

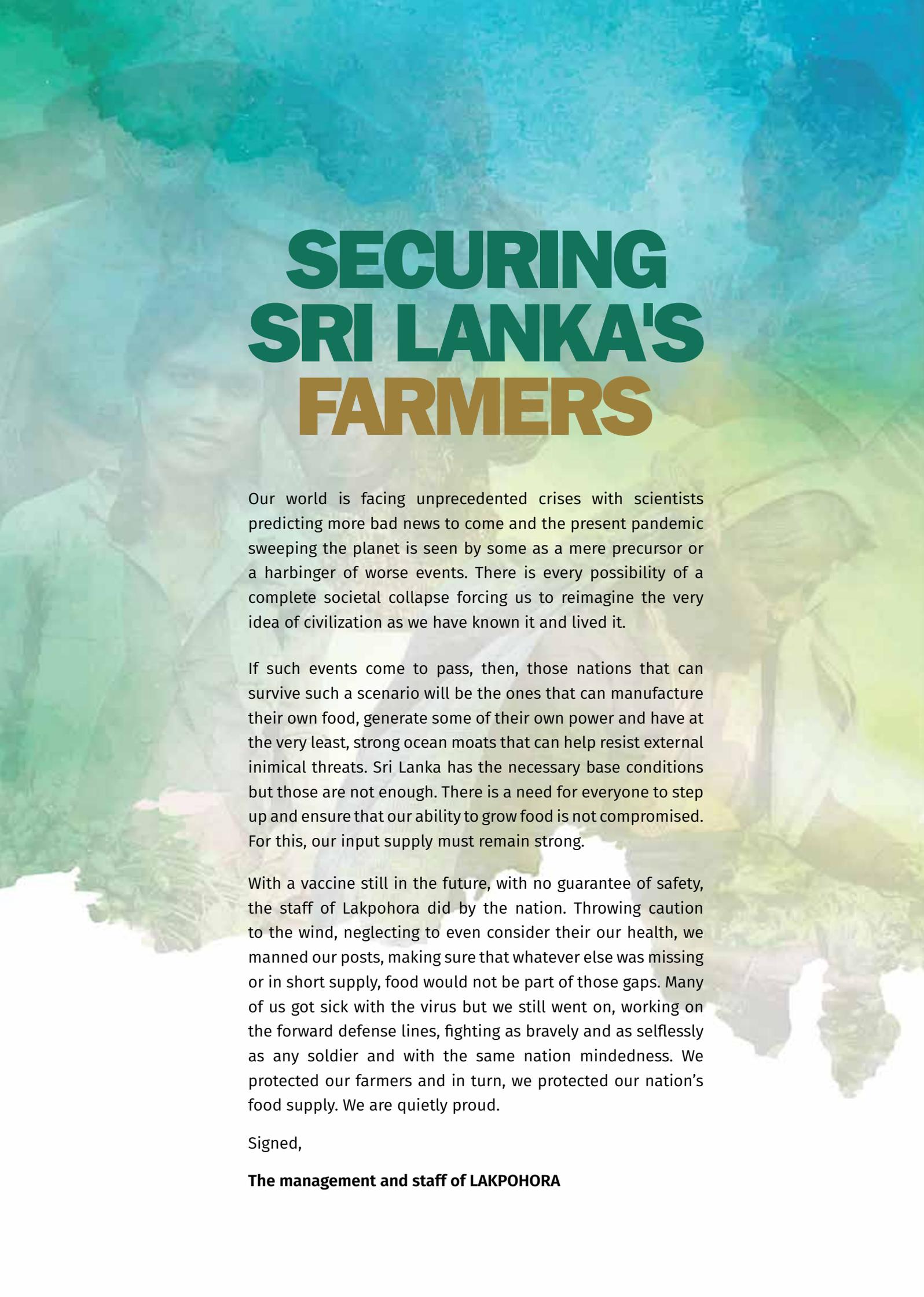
ANNUAL REPORT

2019/20



CEYLON FERTILIZER COMPANY LTD

SECURING SRI LANKA'S FARMERS



SECURING SRI LANKA'S FARMERS

Our world is facing unprecedented crises with scientists predicting more bad news to come and the present pandemic sweeping the planet is seen by some as a mere precursor or a harbinger of worse events. There is every possibility of a complete societal collapse forcing us to reimagine the very idea of civilization as we have known it and lived it.

If such events come to pass, then, those nations that can survive such a scenario will be the ones that can manufacture their own food, generate some of their own power and have at the very least, strong ocean moats that can help resist external inimical threats. Sri Lanka has the necessary base conditions but those are not enough. There is a need for everyone to step up and ensure that our ability to grow food is not compromised. For this, our input supply must remain strong.

With a vaccine still in the future, with no guarantee of safety, the staff of Lakpohora did by the nation. Throwing caution to the wind, neglecting to even consider their our health, we manned our posts, making sure that whatever else was missing or in short supply, food would not be part of those gaps. Many of us got sick with the virus but we still went on, working on the forward defense lines, fighting as bravely and as selflessly as any soldier and with the same nation mindedness. We protected our farmers and in turn, we protected our nation's food supply. We are quietly proud.

Signed,

The management and staff of LAKPOHORA



**Ministry of Agriculture, Rural Economic Affairs, Livestock Development,
Irrigation and Fisheries & Aquatic Resources Development**

288, Sri Jayawardenapura Mawatha,
Rajagiriya, Sri Lanka.

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Creative
Solutions

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ANNUAL REPORT

2019/20



CEYLON FERTILIZER COMPANY LIMITED

Ceylon Fertilizer Company Limited

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

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

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



National Productivity Awards
2012/13
Second Place



Sri Lanka National
Quality Award 2013
Silver Award



SLCBC Business Star
2014
Silver Award



Akimoto 5S Awards
2014
Merit Award



National Business Excellence
Awards 2014
Golden Award



Human Resource Management
Awards 2013
Merit Award

CONTENTS

The Foundation of Agriculture in Sri Lanka	06
Corporate Information	07
Milestones on Our Journey	10
Vision & Mission	15
Financial Highlights	17
Financial Summary for Last Ten Years	18
Message from the Chairman	20
Statement of the General Manager	24
Board of Directors	26
Senior Management Team	32
Organizational Structure of the Company	36
Management Review and Analysis	40
Corporate Governance	46
Risk Management Report	48
Human Resources Management Report	51
Audit Committee Report	56
Financial Statements	68
Statement of Directors' Responsibilities	71
Chairman's and Financial Manager's Responsibility Statement	72
Independent Auditor's Report	73
Statement of Profit or Loss and Other Comprehensive Income	82
Statement of Financial Position	83
Statement of Changes in Equity	84
Statement of Cash Flows	85
Notes to the Financial Statements	86
Form of Proxy	129



THE FOUNDATION OF AGRICULTURE IN SRI LANKA

(CORPORATE DETAILS)

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 underact number 23 of 1987, it was reestablished under this act with effect from 15th September 1992 under its original name and is currently registered under the Companies Act number 07 of 2007.

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

CORPORATE INFORMATION



Company Name

Ceylon Fertilizer Company Limited

Company Registration Number

PB 499

Legal Nature

A limited liability company incorporated in Sri Lanka with full ownership vested with the Secretary to the General Treasury

Registered Office and Address

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

Tel : +94 11 2 930 298 / 99

Fax : +94 11 2 947 763

E-mail : info@lakpohora.lk

Web : www.lakpohora.lk





For
Paddy
Cultivation

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

We continue to walk down an arduous path to help feed our nation.

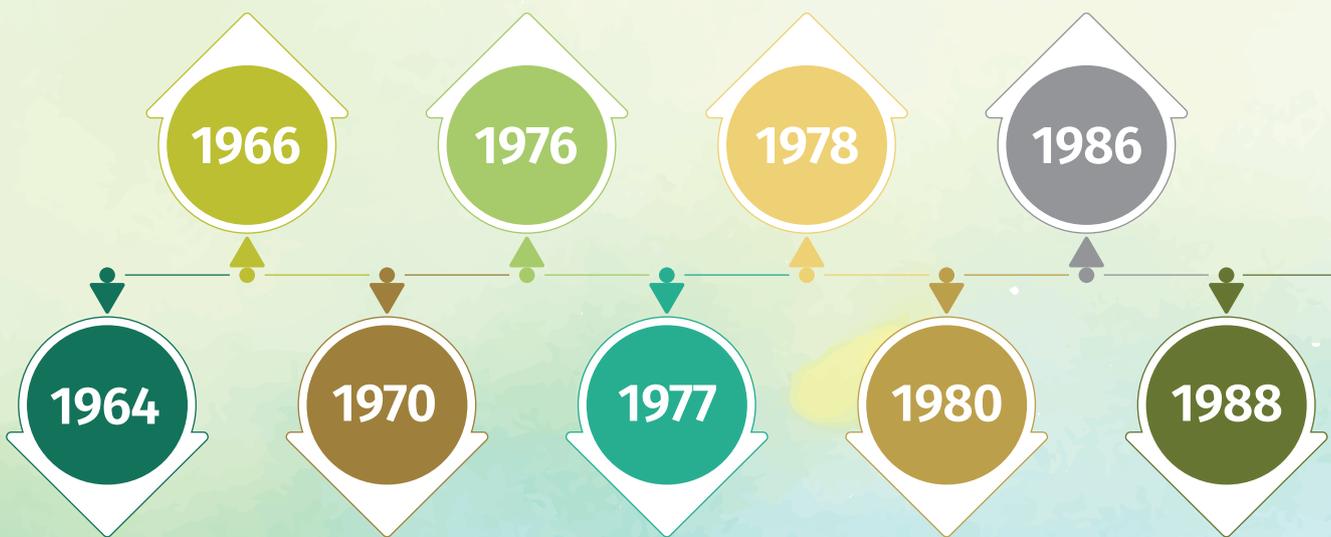
We have had to live through and work through times of grave crises. During those decades, there was many challenges, great failures and even greater successes. All of this happened on the successive watches of a truly dedicated staff that worked through the Ceylon Fertilizer Corporation for the people of Sri Lanka.

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.



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.

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.

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.

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

1992

2002

2007

2010

2016

1994

2005

2008

2013

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.

BOARD OF DIRECTORS

Chairman

Mr. J. A. Somachandra Jayakody
(01.04.2019-03.12.2019)

Mr. Sarath Samarakoon
(31.12.2019-31.08.2020)

Directors

Mr. S. G. K. D. Jerome Reggie
(01.04.2019-02.12.2019)

Ms. M. T. I. Visakha Amarasekara
(01.04.2019-03.12.2019)

Mr. B. D. Maheelal Chandima
(01.04.2019-03.12.2019)

Mr. M. P. Sarath Abeyrathne
(01.04.2019-03.12.2019)

Mr. S. L. Gamage Bandusiri
(01.04.2019-31.03.2020)

Mr. W. P. Dimuthu Pathum
(01.04.2019-31.03.2020)

Mr. Kosala Jayakody
(15.01.2020-31.03.2020)

Mr. H. K. C. Tharuka Alwis
(15.01.2020-31.03.2020)

Ms. E. G. G. H. Madhuka Ranasinghe
(13.01.2020-31.03.2020)

Mr. L. Gemunu Samarawickrama
(15.01.2020-31.03.2020)

Company Secretary

Mrs. A. M. Chamila Swarnamali Thilakarathne

Management Team

Mr. R. A. P. Perera General Manager (Acting)
Manager (Distribution)

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

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

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

Ms. U. Perera Manager (Laboratory)

Mr. G. G. Saman Acting Manager (Procurement and Imports)

Ms. M. G. D. Gayani Acting Manager (Finance)

Ms. T. S. S. Dharmabandhu Acting Manager
(Administration and Human Resources)



For *Tea*
Cultivation

T-65, T-200, T-750, UT-1625, UT-397, UT-752,
VPLC-880, VPLC-945, VPUM-910, U-625,
ST/UM-400, STUVA-435, U-709





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 blending and distributing a portfolio inputs and services for the agricultural sector that cater to the demand of a diversified market in line with state policies.

Values

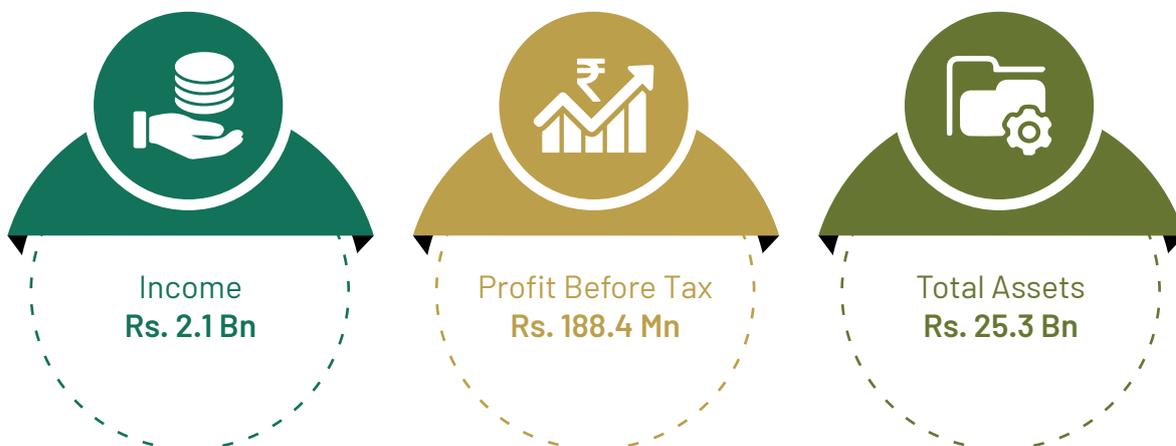
Keeping environment sustainability, assuring a healthy future generation and connecting to farmer at grassroot level are the key Values upon which we will build our future product range.



For
*Vegetables
and Cash Crops*

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

FINANCIAL HIGHLIGHTS



Financial Highlights and YoY Ratios			
Item	2020 (LKR)	2019 (LKR)	Ratio (%)
	Rs.	Rs.	%
Income	2,100,583,296	1,869,949,695	12
Profit before tax	188,443,929	119,782,045	57
Profit after tax	97,993,276	(34,506,078)	384
Earnings per share	1.95	(0.69)	383
Benefits on assets	8.28	6.90	20
Benefits on liabilities	0.34	0.34	0

Financial Position and YoY Ratios			
Item	2020	2019	Ratio (%)
Total Assets	LKR 25,366,775,513	27,082,981,082	-6.34
Total Equity	LKR 6,141,242,690	LKR 5,531,184,013	11.03
Number of shares issued	50,245,608	50,245,608	0
Net assets per share	LKR 110	LKR 116	11.03

