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வரையறுக்கப்பட்ட இலங்கை ஁ரக்கம்பனி
CEYLON FERTILIZER COMPANY LTD

The Foundation of
*Sustainable
Agriculture*
in Sri Lanka

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ANNUAL REPORT

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The Foundation of
*Sustainable
Agriculture*
in Sri Lanka



Ministry of Agriculture

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ANNUAL REPORT 2018



CEYLON FERTILIZER COMPANY LIMITED



ISO/IEC: 1705
TL 041-01

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

AWARDS



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

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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

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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 Divisional Fertilizer stores complex of the company.



54
YEARS

FERTILIZING THE NATION

(CORPORATE DETAILS)



For
Paddy Cultivation

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



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

BOARD OF DIRECTORS

Chairman

Mr. Roshana Waduge

(19.02.2015 – 31.03.2018)

Working Director

Mr. Madhawa Waththegama (19.02.2015 – 31.03.2018)

Mr. Ravi Krishan Jayawardana (24.08.2017 – 31.03.2018)

Director

Mrs. J.M.S.D. Rathnayake Additional Director General
National Policy Planning Department
(10.03.2015 – 31.03.2018)

Mr. D.K.M.R. Kumarasiri Ministry of Agriculture
(27.11.2017 – 31.03.2018)

Mrs. Anoja Herath Director - Development
(01.04.2017 – 31.10.2017)

Mr. Hemaka Lasitha Balasuriya (19.02.2015 – 31.03.2018)

Mr. Upul Peiris (19.02.2015 – 31.03.2018)

Company Secretary

Consultants & Corporate Secretaries (Pvt) Ltd.

Management Team

Mr. Priyantha Samaraweera General Manager (Acting)
Manager (Finance)

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

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

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

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

Mrs. M.L.U. Perera Manager (Laboratory)

Mr. Fahim Alawdeen Manager Special Project

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

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



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

Fifty Four Year Fertilizing the Nation

MILESTONES ON OUR JOURNEY

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.

The permit system is abolished and the fertilizer subsidy introduced.

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.

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.

1964

1966

1970

1976

1977

1978

1980

1986

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.

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

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.

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

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

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

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

The company, guided by wise management decisions starts to pull itself out of the red. It reduces 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.

1988

1992

1994

2002

2005

2007

2014

2010

2013

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

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

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

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

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



Purpose

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

Vision

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

Values

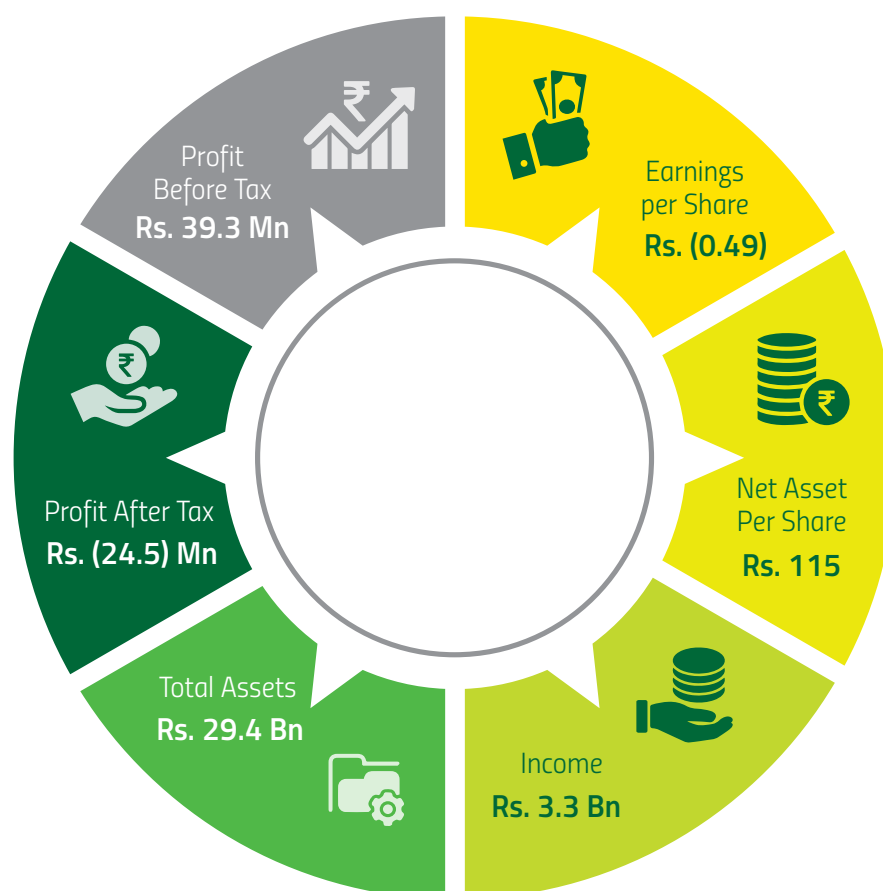
Keeping environment sustainability, assuring a healthy future generation and connecting to farmer at grassroots level are the key Values upon which we will build our future product range.



For
Other Crops

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

FINANCIAL HIGHLIGHTS



Income Statements and Rates		2018	2017	Difference
		Rs.	Rs.	%
Income	Rs.	3,373,989,990	2,350,637,985	44%
Profit before taxation	Rs.	39,346,123	127,804,541	-69%
Profit after tax for the year	Rs.	(24,536,064)	139,592,032	-118%
Earnings per share	Rs.	(0.49)	2.78	-118%
Benefits on assets	%	-8.00%	0.39%	-2151%
Benefits on liabilities	%	0.42%	2.36%	-82%

Financial Status Statements and Rates		2018	2017	Difference
Total Assets	Rs.	29,476,571,820	35,608,679,679	-17%
Total Equity	Rs.	5,806,434,717	5,504,165,203	5%
Number of shares issued	No.	50,245,608	50,245,608	-
Net asset per share	Rs.	116	118	-2%

FINANCIAL SUMMARY FOR LAST TEN YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	SLAS	SLAS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS (Restate)	SLFRS
(For 7 Month)										
Statement of Comprehensive Income										
Revenue	1,370,080,315	1,904,299,851	2,246,402,738	2,496,268,383	2,450,132,816	2,563,549,727	3,835,989,834	4,242,769,733	2,350,637,985	3,373,989,990
Gross profit	221,286,371	322,826,103	414,124,001	310,189,751	621,684,097	575,467,461	855,558,167	1,097,447,923	231,025,777	31,497,063
Other income	130,892,642	132,287,779	157,164,017	197,912,757	108,809,998	93,172,755	142,197,667	122,926,594	29,096,825	45,440,368
Profit before taxation	35,088,271	42,411,705	73,979,009	159,544,495	199,894,319	241,328,764	520,200,738	836,604,005	127,804,541	39,346,123
Taxation	(25,092,763)	(35,000,000)	(43,666,668)	(52,315,944)	(73,037,738)	(62,869,313)	134,184,888	(233,331,176)	11,787,491	(63,882,188)
Profit for the year	9,995,508	7,411,705	30,312,341	107,228,551	126,856,581	178,459,452	386,015,851	603,272,829	139,592,032	(24,536,064)
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	1,616,307,519	1,986,087,280	1,986,087,280	1,836,179,780	1,835,723,580	1,835,723,580	1,833,071,080	1,833,071,080	2,506,976,187	2,511,388,189
Retained Earnings	201,385,007	208,796,713	224,109,054	1,285,578,730	1,397,891,510	1,500,363,432	1,869,914,195	2,392,840,203	2,899,788,327	2,792,590,448
Total equity	2,320,148,607	2,697,340,072	2,712,652,414	3,624,214,590	3,736,071,170	3,838,543,092	4,205,441,355	4,728,367,363	5,909,220,594	5,806,434,717
Property, plant and equipment	1,686,442,553	1,902,075,430	1,895,412,152	1,908,557,760	1,882,887,059	1,879,174,306	1,865,055,225	1,838,655,988	2,683,237,393	2,636,328,307
Capital working progress	20,024,735	15,934,103	542,901	-	-	-	29,982,587	32,152,294	21,960,737	22,316,114
Deferred tax expense	-	-	-	4,862,949	73,037,738	5,561,375	37,484,888	-	-	-
Investment in treasury bills	172,614,796	332,205,456	434,767,955	471,025,753	338,620,163	369,088,140	489,125,747	514,903,604	532,548,539	439,277,353
Intangible assets	-	-	-	-	669,017	344,717	115,417	79,667	-	-
Deferred tax assets	-	-	76,814,523	71,951,574	-	-	-	-	-	-
Net current assets	610,949,150	12,476,640,540	6,975,143,544	1,706,541,296	1,915,693,141	2,025,842,182	2,417,551,302	2,963,028,124	29,833,731,662	16,516,623,681
Deferred tax liabilities	-	-	-	-	1,086,164	6,647,539	44,132,427	40,928,542	251,974,437	242,009,768
Long term loan	-	11,837,929,928	5,369,929,928	-	-	17,728,367,618	31,304,325,268	-	-	-
Cash Flow Statement										
Net cash inflow/(out flow) from operating activities	(23,925,719)	(12,169,047,254)	(16,012,155,140)	12,695,227,509	(9,517,159,808)	(5,094,105,859)	(9,560,794,959)	4,859,448,679	11,542,320	8,052,725,854
Net cash inflow/(out flow) from investing activities	(85,865,511)	12,216,587,459	(36,565,665)	(8,458,411)	83,232,936	(498,105,232)	(1,021,212,231)	(1,086,700,012)	(908,705,035)	278,487,418
Net cash inflow/(out flow) from financing activities	46,739,763	(159,725,222)	16,168,483,382	(13,079,312,780)	9,575,483,282	5,654,013,585	10,614,850,014	(3,843,885,272)	(7,628,967,604)	834,304,831
Other Information										
Earning per share (Rs)	0.22	0.17	0.60	2.13	2.52	3.55	7.68	12.01	2.78	(0.49)
Dividend per share (Rs)	0.06	0.06	0.18	0.18	0.76	1.05	2.30	3.60	0.83	(0.15)
Net asstes per share (Rs)	46	54	54	72	74	76	84	94	118	116
Current ratio (No.of times)	1.04	2.09	1.29	1.08	1.08	1.06	1.06	1.09	9.59	2.60



For
Coconut

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

MESSAGE FROM THE CHAIRMAN

The Ceylon Fertilizer Company Limited has, for over five decades, been the foremost state agency servicing the agrarian input requirements of Sri Lanka's farmers. In exercising its mandate it has constantly aligned itself with state policy with respect agriculture and specifically its policies on fertilizer.

The year under review saw a paradigm shift in state policy that rejected completely, decades long agrarian practice with respect to the types of fertilizer to be used. Additionally, the new policy package removed the long standing fertilizer subsidy and required fertilizer manufacturers to compete equally in the open market. All of these were aimed at moving the nation away from the use of agrochemicals towards organics via the Toxin-Free Nation Program (TFNP).

While recognizing the absolute importance of these initiatives to achieve development durability and align the nation with global thrusts towards sustainability, the almost overnight policy shift created a situation where the company had not only to add to and, in some instances change, its primary product range but also required it to change its business and marketing model to directly compete with the private sector.

As has always been the case, the company responded immediately to the change in policy and did its utmost to reposition itself over a very short period of time to the changed business scenario. However, the shift in fertilizer types from chemical to organic, and more importantly, the provision of the fertilizer subsidy as cash directly to the farmer resulted in a significant drop in sales of all types of fertilizer across the fertilizer sector. This drop was compounded by drought conditions prevalent in some of the agricultural heartlands of the country.

This combination of negatives resulted in drastic drops across all financial indicators. While there was a 44% increase in revenue over the year under review, administrative expenses saw a 7% increase. Low margins in a competitive and comparatively shrunk

The year under review saw a paradigm shift in state policy that rejected completely, decades long agrarian practice with respect to the types of fertilizer to be used.

market therefore saw a decrease in profit after tax of 69% against a drop of gross profit by as much as 87%. While the company's assets remained strong at LKR 29.5 billion of which 8% are non-mobile, increasing sales, especially in organics, while reducing administrative costs and increasing margins through innovative products, improved automation and improved utilization of non-performing assets are high priority areas for the coming year.

Towards this short-term goal, keeping in mind state policies and contributing to making Sri Lanka sustainable, I am confident that the long standing and highly experienced and capable management team of the company will continue to do their utmost to rapidly reverse the negative trends that have resulted from external operating environment changes and reposition the company at the apex of the fertilizer market primarily and other agricultural inputs secondarily. I am also fully cognizant of the key role played by our superbly enabled island-wide distribution network and at present, there is active engagement and discussion with them to optimize the process by increasing its efficiency while simultaneously, there is a strong awareness campaign conducted by the company to promote its organic range of products which are superior to most similar products that are currently available in the market. The effort of the management, staff and distributors deserves special accolades considering the difficult year that has



passed and I am confident of their ability to see the company through this tough period.

I wish to express my gratitude on behalf of the company to the visionary leadership of the country that guided us in the right direction to challenge itself to achieve a development that is both lasting and equitable through its sustainability initiatives. Therefore, it is with heartfelt sincerity that I thank His Excellency President Maithripala Sirisena for his blessings and guidance,

Hon. Minister of Agriculture Duminda Dissanayake for the encouragement given, the Ministry Secretary and key ministerial officials for the support extended to us towards achieving the goals of the company.

Roshana Waduge
Chairman

STATEMENT OF THE GENERAL MANAGER





I am pleased to present the audited financial statement and the annual report for the financial year of 2017/2018 and address our valued shareholders, our partners and stakeholders as yet another financial year comes to an end.

Flood and drought that significantly impact agriculture was a significant negative for agriculture during the year under review with much of the effort of farmers coming to naught.

Nevertheless, the company put its full efforts behind the policy based initiative of His Excellency the President "A toxin-free nation, a healthy populace". In that respect, we involved ourselves in a massive effort to reduce promoting agrochemicals and increase the usage of organic fertilizers among our farming communities.

Adhering to our responsibilities, we became the first state agency to introduce organic pellet and liquid fertilizers to the farmers of Sri Lanka under the brand name "Sangstha". We were able to face up to the difficult challenge of competing with 17 private sector organizations to leverage our goodwill, brand recognition and state patronage to rapidly penetrate the organics market with a view to expanding our market share over the year under review.

While our primary mandate is to supply fertilizer to the people, we recognized that there was a critical requirement for us to expand our services to include the provision of other agrarian inputs as well at a significantly subsidized rate. Therefore, plans are already completed to market seed, liquid sprayers, mamoty heads, tractors etc. under the "LakPohora" brand name.

*Adhering to our responsibilities,
we became the first state
agency to introduce organic
pellet and liquid fertilizers to the
farmers of Sri Lanka under the
brand name "Sangstha".*

I am proud to state that the year under review was the one in which Information and Communications systems were fully integrated and tied directly across the demand-supply dynamic to optimize the efficiency and ease of doing business with the company.

