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வரையறுக்கப்பட்ட இலங்கை உரக்கம்பனி
CEYLON FERTILIZER COMPANY LTD

Fertilizing The Farming Fraternity

ANNUAL REPORT
2021/22

Fertilizing The Farming Fraternity

The country did itself proud health wise to be minimally affected by the COVID 19 pandemic. However, was not without great economic and social cost that saw all of the citizens suffer unprecedented economic hardships as the country and the world slowing started to recover. Food systems were altered and agricultural value chains were stretched and sometimes broken. Yet, despite these, the country's agrarian sector was one of the first to recover, rising in rebirth as it shook off the fracturing that has occurred in the previous year.

In that effort, our company is proud to say that saw our farmers through the health crisis and then, as they slowly got back to their feet, it was Lakpohora was who fed them the nutriment that would grant them their just harvests. Those yields, from rice to vegetables to yams to medicinal plants to fruit became a reality directly as a results of our effort to reach across to every nook and cranny of the country to fertilizer our farming fraternity.

Looking back on the year, we can rightly say that I was a job that required enormous effort and which, given multiple challenges, we executed to the best of our ability.

Signed,

The management and staff of LAKPOHORA

State ministry of Promoting the Production & Regulating the Supply of Organic Fertilizer, and Paddy & Grains. Organic Foods, Vegetables, Fruits, chilies, Onion and Potato Cultivation Promoting, Seed Production and Advanced Technology Agriculture

80/5, GovijanaMandiraya,
Rajamalwatta Avenue, Battaramulla, Sri Lanka.

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ANNUAL REPORT

2021/22

CEYLON FERTILIZER COMPANY LIMITED

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

Telephone : 011-2 930 298 / 99 | Fax : 011-2 947 763
E-mail : info@lakpohora.lk | Web : www.lakpohora.lk

ISO 14001: 2004
Environmental Quality
Certification

Annual Reports Awards
2014
Compliance Award

JASTECA CSR Awards
2014
Merit Award

CNCI Achievers Awards
2014
National Level Merit Award

National Agri Business Awards
2014
Silver Award

National Productivity Awards
2012/13
Second Place

Sri Lanka National
Quality Award 2013
Silver Award

SLCBCC Business Star
2014
Silver Award

Akimoto 5S Awards
2014
Merit Award

National Business Excellence
Awards 2014
Golden Award

Human Resource Management
Awards 2013
Merit Award

CONTENTS

THE FOUNDATION OF AGRICULTURE IN SRI LANKA

Ceylon Fertilizer Company Limited (CFCL), a fully state owned company, operating under the Ministry of Agriculture was established in 1964 under the State Industrial Corporations Act of 49 in 1957 with financial and technological support from the Republic of Germany.

Its primary mandate is to fulfill the fertilizer needs of the Sri Lankan agricultural community and has been executing this responsibility with priority focus on product quality by importing chemical fertilizer, mixing and manufacturing quality fertilizer and distributing it to all parts of the island via its regional stores and authorized dealer network.

In compliance with state policy to transform government corporates and state owned business entities into government companies under act number 23 of 1987, it was reestablished under this act with effect from 15th September 1992 under its original name and is currently registered under the Companies Act number 07 of 2007.

As part of the state's policy to consolidate its existing businesses in this sector, the Thamankaduwa Agri Fertilizer Company was brought under CFCL in 2008 as is now operating as the Polonnaruwa stores complex of the company.

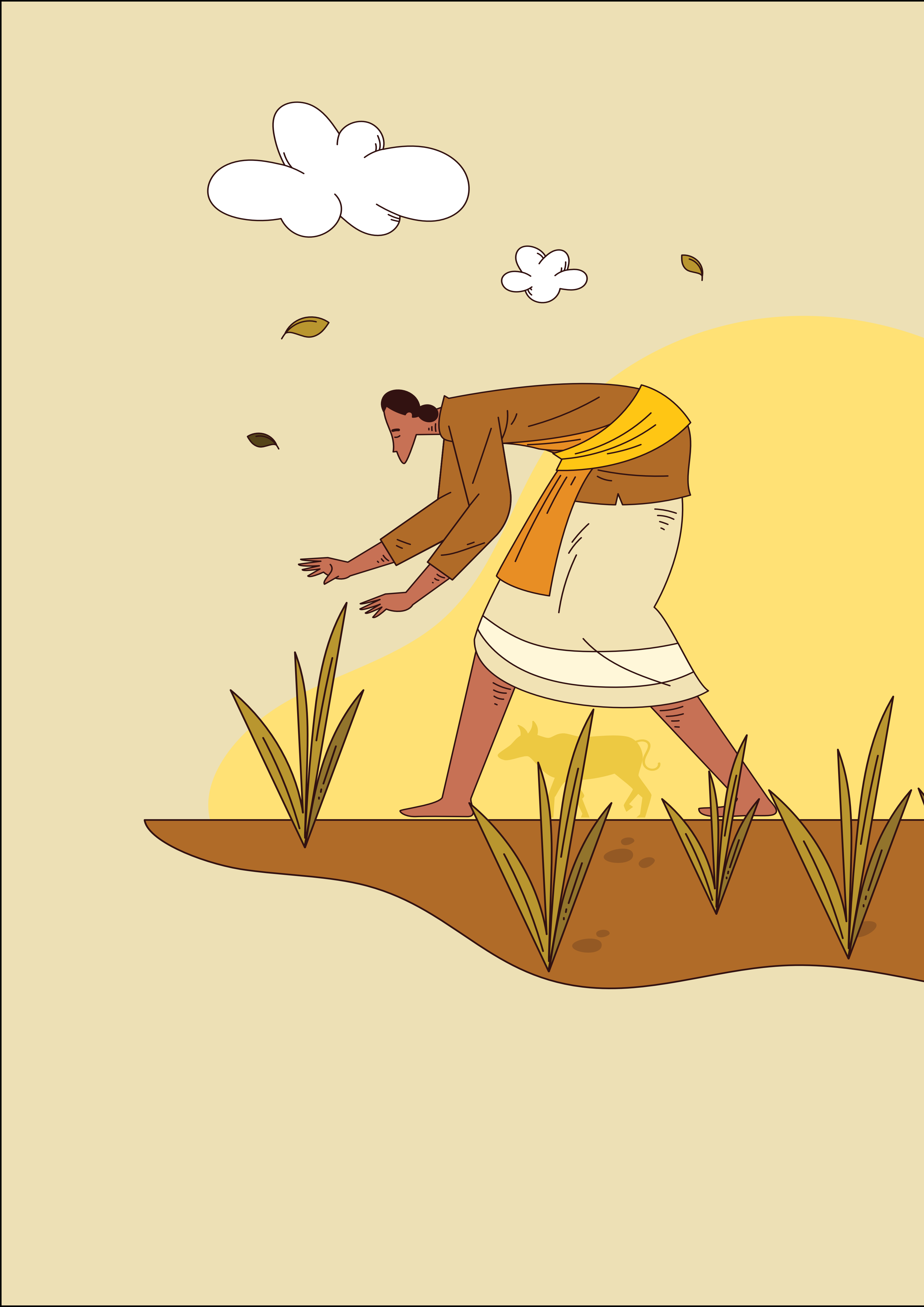
CORPORATE INFORMATION

Company Name
Ceylon Fertilizer Company Limited

Company Registration Number
PB 499

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

Registered Office and Address
Ceylon Fertilizer Company Limited
Lakpohora Swarna Jayanthi Mawatha,
Hunupitiya, Wattala, Sri Lanka.
Tel : +94 11 2 930 298 / 99
Fax : +94 11 2 947 763
E-mail : info@lakpohora.lk
Web : www.lakpohora.lk



For PADDY Cultivation

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

1964

Ceylon Fertilizer Corporation (CFC) established under the Agriculture, Food and Cooperatives' Ministry headed by Hon. Felix Dias-Bandaranaike with an initial investment of just Rs. 58,000 and with Senior Additional Secretary of the ministry Mr. Sam Silva as its first Chairman. The Head Office was at Darley Road and the stores capable of handling 80,000 MT was established at Hunupitiya. With no money to hire a van Mr.K.K. Anthony, one of the first employees of the corporation picks up 12 wicker baskets to be used for discarded paper for the newly established corporation and bicycles back to the HO with those baskets hung around his bicycle.

1964

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

1966

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

1970

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

1976

The permit system is abolished and the fertilizer subsidy introduced.

2008

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

2010

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

2013

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

2016

In 2016, the state policy for a toxin free nation focusing on organics was introduced and the CFC aligned itself with these directives by focusing more on organic fertilizer manufacture.

2022

Chemical fertilizer import and distribution was banned by the government as a government policy instead of that organic fertilizer purchasing, manufacturing and distribution launched by the CFC.

OVER THE YEARS, WE SPARED NO EFFORT TO FERTILIZE OUR FARMERS.

Economic storm clouds loom as we look into a potentially darkened future but Lakpohora has weathered such crises before in its long and storied history serving the fertilizer needs of our farmers.

1978

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

1980

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

1986

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

1988

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

1992

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

1994

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

2002

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

2005

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

2007

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

BOARD OF DIRECTORS

Chairman / Director

Mr. Janath Vidanage
(01.04.2021 – 11.01.2022)

Mr. W. L. P. W. Perera
(17.02.2022 – to date)

Directors

Mr. W. P. Dimuthu Pathum
(01.04.2021 - 25.08.2021)

Mr. Kosala Jayakody
(01.04.2021 – 28.12.2021)

Mr. H. K. C. Tharuka Alwis
(01.04.2021 – to date)

Mr. L. Gemunu Samarawickrama
(01.04.2021 – to date)

Ms. H. D. N. K. Hettiarachchi
(28.06.2021 - 02.03.2022)

Mr. J. M. S. N. Jayasinghe
(02.03.2022 – to date)

Mr. G. R. Don Sunil
(01.04.2021 – to date)

Mr. W. H. M. Hiroshan
(11.02.2022 – to date)

Mr. H. M. J. P. K. Herath
(11.02.2022 – to date)

Company Secretary

Mrs. A. M. Chamila Swarnamali Thilakarathne

Management Team

Mr. R. A. Priyantha Perera	General Manager (Acting) Manager (Distribution)
Mr. T. S. Bacha	Acting Chief Internal Auditor
Mr. N. P. C. Ekanayake	Manager (Finance)
Eng. D. M. N. A. Dissanayake	Manager (Technical)
Mrs. R. P. S. Bodhipala	Manager (Marketing & Sales)
Mrs. M. L. U. Perera	Manager (Laboratory)
Mr. G. G. Saman	Acting Manager (Procurement and Imports)
Mrs. T. S. S. Dharmabandhu	Acting Manager (Administration and Human Resources)

For TEA Cultivation

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

THE FUNDEMENTALS OF OUR EFFORT

PURPOSE

To provide Chemical and Organic Fertilizer according to the highest national standards and services for the agricultural community of Sri Lanka

MISSION

To ensure profitability and sustainability of the company by manufacturing and distributing a portfolio of inputs and services for the agricultural sector that cater to the demand of a diversified market in line with state polices.

VISION

To be a center of excellence as diversified agricultural service provider to contribute sustainable development in Sri Lanka

VALUES

Keeping environment sustainability, assuring a healthy future generation and connecting to farmer at grassroots level are the key Values upon which we will build our future product range.

DEDICATED TO SUSTAINABLE AGRICULTURE

For

VEGETABLES and Cash Crops

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

FINANCIAL HIGHLIGHTS

INCOME
LKR 1.2 BILLION

PROFIT BEFORE TAX
LKR 65 MILLION

TOTAL ASSETS
LKR 34 BILLION

Financial Highlights and YoY Ratios			
Item	**2022 (LKR)**	**2021 (LKR)**	**Ratio (%)**
	Rs.	**Rs.**	**%**
Income	1,209,392,948	2,257,657,781	-46
Profit before tax	65,348,609	162,590,416	-60
Profit after tax	81,575,919	124,392,743	-34
Earnings per share	1.62	2.48	-35
Benefits on assets	3.47%	7.03%	-51
Benefits on liabilities	0.19%	0.36%	-47

Financial Position and YoY Ratios			
Item	**2022**	**2021**	**Ratio (%)**
Total Assets	34,851,369,347	32,098,651,854	8.58
Total Equity	6,390,226,207	6,345,978,479	0.70
Number of shares issued	50,245,608	50,245,608	0
Net assets per share	127.18	126.30	3.34

FINANCIAL SUMMARY FOR LAST TEN YEARS

	2013 SLFRS	2014 SLFRS	2015 SLFRS	2016 SLFRS	2017 SLFRS (Restate)	2018 SLFRS (Restate)	2019 SLFRS	2020 SLFRS	2021 SLFRS	2022 SLFRS
Statement of Comprehensive Income										
Revenue	2,450,132,816	2,563,549,727	3,835,989,834	4,242,769,733	2,350,637,985	3,373,989,990	1,869,949,695	2,100,583,296	2,257,657,781	1,209,392,948
Gross profit	621,684,097	575,467,461	855,558,167	1,097,447,923	231,025,777	31,497,063	189,371,158	267,726,824	416,141,028	340,447,531
Other income	108,809,998	93,172,755	142,197,667	122,926,594	29,096,825	45,440,368	107,856,870	209,623,485	118,465,561	104,584,039
Profit before taxation	199,894,319	241,328,764	520,200,738	836,604,005	127,804,541	39,346,123	119,782,045	188,443,929	162,590,416	65,348,609
Taxation	(73,037,738)	(62,869,313)	134,184,888	(233,331,176)	11,787,491	(63,882,188)	(154,240,094)	(90,450,653)	(38,197,672)	16,227,311
Profit for the year	126,856,581	178,459,452	386,015,851	603,272,829	139,592,032	(24,536,064)	(34,458,049)	97,993,276	124,392,743	81,575,919
Statement of Financial Position										
Stated capital	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080
Revaluation reserve	1,835,723,580	1,835,723,580	1,833,071,080	1,833,071,080	2,506,976,187	2,028,858,589	2,291,788,758	2,297,282,725	2,317,365,710	2,318,306,775
Retained Earnings	1,397,891,510	1,500,363,432	1,869,914,195	2,392,840,203	2,899,788,327	2,792,590,448	2,736,987,204	3,341,503,885	3,526,156,689	3,569,463,352
Total equity	3,736,071,170	3,838,543,092	4,205,441,355	4,728,367,363	5,909,220,594	5,323,905,117	5,531,232,042	6,141,242,690	6,345,978,479	6,390,226,207
Property, plant and equipment	1,882,887,059	1,879,174,306	1,865,055,225	1,838,655,988	2,683,237,393	2,636,328,307	2,744,935,187	2,705,686,663	2,665,990,105	2,632,653,373
Capital working progress	-	-	29,982,587	32,152,294	21,960,737	22,316,114	676,729	676,729	676,729	676,729
Deferred tax expense	73,037,738	5,561,375	37,484,888	-	-	-		5,493,967	21,992,312	941,065
Investment in treasury bills	338,620,163	369,088,140	489,125,747	514,903,604	532,548,539	439,277,353	634,370,554	698,334,484	730,446,740	807,101,718
Intangible assets	669,017	344,717	115,417	79,667	-	-	17,501,026	13,754,126	9,560,797	4,978,638
Deffered tax assets	-	-	-	-	-	-	-	-	-	-
Net current assets	1,915,693,141	2,025,842,182	2,417,551,302	2,963,028,124	3,020,938,645	16,516,623,681	9,121,613,694	3,658,556,182	19,880,264,806	17,377,956,119
Deferred tax liabilities	1,086,164	6,647,539	44,132,427	40,928,542	251,974,437	242,009,768	643,022,709	169,037,795	139,082,220	100,894,788
Long term loan	-	17,728,367,618	31,304,325,268	-	-	20,746,712,026	14,795,213,338	-	15,991,700,302	13,451,229,712
Cash Flow Statement										
Net cash inflow/(out flow) from operating activities	(9,517,159,808)	(5,094,105,859)	(9,560,794,959)	4,859,448,679	11,542,320	8,052,725,854	182,709,212	(282,165,789)	(5,899,813,904)	(5,400,427,510)
Net cash inflow/(out flow) from investing activities	83,232,936	(498,105,232)	(1,021,212,231)	(1,086,700,012)	(908,705,035)	278,487,418	1,301,650,014	1,435,897,612	37,785,222	(30,254,644)
Net cash inflow/(out flow) from financing activities	9,575,483,282	5,654,013,585	10,614,850,014	(3,843,885,272)	(7,628,967,604)	834,304,831	5,966,502,687	(691,730,383)	5,554,446,115	5,532,756,693
Other Information										
Earning per share (Rs)	2.52	3.55	7.68	12.01	2.78	(0.49)	(0.69)	1.95	2.48	1.62
Dividend per share (Rs)	0.76	1.05	2.30	3.60	0.83	(0.15)	(0.21)	0.59	0.37	0.24
Net asstes per share (Rs)	-	-	84	94	118	116	110	122.22	126.30	127.18
Current ratio (No.of times)	-	-	1.06	1.09	1.09	2.60	1.60	1.19	3.08	2.17

For

COCONUT Cultivation

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

MESSAGE FROM **THE CHAIRMAN**

It is with great pride that I write this message, as Chairman of the leading organization in the agricultural sector that caters to the fertilizer needs of paddy cultivation which provides a priority component of the Sri Lankan consumer's diet as well as the nutrition required to ensure development and high yields of tea, coconut, rubber and other crops that substantially contribute to the income generation activities of the country.

As a national responsibility, our organizational effort in the year under review was driven by the need to support solutions to the severe food crisis that enveloped not only Sri Lanka but the entire planet as an outcome of the Covid19 pandemic.

This period is marked by our organization having to swim against the tide under some of the most challenging socioeconomic circumstances. Our business, from inception decades ago to the present day, was to be the leading state representative as the "fertilizer corporation" to import and distribute chemical fertilizers. In line with the state policy decision to move towards a socioeconomic framework that offers solutions to climate change it completed banned the import of agrochemicals and commenced a program to purchase organic fertilizer to serve the needs of farmers growing rice and other crops. In line with this policy decision, the CFCL was compelled to intervene to import organic fertilizers. However, despite the fact that the required logistics, institutional arrangements and processes for this not being present within the country, our organization rose to the challenge and purchased environment friendly fertilizers from local manufacturers and thereby supported the revolution to a green agricultural paradigm.

Despite such negative, resistive and debilitating factors as the shortage of raw materials for the manufacture of organic fertilizers, the changes in the quality of fertilizer with time, the prevalence of non-certified or non-standardized organic fertilizers in the market at lower costs, the difficulties of converting farmer thinking to switch from agrochemicals to organics and the dearth of expertise on organic fertilizers, the corporation was able to preserve the integrity and quality of its "Lakpohora" brand.

The fuel crisis that beset the country during the year under review was another serious challenge that the corporation faced. Despite logistical issues a in transporting fertilizer and bringing employees to the offices of the corporation, it managed to circumvent and workaround these problems with significant support of the line ministry as well as other partner organizations.

The near continuous challenges that the corporation faced within the operating environment during the year under review directly affected its income as seen in the flux of this indicator. Nevertheless, it should be appreciated that despite challenging realities, the corporation obtained a profit of LKR 81.5 million.

While I am pleased that CFCL actively contributed to providing vital plant nutrients to the farming community in line with state policies through a quick recalibration and realignment of its business practices to identify new revenue streams, I sincerely hope that CFCL will be able to rise to the aspirations and holes of those citizens involved in the agricultural sector as we move into the future.

Janath Vidanage
Chairman

STATEMENT OF THE **GENERAL MANAGER**

It is great pleasure for me to present the audited financial statement and the annual report for the financial year of 2021/22 and address all of you, our valued shareholders when yet another financial year comes to an end.

In 2020, Sri Lankan imports (both state and private sector) of foreign fertilizers reached $259 million, representing 1.6 percent of the country's total imports by value. Sources indicate that the 2021 import bill was potentially in the range of $300-$400 million given current international prices. However, by limiting and/or banning costly foreign exchange draining fertilizer and agrochemical imports, the state aimed to generate significant import cost savings. In 2020 state companies imported approximately 325,000 metric tons (MT) of fertilizers for distribution to rice farmers (cultivating fields of two hectares or less). The fertilizer subsidy program (for rice and other crops) cost the government in 2020 approximately Sri Lankan rupees (LKR) 46 billion ($253 million). The total fertilizer subsidy program amounted to roughly two percent of the government's recurring expenditure. Fully subsidized fertilizer for small holder rice production, a key component of Sri Lanka's agricultural policy, inadvertently provides farmers an incentive to over fertilize their fields.

The government's fertilizer subsidy program extends to other crops, including tea, vegetables, and coconuts, as well as to rubber, potatoes, fruit, and minor export crops. Depending on the commodity, the government subsidizes anywhere from 48-to-88 percent of the market price of a 50-kilogram bag of fertilizer. In 2020, the government distributed around 300,000 MT of subsidized imported fertilizer to the other crop farmers. Of that amount, 44 percent went to tea plantations, 24 percent to vegetable producers, and 12 percent to coconut plantations, with the balance being allocated to rubber, fruit, potatoes, and minor export crops' producers.

The Hon. President Gotabhaya Rajapakse claims that limiting and banning the import of fertilizers and agrochemicals would help rein in rising health care costs brought about by overuse of chemicals in agricultural production. A concern with non-communicable diseases arising due to use of agrochemicals in Sri Lanka was a much discussed topic with cancer becoming a countrywide concern.

In 2021, the state policy "Vistas of Prosperity and Splendor" Agenda, aiming to improve the Sri Lankan peoples' health, sought to phase out the use of fertilizers and agrochemicals in domestic crop cultivation. The framework promoted organic agriculture, organic fertilizers, organic food consumption, and the export of organic food and agricultural products. The government subsidized rice production to ensure rice selfsufficiency (a national food security objective). Heretofore, it was providing local rice farmers with free, imported chemical fertilizer. For other field crops, the government provided farmers with fertilizers at deeply discounted cost. Sri Lanka was encountering difficulties financing its costly fertilizer subsidy program. Facing increasing difficulties managing its balance of payments, Sri Lanka might potentially be limiting and banning chemical fertilizer and agrochemicals usage to control hard currency outflows.

In this context, the year 2020/21 also saw the company expand its product portfolio to organics in line with state policy to reduce dependent on agrochemicals and position Sri Lanka in the vanguard of sustainable development and become an example to the world as one of the first countries to wholeheartedly espouse sustainable agrarian practices.

I am proud to announce that Ceylon Fertilizer Company is the first state organization to produce and distribute organic fertilizer to the paddy farming community in the local market. During this fiscal year, in its efforts to change the thinking of both its Agrarian Services Center network as well as the farmers, large scale, island wide programs were implemented to improve farmer awareness of the positives of using organics over synthetics and these exercises increased marketing potential by driving paradigm shifting attitudinal changes deep into the minds of our primary target – our farming communities.

Such was our commitment to local and global efforts towards a more durable world that we aimed to minimize agrochemical use in Sri Lanka and shifted our agricultural production towards organic exclusivity in the year 2020/21. Towards this, the company strategically planned to provide an ever expanding range of organic fertilizer products both in solid and liquid form.