FINANCIAL SUMMARY FOR LAST TEN YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS
		(For 7 Month)	(For 7 Month)							
Statement of Comprehensive Income										
Revenue	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	1,869,949,695	2,100,583,296
Gross profit	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	189,371,158	267,726,824
Other income	157,164,017	197,912,757	108,809,998	93,172,755	142,197,667	122,926,594	29,096,825	45,440,368	107,856,870	209,623,485
Profit before tax	73,979,009	159,544,495	199,894,319	241,328,764	520,200,738	836,604,005	127,804,541	39,346,123	119,782,045	188,443,929
Tax	(43,666,668)	(52,315,944)	(73,037,738)	(62,869,313)	134,184,888	(233,331,176)	11,787,491	(63,882,188)	(154,288,123)	(90,450,653)
Profit after tax	30,312,341	107,228,551	126,856,581	178,459,452	386,015,851	603,272,829	139,592,032	(24,536,064)	(34,506,078)	97,993,276
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	1,986,087,280	1,836,179,780	1,835,723,580	1,835,723,580	1,833,071,080	1,833,071,080	2,506,976,187	2,028,858,589	2,291,788,758	2,297,282,725
Retained Earnings	224,109,054	1,285,578,730	1,397,891,510	1,500,363,432	1,869,914,195	2,392,840,203	2,494,732,936	2,792,590,448	2,736,939,175	3,341,503,885
Total equity	2,712,652,414	3,624,214,590	3,736,071,170	3,838,543,092	4,205,441,355	4,728,367,363	5,504,165,203	5,323,905,117	5,531,184,013	6,141,242,690
Property, plant and equipment	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	2,744,935,187	2,705,686,663
Capital work in progress	542,901	-	-	-	29,982,587	32,152,294	21,960,737	22,316,114	676,729	676,729
Deferred tax expense	-	4,862,949	73,037,738	5,561,375	37,484,888	-	-	(29,754,455)	154,288,123	5,493,967
Investment in treasury bills	434,767,955	471,025,753	338,620,163	471,894,936	489,125,747	514,903,604	532,548,539	583,043,365	634,370,554	698,334,484
Intangible assets	-	-	669,017	344,717	115,417	79,667	-	-	17,501,026	13,754,126
Deffered tax assets	76,814,523	71,951,574	-	-	-	-	-	-	-	-
Net current assets	6,975,143,544	1,706,541,296	1,915,693,141	2,025,842,182	2,417,551,302	2,963,028,124	3,020,938,645	16,516,623,681	9,121,613,694	3,658,556,182
Deferred tax liabilities	-	-	1,086,164	6,647,539	44,132,427	40,928,542	155,078,112	602,124,755	643,022,709	169,037,795
Short / long term loans	5,369,929,928	-	-	17,728,367,618	31,304,325,268	-	-	20,746,712,026	14,795,213,338	14,103,482,956
Cash Flow Statement										
Net cash inflow/ (out flow) from operating activities	(16,012,155,140)	12,695,227,509	(9,517,159,808)	(5,094,105,859)	(9,560,794,959)	(738,936,570)	11,542,320	8,052,725,854	4,431,360,823.00	(282,165,789)
Net cash inflow/ (out flow) from investing activities	(36,565,665)	(8,458,411)	83,232,936	(508,688,188)	(1,021,212,231)	(1,086,700,012)	(591,862,107)	(908,705,035)	1,301,050,014.00	1,435,897,612
Net cash inflow/ (out flow) from financing activities	16,168,483,382	(13,079,312,780)	9,575,483,282	5,654,013,585	10,614,850,014	(3,843,885,272)	834,304,831	(7,628,967,604)	(5,966,502,687.00)	(691,730,383)
Other Information										
Earning per share (Rs)	0.60	2.13	2.52	3.55	7.68	12.01	2.78	(0.49)	(0.69)	1.95
Dividend per share (Rs)	0.18	0.18	0.76	1.05	2.30	3.60	0.83	(0.15)	(0.21)	0.59
Net asstes per share (Rs)	54	72	74	76	84	94	110	116	110.00	122.22
Current ratio (No.of times)	1.29	1.08	1.08	1.06	1.06	1.09	1.10	2.60	1.60	1.19



For
Coconut
Cultivation

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



MESSAGE FROM THE CHAIRMAN

// The manifesto of His Excellency Gotabaya Rajapaksa, “Vistas of Prosperity and Splendour” posed CFCL with a set of unique challenges to overcome and opportunities to capitalize on. //

On behalf of the Board of Directors, it gives me a great pleasure in presenting the annual report of the Ceylon Fertilizer Company Limited for the financial year ended 31st March 2020.

Since 1964, the Ceylon Fertilizer Company has been the leading government sector importer, blender and wholesaler of paddy and other crop fertilizers.

In the 57 year history of the Ceylon Fertilizer Company Limited, we have seen continuous development and a firm resolve on the part of the CFC to remain a profitable company, backed by an effective business model catering the Nation’s Agricultural Community.

Every change in the external environment throws up a challenge or an opportunity to prove one’s mettle. The manifesto of His Excellency Gotabaya Rajapaksa, “Vistas of Prosperity and Splendour” posed CFCL with a set of unique challenges to overcome and opportunities to capitalize on.

CFCL has taken steps to address potential issues by anticipated these changes in advance. We put into operation a total system approach to face these challenges, which aiming to



enhance organizational productivity, service quality, fertilizer quality and help in the accomplishment of the organization's vision, goals, objectives. In addition, it will meet its stated goals through planned improvements and interventions. The company's strategy, structure, systems, processes and people will aid in strategic administration. It is a practical tool that sets a clear path for the CFCL's future while allowing the strategists' vision to mature and change with time.

CFC has taken steps to gradually expand its warehouse storage capacity by constructing new stores' at Hambantota, Kantale, Hunupitiya to cater to the demands of paddy farmers through 376 Agrarian Service Centers and appointed more than one thousand Authorized Dealers island wide to meet the needs of other crop fertilizers. The Island wide distribution network consists of 45 Divisional Fertilizer Stores supports the logistics of delivering the CFCL product portfolio to the farmers. Furthermore, we have Identified and innovated products to enter into emerging markets in order to attract new customers and provided opportunities for expanding relationships with existing customers.

Understanding and forecasting market drifts and realities as well as global and local trends has been prioritized in the company and it has taken steps to commercially manufacture organic agriculture fertilizer inputs in collaboration with domestic and international organic fertilizer suppliers.

The company sees that its future in the fertilizer business will rest upon such paradigm shifts. Therefore, the company has undertaken a wide range of initiatives from process to distribution to farmer, prioritizing farmer education to position itself as the eventual market leader in organics.

The coronavirus pandemic has brought about a fundamental change in the way people work and how businesses operate. This change has forced companies to reform and restructure in order to adapt to the new realities that will emerge in the post Covid-19 era. The most important challenge of this crisis is retaining and motivating the current teams. We suggested that in order to do this, our company start by helping employees by restructuring the work, such as giving them transport or work-from-home capabilities not merely respond

by increasing total remuneration, increments, bonuses and incentives to the employees. Additionally, we made sure to provide optimum health care facilities in order to ensure employee health & safety.

In order to position itself to face the future, we focused our development of the facilities and infrastructure to convert workspaces to enable our staff to feel supported and motivated where their activities for the betterment of the company can be optimized. Further, a major internal road construction project worth 200 million was implemented despite no specific budget allocation and I thank Hon. Minister Mahindananda Aluthgamage for his support to make this project a reality.

From a Human Resource Development perspective during the year under review, CFCL focused on capacity development with continuous growth in human centered productivity. Planning of Human resources impacted the set goals of CFF's long and short term strategic objectives. Therefore, an action plan was developed to address the potential impact on employees and the vital changes necessary to enhance workforce capabilities and capacity needs.

For long-term organizational sustainability, core competencies, and future projections, and long term strategic objectives were categorized and a strategic map was accordingly developed. We expect 2020 to be a challenging year with opportunities for growth and development of the agricultural community in Sri Lanka and believe that our experienced and energetic team will be essential for meeting our goals and capturing new opportunities for growth.

I extend my sincere appreciation and deep gratitude to his excellency, President Gotabaya Rajapaksa, Honorable Mahindananda Aluthgamage Minister of Agriculture, to the line Ministries and other governmental officials who gave their unwavering support for our success. Also, I take this opportunity to thank and express my appreciation Gratitude to the members of the Board of Directors, of our management team and all the members of the Lakpohora family.



Janath Vidanage

Chairman



For
Rubber
Cultivation

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



STATEMENT OF THE GENERAL MANAGER

I am pleased to present the audited financial statements to the annual report of the Ceylon Fertilizer Corporation Limited, the premier agricultural input provider to the nation, for the financial year of 2019/2020 and address our valued shareholders, our partners and stakeholders as yet another financial year comes to an end.

// Natural organic resources played an important role in Sri Lankan agriculture even in the ancient history of the country. //

CFC is the leading state institution of the National Program for supplying fertilizer at subsidized prices in compliance with His Excellency Hon Gotabaya Rajapaksa's manifesto "Vision of prosperity." Within the framework of this policy, we are now in the mission critical process of establishing our own strategy. During the year under review, we evaluated the growth opportunities presented to ensure alignment with the organization's long term strategy and I am proud to report that a major share of the market has been captured by the CFC competing with private sector Fertilizer Companies.

Despite the various issues and challenges faced by other countries of the world due to the burgeoning COVID-19 pandemic, the rapid development of the agricultural sector in Sri Lanka played a major role for the relatively favorable economic advances made recently.

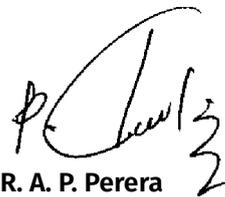
The year under review saw high impetus to perform in the agriculture sector and the energy required for this was fertilizer and the policy decision taken by the government to issue fertilizer at no cost was a noteworthy step towards development of Agriculture. At this juncture, the Ceylon Fertilizer Company was also able to contribute to the efforts of the Government to create the enabling environment for the enhancement of the prosperity of the entire agrarian community.

As the sole importer, producer, marketer and distributor of fertilizer to the agriculture community of the country since these policy changes, the CFCL stood with and for the agricultural community of the nation. The direction of the leaders who headed the company, a strong management team and loyal employees have helped us to continue as an important pillar of national development. CFCL became profitable during the year under review due to a massive team effort. In 2020, it became possible to make achieve several key milestones through strategic planning and implementation of vital changes. During the year 2020, the net assets of Ceylon Fertilizer Co. Ltd stood at Rs25.36 Billion. Through the disciplined application of a long-term strategy, the company has increased its profit before tax from 119.78 million to Rs.181.90 million Year on Year which has been the highest such growth in recent years. We are able to implement standards that accelerated our strategy to develop solutions to some of the most deep-seated social and environmental challenges of the country and deliver wider benefits to society.

The company succeeded in implementing a number of strategic plans towards promoting

the concept of organics across Sri Lanka with a far-sighted vision of revolutionizing the local agro industry by reinventing age old practices to bring sustainable results. The concept of using organic fertilizer has never been alien to local farmers who treated the organic world around them as an integral part of their day-to-day life. Natural organic resources played an important role in Sri Lankan agriculture even in the ancient history of the country. With the perception that we can certainly learn from the past and move forward with more comprehensive and developed methods of using organic fertilizer for agricultural purposes, we have planned and initiated new projects to promote organic fertilizer amongst farmers and planters across the island.

All members of Lakpohora family are skilled, motivated, and proud of the organization's heritage and ambitious for its future and therefore we did not resort to reducing costs at the expense of building talent and hindering the future growth of the company. During the recent years the company invested in training the young and reskilling our experienced employees. We are focused on continuing this commitment for the long-term benefit of our loyal employees. The Lakpohora family always stands at the heart of our business. Our past, current and future success rest entirely on them and I take this opportunity to sincerely thank the members of Lakpohora family for their dedication.



R. A. P. Perera
General Manager (Acting)

BOARD OF DIRECTORS



MR. JANATH VIDANAGE
Chairman

Janath Vidanage is a product of the premier educational institute in Sri Lanka, Royal College and he brings the discipline, commitment to purpose and resourcefulness in achieving personal and career goals to every single endeavor he puts his hands to. One of the best collegiate boxers of his era, he was a colorsman in the sport. Additionally, he obtained dual colors as a rower on the school rowing team. Recognizing his leadership talents he was given the rare distinction of being appointed a college prefect. Subsequent to finishing his schooling he obtained a scholarship to read for a bachelors in Medicine in Russia before returning to briefly join HNB. Having joined Cathay Pacific as its Country Manager, he held that position for many years in the course of which he became known as one of the most trustable individuals in the travel industry. Never relinquishing his interest in the travel trade throughout his work life he now owns his own travel company. He is also one

of the most travelled individuals from Sri Lanka having visited 137 countries during his career and he brings the vast experiences he gained on his travels to every endeavor in which he is involved. Never a man to shirk his duty by the country, he served it as a member of the Board of the Lanka Electricity Company (LECO) before continuing his service to the nation in his present capacity as the Chairman of the CFCL. As a scientist who has his finger on the pulse of a crisis ridden world, he has had a lifelong interest in agriculture and botany. Ever humble in his approach to life, he lives by the adage that he will do what he perceives to be the best for Sri Lanka regardless of whether his deeds are recognized as such or not.

*Mr. Somachandra Jayakody - Chairman
(01.04.2019-03.12.2019)*

*Sarath Samarakoon - Chairman
(31.12.2019-31.08.2020)*



MR. S. L. G. BANDUSIRI

Director

Mr. Bandusiri holds a Bachelors in Public Administration, a Postgraduate Diploma in Financial Management and a Diploma in Public Finance Management. He was appointed to the Ceylon Fertilizer Company Ltd as the Member of the Board representing the Ministry of Agriculture, Rural Economic Affairs, Irrigation and Fisheries & Aquatic Resources Development. He has represented the Boards of several key state owned Enterprises including the State Mortgage

& Investment Bank and is presently attached to the Ministry of Agriculture, Rural Economic Affairs, Irrigation and Fisheries & Aquatic Resources Development as the Chief Accountant and has obtained over 34 years of experience at the accountancy field. Presently he represents Board of Directors of Colombo Commercial Company Ltd and Ceylon Fertilizer Company Ltd. Additionally, he is a Member to the Audit & Management Committee of the company.

BOARD OF DIRECTORS



MR. W. P. DIMUTHU PATHUM
Director



MR. KOSALA JAYAKODY
Director

Mr. Dumuthu Pathum served on the Board of Directors of Ceylon Fertilizer Corporation from 15.01.2020 - 31.03.2020

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



MR. H. K. C. THARUKA ALWIS
Director

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



**MS. E. G. G. H. MADHUKA
RANASINGHE**
Director

Ms. Ranasinghe holds a Bachelor of Science in Finance from the University of Sri Jayawardenepura and a Masters in Financial Economics from the University of Colombo. She has worked at the General Treasury for over seven years and has wide experience in national fiscal planning processes. She is currently the Deputy Director of the Department of Public Enterprises and is the Treasury Representative to the Board of Directors of the State Printing Corporation in addition to being the representative of the Treasury on the board of the CFCL.

BOARD OF DIRECTORS



**MR. L. GEMUNU
SAMARAWICKRAMA**
Director



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

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

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



SENIOR MANAGEMENT TEAM



Mr. R. A. P. Perera

General Manager (Acting) and
Manager (Distribution)

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 and supply chain management. Presently reading of Mater of Human Resources Management.



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.



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. 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).

SENIOR MANAGEMENT TEAM



Mrs. M. G. D. Gayani
The Acting Manager (Finance)

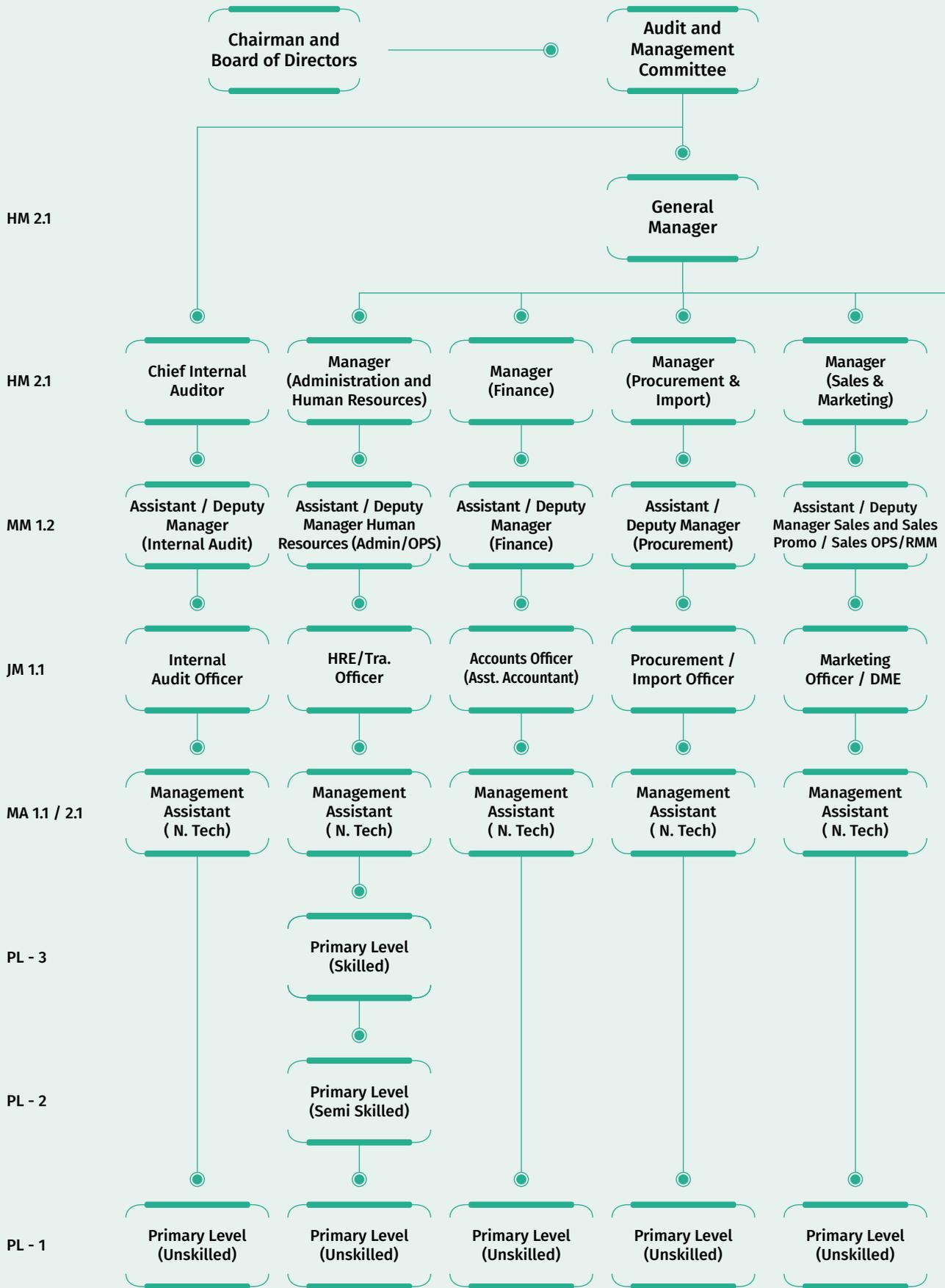
She hold a Bachelor of Commerce (Special) degree From the University of Sri Jayawardhanapura and also she holds the Higher National Diploma in Accountancy (HNDA) in technical collage at Maradana. She holds the Associate memberships of the Association of public finance Accountants of Sri Lanka. She has 26 years experience at the company.