We, the Lakpohora family, have collectively resolved to put forth every effort, desiring above all to commit ourselves unreservedly to facing and overcoming every single challenge that the future holds in store for the company.

It is with joy and heartfelt gratitude that I sincerely thank the Honorable Minister of Agriculture, the Secretary of his ministry his ministerial staff, the Chairman of Lakpohora and its Board of Directors and every single member of the lakpohora family.


Priyantha Samaraweera
General Manager



For
Rubber Cultivation

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

BOARD OF DIRECTORS



Mrs. Anoja Herath
Director

Mr. D.K.M.R. Kumarasiri
Director

Mr. Upul Peiris
Director

Mr. Hemaka Lasith Balasuriya
Director



Mr. Roshana Waduge
Chairman

Mr. Madhawa Wattegama
Working Director

Mr. Ravi Krishan Jayawardana
Working Director

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

BOARD OF DIRECTORS



MR. ROSHANA WADUGE

Chairman

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

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

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

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

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



MR. MADHAWA WATHTHEGAMA

Working Director

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

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



MR. RAVI KRISHAN JAYAWARDANA

Working Director

After gaining academic qualifications with a Management Diploma of the Asian Technical Institute, Bangkok, Thailand, he won the Youth Award 2016 offered by the International Open University for Achieving Sustainable Development Goals.

He has worked in the Federation of Sri Lanka Youth Club for 10 years and represented the National Youth Council's Board of Directors three times.

From year 2005 onwards, he has performed duties as a Media Secretary for 05 Ministries and as the Vice President of the National Food Promotion Board.

While working as the President of the Sri Lanka Soft Ball Cricket Federation, he is actively engaged in the business field as the Chief Executive Officer of Sayukri Holding Private Limited.

He founded Healthy Food Shop, a leading organization for marketing of toxic free food items and won the award for best food marketing and the prestigious "Masco" Award for toxic free food marketing. A Sri Lankan coordinator for the World Democratic Youth Conference, he has represented Sri Lanka in Youth Conferences across the world.



MR. HEMAKA LASITHA BALASURIYA

Director

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

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

BOARD OF DIRECTORS



MRS. J.M.S.D. RATHNAYAKE

Director

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

Being a member of the Sri Lanka Economics Association and Sri Lanka Policy Planning Association, she has worked as a Standards Officer at the Sri Lanka Standards Institute (1993 – 1994), as an Assistant Director of the Finance and National

Implementations Department (1994 – 2004), as an Assistant Director in the Development Finance Department of the same Ministry and as the Project Director of the Program. for Rural Finance Sector Development. After performing her duties as the Director in the Department of Budget Preparations of the same Ministry from 2011 to 2013, she is presently working as the Additional Director General in the Ministry of National Implementations.

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



MR. UPUL PEIRIS

Director

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

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



Mr. D.K.M.R. Kumarasiri

Director

Ministry member Chief Account, Ministry of Agriculture.

BOARD OF DIRECTORS



MRS. ANOJA HERATH

Director

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

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

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

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

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

S & A CONSULTANT

Private Limited

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



SENIOR MANAGEMENT TEAM



Mr. P.R. Samaraweera

General Manager (Acting) and Manager (Finance)

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

Mr. B.D.L. Kumarasiri

The Chief Internal Auditor of the company

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



Eng. D. M. N. A. Dissanayaka

The Manager (Technical)

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

Mr. R.A.P. Perera

The Manager (Distribution)

He has a special degree in Sociology from the University of Colombo. Additionally, he holds diplomas in Information Technology & Management. He has successfully completed diploma program on productivity at the National Productivity Secretariat and a judge panel member of National productivity award program. He has successfully completed advance courses in fire & safety, industrial health & safety, machinery & equipment maintenance. Presently reading for supply chain management.





Mrs. R.P.S. Bodhipala

The Manager (Sales & Marketing)

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

Mrs. 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. Fahim Alawdeen

The Manager (Special Projects)

An old boy of D.S.Senannayeke College Colombo. He obtained his BEng (Hons) degree from Kingston university United Kingdom and post graduate diplomas for management and marketing from the Irish International University United Kingdom. He is the former Marketing consultant of this company and he has gained expertise over 15 years in many fields playing a multitude of roles covering many areas of work including Design, Engineering, Sales and marketing, maintenance and operations and administration in United Kingdom and Sri Lanka. He worked as the co-ordinating Officer to the Former Minister of Irrigation and water resources and Disaster management. He is a member of institute of engineers of the United Kingdom and a Member of Royal Aeronautical Society.

Mr. C.P.P. Bulathsinghala

The Acting Manager (Administration & Human Resources)

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

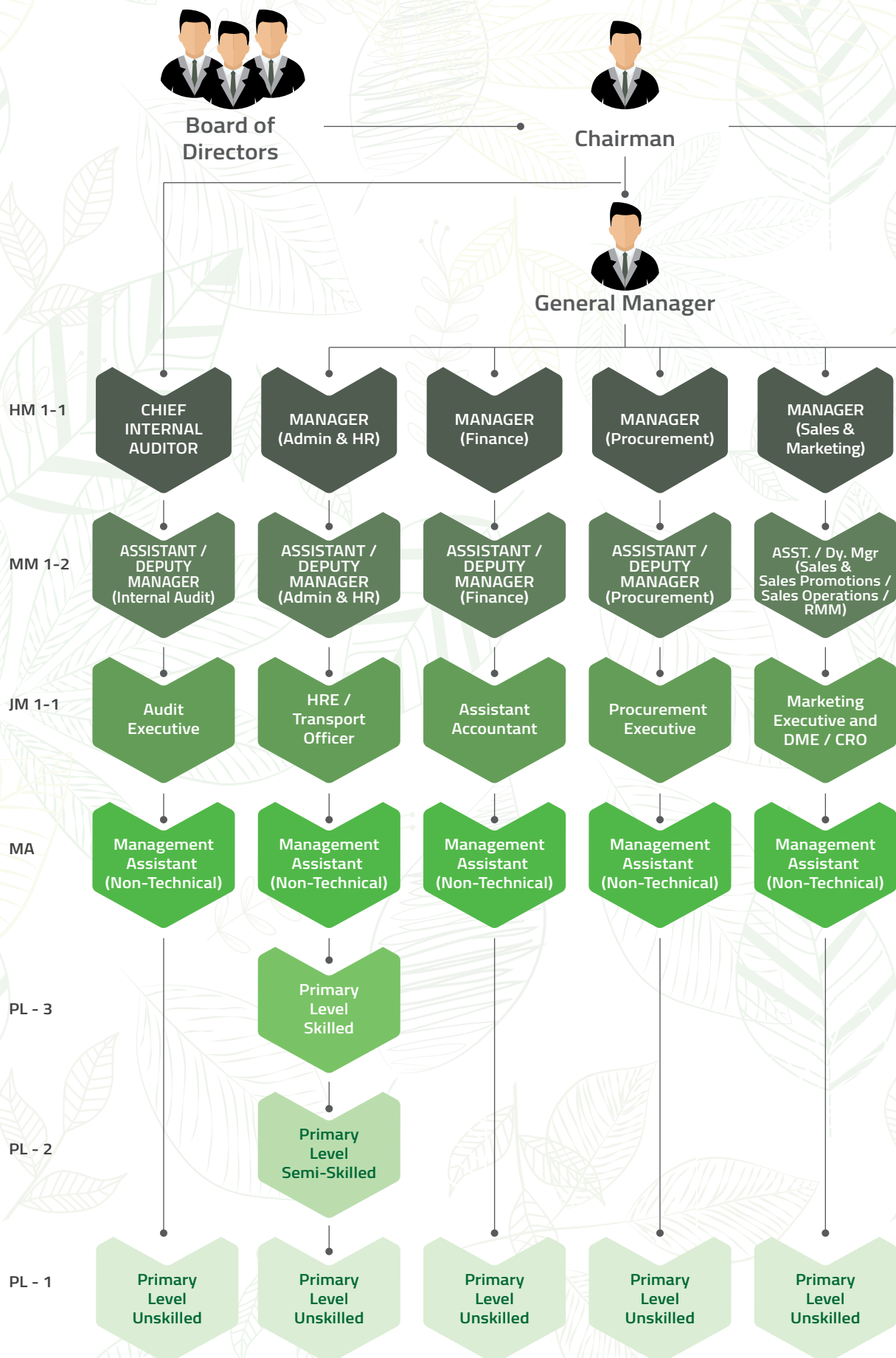


Mr. G.G. Saman

The Acting Manager (Procurement & Imports)