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

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

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

I gratefully acknowledge the Head of the department with their entire staff who provide the leadership and contribution to achievements for the great effort towards fulfilling the task.

R. A. Priyantha Perera

Acting General Manager

BOARD OF DIRECTORS

MR. JANATH VIDANAGE

Chairman / Director

Janath Vidanage is a product of the premier educational institute in Sri Lanka, Royal College and he brings the discipline, commitment to purpose and resourcefulness in achieving personal and career goals to every single endeavor he puts his hands to. One of the best collegiate boxers of his era, he was a colorsman in the sport. Additionally, he obtained dual colors as a rower on the school rowing team. Recognizing his leadership talents he was given the rare distinction of being appointed a college prefect. Subsequent to finishing his schooling he obtained a scholarship to read for a bachelors in Medicine in Russia before returning to briefly join HNB. Having joined Cathay Pacific as its Country Manager, he held that position for many years in the course of which he became known as one of the most trustable individuals in the travel industry. Never relinquishing his interest in the travel trade throughout his work life he now owns his own travel company. He is also one of the most travelled individuals from Sri Lanka having visited 137 countries during his career and he brings the vast experiences he gained on his travels to every endeavor in which he is involved. Never a man to shirk his duty by the country, he served it as a member of the Board of the Lanka Electricity Company (LECO) before continuing his service to the nation in his present capacity as the Chairman of the CFCL. As a scientist who has his finger on the pulse of a crisis ridden world, he has had a lifelong interest in agriculture and botany. Ever humble in his approach to life, he lives by the adage that he will do what he perceives to be the best for Sri Lanka regardless of whether his deeds are recognized as such or not.

MR. W. P. DIMUTHU PATHUM
Director

MR. KOSALA JAYAKODY
Director

Mr. Dumuthu Pathum served on the Board of Directors of Ceylon Fertilizer Corporation from 01.04.2021 - 25.08.2021

Kosala is an Attorney at Law by profession. He specializes in Criminal Law, Brand Protection and Anti-Counterfeiting, Consumer Law, Commercial Law, Labour Law and Conveyancing. Kosala holds a BSc (Sp.) Degree in Business Administration from the University of Sri Jayawardenapura and Bachelor of Laws (LL.B) Degree from the Open University of Sri Lanka. He was called to the Bar of the Supreme Court of Sri Lanka in 2011 and draws nearly 10 years of legal experience. He is a finalist of Institute of Chartered Accountants of Sri Lanka (ICASL) & a passed finalist of Association of Accounting Technicians Sri Lanka (AAT). He has many years of experience in Law, Accounting and Finance, Capital Market Operations and Management Services.

BOARD OF DIRECTORS

MR. H. K. C. THARUKA ALWIS
Director

Mr. Alwis is a proud product of D. S.Senanayake College Colombo. He has a Higher National Diploma in Politics and Public Management. He is currently in the final year of his Bachelors' in Law from the Buckinghamshire New University, U.K. and is currently working as the Coordinating Secretary to Hon. Dr. Nalaka Godahewa, State Minister of Urban Development, Waste Disposal and Community Cleanliness. He has over a decade of experience in Public management and Politics

MR. L. GEMUNU SAMARAWICKRAMA
Director

Mr. Samarawickrama holds a Special Degree in Economics from the University of Peradeniya and a Diploma in Personnel Management from the National Institute of Business Management. He has also been a member of the Institute of Personnel Management since 1993. He also holds certificates in Human Resources Training from Thailand, Strategic Management from Indian, Malaysia and Singapore and General Management from Hyderabad. Commencing his career as Assistant Regional Manager of the Coconut Cultivation Board from 1987-1993 he joined the State Mortgage and Investment Bank as Personnel Manager in 1993. Subsequently, he was appointed Assistant General Manager of Human Resources and Logistics in 2003 and finally Deputy General Manager from 2011 to 2012. He also held the post of Personnel Manager of the Sri Lanka Insurance Corporation in 1999 and was a Director of the Central Environmental Authority from 1993 to 1999.

MS. H. D. N. K. HETTIARACHCHI
Director (Treasury Representative)

Mrs. Hettiarachchi holds a degree from the University of Sri Jayewardenepura and post-graduate degree.

Mrs. Hettiarachchi held the position of Assistant Director of the Department of Public Finance under the Ministry of Finance.

MR. J. M. S. N. JAYASINGHE
Director (Treasury Representative)

Mr. Jayasinghe holds a degree from the University of Sri Jayewardenepura and post-graduate degree from the Sri Lanka Institute of Development Administration (SLIDA).

Mr. Saman Jayasinghe is a Supra Grade officer of the Sri Lanka Administrative Service and held the position of Additional Director General of the Department of Public Enterprises under the Ministry of Finance before being appointed as the Excise Commissioner General.

MR. G. R. DON SUNIL
Director (Ministry Representative)

MR. W. H. M. HIROSHAN
Director

Mr. Galagama holds a bachelor in Arts from the University of Sri Jayawardenepura, a masters in International Studies from the University of Queensland, Australia as well as post-graduate diplomas in economic development from the University of Colombo and counselling from the University of Sri Jayawardenepura. Over the course of his career as a civil servant, he has held many high level positions within the government including Additional Director General (Department of Public Enterprise), Additional Secretary - Administration (State Ministry of Promoting the Production & Regulating the Supply of Organic Fertilizer, and Advanced Technology Agriculture) and Additional Secretary -Special Projects (Ministry of Investment Promotions). At present, he is Additional Secretary – Development (Ministry of Health) in addition to being on the Board of Ceylon Fertilizer Company Limited.

Mr. W. H. Manjula Hiroshan is a Degree holder and a Director of Institute of post Harvesting Technology. He served as the member of the Board of Directors of the Ceylon Fertilizer Company Limited for the period from 11.02.2022 to 30.11.2022

MR. H. M. J. P. K. HERATH
Director

MRS. A. M. C. S THILAKARATHNE
Company Secretary

Mr. H. M. Janaka Pushpa Kumara Herath is a Social Activist in the Uva province and leading Tutor for Advance Level Students. He served as the member of the Board of Directors of the Ceylon Fertilizer Company Limited for the period of 11.02.2022 to 30.11.2022

Mrs. Chamila She is the present Company Secretary of Ceylon Fertilizer Company Ltd. and holding position of Assistant Manager (Legal) of Ceylon Fertilizer Company Ltd. Since 2009. She enrolled as an Attorney-at-Law in 2004 after obtaining a Honours pass from the Sri Lanka Law College. She is an Attorney-at-Law and a Notary public by Profession. She overlooks the legal frame work and Company Secretarial work of the entire Company. She had been served in the Consumer Affairs Authority before joining with the team of Ceylon Fertilizer Company Ltd. and she is also a Bachelor of Arts graduate of the University of Kelaniya.

SENIOR MANAGEMENT TEAM

MR. R. A. P. PERERA
General Manager (Acting) and
Manager (Distribution)

The Distribution Manager, Mr. R. A. Priyantha Perera holds a special degree in Sociology from the University of Colombo & Master of Human Resources Management University of Kelaniya of Sri Lanka. Additionally he holds Diplomas in Productivity & IT. He has followed advanced courses in Supply chain Management, industrial health and safety, environment management & fire safety.

Mr. N.P.C. Ekanayake
Manager (Finance)

Having completed his studies at Royal College Colombo 7, Mr. ekanayake became and associate member of the Chartered Institute of Management Accountants (CIMA) UK in 2004 before obtaining his charter from the Institute of Chartered Accountants of Sri Lanka in 2012. He has worked for a number of state institutions in various capacities such as Assistant Internal Auditor for the State Pharmaceuticals Corporation (1993-1995), Chief Internal Auditor for the State Development and Construction Corporation (1998-2000) and National Institute of Education (2003-2011), CEO and Interim Board Member of the Mahaweli Livestock Enterprises (2015-2017) and Assistant General Manager Finance for the National Livestock Development Board (2012-2017) before joining CFCL as its Finance Manager.

ENG. D. M. N. A. DISSANAYAKA
The Manager (Technical)

Company's Technical Manager, Mr. Dissanayake has a Science – Special (Engineering) Degree from the University of Peradeniya and a Post Graduate Degree in Business Administration (Finance) from the University of Kelaniya. He is a member of the Sri Lanka Institute of Engineers and a member of the Engineering Division Committee of the same institute.

MRS. R. P. S. BODHIPALA
The Manager (Sales & Marketing)

Marketing and Sales Manager of the company, Mrs. Suranganie Bodhipala holds a Science Special Degree in Agriculture (Plantation Management) from the University of Sabaragamuwa and a Post Graduate Degree from the Post Graduate Institute of Agricultural Science of the University of Peradeniya. Completed Higher National Diploma in Procurement & Control Administration (HN-D IPPCA) in Sri Lanka Institute of Development Administration (SLIDA). She has sound experience in plantation industry management.

MRS. M. L. U. PERERA
The Manager (Laboratory)

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

MR. G. G. SAMAN
The Acting Manager
(Procurement & Imports)

Mr. Saman is the acting manager of procurement and imports for the company and holds a degree in arts from the University of Colombo. He is currently taking a diploma course in procurement and contract management at the Development Administration Institute of Sri Lanka.

SENIOR MANAGEMENT TEAM

Mr. T. S. Bacha
Acting Chief Internal Auditor

Mr. T S Batcha is the Acting Chief Internal auditor and assumes the role of a Convener at the Audit Committee Meetings to the esteemed Ceylon Fertilizer Company Ltd. His key responsibilities include and are not limited to, reviewing accounting and Internal control systems to ensure Financial and operational Integrity, assist in business process reviews, risk assessments, developing deliverables and reporting progress against outcomes.

He counts over 16 years of professional experience in audit and assurance, taxation, banking and administration. He is a fellow member of chartered Institute of Taxation of Sri Lanka. He is also a certified business accountant and an associate member of Public Finance Accountants of Sri Lanka awarded by the Institute of The Chartered Accountants. He is a degree holder who successfully completed Bachelor of Commerce (Special) at the Kelaniya University. Currently he has concluded the first half of his MBA at the Rajarata University and is simultaneously enrolled for CPA in Australia as part of acquiring an equivalent foreign qualification.

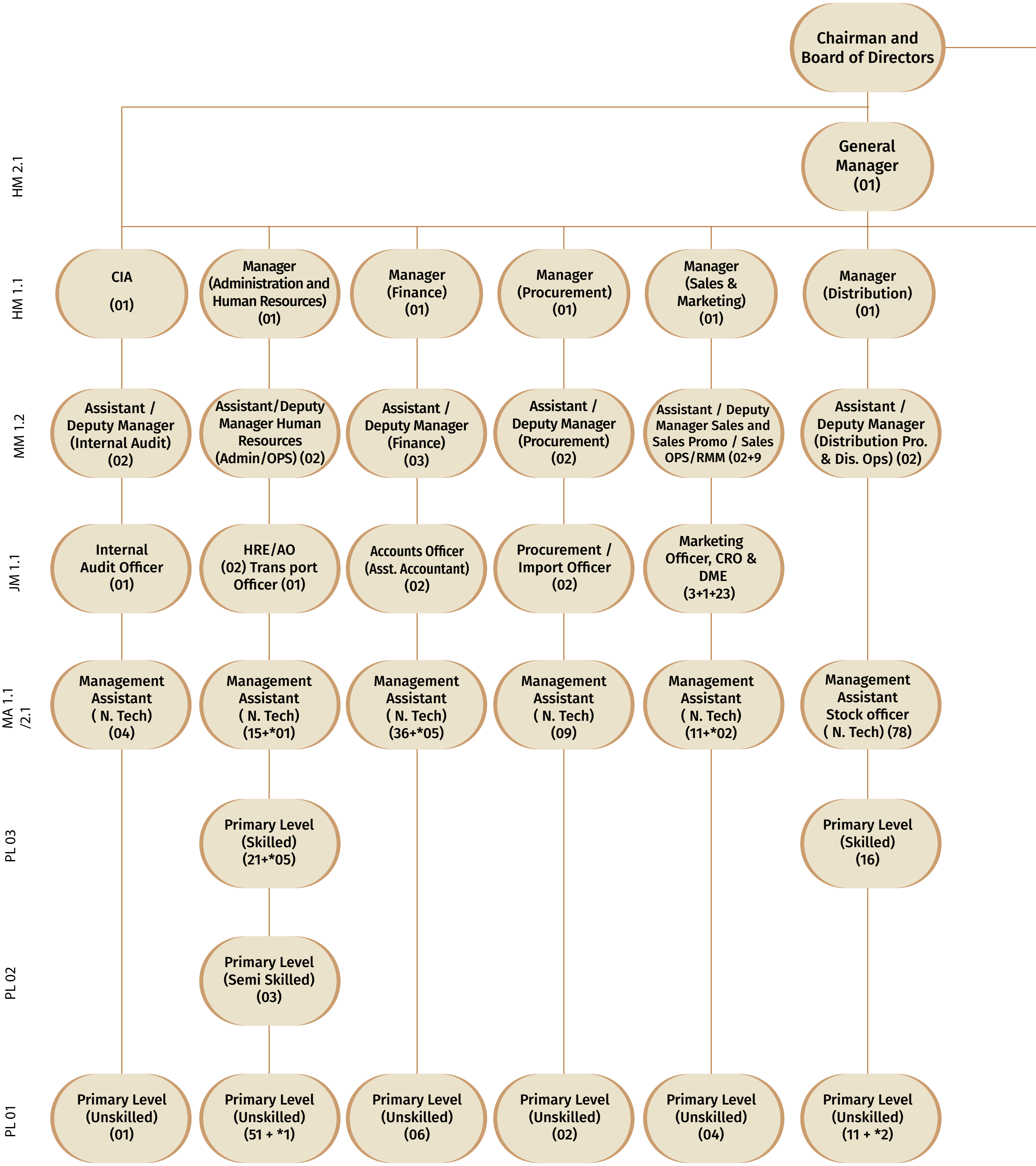
MRS. T. S. S. DHARMABANDHU
The Acting Manager
(Administration & Human Resources)

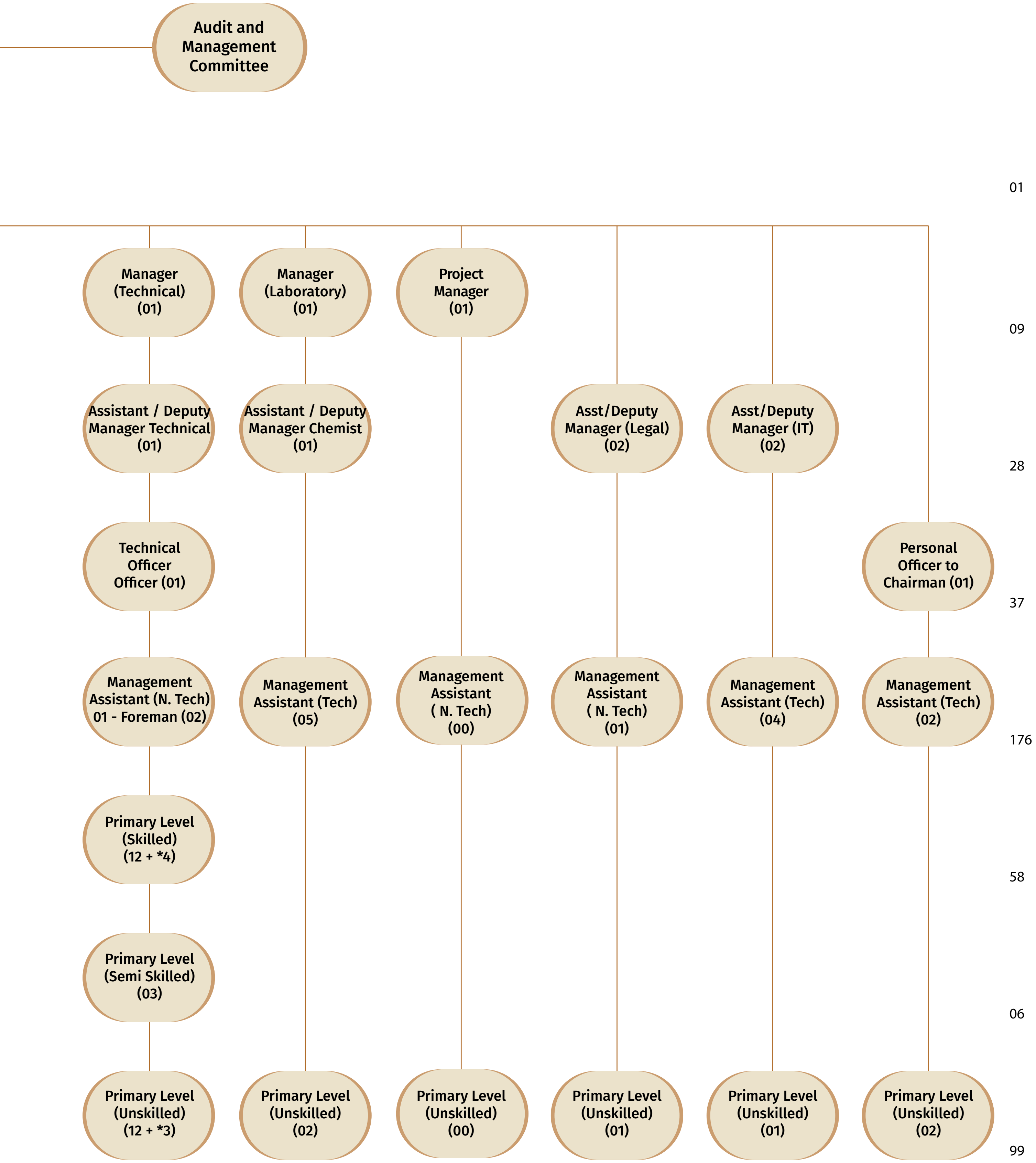
She holds a Bachelor of Labour Studies (Special) degree from the University of Colombo. a Masters in Sociology from the University of Kelaniya and holds a Professional Qualification in Human Resources Management from the Institute of Personnel Management Sri Lanka. She has 26 years' experience at the company.

For RUBBER Cultivation

Specially blended fertilizer including R A – 465,
R U – 462, R U - 465, R/Y B, R /S A

ORGANIZATIONAL STRUCTURE



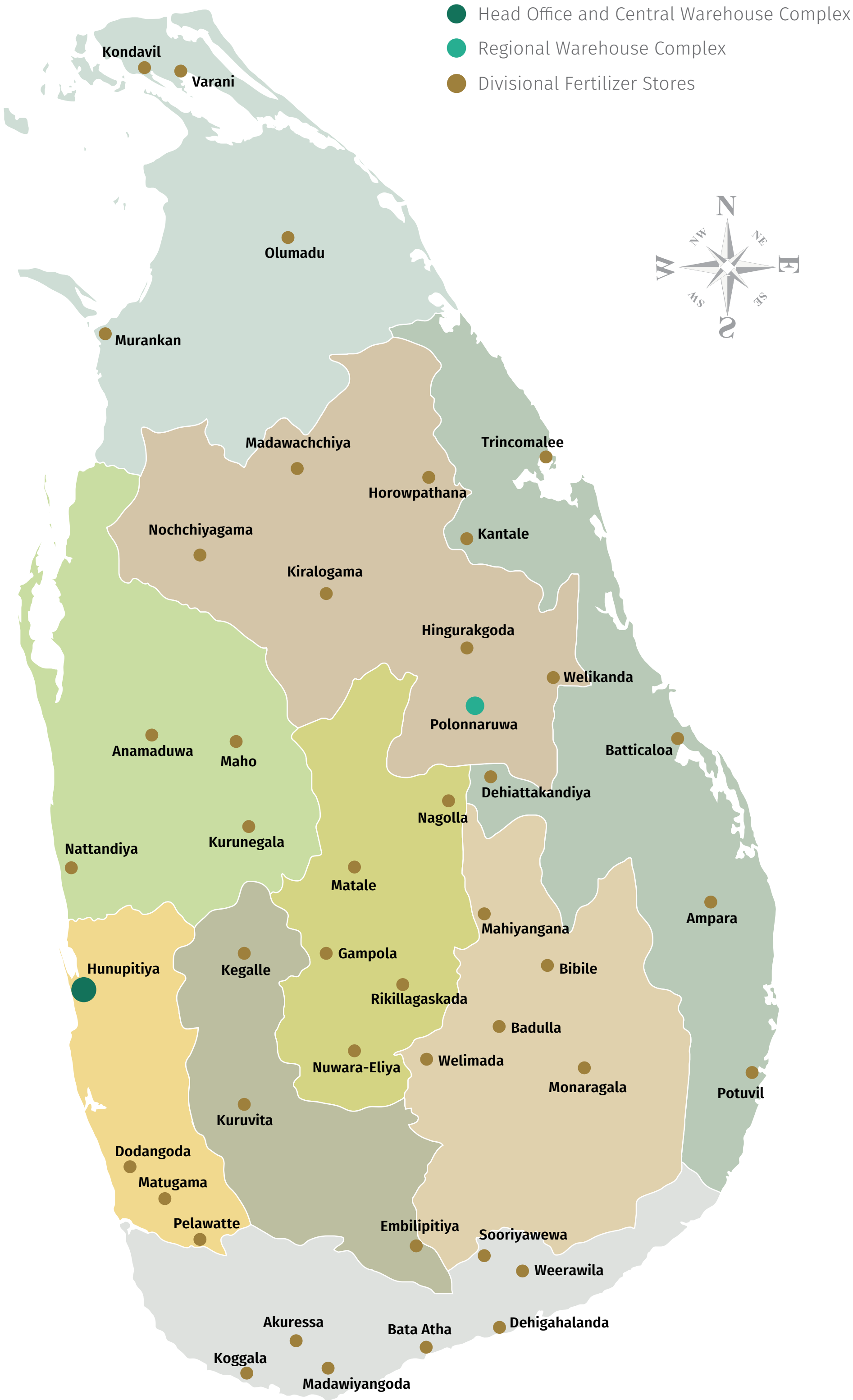


Total Approved Cardre 414

45 Island wide fertilizer distribution warehouse network....

Ceylon Fertilizer Co. Ltd.

Islandwide Fertilizer Distribution Network



Northern Region
Kondavil
Varani
Olumadu
Murankan

North Central Region
Medawachchiya
Horowpathana
Kiralogama
Nochchiyagama
Hingurakgoda
Welikanda
Polonnaruwa

North Western Region
Anamaduwa
Maho
Kurunegala
Nattandiya

Central Region
Nagolla
Matale
Gampola
Rikillagaskada
Nuwara-Eliya

Eastern Region
Trincomalee
Kantale
Batticaloa
Dehiattakandiya
Ampara
Pothuvil

Western Region
Hunupitiya
Dodangoda
Matuhgama
Pelawatte

Sabaragamuwa Region
Kegalle
Kuruvita
Embilipitiya

Uva Region
Mahiyanganaya
Bibile
Badulla
Monaragala
Welimada

Southern Region
Weerawila
Dehigahalanda
Bata-Atha
Medawiyangoda
Akuressa
Koggala
Sooriyawewa

MANAGEMENT REVIEW AND ANALYSIS

The Sri Lankan economy rebounded in 2021, following the COVID-19 induced contraction in 2020. As per the provisional national accounts estimates of the Department of Census and Statistics (DCS), the Sri Lankan economy recorded a growth of 3.7 per cent in 2021, in real terms, compared to the contraction of 3.6 per cent recorded in the preceding year. All sectors of the economy registered growth during the year (agriculture, forestry and fishing by 2.0 per cent; industry by 5.3 per cent; and services by 3.0 per cent). The performance of the agriculture, forestry and fishing sector was buoyed by the notable growth recorded in the subcategories of growing of cereals (except rice), oleaginous fruits, and tea, while the contraction in the growing of rice and other beverage crops weighed negatively on the sectoral performance.