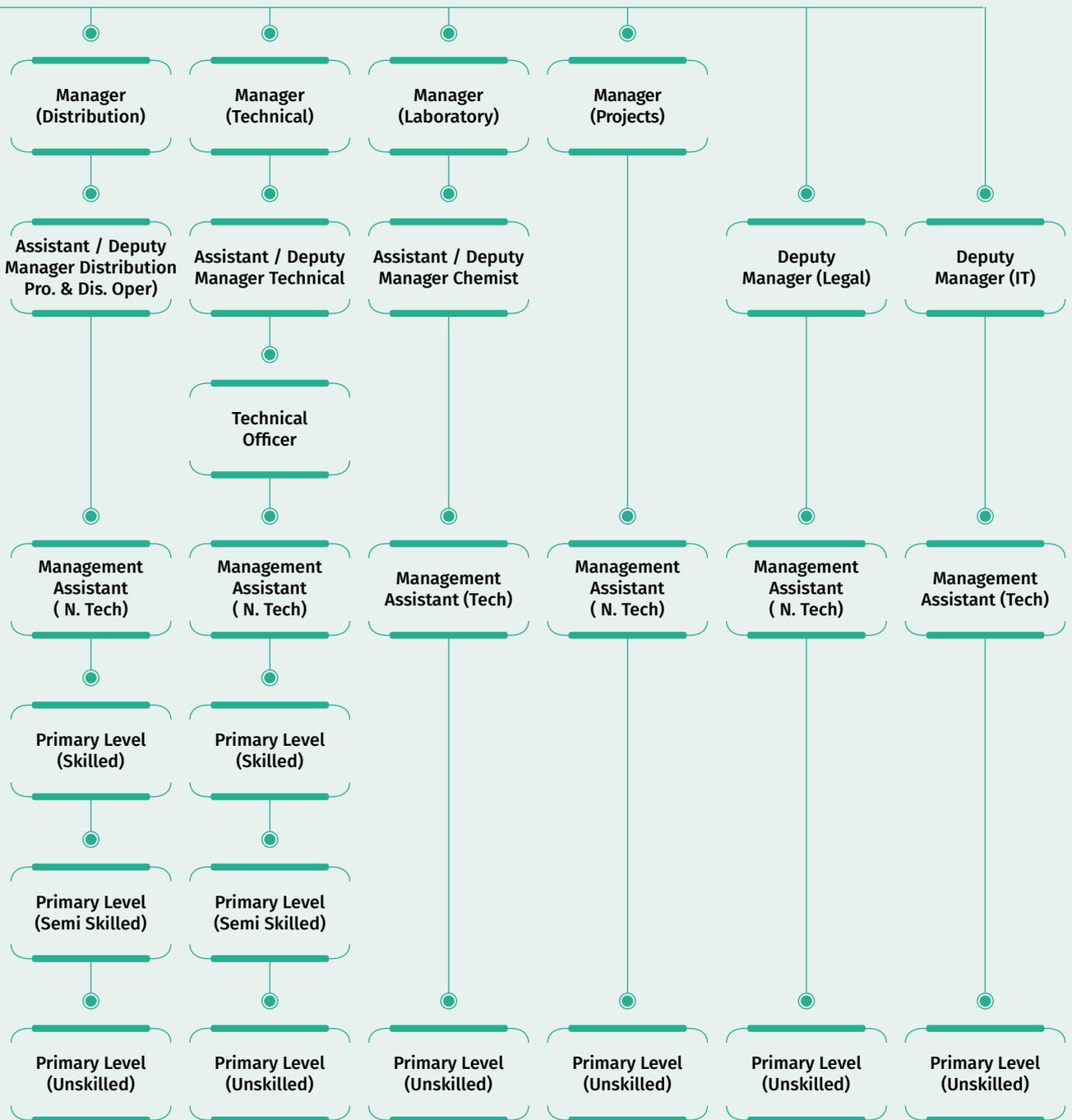
Mrs. T. S. S. Dharmabandhu
The Acting Manager
(Administration & Human Resources)

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





ORGANIZATIONAL STRUCTURE



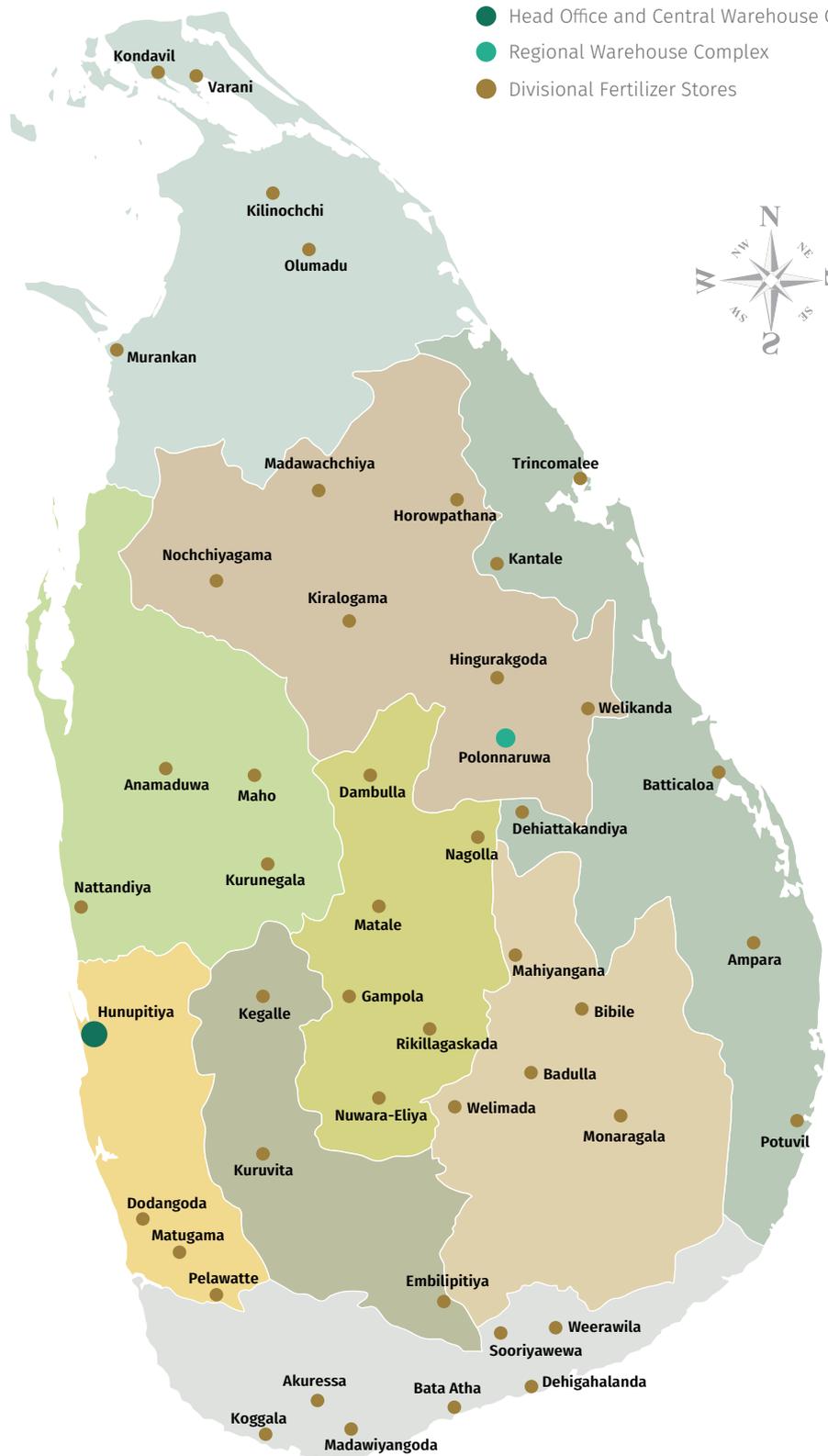


47 Island wide fertilizer distribution warehouse network...



Ceylon Fertilizer Co. Ltd. Islandwide Fertilizer Distribution Network

- Northern Region**
Kondavil
Kilinochchi
Varani
Olumadu
Murankan
- North Central Region**
Medawachchiya
Horowpathana
Kiralogama
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
Welimada
- Southern Region**
Weerawila
Dehigahalanda
Bata-Atha
Medawiyangoda
Akuressa
Koggala
Sooriyawewa





MANAGEMENT REVIEW AND ANALYSIS

General economic overview focused on the agrarian sector:

According to the Central Bank of Sri Lanka, the vulnerability of the Sri Lankan economy to global and domestic disturbances became increasingly visible in 2018, with a modest expansion in real economic activity amidst a low inflation environment during the year. Real GDP growth was recorded at 3.2 per cent in 2018, compared to 3.4 per cent in the previous year. This growth was largely supported by services activities that expanded by 4.7 per cent and the recovery in agriculture activities, which recorded a growth of 4.8 per cent. Industry activities slowed down significantly to 0.9 per cent during the year, mainly

as a result of the contraction in construction. According to the expenditure approach, both consumption and investment expenditure supported growth. Investment as a percentage of GDP stood at 28.6 per cent in 2018 compared to 28.8 per cent in the previous year, while the savings-investment gap widened during the year indicating increased dependence on external resources to fill the shortfall. The total size of the Sri Lankan economy was estimated at US dollars 88.9 billion, while the per capita GDP was recorded at US dollars 4,102 in 2018, which was marginally lower than in the previous year. Amidst the moderate growth in economic activity, a marginal increase in the unemployment rate and a decline in the labor force participation rate



were observed during the year. Sri Lanka also experienced a significant economic downturn during the year under review, particularly from mid-April 2018 and the terror attacks. The problems were exacerbated following the political uncertainties and the downgrade of the country's Sovereign rating in the fourth quarter of the year. Fiscally it was a year of overall decline with the trade deficit surpassing USD 10 billion for the first time in the country's history. Headline inflation fluctuated largely in line with the price movements of the food category, where food prices declined mostly during 2018 owing to favorable weather conditions that prevailed during the year.

The COVID-19 pandemic put extraordinary pressure on every aspect of society and none were more in focus than the issues related to food security. The agriculture sector contracted by 2.4%. Of the agricultural sector, the subsectors of marine fishing and marine aquaculture, and forestry and logging activities contracted notably due to the disruptions caused by the pandemic, while growing of oleaginous fruits also contracted owing to lagged effects of dry weather conditions that prevailed in 2019. On the other hand, the subsectors of growing of vegetables, rice, fruits and cereals other than rice, recorded a healthy performance during 2020, supported by the Government's policy initiatives to promote domestic agricultural production.

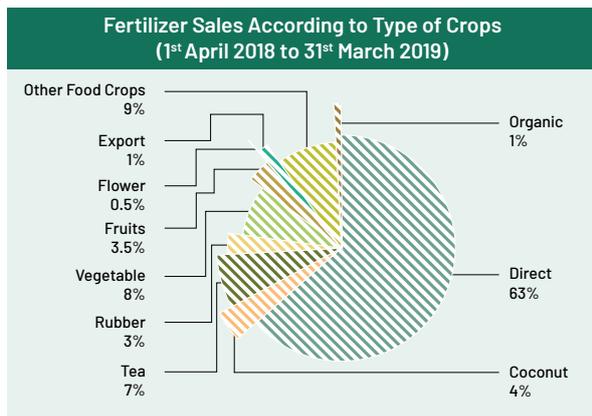
Despite significantly bleak outlooks due to multiple socioeconomic crises, productivity improvements in the traditional agricultural sector remained a priority. However, low levels of productivity have negatively impacted the economies of farming communities. Therefore, increased economies of scale, promoting modern technology based agriculture, adopting smart farming technologies for efficient use of resources such as Good Agricultural Practices (GAP) and the deployment of Geographic Information Systems (GIS) to efficiently connect farmers to supply chains are factors to be considered to enhance the overall productivity of the sector.

Cropwise Sales From 01.04.2019 to 31.03.2020		
Type of Fertilizer	Sales (Mt.)	%
Direct	13976.231	63%
Coconut	801.165	4%
Tea	1536.133	7%
Rubber	661.025	3%
Vegetable	1830.035	8%
Fruit	772.659	3.5%
Flower	11.556	0.5%
Export	302.006	1%
Other Food Crops	1992.566	9%
Organic	176.329	1%
Total	22059.705	100%

Summary of sales:

Paddy Subsidy, Other Crops, Non Subsidy, Mix & Organic Fertilizer Sales From 01.04.2019 to 31.03.2020						
Month	Urea	TSP	MOP	Paddy Sales (Mt.)	Non Subsidy, Mix & Organic Fertilizer Sales (Mt.)	Total Sales (Mt.)
April	11662.150	3165.550	3180.150	18007.850	289.527	18297.377
May	21941.200	5040.900	6066.950	33049.050	2467.708	35516.758
June	4396.200	933.600	1457.800	6787.600	4359.437	11147.037
July	733.150	205.650	270.800	1209.600	1330.928	2540.528
August	315.000	76.800	94.200	486.000	745.960	1231.960
September	665.300	238.250	251.850	1155.400	1742.233	2897.633
October	17947.900	4589.450	5101.500	27638.850	4177.899	31816.749
November	39335.600	8995.700	10918.750	59250.050	1563.884	60813.934
December	17700.550	4151.200	4871.597	26723.347	1789.970	28513.317
January	5113.750	1002.800	1022.084	7138.634	1371.502	8510.136
February	1755.500	355.500	471.850	2582.850	1130.671	3713.521
March	1449.750	462.100	394.250	2306.100	1089.986	3396.086
Total	123016.050	29217.500	34101.781	186335.331	22059.705	208395.036

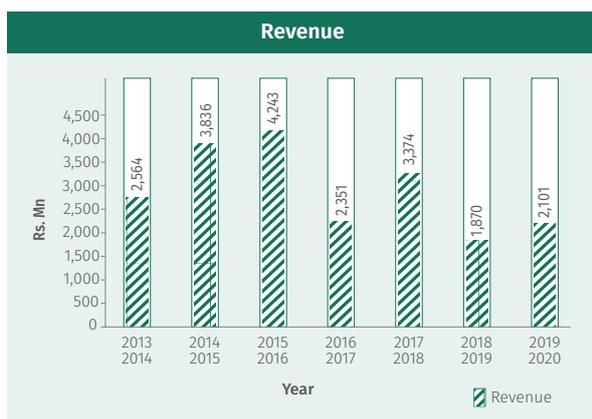
Paddy Subsidy, Other Crops, Non Subsidy, Mix & Organic Fertilizer Sales Summary From 01.04.2019 to 31.03.2020							
Paddy Subsidy	Quota Allocation			Progress			Percentage
	Urea	TSP	MOP	Urea	TSP	MOP	(%)
	153245.000	37587.000	45660.000	123016.050	29217.500	34101.781	79%
Total			27000			22059.705	82%



Financial Review

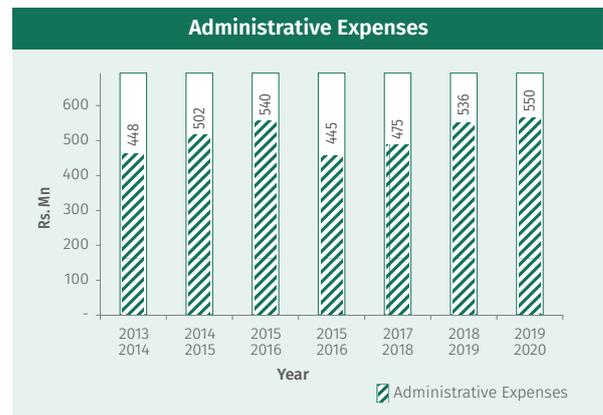
Income

The Company recorded an income of Rs. 2.1 billion from the sale of fertilizer for paddy and other crops during the year under review and that was an increase of 12 % YoY.