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

ORGANIZATIONAL STRUCTURE OF THE COMPANY

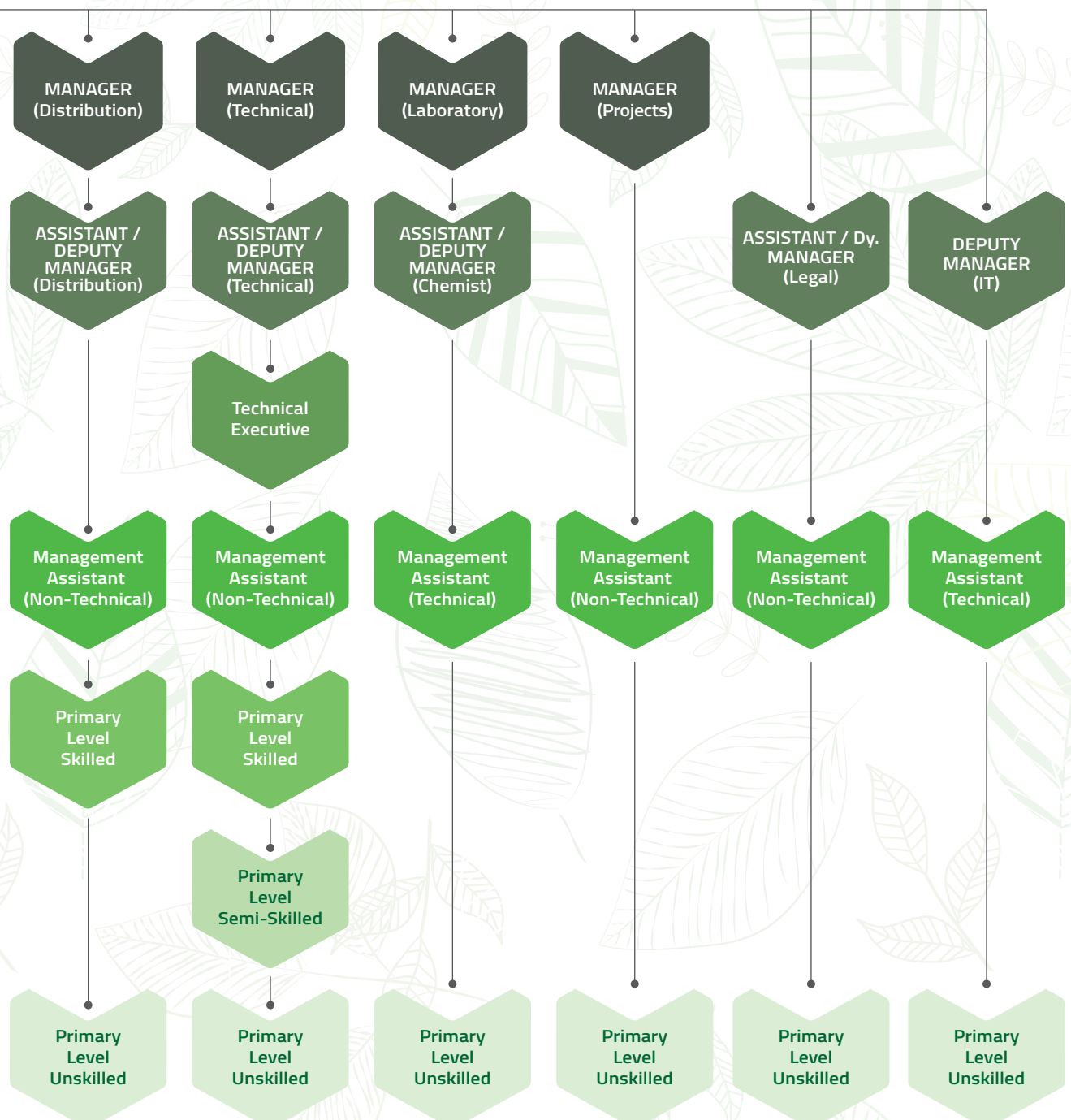




Working Director - I



Working Director - II





44 Island wide fertilizer distribution warehouse network....



Ceylon Fertilizer Co. Ltd. Islandwide Fertilizer Distribution Network

Northern Region

Kondavil
Kilinochchi
Varani
Olumadu
Murankan

North Central Region

Medawachchiya
Horowpathana
Nochchiyagama
Hingurakgoda
Welikanda
Polonnaruwa

North Western Region

Anamaduwa
Maho
Kurunegala
Nattandiya

Central Region

Dambulla
Nagolla
Matale
Gampola
Rikillagaskada
Nuwara-Eliya

Eastern Region

Trincomalee
Kantale
Batticaloa
Dehiattakandiya
Ampara
Pothuvil

Western Region

Hunupitiya
Dodangoda
Matuhgama
Pelawatte

Sabaragamuwa Region

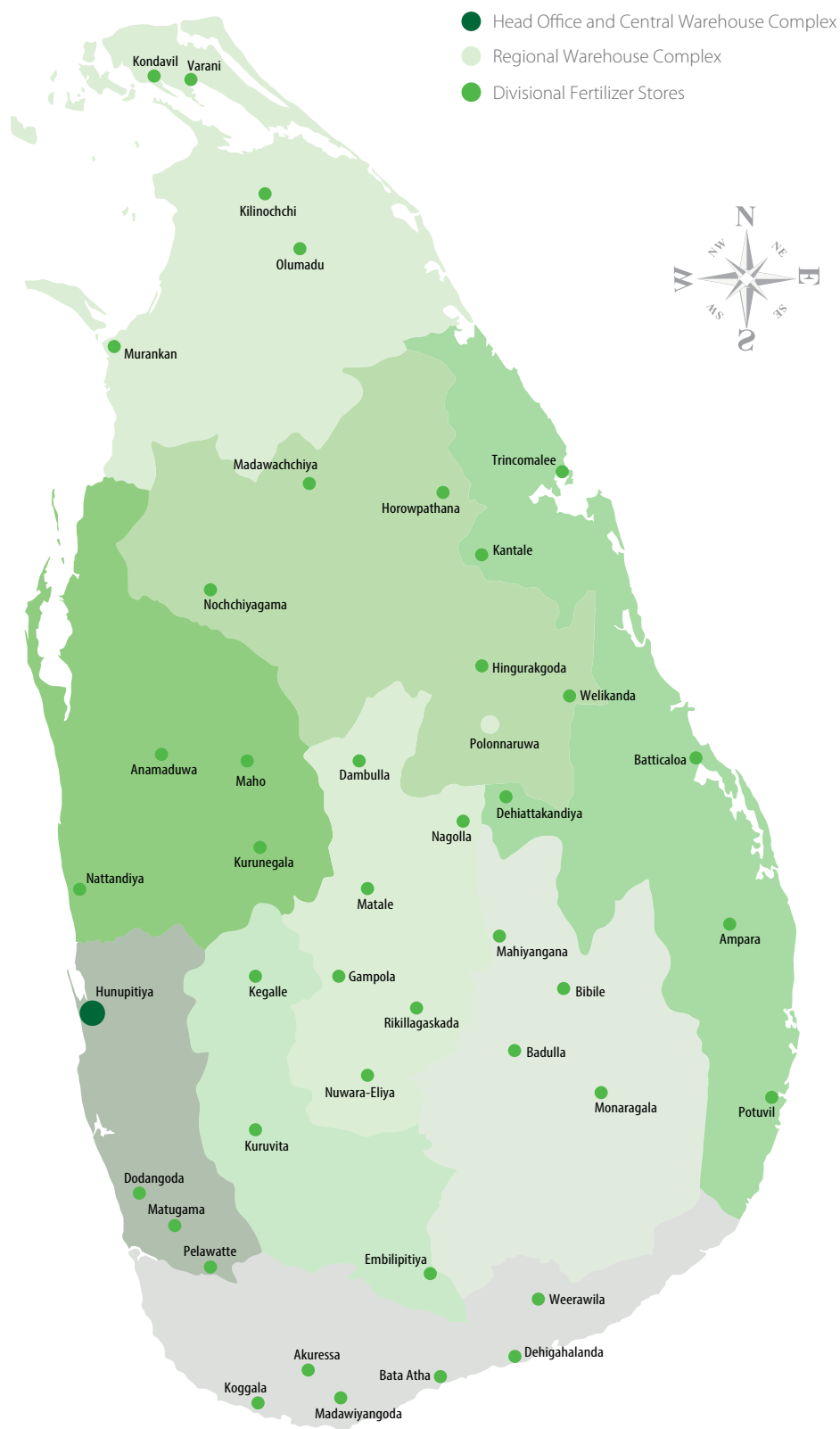
Kegalle
Kuruvita
Embilipitiya

Uva Region

Mahiyanganaya
Bibile
Badulla
Monaragala

Southern Region

Weerawila
Dehigahalanda
Bata-Atha
Medawiyangoda
Akuressa
Koggala





MANAGEMENT REVIEW AND ANALYSIS



General Economic Overview Focused on the Agricultural Sector

According to official data released by the department of census and Statistics (DCS), Sri Lanka's real GDP growth decelerated further during 2017 to 3.1% from the growth of 4.5 % recorded in 2016.

The external value of the Sri Lankan rupee remained relatively stable in 2017 under a more market based exchange rate policy implemented by the central bank during the year. The depreciation pressure on the rupee, which prevailed particularly during the



first two months of 2017, moderated thereafter with increased foreign investment to the government securities market and the CSE, and the increase in the conversion of export proceeds. The depreciation pressure on the rupee further eased from May onwards with the receipt of the proceeds from the ISB, the foreign currency term financing facility and disbursements of two tranches of the IMF-EFF program, which helped improve investor confidence.

Sri Lanka's external sector improved gradually in 2017 with higher foreign exchange inflows to the financial

account. Earnings from the export of merchandise goods recorded a notable double digit growth in 2017, partly supported by the reinstatement of the European Union's Generalized System of Preferences plus (EU GSP+) facility, and strong institutional and policy support. However, higher than expected expenditure on imports, particularly on fuel and rice imports, to manage the impact of disruptive weather conditions, as well as imports of gold, caused an expansion in the trade deficit during the year.

Agriculture related activities recorded a contraction of 0.8 % against the backdrop of adverse weather

conditions that continued from 2016, while a slowdown in economic activity in both services and industrial sectors was observed. Amongst the sub activities of agriculture, growing of oleaginous fruits, vegetables and rice reported negative growth rates. However, the growth of forestry and logging, fruits and tea helped contain the contraction in agriculture activities to some extent. Industry related activities, accounting for 26.8% of real GDP, grew by 3.9% in 2017.

The output of major agricultural crops such as paddy, vegetables, other food crops and coconut declined considerably, mainly due to the drought that prevailed during the year. Paddy production during the two seasons, 2016/17 Maha and 2017 Yala, fell significantly, resulting in a decline in the total paddy production by 46.1 per cent to 2,383 million kg, recording the lowest production during the last decade. Consequently, rice production in 2017 was sufficient to meet only eight months of domestic demand. This drove up retail prices of rice, prompting the government to reduce levies on the importation of rice. Accordingly, rice imports increased during the year to meet the shortfall in domestic production and arrest escalating price pressures.

Coconut production was also affected by dry weather conditions that continued from the previous year. Amidst the decline in production by 18.7 per cent to 2,450 million nuts, the average retail price of a fresh coconut increased by 47.1 per cent to Rs. 67.40 during the year.

Production of both vegetables and other food crops was also hampered by adverse weather, with vegetable production declining during the 2016/17 Maha season as well as the 2017 Yala season. Meanwhile, encouraged by elevated prices, tea production, which has been falling in recent years, improved during 2017 with favorable agro climatic conditions in major tea planting areas, particularly during the second half of the year, and factories operating at increased capacity. Considering the importance of the agriculture sector for

the overall wellbeing of the population, the government provided enhanced support for the sector.

According to the Central Bank of Sri Lanka, there should be a policy shift towards encouraging farmers in more commercially viable activities. Furthermore, it also expresses concern that the fertilizer subsidy scheme that was introduced to increase yields in 1962 has resulted in overuse of agrochemicals without reciprocal increases in yield indicating that there needs to be a subsidy dependent subsistence farming model towards commercial agro-action with reduced post-harvest waste, increased efficiency of process management and improved access to local and international markets.

Corporate review :

The Ceylon Fertilizer Corporation Limited imports fertilizer as well as sources some of the required raw materials locally. It creates optimized mixes for specific crops such as rice, vegetables, legumes etc., tests these at in-house laboratory facilities and markets it through an island-wide distribution network. Since 2005, the state subsidized fertilizer to the farming community. However, it removed this subsidy briefly in 2016 and reintroduced it in 2018 and these state policies have had a significant impact on the bottom lines of the CFCL.

The general aims of Ceylon Fertilizer Company Limited in the broadest possible sense it to be the Sri Lankan farmer's "friend in need" who imports fertilizer and distributes it in mixed and straight forms and to function as a state institute that is committed to develop the agricultural industry.

CFCL is fully committed to distributing quality fertilizer as and when it is necessary to Farmers Island wide while ensuring product quality standards through a rigorous testing process at industrial research institutes. Samples of each type of fertilizer distributed from CFCL stores to authorized dealers are tested at the in-house laboratory, which is authorized by the Sri Lanka Authorization Board and ISO/IEC/17025:2005 certified. In addition to these standards, the CFCL is certified ISO 9001/2008 as well as ISO 14001/2004.

The central stores complex at Hunupitiya, Wattala has a capacity of 67,000 Mt while the main regional stores complex in Polonnaruwa has a capacity of 18,000 Mt. In addition to that, the total capacity of the stores network consisting 43 stores island wide is 50,000 Mt.

Although a large component of its business is in supplying paddy fertilizers, in addition the company has a wide portfolio of straight and mixed fertilizer products tailored to specific crops such as tea, coconut, rubber, vegetables, fruit, flowers etc. It has also embarked recently on Marketing and Distributing organic fertilizers in line with emerging global trends in sustainable agriculture.

The CFCL's internal operations are fully automated with a comprehensive ERP that spiders into all aspects of the business through a user friendly, cost effective End-to-End solution.

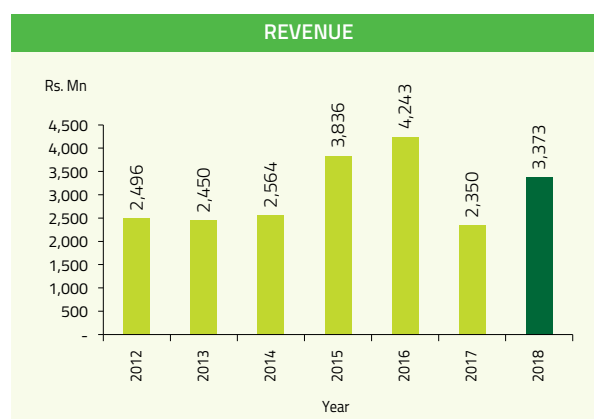
Summary of sales:

Year	Direct Fertilizer (Mt.)	Mixed Fertilizer (Mt.)	Total
2016/2017	46,299	5,006	51,305
2017/2018	65,921	7,975	73,896

DIRECT FERTILIZER	Sales (Mt.)
UREA	30,181
TSP	8,628
MOP	5,531
ERP	283
HERP	110
SA	771
BORETE	9.0
ZINC SULPHATE	85
DOLOMITE	366
SOP	46
DAP	15
CES	174
KIE	100
TOTAL	46,299

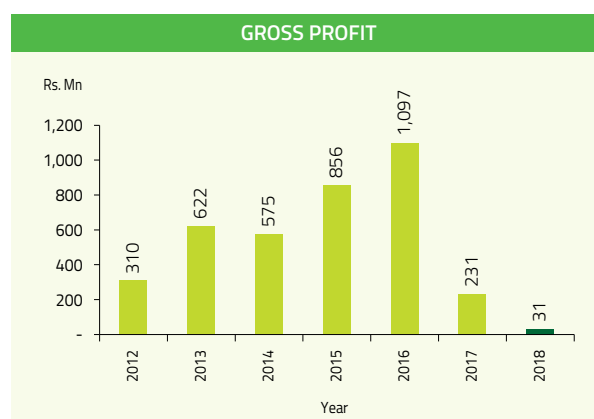
Financial Review

The Company recorded an income of Rs. 3.37 billion from the sale of fertilizer for paddy and other crops and that was an increase of 44% year-on-year.



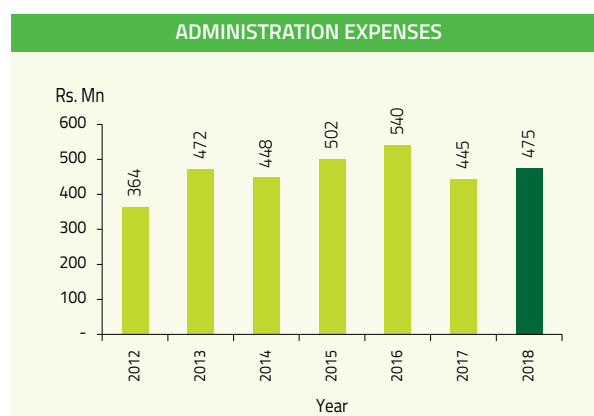
Gross Profit

Company had recorded a gross profit of Rs.31 Million during the year under review which was an 87% decline year-on-year. The removal of the fertilizer subsidy due to state policy changes was the key reason why the gross profit declined so dramatically during the year 2017/2018.



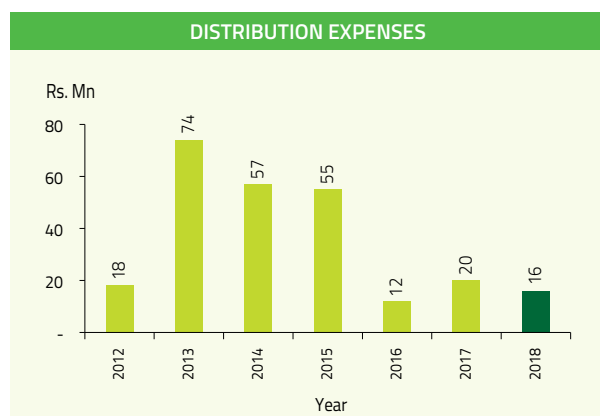
Administrative Expenses

Company's administrative expenses for the financial year was Rs.475 Million and it was an increase of 7% compared to the previous year.



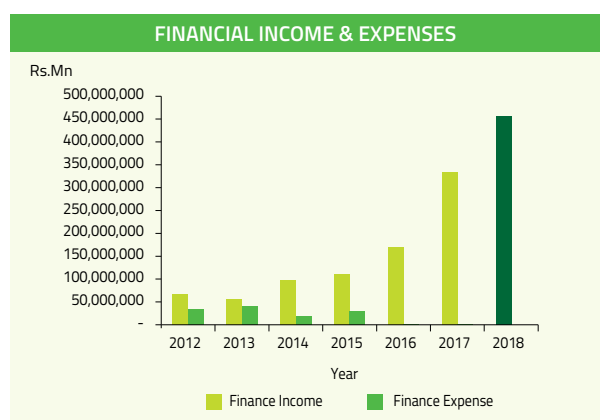
Distribution Expenses

The company took due note of the fact that distribution expenses increased year-on-year for the year 2016/2017 and increased the effectiveness and efficiency of management as well as improved the spread and efficiency of the network to ensure that distribution expenses had dropped by 20% to Rs. 16 Million.



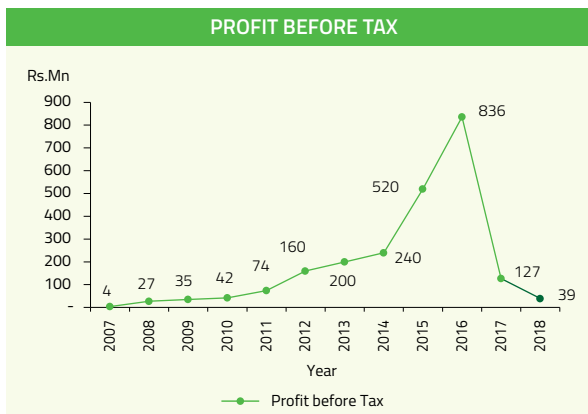
Financial Income and Expenses

Company's financial income has increased to Rs.456 Million during the year under review. Due to internal efficiencies being leveraged and optimizing the automation of fiscal processes via the ERP, the financial expenses have dropped dramatically to just Rs. 126,125.



Profit Before Tax (PBT)

Due to the removal of the fertilizer subsidy due to state policy changes and its significantly negative impact upon bottom lines, the company recorded a profit before tax of just Rs. 39 million, a 69% decline and its lowest in eight years.