In nominal terms, the Sri Lankan economy recorded a notable growth of 11.9 per cent in 2021, compared to the tepid expansion of 0.2 per cent observed in 2020. Accordingly, the overall size of the economy expanded to US dollars 84.5 billion in 2021 from US dollars 81.0 billion in the previous year. Per capita GDP grew to US dollars 3,815 in 2021 from US dollars 3,695 in 2020. On the expenditure front, final consumption expenditure recorded a significant growth of 9.9 per cent at current prices in 2021, compared to the relatively modest growth of 2.0 per cent seen in 2020.

While the steady recovery of the economy led to the decline in the unemployment rate, the increase in both the labor force and inactive population led to a decline in labor force participation during the year. The unemployment rate declined to 5.1 per cent in 2021 from the 5.5 per cent recorded during the previous year. Unemployment rates amongst males and females also followed suit, declining to 3.7 per cent and 7.9 per cent, respectively, in 2021, from 4.0 per cent and 8.5 per cent, respectively, in 2020. Meanwhile, the economically inactive population increased by 3.7 per cent to 8.6 million in 2021, compared to 2020 with dampened interest in active job search and pandemic induced hardships on usual routines. This development, alongside the marginal increase of 1.0 per cent in the labor force resulted in a decline in the overall labor force participation rate (LFPR) to 49.9 per cent in 2021 compared to 50.6 per cent in 2020. LFPR of both males and females declined from 71.9 per cent and 32.0 per cent, respectively, in 2020, to 71.0 per cent and 31.8 per cent, respectively, in 2021. The agriculture, industry, and services sectors accounted for 27.3 per cent, 26.0 per cent, and 46.7 per cent of the total employment, respectively.

Headline inflation accelerated in 2021 driven mainly by global and domestic supply side disturbances, the surge in global commodity prices and upward revisions to administered prices, while core inflation also accelerated reflecting the lagged effect of significant monetary accommodation. As reflected by the year-on-year change in both the National Consumer Price Index (NCPI, 2013=100) and the Colombo Consumer Price Index (CCPI, 2013=100), the acceleration in headline inflation was attributed to the acceleration in both food and nonfood inflation, though food inflation accounted for a larger share.

Summery of Sales

Year	Paddy subsidy (Mt.)	Direct Fertilizer for other crops (Mt.)	Mixed Fertilizer for other crops (Mt.)	Organic Pellet (Mt.)	Total (Mt.)
2020/2021	205,344.147	12,538.159	4,382.078	144.300	222,408.684
2021/2022	89,661.200	8,682.346	1,136.257	494.118	99,973.921
	295,005.347	21,220.505	5,518.335	638.418	322,382.605

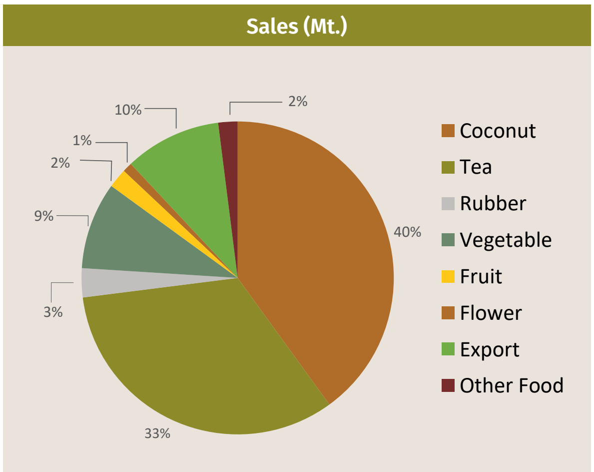
Other crops - Direct Sales - 2021/2022

FERTILIZER	Sales (Mt.)
UREA	160.300
TSP	62.500
MOP	2,430.350
SA	3,885.250
DAP	-
ZINC	6.506
SOP	-
CES	30.650
KIE	-
BORETE	30.780
ERP	1,826.120
HERP	116.600
DOL	133.290
Total	8,682.346

Paddy, Other Crops & Organic Sales (Monthwise) 01.04.2021 to 31.03.2022

Month	Urea	TSP	MOP	Paddy Sales Total (Mt.)	Direct & Mix Fertilizer Sales (Mt.)	Total Sales (Mt.)	Pellet (Mt.)	KCL (Mt.) (For paddy)	Total Sales (Mt.)	Nano Nitrogon (Litres) (For paddy)
April	21,567.650	3,477.000	7,263.500	32,308.150	536.010	32,844.160	24.862	-	24.862	0
May	21,919.500	2,190.050	6,367.000	30,476.550	107.757	30,584.307	39.144	-	39.144	0
June	751.400	779.950	1,950.600	3,481.950	3,031.727	6,513.677	149.866	-	149.866	0
July	36.150	70.850	165.950	272.950	2,788.563	3,061.513	109.524	-	109.524	0
August	8.150	0.650	0.550	9.350	845.315	854.665	16.688	-	16.688	0
September	104.700	11.100	36.300	152.100	1,340.116	1,492.216	48.252	-	48.252	0
October	-	-	-	-	84.990	84.990	29.768	10,688.800	10,718.568	18119
November	-	-	2,800.150	2,800.150	281.160	3,081.310	22.750	6,907.950	6,930.700	26104.5
December	12.200	-	2,094.850	2,107.050	200.570	2,307.620	49.036	269.970	319.006	38464
January	12.250	-	89.050	101.300	19.900	121.200	3.992	3.800	7.792	0
February	0.450	5.500	51.200	57.150	15.660	72.810	0.060	23.980	24.040	0
March	-	-	-	-	566.835	566.835	0.176	-	0.176	0
Total	**44,412.450**	**6,535.100**	**20,819.150**	**71,766.700**	**9,818.603**	**81,585.303**	494.118	**17,894.500**	**18,388.618**	**82687.5**

Mixed Fertilizer Sales - (Cropwise) 01.04.2021 to 31.03.2022		
Cropwise	**Sales (Mt.)**	**%**
Coconut	449.235	40%
Tea	380.050	33%
Rubber	39.300	3%
Vegetable	106.537	9%
Fruit	21.335	2%
Flower	7.379	1%
Export	114.300	10%
Other Food	18.121	2%
Total	**1136.257**	**100%**



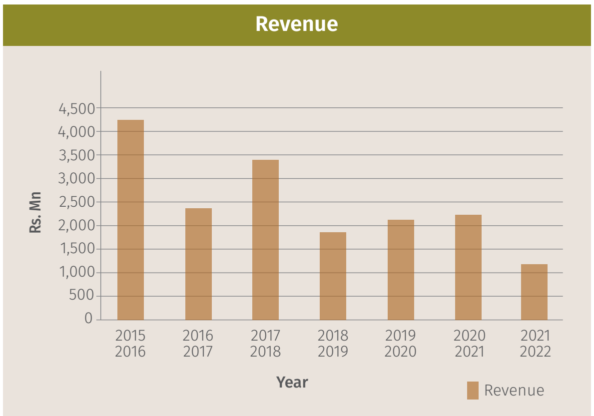
Financial review

Income

The Company recorded an income of Rs. 1.2 billion from the sale of fertilizer for paddy and other crops during the year under review and that was a decrease of 46% YoY. The government policy to switch completely to organic agriculture with the ban on all agrochemicals was the key reason for the drop in revenue.

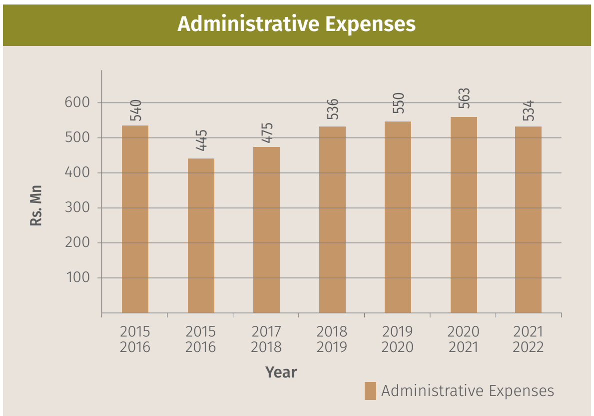
Gross profit

Company had recorded a gross profit of Rs. 340 Million during the year under review which was a 18% decrease YoY. The drop is again a direct reflection of the sudden shift in government policy with respect to fertilizer types permission in Sri Lanka.



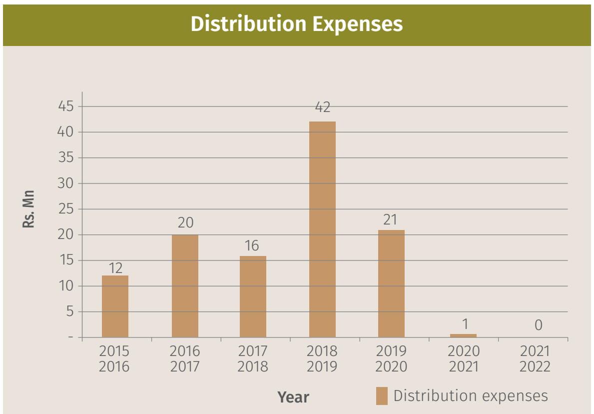
Administrative Expenses:

The company saw a YoY decrease in administrative expenses YoY due to stronger and tighter management controls with an decrease of 5% from LKR 563 Mn to LKR 534 Mn



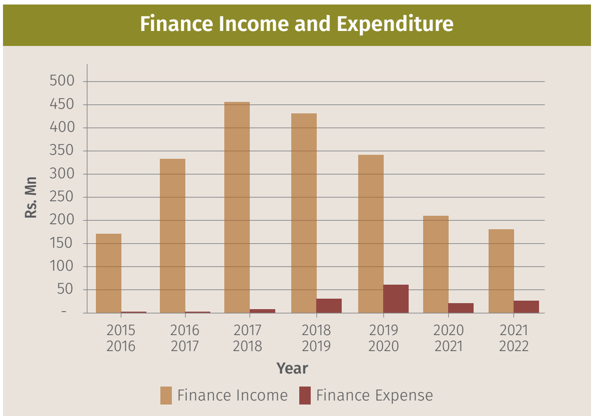
Distribution expenses

The distribution expenses of the company fell by a full 100% during the year under review from from LKR 21 million to LKR 1 million. This was due to the fact that the new policies regarding distribution of organic fertilizers was to do so directly from suppliers to agrarian services distribution points which meant that the cost of distribution did not have to be borne by the company.



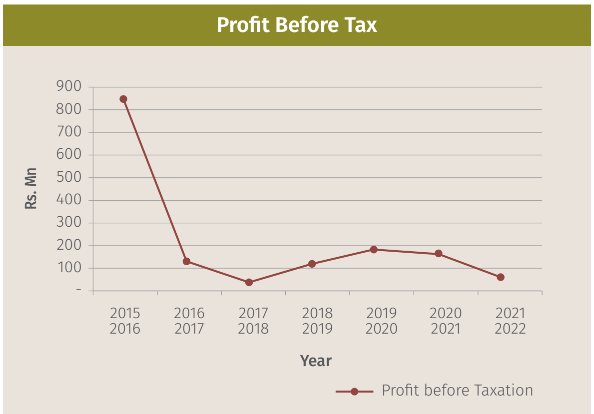
Income and expenditure

Income fell for a fourth consecutive reporting period to LKR 182 million down from LKR 213 million YoY a drop of 14.6% while financial costs rose to LKR 28 million up from LKR 21 million YoY.



Profit before tax

Profit before tax dropped 60% from LKR 164 Mn to LKR 65 Mn YoY. Decrease in sales was due to the knock-on effects of changed government policy that cauterized the traditional business mechanisms of CFCL with respect to the import and sale of agrochemical fertilisers.

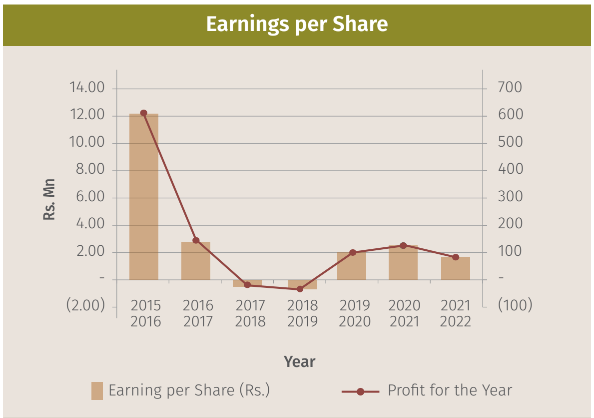


Tax

Differed tax cost of LKR 16 million is included in the income tax cost and was a reduction of LKR 22 Mn YoY.

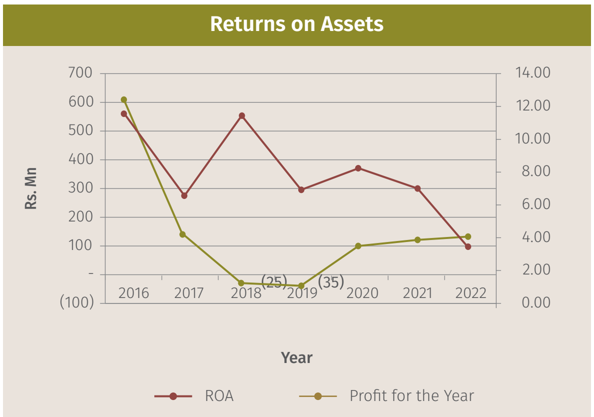
Earnings per share

The earnings per share (EPS) for the year was LKR 2.48 up from LKR 1.95, an increase of 27.18% YoY.



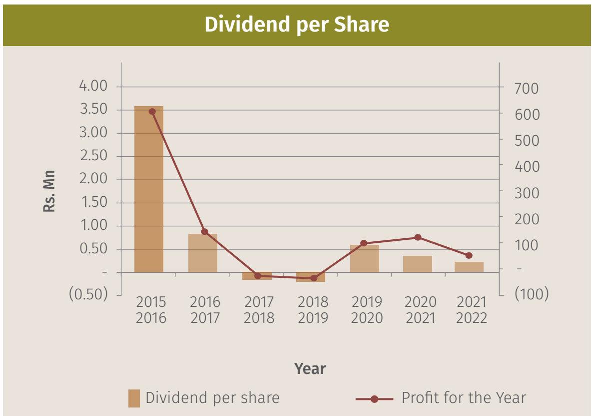
Return on assets (ROA)

The company was able to generate a re-profit of 3.47% on total assets in the year under review, down from 7.03% in the previous year.



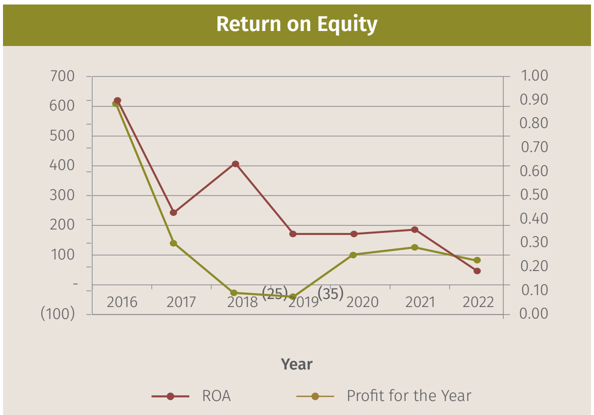
Dividend per share

Dividends per share for the year was LKR 0.24 down from LKR 0.37 YoY



Return on equity (ROE)

The company decreased its return on equity to 0.19% from 0.34% during the year under review.



CORPORATE **GOVERNANCE**

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

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

1. Companies Act of No. 07 in 2007

2. State Business Department's State Business Guide for Good Governance

3. State Business Department's Policy Document on Good Governance

Board of Directors

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

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

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

Appointing the Board of Directors

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

The appointed Board of Directors will be assigned with the responsibilities related to company's strategic targets and corporate goals, corporate governance of the company, management and administrative systems and procedures.

Board of Director Meetings

The Board of Directors have held 14 meetings in the financial year of 2021/22 and the management has submitted timely and relevant information to the Board of Directors through Board of Director papers.

Directors' Allowances

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

Chairman

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

Secretary to the Board of Directors

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

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

General Manager and The Senior Management

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

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

Financial Reports

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

Annual Audit

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

Audit and Risk Management Committee

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

RISK MANAGEMENT

Risk management process

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

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

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

Key Risk Factors

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

Strategic Risks

Risks caused by uncertainties embedded in our strategic objectives and unused opportunities are called Strategic Risks. This type of risk arises mainly from the key decisions made by the Directors according to the goals of the organization.

The key concept behind strategic risk is the failure to achieve our proposed organizational goals. Taking this into kind consideration, the Board of Directors and the Management Team are carrying out systematic post reviews based on the future composite plan of five years, active plan of 3 years and the annual plan.

Business Risks

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

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

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

Non-Business Risks

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

Operational Risks

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

- A large fire safety system including adequate fire extinguishers and alarms is maintained by the company.
- The company has purchased a fire insurance cover and an additional electronic insurance for ultra-sensitive laboratory equipment in order to cover the damages that could happen due to a fire.
- Has purchased insurance for mobile cash and cash safes to minimize the effect of burglary and corruption.
- Has purchased adequate marine insurance certificates for each imported cargo shipment.
- Due to cash and non-cash motivational employee programs, the cost for employees of the company is at a lower level.

Cash Risks

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

Credit Risk

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

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

Liquidity Risk

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

Market Risk

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

Exchange Currency Risk

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

Interest Risk

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

Regulatory Risk

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

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

DIVISIONAL REPORTS

HUMAN RESOURCES MANAGEMENT REPORT

Good Practices and Employee Policies

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

Employee Benefit Plan

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

Introduction of Benefit Plan

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

Employee Motivation

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

Financial benefits

- An annual incentive program identifies individual performance of each employee according to internationally accepted standards for performance evaluation.
- Allowances for tea, food and clothing etc. are paid to eligible staff to reduce financial stress.
- Cash is paid for balance medical leave as an incentive to spend more days of the year at the place of work of all employees.
- Mobile phones are provided to eligible employees and mobile and direct line bills are reimbursed, once again, to reduce the burden on staff in conducting business operations on behalf of the company.
- Understanding its responsibility to the staff that goes beyond simple economic remuneration for work, financial assistance is offered to the children of our staff who excel in educational, cultural or sports activities at local or international arenas.

Other benefits

- Official vehicles are provided to Regional Managers who achieve sales targets.
- Motorcycles are offered to District Sales Executives in order to reduce fatigue and increase productivity.
- A medical scheme is established to improve

access to health services from a financial perspective for all employees and their family members.

- Incentivized local or foreign tours are offered to District Sales Executives who record the highest sales.
- An organizational culture is established encouraging a fear-free environment where open communication policies encourages the free and candid flow of information from bottom to top.
- Spiritual and skills related training programs are regularly offered to our staff and aims at overall improvement of mental health and career skills.

Training programs conducted during the year under review

During the year under review, the company (and the country) faced severe fuel shortages that necessarily curbed some of the plans that were set in place for training in line with the action plan that was created before the socioeconomic crisis hit the country commencing in Q3 2021 and spilling over into Q1 2022. However, despite the fact that it was only possible to conduct a few physical programs, a greater number of online programs were held:

Se.No	Course Name	Name	EPF	Designation	Ins	Period	Payment
01	Basic Inquiry Training	H.P.C.S. Jayasekara K.K.D.D.P. Ranaweera L.G.V.N. Jayarathna H.W. Hettiarachchi	898 1038 673 1040	Audit executive Audit executive Audit executive Audit executive	SDFL	09.11.2021- 10.11.2021	28,000.00
02	Store Management, Inventory control, Annual management, Assets disposal	M.M. Geeganage S.H.P. Perera A.G. Sooriyaarachchi T.G.R.T.D. Karunarathna A.M.G.K. Abesingha G.V.D.N. De Silva D.T.N.S.Kulathilaka K.M.R.W. Karunanayaka	1288 1131 501 1287 519 496 487 689	Management Assistant	SDFL	22.11.2021- 23.11.2021	56,000.00
03	Maintain Personnel File	Milinda Manthripala	1306	Management Assistant	SDFL	16.12.2021- 17.12.2021	14,000.00
		S.A.M.P. Satharasingha	1247				
04	Positive attitude, Motivate and Leadership	R.P. Wijerathna K.W.A.N.S.K. Warasingha L.H.D.R. Pushpakumara C.Ekanayaka T.M.I.S. Dissanayaka R.M.H.N.M. Dassanayaka B.A.R. Warnanjalee S.K.D.G. Buddhika	1033 872 882 878 1274 1285 1282 1229	Asst accountant Office aid Welder Helper Management Assistant	SDFL	22.12.2021 – 23.12.2021	56,000.00
05	Transport Management	R.M.S. Rathnayaka	690	Transport Officer			
		J.R. Sriyani	617	Management Asst	SDFL	14.02.2022- 15.02.2022	21,000.00
		W.A.P.S. Abewickrama	441				
06	Government Procumbent Procedure	M.M.N. Ranasingha	1116	Asst Manager (Distribution)	SDFL	24.02.2022- 25.02.2022	14,000.00
		R.M.A. Senarath	541	Marketing executive			

Feedback was obtained from the divisional heads of the employees who participated in the above training workshops/programs regarding the performance level of the respective employees after the training workshop. It has been confirmed that there is progress in the skills, knowledge, and attitudes of the employees when compared analytically before and after the training.

Incentives and other benefits

Payments have been made based on the points given by the relevant divisional heads during the performance evaluation for the annual salary increment and the annual incentives of the employees. Gold Coins are awarded as a financial benefit to permanent employees who have completed 25 years of continuous service to the company. Tea and dust allowances have been given monthly to the employees as an Attendance Bonus based on the days they report to work. Letters of appreciation have been issued to employees who came to work despite the risk of their lives during the spread of the Covid-19 epidemic. This increased the motivation of the employees and was beneficial for the organization as well.

During this period, for the welfare of the employees infected with Covid-19, the institute arranged to provide a bag of dry food items (Rs. 10,000/- each employee). Arrangements have also been made to provide quarantine supplies to the employees.

Normally, transportation facilities are provided from Colombo Fort and Kiribathgoda for the welfare of the company's employees. During the Covid-19 epidemic period, transportation facilities were provided from the employees' homes. Also, an annual clothing allowance is paid to all employees for their welfare.

On behalf of the Occupational Safety and Health Administration, the Company has provided safety helmets, overalls, safety boots, safety shoes, and goggles to the employees of the technical/ distribution sector. This has helped reduce the damages caused by accidents.