Administrative Expenses

Despite the best efforts of the company to stabilize administrative costs, the year under review saw a 3% increase in administrative costs from LKR 536 to LKR 550.

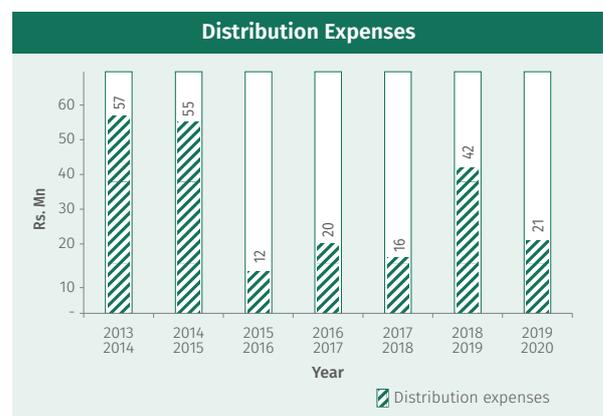


Gross Profit

Company had recorded a gross profit of Rs. 268 Million during the year under review which was a 42% increase year-on-year. The reestablishment of the fertilizer subsidy was the key reason why the gross profit increased.

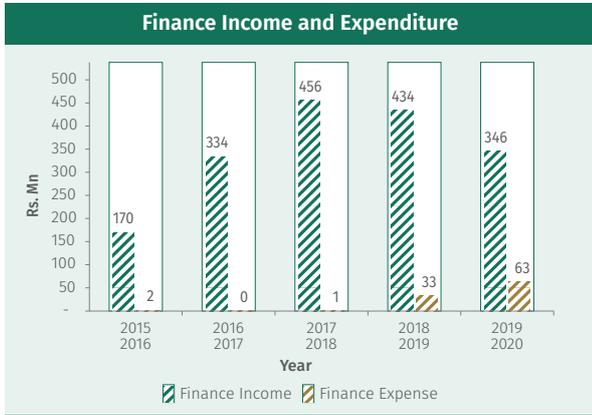
Distribution Expenses

The distribution expenses of the company fell by 50% YoY from LKR 42 million to LKR 21 million, mainly due the removal of the income from debtors which amounted to LKR 19 million.



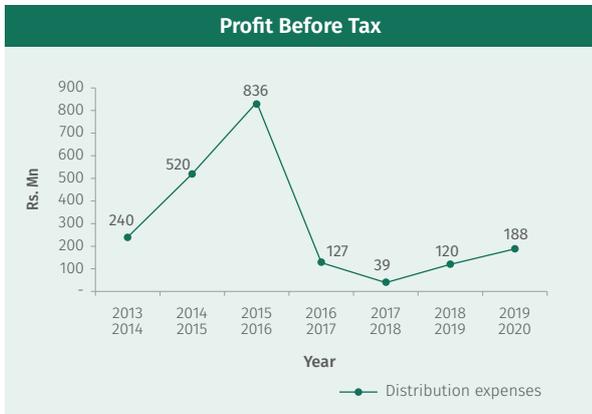
Finance Income and Expenditure

Considering the income of the company during the year under review, it has fallen to LKR 346 million while expenses have increased to LKR 63 million.



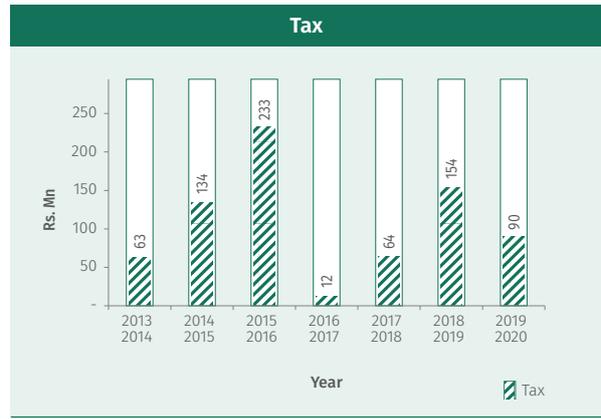
Profit Before Tax

Profit before tax increase by LKR 69 million YoY. The main reason for this is the reintroduction of the fertilizer subsidy that reciprocally increased the profits of the company.



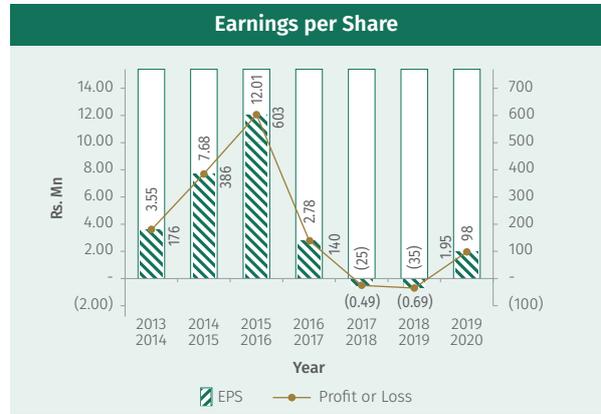
Tax

Differed tax cost of LKR 38 million is included in the income tax cost and was a reduction of LKR 64 million YoY.



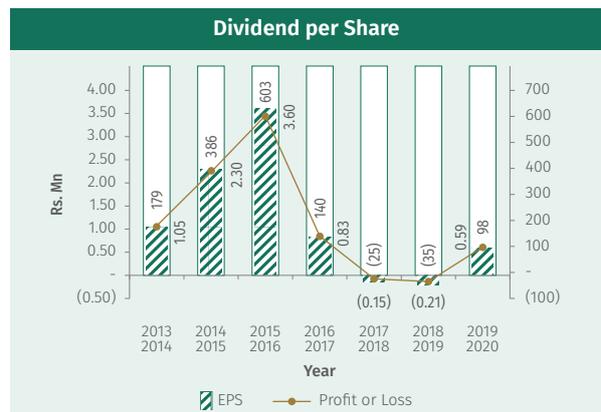
Earnings per share

The earnings per share (EPS) for the year was LKR 1.95.



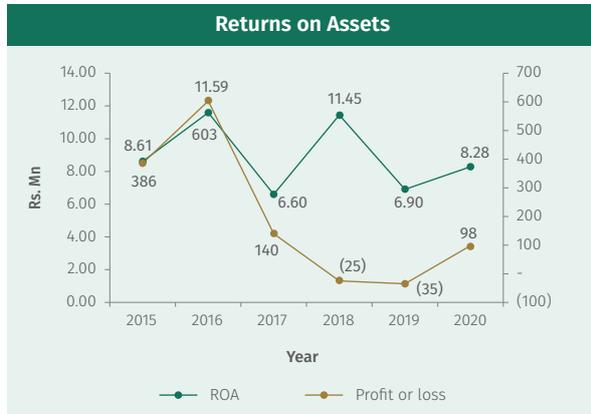
Dividend per share

Dividend Per Share in the financial year was LKR 0.59.



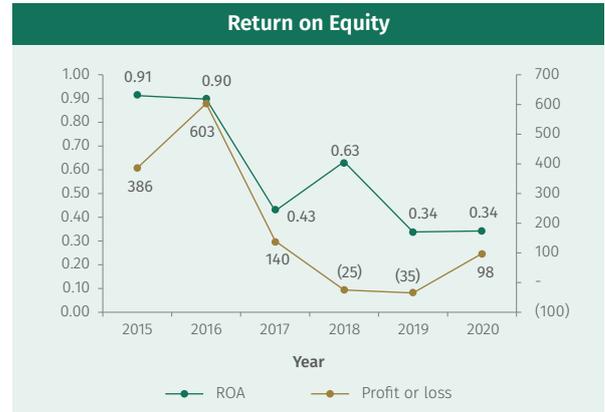
Return on Assets

The company was able to generate a re-profit of 8.28% on total assets in the year under review.



Return on Equity

The company maintained a return on equity of 0.34% during the year under review



CORPORATE GOVERNANCE

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

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

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

Board of Directors

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

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

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

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

Appointing the Board of Directors

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

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

Board of Director Meetings

The Board of Directors have held 11 meetings in the financial year of 2018/19 and the management has submitted timely and relevant information to the Board of Directors through Board of Director papers.

Directors' Allowances

Directors are paid their allowances based on policies and scales of allowances designed by

the government. Directors would not interfere in decisions on these allowances.

Chairman

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

Secretary to the Board of Directors

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

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

General Manager and The Senior Management

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

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

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

Financial Reports

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

Annual Audit

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

Audit and Risk Management Committee

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



RISK MANAGEMENT

Risk management process

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

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

Identification and evaluation of risks are the first and foremost things that need be done. Strategies

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

Key Risk Factors

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

Strategic Risks

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

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

Business Risks

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

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

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

Non-Business Risks

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

Operational Risks

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

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

Cash Risks

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

Credit Risk

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

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

Liquidity Risk

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

Market Risk

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

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

Exchange Currency Risk

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

Interest Risk

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

Regulatory Risk

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

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

DIVISIONAL REPORTS

Good Practices and Employee Policies

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

Employee Benefit Plan

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

Introduction of Benefit Plan

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

Employee Motivation

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

Financial benefits

- An annual incentive program identifies individual performance of each employee according to internationally accepted standards for performance evaluation.
- Allowances for tea, food and clothing etc. are paid to eligible staff to reduce financial stress.

- Cash is paid for balance medical leave as an incentive to spend more days of the year at the place of work of all employees.
- Mobile phones are provided to eligible employees and mobile and direct line bills are reimbursed, once again, to reduce the burden on staff in conducting business operations on behalf of the company.
- Understanding its responsibility to the staff that goes beyond simple economic remuneration for work, financial assistance is offered to the children of our staff who excel in educational, cultural or sports activities at local or international arenas.

Other benefits

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

Training programs conducted during the year under review

- Workshop on Effective Internal Auditing
- Database Management Using MS Access
- Web Development using PHP & My SQL
- Workshop For Service Marketing
- Science Of Living for Exceptional Leadership For Ceylon Fertilizer Co. Ltd. Inhouse Training
- Return Of Income & TaX Computations 2018/2019
- Safety Training - Inhouse
- Audit Queries, How to Reply for audit and how to improve performance
- Computer Hardware & PC Maintenance
- Law of contract
- Tax calculation procedure
- SLFRS - 15 Revenue from Contracts with Customers
- Occupational Safety & Health Congress
- Diploma in ICT
- Awareness of Tax
- Maintenance of Diesel Generators
- Duties & Responsibilities of office Aides
- Transport management
- Handling and maintaining Personal files
- Telephone Skills & Etiquette Training For Front Office Staff
- Seminar On Organizazational Performance Through Training & Development

- Diploma in Contract administration
- Training on ISO/IEC 17025:2017 Internal Auditing of Laboratory Management System
- Annual Stock verification workshop
- Procurement procedure for staff assistant

Employee costs per age group (Training)

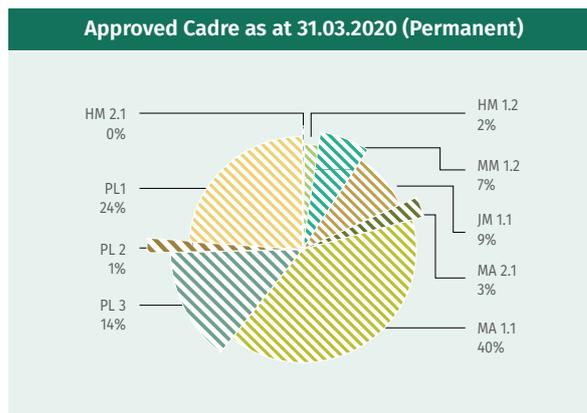
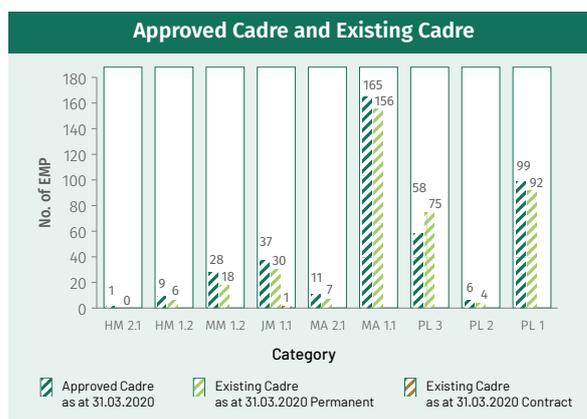
Age Category	Total	Investment (Rs:)
20-30	13	127,882.90
31-40	51	175,629.70
41-50	97	279,520.15
51-60	35	91,287.30
TOTAL	196	674,320.05

Employee investment by gender

- Male - Rs: 454,082.10
- Female - Rs: 220,237.95

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 389 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.



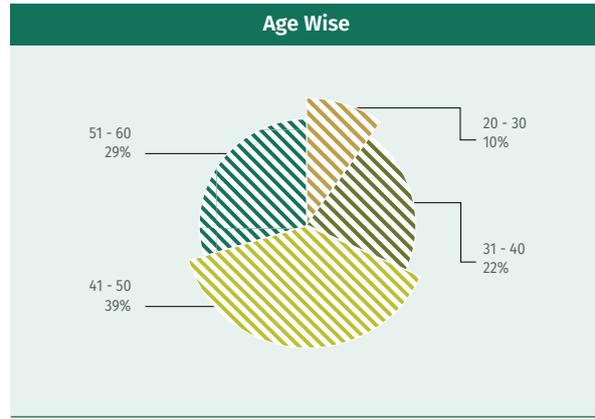
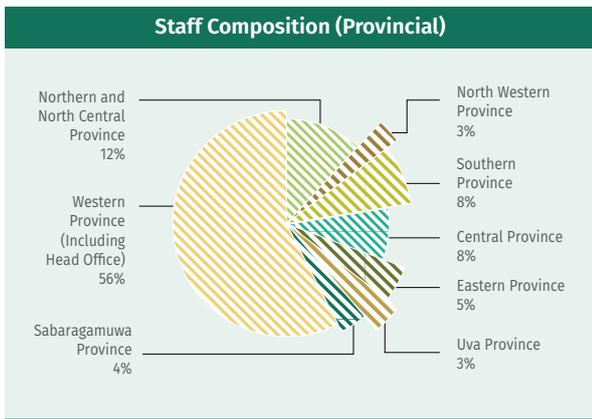
Provincial Staff

Se. No	Provisions	No Of Employees
1	Northern and North Central Province	46
2	North Western Province	11
3	Southern Province	30
4	Central Province	32
5	Eastern Province	18
6	Uva Province	14
7	Sabaragamuwa Province	14
8	Western Province (Including Head Office)	223
Total		388

Staff Composition

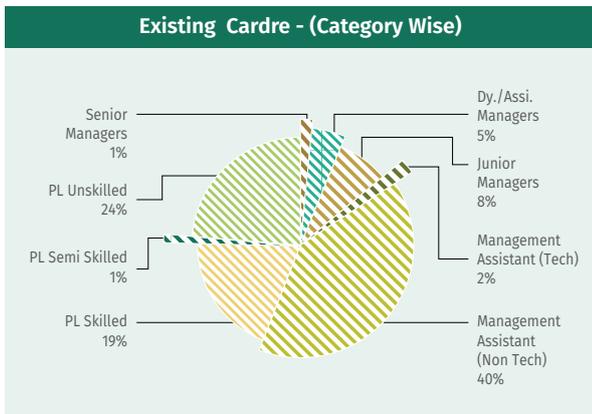
Approved cadre and existing cadre

Service Level	Category	Salary Code	Approved Cadre as at 31.03.2020	Existing Cadre as at 31.03.2020	
				Permanent	Contract
Senior	Senior Manager	HM 2.1	1	0	
	Senior Manager	HM 1.2	9	6	
	Manager	MM 1.2	28	18	
Tertiary	Junior Manager	JM 1.1	37	30	1
Secondary Level	Management Assistant (TECH)	MA 2.1	11	7	
	Management Assistant (None TECH)	MA 1.1	165	156	
Primary	Primary Level (Skilled)	PL 3	58	75	
	Primary Level (Semi Skilled)	PL 2	6	4	
	Primary Level (Un Skilled)	PL 1	99	92	
Total			414	388	1



Gender Distribution of Staff

S. No	Designation	Male	Female	Total
1	Senior Managers	4	2	6
2	Dy./Assi. Managers	13	5	18
3	Junior Managers	24	6	30
4	Management Assistant (Tech)	4	3	7
5	Management Assistant (Non Tech)	83	73	156
6	PL Skilled	75	0	75
7	PL Semi Skilled	4	0	4
8	PL Unskilled	92	0	92
Total		299	89	



Age Wise

Age Category	Total
20 - 30	38
31 - 40	85
41 - 50	150
51 - 60	115
Total	388

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.