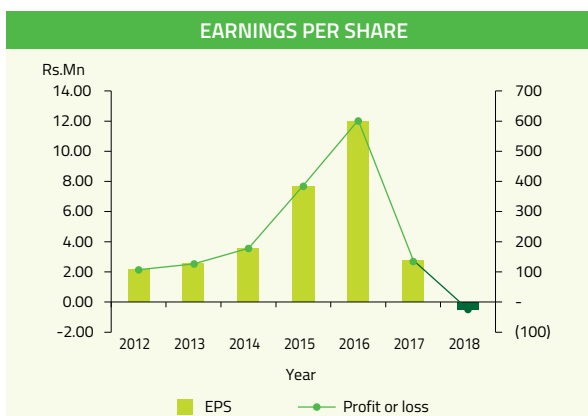


Tax

Income tax cost for the financial year was Rs. 82 Mn and it was Rs. 44 Mn in 2017/18. Differed tax cost of Rs. 29 Mn Million is included in the income tax expenses.

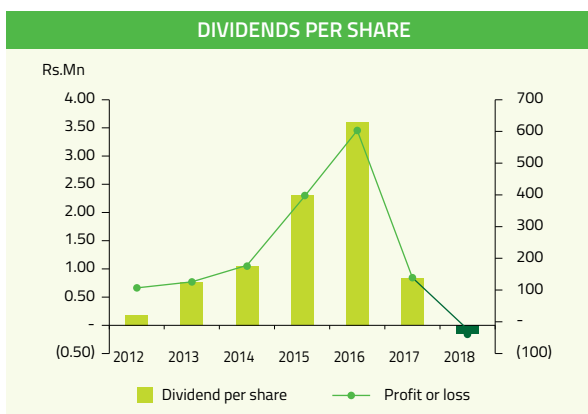
Earnings Per Share (EPS)

The company recorded a negative value of Rs. 0.49 and it is the first time in eight years that the EPS has been negative.



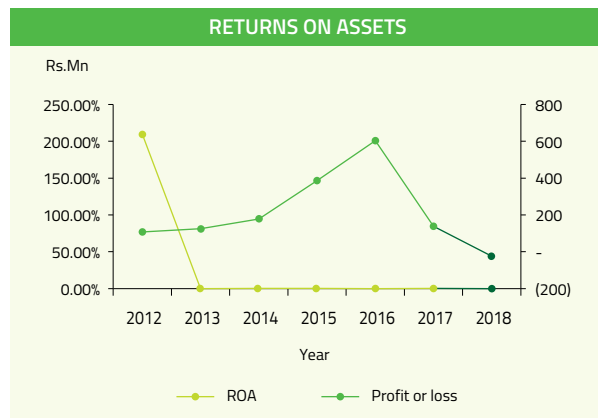
Dividends Per Share (DPS)

Dividend Per Share in the financial year was a negative Rs.0.15 which is a 118% decline YoY.



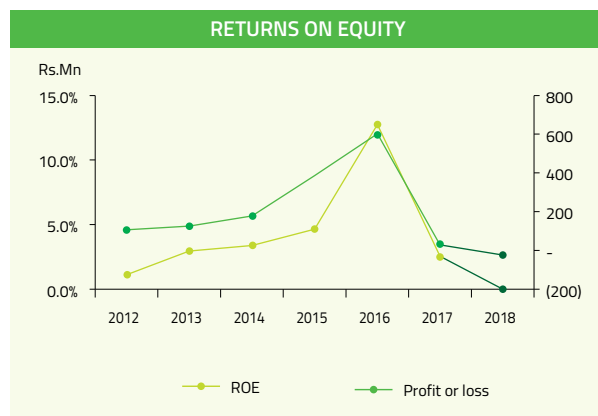
Returns on Assets

The company was able to generate a re-profit of 0.0% on total assets in the projected year. This was a decrease of 100% compared to the previous year.



Returns on Equity (ROE)

The company's ROE declined to 0.0%, a decrease of 100%.

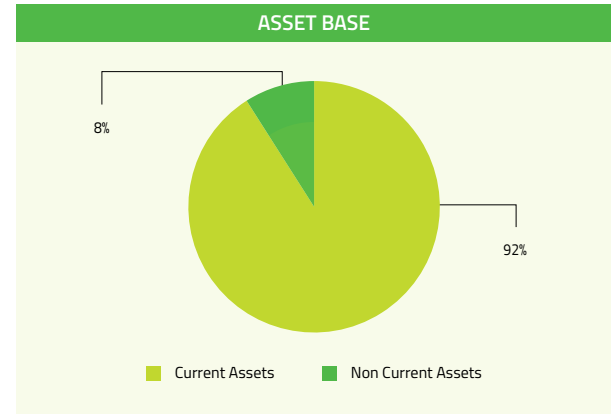


Asset base

The company's total asset value, with non-mobile assets of 8% and mobile assets of 92%, was Rs. 35.6 Billion at the close of the financial year of 2017.

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

Total assets had decreased by 17% compared to the last year.



Cash flow and liquidity

Cash generated by way of operations and investments are the main cash sources of the company. Cash flow from operations was Rs. 8,052 Million and the net cash flow from investments was Rs. 591 Million in the projected financial year. Cash flow from the company's financial functions in the reviewed year was Rs. 7,628 Million.

Service credit and working capital requirements

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

Shareholders' funds

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



Good Practices and Employee Policies

Our Human Resources Management Strategies have been properly prepared in accordance with Shop and Office Act, Wages Board Ordinance, Guidance 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

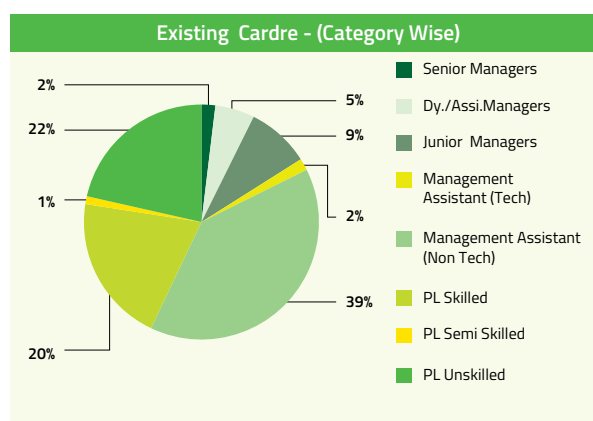
- Official vehicles are provided to Regional Managers who achieve sales targets.
- Motorcycles are offered to District Sales Executives in order to reduce fatigue and increase productivity.
- A medical Insurance scheme is established to improve access to health services from a financial perspective for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

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

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 368 employees 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.

Permanent employees as at 31st March 2018



All employees as at 31st March 2018 : 368

Employees on a Provincial Basis as at 31st March 2018:

Se. No	Provinces	No Of Employees
1	Northern and North Central Province	39
2	North Western Province	12
3	Southern Province	29
4	Central Province	32
5	Eastern Province	24
6	Uva Province	11
7	Sabaragamuwa Province	14
8	Western Province (Including Head Office)	207
Total		368

Permanent employees on a gender basis as at 31st March 2018

Category	Salary Code	Gender	
		Male	Female
Senior Manager	HM 2.1	0	0
Senior Manager	HM 1.2	5	2
Manager	MM 1.2	16	4
Junior Manager	JM 1.1	25	7
Management Assistant (TECH)	MA 2.1	3	3
Management Assistant (None TECH)	MA 1.2	80	65
Primary Level (Skilled)	PL 3	75	0
Primary Level (SemiSkilled)	PL 2	4	0
Primary Level (UnSkilled)	PL 1	79	0
		287	81

Employee health and safety

Employees' health is an essential factor for company's continuous performance and prioritizing our employees' 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 proficiency.



CORPORATE GOVERNANCE

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

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

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

Board of Directors

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

The Board of Directors would ensure that the enterprise has strategic goals and that the company functions to achieve the strategic goals. The Board of Directors would systematically supervise that there is an effective system for internal governance and risk management, that the management activities are effectively functioning and that the resources and assets are effectively utilized.

The Board of Directors would annually evaluate the performances of the General Manager and the Senior Management Staff, provide interested parties with sufficient details on financial matters and as and when reveal other requirements of the same nature on a systematic ground.

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

Appointing the Board of Directors

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

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

Board of Director Meetings

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

Directors' Allowances

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

Chairman

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

Secretary to the Board of Directors

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

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

General Manager and The Senior Management

General Manager and the Senior Management bear the responsibility of the Company's business management. They are responsible for implementing policies effectively and initializing the decisions made by the Board of Directors. General Manager and the Senior Management provide the Board of Directors with information and required explanations

for their consideration and making decisions. They prepare operations, plans and budgets enabling the achievement of company's vision and mission whilst maintaining administrative and regulatory systems for effective management of the company.

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

Financial Reports

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

Annual Audit

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

Audit and Risk Management Committee

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



RISK MANAGEMENT REPORT

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

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

Identification and evaluation of risks are the first and foremost things that need be done. Strategies that could be used to avoid, minimize and change the identified risks are planned after that. The Board of

Directors should ensure the availability of an effective Risk Management System that focuses on the operations of the company.

Key Risk Factors

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

Strategic Risks

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

The key concept behind strategic risk is the failure to achieve our proposed organizational goals. Taking this into kind consideration, the Board of Directors and the

Management Team are carrying out systematic post reviews based on the future composite plan of five years, active plan of 3 years and the annual plan.

Business Risks

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

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

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

Non-Business Risks

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

Operational Risks

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

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

Cash Risks

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

Credit Risk

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

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

Liquidity Risk

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

Market Risk

Fluctuation of market price due to the fluctuation of interest rates (Interest Risk) of the fluctuation of

foreign exchange (Exchange Currency Risk) is called the Market Risk which could affect the company's income and the capacity of maintaining financial equipment.

Exchange Currency Risk

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

Interest Risk

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

Regulatory Risk

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORTS

In the year ended on 31st March 2018, the Audit and Risk Management Committee has acted in accordance with the work rules recommended by the Board of Directors.

Composition of the Committee

Audit and Risk Management Committee has been appointed by the Board of Directors. The Committee comprises of three Non-Executive Directors and a Representative of the treasury who acts as the Committee Chairman. Representative of the Auditor General's department and chief Internal Auditor of the Ministry of Agriculture act as observers of the committee. This committee comprised of the following members in 2017/18.

- **Ms. J. M. S. D. Rathnayake**
Committee Chairperson
- **Mr. D. K. M. R. Kumarasiri**
Committee Member
- **Mr. Hemaka Lasitha Balasuriya**
Committee Member
- **Ms. R.P. Sunanda Padmini**
Observer - Auditor General's Department
- **Mr. P.L. Namasena**
Observer - Ministry of Agriculture

Committee Meetings and Attendance

Audit committee has formally assembled 05 times in this accounting year. The chief internal auditor has functioned as the convener of the audit committee and upon the invitation of the committee, the General Manager, relevant divisional heads and other officials

have attended the meetings to provide explanations. Attendance at the meetings were as follows:

Date	Ms. J. M. S. D. Rathnayake	Mr. D. K. M. R. Kumarasiri	Mr. Hemaka Lasitha Balasuriya	Ms. R.P. Sunanda Padmini	Mr. P.L. Namasena
17.06.21	✓	-	✓	✓	✓
17.09.06	✓	-	✓	✓	×
17.12.07	✓	✓	×	✓	✓
18.01.12	✓	✓	✓	✓	✓
18.03.28	✓	✓	✓	✓	✓
	5/5	3/3	4/5	5/5	4/5

Mr. D. K. M. R. Kumarasiri Appointed on 27/11/2017

Duties of the Committee

1. Analyzing the accuracy and fairness of the financial statements to ensure that the financial statements have been prepared according to Sri Lankan and international accounting standards.
2. Ensuring, reviewing and assessment of economy, efficiency and effectiveness of the company's internal control system.
3. Reviewing the effectiveness of the company's risk management system.
4. Discussing with external auditors and reviewing the audit management letter.
5. Ensuring whether the company activities are complied with the terms, regulations and circulars etc.

6. Reviewing internal audit reports and external audit reports.
7. Implementing the recommendations and instructions of the Public Enterprise Department.

Activities in the year

The committee reviewed the financial reporting system that has been activated to ensure the accuracy and authenticity of the information provided to relevant parties and made its observations paying special attention on Sri Lankan and international accounting standards and related parties 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 economy, efficiency and effectiveness of the operations
4. Ensuring that the operations and the programs assigned to managers are in control and with a fair assessment confirming that the operations and programs are carried out as planned and that the operational results are in line with established goals and targets
5. Ensuring that the laws, regulations and other external requirements are in line with management policies
6. Conducting special Investigations

The audit committee supervised the internal audit process during the period of reporting, focusing on internal audit plan, audit programs of regional fertilizer stores, regulatory risk assessment methodology and audit plans based on risks. The audit committee has

held discussions with the internal auditor to consider the internal auditor's reports and recommendations in the reviewed year.

Internal audit reports were thoroughly reviewed and a considerable growth was observed in total internal control systems and internal audit process.

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

External Audit

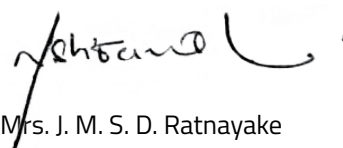
The Auditor General's Department has functioned as the company's External Auditor.

Support given to the committee

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

Committee Assessment

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



Mrs. J. M. S. D. Ratnayake
Chairperson

Audit and Risk Management Committee
31st May 2018



THE INFORMATION AND TECHNOLOGY DIVISION REPORT

Information Technology Division is expected to perform functions of IT policy and planning, application and maintenance of software, acquisition and maintenance of hardware, development and maintenance of networking, ensure efficient and effective data/information management, website maintenance and ensure information security.

The information technology infrastructure at the Ceylon Fertilizer Corporation performs a crucial task in getting timely management information to key decision makers. Given the widespread network of the company, it became imperative that all outliers were connected to the central hub and in order to create a seamless and responsive system, an enterprise resource planning strategy was deployed.

The main objective of Ceylon Fertilizer Company's Enterprise Resource Planning (ERP) strategy is to track its supply chain activities from inventory purchase to processing and final shipment to customers. This integrated view of company data can improve information sharing and collaboration across functional and corporate boundaries.

The ERP is designed to optimize the efficiency of internal processes. The real-time information flow in this system simplifies data collection, analysis and reporting, which improves decision making. The ERP automates planning, inventory restocking and production scheduling functions, reducing the need for maintaining multiple databases and separate

reporting systems. This process reduces production delays since the management can make adjustments almost in real-time reducing overall workload and costs.

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

- All District Fertilizer Stores were computerized, and all transactions kept online via the ERP.
- All transaction data of DFSs arranged as real-time data.
- Improved the efficiency and reduced the cost of data collection at the Head-Office and DFSs.
- The attendance of all employees at the DFSs are now managed through the Attendance Management System which facilitate accurate and up-to-date data, thereby improving the management of employees.
- All the payments (OT, Tea/dust allowance, etc.) of employees in DFSs are now paid without delays.
- Online application and approval system for staff leave requirements are now possible through the web portal.
- Optimized the security of data of the server through an external server, allowing all operations to continue and thus increasing data security. (please check, I am not clear what is being said here)



TECHNICAL DIVISION REPORT

The Technical Division of CFC provides technical expertise to all divisions in their collective efforts 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 approximately twenty individuals has created its own quality circle and provide high quality, impartial technical 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 targets 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.