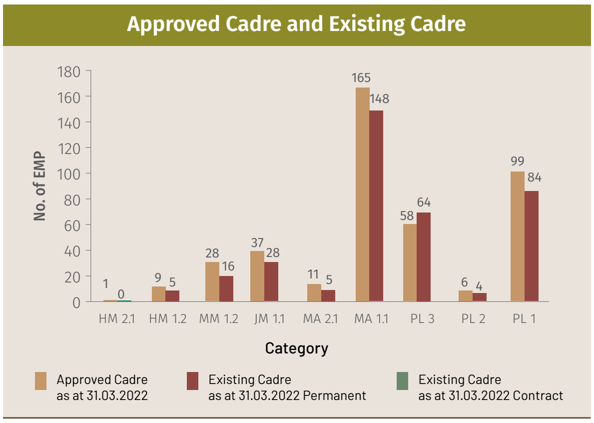
Our staff composition

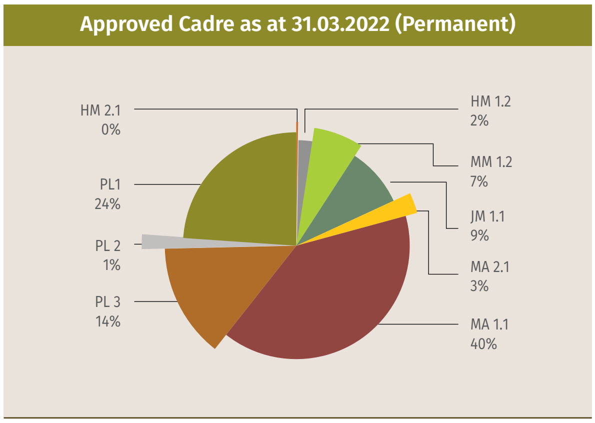
The total commitment of the members of Lak Pohora to achieving the overarching goals of the company is the secret of our success. We have a team of 354 employees a slight drop from the previous year of 389 who have committed themselves to achieving key milestones and objectives by implementing key strategic plans of the company. Our employment categorization based on employment base, service category, areas and gender is given below.

STAFF COMPOSITION AS AT 2022.03.31

Human Resource Distribution-Service Level

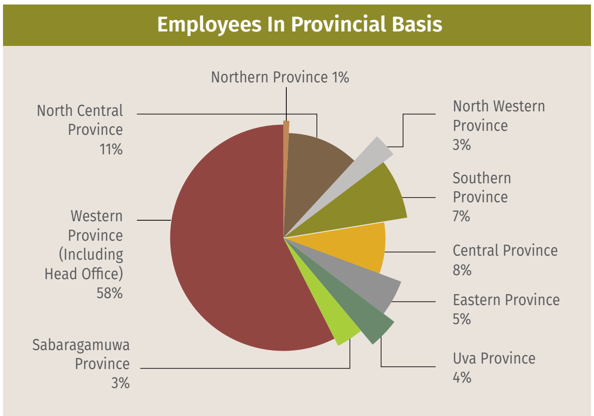
Service Level	Category	Salary Code	Approved Cadre as at 31.03.2022	Existing Cadre as at 31.03.2022	
				Permanent	Contract
Senior	Senior Manager	HM 2.1	1	0	
	Senior Manager	HM 1.2	9	5	
	Manager	MM 1.2	28	16	
Tertiary	Junior Manager	JM 1.1	37	28	
Secondary	Management Assistant (TECH)	MA 2.1	11	5	
	Management Assistant (None TECH)	MA 1.1	165	148	
Primary	Primary Level (Skilled)	PL 3	58	64	
	Primary Level (SemiSkilled)	PL 2	6	4	
	Primary Level (UnSkilled)	PL 1	99	84	
Total			**414**	**354**	**0**





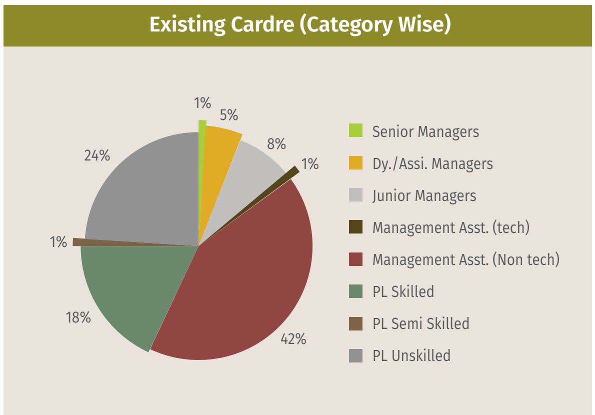
PROVINCIAL STAFF

Se. No	Provisions	No Of Employees
1	Northern Province	4
2	North Central Province	39
3	North Western Province	12
4	Southern Province	26
5	Central Province	27
6	Eastern Province	16
7	Uva Province	14
8	Sabaragamuwa Province	12
9	Western Province (Including Head Office)	204
	Total	354



CATEGORISE WISE BREAKDOWN OF STAFF

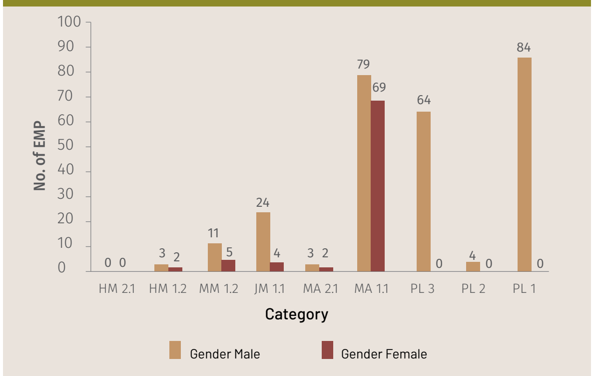
S.No	Designation	Male	Female	Total
1	Senior Managers	3	2	5
2	Dy./Assi.Managers	11	5	16
3	Junior Managers	24	4	28
4	Management Assistant (Tech)	3	2	5
5	Management Assistant (Non Tech)	79	69	148
6	PL Skilled	64	0	64
7	PL Semi Skilled	4	0	4
8	PL Unskilled	84	0	84
Total		272	82	354



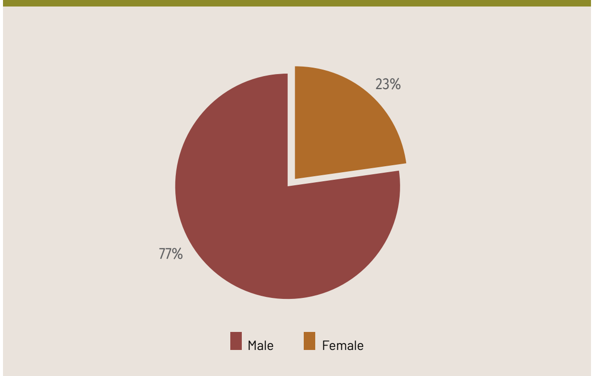
GENDER DISTRIBUTION OF STAFF

Category	Salary Code	Gender	
		Male	Female
Senior Manager	HM 2.1	0	0
Senior Manager	HM 1.2	3	2
Manager	MM 1.2	11	5
Junior Manager	JM 1.1	24	4
Management Assistant (TECH)	MA 2.1	3	2
Management Assistant (None TECH)	MA 1.1	79	69
Primary Level (Skilled)	PL 3	64	0
Primary Level (Semi Skilled)	PL 2	4	0
Primary Level (UnSkilled)	PL 1	84	0
Total		**272**	**82**

Gender Representation - Category Wise



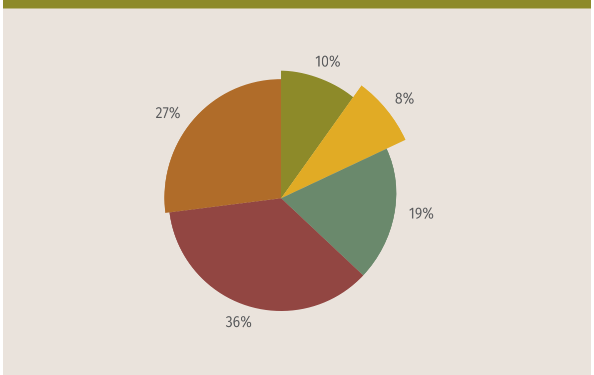
Gender Representation



AGE WISE As at 31.03.2022

Age Category	Total
20 -30	27
31-40	69
41-50	128
51-56	96
57-62	34

Age Wise



Employee health and safety

Employee's health is an essential factor for company's continuous performance and prioritizing our employee's health and safety is a foundation of our business process optimization process. This attention has yielded high performance and productivity results, reduced worry among staff and increased overall confidence in the policies and strategies of the company. The effort complies with international standards of workplace safety and includes immediate review of any untoward event or incident where the health, safety or wellbeing of any staff member was compromised and steps taken to eradicate any possibility of recurrence of a similar issue.

Welfare and human resources

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

Additionally, as part of our overall human resource development activity cloud, we utilize the services of both internal and external professionals in many sectors, themes and thrusts to develop technical and leadership skills while increasing motivation, encouraging learning through experience and improving consultative capacity.

Furthermore, the company has been conducting ICT Training Programs since 2010 and those who successfully complete these training programs under sponsorship of the company are awarded with an internationally recognized ICDL Certificate.

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

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

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

Retention

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

In the year ended on 31st March 2022, the Audit and Risk Management Committee has acted in accordance with the work rules recommended by the Board of Directors.

Composition of the committee

Audit and Risk Management Committee has been appointed by the Board of Directors. The Committee comprises of three Non-Executive Directors and a Representative of the treasury who acts as the Committee Chairman and attends committee meetings as an observer of the external audit committee. This committee comprised of the following Directors in 2021/2022.

- Ms. H.D.N.K. Hettiarachchi
  Committee Chairperson
  (21.06.2021 - 02.03.2022)

- Mr. Sunil Galagama
  Committee Member
  (04.03.2021 to continue)

- Mr. L.G. Samarawickrama
  Committee Member
  (13.01.2020 to continue)

Committee Meetings and Attendance

Audit committee has formally assembled 02 times during the accounting year under review. Attendance at the meetings were as follows:

Date	09.07.2021	11.10.2021
Ms. H.D.N.K. Hettiarachchi	-	✓
Mr. Sunil Galagama	✓	✓
Mr. L. G. Samarawickrama	✓	✓

Duties of the Committee

1. Analyzing the accuracy and fairness of the financial statements to ensure that the financial statements have been prepared according to Sri Lankan and international accounting standards and higher accounting tests.
2. Ensuring, reviewing and assessment of sufficiency, efficiency and effectiveness of the company's internal governance.
3. Reviewing the effectiveness of the company's risk management system.
4. Discussing with external auditors and reviewing the audit management letter.

5. Ensuring whether the constitution is in compliance with the regulations, terms and circulars.

6. Summarizing internal audit reports / external audit reports.

7. Implementing the recommendations / orders of the State Business Committee.

Activities in the year

The committee reviewed the financial reporting system that has been activated to ensure the accuracy and authenticity of the information provided to relevant parties and made its observations paying special attention on Sri Lankan and international accounting standards and related partial transactions.

Internal Audit

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

Key Objectives of the Internal Audit Section:

1. Reviewing accounting and internal control systems

2. Scrutinizing financial and operational information

3. Reviewing the frugality, efficiency and effectiveness of the operations

4. Ensuring that the operations and the programs assigned to managers are in control and with a fair assessment confirming that the operations and programs are carried out as planned and that the operational results are in line with established goals and targets

5. Ensuring that the laws, regulations and other external requirements are in line with management policies

6. Conducting special inquiries

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

Internal audit reports of 42 regional fertilizer stores and 09 key sectors were thoroughly reviewed and a considerable growth was observed in total internal control systems and internal audit process.

External Audit

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

Support given to the committee

The expected support was given to the committee by the Committee Chairmen and Management Committee Members, and it was of great help for the committee to function effectively during the period of reporting. The company's Chief Internal Auditor attends the Audit and Management Committee Meetings held at the Ministry of Agriculture to discuss important matters on quarterly basis

Committee Assessment

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

Ms. H. D. N. K. Hettiarachchi
Chairperson
Audit Committee
11/10/2022

PROCUREMENT DIVISION REPORT

The impact of government policy decisions: As per the government decision to ban on chemical fertilizer and other agro chemical imports in May 2021 the state declared a complete shift to organic agriculture. Being a main government owned fertilizer company in Sri Lanka, Ceylon Fertilizer Company Limited had to adhere the government policy charge. Therefore, we were not supposed to import chemical fertilizer in line with targets identified in the action plan valid for the period under review. Instead, a the company engaged with the state ministry of agriculture to supply ecofriendly fertilizer to paddy farmers in Sri Lanka free for the 2021/22 Yala season and the 2022 Maha Season. However a limited amount of chemical fertilizer was imported during the period under review.

Procurement responsibilities: The primary duty of the division is procuring goods, services, works and consultancy services as per the company's requirement adhering to the national procurement guideline and manual. Our main focus is the procuring of fertilizer as per country requirement to cater fertilizer needs to the agricultural community on time and the execution of this task rests with the procurement team comprising of 15 qualified and experienced officials.

We were able to procure following types of chemical fertilizer quantities over the year under review:

FERTILIZER IMPORTS 01/04/2021 TO 31/03/2022

Type	Quantity (Mt)
UREA	31,433
MOP	10,590
KCL	17,892
SA	1,658
Total	61,573

Independence of the treasury: CFC does not obtain any financial assistant from the consolidated fund despite being owned by the General Treasuring of Sri Lanka since it is fiscally stable State Owned Enterprise (SOE). Furthermore, the company's astute procurement system has fulfilled 60% of the overall needs of the country's requirement of fertilizer for paddy. Therefore, the Procurement Division plays a vital role within the Company to ensure that the overarching mission of CFC of profit maximization and profit sustainability is achieved through production and marketing fertilizer to an extended, diversified market while actively contributing to increase product income and profitability in the agriculture and agrarian services sector in Sri Lanka.

The company imports fertilizer from countries such as the UAE, China, Indonesia, Republic of Belarus (CIS), Egypt, Qatar and Pakistan etc., in addition to the local purchase of Dolomite, High grade Eppawala Rock Phosphate and Eppawala Rock Phosphate.

Importation of key chemical fertilizers such as Urea, Muriate of Potash (MOP) and Triple Super Phosphate (TSP) is in line with National Procurement Guidelines (NPG) and manual under the pre—qualification method. The chemical fertilizer procurement process is carried out on the recommendation given by the Standard Cabinet Appointed Procurement Committee approved by the Cabinet of Ministers.

Eco Friendly Fertilizer (Compost, Organic Liquid and Bio-Liquid Fertilizer)

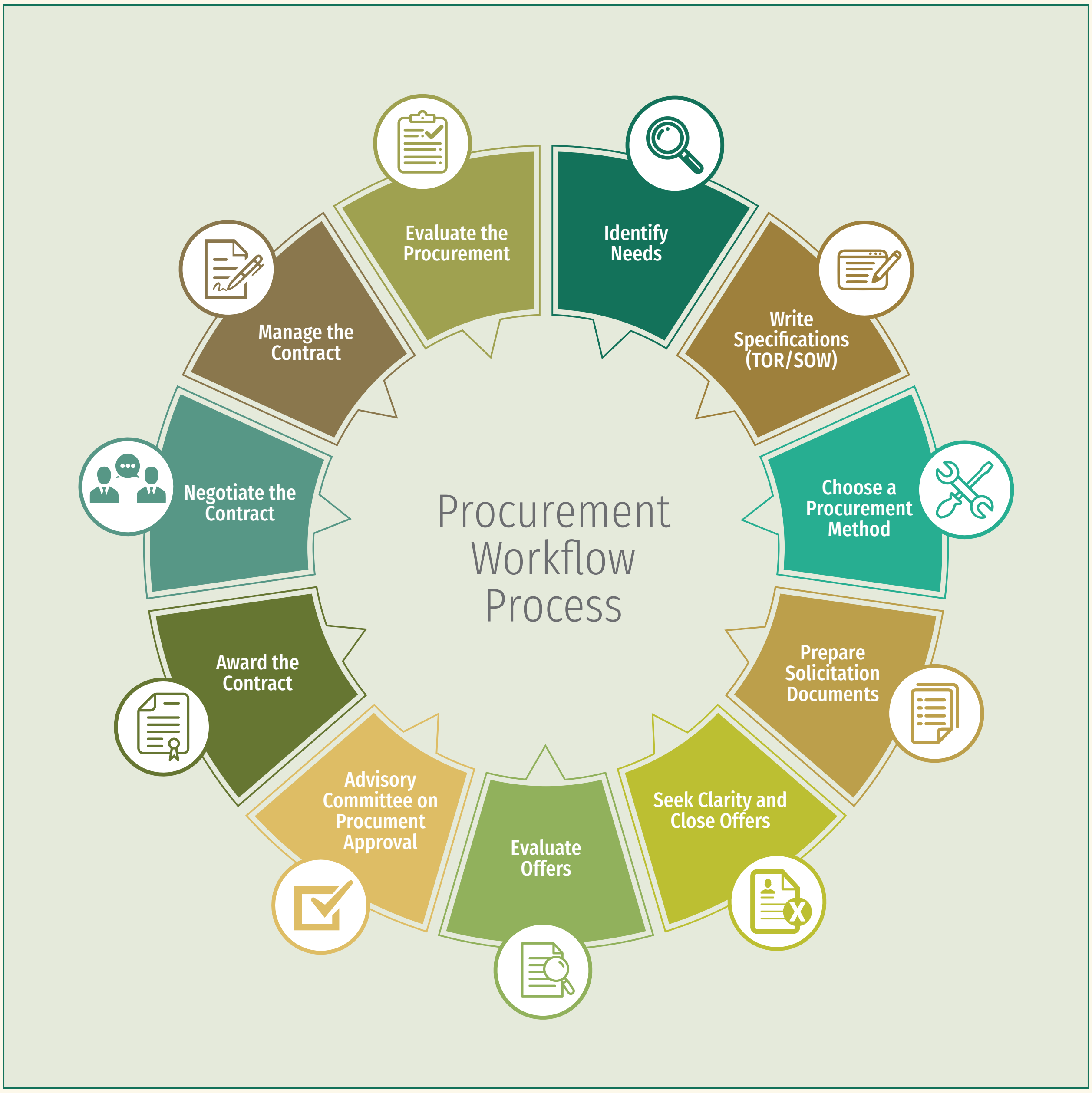
During the period under review, the government decide to cease importing chemical fertilizer and promote usage of ecofriendly fertilizer. Therefore, the Ministry of Agriculture carried out procurement process to procure these fertilizers for the 2022 Maha Season. Towards this, 15 suppliers selected through that procurement process and Ceylon Fertilizer Company Ltd., signed Agreements with the company to supply the following types of organic fertilizer for the 2022 Maha Season through island wide Agrarian Services Centres.

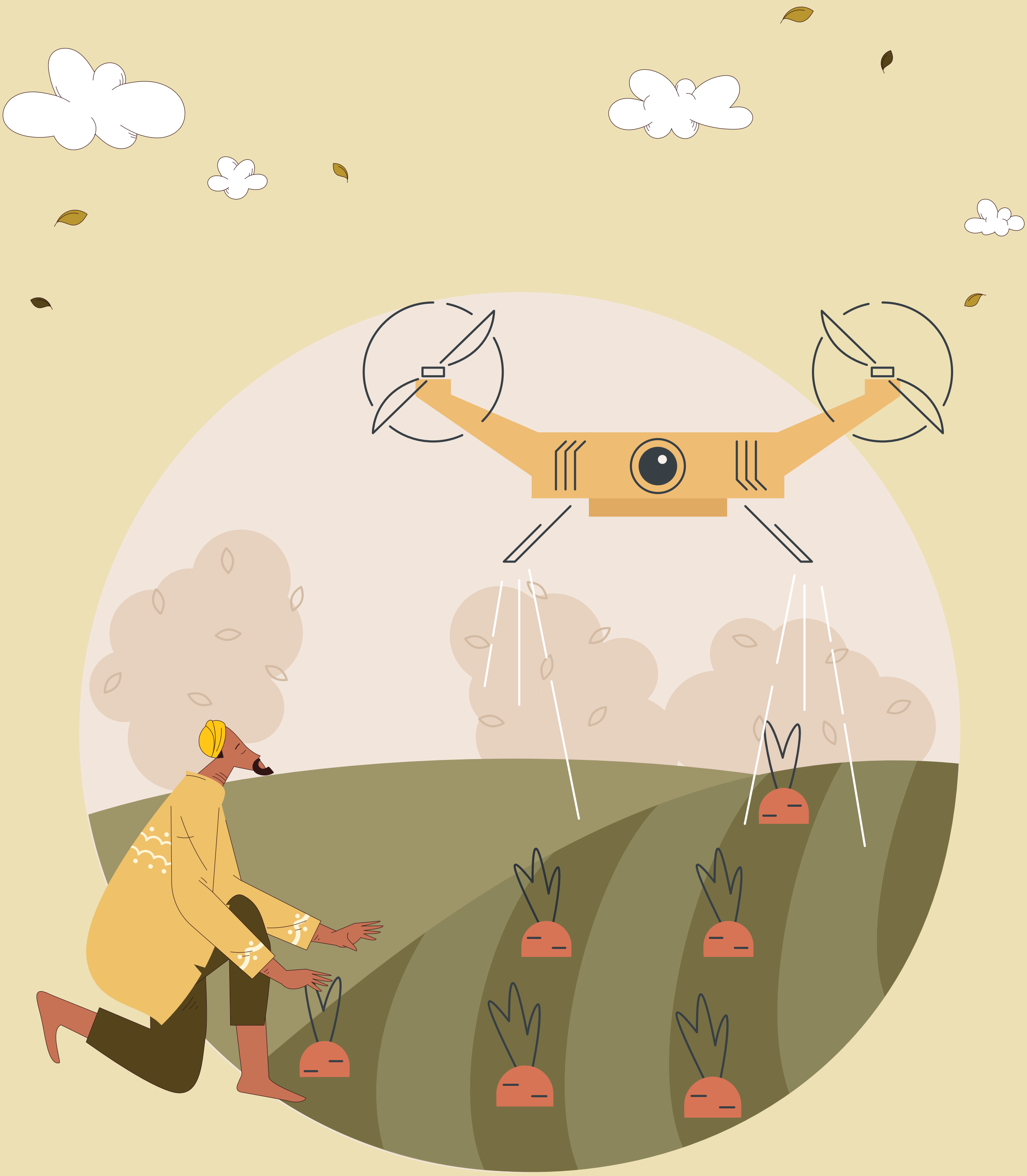
Ceylon Fertilizer Co.Ltd., was tasked with signing agreements with selected suppliers and carried out the payments to them as per the terms and conditions stipulated in the agreement and we made 3,143,461,484.03 payment to organic suppliers after received funds from the Ministry of Agriculture.