AUDIT COMMITTEE REPORT

In the year ended on 31st March 2020, the Audit Committee has acted in accordance with the work rules recommended by the Board of Directors.

Composition of the committee

Audit Committee has been appointed by the Board of Directors. The Committee comprises of 03 Non-Executive Directors and a representative of the treasury who acts as the Committee Chairman and a representative of the National Audit office and the Chief Internal Auditor of the Ministry of Agriculture act as observers of the committee. This committee comprised of the following Directors in 2019/2020.

- **Ms. M. T. I. V. Amarasekera**
Committee Chairperson
(12-02-2019 to 03-12-2019)
- **Ms. E. G. H. M. Ranasinghe**
Committee Chairperson
(15-01-2020 to continue)
- **Mr. M. P. Sarath Abeyratne**
Committee Member
(12-02-2019 to 03-12-2019)
- **Mr. S. L. G. Bandusiri**
Committee Member
(12-02-2019 to 15-01-2021)
- **Mr. L. G. Samarawickrama**
Committee Member
(13-01-2020 to continue)

Committee Meetings and Attendance

The audit committee has formally assembled 03 times during the accounting year. Attendance at the meetings were as follows:

Date	2019.04.29	2019.07.12	2020.03.06
Ms. M. T. I. V. Amarasekera	✓	✓	-
Ms. E. G. H. M. Ranasinghe	-	-	✓
Mr. M. P. Sarath Abeyratne	✓	✗	-
Mr. S. L. G. Bandusiri	✓	✓	✓
Mr. L. G. Samarawickrama	-	-	✓

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 attend the meetings to provide explanations.

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 accounting standards.
2. Ensuring, reviewing and assess the 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 rules, regulations and circulars.

6. Reviewing Internal audit queries and external audit queries.
7. Implementing recommendations and instructions of the public Enterprise Development.

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 Accounting Standards and related party 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. Examine the 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 the laws, regulations and other requirements are comply with Management Policies
6. Conducting special Investigation

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

Internal audit reports of 47 regional fertilizer stores and 09 key sectors were thoroughly reviewed and a considerable growth was observed in total internal control systems and internal audit process.

External Audit

The National Audit Office has Functioned as the company's External Auditor.

Support given to the committee

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

Committee Assessment

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



Ms. E. G. H. M. Ranasinghe

Chairperson

Audit Committee

22/07/2021



PROCUREMENT DIVISION REPORT

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

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

Fertilizer Imports 01/04/2019 to 31/03/2020	
Type	Quantity (Mt)
Urea 1	101,160.270
Triple Super Phosphate	32,960.500
Muriate of Potash	23,893.778
Total	158,015.048

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

The company imports fertilizer from countries such as the UAE, China, Indonesia, Republic of Belarus (CIS), Egypt, Qatar, and Pakistan etc. in

addition to the local purchase of Dolomite, High grade Eppawala Rock Phosphate and Eppawala Rock Phosphate.

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

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 Eppawela Rock Phosphate (HERP) and Eppawela rock phosphate are in line with National Procurement Guidelines with similar approvals from the procurement committee and the ministry.





INFORMATION AND TECHNOLOGY DIVISION REPORT

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

granting timely management information with a highly optimized data security.

The Enterprise Resource Planning (ERP) System is deployed in order to create a flawless and responsive system since the extensive network of the company has become very crucial due to the strong connection between the district fertilizer stores and the head office.

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

Currently 16 district fertilizer stores are interconnected with the head office (Hunupitiya) and the required data are acquired successfully by using the ERP system. Moreover, the process of computerizing and providing network facilities to all DFSs is currently underway.



LEGAL DIVISION REPORT

The Legal Division is proud to state that it has successfully defended the company against litigation brought against it by external parties, proving the fact that the Division address 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.

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

The Division provided support to other divisions to resolve employee issue through dialogue and thereby ensured optimal harmony in the employer – employee dynamic resulting in minimal labor related issues that both directly.

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

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 allowed them to work for a period of time that was lesser than directed by the Shop and Office Act, we, of the Technical Division are proud to state that we did not make use of that relief and worked 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 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.

During the COVID-19 pandemic, the technical team did their best to ensure that service was uninterrupted and all staff were safe and secure within the office premises as well as in the fertilizer stores. The vigilance of the team to report corona positive patients in their worksites was admirable.



LABORATORY SERVICES DIVISION REPORT

The CFC Laboratory is equipped with facilities for fertilizer & packing material testing having received ISO/IEC 17025:2017 certificate and accredited from Sri Lanka Accreditation Board.

The laboratory carries out test services in accordance with stated standard methods, customer's requirements and applicable statutory and regulatory requirements.

The management & 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 the information produced are on time, cost effective and of highest quality.

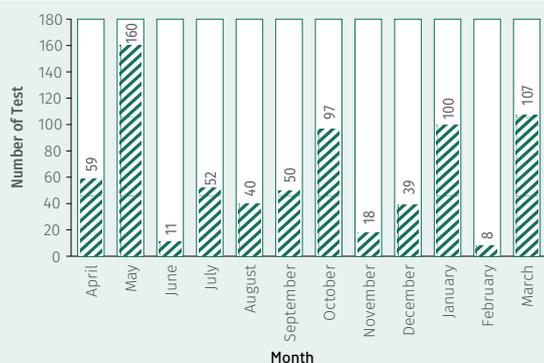
The laboratory's goal is to create an environment where each employee is given clear requirements, appropriate tools/equipment and proper training to do their job tasks right at the first time. All the laboratory staff are trained in the processes and procedures relevant to their duties and obligated by ISO standards.

The CFC laboratory undertakes laboratory activities impartially and these are structured and managed to safeguard impartiality. The laboratory management has committed to and is responsible for the impartiality of its laboratory activities and does not allow commercial, financial or other pressures to compromise the integrity of their testing.

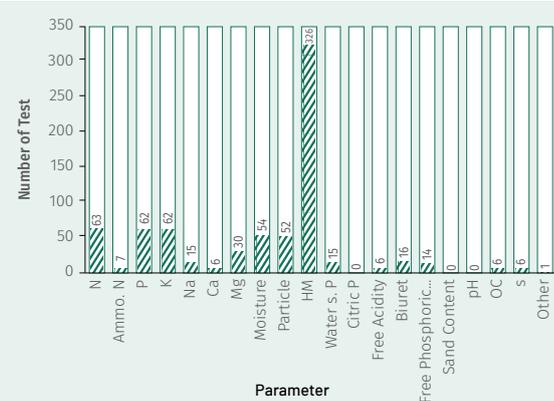
Testing of Fertilizer Samples Summary Report April-March (2019/2020)

Parameter	Number of Test													Total	Total Income
	April	May	June	July	August	September	October	November	December	January	February	March			
N	1	7	0	12	4	0	15	2	5	10	0	7	63	132,300.00	
Ammono. N	1	2	0	0	0	0	0	0	0	4	0	0	7	14,700.00	
P	0	15	1	11	3	1	14	0	3	8	0	6	62	136,400.00	
K	4	8	0	11	2	4	12	0	4	11	0	6	62	136,400.00	
Na	4	2	0	0	0	4	0	0	2	3	0	0	15	33,000.00	
Ca	0	0	0	1	0	0	0	0	2	3	0	0	6	13,200.00	
Mg	4	2	0	3	0	4	4	0	3	7	1	2	30	66,000.00	
moisture	6	14	2	1	9	5	7	2	1	5	1	1	54	40,500.00	
particle	6	14	1	2	3	5	7	2	2	6	1	3	52	31,200.00	
HM	30	73	5	10	15	25	30	10	14	34	5	75	326	978,000.00	
Water s. P	0	9	1	0	1	1	3	0	0	0	0	0	15	33,000.00	
Citric P	0	0	0	0	0	0	0	0	0	0	0	0	0	-	
Free acidity	1	2	0	0	0	0	0	0	0	3	0	0	6	6,600.00	
Biuret	1	1	0	1	2	0	3	2	3	2	0	1	16	48,000.00	
Free Phosphoric Acid	0	9	1	0	1	1	2	0	0	0	0	0	14	29,400.00	
Sand content	0	0	0	0	0	0	0	0	0	0	0	0	0	-	
pH	0	0	0	0	0	0	0	0	0	0	0	0	0	-	
OC	0	0	0	0	0	0	0	0	0	0	0	6	6	19,200.00	
s	1	2	0	0	0	0	0	0	0	3	0	0	6	9,000.00	
Other	0	0	0	0	0	0	0	0	0	1	0	0	1	1,000.00	
Total	59	160	11	52	40	50	97	18	39	100	8	107		1,727,900.00	

Summary Report April - March Month wise (2019/2020)



Summary Report April - March Parameter Wise (2019/2020)



Testing of Packing Materials & Papers (2019/2020)

Parameter	Total No. of Tests	Income (Rs.)
Dimension (Width, Length)	83	62,250.00
Bulk Strength	4	12,600.00
Width of the Tape	3	3,000.00
Stitches per dm	3	2,250.00
Linear Density	3	3,000.00
Seam stitching	3	3,000.00
Construction (Ends & Picks)	3	2,250.00
Mouth of the Sack	83	41,500.00
Fabric breaking Strength	3	6,000.00
Bursting Strength	1	2,000.00
Inner Liner (Width, Length, thickness)	6	7,500.00
Papers No. of Samples (GSM)	111	111,000.00
Total cost		256,350.00

Laboratory Income (2019/2020)

From Outside Samples	Rs. 283,400.00
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DISTRIBUTION DIVISION REPORT

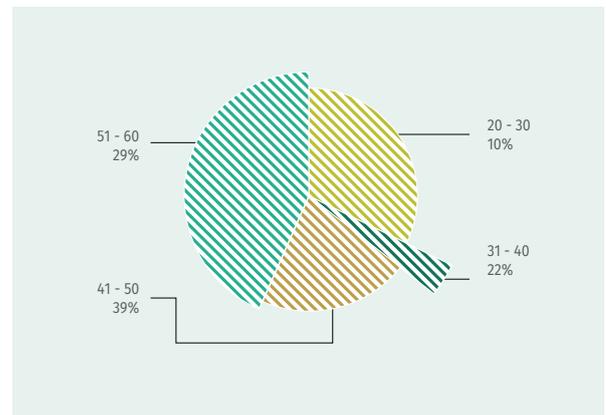
The function of the logistics and distribution division are to organize the storage and distribution of fertilizer. The division ensures that the right products are delivered to the right location on time and at a good cost. It is also involved in transportation, stock control, warehousing and monitoring the flow of fertilizer.

The main tasks of the distribution division are to store imported fertilizer at the Hunupitiya facility & distribute it efficiently via divisional stores and authorized dealers.

Additionally, mixing fertilizers that adhere to directive and standards issued by research institutions is another duty of this division. Accordingly, 45 stores scattered around the island are administered by the distribution division while the total capacity of these stores is 138,000 metric tons.

In the year under review, 4387.000 metric tons of Mixed Fertilizer was manufactured catering to 60%

of the total requirement of unmixed fertilizer for paddy farmers under the state subsidy program in Sri Lanka.



Additionally, in the year 2019/20 4387 metric tons of mixed fertilizer was also manufactured. The larger percentage (43.45%) of mixed fertilizers were manufactured for other crops cultivation. Of this, the percentage of fertilizer for coconut stood at 32.22%, 20.93% for tea & 3.4% for Rubber.

MARKETING DIVISION REPORT

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

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

Fertilizer category	2021 yala Mt.	2021 2022 maha Mt.	* 2022 yala Mt.	*2022 2023 maha Mt.	*2023 yala Mt.	*2023 2024 maha Mt.
UREA	59,028	92,325	58,968	92,232	60,060	93,940
TSP	7,589	11,870	7,582	11,858	7,722	12,078
MOP	17,708	27,697	17,690	27,670	18,018	28,182
Total	84,325	131,892	84,240	131,760	85,800	134,200

2. Re engage with the other crops fertilizer Market with 6% quota allocation and achieving annual increment up to 25% at the end of 2021 which will be depended on the state polices

Fertilizer category	2021 2022 Mt.	2022 2023 Mt.	2023 2024 Mt.
Straight fertilizer	54,000	75,000	86,250
Mixed fertilizer	18,000	25,000	28,750
Compound Fertilizer	-	50	100
Total	72,000	100,050	115,100

3. Progressively increase the sale of organic fertilizers

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

Performance during the year under review						
Month	Urea	TSP	MOP	Paddy Sales (Mt.)	Other Crop Subsidy Non Subsidy, & Mix Fertilizer Sales (Mt.)	Organic Fertilizer Sales (Mt.)
April	6604.350	1470.700	706.550	8781.600	184.638	3.814
May	25067.600	6453.300	6823.750	38344.650	181.714	24.552
June	11654.750	2870.250	4930.600	19455.600	245.985	9.553
July	1864.100	424.750	515.450	2804.300	218.508	10.887
August	603.900	136.900	167.600	908.400	141.451	29.185
September	495.000	114.500	112.500	722.000	40.841	10.013
October	13989.950	4402.250	4510.400	22902.600	110.611	32.002
November	45278.300	8175.050	12623.550	66076.900	77.317	35.553
December	16940.500	5725.050	4695.100	27360.650	262.090	18.667
January	1456.600	372.450	463.750	2292.800	475.088	26.917
February	395.300	86.900	109.900	592.100	128.426	18.062
March	965.850	260.200	304.550	1530.600	322.503	9.350
Total	125316.200	30492.300	35963.700	191772.200	2389.172	228.555

Type of Fertilizer	Sales (Mt.)	%
Direct	1638.345	63
Coconut	168.323	6
Tea	292.620	11
Rubber	31.225	1
Vegetable	16.342	1
Fruit	6.196	0.2
Flower	3.030	0.1
Export	37.276	1
Other Food Crops	196.025	7
Organic	228.355	9
Total	2617.737	100

FINANCIAL STATEMENTS

for the year ended 31st March 2020
Ceylon Fertilizer Company Limited







Statement of Director's Responsibilities

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



Janath Vidanage

Chairman

On behalf of the Board
Ceylon Fertilizer Co Ltd.

22.07.2021

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 recognized 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.