LEGAL DIVISION REPORT

Recovering a significant percentage 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.

Additionally, by accepting and speedily conducting disciplinary inquiries, the Legal Division was able to minimize irregularities as well as issues and problems related to staff conduct. In that respect, the division provided support to other divisions to resolve employee issues through dialogue and thereby ensured optimal harmony in the employer-employee dynamic resulting in minimal labor related issues that both directly and indirectly increased internal harmony and improved productivity.

The division, as part of its general mandate, also formulated agreements and framework documents in an orderly manner to ensure their strength and validity from a legal standpoint.

The Legal Division is also proud to state that it has successfully defended the company against litigation brought against it by external parties as well as cases and complaints brought by regulatory bodies, proving the fact that the division adheres to the highest standards of legal control over the corporate affairs of the organization. It should be noted here that in these efforts, the division regularly sought the assistance of the Attorney General's Department to be absolutely sure that their approach to legal problems were in accordance with the statutes and laws of the state.



THE MARKETING DIVISION REPORT

The most mission critical activity of the company is to fulfill the fertilizer requirement of farmers across the country. To fulfill the above requirement the company imports chemical fertilizer, blends it and adds value before distributing and marketing through a distributor network coupled to 43 regional ware houses. At present, the company maintains a network of over 1000 dealer outlets spread island wide. At the same time respecting to the government policies to reduce the usage of chemical fertilizer while enhancing organic fertilizer consumption under the theme of "A toxin-free nation, a healthy populace" the company introduced number of organic fertilizer products to the market.

Being an agricultural economy Sri Lanka produces subsistence food crops such as paddy, plantation crops such as tea, rubber and coconut, a wide range of dry and wet zone vegetables, fruit and secondary cash crops which are grown mainly for export. Given the massive agro-diversity of the country, it has over 500 edible crops that can be grown either seasonally or perennially.

The subsidy scheme introduced for fertilizer in the year 2005 for paddy cultivation and the year 2011 for other crops was reversed by the new government and replaced with a subsidy cash grant for farmers. With this change the government opened the import market for fertilizer by removing the quota system and the ceiling for imports.

The fertilizer market become very competitive with a number of new private companies appearing in the market that resulted in the CFCL being unable to compete given its mandatory, strict adherence to government policies and business ethics. In that respect, many substandard products flooded the market due to a lack of overarching capacity with the enforcement agencies of the government to ensure quality standards were maintained both in chemical fertilizers as well as organics.

The 44% market share enjoyed by CFCL (followed by other Fertilizer Companies) dropped by 15% through the removal of the subsidy in 2015 with the entrance of more than 30 companies to the open market. However, the government reintroduced the subsidy in 2018 for paddy, tasking CFCL and CCF with implementing the scheme, increasing the consumption of chemical fertilizer among the Sri Lankan farmers, multiplying the yield and increasing profits.

With the introduction of new government regulations, a paradigm to switch from chemical to organic fertilizer enabling the switch became both a challenge and a responsibility for the CFCL. However, as the soil had degraded with high consumption of chemical fertilizer, and required a period of transition before a full shift could be made to organics, farmers were reluctant to change since their immediate yield levels suffered when compared to the previous methods based on chemical inputs. Additionally, the crop cycle was longer for organics compounding problems.

In such a challenging environment where external dependencies beyond the control of the company impacted its profitability, the CFCL aggressively and responsibly took on the task of conducting awareness programs to promote its products. In that respect, CFCL encouraged farmers to use both chemical and organic fertilizers simultaneously and gradually decrease the amount of chemical fertilizer being used and reciprocally increasing the use of organic fertilizers. Additionally, awareness was created among dealers, distributors, field officers and other

agricultural support staff of the ministry on the rationale and positive impact of organic fertilizers.

While the government aims towards a toxin-free nation were laudable, they did create significant difficulties for the company to maintain its fiscal strength over the years when the subsidy was removed. However, in 2018, that subsidy was reinstated and therefore, the general prediction of the company is that its fiscal status will be restored over the coming years. However, it takes cognizance of its significant vulnerability to political and environmental externalities and its future strategies will factor these issues when considering overall operational planning.

In that respect, while it provides much needed chemical fertilizers to the farmers of Sri Lanka it sees that global trends towards sustainability will eventually mean that its portfolio of products will necessarily have to shift gradually away from agrochemical based reductionist agricultural practices and towards organic or natural agriculture systems aimed and affirming Sri Lanka's commitment to sustainable agriculture.

Chemical Fertilizer :

Earlier, Chemical fertilizer was a major income source and the main segment for the CFCL. As mentioned above, the CFCL important fertilizer such as Urea, TSP, MOP, SA, SOP, DAP, ERP, HERP, Dolomite, CES, Borate, Zinc Sulphate and Kieserite etc. and mixed them in accordance with the recommendations of relevant intuitions responsible for promoting specific crop types.

As per the requirement fertilizer was packed in the following way:

TYPE	TARGET MARKET
500g (Mini Pack)	Home Garden
1Kg/2Kg/5Kg/10Kg	Domestic
25Kg/50Kg	Large scale Users

Sri Lanka has been water negative over the last five years despite flooding in some areas and this has

resulted in a drop of yield over the last year that reduced the sale of the chemical fertilizer. Additionally, at the beginning of the year 2017 paddy production with comparison to the last 10 years, was the lowest due to prevailing drought conditions and floods. The cultivation progress at the end of 2017 was 201,332; 50% of the target.

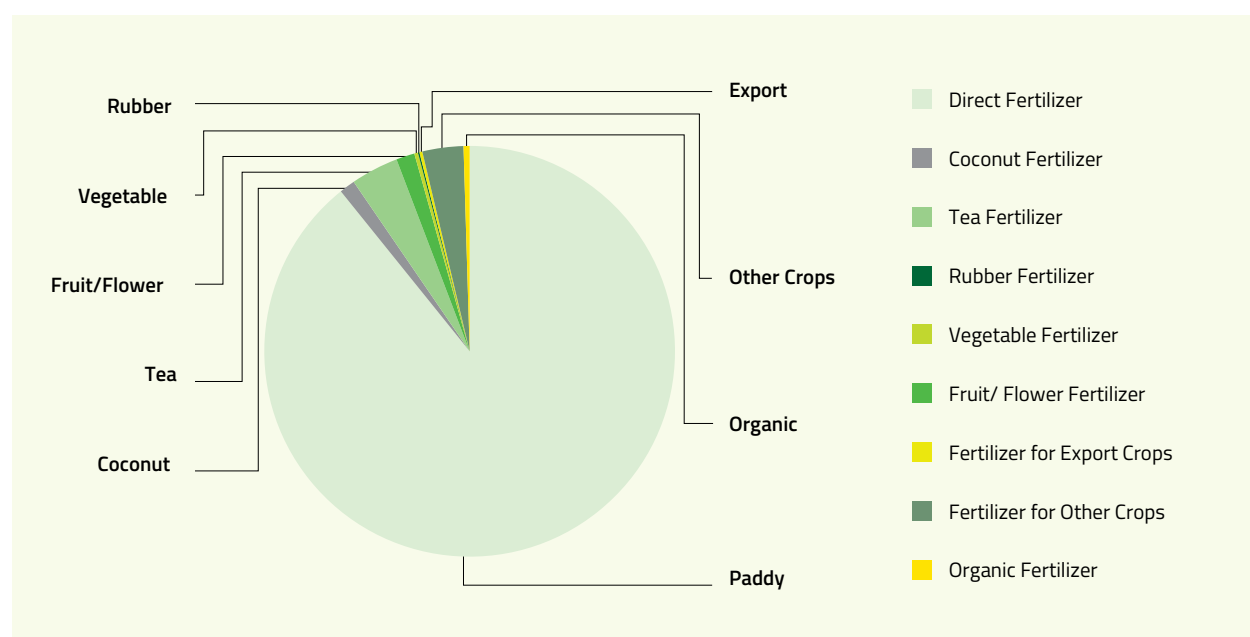
Organic Fertilizer:

With the government policy change CFCL introduced 3 varieties of Organic fertilizer to the market. Apart chemical fertilizer currently distributed by CFCL it also supported government initiatives and requirements for organic fertilizer in both solid and liquid form through the following packs.

TYPE	PACK SIZE
Sanstha Organic Compost	2Kg / 25Kg
Sanstha Organic (Pellet type)	2Kg / 20Kg
Sanstha organic liquid fertilizer	200MI / 500MI / 1L

Crop Wise Sales in 2017/2018 (Other Crops) (Mt.)

Type of Fertilizer	Sales (Mt.)	%
Direct Fertilizer	65,920.90	89
Coconut Fertilizer	915.18	1
Tea Fertilizer	2,776.39	4
Rubber Fertilizer	1,073.38	1
Vegetable Fertilizer	216.63	0.29
Fruit/ Flower Fertilizer	83.85	0.11
Fertilizer for Export Crops	170.42	0.23
Fertilizer for Other Crops	2,386.44	3
Organic Fertilizer	352.84	0.48
Total	73,896.02	100





PROCUREMENT DIVISION REPORT

CFC does not obtain any financial assistance from the consolidated fund despite being owned by the General Treasury of Sri Lanka since it is a fiscally stable State Owned Enterprise (SOE). Furthermore, the company's astute procurement system has fulfilled between 65% and 75% 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.

Since the government policy is to reduce the usage of chemical fertilizer while enhancing organic fertilizer consumption under its toxin-free nation program themed "A toxin-free nation, a healthy populace" the procurement division executed strategies for obtaining organic fertilizer products such as organic liquid fertilizer, organic pallet fertilizer and compost fertilizer to become a pioneer in state sector of the organic fertilizer market.

The primary duty of the division is procuring goods, services, works and consultancy services as per the company's requirement adhering to 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.

We were able to procure following types of chemical fertilizer quantities in the last financial year (From 2017.04.01 to 2018.03.31) in state sector

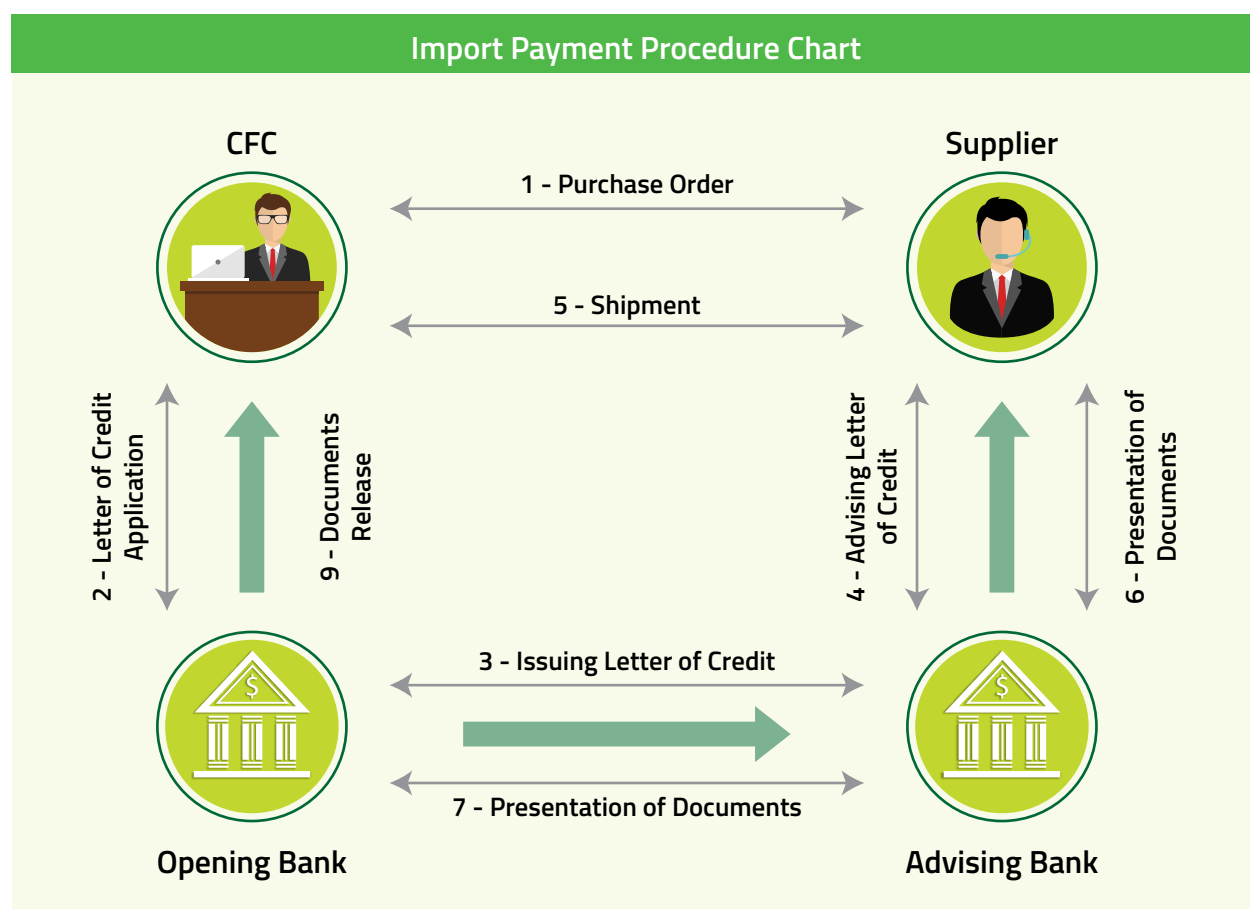
Type of Fertilizer	Quantity (MT)
Urea	57,885.000
MOP	105.000
TSP	1,732.500
Other Fertilizer	1.400.00

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.

Additionally, the process of importing minor ingredient such as Kieserite, Zinc Sulphate, Di-ammonium phosphate, Borate, Sulphate Of Ammonia, Commercial Epsom salt etc. is followed under International Competitive Bidding Procedure (ICBP) and is based on the recommendations of the Departmental Procurement Committee approved by the Secretary to the Ministry of Agriculture. Local purchases of Dolomite, high grade Eppawala Rock Phosphate (HERP) and Eppawala rock Phosphate are Procured in line with National Procurement Guidelines with similar approvals from the procurement committee and the ministry.