FERTILIZER IMPORTS 01/04/2021 TO 31/03/2022

Type	Quantity (Mt)
COMPOST	15,670
ORGANIC LIQUID	4,388,855.750
BIO LIQUID	107,262.31

The procurement mechanism:





INFORMATION AND TECHNOLOGY DIVISION REPORT

The information Technology Division at Ceylon Fertilizer Company provides a secured, reliable and easily accessible IT infrastructure in order to meet the business and service needs of the organization. In addition to that, the Information Technology Division is responsible for planning, implementing and maintaining software, hardware and network functions effectively and efficiently. It supports the organization's key decision makers by granting timely management information with highly optimized data security.

The Enterprise Resource Planning (ERP) strategy was developed to create a seamless and responsive system as the broad network of the company became very crucial that all the outliers are connected to the central hub.

The main objective of the ERP system of Ceylon Fertilizer Company is to utilize the computer technology to link various functions in the company including tracking supply chain activities from the inventory purchase to the final sales to the customer. Information sharing and collaboration across functional and corporate boundaries can be improved by this integrated view of company data.

The following steps are taken by the IT department during the year under review:

Computerization and Networking

- In addition to the currently connected 19 District Fertilizer Stores (DFS), 6 extra DFSs (Bata-ata, Dehigahalanda, Madawiyangoda, Embilipitiya, Sooriyawewa and Nochchiyagama) are interconnected with the Head Office (Hunupitiya) and the relevant real-time data is acquired successfully using the ERP system.
- The rest of the 17 including Medawachchiya, Akuressa, Trincomalee, Pelawatta, Dodangoda, Nattandiya, Kondawil, Monaragala, Bibila, Murunkan, Olumadu, Potuvil, Kantale, Nagolla and Welikanda DFSs have applied to grant the necessary devices for the network through the procurement procedure.
- Updating the ERP system so that relevant information (fertilizer type, fertilizer quantity, lorry number and driver's telephone number) can be notified to the relevant ASC DO, Regional Managers and District Marketing Executives of the area through a text message in the case of subsidized fertilizer distribution.

IT Division Staff

All the areas related to information technology such as software installments/updating/renewals, hardware repairing, networking, website maintenance, fixed asset management, ERP system administration, attendance and payroll system handling etc. are fully covered by the IT division which has a staff of 08 employees including the Deputy Manager (IT), 06 management assistants and 01 office-aide.

Progress towards targets set through the operative activity plan for the year under review:

Activity plan target	Progress
Connecting remaining 17 DFSs	Networking of the remaining 17 District Fertilizer Stores was not done due to the inability to purchase computer equipment required for store networking due to the Covid-19 situation and related practical problems.
Mobile app for attendance and stock updating	The relevant mobile application has been developed and given to the phones of the field officers so that the attendance data can be obtained daily. Data is checked by the marketing division to get the necessary information
Expanding server capacity	Networking was not done in 17 district fertilizer stores due to the Covid-19 situation. Therefore, there was no need to increase the server capacity at a high cost
Expanding storage capacity	Networking was not done in 17 district fertilizer stores due to the Covid-19 situation. Therefore, there was no need to increase the storage capacity at a high cost.

LEGAL DIVISION REPORT

The Legal Division has successfully defended the Ceylon Fertilizer company against litigation brought against it by external parties, maintaining proper control over the corporate affairs of the organization. The division regularly sought the assistance of the Attorney General's Department to be absolutely sure that their approach to legal problems were in the accordance with applicable laws and regulations.

Recovering a significant amount of the total dues to the company as well as taking legal action against errant debtors are the key areas in which the Legal Division helped the onward progress of the company during the year under review.

Further, the division provided support to other divisions to resolve employee issue through dialogue and thereby ensured optimal harmony in the employer – employee which resulted in minimal labor related issues in the company.

Additionally, the division has also formulated all the necessary Agreements and framework documents of the Company in an orderly manner to ensure their strength and validity from a legal standpoint.

The key areas where the Legal Division helped the onward progress of the company during the year under review are as follows:

- Appearing and representing Ceylon Fertilizer Company Limited for cases filed by CFC and Cases filed against CFC.
- Representing Ceylon Fertilizer Company Limited in all related Regulatory and Tribunal proceedings.
- Coordinating legal matters with Stakeholders of the Company.
- Carrying out activities related to the monthly meetings of Board of Directors and the monthly Management Committee Meetings.
- Coordinating with Attorney General's Department for Legal matters of the Company
- Carrying out all Company Secretarial activities and coordinating with the office of Registrar of Companies.
- Providing necessary support for preparation of important documents such as Corporate Plan, Action Plan to the company.
- Safe custody of important documents of the Company.
- Coordinating with the Ministry of Agriculture and other relevant ministries and other institutions for legal matters.
- Formulating Agreements and other legal documents in and orderly manner as requested by other Divisions of the Company.
- Providing support to other divisions to resolve employee issue through dialogue and thereby ensured optimal harmony in the employer – employee dynamic resulting in minimal labor related issues.
- The following cases have filled by Ceylon Fertilizer Company Limited during the year under review.

- **Vauniya District Court Case No.1338/2021**

  Above Case had filed by Ceylon Fertilizer Company Limited against former Stock Officer - Mr.H.K.K. Gunasena (Olumadu DFS) to recover the loss of Rs.2,084,848.19 resulting from fertilizer shortages.

- **Commercial High Court case No. CHC/213/21/ MR**

  In the above case filed against M/s Quindao Seawin Biotech Group Ltd and two others with the support of the Attorney General's Department and the company was able to get an Injunction Order preventing the release of 75% of LC value to the above company. The matter was settled between parties on 03.01.2022.

TECHNICAL DIVISION REPORT

The Technical Division of CFC provides technical expertise to all Division in their Collective efforts to provide its portfolio of products to its customers' from the point of procurement to the point of delivery while working tirelessly to ensure that every single employee of the CFC has a harmonious and comfortable work environment.

The division comprising of fifteen individuals has created its own quality circle and provide high Quality impartial services to permanent employees registered transport contractors and their representatives registered distributors and retailers and providers of goods and services to CFC that are mission critical to its success at all times the division works towards creating a friendly service environment for all of these stakeholders partners and employees of the company.

Despite certain reliefs provided to other divisions that allow them to work for a period of time that is lesser than directed by the shop and office act we of the technical division are proud to state that we do not make use of that relief and work a full day in full compliance with the labor regulations of Sri Lanka. As a result of this unstinted selfless commitment of the staff of the division it has achieved every single one of its quality from the year 2011 to date with no break in between

The services provided by the division are as follows:

1. Weighing Lorries bringing imported fertilizer before it is sent to the central stores and weighing Lorries before the distribution division transports them island wide with the use of weigh bridges.
2. Operating and maintaining all stacker machines that are used for the orderly storage and retrieval of fertilizer.
3. Repairing and maintaining all equipment used by the distribution division such as bag-sewing machines, scales, hand-carts, sealers etc.
4. Upkeep and maintenance of all built areas construction areas and grounds.
5. Maintaining the water supply, Electricity supply and internal telephone system in optimal working order.
6. During this time The Chairman Mr.Janath Vidanage and Hon.Minster of Agriculture Mr.Mahindananda Aluthgamage Personally Coordinated with State Minister of Rural Road & Other Infrastructure Mr.Nimal Lansa to make Asphalt overlaying in CFC Central Warehouse Complex which is worth Rs.100 million.

Progress towards targets set through the operative activity plan for the year under review

Activity plan target	**Progress**
Proposed construction of Warehouses / Stores in Hambantota , North & North Central province	These planned actions were not undertaken due to a) financial difficulties arising from loss of revenue due to the ban on agrochemicals, b) prioritization related issues where limited funds were allocated by management for more pressing requirements and c) the switch to organics making some requirements such as a fertilizer blending plant redundant.
Proposed introduction of machinery	
Proposed purchasing forklift & Conveyers	
Proposed installing of blending plant	
Proposed upgrading internal roads at Polonnaruwa	
Proposed installing containers for record room	Cancelled by management.
Upgrading of vehicle yard and warehouse premises	Completed by the PRDA. On Mr. Janth Vidanage Chairman's request, Minister Nimal Lanza and Minister Mahindananda Aluthgamage had given this project free of Charge.
Proposed Solar power at head office	Currently under the procurement process.

LABORATORY SERVICES
DIVISION REPORT

Laboratory is the quality testing division of the company. It is equipped with facilities for the testing of fertilizer & packing materials. All the fertilizers are quality tested before put into the market. The laboratory carries out test services in accordance with stated standard methods, customer's requirements and applicable statutory and regulatory requirements.

All the laboratory staff are trained in the processes and procedures relevant to their duties. The management & staff of the CFC fertilizer testing laboratory provide excellent services in testing and analysis by continually working to ensure that the facilities, personnel and the information produced are on time, cost effective and of highest quality.

The CFC laboratory is operating as an independent division and no involvement from other internal or external parties to its impartiality. CFC laboratory undertakes laboratory activities impartially and structured and managed to safeguard impartiality. The laboratory management has committed and responsible for the impartiality of its laboratory activities and not allow commercial, financial or other pressures to compromise impartiality.

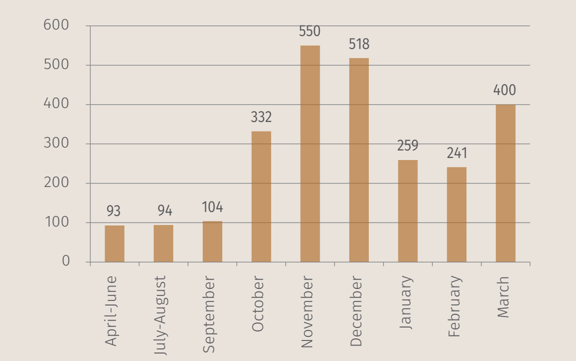
The main parameters test in CFC Laboratory.

For Fertilizers
Parameters
Total Nitrogen as N
Ammonical Nitrogen as N
Total Phosphorous as P2O5
Water Soluble Phosphorous as P2O5
Citric Acid Soluble Phosphorous as P2O5
Biuret content
Moisture content (Oven method)
Calcium content as CaO
Magnesium content as MgO
Potassium content as K2O
Sodium content as NaCl
Water solubility
SO3 content
Zn content(Titremetric method)
Boron content as B2O5
particle size
Free phosphoric acid content
Free acidity
Organic Matter content
Sand content
Heavy Metals
Chloride content

For packing materials and stationary
Parameters
Dimension(Width & Length)
Bulk strength
Width of the tape
No of stitches per dm
Linear density
Seam stitching
Construction
Mouth of the sack
Fabric breaking strength
Inner liner(Width, Length& thickness)
GSM

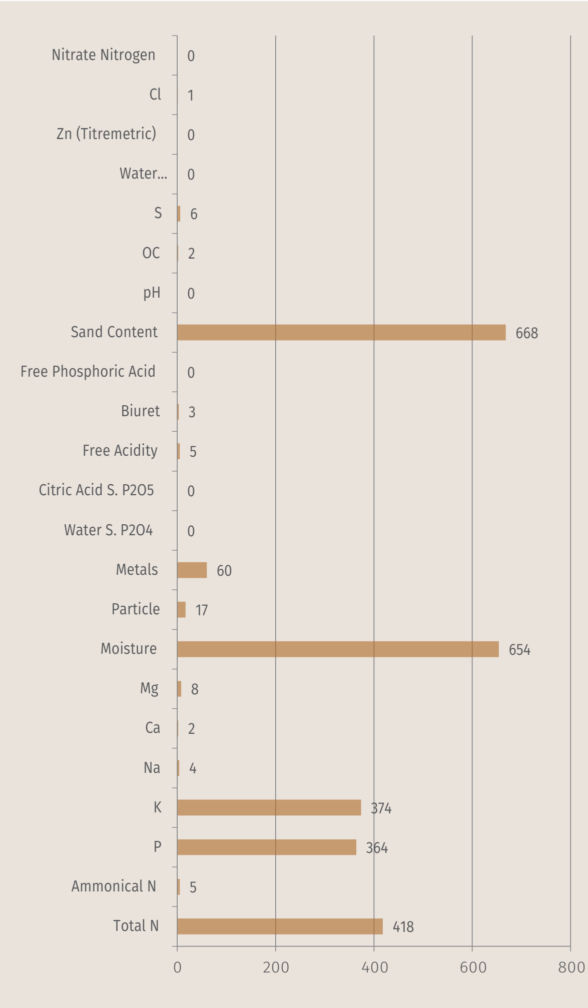
Testing Fertilizer Samples

Summary Report April -March Month Wise



Testing of Fertilizer Samples Summary Report April-March (2021/2022)											
Parameter	Number of Test										Total Cost
	April-June	July-August	September	October	November	December	January	February	March	Total	
Total N	6	18	33	65	73	60	45	40	78	418	1,254,000.00
Ammonical N	2	3	0	0	0	0	0	0	0	5	10,500.00
P	7	18	20	62	73	60	49	39	36	364	873,600.00
K	10	18	20	63	73	60	45	42	43	374	1,122,000.00
Na	3	0	0	1	0	0	0	0	0	4	8,800.00
Ca	1	0	1	0	0	0	0	0	0	2	6,800.00
Mg	3	0	1	1	2	0	0	1	0	8	27,200.00
Moisture	9	18	27	65	97	198	63	52	125	654	654,000.00
Particle	8	5	0	1	2	0	0	1	0	17	17,000.00
Metals	32	9	0	4	10	0	0	5	0	60	150,000.00
Water S. P2O4	0	0	0	0	0	0	0	0	0	0	0.00
Citric Acid S. P2O5	0	0	0	0	0	0	0	0	0	0	0.00
Free Acidity	3	2	0	0	0	0	0	0	0	5	5,500.00
Biuret	3	0	0	0	0	0	0	0	0	3	9,000.00
Free Phosphoric Acid	0	0	0	0	0	0	0	0	0	0	0.00
Sand Content	1	0	1	70	220	140	57	61	118	668	1,670,000.00
pH	0	0	0	0	0	0	0	0	0	0	0.00
OC	1	0	1	0	0	0	0	0	0	2	6,400.00
S	3	3	0	0	0	0	0	0	0	6	9,000.00
Water Insoluble/Water Solubility	0	0	0	0	0	0	0	0	0	0	0.00
Zn (Titremetric)	0	0	0	0	0	0	0	0	0	0	0.00
Cl	1	0	0	0	0	0	0	0	0	1	2,200.00
Nitrate Nitrogen	0	0	0	0	0	0	0	0	0	0	0.00
Total	**93**	**94**	**104**	**332**	**550**	**518**	**259**	**241**	**400**	**2591**	**5,826,000.00**

Testing Fertilizer Samples
Summary Report April - March (2021/2022)



Testing of Packing meterials & Stationary
Summary Report April to March 2021-2022

Parameter WISE

Parameter	No. Tests	Value(Rs:)
Diamention (Width, Length)	660	495000
Bulk Strength	9	28350
Width of the tape	9	9000
Stiches per dm	9	6750
Linear Density	9	9000
Seam stitching	9	9000
Construction (Ends & Picks)	9	6750
Mouth of the Sack	9	4500
Fabric breaking Strength	9	18000
Inner Liner (Width, Length, Thick-ness)	9	11250
GSM	27	27000
Total	**768**	**624600**

DISTRIBUTION
DIVISION REPORT

Logistics and capacities:

Effective logistics management is important to companies for a number of reasons, both positive and negative.

Good logistics management ensures that products are shipped in the most economical, safe, efficient and timely manner. This results in cost savings for the company and more satisfied customers. In contrast, poor logistics management can result in damaged or delayed shipments, which can then lead to dissatisfied customers, returns and scrapped products. The consequences of these problems include higher costs and customer relation problems.

The Distribution Division's primary task is the management of the company's logistics. It optimizes the demand-supply equation utilizing the island wide distribution network. Our wide distribution network covers and satisfies the fertilizer requirements for the major agricultural sectors of the entire country.

A secondary task of the division is the production of various mixed fertilizers according the specific standards.

The CFC has a vast and diverse supply chain ranging from our overseas principals, large local suppliers to small scale farmer-out grower networks across Sri Lanka. It controls am island wide stock network of 45 stores handling a total storage capacity of 138,000 MT.

During the year under review, total receipts were 64,242 MT while a further 3,350 MT was obtained by other organizations on loan basis that was settled later. In line with the state fertilizer subsidy, 60% of the fertilizer requirements of farmers was distributed to them. Additionally, a total of 41,913 MT of fertilizer was distributed from the Hunupitiya warehouse complex while the Agrarian Services Department and sales representatives were provided with 31,778 MT.

The policy shift of the government towards organic fertilizers – observations and impacts:

Due to the importance of upgrading soil fertility level to enhance the productivity in agricultural lands as well as minimizing the negative impacts of the use of synthetic fertilizer, in 2021, the government made a policy decision to transform conventional agriculture in to green agriculture. Accordingly imports of agrochemicals were banned from May 2021 and farmers were encouraged to use organic fertilizers for cultivation. Consequently, demand for organic fertilizers in the country was suddenly increased and adequate quantity of organic fertilizers were not available within the local market to cater the demand. As a remedy there was a need to increase organic fertilizer production on a commercial scale. However, the majority of organic fertilizer producers in the country are small scale producers and there is a need to increase the capacities of these producers to commercial scale organic fertilizer producers as well as to promote the involvement of new entrepreneurs for commercial scale organic fertilizer production.

Application of organic fertilizers improved soil fertility and nutrient content significantly. However, application of poor quality organic fertilizers to soil can deteriorate environmental quality and pose a threat to the safety of food. Therefore, quality certification is the most essential criteria for marketing of organic fertilizers. Quality of organic fertilizer is complex and is related to the intended use of the final product and main aspects on quality include its maturity, type, nutrient content and levels of contaminants. Quality of organic fertilizer is measured by several criteria including moisture content, nutrient content such as C: N ratio, total Nitrogen, available nitrogen, heavy metals, stability, particle size distribution, pathogen levels and product consistency over time.

Organic matter degradation was the disintegration of organic matter produced primarily via photosynthesis by microorganisms. It proceeded via multiple enzymatic reactions involving different microorganisms and oxidants as well as a number of intermediate compounds. Depending on the degradation pathway, organic matter is directly oxidized to carbon dioxide, partly oxidized to intermediate compounds or reduced to methane.

According to the implementation of the sustainable agriculture policy of the government in 2021, the CFCL implemented a contingency plan initiating commercial scale organic fertilizer production process, purchasing quality organic fertilizer from SMEs and meet the sudden demand of the famers successfully.

The challenges associated with distributing organic include the need for understanding the nutrient variability and release patterns of organic to ensure optimum productivity.

The main challenges in logistics and distribution included uncertainties and risks, inappropriate processes and technologies, lack of communication and trust, insufficient monitoring and decision-making metrics, individualized production and commerce, increasing volume of goods delivered on smaller consignments, customer requirements becoming more demanding, new regulations towards green and smart logistics, high total costs, meeting environmental requirements, optimizing distribution networks and transport routes, and minimizing the environmental impact of the logistics network and delivery.

Shortages in fuel supplies directly affected the transportation of organic fertilizer. As a government organization the transport agents were appointed by the established process of procurement to fulfill the transportation requirement. Due to the shortage of fuel the registered transporters were unable to provide sufficient lorries to distribute the organic fertilizer from warehouses to ASCs at right time to points island wide. The delays created unrest among the farmers resulting in many protests. From an administrative perspective offices were absent due to the poor public transport facilities and this resulted in delays of essential routing that eventually caused disruptions to logistics. Meanwhile, the management together with the ministry of Agriculture tried to ensure that contingency plans were in place to deal with the situation through the implementation of a priority system for providing fuel to the lorries of the transport agents through their respective District Secretariats. At the wattala premises, the fuel storage capacity was mitigated by having necessary stocks of the fuel with special approvals of the Ceylon petroleum cooperation. Additionally, a point of fuel supply was establish at the premises.

MARKETING DIVISION REPORT

The marketing division has a key task to play in the management of the entire supply chain for optimal efficiency in terms of the following objectives:

1. Maintain Market Leadership in the Chemical fertilizer sector by ensuring the availability of quality assured fertilizer in line with state policies since this is the core business area of the CFCL and given current market conditions, a key area that will be addressed over the next three years with plans to address many of the areas where gaps have been identified.

2. Progressively increase the sale of organic fertilizers: As the world swiftly moves towards sustainability, the Sustainable Development Goal number 12 (Responsible Consumption and Production) becomes critical to the company since agriculture is especially mentioned in the action areas. Additionally, there is a widespread backlash against the toxic nature of agrochemicals and the way it damages soil, pollutes the air and water bodies and contributes to human and animal health issues. Therefore, the company will push aggressively towards developing organics as part of its overall social responsibility as well as in line with state agencies. In this respect, it will work with organic manufacturers in the local market to ensure top quality high impact organic fertilizers to the farming community of Sri Lanka.

Performance during the year under review

Forecast against actuals for subsidized paddy fertilizer for Yala 2021

Type	Forecast sales (Mt)	Actual Sales (Mt)	%
Urea	56,668.759	48,366.600	85%
TSP	8,321.962	7,472.200	90%
MOP	18,299.761	16,623.700	91%
Total	**83,290.482**	**72,462.500**	**87%**

Although climate, environment and social upheavals were average during the year under review, our team committed itself to ensuring that the agricultural sector was strengthened and that the farmer was provided with subsidized paddy fertilizer inputs when they were needed. The proof of this was that the team managed to deliver 87% of its sales target in one of the most difficult years on record for the company. The fertilizer was distributed through agrarian service centers across the island.

However, with the pilot project for providing subsidized organic fertilizer commencing in 2021 and the subsequent ban on the import, distribution and sale of agrochemicals via letter dated 03.09.2021 and signed by the director of the fertilizer secretariat, the country was shifted to organics as part of the Government's Vistas of Prosperity policy which precluded the sale of agrochemicals completely.

However, the company had stocks sufficient for the 2021 Yala season and therefore was able to service 87% of its target as per its activity plan. However, with the 2021/2022 Maha season, agrochemicals could only be sold to selected state seed production entities subsequent to approval by the Fertilizer Advisory Committee as directed by the Fertilizer Secretariat. This meant that during the Maha Season, 100% of fertilizers were organic and the sale of chemical fertilizers was zero.

Forecasts against actuals for subsidized organic fertilizer for paddy cultivation provided during the 2021/2022 Maha Season

Type	Sales Target	Actual Sales (Mt)	%
Potassium Chloride (KCL) MT	27,708.872	17,892.000	65%
MOP	10,285.286	5,025.390	49%
Total	37,994.158	22,917.390	60%
Nano Nitrogen (liters)	83,422.230	82,687.500	99%

In order to boost yields of organically fertilized paddy, the government imported and distributed potassium chloride and non-nitrogen liquid fertilizers. However, 100% of those targets were not achieved due to the following:

1. Although the sales target for potassium chloride was 27,708,872 MT, only 17,829.000 MT was imported. The company distributed 100% of receipts of KCL.
2. Despite the fact that an MOP target was provided since there were insufficient stocks of imported KCL, there was no import of MOP and existing stocks were distributed. However, since there were insufficient stocks, MOP targets could also not be met.