Janath Vidanage

Chairman



N. P. C. Ekanayake

Finance Manager

22.07.2021

Translation of the Auditor General's Report

Chairman

Ceylon Fertilizer Company Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Fertilizer Company Limited for the year ended 31 March 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon Fertilizer Company Limited (“Company”) for the year ended 31 March 2020 comprising the statement of financial position as at 31 March 2020 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

- (a) Fertilizers purchased directly by the Company are subjected to various processes within the company such as marketing, mixing, processing in to small packets, repackaging and switching among individual types. Although the closing stock has been calculated by including the figures that subjected to the aforesaid processes in relation to the direct fertilizer purchased during the financial year, the profit for the year under review had been reduced by approximately Rs.5,085,500 due to a stock shortage of 101.7 metric tons of fertilizer identified in the stock count had not been matched to the cost of selling.

- (b) All goods purchased for the use of the company are accounted in the consumer goods account and delivered to the warehouse. At the time of the goods are issued by the warehouse to the relevant divisions, it is identified and accounted as the assets or expenses. There was a shortage of Rs.1,978,401 in the consumer goods account during the financial year and the value of those shortages had been accounted to the assets and expenses accounts instead of investigating deficiencies and recovering from responsible parties.
- (c) Without any legal acquisition to the Company, Land with a value of Rs.1,868,965,707 at Hunupitiya, Wattala where the head office is located had been reported in the financial statements as Non-Current assets and the total value of non-current assets had been increased by that amount.
- (d) Although the company does not have a legal title to the 28 perches government land under the Kelaniya Divisional Secretary acquired by the Road Development Authority for the Colombo - Katunayake Expressway, current asset had been overvalued due to the accounting of recoverable claim amounting Rs.12,600,000 for the land.
- (e) The payment had been settled through a short- term loan obtained from the bank due to non-receipt of funds from the General Treasury to pay for the company's fertilizer suppliers on time. Although the short- term loan was later converted into a long-term loan subject to the Treasury's liability, due to the failure in making agreement with the Treasury to recover the interest paid on the short- term loan and failure to incorporate the short term interest in to long term loan, the Rs.268,732,450 short term loan interest which was not guaranteed by the Treasury had been accounted as a balance to be received from the Treasury.
- (f) Although the in cases where the supplier has given less than the amount agreed upon by both the parties in the importation of the fertilizer, the value of the relevant stock of fertilizer should be deducted from the invoice value of the supplier and accounts should be kept, the value of the supplier's invoice was accounted as purchases and the value of the stock sent was accounted as the balance due. The Rs.16,861,511 of total value of inventory which was received less than the invoiced amount had been accounted as receivables and the outstanding balance of receivable was Rs.6,398,762. Due to the aforesaid balance had not been settled and accounted for the balance to be paid to the relevant supplier, this balance has to be paid to the supplier by short-term bank loan and an additional loan interest expense has been incurred and dummy receivables are shown in the accounts.
- (g) The transactions could not be compared on daily basis due to, the total of transactions in a month is accounted in the ledger and the journal voucher was prepared for the collection of large number of transactions Instead of copying each transactions recorded in the cash book to the ledger on the relevant day.
- (h) The balance confirm letters of Rs.72,102,543 trade debtors, Rs.4,636,187,820 trade creditors and Rs.59,421,950 respectively had not been submitted for audit.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

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

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

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

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

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or

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

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

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

2. Report on Other Legal and Regulatory Requirements

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

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.
- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.
- Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;
- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018 .
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

Refer to Rule/ Regulations

Description

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| <p>(a) Paragraph 8.3.3. of the Code of Conduct for Good Governance in public Enterprises issued with Public Enterprise Circular No. PDE/12 dated 02 June 2003</p> <p>(b) Section No. 5.1 of Paragraph 06 of the Code of Conduct for Good Governance in public Enterprises issued with Public Enterprise Circular No. PDE/12 dated 02 June 2003</p> <p>(c) Circular No. PED/1/2015 dated 25 May 2015 and Section 3 of Circular No. PED/1/2015 dated 25 October 2016</p> | <p>Rs. 49,940,295 incentive was paid to the employees during the year under review without any formal approval as per the incentive scheme approved by the General Treasury and the National Salaries and Grants Policies.</p> <p>Although the all public companies were required to prepared and submit financial statements to the Auditor General within 60 days of the end of the financial year, the financial statements had been submitted to the Auditor General 210 day after the end of the financial year.</p> <p>A fuel allowance of Rs.11,400 for 120 liters had been given to the manager who is not entitled to vehicle allowances and, Rs.1,160,000 had been given to the 9 mid-level managers as Rs.10000 fuel allowance to each officer who are not covered by the aforesaid circular on the decision of the Board of Directors by exceeding the circular provisions.</p> |
|--|---|
- to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
 - to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.
- (a) As per the agreement entered in to with the suppliers of fertilizer, since all cost applicable to the stock of imported fertilizer up to the container yard has been included in the price offered by the suppliers, file fees, container washing fees, taxes and stamp duty to be borne by the local agent of the supplier. However, due to the transfer of the aforesaid liabilities to a shipping agency which is the responsibility of supplier, the total value added over the last two years of Rs.4,222,578 has been paid for non-applicable expenses.
- (b) Due to insufficient subsidized fertilizer for distribution of paddy during 2020/2021 Maha season, to overcome that shortcoming, Uriya 3500 metric tons had been obtained on loan basis from suppliers of fertilizers for other crops. And also, there was an opportunity to

misuse of government fertilizer due to aforesaid stock of fertilizer had been handed over to the Agrarian Services Center with the company's packages without being designated as subsidized fertilizer provided by the government and in the name of Ceylon fertilizer Company.

- (c) Not in accordance with the provisions of the Procurement Guidelines and the Agreement that has been made between a foreign supplier and the Ceylon fertilizer Company on the supply of liquid fertilizer, the management of Ceylon fertilizer had provide opportunity to company of foreign supplier to use their two fixed deposits of Rs. 94,438,766 in 2018 as bank guarantees to obtain bank overdraft. Using this guarantee, the foreign supplier had obtained a bank overdraft facility of Rs.75,980,000 by the 12 February 2019 and the total amount payable with the accrued interest on that day was Rs.80,502,290. As the Company of foreign supplier had not taken actions to settle the aforesaid bank overdraft, the bank had taken action to settle the outstanding loan balances from two fixed deposits held by the company as bank guarantees. Due to this informal and illegal transaction, the loss incurred by the Ceylon fertilizer company had been Rs. 97.5 million with the Rs. 17 million interest losses.
- (d) It was observed that, out of the liquid fertilizer provided as per the agreement reached between the Ceylon Fertilizer Company and a Company of foreign supplier on 17 April 2017, the 109,408 liters of expired fertilizer worth Rs.79,716,652 were still in stock by the March 2021.
- (e) The continuous operating loses has been incurred due to the company maintains 46 warehouses in various areas of the island without establishing a low-cost distributing system and recognizing the need for warehousing and thereby the non-essential increases in Salary, Administrative, Operations and transportation costs.
- (f) due to failure in distribution of subsidized fertilizer stocks with proper management and thereby the 671.47 metric tons of fertilizer worth Rs.40,288,200 of last financial year and 225.44 metric tons of subsidized fertilizer worth Rs.13,526,400 of the year under review were damaged that cannot be distributed to farmers, the total loss incurred by the government was Rs.53,814,600.
- (g) Two pamphlets were submitted by the Board of Directors dated 20 March 2020 and 25 September 2020 for payment of three months incentive on basis salary and cost of living allowance for the month of March 2020 based on the profit for the year and shipping clearance income. In both cases, although the Board of Directors has approved the payment of annual incentive not to exceed 60% of shipping clearance income, a three month salary was paid as an incentive based on the basic salary and cost of living allowance paid in March 2020 irrespective of shipping clearance income. The maximum amount of incentives approved for payment as per the decision of the Board of Directors is (shipping clearance income*60%=Rs.44,407,138*60%) Rs.26,644,282. However, Rs.23,296,013 amount had

been paid as incentive without approval due to total value of Rs.49,940,295 incentive had been paid as non-compliance with the decision of Board of Directors.

- (h) By changing the scoring system included in the company's approved recruitment procedure approved by the Department of Management Services, increasing the approved score for the performance in the interview from 25 points to 60 and decreasing points for the experience in relevant field which is most important to the post from 30 to 5 points, the management of the company had recruited 28 less qualified and less experienced persons in bias for the post of Management Assistance in year 2019 as make it much unfair to the qualified and experienced applicant who was eligible for the interview.
- (i) Although the total value of Rs.4,813,131 had been paid as an annual clothing allowance to Rs.10,530 for the warehouse worker and Rs.7,938 for the office worker, the legal provisions which were based for aforesaid payments had not been submitted to the audit.
- (j) In a situation of, government policy states that existing vehicles should be repaired and reused and purchasing of new vehicle for government institutions is restricted by the circular No.07/2019, it was decided that it is appropriate to purchase vehicles on lease basis after disposing of vehicles for more than 10 years at the Board of Directors meeting on 26 January 2021. Abnormal repair costs have not been incurred during the last 3 years in respect of vehicles proposed for disposal and no significant repairs were to be made in the future. According to the running charts, it was observed that the underlying realistic subject vehicles that were driven without duty interruptions were being disposed without real obvious need.
- (k) Due to changing the company's advertising system of publishing the company's public advertisements by Lake House as, to allow newspaper advertising to be published by a private agency without a procurement process as per the request of the Chairman, the Company had to pay more than double the cost of publishing advertisements from Lake House in the previous. The amount paid to the aforesaid private institution for public advertisements was Rs.2,243,376 during the financial year.
- (l) Due to failure in managing working capital properly during the financial year by the company management, it had been incurred an unavoidable loan interest of Rs.572,290 for a bank overdraft of Rs.66,858,564.
- (m) Although the company does not have possibility in the current fertilizer distribution system to, increase revenue through fertilizer marketing promotion except the supplying of fertilizer in the subsidized scheme to the Agrarian Service Centers approved by the National Fertilizer Secretariat for paddy cultivation, a non-economic expense of Rs.470,000 had been incurred for printing 1000 number of large and small umbrellas under the name Ceylon Fertilizer. Part of this stock of umbrellas printed for marketing promotion was distributed free of charge to the company's employees and remaining 455 umbrellas were stored in the consumer goods store for a 16 months.

- (n) The approval of the National Fertilizer Secretariat had not been received for the issuance of 11024.25 metric tons of TPS (due to failure of laboratory reports) related to four letters of credit imported during the financial year to the farmers. However, before the release of the laboratory reports, the company had distributed the above stocks of fertilizer to the farmers without approval. Although the National Fertilizer Secretariat did not recommend the payment of fertilizer subsidy for aforesaid stocks of substandard fertilizer distributed to farmers by Ceylon Fertilizer Company, the company had taken actions to make payment for the fertilizer on the due date by the short-term bank loan and convert it into a long-term loan with the Treasury liability and obtain the subsidy without formal approval.
- (o) Due to failure of laboratory test reports obtained regarding stocks of imported fertilizers, the company had taken action to recover 03 performance bonds of US\$ 589,587.5 for the 02 imported fertilizer companies. The suppliers had resorted to arbitration against it and, instead of take action to recover the loss by supplying fertilizer under standards after confirming that the relevant companies have not complied with the agreement before the settlement, the company had settled and repaid the performance guarantees recovered. This is observed as a matter of controversy.
- (p) Although the Company has a laboratory with laboratory equipment worth Rs.19,130,944 registered with the Sri Lanka Accreditation Board, the number of sample tests conducted during the year under review was 69 and the revenue earned during the year was Rs.278,730. No strategic plan has been formulated and implemented to generate revenue from this laboratory and as a result, it was observed that the resources available in the laboratory were underutilized.
- (q) Even the National Fertilizer Secretariat has instructed to reduce the supply of chemical fertilizers in the Nuwara and Nuwara Eliya districts by 25% and to provide organic and mixed fertilizers in order to reduce the use of laboratory fertilizers and popularize the use of organic fertilizers, the company had not formulated a formal program for the production and distribution of organic and mixed fertilizer.
- (r) Although the sum of Rs.38,176,014 cost had been incurred from year 2017 to financial year for the establishment of an Enterprise Resource Planning System (ERP System), due to the fact that the aforesaid system was not installed to cover the entire organization and the entire process and, the systems that are installed and functioning are also operating without strong controls, the company had failure to reach the desired results from the installation cost incurred and the annual maintenance cost paid to the established firm which was approximately Rs.1,580,000.
- (s) It had been imported 14,250 metric tons of Uriya from the MV Alby Meloty ship under account No. 2019/MOA/CRC/UR (G)/04/01 and purchase order No. 814. Fertilizer was unloaded from the ship and stored in a warehouse in Pethiyagoda, Kelaaniya in agreement with the local agent of the supplier due to the stoning and discoloration of the manure in

the ship and on the recommendation of an inquiry committee appointed by the agreement of both parties it was stored at Hunupitiya Ceylon Fertilizer Company and then distributed to farmers. Despite the possibility of rejecting the fertilizer stock in the event that desired condition has not been met according to the agreement reached between the two parties, It was observed that the management of the company has acted without considering the essential procedures to be followed regarding the fertilizer stocks due to failure to inform the National Fertilizer Secretariat about the aforesaid transaction, not conducting a chemical test by the National Fertilizer Secretariat on the discolored and stoned fertilizer and not including a representative of the National Fertilizer Secretariat for joint inspections.

3. Other facts

- (a) Ceylon Fertilizer Company has been acting as the government agent for the issuing fertilizer for Paddy Cultivation from the date of implementation of the Pre- Subsidy Scheme and from that day, sales promotion and other marketing activities have been greatly reduced. Fertilizer is issued by the regional fertilizer stores on the instructions of the National Fertilizer Secretariat and, the activities such as the marketing activities in the field and the implementation of new marketing strategies and programs or marketing oversight are not included in the distribution process. Accordingly, instead of revising the approved number of employees, the company has continued to fill the vacancies in the posts of District Marketing Promoters, Regional Marketing Promoters and Marketing Promotion Officers belonging to the approved marketing staff and also in the year 2021, recruitments were made on an acting basis for three posts of Regional Marketing Manager. As a result, the company had to incur idle cost for salaries and allowances.
- (b) Without recruiting employees for the permanent posts vacancies approved for the year under review, the services of 12 casual employees had been obtained on the basis of re-employment by every six month and Rs.1,362,691 had been paid. As well as with the approval of the Chairman of the Company, 04 interns had been recruited and salaries and allowances of Rs.274,850 had been paid during the year under review.
- (c) It had been spent Rs.1,671,730 to involve the officers in workshops and training sessions during the year under review without an annual training plan prepared through an evaluation of the training recruitments and expected outcomes for the approved positions.
- (d) Although the entire process of fertilization, including the receiving, issuing and exchanging of fertilizer was computerized, the audit could not be satisfied with the computer system related to stock controls due to it has an ability to enter data into the computer system as updated the day before and essential general controls and system controls were not implemented.

Auditor General

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

	Note	2020	2019
Revenue	3	2,100,583,296	1,869,949,695
Cost of Sales	4	(1,832,856,472)	(1,680,578,537)
Gross Profit		267,726,824	189,371,158
Other Operating Income	5	209,623,485	107,856,870
Administrative Expenses	6	(550,184,970)	(536,274,315)
Distribution Expenses	7	(21,423,709)	(42,014,342)
Profit from Operation		(94,258,371)	(281,060,628)
Finance Income	8	345,946,426	433,720,019
Finance Cost	8	(63,244,126)	(32,877,346)
Profit Before Taxation		188,443,929	119,782,045
Income Tax Expenses	9	(90,450,653)	(154,288,123)
Profit for the Year		97,993,276	(34,506,078)
Other Comprehensive Income			
Actuarial Gain/Loss on Obligation		(10,206,319)	(6,132,395)
Deferred Tax Benefits / (Expenses) on Revaluation Surplus		5,493,967	113,390,169
Total Other Comprehensive Income		(4,712,352)	107,257,774
Total Comprehensive Income for the Year		93,280,924	72,751,696
Basic Earnings Per Share (EPS)	10.1	1.95	(0.69)
Dividends Per Share (DPS)	10.2	0.59	(0.21)

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 88 to 130 form an integral part of these Financial Statements.