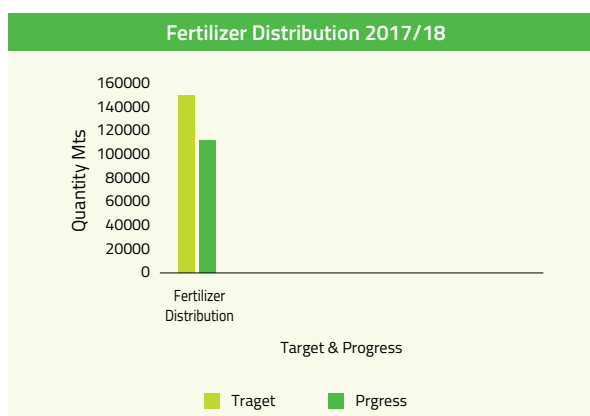
DISTRIBUTION DIVISION REPORT

The Distribution Division headed by the Manager (Distribution) Is responsible for blending mixed fertilizer upon the demand particulars supplied by the Marketing Division, Distribution of fertilizer to the divisional fertilizer stores and other stipulated destinations, managing the entire logistic process, and receiving fertilizer stocks and storing the same under rigorously monitored conditions.

The Country Wide Network under the Distribution Division has a strong, massive and well established network of stores and warehouses for storage and selling of fertilizer. At present, it has 44 Divisional Fertilizer Stores island wide with experienced storekeepers supervised by District Marketing Executives and Regional Managers. The average capacity of the Divisional fertilizer Stores are 120,000 metric tons.

Under the state policy on organic Fertilizer, the Distribution Division has engaged the initiative with strong logistics support.

During the financial year 2017/18 the targeted fertilizer quantity to be distributed was 150,000 MT and the recorded quantity of distribution was 85,000 MT. The Recorded Distribution Progress was 56.66 With respect to organic fertilizer, approximately 200,000 liters have been dispatched island wide.





ORGANICS DIVISION REPORT

The CFC puts its full backing behind state policy to reduce the use of agROTOXINS and in that effort created its organic fertilizer division recently. The division took on the arduous task of promoting and popularizing a paradigm shift from the use of agrochemicals to organics in line with the global push towards sustainability as outlined in the Sustainable Development Goals of the United Nations. Towards this, it performed a number of promotional activities during the year under review.

1. In order to promote organic fertilizer, a program to create awareness among agricultural extension officers and the farming community was held in January 2018 covering the Polunnaruwa District/ Anuradhapura District with the participation of the management and members of the Special Projects Unit.
2. In order to promote organic fertilizer and increase retail sales, a stall was taken by the Special Projects Unit at the exhibition held at the

Makandura Organic Fertilizer Specialization Unit.

3. The exhibition stall was taken by the CFC's Special Projects Unit together with our Southern Province Sales Team at the Agriculture and Education Exhibition at Poddiewela held between 27th November 2017 and 01st December 2017 by the Southern Province Agriculture Ministry.
4. With guidance from the Minister of Agriculture Hon. Duminda Dissanayake, in order to achieve the state policy for a "Toxin-free nation, a healthy populace", the farmer societies of Madiwela were educated on organic fertilizer through a program conducted by the CFC's Western Province Marketing Executive Mr. Madhura Priyantha, the Marketing Executive of the Sabaragamuwa Province Mr. Tilak Pinnapola and the officials of the Special Projects Unit.

LABORATORY SERVICES DIVISION REPORT

The CFC fertilizer testing laboratory is an ISO 17025:2005 certified facility and carries out testing services in accordance with stated standard methods, customer's requirements and applicable statutory and regulatory requirements.

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

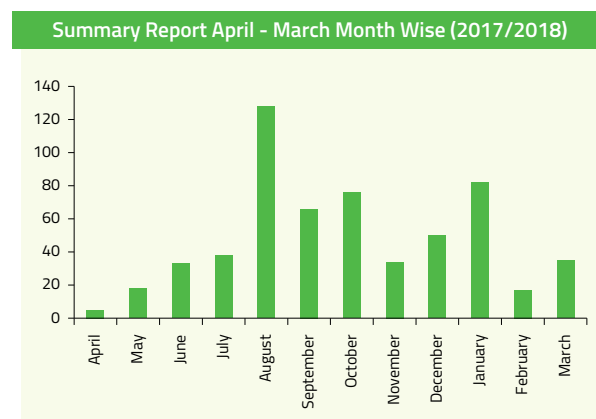
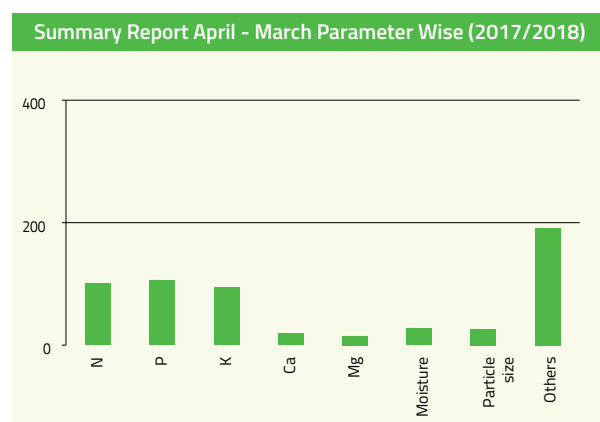
The laboratory's goal is to create an environment where each employee is given clear requirements,

appropriate tools/ equipment and proper training to do their job tasks right the first time. All laboratory staff are trained and qualified in the processes and procedures relevant to their duties and obligated by ISO standards.

CFC at present mainly tests its own samples, which can be categorized as shipments, packing materials and in-house samples. However, a considerable number of samples have come from outside parties and these were tested for a fee. With the help of the management, we hope to increase our testing capacity by testing external samples as part of ongoing efforts to make the laboratory a separate profit center.

Parameter	Number of tests												
	April	May	June	July	August	September	October	November	December	January	February	March	Total
N	0	4	5	3	21	16	14	5	13	16	0	4	101
P	0	5	5	3	21	13	14	6	15	15	2	6	105
K	0	4	5	2	21	13	13	7	13	13	0	3	94
Ca	1	0	3	4	0	1	4	2	0	0	2	2	19
Mg	1	0	3	4	0	1	4	2	0	0	1	2	15
Moisture	0	1	0	3	1	4	2	0	2	9	2	3	28
Particle size	1	0	3	3	0	3	3	1	1	8	2	2	27
Others	2	4	9	16	64	15	22	11	6	21	8	13	191
Total	5	18	33	38	128	66	76	34	50	82	17	35	

Testing of Fertilizer Samples



Summary Report of Laboratory Income

YEAR	INCOME (RS)
2013	41064.00
2014	30240.00
2015	97233.50
2016	187137.00
2017	360544.50
2018 Sep	281644.5



FINANCIAL STATEMENTS

for the year ended 31st March 2018
Ceylon Fertilizer Company Limited



Statement of Directors' Responsibilities

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

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

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

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

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

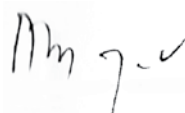
The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

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

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

Compliance Report

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



Amarananda Abeygunasekara

Chairman

On behalf of the Board of Directors

Ceylon Fertilizer Co Ltd.

23th October 2018

Chairman's and Financial Manager's Responsibility Statement

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

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

We confirm that the significant accounting policies used in the preparation of the Financial

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

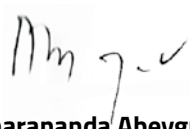
We have also taken proper and sufficient care in installing systems of internal control and accounting records, to safeguard assets, and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established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

periodic audits conducted by company's internal auditors. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

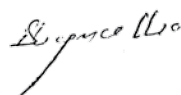
The Audit Committee of the Company meets periodically with the Internal Auditors and the

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

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



Amarananda Abeygunasekara
Chairman



Priyantha Samaraweera
Finance Manager
23th October 2018



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

AGL/C/CFC/1/17-18/11

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

14 November 2018

To the Shareholders of the,
Ceylon Fertilizer Company Ltd.

Report of the Auditor General on the Financial Statements of the Ceylon Fertilizer Company Ltd for the year ended 31 March 2018.

The audit of financial statements of the Ceylon Fertilizer Company Ltd ("the Company") for the year ended 31 March 2018 comprising the statement of financial position as at 31 March 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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+94 11 2 88 70 28 - 34

தலை 306/72, பொல்துவ வீதி, பத்தரமுல்ல, இலங்கை



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No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



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www.nao.gov.lk



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

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

Basis for Qualified Opinion

- (a) Since respective parties had not confirmed the balances of General Treasury - Subsidy Receivable, Trade & Other Receivables and Trade Payables amounting to Rs.18,917,610,958 Rs. 293,697,701 and Rs. 2,373,490,543 respectively shown in the financial statements as at 31 March 2018, it was unable to ascertain the accuracy and existence of such balances during the course of audit.
- (b) According to Section 6(2) of the Inland Revenue Act, No.24 of 2017, the gains from realization of land shall also be considered in computing the profits for a year. However, the Company had not considered the effect of revaluation surplus of land for the computation of differed tax.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion:
 - Except for the effects of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanations that were required



for the audit and as far as appears from my examination, proper accounting records have been kept by the Company

- The financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

H.M. Gamini Wijesinghe

Auditor General

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

	Note	2018	2017
Revenue	3	3,373,989,990	2,350,637,985
Cost of Sales	4	(3,342,492,927)	(2,119,612,208)
Gross Profit		31,497,063	231,025,777
Other Operating Income	5	45,440,368	29,096,825
Administrative Expenses	6	(475,948,499)	(445,490,134)
Distribution Expenses	7	(16,819,404)	(20,490,594)
Profit from Operation		(415,830,472)	(205,858,126)
Finance Income	8	455,960,515	333,536,542
Finance Cost	8	(783,920)	126,125
Profit Before Taxation		39,346,123	127,804,541
Income Tax Expenses	9	(63,882,188)	11,787,491
Profit for the Year		(24,536,064)	139,592,032
Other Comprehensive Income			
Surplus on Revaluation of Property, Plant and Equipment		-	847,136,318
Deferred Tax Benefits / (Expenses) on Revaluation Surplus		5,728,502	(173,231,211)
Total Other Comprehensive Income		5,728,502	673,905,107
Total Comprehensive Income for the Year		(18,807,562)	813,497,139
Basic Earnings Per Share (EPS)	10.1	(0.49)	2.78
Dividends Per Share (DPS)	10.2	(0.15)	0.83

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 80 to 106 form an integral part of these Financial Statements.

Statement of Financial Position

For the Year Ended 31st March 2018

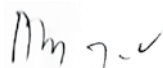
(Expressed in Sri Lankan Rupees)

	Note	2018	2017
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	2,636,328,307	2,683,237,393
Capital Work-in-Progress	12	22,316,114	21,960,737
Intangible Assets	13	-	-
Total Non-Current Assets		2,658,644,421	2,705,198,130
Current Assets			
Inventories	14	2,229,992,191	2,043,336,119
Trade and Other Receivables	15	19,211,497,863	26,693,371,394
Employees Loans and Advances	16	41,547,002	45,206,196
Held-to-Maturity Investments (HTM)	17	583,043,365	532,548,539
Other Financial Assets	18	4,366,920,845	3,099,723,762
Cash and Cash Equivalents	19	384,926,133	894,350,929
Total Current Assets		26,817,927,399	33,308,536,939
Total Assets		29,476,571,820	36,013,735,069
EQUITY AND LIABILITIES			
Equity			
Stated Capital	20	502,456,080	502,456,080
Revaluation Reserve	21	2,511,388,189	2,506,976,187
Retained Earnings		2,792,590,448	2,899,788,327
Total Equity		5,806,434,717	5,909,220,594
Non-Current Liabilities			
Retirement Benefits Obligation	22	50,551,004	66,893,460
Government Grants	23	-	-
Deferred Taxation	24	119,595,155	155,078,112
Interest Bearing Borrowings	26	13,198,687,226	26,407,737,626
Total Non-Current Liabilities		13,368,833,385	26,629,709,198
Current Liabilities			
Trade and Other Payables	25	2,508,468,200	1,400,959,514
Interest Bearing Borrowings	26	7,548,028,800	1,887,007,200
Deposits and Advances Received	27	133,365,452	138,241,125
Current Tax Liability	28	43,399,414	8,266,616
Accrued Expenses and Provisions	29	64,069,808	39,571,679
Bank Overdrafts	19	3,972,044	759,143
Total Current Liabilities		10,301,303,718	3,474,805,277
Total Equity and Liabilities		29,476,571,820	36,013,735,069
Net Asset Value Per Share		115.56	117.61

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
23.10.2018
Colombo.


Director

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 80 to 106 form an integral part of these Financial Statements.

Statement of Changes In Equity

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

	Stated Capital	Revaluation Reserve	Retained Earnings	Total
Balance as at 01 April 2016 (Note no ii)	502,456,080	1,833,071,080	2,797,895,594	5,133,422,754
Prior Year Adjustments	-	-	(7,699,299)	(7,699,299)
Profit for the Year	-	-	139,592,032	139,592,032
Other Comprehensive Income	-	673,905,107	-	673,905,107
Provision of Dividend	-	-	(30,000,000)	(30,000,000)
Balance as at 31 March 2017	502,456,080	2,506,976,187	2,899,788,327	5,909,220,594
Prior Year Adjustments (Note I)	-	(1,316,500)	(1,723,010)	(3,039,510)
Profit for the Year	-	-	(24,536,064)	(24,536,064)
Other Comprehensive Income	-	5,728,502	-	5,728,502
Dividends Paid	-	-	(80,938,804)	(80,938,804)
Balance as at 31 March 2018	502,456,080	2,511,388,189	2,792,590,448	5,806,434,717

Note I

Furniture and fittings amounting to Rs. 1,316,500/- purchased during the year 2016/17 which has erroneously been considered to the revaluation reserve, has been corrected during the year.

Overstatement of interest income in previous year amounting to Rs. 1,723,010/- has been adjusted to the retained earnings as a prior year adjustment.

Note II

The un-recorded variance in the exchange gain and losses in the "Treasury Receivables" from the year 2015 has been identified and adjusted as a prior year adjustment by incorporating the accurate Treasury Receivable balance in the year.

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 80 to 106 form an integral part of these Financial Statements.