Pilot project for providing subsidized ecofriendly organic fertilizer

In line with state policy (Vistas of Prosperity), a pilot project was initiated to provide subsidized ecofriendly organic fertilizer to farmers commencing with the 2021/2022 Maha cultivation season. Providing 100% organic fertilizer was done through 3 stages:

- Distribution of organic fertilizers from suppliers selected in the first round through state procurement mechanisms
- Distribution of organic fertilizers from suppliers not selected in the first round through state procurement mechanisms but who partnered with state fertilizer organizations as second round suppliers
- Distribution of organic fertilizers from suppliers selected in the third round

Organic Fertilizer Sales - 01.04.2021 to 31.03.2022

		Distribution of organic fertilizers from suppliers selected in the first round through state procurement mechanisms	Distribution of organic fertilizers from suppliers not selected in the first round through state procurement mechanisms but who partnered with state fertilizer organizations as second round suppliers	Distribution of organic fertilizers from suppliers selected in the third round
Compost fertilizer 9MT)	Target	16,365.53	6,257,360.00	
	Sales	6,563.23	4,488,308.70	
	Percentage (%)	40%	72%	
Organic liquid fertilizer (liters)	Target	422,018.37	3,987,078.46	225,614.05
	Sales	373,895.97	3,605,362.45	163,676.70
	Percentage (%)	89%	90%	73%
bioactive liquid fertilizer 9Liters)	Target	21,272.14	438,939.82	209,647.10
	Sales	18,858.20	250,625.25	163,481.00
	Percentage (%)	89%	57%	78%

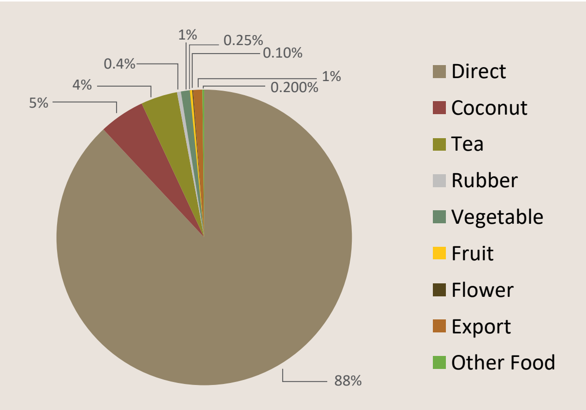
Forecast against actuals for sales of subsidized fertilizer for other crops for 2021/2022

Type	Sales Target	Actual Sales (Mt)	%
Fertilizer for other crops	72,000	9,818.603	14%

Of the target for fertilizer for other crops, 75% was direct fertilizers while 25% was mixed.

Type	Sales Target	Actual Sales (Mt)	%
Direct	54,000.000	8,682.346	16%
Mixed	18,000.000	1,136.257	6%

Crop wise sales figures for direct and mixed fertilizers for other crops:



Despite sales targets being provided in the activity plan for 2021/2022, the government ban on agrochemical fertilizers effectively rendered all those targets redundant. The only chemical fertilizers that were sold therefore was during the 2021 Yala cultivation season and this was a mere 14% of the total sales volumes anticipated. The significant policy shift caused the following knock-on effects on the fertilizer market:

- Agrochemical fertilizers could only be sold up to Yala 2021
- Organic fertilizers in sufficient quantities could not be provided to the farmers or provided in limited quantities
- With the ban in agrochemical fertilizers, sales promotion activities ceased completely
- With the rise in global prices and the devaluation of the rupee against the dollar, there was only limited importing even during the 2021 yala cultivation season

Forecast against actually for sale of organic pellet fertilizer for the years 2021/2022

Type	Sales Target	Actual Sales (Mt)	%
Organic pellet fertilizer	500	494.118	99%

Despite having achieved 99% of the sales targets for organic pellet fertilizers, the following factors contributed to not achieving 100% of the target. Additionally, those factors also prevented the company from exceeding those targets, which was a very real possibility:

- Insufficient quantities of organic pellet fertilizer being provided by the HS organization which manufactured the product
- Despite the HS organization being selected to supply organic pellet fertilizer, they were unable to provide the CFCL with sufficient stocks of the product for distribution.

FINANCIAL STATEMENTS


8765
23

Statement of **Director's 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, which adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

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

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

Compliance Report

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

Dr.B.K.Jagath Perera
Chairman
On behalf of the Board
Ceylon Fertilizer Co Ltd.
June 12th 2023

Chairman's and Financial Manager's **Responsibility Statement**

The Financial Statements of Ceylon Fertilizer Co. Ltd. As at 31st March 2022 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 the Auditor General to the Democratic Socialite Republic of Sri Lanka

Dr. B. K. Jagath Perera
Chairman

Dharmila Gayani
Act. Manager (Finance)
June 12th 2023.

Translation of the **Auditor General's Report**

ARI/A/CFC/2022/07 15 Novembar 2023

Chairman

Ceylon Fertilizer Company Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Fertilizer Company Limited for the year ended 31 March 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon Fertilizer Company Limited ("Company") for the year ended 31 March 2022 comprising the statement of financial position as at 31 March 2022 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2022, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

(a) An interim payment of Rs.13,000,000 had been made to a private supplier during the financial year 2020/2021 before the settlement of final invoice for transport and handling expenses and the value of the final payment voucher was Rs.21,892,044. When the accounting of this transaction, due to the fact that the aforesaid interim payment had not been debited to the expense account and the remaining expense had not been debited to the relevant expense account, the transportation and handling charges of the year under review were understated by Rs.21,892,044 and the balance of the other creditor account was understated by Rs.8,891,994 and the balance of the advance account under current assets was observed by Rs.13,000,000. Accordingly, profit of the year under review had been overstated by Rs.21,892,044.

(b) Instead of being remitted The total amount of Rs.14,962,309 which was collected from those officials from the year 2014 to 2021 by suing against the storekeepers based on the shortage of fertilizer to the Treasury, it was shown in the financial statements for many years as a value payable to the Treasury.

(c) Although only 50 percent of the Dispatch money received annually by the company will be paid subject to the approval of the Board of Directors subject to a maximum amount equal to three months basic salary based on the performance of the employees as per letter No.PED/S/CFCL/03/06 (i) dated 08 April 2022 and letter No. PED/P/04/24(i) dated 06 April 2021 of the Director General of the Department of Public Enterprises, the company has made incentive payment of Rs.48,431,198 during the year under review defectively based on the sum of basic salary and cost of living allowance of the employees and out of that Rs.8,242,375 were observed to be non-compliant with the circular instructions.

(d) Although the amount of Rs.2,143,772 had been accounted for as an advance in the year 2007 for bearing expenses related to shipments, it had not been settled by the date of audit and the company was unable to confirm the officer who received the advance.

(e) In the years 2008 and 2009, an officer who was in charge of the warehouse at the Hingurakgoda District Fertilizer warehouse at that time directed the lorries directly to the Agrarian Service Centers instead of unloading the fertilizers which has been transported from Hunupitiya main warehouse complex to the Hingurakgoda warehouse and defrauded an amount of Rs. 630,550 to the company as rent for unloading and loading the fertilizers, And according to the decision of a trial against that officer, the concerned officers had arranged to pay the above amount to the company on 15 March 2022. Although the aforesaid amount should be adjusted to the previous years, the income of the year under review had been overstated by Rs.630,550 due to recognition of it as income of the year under review.

(f) The total amount of Rs.11,260,280 had been spent for medical insurance premium, workman compensation insurance premium, fire insurance premium and cash in safe insurance premium in the year under review as Rs.10,469,271, Rs.171,225, RS.572,730 and Rs.47,054 respectively and out of that expenditure, the amount of Rs.3,692,175 related to the next year had not been accounted as a pre-payment. Furthermore, Rs.3,966,559 which is the balance of the pre-paid insurance premium expense account in the previous year was shown under current assets in the financial statements without adjusting to the insurance premium expense of the year under review. Accordingly, it was observed that the profit of the year under review and the value of the current assets had been overstated by Rs.274,384.

(g) The total unclaimed retention amount of Rs.371,403 in relation to five contractors who provided container office construction and renovation services by 31 March 2022 which exceeded 06 months had been stated as a payable balance without settling by inquiring from the related parties.

(h) The amount of annual depreciation for container offices is Rs.516,689 and only Rs.274,290 had been accounted as container offices depreciation during the year. Accordingly, it was observed that non-current assets and profit for the year had been overstated by Rs.242,399.

(i) Cash had been received in relation to the value of Overage Premium income of Rs.542,000 which was accounted as income receivable in the financial year 2020/2021 in the current year and due to it was credited to the overage premium income account instead of being credited to the debtor account, it was observed that the current assets and profit for the year had been overstated by that amount.

(j) The bid security of Rs.362,500 received from a private company which is provided manpower supply and consulting services due to failure to provide warehouse workers for warehouses of the company as per the agreement had not been accounted as income of the company and it had been further shown as a current liability.

(k) The refundable bid securities of Rs.796,000 which was unclaimed over a period of 4 to 12 years had been stated as a current liability without taking in to income by looking on it if claims are not made.

(l) A shortage amounting to Rs.2,441,181 had been made in stationary, plumbing fixtures, building materials and auto spare parts included in consumables account in the accounting year 2020/2021 and it had been stated in the financial statements as other receivable instead of carrying out investigation regarding the deficiency and recovering from responsible parties. After inspecting the facts about that deficiency, the audit had been reported by the chairman by informing that the amount of Rs.2,010,196 as unissued fixed assets in the warehouse and some consumable items worth of Rs.15,470 should be included in the physical stock and accordingly the actual deficiency in the warehouse was revealed as Rs.415,514. Nevertheless, it was observed that the non-current assets by Rs.2,010,196 and current assets by Rs.15,470 had been understated and the profit of the year had been overstated by Rs.415,514 due to showing the deficiency of Rs.2,441,181 as receivable in the financial statements without making any **adjustment in this regard in the current year.**

(m) The policy of the company is to identify dispatch money income for the year based on the invoice date. Accordingly, when cash was received in the current year in relation to the previous year and to the dispatch money income of Rs.6,045,000 accounted as dispatch money income due in that year, it had been credited to the dispatch money income in the current year instead of being credited to the sundry creditors account. Further, the Dispatch Money of Rs.1,264,000 related to the current year had been accounted as receivable income in the previous year and without correcting that, it had been identified as income in the current year as well. Accordingly, it was observed that current assets and the profit for the year had been overstated by Rs.7,309,000 due to the above accounting.

(n) The amount of Rs.732,188 paid on 27 April 2021 for sample test reports and analytical reports carried out in relation to the imported fertilizer stock in 2020/2021 had been debited to an asset account as import purchase advance and the profit of the year had been overstated by that amount due to not accounting as expenses.

(o) Due to the over recording an advance settlement of Rs.500,000 for shipments in the advance account incorrectly, the related expenses had been overstated by that amount and the balance of the advance account had been understated by that amount. The profit of the year had been understated by that amount due to this.

(p) Although the all liabilities beyond one year should be stated under non-current liabilities in the statement of financial position as per the paragraph 69 of Sri Lanka Accounting standards 1, the payable amount of Rs.3,377,769,725 beyond the period of one year in relation to 17 letters of credit of import fertilizer had been stated under the current liabilities.

(q) Although it was stated in the financial statements that there was no local purchase of fertilizers in the year under review, the amount of Rs.103,099,679 incurred for the purchase of local fertilizer had been included in the value of the import bills of fertilizer. Although the items of the financial statements should be presented and classified corresponding to the previous year as per the paragraph 45 of Sri Lanka accounting Standards 1, it was observed that local and imported purchases of fertilizer were not disclosed in the financial statements corresponding to the previous years.

(r) It was observed during the audit that the cost of sales stated in the financial statements of the company was overstated by Rs.130,038,000 due to the accounting of Rs.34,962,000 in the financial statements instead of accounting the cost of the stock mentioned in the agreement of Rs.165,000,000 as the transaction related to the exchange of stock of fertilizer with private fertilizer companies on credit basis was not completed within the same accounting year. Further, a specific date for the return of the said stock to the company had not been mentioned as per the said agreement and uncertain date had been mentioned as the date of return of the stock after the arrival of the immediate shipment.

(s) 10 metric tons of urea fertilizer had been given to a private company in Dankotuwa, Naththandiya area by the company as per the requested of the Director of the National Fertilizer Secretariat through the letter No. SMFI/2/D/NFS/11 (General) dated 14 September 2021 without cabinet approval for the stock of imported chemical fertilizers to be given as subsidies to the farmers as per the cabinet decision at a time when the ban of chemical fertilizers is in effect. The commercial value of fertilizer of Rs.900,000 was taken as a security deposit by the company and the assets and liabilities had been understated in the financial statements due to mistakenly crediting that amount to a debtors account.

(t) The 250 metric tons of fertilizer given to the private fertilizer company in Colombo area on credit basis in the previous year had been returned to the company in the year under review and the transfer value of the fertilizer in the previous year had been stated as Rs.7,500,000 in the financial statements. The cost of sale had been overstated by Rs.900,000 in the financial statements in the year under review due to the fact that the value of the stock of fertilizer was under-accounted for by Rs.900,000 as Rs.6,600,000 during the get back of the respective fertilizers.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the

Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Other Information included in the Annual Report 2022 of the Company

The other information comprises the information included in the 2022 Annual Report but does not include the financial statements and my auditor's report thereon. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.5 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of (j),(k),(l) described in the basis for Qualified Opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 To state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018

2.2.2 To state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018

Reference to Laws, Rules and Regulations etc.	Observation Non-compliance
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(a) Paragraph 6.6 of the Operational Manual issued with Public Enterprise Circular No.01/2021 dated 16 November 2021 of the Secretary of the Treasury.

Although the all public companies should prepare and submit the financial statements to the Auditor General within 60 days of the end of the financial year, the financial statements of year 2021/2022 had been submitted to the Auditor General after 447 day of the end of the financial year.

(b) Paragraph No.6.6 of the Operational Manual issued with Public Enterprise Circular No.01/2021 dated 16 November 2021 of the Secretary of the Treasury.

Although the Annual Report of the company should be tabled in Parliament within 05 months after the end of the accounting year, The Annual Report of the year 2022 was not tabled in Parliament by the date of the audit due to the delay in submitting the financial statements of the year 2021/2022 to the Auditor General.

2.2.3 To state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 To state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

(a) Although the cost of Rs.36,514,026 and an annual maintenance cost of approximately Rs.1,385,639 had been incurred by the company from year 2017 for the establishment of an Enterprise Resource Planning System (ERP System), the aforesaid system had not been not used to cover the entire accounting process of the company. Furthermore, due to the fact that the systems that were installed are also operating without strong controls, the company had failure to reach the desired results from the above installation cost that incurred and the annual maintenance cost.

(b) The warehouses located in the buildings belonging to government agencies such as Mahaweli Authority, Department of Agricultural Development, Department of Rubber Development, Department of Railway etc. has being used for the operations of the company and those are maintained in the areas of Higurakgoda, Akuressa, Matale, Kurunegala, Nuwara-Eliya, Kegalle, Medawachchiya, Kuruwita, Dodangoda, Mathugama, Koggala and Weerawila. It was observed that the action had not been done to take the legal ownership of that regional fertilizer warehouses or to get the clear identification of lease arrangement or to recognized the value of the above warehouses under the Property Plant and Equipment.

(c) Although the land with an area of 29.93 perches called Wariyapola Estate where the lakpohora warehouse is established in the Matale district was legally transferred by the Land Reformed Commission to the company on 10 September 2020 through a deed, the non-current assets had been understated in the financial statements due to the fact that the land had not been assessed and accounted

(d) The fees to be charged for booking the Nuwara-Eliya and Polonnaruwa circuit bungalow owned by the company had been specified through the Board decision No. 2412 dated 29 March 2019 taken in terms of Board paper No.265/19/01 dated 31 January 2019. A Rs.462,000 had been lost by the company when making reservation in the year 2020,2021 and 2022 due to made charges contrary to those instructions. Also, in some cases, a loss of Rs.339,000 was incurred due to providing the Circuit free of charge to officials outside the company and their family members and a cost of Rs.89,696 was incurred for providing free food to some persons. Further, in such cases, the bookings which were paid advance had been cancelled and the lost income was Rs.112,500.

(e) The opportunity had been given to register fertilizer suppliers from regional warehouses and purchase organic fertilizers from them through the internal circular No.2021/GM/02 dated 15 September 2021 of the company under the Eco-friendly fertilizer purchase programme in conjunction with the implementation of government fertilizer policy after banning the import of chemical fertilizers. It was also observed that the quantity of fertilizers which purchased are sold slowly and 315.28 metric tons of fertilizer costing Rs.7,510,800 and 586.86 metric tons of fertilizer which value was not submitted to the audit were unsold and piled up in Hunupitiya main warehouse and regional warehouse as at 31 march 2023.

(f) The company had a stock of 56 metric tons of expired chemical fertilizers and 26.7 metric tons of sweeping fertilizer as at 31 March 2023 and the company had not been implemented a proper marketing plan regarding the disposal of this amount of fertilizer.

2.3 Other Matters

(a) The total receivable Balances of the company due to issuance of fertilizers on credit basis by the company to Government Departments and Institutions, Agrarian Service Centers, dealers and distributors was Rs.1,530,184,011, and the audit observations regarding the balances included there in are as follows.

(i) Although, the company had to be received an amount of Rs.37,993,346 and Rs.35,931,679 respectively from the Janatha Vatu Development Board and the State Plantation Corporation regarding towards providing fertilizer on credit basis since 10 years, it was observed that the company had been failed to recover those balances and also agreements had been reached with the relevant institutions from time to time to transfer a fixed asset to the company but it had not been implemented effectively.

(ii) It was observed that even on the date of audit, the company had been failed to recover the credit balances of Rs.807,650 exceeding 3 years of Palwatta Sugar Company and credit balances of Rs.120,500 exceeding one year of Ibbagamuwa Rice Research and Development Institute.

(iii) It was observed that as at the end of the year under review, the total receivable credit amount to the company from 346 Agrarian Service Centers was Rs.1,385,011,522 and out of that, Rs.490,990,037 is the outstanding loan balance existing in period from 01 year to 05 year.

(iv) It was observed that the total outstanding value for the stock of fertilizer issued by the company on credit basis to the sales agents during the period from 04 to 10 years was Rs.13,239,202.

(v) It was observed during the audit that the total receivable credit balances to the company from the distributors of fertilizers who distribute from the company to the Agrarian Service Centers which exceeded 04 years is Rs.44,941,885.

(b) The company had been purchased 4 container offices costing Rs.2,916,000 on 06 August 2021 and only the value of Rs.2,781,000 paid in cash for that had been recorded in the relevant asset account and the amount of Rs.135,000 which is related to the retention amount had not been recorded in the relevant asset account and the retention account. Accordingly, it was observed that non-current assets and current liabilities had been understated by that value.

(c) The total cost for the renovation of bungalow No.02 owned by the company is Rs.2,226,150 and only the first instalment of Rs.1,446,997 had been recorded in the building account. Accordingly, due to the non-recording of the relevant retention amount of Rs.111,307 in the retention money account and the relevant asset account, the Non-current assets and current liabilities had been understated by that value.

(d) The company had been taken action to give the stock of fertilizer which imported to release to paddy farmers under the Cabinet approval to private fertilizer companies in the areas of Kelaniya, Colombo and Makola on credit basis and to get fertilizer from those companies on credit basis. Accordingly, the company had been taken actions to give 2,504 metric tons of fertilizer to private fertilizer companies on credit basis and to get another 5,066 metric tons of fertilizer from private fertilizer companies on credit basis. In the year under review, 3,496.2 metric tons of fertilizer obtained from private fertilizer companies in the previous year had been returned and 250 metric tons of fertilizer given to private fertilizer companies had been received. This is observed as non-compliance with the approval given by the Cabinet for the import of fertilizers.

W. P. C. Wickramaratne

Auditor General

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

	Note	2022	2021
Revenue	3	1,209,392,948	2,257,657,781
Cost of Sales	4	(868,945,417)	(1,841,516,753)
Gross Profit		**340,447,531**	**416,141,028**
Other Operating Income	5	104,584,039	118,465,561
Administrative Expenses	6	(533,615,098)	(562,562,771)
Promotional Expenses	7	(151,485)	(907,040)
Profit from Operation		**(88,735,013)**	**(28,863,222)**
Finance Income	8	181,995,015	212,531,507
Finance Cost	8	(27,911,393)	(21,077,869)
Profit Before Taxation		**65,348,609**	**162,590,416**
Income Tax Expenses	9	16,227,311	(38,197,672)
Profit for the Year		**81,575,919**	**124,392,743**
Other Comprehensive Income		-	**(7,955,528)**
Acturial Gain/Loss on Obligation		-	1,909,327
Deferred Tax Benefits / (Expenses) on Acturial Gain/Loss on Obligation		941,065	20,082,985
Deferred Tax Benefits / (Expenses) on Revaluation Surplus		941,065	**14,036,784**
Total Other Comprehensive Income			
Total Comprehensive Income for the Year		**82,516,985**	**138,429,527**
Basic Earnings Per Share (EPS)	10.1	1.62	2.48
Dividends Per Share (DPS)	10.2	0.24	0.37

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 94 to 134 form an integral part of these Financial Statements.

Statement of Financial Position

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

	Note	2022	2021
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	2,632,653,373	2,665,990,105
Capital Work-in-Progress	12	676,729	676,729
Intangible Assets	13	4,978,638	9,560,797
Total Non-Current Assets		**2,638,308,740**	**2,676,227,631**
Current Assets			
Inventories	14	94,985,181	388,720,934
Trade and Other Receivables	15	28,453,931,827	25,672,027,321
Employees Loans and Advances	16	35,470,521	39,171,276
Investments in Government Securities	17	807,101,718	730,446,740
Investments in Fixed Deposits	18	2,523,866,395	2,396,023,005
Cash and Cash Equivalents	19	297,704,965	196,034,947
Total Current Assets		**32,213,060,606**	**29,422,424,223**
Total Assets		**34,851,369,347**	**32,098,651,854**
EQUITY AND LIABILITIES			
Equity			
Stated Capital	20	502,456,080	502,456,080
Revaluation Reserve	21	2,318,306,775	2,317,365,710
Retained Earnings		3,569,463,352	3,526,156,689
Total Equity		**6,390,226,207**	**6,345,978,479**
Non-Current Liabilities			
Retirement Benefits Obligation	22	73,914,153	79,731,435
Deferred Taxation	23	100,894,788	139,082,220
Interest Bearing Borrowings	25	13,451,229,712	15,991,700,302
Total Non-Current Liabilities		**13,626,038,653**	**16,210,513,957**
Current Liabilities			
Trade and Other Payables	24	2,963,540,581	5,770,919,966
Interest Bearing Borrowings	25	11,768,854,035	3,666,228,769
Deposits and Advances Received	26	17,949,514	22,058,923
Income Tax Payables	27	21,019,056	4,345,255
Accrued Expenses and Provisions	28	63,741,301	78,201,983
Bank Overdrafts	19	-	404,521
Total Current Liabilities		**14,835,104,487**	**9,542,159,417**
Total Equity and Liabilities		**34,851,369,347**	**32,098,651,854**
Net Asset Value Per Share		**127.18**	**126.30**

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

Finance Manager

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

Chairman

Director

12.06.2023
Colombo.

Figures in brackets indicate deductions.
Notes to the Financial Statements on Pages 94 to 134 form an integral part of these Financial Statements.