Statement of Financial Position

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

	Note	2020	2019
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	2,705,686,663	2,744,935,187
Capital Work-in-Progress	12	676,729	676,729
Intangible Assets	13	13,754,126	17,501,026
Total Non-Current Assets		2,720,117,519	2,763,112,942
Current Assets			
Inventories	14	225,993,757	646,533,328
Trade and Other Receivables	15	18,802,655,103	19,388,003,091
Employees Loans and Advances	16	40,730,642	37,891,499
Held-to-Maturity Investments (HTM)	17	698,334,484	634,370,554
Other Financial Assets	18	2,267,056,772	3,437,106,212
Current Tax Assets		41,815,680	23,998,980
Cash and Cash Equivalents	19	570,071,557	151,964,476
Total Current Assets		22,646,657,994	24,319,868,140
Total Assets		25,366,775,513	27,082,981,082
EQUITY AND LIABILITIES			
Equity			
Stated Capital	20	502,456,080	502,456,080
Revaluation Reserve	21	2,297,282,725	2,291,788,758
Retained Earnings		3,341,503,885	2,736,939,175
Total Equity		6,141,242,690	5,531,184,013
Non-Current Liabilities			
Retirement Benefits Obligation	22	68,393,216	59,861,488
Deferred Taxation	23	169,037,795	643,022,709
Interest Bearing Borrowings	25	-	5,650,658,426
Total Non-Current Liabilities		237,431,011	6,353,542,623
Current Liabilities			
Trade and Other Payables	24	4,694,602,515	5,685,527,349
Interest Bearing Borrowings	25	14,103,482,956	9,144,554,912
Deposits and Advances Received	26	44,458,457	148,972,883
Accrued Expenses and Provisions	28	78,699,320	108,446,379
Bank Overdrafts	19	66,858,564	110,752,922
Total Current Liabilities		18,988,101,812	15,198,254,446
Total Equity and Liabilities		25,366,775,513	27,082,981,082
Net Asset Value Per Share		122.22	110.08

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

14.07.2021
Colombo.

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 88 to 130 form an integral part of these Financial Statements.


Director

Statement of Changes In Equity

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

	Stated Capital	Revaluation Reserve	Retained Earnings	Total
Balance as at 01 April 2018 (Previously reported)	502,456,080	2,028,858,589	2,792,590,448	5,323,905,117
Adjustment on the statement of deferred tax			506,307,200	506,307,200
Balance as at 01 April 2018	502,456,080	2,028,858,589	3,298,897,648	5,323,905,117
Prior Year Adjustments	-	-	(12,800)	(12,800)
Profit for the Year	-	-	(34,506,078)	(34,506,078)
Other Comprehensive Income (Note No 1)	-	262,930,169	(6,132,395)	256,797,774
Provision of Dividend	-	-	(15,000,000)	(15,000,000)
Balance as at 31 March 2019	502,456,080	2,291,788,758	3,243,246,375	6,037,491,213
Prior Year Adjustments	-	-	10,470,553	10,470,553
Profit for the Year	-	-	97,993,276	97,993,276
Other Comprehensive Income	-	5,493,967	(10,206,319)	(4,712,352)
Balance as at 31 st March 2020	502,456,080	2,297,282,725	3,341,503,885	6,141,242,690

Note No 1

The deferred tax calculation for land has not been consider for the last year this has been corrected this year, with reference to note 1 to the above.

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 88 to 130 form an integral part of these Financial Statements.

Statement of Cash Flows

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

	2020	2019
Cash Flows from Operating Activities		
Profit Before Taxation	188,443,929	119,782,045
Adjustments for;		
Depreciation	52,382,408	51,673,740
Amortization of Intangible Assets	4,457,400	4,375,244
(Profit) / Loss on Sale of Property, Plant and Equipment	2,289,940	(2,741,263)
Impairment of Trade Receivables	19,804,991	36,503,462
Gratuity Charge for the Year	10,284,130	8,553,032
Interest Income	(345,946,426)	(433,720,019)
Interest Expenses	63,244,126	32,877,346
Prior Year Adjustments	10,470,553	(12,800)
Operating Loss Before Working Capital Changes	5,431,051	(182,709,212)
Inventories	400,734,580	1,583,458,863
Trade and Other Receivables	585,347,988	(210,087,483)
Employees Loans and Advances	(2,839,143)	3,655,502
Trade and Other Payables	(990,924,834)	3,177,059,150
Deposits and Advances Received	(104,514,426)	15,607,431
Accrued Expenses and Provisions	(29,747,059)	44,376,572
Cash Flow from Operations	(136,511,844)	4,431,360,823
Gratuity Paid	(11,958,720)	(5,374,943)
Interest Paid	(63,244,126)	(32,877,346)
Taxes Paid	(70,451,099)	(67,398,394)
Net Cash Flow from / (used in) Operating Activities	(282,165,789)	4,325,710,140
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(15,423,824)	(17,090,457)
Acquisition of Intangible Assets	(710,500)	-
Work-in-Progress	-	(236,885)
Proceeds from Sale of Property, Plant and Equipment		9,091,100
Investment (With Interest Re-investment) in Treasury Bills / Fixed Deposits	(1,211,565,657)	(1,274,090,880)
Withdrawal of (With Interest) Treasury Bills / Fixed Deposits	2,317,651,167	2,152,578,325
Interest Received (Net of Taxes)	345,946,426	430,798,812
Net Cash Flow from / (used in) Investing Activities	1,435,897,612	1,301,050,014
Cash Flows from Financing Activities		
Borrowings During the Year	9,839,059,331	2,823,202,606
Dividends Paid	-	(15,000,000)
Settlements of Borrowings During the Year	(10,530,789,713)	(8,774,705,293)
Net Cash Flow from / (used in) Financing Activities	(691,730,383)	(5,966,502,687)
Cash and Cash Equivalents at Beginning of the Year	380,954,088	893,591,786
Net Changes in Cash and Cash Equivalents During the Year	462,001,441	(339,742,534)
Cash and Cash Equivalents at Beginning of the Year	41,211,553	380,954,088
Cash and Cash Equivalents at End of the Year	(Note 19) 503,212,993	41,211,553

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 88 to 130 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the Year Ended 31st March 2020

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 General Policies

Reporting Entity

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

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

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

1.2 Financial Year

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

1.3 Share Capital of the Company

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

1.4 Number Of Employees

The number of employees of the Company as at 31 March 2020 was 388 (2019- 364).

1.5 Date of Authorization for Issue is 04th December 2020.

1.6 Legal Nature and Address of the Registered office

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

1.7 Principal Activities and Nature of operation

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

Statement of Compliance

1.8 Going Concern

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

1.9 Taxation

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

(a) Statement of Compliance

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

(a) Basis of Measurement

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

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

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

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.

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

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

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'. The significant accounting policies are discussed with relevant individual notes.

Comparative Information

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

Summary of Significant Accounting Policies

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

Current versus non-current classification

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

- expected to be realized or intended to be sold or consumed in normal operating cycle
- held primarily for the purpose of trading
- expected to be realized within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period All other assets are classified as non-current.

A liability is considered as current when:

- it is expected to be settled in normal operating cycle

- it is held primarily for the purpose of trading
- it is due to be settled within twelvemonths after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The company classifies all other liabilities as non-current.

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

2.2 Changes in Accounting Policies

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

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

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

The current year financial statement

2.3 Foreign Currency Translation

2.3.1 Functional and Presentation Currency

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

2.3.2 Transactions and Balances

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

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

2.4.1 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements the company require the management to make judgments, estimates and assumptions, Notes to the Financial Statements which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

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

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

2.4 Assets and Basis of Their Valuation

2.4.1 Property, Plant and Equipment

(a) Recognition and Measurement

Items of property, plant and equipment are stated at cost or at their fair value

Notes to the Financial Statements

For the Year Ended 31st March 2020

less accumulated depreciation or impairment losses.

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

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

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

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

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

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

Decrease for the same asset previously recognized in the income statement, in which case the increase is Credited to the income statement to the extent of

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

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

Depreciation

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

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

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

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

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

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

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

De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized

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

Measurement of fair values

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or Liability, either directly or indirectly.
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable Inputs)

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

Revaluation Model

The Group applies Revaluation Model for the entire class of land and buildings in the statement of financial position. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which

Notes to the Financial Statements

For the Year Ended 31st March 2020

would be determined using fair values at the end of each reporting period. If the fair values of land and buildings does not change other than by an insignificant amount at each reporting period the Group will revalue such land and buildings every 3 years.

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

Capital Work-in-Progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital in progress is transferred to the respective asset accounts at the time

it is substantially completed and ready for its intended use.

2.4.3 Intangible Assets

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

Computer Software	05 Years
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Costs associated with maintaining computer software programmers' are recognized as an expense as incurred.

2.4.4 Impairment of Non-Financial Assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In

Notes to the Financial Statements

For the Year Ended 31st March 2020

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

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

2.5 Financial Assets

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

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

a) Held-to- Maturity Investment (HTM)

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

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed

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

2.5.2 Recognition and Initial Measurement

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

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

2.5.3 Subsequent Measurement

- a) Held-to- Maturity Investment (HTM)

Notes to the Financial Statements

For the Year Ended 31st March 2020

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

b) Loans and receivables

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

2.5.4 Impairment of Financial Assets

Assets carried at amortized cost

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

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

amount of the loss is recognized in the statement of comprehensive income.

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

2.6 Inventories

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

Consumables and packing material are stated at cost or net realized whichever is lower.

2.7 Trade Receivables

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

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

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

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

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

2.8. Financial Instruments

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

2.9 Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at

amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15. Refer to the accounting policies in section xxx, Revenue from contracts with customers. In order for a financial asset (excluding equity instruments) to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business

Notes to the Financial Statements

For the Year Ended 31st March 2020

model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.9.1 Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

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

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon Derecognition (equity instruments)

Financial assets at fair value through profit or loss

2.9.2 Financial Assets at Amortized Cost (Debt Instruments)

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

The financial asset is held within a business model with the objective to hold financial

assets in order to collect contractual cash flows and

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

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

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

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

1. The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognize in the income statement and computed

Notes to the Financial Statements

For the Year Ended 31st March 2020

in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. The Group currently does not own any financial asset that is classified under this category.

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

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis. Gains and losses on these financial assets are never recycled

To profit or loss. Dividends are recognized as other income in the income statement the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group currently does not own any financial asset that is classified under this category.

2.9.5 Financial Assets at Fair Value through Profit or Loss

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

2.9.6 Business Model Assessment

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

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

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

How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and Expectations about future sales activity. Transfers of financial assets to third parties in

transactions that do not qualify for de recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers: Contingent events that would change the amount or timing of cash flows; Terms that may adjust the contractual coupon rate, including variable-rate features; Prepayment and extension features; and Terms that limits the Group's claim to cash flows from specified assets (e.g. non-

Notes to the Financial Statements

For the Year Ended 31st March 2020

recourse features). A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual paramount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial Recognition.

2.9.7 Impairment of Financial Assets

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

instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

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

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

2.9.8 De recognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily de recognized (i.e., removed from the Group's Consolidated statement of financial position) when: The rights to receive cash flows from the asset have expired or

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

- (a) The Group has transferred substantially all the risks and rewards of the asset, or
- (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement,

Notes to the Financial Statements

For the Year Ended 31st March 2020

it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset

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

- (i) the consideration received (including any new asset obtained less any new liability assumed) and,
- (ii) Any cumulative gain or loss that had been recognized another comprehensive income is recognized in profit or loss

2.9.9 Cash and Cash Equivalents

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

2.10 Stated Capital

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

2.11 Financial Liabilities

Disclosure of Contingent Liabilities

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

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

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

- b) Similarly, the Company had taken a decision in the year 2010 to rent out Hingurakgoda stores premises of the Sri Lanka Railways Department and as at the end of the accounting year a sum of rupees 764,480 is payable. However, this payable amount could not be taken in to the books of accounts of the Company as no valid agreement has been reached between the two parties.
- c) The Company had also rented out Stores premises of the Sri Lanka Mahawele Authority in the year 2015 and a sum of rupees 1,630,000 is payable for renting out the Sooriyawewa stores. This amount too could not be taken in to the books of accounts of the company as no valid rent / lease agreement has been reached between the two parties.
- d) Similarly, the Company had also rented out the Kirologama stores premises of the Sri Lanka Mahawele Authority in the year 2012 and a sum of rupees 900,000 is payable for renting out the stores. This amount too could not be taken in to the books of accounts of the company as no valid rent / lease agreement has been reached between the two parties.

Recognition and Measurement

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

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

2.11.1 Derecognition of Financial Liabilities

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

2.11.2 Offsetting of Financial Instruments

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

2.11.3 Amortized Cost Measurement

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

2.12 Trade and Other Payables

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

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

2.13 Borrowings

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

2.14 Borrowing Cost

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

2.15 Government Grants

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

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

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

2.16 Current and Deferred Tax

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

The current income tax charge is calculated on the basis of the tax laws enacted at the reporting period end applicable for the Company. Management establishes

Notes to the Financial Statements

For the Year Ended 31st March 2020

provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

2.17 Employee Benefits

The Company has both defined benefit and defined contribution plans.

a) Defined Contribution plan

A defined contribution plan is a post employment benefit plan under which

the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions. The contributions are recognized as employee benefit expense when they are due.

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

b) Defined benefit plan

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

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

The company will re-measure the defined benefit obligation when the amounts recognized in the financial

Notes to the Financial Statements

For the Year Ended 31st March 2020

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.

2.18 Provisions and Contingent Liabilities

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

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

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

2.19 Revenue Recognition

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

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

a) Performance obligations and revenue recognition policies

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

b) Interest Income

Interest income is recognized using the effective interest method.

c) Rent Income

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

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

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

e) Other Income

Other income is recognized on an accrual basis.

2.20 Expenses

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

2.21 Events Occurring after the Reporting Period

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

2.22 Commitments

All material commitments at the reporting period end have been identified and

disclosed in the notes to the financial statements.

2.23 Significant Accounting Estimates and Judgments

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

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

(a) Recognition of Deferred Tax Assets

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

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

(a) Useful life time of Depreciable Assets

Management reviews its estimate of the useful life time of depreciable assets at each reporting date, based on the expected economic utility of the assets. Uncertainties in these estimates relate to technical

Notes to the Financial Statements

For the Year Ended 31st March 2020

obsolescence that may change the utility of certain software and IT equipment.

the carrying amount of defined benefits obligation.

