Staff Security Deposits	3,376,129	2,177,819
Refundable Deposits	8,832,230	6,776,695
Receipt in Advance	19,474,233	7,642,103
Sundry Salary Deduction	(15,494)	-
	116,261,797	108,096,316

28 Statutory Payables		
Current Taxation (Note 28.1)	4,580,806	-
Withholding VAT	-	377,191
Withholding Tax (WHT)	-	742,615
PAYE	190,921	194,595
	4,771,727	1,314,401

28.1 Current Tax		
Balance at 01 April	-	9,694,372
Charge for the Year	47,000,471	-
Payments Made - Self Assessment (Brought Forward from Previous Year)	(24,132,224)	(9,694,372)
Set-off Against the Tax Credits - ESC	(9,428,723)	-
Set-off Against the Tax Credits - WHT/Notional Tax	(8,858,718)	-
Balance at 31 March	4,580,806	-

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

(Expressed in Sri Lankan Rupees)

29 Accrual and Payables	2014 March	2013
Accrued Expenses	150,020,673	86,140,096
Provision for Legal Claim	22,943,253	36,080,199
	172,963,926	122,220,295

30 Capital and Other Commitments

CFC has entered in to construction contractors with the following three contractors for :

- Constructing a propose holiday bungalow at Nuwara Eliya for Rs. 25 Mn with M/S Senecta Technologies (Pvt) Ltd.
- Over layering of Asphaltting at hunupitiya premises for Rs. 49 Mn with D.S. Construction and Earth movers
- Fencing a land demarcated for holiday bungalow at katharagama for Rs.1.6 Mn with district secretary katharagama

31 Events Occurring after Reporting Period

There were no events occurred, which required adjustments or disclosure in these financial statements between the 31 March reporting date and the date of authorization. However contractor for overlying of asphaltting has abandoned the contract after obtaining Rs 8.8 mn Advance

32 Contingent liabilities

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

33 Related Party Disclosures

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

Transactions with Key Management Personnel

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

Transactions with Key Management Personnel are given below.	2013/14	2012/13
Remuneration and Other Short-Term Employee Benefits	3,377,025	3,904,014

Related Party Transactions

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

Name of the Related Party	Nature of Transactions	Transaction Value (Rs.)	Balance (Due to)/ Due from
Government of Sri Lanka	Capital Grants	-	-
	Subsidies Received out of the claims made amounts to Rs. 14,120,801,428/-	14,120,801,428	13,289,881,886
	Sales of Goods	613,980,582	71,813,595
	Recoveries of Trade Receivables	138,936,458	71,149,818
State-Owned Enterprises	Short-term /Loan Term Loans borrowed	9,971,324,558	21,586,794,129
	Settlements of Loans	4,279,254,000	11,880,948,258
Investments In Treasury Bills and Repo's			
	Proceeds from Maturity of Investment	41,050,933	170,748,795
	Interest Received	42,424,022	38,343,205
Investments In Fixed Deposits			
	Investment during the year	540,131,390	90,000,000
	Interest Received	53,405,818	11,496,497
	Call Deposits and Saving Deposits	3,376,129	2,175,819
	Current Accounts	35,690,510	32,514,230
	Current Accounts -Overdraft	5,538,591	52,381,540
Other Government Related Entities	Recoveries of Trade Receivables	12,326,217	71,149,817

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

34. Financial Risk Management

The company has exposure to the following risks from its use of financial instruments and the company applies various risk management strategies to mitigate these risks from time to time.

- Credit Risk
- Liquidity Risk
- Market Risk (Currency Risk and Interest Rate Risk)

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

34.1 Credit Risk

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

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

Following table depicts the maximum risk exposure of financial assets reported as at March 31, 2014.