Statement of Changes In Equity

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

	Stated Capital	Revaluation Reserve	Retained Earnings	Total
Balance as at 01 April 2020	**502,456,080**	**2,297,282,725**	**3,341,503,885**	**6,141,242,690**
Prior Year Adjustments	-	-	66,306,262	66,306,262
Profit for the Year	-	-	124,392,743	124,392,743
Other Comprehensive Income (Note No 1)	-	20,082,985	(6,046,201)	14,036,784
Provision of Dividend				-
Balance as at 31 March 2021	**502,456,080**	**2,317,365,710**	**3,526,156,689**	**6,345,978,479**
Prior Year Adjustments	-	-	(8,871,274)	(8,871,274)
Dividend Paid	-	-	(29,397,983)	(29,397,983)
Profit for the Year	-	-	81,575,919	81,575,919
	-	941,065	-	941,065
Other Comprehensive Income				-
Balance as at 31 st March 2022	**502,456,080**	**2,318,306,775**	**3,569,463,352**	**6,390,226,207**

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 94 to 134 form an integral part of these Financial Statements.

Statement of Cash Flows

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

		2022	2021
Cash Flows from Operating Activities			
Profit Before Taxation		65,348,609	162,590,416
Adjustments for;			
Depreciation		41,088,023	53,130,341
Amortization of Intangible Assets		4,582,159	4,517,354
(Profit) / Loss on Sale of Property, Plant and Equipment		-	(90,014)
Gratuity Charge for the Year		3,418,199	11,211,931
Interest Income		(181,995,015)	(212,531,507)
Interest Expenses		27,911,393	21,077,869
Prior Year Adjustments		(8,871,274)	66,306,262
Operating Loss Before Working Capital Changes		**(48,517,906)**	**106,212,653**
Inventories		293,735,753	(162,727,177)
Trade and Other Receivables		(2,781,904,506)	(6,869,372,218)
Employees Loans and Advances		3,700,755	1,559,366
Trade and Other Payables		(2,807,379,436)	1,076,317,452
Deposits and Advances Received		(4,109,409)	(22,399,534)
Accrued Expenses and Provisions		(14,460,682)	(497,337)
Cash Flow from Operations		**(5,358,935,431)**	**(5,870,906,795)**
Gratuity Paid		(9,235,432)	(7,829,240)
Interest Paid		(27,911,393)	(21,077,869)
Taxes Paid		(4,345,255)	-
Net Cash Flow from / (used in) Operating Activities		**(5,400,427,511)**	**(5,899,813,904)**
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment		(7,751,291)	(13,625,891)
Acquisition of Intangible Assets		-	(324,025)
Proceeds from Sale of Property, Plant and Equipment		-	282,122
Investment (With Interest Re-investment) in Treasury Bills / Fixed Deposits		(204,498,368)	(161,078,490)
Interest Received (Net of Taxes)		181,995,015	212,531,507
Net Cash Flow from / (used in) Investing Activities		**(30,254,644)**	**37,785,222**
Cash Flows from Financing Activities			
Borrowings During the Year		**8,391,084,309**	**11,437,869,814**
Dividend Paid		(29,397,983)	-
Settlements of Borrowings During the Year		(2,828,929,633)	(5,883,423,698)
Net Cash Flow from / (used in) Financing Activities		**5,532,756,693**	**5,554,446,115**
Net Changes in Cash and Cash Equivalents During the Year		**102,074,539**	**(307,582,566)**
Cash and Cash Equivalents at Beginning of the Year		195,630,426	503,212,993
Cash and Cash Equivalents at End of the Year	**(Note 19)**	**297,704,964**	**195,630,427**

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 94 to 134 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the Year Ended 31st March 2022

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL POLICIES

Reporting entity

Ceylon Fertilizer Company is a fully government owned, ISO 9001:2008 Certified Company coming under purview of the Ministry of Agriculture operating for more than 50 years in Sri Lanka. Ceylon Fertilizer Company is engaged in importation of chemical fertilizer, producing quality fertilizer mixture and marketing, distributing through island wide network of warehouses and thereby catering to the fertilizer needs of Sri Lankan Farmers.

Ceylon Fertilizer Corporation was converted to Ceylon fertilizer Company Ltd in terms of the transformation of Government Corporations and Government owned business undertaking into limited liability companies under the act No. 23 of 1987.

This Conversion took legal effect from 15th September 1992. The Ceylon Fertilizer Company Ltd presently operates as a Registered Public Company in Sri Lanka under the Companies Act No. 7 of 2007. The objective of the Ceylon Fertilizer Company Ltd is to ensure carrying out the successful business undertaken by its predecessor Ceylon Fertilizer Corporation which was established under the provisions of the State Industrial Companies Act Number 49 of 1957

1.2 FINANCIAL YEAR

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

1.3 Share Capital of the Company

The company is fully owned by the Sri Lanka Treasury and the issued share capital is 50,245,608 ordinary shares of rupees 10 each.

1.4 NUMBER OF EMPLOYEES

The number of employees of the Company as at 31 March 2022 was 354 (2021- 362)

1.5 DATE OF AUTHORIZATION FOR ISSUE IS 31st March 2023.

1.6 Legal Nature and Address of the registered office

A limited liability company incorporated in Sri Lanka with full ownership vested with the Secretary to the Ministry of Finance. The Head office is situated at Lakpohora Swarna Jayanthi Mawatha, Hunupitiya, Wattala, Sri Lanka.

1.7 Principal Activities and Nature of operation

The Company will successfully and continuously provide fertilizer to the nation through its island wide distribution network, which contributed significantly to the economic development and growth of the company. It is also considered to be the first State Organization to produce and distribute organic pellet fertilizer to the local market.

Statement of Compliance

1.8 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statement of the company continues to be prepared on a going concern basis.

1.9 Taxation

Provision for taxation has been made on the basis of profit for the year as adjusted for taxation purposes in accordance with the Inland Revenue Act No 10 of 2016 and the new Inland Revenue Act No 24 of 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

(a) Statement of Compliance

The financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the financial statements. These statements have been prepared in accordance with the Sri Lanka Public Sector Accounting Standards issued by the Institute of chartered Accountants of Sri Lanka.

(b) Basis of measurement

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes.

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

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

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

The Financial Statements have been prepared on an accrual basis and under the historical cost convention except for the land, buildings, investment properties and financial assets at fair value through Other Comprehensive

Income Presentation and Functional Currency The Financial Statements are presented in Sri Lankan Rupees, the Companies functional and presentation currency, which is the primary economic environment in which the Company operates.

Notes to the Financial Statements

For the Year Ended 31st March 2022

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the SriLanka Accounting Standard- SLFRSs on 'Presentation of Financial Statements'. The significant accounting policies are discussed with relevant individual notes.

Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter-period comparability.

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in reporting the Public Sector Accounting Standards volumes I, II and III issued by the Institute of Chartered Accountants of Sri Lanka.

It is also disclosed that when the presentation or classification of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current in order to provide a better presentation. Hence Fixed Assets, Current Assets and Equity classification errors have been corrected as per SLPSAS and Treasury guide lines.

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

Summary of Significant Accounting Policies

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages. Those accounting policies presented with each note have been applied consistently by the company. Other significant accounting policies not covered with individual notes. Following accounting policies which have been applied consistently by company, is considered to be significant but are not covered in any other sections.

Current versus non-current classification

The Company presents assets and liabilities in Statement of Financial Position based on current/non-current classification. An asset is current when it is:

Ÿ expected to be realized or intended to be sold or consumed in normal operating cycle

Ÿ held primarily for the purpose of trading

Ÿ expected to be realized within twelve months after the reporting period, or

Ÿ cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period All other assets are classified as non-current.

Notes to the Financial Statements

For the Year Ended 31st March 2022

A liability is considered as current when:

Ÿ it is expected to be settled in normal operating cycle

Ÿ it is held primarily for the purpose of trading

Ÿ it is due to be settled within twelvemonths after the reporting period, or

Ÿ there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities accordingly

2.2 Changes in Accounting Policies

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

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in reporting the Accounting Standards as per SLAS issued by the Institute of Chartered Accountants of Sri Lanka.

It is also disclosed that when the presentation or classification of items in the financial statements have been amended to provide a better presentation.

The current year financial statement

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.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements the company require the management to make judgments, estimates and assumptions, Notes to the Financial Statements which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the company's accounting policies, management has made various judgments. Those which management has assessed to have the most significant effect on the amounts recognized in the Consolidated Financial Statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the Financial Statements. The company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2.4 ASSETS AND BASIS OF THEIR VALUATION

2.4.1 Property, Plant and Equipment

(a) Recognition and Measurement

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

The ownership of premises where the Company head office is located was vested with the Company on a Cabinet decision as a presidential directive was issued in the year 2009. However, although the deeds were received, the process of registering the ownership of the premises with the Land Commissioner of the Kelaniya and wattala divisional secretariats is currently under process. The registration of the kelaniya divisional secretariat deed registration is done but no sooner the registration of the wattala secretariat is done the Company will be claiming the compensation value of rupees 12.6 Million from the Road Development Authority for acquiring 28 perch of land for expansion of the transport system of the country.

The Ceylon Fertilizer Company considers the minimum value of fixed assets as rupees 5,000, all items of property, plant and equipment are initially recorded at cost less accumulated depreciation or impairment losses. Significant components of an asset are identified and depreciated separately. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity derecognizes the replaced part, and recognizes the new part with its own useful life and depreciation.

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

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

Any revaluation increases arising on the revaluation of such Assets are recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation.

Decrease for the same asset previously recognized in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the Carrying amount arising on a revaluation of Assets are recognized in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a Previous revaluation of the same Assets.

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained Earnings and is not taken into account in arriving at the gain or loss on disposal. The details of revaluation of Assets are disclosed in note 11 to the financial statements

2.4.2 All other repair and maintenance costs are recognized in the income statement as incurred.

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

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

Any revaluation increase arising on the revaluation of such Assets are recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation.

Decrease for the same asset previously recognized in the income statement, in which case the increase is Credited to the income statement to the extent of the decrease previously expensed. A decrease in the Carrying amount arising on a revaluation of Assets are recognized in the income statement to

The extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a Previous revaluation of the same Assets.

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained Earnings and is not taken into account in arriving at the gain or loss on disposal. The details of revaluation Of Assets are disclosed in note 11 to the financial statements

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight- line basis over their estimated useful lives. Depreciation is recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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
Container Office	10 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.

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain/loss on de-recognition of an item of property, plant and equipment is included in profit or loss in the year the asset is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized upon disposal or when

No future economic benefits are expected from its use or disposal. The gain or loss arising from the De recognition of an item of property, plant and equipment is included in profit or loss when item is de Recognized.

Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1-quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or

  Liability, either directly or indirectly.
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable Inputs)

Further information about assumptions made in measuring fair values is included in the respective notes to the consolidated financial statements.

Revaluation Model

The Group applies Revaluation Model for the entire class of land and buildings in the statement of financial position. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land and buildings does not change other than by an insignificant amount at each reporting period the Group will revalue such land and buildings every 3 years

Any revaluation increase arising on the revaluation of such land and buildings are recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land and buildings are recognized in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of the same land and Buildings. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal. The details of revaluation of land and buildings are disclosed in note xxx to the financial statements.

Capital Work-in-Progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital in progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

2.4.3 Intangible Assets

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

Computer Software 05 Years

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

2.4.4 Impairment of Non-Financial Assets

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

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

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

2.5 Financial Assets

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

a) Held-to- Maturity Investment

b) Loans and receivables

a) Held-to- Maturity Investment (HTM)

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

b) Loans and receivables

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

2.5.2 Recognition and Initial Measurement

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

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

2.5.3 Subsequent Measurement

a) Held-to- Maturity Investment (HTM)

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

b) Loans and receivables

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

2.5.4 Impairment of Financial Assets

Assets carried at amortized cost

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

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

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

2.6 Inventories

Inventories (Direct and Mixed Fertilizers) are stated at cost minus subsidy. Cost is determined using the first-in, first-out (FIFO) method. The cost of mixed fertilizer comprises raw materials, direct labour, other direct costs and related production overheads. Inventories purchased locally are stated at castanet realized whichever is lower. 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 or net realized whichever is lower.

2.7 Trade Receivables

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

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

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

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

i) Multi Purpose Co-operative Societies

ii) Agrarian Service Centers

iii) Authorized Dealers

iv) Government Institutions and Departments

2.8. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.9 Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15. Refer to the accounting policies in section xxxx, Revenue from contracts with customers. In order for a financial asset (excluding equity instruments) to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.9.1 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

Financial assets at amortized cost (debt instruments)

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon

Derecognition (equity instruments)

Financial assets at fair value through profit or loss

2.9.2 Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost include trade receivables, amounts due from related companies and fixed deposits.

Notes to the Financial Statements

For the Year Ended 31st March 2022

2.9.3 Financial Assets at Fair Value through OCI (Deb Instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

1. The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognize in the income statement and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. The Group currently does not own any financial asset that is classified under this category.

2.9.4 Financial Assets Designated at Fair Value through OCI (Equity Instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis. Gains and losses on these financial assets are never recycled To profit or loss. Dividends are recognized as other income in the income statement the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group currently does not own any financial asset that is classified under this category.

2.9.5 Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measure data fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net change in fair value recognized in the income statement. Dividends on listed equity investments are also recognized as other income in the income statement when the right of Payment has been established. The Group currently does not own any financial asset that is classified under this category.

2.9.6 Business Model Assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

How the performance of the portfolio is evaluated and reported to the Group's management the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and

Expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for de recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. ' Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers: Contingent events that would change the amount or timing of cash flows; Terms that may adjust the contractual coupon rate, including variable-rate features; Prepayment and extension features; and Terms that limits the Group's claim to cash flows from specified assets (e.g. non-recourse features).A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual paramount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial Recognition.

2.9.7 Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms .For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.9.8 De recognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily de recognized (i.e., removed from the Group's Consolidated statement of financial position) when: The rights to receive cash flows from the asset have expired or The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

(a) The Group has transferred substantially all the risks and rewards of the asset, or

(b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset

And the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

(I) the consideration received (including any new asset obtained less any new liability assumed) and,

(ii) Any cumulative gain or loss that had been recognized another comprehensive income is recognized in profit or loss

2.9.9 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.

2.10 Stated Capital

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

2.11 Financial Liabilities

Disclosure of 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.

a) The Company had taken a decision in the year 2016 to rent out Polgahawela stores premises of the Sri Lanka Railways Department, and as at the end of the accounting year a sum of rupees 5,784,668 is payable. However, this payable amount could not be taken in to the books of accounts of the Company as no valid agreement has been reached between the two parties.

b) Similarly, the Company had taken a decision in the year 2010 to rent out Hingurakgoda stores premises of the Sri Lanka Railways Department and as at the end of the accounting year a sum of rupees 764,480 is payable. However, this payable amount could not be taken in to the books of accounts of the Company as no valid agreement has been reached between the two parties.

c) The Company had also rented out Stores premises of the Sri Lanka Mahawele Authority in the year 2015 and a sum of rupees 1,630,000 is payable for renting out the Sooriyawewa stores. This amount too could not be taken in to the books of accounts of the company as no valid rent / lease agreement has been reached between the two parties.

d) Similarly, the Company had also rented out the Kirologama stores premises of the Sri Lanka Mahawele Authority in the year 2012 and a sum of rupees 900,000 is payable for renting out the stores. This amount too could not be taken in to the books of accounts of the company as no valid rent / lease agreement has been reached between the two parties.

Recognition and Measurement

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL).

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it's a derivative or it is designated as such on initial recognition Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest Expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de recognitions also recognized in profit or loss.

2.11.1 Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchanger modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

2.11.2 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognize amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.11.3 Amortized Cost Measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

2.12 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.

2.13 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.

2.14 Borrowing Cost

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

2.15 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.

2.16 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.

2.17 Employee Benefits

The Company has both defined benefit and defined contribution plans.

a) Defined Contribution plan

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

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

b) Defined benefit plan

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

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

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

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

The retirement benefits obligation is not externally funded.

c) Short-term employee benefit

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

2.18 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.

2.19 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) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a contract.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Notes to the Financial Statements

For the Year Ended 31st March 2022

Type of product/ service	Nature and timing of satisfaction of performance	Revenue recognition policies ions, including significant payment terms
Sale of goods & services	The Company operates in different divisions and engaged in varieties of sale of goods under each divisions/ clusters.	The revenue is recognized based on the identified performance obligation. The transaction price is determined taking into account of variable considerations. The transaction price is allocated to performance obligations recognized the revenue either over the time of the contract or point in time upon analysis of each sale of goods under separate divisions.
Distributors and dealer volume rebates	Distributors and dealers are entitled to volume rebates are given based on yearly and daily sales and quantity over different slabs	The Company estimate the amount of variable consideration to which it expects to be entitled. Giving consideration to the risk of revenue reversal in making the estimate for volume rebates. The transaction price under revenue is adjusted for the provision of volume rebates are
Issue of free goods	The company offers free goods to their dealers as a promotion.	The free goods granted to customer is a material right of the customer and is accounted as a separate performance obligation. The revenue is allocated for the performance obligation on their relative stand alone selling price and the revenue is recognized at the point in time when the performance obligation is mat.

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.

2.20 Expenses

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

2.21 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.

2.22 Commitments

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

2.23 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.

2.23.1 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.

2.23.2 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.

NEW ACCOUNTING STANDARD AMENDMENTS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard Amendments which will become applicable for financial periods beginning on or after 01st April 2020 or at a later date. Accordingly, these Amendments have not been applied in preparing these Financial Statements.

New or amended standards	Summary of the requirement	Possible impact on Consolidated F
SLFRS 3 Definition of a Business	SLFRS 3 helps entities to determine whether an acquired set of activities and assets is a business or not. These amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process Is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.	where this enhances the relevance or faithful Representation of the Financial Statements.
LKAS 1 and LKAS 8 Definition of Material	Amendments to LKAS 1 and LKAS 8 on "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of "material" across the standards and to clarify certain aspects of the term "definition". The new definition states that. "information" is material if omitting , misstating or obscuring it could reasonably be expected to influence decision that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.	

Notes to the Financial Statements
For the Year Ended 31st March 2022

New or amended standards	Summary of the requirement	Possible impact on Consolidated F
Amendments to References to Conceptual Framework in SLFRS Standards	Conceptual Framework which will be used in Standard setting decisions with immediate effect. Key changes include; • Increasing the prominence of stewardship in the objective of financial reporting • Reinstating prudence as a component of neutrality • Defining a reporting entity, which may be a identity , or a portion of an entity • Revising the definitions of an asset and a liability • Removing the probability threshold for recognition and adding guidance on de-recognition • Adding guidance an different measurements basis, and • Stating that profit or loss is the primary performance indicator and that, in principal, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the Financial Statements.	

Notes to the Financial Statements

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

3	Revenue		2022	2021
	Sale of Fertilizer		1,209,392,948	2,257,657,781
			1,209,392,948	**2,257,657,781**

4	Cost of Sales			
	Purchases	4.1	454,904,491	1,455,727,883
	Direct Expenses	4.2	119,868,039	548,421,499
	Cost of Production		**574,772,530**	**2,004,149,382**
	Finished Goods as at 01 April		446,784,423	284,151,794
	Finished Goods as at 31 March		(152,611,536)	(446,784,423)
			868,945,417	**1,841,516,753**
4.1	**Purchases**			
	Fertilizer Import Bills		4,612,205,399	12,179,409,158
	Insurance		773,985	2,415,799
	Duty and Duty Surcharge		5,420	85,568
	Port and Airport Development Tax		340,636,818	915,347,902
	Miscellaneous (Sri Lanka Port Authority)		756,160	1,661,928
	Discharging Expenses		504,723	2,268,350
	Landing Charges		7,888,656	26,319,717
	Stevedoring Charges		61,518,177	210,485,119
	Custom Duty and Charges		-	1,108,647
	Demurrage Charges		-	(80,859)
	Sampling Charges		1,534,718	3,579,850
	Transport and Handling Charges		50,761,123	197,464,242
	Letter of Credit Charges		23,545,759	38,515,269
	Bank Charges		55,652,462	20,510,828
	Local Purchase		-	16,148,450
	Packing Materials		25,476,225	5,921,013
	Detention Charges		229,641	3,028,557
	Local Agency Commission		4,138,932	2,368,014
	Exchange (Gain) / Loss		(25,458,313)	373,856,996
	Unrealized Exchange Gain/Loss		821,850,954	-
	Subsidy Claimed		(5,527,116,349)	(12,544,686,665)
			454,904,491	**1,455,727,883**
4.2	**Direct Expenses**			
	Mixing Charges		799,821	3,771,428
	Provision for Impairment of Non Moving Inventories		-	(1,272,843)
	Handling Charges		36,922,325	115,441,456
	Labour Charges		5,806,640	10,393,176
	Transport Charges to District Fertilizer Stores		105,104,697	388,716,187
	Stocks Transfers / Adjustments		(28,765,444)	31,372,096
			119,868,039	**548,421,499**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

5	Other Operating Income	2022	2021
	Income From Panalty Import/Local	346,550	381,672
	Liquidated Damages Income	41,875,389	-
	Circuit Bungalow Income - Polonnaruwa	1,489,545	641,537
	Dispatch Income	14,381,520	86,971,767
	Overage Premium	2,921,042	-
	Land Compensation	32,478,550	-
	Sales of Polythene and WPP Bags	333,140	1,192,049
	Non Refundable Tender Deposit Income	838,500	1,875,300
	Rent Income	25,000	-
	Profit / (Loss) on Disposal of Property, Plant and Equipment / Scraps	27,248	90,014
	Earnings from Transport	29,250	23,505
	Claim against Performance bond	490,000	22,546,755
	Laboratory Testing Income	156,708	693,406
	Other Income	9,166,597	4,019,557
	Earning from Farms	25,000	30,000
		104,584,039	**118,465,561**

6	Administrative Expenses		
	Directors' Remuneration	2,236,067	1,950,572
	Motor Vehicles Running Chairman / Directors	-	245,162
	Telephone,Fax,E-mail and Internet Charges-Chairman/Directors	-	129,640
	Secretary Fees	130,000	100,000
	Salaries - Executive	48,186,498	47,451,944
	Salaries - Non Executive	159,056,380	159,096,872
	Overtime	29,411,280	39,219,757
	Travelling and Subsistence	1,211,534	2,363,991
	Employees' Provident Fund	27,387,911	30,637,710
	Employees' Trust Fund	5,963,616	6,127,542
	Fuel Allowance for Managers	8,725,879	7,222,001
	Tea and Dust Allowance	6,391,397	7,425,470
	Annual Bonus	4,839,300	4,971,150
	Medical Leave Payment	15,399,047	16,095,527
	Employees on Contract Basis	1,502,218	1,066,364
	Training and Scholarships	507,300	896,500
	Weekend and Other Allowances	885,762	1,293,746
	Employee Compensation	5,547	700,000
	Medical Expenses	12,742	5,798
	Clothing and Medical Allowance	4,333,432	4,468,770
	Medical Insurance	7,789,823	8,392,200
	Other Allowances	619,300	686,875