Statement of Cash Flows

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

	2018	2017
Cash Flows from Operating Activities		
Profit Before Taxation	39,346,123	127,804,541
Adjustments for;		
Depreciation	51,122,638	50,069,487
Amortization of Intangible Assets	-	79,667
Amortization of Government Grants	-	(2,889,117)
(Profit) / Loss on Sale of Property, Plant and Equipment	17,067	(601,448)
Impairment of Trade Receivables	936,100	-
Gratuity Charge for the Year	(8,353,908)	11,001,717
Interest Income	(455,960,515)	(333,536,542)
Interest Expenses	783,920	126,125
Prior Year Adjustments	(237,265)	(7,699,299)
Operating Loss Before Working Capital Changes	(372,345,839)	(155,644,869)
Inventories	(186,656,072)	(1,791,570,120)
Trade and Other Receivables	7,480,937,429	4,515,232,989
Employees Loans and Advances	3,659,194	1,002,934
Trade and Other Payables	1,107,508,686	(2,428,719,124)
Deposits and Advances Received	(4,875,673)	(4,130,665)
Accrued Expenses and Provisions	24,498,129	(124,628,826)
Cash Flow from Operations	8,052,725,854	11,542,320
Gratuity Paid	(7,988,549)	(5,839,307)
Interest Paid	(783,920)	(126,125)
Taxes Paid	(18,918,444)	(220,011,618)
Net Cash Flow from / (used in) Operating Activities	8,025,034,941	(214,434,731)
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(5,309,853)	(14,082,872)
Work-in-Progress	(355,378)	(23,276,640)
Proceeds from Sale of Property, Plant and Equipment	-	637,948
Investment (With Interest Re-investment) in Treasury Bills / Fixed Deposits	(2,033,158,342)	(2,162,425,736)
Withdrawal of (With Interest) Treasury Bills / Fixed Deposits	888,960,871	1,317,159,252
Interest Received (Net of Taxes)	241,157,666	290,125,942
Net Cash Flow from / (used in) Investing Activities	(908,705,035)	278,487,418
Cash Flows from Financing Activities		
Borrowings During the Year	-	11,474,044,093
Dividends Paid	(80,938,804)	-
Settlements of Borrowings During the Year	(7,548,028,800)	(10,639,739,262)
Net Cash Flow from / (used in) Financing Activities	(7,628,967,604)	834,304,831
Net Changes in Cash and Cash Equivalents During the Year	(512,637,697)	898,357,518
Cash and Cash Equivalents at Beginning of the Year	893,591,786	(4,765,733)
Cash and Cash Equivalents at End of the Year	(Note 19) 380,954,089	893,591,786

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 80 to 106 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the Year Ended 31st March 2018

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities And Nature Of Operations

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

1.3 Financial Year

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

1.4 Registered Office

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

1.5 Number Of Employees

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

1.6 Date Of Authorization For Issue

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with Sri Lanka

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

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

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

The financial statements of the Company comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows together with accounting policies and notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007.

Notes to the Financial Statements

For the Year Ended 31st March 2018

2.2 Changes in Accounting Policies

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

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

2.3 Foreign Currency Translation

2.3.1 Functional and Presentation Currency

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

2.3.2 Transactions and Balances

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

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

2.4.1 Property, Plant and Equipment

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2018

Other Equipment	03 Years
Canteen Equipment	05 Years
Computer Accessories	03 Years

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

2.4.2 Intangible Assets

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

Computer Software	03 Years
-------------------	----------

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

2.4.3 Impairment of Non-Financial Assets

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

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

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

2.5 Financial Assets

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

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

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

- b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables

Notes to the Financial Statements

For the Year Ended 31st March 2018

are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise subsidy receivables, trade and other receivables, repurchase government securities, fixed deposits, prepayments, advances, deposits, loans to employees and cash and cash equivalents in end of the reporting period.

2.5.2 Recognition and Initial Measurement

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

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

2.5.3 Subsequent Measurement

a) Held-to-Maturity Investment (HTM)

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

b) Loans and receivables

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

2.5.4 Impairment of Financial Assets

Assets carried at amortized cost

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

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2018

2.6 Inventories

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

Consumables and packing material are stated at cost.

2.7 Trade Receivables

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

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

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

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

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

2.8 Cash and Cash Equivalents

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

2.9 Stated Capital

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

2.10 Financial Liabilities

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

2.11 Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business

Notes to the Financial Statements

For the Year Ended 31st March 2018

from suppliers. Trade and other payables are classified as current liabilities as in the normal operating cycle of the business.

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

2.12 Borrowings

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

2.13 Borrowing Cost

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

2.14 Government Grants

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

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

Government grants relating to property, plant and equipment are included in noncurrent

liabilities as deferred government grants and are recognized in the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.15 Current and Deferred Tax

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

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

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2018

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

2.16 Employee Benefits

The Company has both defined benefit and defined contribution plans.

a) Defined Contribution plan

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

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

b) Defined benefit plan

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

in return for their services in the current and prior period.

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

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

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

The retirement benefits obligation is not externally funded.

c) Short-term employee benefit

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

2.17 Provisions and Contingent Liabilities

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

Notes to the Financial Statements

For the Year Ended 31st March 2018

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

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

2.18 Revenue Recognition

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

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

a) Sale of Fertilizer

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

b) Interest Income

Interest income is recognized using the effective interest method.

c) Rent Income

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

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

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

e) Other Income

Other income is recognized on an accrual basis.

2.19 Expenses

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

2.20 Events Occurring after the Reporting Period

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

2.21 Commitments

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

2.22 Significant Accounting Estimates and Judgments

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about

Notes to the Financial Statements

For the Year Ended 31st March 2018

the recognition and measurement of assets, liabilities, income and expenses.

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

(a) Recognition of Deferred Tax Assets

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

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

(a) Useful life time of Depreciable Assets

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

(b) Defined benefit plan

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

impact the carrying amount of defined benefits obligation.

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

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

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

3	Revenue		2018	2017
	Gross Revenue		3,403,350,136	2,371,637,211
	Nation Building Tax (NBT)		(29,360,146)	(20,999,226)
	Sale of Fertilizer		3,373,989,990	2,350,637,985
4	Cost of Sales			
	Purchases	4.1	3,389,498,451	1,980,402,161
	Direct Expenses	4.2	138,097,203	1,937,661,679
	Cost of Production		3,527,595,654	3,918,063,840
	Finished Goods as at 01 April		2,019,342,735	220,891,103
	Finished Goods as at 31 March		(2,204,445,462)	(2,019,342,735)
			3,342,492,927	2,119,612,208
	4.1 Purchases			
	Fertilizer Import Bills		2,823,029,448	1,612,552,878
	Insurance		584,902	966,811
	Duty and Duty Surcharge		7,345.00	-
	Port and Airport Development Tax		213,029,588	121,844,663
	Miscellaneous (Sri Lanka Port Authority)		1,596,887	2,291,766.00
	Discharging Expenses		743,066	967,916
	Landing Charges		5,171,650	3,139,131
	Stevedoring Charges		46,355,218	26,206,731
	Custom Duty and Charges		221,941	5,330,243
	Sampling Charges		2,947,887	2,022,051
	Transport and Handling Charges		41,903,952	24,273,162
	Letter of Credit Charges		7,853,594	6,081,724
	Bank Charges		125,715	97,344
	Local Purchase		170,011,960	29,588,355
	Packing Materials		17,755,964	16,273,076
	Detention Charges		(50,504)	1,492,843
	Local Agency Commission		-	536,248
	Exchange (Gain) / Loss		58,209,838	126,737,219
			3,389,498,451	1,980,402,161
	4.2 Direct Expenses			
	Mixing Charges		5,719,458	8,409,018
	Handling Charges		56,758,287	32,407,242
	Labour Charges		9,783,922	7,001,000
	Transport Charges to District Fertilizer Stores		66,356,192	60,384,773
	Trading Stock (Excess) / Shortage		(513,827)	(16,984)
	Stocks Transfers / Adjustments		(6,829)	1,829,476,629
			138,097,203	1,937,661,679

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

5	Other Operating Income	2018	2017
	Income from Penalties - Local	2,452,534	1,394,553
	Circuit Bungalow Income - Polonnaruwa	2,547,325	2,169,788
	Dispatch Income	18,470,060	18,107,815
	Sales of Polythene and WPP Bags	3,492,469	1,924,446
	Non Refundable Tender Deposit Income	2,808,375	653,500
	Amortization of Government Grant	-	2,889,117
	Rent Income	261,957	957,207
	Profit / (Loss) on Disposal of Property, Plant and Equipment / Scraps	(85,196)	601,448
	Earnings from Transport	542,840	213,762
	Claim against Performance bond	14,455,980	-
	Laboratory Testing Income	483,591	99,150
	Other Income	-	78,789
	Earning from Farms	10,434	7,250
		45,440,368	29,096,825

6	Administrative Expenses		
	Directors' Remuneration	3,358,311	3,559,542
	Motor Vehicles Running Chairman / Directors	722,435	1,070,449
	Telephone, Fax, E-mail and Internet Charges-Chairman/Directors	423,509	375,728
	Secretary Fees	176,400	95,075
	Salaries - Executive	38,830,993	33,997,004
	Salaries - Non Executive	141,937,457	153,756,286
	Overtime	19,727,938	22,689,094
	Travelling and Subsistence	3,110,758	2,916,796
	Employees' Provident Fund	23,812,387	24,486,732
	Employees' Trust Fund	4,762,477	4,897,348
	Government Pension	-	17,030
	Fuel Allowance for Managers	3,562,117	2,682,748
	Fuel Allowance for Field Staff	1,876,583	1,264,654
	Tea and Dust Allowance	7,904,123	6,530,438
	Annual Bonus	4,917,713	5,198,063
	Medical Leave Payment	9,482,156	8,748,312
	Employees on Contract Basis	6,071,526	4,642,829
	Training and Scholarships	1,808,023	223,261
	Weekend and Other Allowances	1,114,312	506,207
	Employee Compensation	188,808	-
	Medical Expenses	7,120	5,204
	Clothing and Medical Allowance	3,579,599	3,037,079
	Medical Insurance	10,346,672	7,574,409
	Other Allowances	246,600	117,600
	Employee Valuation Expenses	394,500	29,740

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

	2018	2017
Staff Transport	1,730,325	1,725,700
Annual Incentive	41,198,640	10,335,177
Staff Welfare	2,282,645	1,252,444
Entertainment	566,544	337,584
Electricity	5,932,479	5,316,112
Telephone, Fax, E-mail and Internet Charges	9,034,473	6,252,956
Fire Insurance	649,229	319,746
License and Insurance	955,578	1,334,410
Cash in Transit and Cash in Safe Insurance	284,972	137,229
Postage	636,828	752,892
Printing and Stationery	4,243,200	3,426,202
Periodicals and Books	50,789	105,260
Office Equipment Maintenance	752,093	408,251
Foot Bicycle Maintenance	10,865	18,920
Office Expenses	2,164,277	1,128,870
Vehicle Running Expenses	6,925,390	6,245,563
Vehicle Maintenance	6,496,431	7,193,522
Water Bill	1,849,833	1,690,714
Legal Fees	1,557,187	2,306,282
Security Charges	30,676,852	28,512,339
Lab/Equipment Maintenance	210,971	441,800
Plant , Machinery and Equipment Maintenance	547,515	734,969
Building Maintenance	2,704,617	2,749,685
Research and Development Expenses	15,000	-
Furniture and Fittings Maintenance	52,980	41,680
Public Notice Charges	4,935,720	2,534,774
Internal Road Construction	-	-
Computer and Accessories Maintenance	798,829	685,239
Rent and Rates	4,255,434	2,253,824
Gratuity Provision	(8,353,908)	-
Depreciation	51,122,640	50,069,487
Amortization of Intangible Assets	-	79,667
Audit Fees	493,300	400,000
Balance C / F	463,144,246	427,212,924

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

	2018	2017
Non Audit Fees	88,500	182,988
Audit Related Fees	8,744	10,000
Consultancy Fees	274,854	2,477,903
Work Shop Tools Expenditure	31,986	32,198
Sanitary Facilities	3,252,715	2,724,794
Vehicle Hiring Charges	4,599,372	4,681,868
Circuit Bungalow Expenses	98,581	1,745,509
Other Equipment Maintenance	388,785	571,997
Provision for Retirement Benefit obligation	-	11,001,717
Bank Charges	639,700	756,870
Write Off / (Back)	-	211,793
Sports Equipment Maintenance	12,400	20,050
(Over) / Under Provision of Recurrent Expenses	(1,122)	(9,715,978)
Circuit Bungalow Expenses	130,349	181,429
Gardening and Landscaping Expenses	2,906,217	2,088,196
Charity and Donation	-	228,128
Natural Disaster Expenses	40,000	70,000
Laboratory Building Maintenance	2,953	25,632
Laboratory Expenses	166,630	743,510
Laboratory Equipment Insurance	24,626	26,662
Registration Fees	138,962.50	211,943
	475,948,499	445,490,133
7 Distribution Expenses		
Advertising and Publicity Notices	13,195,601	19,531,125
Written-off of Bad Debts	-	449,212
Impairment of Trade Receivables	936,100	
Sales Commission	2,615,840	510,257
Corporate Social Responsible	71,863	
	16,819,404	20,490,594

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

8	Net Finance Income		2018	2017
	Interest Income			
	Interest on Fixed Deposits and REPO Investments		454,076,457	331,646,228
	Interest from Employees Loans		1,884,058	1,890,314
			455,960,515	333,536,542
	Interest Expenses			
	Interest on Overdrafts/Loans		(783,920)	126,125
			(783,920)	126,125
			455,176,595	333,662,668
9	Income Tax Expenses			
	Current Year	9.1	82,984,814	44,011,949
	Under Provision in Previous Years		10,651,829	3,282,202
	Deferred Tax Charge	24	(29,754,455)	(59,081,641)
			63,882,188	(11,787,490)
	9.1 Reconciliation between current tax expenses/ (reversal) and the accounting profit/(loss);			
	Accounting Profit / (Loss) Before Taxation		39,346,123	127,804,541
	Non-Business Income		(455,875,319)	(349,659,809)
	Aggregate of Disallowable Expenses		46,633,055	56,883,387
	Aggregate of Allowable Claims		(26,654,285)	(24,613,281)
	Tax Adjusted Profit		(396,550,426)	(189,585,161)
	Income from Other Sources		455,960,515	346,770,691
	Total Statutory Income		455,960,515	157,185,531
	Loss Claimed		(159,586,180)	-
	Taxable Income		296,374,335	157,185,531
	Tax Charged at Statutory Tax Rate of 28%		82,984,814	44,011,949
	Current Tax Provision		82,984,814	44,011,949
	Current Tax on Ordinary Activities for the Year		82,984,814	44,011,949
	Tax Losses			
	Loss Brought Forward		72,847,371	-
	Adjustment Due to Prior Year Adjustment		(13,683,361)	-
	Loss Incurred		396,550,426	189,585,161
	Loss Utilized		(159,586,180)	(116,737,790)
	Loss Carried forward		296,128,256	72,847,371

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

10	Basic Earnings per Share / Dividends per Share	2018	2017
10.1	Basic Earnings Per Share (EPS)		
	Net Profit Attributable to Ordinary Shareholders (Rs.)	(24,536,064)	139,592,032
	Weighted Average Number of Ordinary Shares in Issue	50,245,608	50,245,608
	Basic Earnings per Share	(0.49)	2.78
	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	(7,360,819)	41,877,610
	Number of Ordinary Shares	50,245,608	50,245,608
	Dividend per Share	(0.15)	0.83