Risk Exposure to line items	Amount (Rs.)
Cash and Cash equivalents	141,813,435
Deposits held with Banks and Financial Institutions	1,240,440,977
Trade and Other Receivables	32,677,680,725
Subsidy receivables from the Treasury	32,601,029,666

34.2 Trade Receivables

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

The age analysis of the company's trade receivables portfolio is as follows:

Aging of Receivables	Receivables (Rs.)	
	As at 31.03.2014	As at 31.03.2013
Up to 3 Months	35,742,408	19,524,289
3 to 6 Months	2,952,958	3,234,840
6 to 12 Months	926,077	5,899,965
More than 1 Year	89,583,129	107,426,098
Total	129,204,572	136,085,192

The company establishes policy for provision for impairment (Refer note 2.11 to the financial statements) that represents the estimate of incurred losses in respect of trade receivables. According to the impairment policy established, customers are reviewed individually to measure the impairment loss. Please refer note 14 to the financial statements relating to trade receivables and details of provision for impairment losses.

34.3 Subsidy Receivables

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

34.4 Other Financial Assets

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

35 Liquidity Risk

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

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

The following table depicts maturity analysis of the company's financial assets and liabilities as at March 31, 2014 based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial Assets and Liabilities	Carrying Amount (Rs.)	6 Months or Less (Rs.)	6-12 Months (Rs.)	More than 1 Year (Rs.)
Financial Assets				
Trade Receivables	76,651,057	38,452,164	840,000	37,358,893
Subsidy Receivables from Treasury	32,423,671,525	14,081,520,139	11,225,941,629	7,116,209,757
Other Receivables	177,358,141	177,358,141		
Held Maturity Investments	369,088,140		369,088,140	
Other Financial Assets	768,606,041		768,606,041	
Cash and Cash Equivalents	141,813,435	141,813,435		
Total	33,957,188,339	14,439,143,879	12,364,475,810	7,153,568,650
Financial Liabilities				
Interest bearing borrowings	20,646,483,768	3,667,932,000	16,978,551,768	
Trade Payables	11,335,078,346	7,742,856,040	3,592,222,306	
Other Payables	143,603,063	34,058,538	109,544,525	
Bank Overdraft	5,538,591	5,538,591		
Total	32,130,703,768	11,450,385,169	20,680,318,599	

36. Market Risk

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

36.1 Currency Risk

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

The company has reported foreign exchange gain included in the operating results for the reporting period 2014 is Rs. 3,057,911

36.2 Interest Risk

The company's exposure to interest risk is the changes in market interest rates relate to the interest bearing borrowings with a fixed interest rate and bank deposits. Rs.20,646,483,768 (2013: Rs. 14,154,413,210) of the company's interest bearing loans and borrowings carried interest at fixed rates.

The company has bank balances including term deposits placed with state banks. The company monitors interest rate risk by actively monitoring interest rate movements.

36.3. Capital Management

The company manages its capital for safeguarding the company's ability to continue as a going concern in order to provide maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The company monitors capital structure on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings by total equity. Total borrowings include non-current and current borrowings as shown in the statement of financial position. Following table depicts the company's total borrowing and equity ratio as at March 31, 2014 and 2013.

Capital	31 March 2014	31 March 2013
Total Borrowings (Rs.)	20,646,483,768	14,154,413,210
Total Equity (Rs.)	3,838,543,092	3,736,071,170
Gearing Ratio (X)	5.3x	4x

The increase in the gearing ratio during the reporting period 2014 resulted from increases in short-term borrowings to meet the import liabilities.

FORM OF PROXY
CEYLON FERTILIZER COMPANY LIMITED.

I/We.....
.....being a member of the above named Company hereby appoint Mr./Mrs
.....
.....of failing him/her,Mr./
Mrs.
.....as my Proxy to vote for me on by behalf at the Annual
General Meeting of the Company to be held on
2014 and at any adjournment thereof.

Signed this

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

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

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

(b) The full name and the registered address of the shareholder appointing the Proxy should be legibly entered in the form of proxy.

(c) In the case of shareholder resident in Sri Lanka- a stamp duty of Rupees Twenty Five must be affixed and the shareholder must write his name and sign his initials over the stamp.

(d) Every alteration or addition to the form of proxy must be duly authenticated by the full signature of the shareholder signing the form of proxy. Such signature should as far as possible be placed in proximity to the alternation or addition intended to be authenticated.

Signed on this day of2014.

.....
Signature of Shareholder



CEYLON FERTILIZER COMPANY LTD

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