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

	2022	**2021**
Staff Transport	1,067,998	1,201,613
Annual Incentive	48,431,198	40,470,088
Staff Welfare	4,325,731	4,637,185
Entertainment	237,284	923,393
Electricity	4,706,082	5,684,281
Telephone,Fax,E-mail and Internet Charges	10,001,240	8,572,650
Fire Insurance	573,900	552,878
License and Insurance	440,157	681,536
Cash in Transit and Cash in Safe Insurance	47,054	32,592
Postage	826,120	631,111
Printing and Stationery	4,591,300	4,139,137
Periodicals and Books	52,060	40,450
Office Equipment Maintenance	628,901	523,710
Office Expenses	1,287,626	1,592,803
Vehicle Running Expenses	5,842,163	6,161,497
Vehicle Maintenance	5,955,850	7,113,229
Water Bill	1,746,944	2,173,228
Legal Fees	3,401,191	347,709
Security Charges	24,160,134	30,769,685
Lab/Equipment Maintenance	417,450	669,866
Plant , Machinery and Equipment Maintenance	939,232	889,018
Building Maintenance	5,379,194	7,440,777
Furniture and Fittings Maintenance	14,295	28,460
Public Notice Charges	3,143,036	3,235,051
Road Development Expenses	83,460	
Computer and Accessories Maintenance	3,804,933	5,027,422
Rent	2,555,176	1,281,009
Expenses for Temporary Storage	700	4,985,305
Charity and Donation	11,015	350,000
Depreciation	41,088,023	53,130,342
Amortization of Intangible Assets	4,582,159	4,517,354
Audit Fees	**950,000**	**824,000**
Balance C / F	**505,886,637**	**539,174,971**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

		2022	2021
	Balance B / F	**505,886,637**	**539,174,971**
	Non Audit Fees	90,000	95,000
	Audit Related Fees	52,330	110,283
	Consultancy Fees	404,073	2,255,750
	Work Shop Tools Expenditure	29,740	7,900
	Sanitary Facilities	4,785,426	4,310,993
	Vehicle Hiring Charges	1,081,206	3,321,172
	Other Equipment Maintenance	626,607	524,766
	Provision for Retirement Benefit obligation	3,418,199	11,211,931
	Bank Charges	704,401	1,139,468
	Insurance Claim	773,576	-
	Sports Equipment Maintenance	5,650	-
	(Over) / Under Provision of Recurrent Expenses	1,563,747	(7,369,197)
	Circuit Bungalow Expenses	321,998	124,723
	Gardening and Landscaping Expenses	7,847,058	7,336,961
	Natural Disaster Expenses	80,000	20,000
	Laboratory Building Maintenance	6,170	708
	Laboratory Expenses	213,602	146,423
	Laboratory Equipment Insurance	13,857	14,826
	Registration Fees	5,710,823	136,092
		533,615,098	**562,562,771**
7	**Promotional Expenses**		
	Advertising and Publicity Notices	77,085	752,982
	Written-off of Bad Debts	-	12,156
	Sales Commission	74,400	141,902
		151,485	**907,040**
8	**Net Finance Income**		
	Interest Income	180,425,396	210,993,589
	Interest on Fixed Deposits and REPO Investments	1,569,619	1,537,918
	Interest from Employees Loans	**181,995,015**	**212,531,507**
	Interest Expenses		
	Interest on Overdrafts/Loans	(27,911,393)	(21,077,869)
		(27,911,393)	(21,077,869)
		154,083,622	**191,453,638**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

			2022	2021
9	**Income Tax Expenses**			
	Current Year	9.1	21,019,056	48,151,072
	Under Provision in Previous Years		-	(1,990,136)
	Deferred Tax Charge	23	(37,246,367)	(7,963,264)
			(16,227,311)	**38,197,672**
9.1	**Reconciliation between current tax expenses/ (reversal) and the accounting profit/(loss);**			
	Accounting Profit / (Loss) Before Taxation		**65,348,609**	**162,590,416**
	Non-Business Income		(181,995,015)	(212,531,507)
	Aggregate of Disallowable Expenses		49,363,928	68,989,605
	Aggregate of Allowable Claims		(27,133,136)	(30,950,556)
	Tax Adjusted Profit		**(94,415,615)**	**(11,902,041)**
	Income from Other Sources		181,995,015	212,531,507
	Total Statutory Income		**87,579,400**	**200,629,465**
	Loss Claimed previous Year		-	-
	Loss Claimed during the Year		-	-
	Taxable Income		**87,579,400**	**200,629,465**
	Tax Charged at Statutory Tax Rate of 24%		21,019,056	48,151,072
	Current Tax Provision		**21,019,056**	**48,151,072**
	Current Tax on Ordinary Activities for the Year		**21,019,056**	**48,151,072**

		2022	2021
10	**Basic Earnings per Share / Dividends per Share**	**2022**	**2021**
10.1	**Basic Earnings Per Share (EPS)**		
	Net Profit Attributable to Ordinary Shareholders (Rs.)	81,575,919	124,392,743
	Weighted Average Number of Ordinary Shares in Issue	50,245,608	50,245,608
	Basic Earnings per Share	**1.62**	**2.48**

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.

10.2	**Dividends Per Share (DPS)**		
	Dividends Paid / Proposed	12,236,388	18,658,911
	Number of Ordinary Shares	50,245,608	50,245,608
	Dividend per Share	**0.24**	**0.37**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

11 Property, Plant and Equipment

Cost	01 April 2021	Additions	Disposal	31 March 2022
Land	1,868,965,707	-	-	1,868,965,707
Biological Assets	2,086,200	-	-	2,086,200
Buildings	892,273,620	1,652,198	-	893,925,818
Container Office	3,265,500	2,781,000	-	6,046,500
Plant and Machinery	21,039,417	608,712	-	21,648,129
Motor Vehicle	49,195,850	-	-	49,195,850
Furniture and Fittings	23,655,801	4,508	-	23,660,308
Office Equipment	13,720,596	1,225,754	-	14,946,349
Computer Equipment	25,316,024	1,270,520	-	26,586,544
Other	19,264,125	208,600	-	19,472,725
Total	**2,918,782,840**	**7,751,291**	**-**	**2,926,534,130**

Depreciation	01 April 2021	Charge for the Year	Disposal	31 March 2022
Buildings	139,116,359	28,263,639	-	167,379,999
Container Office	732,638	274,290	-	1,006,928
Plant and Machinery	12,630,054	1,380,724	-	14,010,778
Motor Vehicle	48,474,438	125,000	-	48,599,438
Furniture and Fittings	18,784,425	1,768,469	-	20,552,894
Office Equipment	9,908,934	1,952,265	-	11,861,199
Computer Equipment	15,766,828	6,078,197	-	21,845,025
Other	7,379,059	1,245,438	-	8,624,497
	252,792,735	**41,088,023**	**-**	**293,880,758**

Written Down Value	2022	2021
Land	1,868,965,707	1,868,965,707
Biological Assets	2,086,200	2,086,200
Buildings	726,545,819	753,157,261
Container Office	5,039,572	2,532,862
Plant and Machinery	7,637,350	8,409,363
Motor Vehicle	596,413	721,413
Furniture and Fittings	3,107,414	4,871,376
Office Equipment	3,085,150	3,811,662
Computer Equipment	4,741,519	9,549,196
Other	10,848,228	11,885,066
	2,632,653,373	**2,665,990,105**

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

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

12	Capital Work-in-Progress	01 April 2021	Expenditure Incurred	Amount Capitalized	31 March 2022
	Kataragama Bungalow	676,729	-	-	676,729
		676,729	**-**	**-**	**676,729**

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

13	Intangible Assets			
	Cost	**01 April 2021**	**Additions (Disposals)**	**31 March 2022**
	Computer Software	22,910,795	-	22,910,795
		22,910,795	**-**	**22,910,795**
	Amortization	**01 April 2021**	**Charge for the Year**	**31 March 2022**
	Computer Software	13,349,998	4,582,159	17,932,157
		13,349,998	**4,582,159**	**17,932,157**
	Written Down Value		**2022**	**2021**
	Computer Software		4,978,638	9,560,797

14	Inventories	2022	2021
	Direct Fertilizer	152,611,536	446,784,423
	Consumables	11,583,422	8,686,840
	Packing Material	8,557,691	11,017,139
		172,752,649	**466,488,402**
	Provision for Impairment	(77,767,468)	**(77,767,468)**
		94,985,181	**388,720,934**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

15	Trade and Other Receivables		2022	2021
	Trade Receivables	15.1	1,530,059,011	997,533,036
	Provision for Impairment		(144,671,108)	(144,671,108)
			1,385,387,903	852,861,928
	Other Receivables	15.2	27,068,543,924	24,819,165,393
			28,453,931,827	**25,672,027,321**
15.1	**Trade Receivables**			
	Government Departments		87,348,521	87,357,301
	Shortage on Sale		-	55,928
	Debtors on Loan		-	7,500,000
	Agrarian Service Centers		1,385,011,522	844,595,839
	Authorized Dealers		12,892,083	13,092,083
	Distributors		44,806,885	44,931,885
			1,530,059,011	**997,533,036**
The ageing of the trade receivables are as follows				
	Up to 3 Months		25,806,580	850,264,434
	3 to 12 Months		868,091,405	178,792
	More than One (1) Year		549,558,977	60,487,761
	Over Ten (10) Years		86,602,049	86,602,049
			1,530,059,011	**997,533,036**

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.

15.2	**Other Receivables**			
	General Treasury - Subsidies		26,913,536,703	24,607,904,150
	Road Development Authority		12,600,000	12,600,000
	Others	(Note I)	112,649,404	177,986,015
	Deposits		1,097,611	883,611
	Advance and Prepaid Expenses		26,163,097	19,791,616
	Cash Sortage - Stock Officer		55,928	-
	Unrealized Stock veriance		2,441,181	-
			27,068,543,924	**24,819,165,393**

Note I : During the financial year 2015/16, in the Pothuwil Stores an aggregate amount of Rs. 9,984,313.21/- had been identified as stock shortage and adjustment also incorporated in the financial statements net of recoveries. However, in the internal investigation carried out by the Internal Audit Department, subsequent to the financial year, corresponding to stock movement in the same store, it was evidenced to suspect that certain fraudulent transactions had been occurred even before the financial year 2015 / 16. Consequently, it was identified an aggregated amount of Rs. 7,934,279/- has been subjected to misappropriation of inventories which results stock shortage / loss to the company as of the date of signing of these financial statements. During the year 2017 / 18, the company has taken steps to filed a civil case in the District Court of Gampaha for the total losses incurred to the company and the Government amounting to Rs. 14,796,235/-.

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

16	Employees Loans and Advances	2022	2021
	Festival Advances	468,750	561,750
	Motor Cycle Loans	402,959	595,251
	Personal Loans	34,598,811	38,014,275
		35,470,521	**39,171,276**

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

17	Investments in Government Securities	2022	2021
	Treasury Bills	807,101,718	730,446,740

The investments in treasury bills are the investments made by the company from the additional funds and certain claims and compensation received to the company. Though, the management maintained these investments separately in the books of accounts, none of the investments are considered to be “Planned Assets” for any Retirement Benefits commitments.

The carrying amount of the HTM investments have been measured at amortized cost in compliance with the LKAS 39 using Effective Interest Rate (EIR).

18	Investments in Fixed Deposits	2022	2021
	Fixed Deposits	2,523,866,395	2,396,023,005

18.1 The company has entered into a Private Public Partnership agreement for purchasing of liquid fertilizer with Baylawn (Pvt) Ltd and, as per the agreement a credit facility, amounting to Rs. 112 Mn have been arranged to Baylawn (Pvt) Ltd by pledging a company’s Fixed Deposit No. 00460010010802 / Rs. 240Mn. The outstanding balance of the facility as at 03rd March 2018 was 75.98 Mn.

18.2 The carrying amount of the fixed deposits have been measured at amortized cost in compliance with the LKAS 39 using Effective Interest Rate (EIR). Further, these investments are maintaining for short term liquidity requirements of the company rather being held for their maturity, therefore, these investments have been considered as “Loans and Receivables” financial assets in the financial statements.

18.3 Fixed deposits No. 17717 & 4087, total amounting to Rs. 228.80 Mn at the reporting date have been pledged against the Overdraft Facility of Rs. 206 Mn.

18.4 Fixed deposits No.75984713,76767521,76767537,76767440,81281476,17717and 40807, total amounting to Rs. 1104.1 Mn as at the reporting date have been pledged against the LC Bond Facility

19	Cash and Cash Equivalents	2022	2021
	Favorable Balances		
	Cash in Hand	233,664	25,134
	Current Accounts	134,276,675	499,389
	Saving / Call Deposits (Ref: Note 18.4)	163,194,626	195,510,424
		297,704,965	**196,034,947**
	Unfavorable Balances		
	Bank Balance Overdraft	-	404,521
		-	**404,521**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

20	Stated Capital	2022	2021
	Number of Ordinary Shares Issued and Fully Paid	50,245,608	50,245,608
	Ordinary Share Capital Issued and Fully Paid	**502,456,080**	**502,456,080**

21 Revaluation Reserve

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

22	Retirement Benefits Obligation	Note	2022	2021
	Balance as at 01 April		**79,731,435**	**68,393,217**
	Expenses Recognized in Profit or Loss	22.1	3,418,199	11,211,931
	Payments Made During the Year		(9,235,432)	(7,829,240)
	Acturial Gain Losson obligation		-	7,955,528
	Balance as at 31 March		**73,914,153**	**79,731,435**
22.1	**Expense Recognized in Comprehensive Income**			
	Current Service Cost		3,311,169	4,030,643
	Interest Charge for the Year		7,973,144	7,181,288
			11,284,313	**11,211,931**

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

The principal assumptions used are as follows.

	2022	2021
Discount Rate [%]	8.5	10.5
Future Salary Increases [Rs.] - Executive	Fixed Rate 1.5%	1,150
Future Salary Increases [Rs.] - Other		240
Staff Turnover Factor [%]	0 - 2	1 - 2
Retirement Age [Yrs]	60	60

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

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

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

The Principle Assumptions	Sensitivity [%]		Gratuity Liability Change	
	Increase in 1%	Decrease 1%	Increase in 1%	Decrease 1%
Salary Escalation Rate [%]	14.51	1.87	84,638,098	75,296,789
Discount Rate [%]	0.99	15.58	74,646,294	85,429,294

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

23	Deferred Taxation	Note	2022	2021
	Balance as at 01 April		**139,082,220**	**169,037,796**
	(Originated) / Reverse for the Year Recognised in Profit or Loss		(37,246,367)	(7,963,264)
	Deferred Tax Expenses Recognised in OCI for Revaluation Surplu		(941,065)	(21,992,312)
	Balance as at 31 March	23.1	**100,894,788**	**139,082,220**

23.1	**The Analysis of Deferred Tax Assets and Liabilities**		
	Deferred Tax Liability		
	From Accelerating Depreciation	168,202,520	172,123,969
	From Revaluation Surpluses	3,816,923	4,757,988
		172,019,443	**176,881,957**
	Deferred Tax Assets		
	From Retirement Benefits Obligation	(17,739,397)	(19,135,544)
	Deferred Tax Assets Arising accounting provisions	(53,385,258)	(18,664,192)
		(71,124,655)	**(37,799,737)**
		100,894,788	**139,082,220**

"The deferred tax liability on revaluation gain for non-depreciable assets (Land use for administrative purposes) should represent the current obligation to pay taxes in the future when the asset is sold. However, since there is no present obligation to sell the land, there is no present obligation to pay taxes. Therefore, no deferred tax liability recognised for the revalued lands. "

24	Trade and Other Payables		2022	2021
	Trade Payables		2,559,799,320	5,686,914,923
	Other Payables	24.1	188,938,791	84,005,044
	Payable to Organic Supplier (Government Funded)		214,802,469	-
			2,963,540,581	**5,770,919,966**

24.1	**Other Payables**		
	Sundry Creditors	173,051,227	68,530,974
	Retention Money	478,633	860,270
	General Treasury	14,962,309	13,929,039
	VAT/PAYE	(141,239)	-
	Others	570,968	667,868
	Payable to SLPA	16,892	16,892
		188,938,791	**84,005,044**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements
For the Year Ended 31st March 2022

(Expressed in Sri Lankan Rupees)

25	Interest Bearing Borrowings Short Term	Note	2022	2021
	People's Bank			
	Balance as at 01 April		**19,657,929,071**	**14,103,482,956**
	Obtained During the Year		8,391,084,309	11,437,869,814
	Paid During the Year		(2,828,929,633)	(5,883,423,698)
	Balance as at 31 March		**25,220,083,747**	**19,657,929,071**
	Non-current Portion		13,451,229,712	15,991,700,302
	Current Portion		11,768,854,035	3,666,228,769
			25,220,083,747	**19,657,929,071**

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

26	Deposits and Advances Received	2022	2021
	Refundable Performance Bond	3,874,499	3,874,499
	Staff Security Deposits	3,959,993	3,875,791
	Refundable Deposits	3,292,950	4,296,053
	Receipt in Advance	6,056,227	9,145,761
	Sundry Salary Deduction	19,166	120,139
	Excess on Sales	746,679	746,679
		17,949,514	**22,058,923**

27	Income Tax Payables	2022	2021
	Balance as at 01 April	**4,345,255**	**(41,815,681)**
	Payments Made for Previous Year	(4,345,255)	-
	Provision for the Current Year	21,019,056	46,160,936
	Balance as at 31 March	**21,019,056**	**4,345,255**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

28	Accrued Expenses and Provisions	2022	2021
	Accrued Expenses	63,741,302	78,201,983
		63,741,302	**78,201,983**

29 Capital and Other Commitments

No capital commitments were engaged during the year and outstanding as of the reporting date.

30 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.

31 Contingent liabilities

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

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

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

32 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.	2022	2021
Remuneration and Other Short - Term Employee Benefits	2,325,374	2,325,374

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	5,527,116,349	
	Sales of Goods	1,209,392,948	
	Recoveries of Trade Receivables	5,088,400	
State-Owned Enterprises	Short-term Loans borrowed	8,391,084,309	
	Settlements of Loans	(2,828,929,633)	
	Investments In Treasury Bills and Repo's		
	Proceeds from Maturity of Investment		
	Interest Received	180,425,396.37	
	Investments In Fixed Deposits		
	Investment during the year		
	Interest Received	-	
	Call Deposits and Saving Deposits	194,759,402.19	
	Current Accounts	297,698,705.51	
	Current Accounts - Overdraft	-	
Other Government Related Entities	Recoveries of Trade Receivables	68,805,790.00	

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

33	Financial Instruments and Risk Management	2022	2021
	The accounting classification of each category of financial instruments and their carrying amounts reported in the statement of financial position are stated below.		
	The Carrying Values of Financial Assets and Liabilities.		
	The carrying amount of the financial assets and liabilities reported in the statement of financial position are as follows,		
	FINANCIAL ASSETS		
	Financial Assets at Amortized Costs		
	Treasury Bills	807,101,718	730,446,740
	Investments are stated at amortized cost using the effective interest method		
	Trade and Other Receivables	**28,598,602,935**	**25,816,698,429**
	Employees Loans and Advances	35,470,521	39,171,276
	Investments in Government Securities	807,101,718	730,446,740
	Investments in Fixed Deposits	2,523,866,395	2,396,023,005
	Cash and Cash Equivalents	297,704,965	196,034,947
		32,262,746,534	**29,178,374,397**
	Financial assets at amotized cost are stated at amortized cost using the effective interest method		
	TOTAL FINANCIAL ASSETS	**33,069,848,251**	**29,908,821,137**
	FINANCIAL LIABILITIES		
	Financial Liabilities measured at Amortized Costs		
	Interest Bearing Borrowings	25,220,083,747	19,657,929,071
	Trade and Other Payables	2,963,540,581	5,770,919,966
	Deposits and Advances Received	17,949,514	22,058,923
	Bank Overdrafts	-	404,521
	Total Financial Liabilities	**28,201,573,841**	**25,451,312,481**
	The financial liabilities are stated at amortized cost using the effective interest method.		

Risk Management

A. Financial Risk Factors

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

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

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

01. Credit Risk

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

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

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

Risk Exposure to Financial Assets	2022	2021
Cash and Cash Equivalents	297,471,301	196,009,813
Investments in Government Securities	807,101,718	730,446,740
Investments in Government Securities	2,523,866,395	2,396,023,005
Trade and Other Receivables	28,453,931,827	25,672,027,321

Trade and Other Receivables

The company trades mainly with agrarian service centers, government institutions and authorized dealers. The management assesses the credit quality of authorized dealers based on the past experience and other factors such as financial guarantees from them. In addition, outstanding balances are monitored on an ongoing basis by the management and the Board. The age analysis of the company's trade receivables is given in Note 15.

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

Subsidy Receivables

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

Other Financial Assets

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

Liquidity Risk

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

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

The following table depicts the company's financial assets and liabilities maturity analysis as at 31 March 2021 based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Financial Assets and Liabilities	Carrying Amount (Rs.)	6 Month or Less	6 - 12 Months	More than 1 Years
Financial Assets				
Investments in Government Securities	807,101,718	-	807,101,718	-
Investments in	2,523,866,395	2,193,321,465	330,544,930	-
Cash and Cash Equivalents	297,704,965	297,704,965	-	-
Trade and Other Receivables	28,453,931,827	28,453,931,827	-	-
Employees Loans and Advances	35,470,521	35,470,521	-	-
Total Undiscounted Financial Assets	**32,118,075,426**	**30,980,428,778**	**1,137,646,648**	**-**
Financial Liabilities				
Interest Bearing Borrowings	25,220,083,747		11,768,854,035	13,451,229,712
Trade and Other Payables	2,963,540,581	5,636,893,295	3,906,516.96	
Deposits and Advances Received	17,949,514	17,949,514	-	-
Bank Overdrafts	-	-	-	-
Total Undiscounted Financial Liabilities	**28,201,573,841**	**5,654,842,809**	**11,772,760,552**	**13,451,229,712**
Net Undiscounted Financial Assets / (Liabilities)	**3,916,501,584**	**25,325,585,969**	**(10,635,113,904)**	**(13,451,229,712)**

Figures in brackets indicates deductions.

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

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

Currency Risk

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

The company has reported foreign exchange losses included in the operating results for the reporting period 2022 is Rs.373,856,996/-.

Interest Rate Risk

"The company's exposure to interest risk is the changes in market interest rates relate to the interest bearing borrowings with a fixed interest rate Rs 21,077,869/- 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. However, interest are paid by Government's treasury."

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

FORM OF PROXY

CEYLON FERTILIZER COMPANY LIMITED.

I/We.. being a member of the above named Company hereby appoint Mr./Mrs.. ....of failing him/her,Mr./Mrs. ....as my Proxy to vote for me on by behalf at the Annual General Meeting of the Company to be held on .... 2021 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 of.....................................2022. Signature of Shareholder

CEYLON FERTILIZER COMPANY LTD
Lakpohora Swarna Jayanthi Mawatha,
Hunupitiya, Wattala, Sri Lanka.

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