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

11 Property, Plant and Equipment					
Cost	01 April 2017	Additions	Disposal	Adjustment	31 March 2018
Land	1,720,000,000	-	-	-	1,720,000,000
Biological Assets	2,086,200	-	-	-	2,086,200
Buildings	881,326,178	-	-	-	881,326,178
Plant and Machinery	12,080,899	2,351,778	-	37,500	14,470,177
Motor Vehicle	59,070,850	-	-	-	59,070,850
Furniture and Fittings	21,863,737	262,988	-	(1,059,400)	21,067,325
Office Equipment	8,298,688	408,740	(16,800)	(147,100)	8,543,528
Computer Equipment	8,899,654	2,215,608	-	-	11,115,262
Other	19,680,675	70,739	(8,800)	(10,298)	19,732,316
Total	2,733,306,881	5,309,853	(25,600)	(1,179,298)	2,737,411,836

Depreciation	01 April 2017	Charge for the Year	Disposal	Adjustment	31 March 2018
Buildings	27,715,900	27,815,519	-	-	55,531,419
Plant and Machinery	1,332,469	2,410,787	-	-	3,743,256
Motor Vehicle	11,467,758	11,814,170	-	-	23,281,928
Furniture and Fittings	4,458,756	3,814,994	-	(61,047)	8,212,703
Office Equipment	2,013,276	1,712,269	(5,600)	(29,150)	3,690,796
Computer Equipment	1,563,071	2,146,922	-	-	3,709,993
Other	1,518,257	1,407,977	(2,933)	(9,867)	2,913,434
	50,069,487	51,122,638	(8,533)	(100,063)	101,083,529

Written Down Value	2018	2017
Land	1,720,000,000	1,720,000,000
Biological Assets	2,086,200	2,086,200
Buildings	825,794,759	853,610,278
Plant and Machinery	10,726,921	10,748,430
Motor Vehicle	35,788,923	47,603,092
Furniture and Fittings	12,854,622	17,404,981
Office Equipment	4,852,732	6,285,412
Computer Equipment	7,405,269	7,336,583
Other	16,818,882	18,162,418
	2,636,328,307	2,683,237,394

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

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

12	Capital Work-in-Progress	01 April 2017	Expenditure Incurred	Amount Capitalized	31 March 2018
	Kataragama Bungalow	676,730	-	-	676,730
	Computer software ERP system	21,284,007	355,378	-	21,639,385
		21,960,737	355,378	-	22,316,114

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 2017	Additions (Disposals)	31 March 2018
	Computer Software	1,044,901	(1,044,901)	-
		1,044,901	(1,044,901)	-
	Amortization	01 April 2017	Disposal of the year for the Year	31 March 2018
	Computer Software	1,044,901	(1,044,901)	-
		1,044,901	(1,044,901)	-
	Written Down Value			
	Computer Software		-	-

14	Inventories	2017	2016
	Direct Fertilizer	2,204,445,462	2,019,342,735
	Consumables	7,822,104	7,643,053
	Packing Material	19,739,056	18,364,762
		2,232,006,622	2,045,350,550
	Provision for Impairment	(2,014,431)	(2,014,431)
		2,229,992,191	2,043,336,119

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

15	Trade and Other Receivables	2018	2017
	Trade Receivables 15.1	320,655,396	278,395,589
	Provision for Impairment	(88,501,355)	(87,565,255)
		232,154,042	190,830,334
	Other Receivables 15.2	18,979,343,821	26,502,541,060
		19,211,497,863	26,693,371,394
15.1	Trade Receivables		
	Government Departments	122,923,054	137,787,111
	Shortage on Sale	131,562	60,199
	Agrarian Service Centers	10,470,121	1,213,375
	Authorized Dealers	187,000,399	139,247,913
	M.P.C.S.	130,260	86,991
		320,655,396	278,395,589
The ageing of the trade receivables are as follows			
	Up to 3 Months	190,654,135	12,773,780
	More than One (1) Year	43,592,390	179,212,938
	Over Ten (10) Years	86,408,871	86,408,871
		320,655,396	278,395,589

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	18,917,610,958	26,465,639,758
	Sri Lanka Port Authority	(2,477)	17,190
	Road Development Authority	12,600,000	12,600,000
	Others (Note I)	35,831,966	16,491,178
	Deposits	2,642,130	595,368
	WHT Receivables	2,921,207	-
	Advance and Prepaid Expenses	7,740,037	7,197,566
		18,979,343,821	26,502,541,060

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 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 2018

(Expressed in Sri Lankan Rupees)

16	Employees Loans and Advances	2018	2017
	Festival Advances	190,500	269,500
	Motor Cycle Loans	1,705,710	914,595
	Personal Loans	39,650,792	44,022,102
		41,547,002	45,206,196

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

17	Held-to-Maturity Investments (HTM)		
	Treasury Bills	583,043,365	532,548,539

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	Other Financial Assets		
	Fixed Deposits	4,366,920,845	3,099,723,762

The investment in fixed deposits amounts to Rs.206,000,000 (2015 - 206,000,000) has been pledged as a part of security against bank borrowings.

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 03 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 The call deposits amounting to Rs. 870 Mn which have been reported under fixed deposits in the previous year have been re-classified to cash and cash equivalents during the year.

19	Cash and Cash Equivalents		
	Favorable Balances		
	Current Accounts	24,509,064	20,156,035
	Saving Deposits	360,417,068	874,194,894
		384,926,133	894,350,929
	Unfavorable Balances		
	Bank Balance Overdraft	3,972,044	759,143
		3,972,044	759,143

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

20	Stated Capital	2018	2017
	Number of Ordinary Shares Issued and Fully Paid	50,245,608	50,245,608
	Ordinary Share Capital Issued and Fully Paid	502,456,080	502,456,080

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

22	Retirement Benefits Obligation		
	Balance as at 01 April	66,893,460	61,731,050
	Expenses Recognized in Comprehensive Income (Note 22.1)	(8,353,908)	11,001,717
	Payments Made During the Year	(7,988,549)	(5,839,307)
	Balance as at 31 March	50,551,004	66,893,460

22.1 Expense Recognized in Comprehensive Income		
Current Service Cost	(8,353,908)	3,397,800
Interest Charge for the Year	-	7,603,917
	(8,353,908)	11,001,717

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

The principal assumptions used are as follows.

Discount Rate [%]	11	11
Future Salary Increases [Rs.] - Executive	Fixed Rate	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.

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

The Principle Assumptions		Sensitivity [%]		Gratuity Liability Change
	Increase in 1%	Decrease 1%	Increase in 1%	Decrease 1%
Salary Escalation Rate [%]	(5.94)	6.64	47,545,960	53,907,723

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

23	Government Grants	2018	2017
	Balance as at 01 April	-	2,889,117
	Amortization of Government Grants	-	(2,889,117)
	Balance as at 31 March	-	

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

24	Deferred Taxation		
	Balance as at 01 April	155,078,112	40,928,542
	(Originated) / Reverse for the Year Recognised in Profit or Loss	(29,754,455)	(59,081,641)
	Deferred Tax Expenses Recognised in OCI for Revaluation Surplu	(5,728,502)	173,231,211
	Balance as at 31 March (Note 24.1)	119,595,155	155,078,112

24.1 The Analysis of Deferred Tax Assets and Liabilities

Deferred Tax Liability			
	From Accelerating Depreciation	74,507,059	78,743,226
	From Revaluation Surpluses	167,502,709	173,231,211
		242,009,768	251,974,437
Deferred Tax Assets			
	From Retirement Benefits Obligation	14,154,281	18,730,169
	From Brought Forward Tax Losses	82,915,912	53,083,845
	From Impairment Provisions - Trade Debtors	24,780,379	24,518,271
	From Impairment Provisions - Slow Moving Stocks	564,041	564,041
		122,414,613	96,896,326
		119,595,155	155,078,112

25	Trade and Other Payables	2017	2016
	Trade Payables	2,465,916,002	1,317,375,252
	Other Payables (Note 25.1)	42,552,198	83,584,262
		2,508,468,200	1,400,959,514

25.1 Other Payables

	Sundry Creditors	29,185,533	76,355,601
	Retention Money	1,033,079	912,370
	General Treasury	11,513,039	5,519,095
	PAYE Tax	326,653	142,674
	Others	493,893	654,522
		42,552,198	83,584,262

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

26	Interest Bearing Borrowings Short Term	2018	2017
	People's Bank		
	Balance as at 01 April	28,294,744,827	27,460,439,996
	Obtained During the Year	-	11,474,044,093
	Paid During the Year	(7,548,028,800)	(10,639,739,262)
	Balance as at 31 March	20,746,716,027	28,294,744,827
	Non-current Portion	13,198,687,226	26,407,737,626
	Current Portion	7,548,028,800	1,887,007,200
		20,746,716,026	28,294,744,826

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

27	Deposits and Advances Received		
	Refundable Performance Bond	118,889,368	114,364,900
	Staff Security Deposits	3,591,713	3,845,369
	Refundable Deposits	2,352,800	1,348,000
	Receipt in Advance	7,693,867	17,878,859
	Sundry Salary Deduction	113,160	108,837
	Excess on Sales	721,767	695,160
	Employee Other Loan	2,778	
		133,365,452	138,241,125

28	Current Tax Liability		
	Balance as at 01 April	8,266,615	180,984,083
	Payments Made for Previous Year	(8,266,615)	(166,333,273)
	Provision for the Current Year	82,984,814	44,011,949
	Self Assessment Payments Made During the Year	-	(20,342,860)
	Economic Service Charges (ESC) Recoverable	-	(5,800,790)
	Withholding Tax (WHT) and notional tax Recoverable	(39,585,400)	(24,252,494)
	Balance as at 31 March	43,399,414	8,266,615

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

29	Accrued Expenses and Provisions	2018	2017
	Accrued Expenses	64,069,807	39,571,679
		64,069,807	39,571,679

30 Capital and Other Commitments

The company has entered in to construction contractors with the following two contractors for :

	Expense Incurred	
	In Year 2018	In Prior Years
(a) Constructing a propose holiday bungalow at Nuwara Eliya for Rs. 29Mn	-	1,992,633
(b) Over layering of Asphaltting at hunupitiya premises for Rs. 49 Mn	-	-

31 Events Occurring after Reporting Period

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

32 Contingent liabilities

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

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

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

33 Related Party Disclosures

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

Transactions with Key Management Personnel

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

Transactions with Key Management Personnel are given below.	2017 / 18	2017/ 16
Remuneration and Other Short - Term Employee Benefits	4,504,255	4,907,344

Related Party Transactions

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

Name of the Related Party	Nature of Transactions	Transaction Value (Rs.)	Balance (Due to)/ Due from
Government of Sri Lanka	Capital Grants	-	-
	Subsidies Received out of the claims made amounts to Rs. 15,741,151,537/-		
	Sales of Goods	231,049,405	
	Recoveries of Trade Receivables	188,781,672	
State-Owned Enterprises	Recoveries of Trade Receivables	188,781,672	
	Short-term Loans borrowed		
	Settlements of Loans	(5,661,021,600)	
	Investments In Treasury Bills and Repo's		
	Proceeds from Maturity of Investment	31,668,480.00	
	Interest Received	60,753,698.00	
	Investments In Fixed Deposits		
	Investment during the year	797,997,585.00	
	Interest Received	207,302,796.00	
	Call Deposits and Saving Deposits	3,845,369.00	
	Current Accounts	20,156,035.00	
	Current Accounts - Overdraft	759,143.00	
	Other Government Related Entities	Recoveries of Trade Receivables	9,183,190.00

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

(Expressed in Sri Lankan Rupees)

34	Financial Instruments and Risk Management	2018	2017
	The accounting classification of each category of financial instruments and their carrying amounts reported in the statement of financial position are stated below.		
	The Carrying Values of Financial Assets and Liabilities.		
	The carrying amount of the financial assets and liabilities reported in the statement of financial position are as follows,		
	FINANCIAL ASSETS		
	Held-to-Maturity Investments		
	Treasury Bills	583,043,365	532,548,539
	HTM investments are stated at amortized cost using the effective interest method		
	Loans and Receivables		
	Trade and Other Receivables	2,229,992,191	2,043,336,119
	Employees Loans and Advances	41,547,002	45,206,196
	Other Financial Assets	4,366,920,845	3,099,723,762
	Cash and Cash Equivalents	384,926,133	894,350,929
		7,023,386,170	6,082,617,006
	The loans and receivables are stated at amortised costs using the effective interest method.		
	TOTAL FINANCIAL ASSETS	7,606,429,535	6,615,165,545
	FINANCIAL LIABILITIES		
	Other Financial Liabilities		
	Interest Bearing Borrowings	7,548,028,800	1,887,007,200
	Trade and Other Payables	2,508,468,200	1,400,959,514
	Deposits and Advances Received	133,365,452	138,241,125
	Bank Overdrafts	3,972,044	759,143
	Total Financial Liabilities	10,193,834,496	3,426,966,982

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.

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2018

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	2018	2017
Cash and Cash Equivalents	384,926,133	894,350,929
Other Financial Assets	4,366,920,845	3,099,723,762
Trade and Other Receivables	19,211,497,863	26,693,371,394

Trade and Other Receivables

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

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

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

Subsidy Receivables

The receivables represent fertilizer subsidies to be received from the Treasury to compensate for import costs already incurred. The subsidy receivable is expected to recover

within a period of 180-270 days. The company's exposure to credit risk arises from default in meeting contractual obligation of the Treasury, with a maximum exposure equal to the carrying amount of the receivables.

Other Financial Assets

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

02. Liquidity Risk

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

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

The following table depicts the company's financial assets and liabilities maturity analysis as at 31 March 2018 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

Notes to the Financial Statements

For the Year Ended 31st March 2018

Financial Assets and Liabilities	Carrying Amount (Rs.)	6 Month or Less	6 - 12 Months	More than 1 Years
Financial Assets				
Held-to-Maturity Investments	583,043,365	-	583,043,365	-
Other Financial Assets	4,366,920,845	4,036,375,915	330,544,930	-
Cash and Cash Equivalents	384,926,133	384,926,133	-	-
Trade and Other Receivables	19,211,497,863	19,211,497,863	-	-
Employees Loans and Advances	41,547,002	41,547,002	-	-
Total Undiscounted Financial Assets	24,587,935,208	23,674,346,912	913,588,295	-
Financial Liabilities				
Interest Bearing Borrowings	7,548,028,800	7,548,028,800	-	-
Trade and Other Payables	2,508,468,200	2,508,468,200	-	-
Deposits and Advances Received	133,365,452	133,365,452	-	-
Bank Overdrafts	3,972,044	3,972,044	-	-
Total Undiscounted Financial Liabilities	10,193,834,496	10,193,834,496	-	-
Net Undiscounted Financial Assets / (Liabilities)	14,394,100,711	13,480,512,416	913,588,295	-

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

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

Currency Risk

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

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

Interest Rate Risk

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

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue



FORM OF PROXY

CEYLON FERTILIZER COMPANY LIMITED.

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

Signed this

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

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

The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or a 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.....2018.

.....
Signature of Shareholder



CEYLON FERTILIZER COMPANY LTD

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