(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

New Accounting Standard Amendments Issued But not Effective as at the Reporting Date

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

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

Notes to the Financial Statements

For the Year Ended 31st March 2020

<p>Amendments to References to Conceptual Framework in SLFRS Standards</p>	<p>Conceptual Framework which will be used in Standard setting decisions with immediate effect. Key changes include;</p> <ul style="list-style-type: none">• Increasing the prominence of stewardship in the objective of financial reporting• Reinstating prudence as a component of neutrality• Defining a reporting entity, which may be a identity, or a portion of an entity• Revising the definitions of an asset and a liability• Removing the probability threshold for recognition and adding guidance on de-recognition• Adding guidance an different measurements basis, and• Stating that profit or loss is the primary performance indicator and that, in principal, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the Financial Statements.	
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Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

3 Revenue		2020	2019
Gross Revenue		2,115,103,382	1,887,615,506
Nation Building Tax (NBT)		(14,520,086)	(17,665,811)
Sale of Fertilizer		2,100,583,296	1,869,949,695
4 Cost of Sales			
Purchases	4.1	996,723,621	1,353,816,274
Direct Expenses	4.2	501,982,010	486,571,247
Cost of Production		1,498,705,631	1,840,387,521
Finished Goods as at 01 April		618,302,635	2,204,445,462
Subsidy claim against Opening Balance		-	(1,745,951,811)
Finished Goods as at 31 March		(284,151,794)	(618,302,635.17)
		1,832,856,472	1,680,578,537
4.1 Purchases			
Fertilizer Import Bills		9,725,705,675	12,084,743,681
Insurance		5,713,460	6,655,655
Duty and Duty Surcharge		1,150,254	-
Port and Airport Development Tax		715,774,563	883,469,134
Miscellaneous (Sri Lanka Port Authority)		4,194,247	6,756,331
Discharging Expenses		1,766,671	778,259
Landing Charges		16,301,878	19,329,522
Stevedoring Charges		127,980,922	153,567,635
Custom Duty and Charges		132,215	1,576,024
Sampling Charges		7,107,654	9,978,332
Transport and Handling Charges		151,966,243	156,910,255
Letter of Credit Charges		37,520,209	53,724,216
Bank Charges		472,330	833,485
Local Purchase		14,203,950	42,119,969
Packing Materials		14,892,936	4,351,677
Detention Charges		1,126,178	16,697
Local Agency Commission		1,364,647	1,583,054
Exchange (Gain) / Loss		162,169,953	668,393,843
Subsidy Claimed		(9,992,820,364)	(12,740,971,494)
		996,723,621	1,353,816,274
4.2 Direct Expenses			
Mixing Charges		6,484,055	180,644
Handling Charges		114,340,129	117,394,017
Labour Charges		15,288,821	15,358,733
Transport Charges to District Fertilizer Stores		296,558,701	351,209,521
Trading Stock (Excess) / Shortage		-	9,779
Stocks Transfers / Adjustments		69,310,304	2,418,554
		501,982,010	486,571,247

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

5 Other Operating Income	2020	2019
Income from Penalties - Local	608,713	1,280,103
Liquidated Damages Income	-	20,153,842
Circuit Bungalow Income - Polonnaruwa	1,896,870	2,718,751
Dispatch Income	44,407,138	64,992,748
Sales of Polythene and WPP Bags	1,210,081	738,824
Non Refundable Tender Deposit Income	1,781,000	6,547,000
Rent Income	-	1,314,583
Profit / (Loss) on Disposal of Property, Plant and Equipment / Scraps	-	2,741,263
Earning from scrips and other	-	171,533
Earnings from Transport	35,318	2,090
Claim against Performance bond	141,226,432	-
Laboratory Testing Income	278,730	438,022
Other Income	17,805,378	6,735,283
Earning from Farms	24,343	22,828
Income from government Grant	5,000	-
Trading Stock (Excess) / Shortage	344,481	-
	209,623,485	107,856,870

6 Administrative Expenses		
Directors' Remuneration	2,508,517	3,135,518
Motor Vehicles Running Chairman / Directors	996,911	52,750
Telephone,Fax,E-mail and Internet Charges-Chairman/Directors	151,393	160,208
Secretary Fees	90,000	100,000
Salaries - Executive	46,875,007	43,232,134
Salaries - Non Executive	146,464,792	138,573,334
Overtime	34,923,572	31,184,372
Travelling and Subsistence	2,590,911	3,680,971
Employees' Provident Fund	28,810,240	25,752,255
Employees' Trust Fund	5,761,450	5,150,451
Fuel Allowance for Managers	7,531,872	6,379,554
Tea and Dust Allowance	8,269,070	7,861,089
Annual Bonus	4,725,323	4,772,588
Medical Leave Payment	12,986,660	11,822,585
Employees on Contract Basis	4,301,101	6,374,767
Training and Scholarships	1,590,820	1,255,202
Weekend and Other Allowances	1,707,276	2,666,602
Employee Compensation	-	124,925
Medical Expenses	19,487	6,683
Clothing and Medical Allowance	4,813,131	3,496,689
Medical Insurance	8,986,319	9,014,151
Other Allowances	445,867	562,013

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

	2020	2019
Employee Valuation Expenses	10,709	255,125
Staff Transport	1,451,450	1,604,350
Annual Incentive	49,940,296	44,377,436
Staff Welfare	2,647,608	3,261,930
Entertainment	614,920	589,903
Electricity	6,007,915	6,170,828
Telephone,Fax,E-mail and Internet Charges	6,201,973	8,125,248
Fire Insurance	638,137	662,070
License and Insurance	494,419	956,107
Cash in Transit and Cash in Safe Insurance	199,980	304,168
Postage	706,463	719,962
Printing and Stationery	4,350,007	5,633,635
Periodicals and Books	82,638	130,034
Office Equipment Maintenance	501,511	543,086
Foot Bicycle Maintenance	7,850	4,995
Office Expenses	1,504,837	1,963,628
Vehicle Running Expenses	5,361,771	8,912,104
Vehicle Maintenance	4,329,977	5,011,039
Water Bill	2,143,298	2,266,930
Legal Fees	869,145	1,425,098
Security Charges	26,299,841	29,015,395
Lab/Equipment Maintenance	45,841	380,046
Plant , Machinery and Equipment Maintenance	233,647	1,016,762
Building Maintenance	5,067,505	4,243,849
Furniture and Fittings Maintenance	78,437	20,810
Public Notice Charges	2,781,399	3,244,283
Computer and Accessories Maintenance	5,416,224	1,793,953
Rent and Rates	3,249,231	1,467,487
Depreciation	51,963,383	51,673,740
Amortization of Intangible Assets	4,457,400	4,375,244
Audit Fees	1,501,850	1,474,600
Profit / (Loss) on Disposal of Property, Plant and Equipment / Scraps	3,482,635	-
Balance C / F	517,192,014	496,999,530

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

	2020	2019
Non Audit Fees	2,500	314,510
Audit Related Fees	72,695	70,000
Consultancy Fees	1,765,419	4,578,146
Work Shop Tools Expenditure	13,370	36,318
Sanitary Facilities	3,711,879	3,275,661
Vehicle Hiring Charges	7,960,909	11,916,854
Circuit Bungalow Expenses	80,477	120,128
ERP Software Maintenance	-	4,715,571
Other Equipment Maintenance	842,874	474,114
Provision for Retirement Benefit obligation	10,284,129	8,553,032
Bank Charges	779,220	664,426
Circuit Bungalow Expenses	437,217	243,011
Gardening and Landscaping Expenses	6,506,759	3,802,334
Natural Disaster Expenses	10,000	10,000
Laboratory Building Maintenance	13,740	7,110
Laboratory Expenses	299,478	224,176
Laboratory Equipment Insurance	30,780	24,229
Registration Fees	181,510	245,166
	550,184,970	536,274,315
7 Distribution Expenses		
Advertising and Publicity Notices	1,537,368	5,177,698
Impairment of Trade Receivables	19,804,991	36,503,462
Sales Commission	50,860	35,552
Corporate Social Responsible	30,490	297,629
	21,423,709	42,014,342

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

8	Net Finance Income	2020	2019
	Interest Income		
	Interest on Fixed Deposits and REPO Investments	344,251,424	432,022,053
	Interest from Employees Loans	1,695,002	1,697,965
		345,946,426	433,720,019
	Interest Expenses		
	Interest on Overdrafts/Loans	(63,244,126)	(32,877,346)
		(63,244,126)	(32,877,346)
		282,702,301	400,842,673
9	Income Tax Expenses		
	Current Year	9.1	52,634,400
	Deferred Tax Charge	23	154,288,123
		90,450,653	154,288,123
	9.1 Reconciliation between current tax expenses/ (reversal) and the accounting profit/(loss);		
	Accounting Profit / (Loss) Before Taxation	188,443,929	119,782,045
	Non-Business Income	(345,946,426)	(436,461,282)
	Aggregate of Disallowable Expenses	166,226,555	66,486,344
	Aggregate of Allowable Claims	(34,602,479)	(30,414,372)
	Tax Adjusted Profit	(25,878,421)	(280,607,265)
	Income from Other Sources	345,946,426	444,647,514
	Total Statutory Income	345,946,426	444,647,514
	Loss Claimed previous Year	(132,088,007)	(296,128,256)
	Loss Claimed during the Year	(25,878,421)	148,519,258
	Taxable Income	187,979,998	-
	Tax Charged at Statutory Tax Rate of 28%	52,634,400	-
	Current Tax Provision	52,634,400	-
	Current Tax on Ordinary Activities for the Year	52,634,400	-
	Tax Losses		
	Loss Brought Forward	132,088,007	296,128,256
	Adjustment Due to Prior Year Adjustment	(132,088,007)	(296,128,256)
	Loss Incurred	25,878,421	280,607,265
	Loss Utilized	(25,878,421)	(148,519,258)
	Loss Carried forward	-	132,088,007

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

10 Basic Earnings per Share / Dividends per Share	2020	2019
10.1 Basic Earnings Per Share (EPS)		
Net Profit Attributable to Ordinary Shareholders (Rs.)	97,993,276	(34,506,078)
Weighted Average Number of Ordinary Shares in Issue	50,245,608	50,245,608
Basic Earnings per Share	1.95	(0.69)
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	29,397,983	(10,351,823)
Number of Ordinary Shares	50,245,608	50,245,608
Dividend per Share	0.59	(0.21)

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

11 Property, Plant and Equipment				
Cost	01 April 2019	Additions	Disposal	31 March 2020
Land	1,868,965,707	-		1,868,965,707
Biological Assets	2,086,200	-		2,086,200
Buildings	882,927,178	3,682,266		886,609,444
Container Office	2,531,500	734,000		3,265,500
Plant and Machinery	20,708,005	45,302	(44,800)	20,708,507
Motor Vehicle	48,570,850	625,000		49,195,850
Furniture and Fittings	22,393,533	1,073,207	(89,300)	23,377,440
Office Equipment	9,936,401	1,895,470	(142,700)	11,689,171
Computer Equipment	14,836,915	5,956,639	(310,700)	20,482,854
Other	20,470,304	1,411,941	(2,751,300)	19,130,944
Total	2,893,426,593	15,423,824	(3,338,800)	2,905,511,617

Depreciation	01 April 2019	Charge for the Year	Disposal	31 March 2020
Buildings	83,379,439	27,757,769		111,137,207
Container Office	88,185	317,903		406,088
Plant and Machinery	7,082,721	2,793,743	(7,800)	9,868,664
Motor Vehicle	28,796,098	9,839,170	-	38,635,268
Furniture and Fittings	12,252,301	3,390,917	(48,780)	15,594,438
Office Equipment	5,615,362	1,957,178	(84,409)	7,488,131
Computer Equipment	6,914,794	4,088,943	(91,170)	10,912,567
Other	4,362,508	2,236,786	(816,701)	5,782,592
	148,491,408	52,382,408	(1,048,860)	199,824,954

Written Down Value	2020	2019
Land	1,868,965,707	1,868,965,707
Biological Assets	2,086,200	2,086,200
Buildings	775,472,236	799,547,739
Container Office	2,859,412	2,443,315
Plant and Machinery	10,839,843	13,625,284
Motor Vehicle	10,560,583	19,774,753
Furniture and Fittings	7,783,002	10,141,232
Office Equipment	4,201,041	4,321,040
Computer Equipment	9,570,287	7,922,121
Other	13,348,353	16,107,796
	2,705,686,663	2,744,935,187

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 2020

(Expressed in Sri Lankan Rupees)

12	Capital Work-in-Progress	01 April 2019	Expenditure Incurred	Amount Capitalized	31 March 2020
	Kataragama Bungalow	676,730	-	-	676,730
		676,730	-	-	676,729

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

13	Intangible Assets			
	Cost	01 April 2019	Additions (Disposals)	31 March 2020
	Computer Software	21,876,270	710,500	22,586,770
		21,876,270	710,500	22,586,770
	Amortization	01 April 2019	Disposal of the year for the Year	31 March 2020
	Computer Software	4,375,244	4,457,400	8,832,644
		4,375,244	4,457,400	8,832,644
	Written Down Value			
	Computer Software		13,754,126	17,501,026

14	Inventories	2020	2019
	Direct Fertilizer	284,151,794	618,302,635
	Consumables	9,284,888	8,404,722
	Packing Material	12,273,728	21,840,402
		305,710,409	648,547,759
	Provision for Impairment	(79,716,652)	(2,014,431)
		225,993,757	646,533,328

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

15 Trade and Other Receivables		2020	2019
Trade Receivables	15.1	174,601,800	172,849,776
Provision for Impairment		(144,809,808)	(125,004,817)
		29,791,992	47,844,959
Other Receivables	15.2	18,772,863,111	19,340,158,132
		18,802,655,103	19,388,003,091
15.1 Trade Receivables			
Government Departments		89,115,621	89,312,221
Shortage on Sale		56,593	283,088
Debtors on Loan		5,036,500	7,000,000
Agrarian Service Centers		22,261,937	2,130,395
Authorized Dealers		13,136,363	20,582,940
M.P.C.S.		100	100
Distributors		44,994,685	53,541,031
		174,601,800	172,849,776
The ageing of the trade receivables are as follows			
Up to 3 Months		25,509,037	7,614,687
3 to 12 Months		1,864,572	19,517,032
More than One (1) Year		60,626,141	59,309,186
Over Ten (10) Years		86,602,049	86,408,871
		174,601,800	172,849,776

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		18,584,169,423	19,159,274,649
Road Development Authority		12,600,000	12,600,000
Others	(Note I)	143,889,023	149,134,753
Deposits		1,809,436	3,950,820
Advance and Prepaid Expenses		30,001,300	15,317,384
Cash Sortage - Stock Officer		388,430	-
EPF 10%		5,500	-
		18,772,863,111	19,340,277,606

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

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

16 Employees Loans and Advances	2020	2019
Festival Advances	553,000	1,071,250
Motor Cycle Loans	828,151	1,215,063
Personal Loans	39,349,491	35,605,186
	40,730,642	37,891,499

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	698,334,484	634,370,554

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	2,267,056,772	3,437,106,212

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

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

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

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

19 Cash and Cash Equivalents		
Favorable Balances		
Cash in Hand	727,835	-
Current Accounts	42,309,251	73,505,702
Saving / Call Deposits (Ref: Note 18.4)	527,034,471	78,458,774
	570,071,557	151,964,476
Unfavorable Balances		
Bank Balance Overdraft	66,858,564	110,752,922
	66,858,564	110,752,922

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

20	Stated Capital	Note	2020	2019
	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		59,861,487	50,551,003
	Expenses Recognized in Comprehensive Income	22.1	10,284,130	8,553,032
	Payments Made During the Year		(11,958,720)	(5,374,943)
	Actuarial Gain/Loss on obligation		10,206,319	6,132,395
	Balance as at 31 March		68,393,216	59,861,487
22.1	Expense Recognized in Comprehensive Income			
	Current Service Cost		(3,400,059)	(2,992,422)
	Interest Charge for the Year		(6,884,071)	(5,560,610)
			(10,284,130)	(8,553,032)

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 [%]	11.50	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 [%]	(30.48)	(21.18)	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 2020

(Expressed in Sri Lankan Rupees)

23	Deferred Taxation	Note	2020	2019
	Balance as at 01 April		136,715,509	602,124,755
	Adjustment on the statement of deferred tax			(506,307,200)
	(Originated) / Reverse for the Year Recognised in Profit or Loss		37,816,254	154,288,123
	Deferred Tax Expenses Recognised in OCI for Revaluation Surplu		(5,493,967)	(113,390,169)
	Balance as at 31 March	23.1	169,037,795	136,715,509

23.1 The Analysis of Deferred Tax Assets and Liabilities

Deferred Tax Liability

From Land Revaluation	-	506,307,200
From Accelerating Depreciation	191,212,983	195,691,817
From Revaluation Surpluses	24,840,973	30,334,940

216,053,956 **732,333,957**

Deferred Tax Assets

From Retirement Benefits Obligation	(19,150,101)	(16,761,217)
From Brought Forward Tax Losses	-	(36,984,642)
Deferred Tax Assets Arising accounting provisions	(27,866,060)	(35,565,389)

(47,016,161) **(89,311,248)**

169,037,796 **643,022,709**

24	Trade and Other Payables		2020	2019
	Trade Payables		4,636,187,820	5,631,286,835
	Other Payables	24.1	58,414,695	54,240,514
			4,694,602,515	5,685,527,349

24.1 Other Payables

Sundry Creditors	43,803,468	40,481,048
Retention Money	628,765	927,912
General Treasury	13,313,039	12,113,039
PAYE Tax	-	155,695
Others	668,064	562,820
Payable to SLPA	1,359	-

58,414,695 **54,240,514**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

25 Interest Bearing Borrowings Short Term	2020	2019
People's Bank		
Balance as at 01 April	14,795,213,338	20,746,716,026
Obtained During the Year	9,839,059,331	2,823,202,606
Paid During the Year	(10,530,789,713)	(8,774,705,293)
Balance as at 31 March	14,103,482,956	14,795,213,339
Non-current Portion	-	5,650,658,426
Current Portion	14,103,482,956	9,144,554,912
	14,103,482,956	14,795,213,338

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

26 Deposits and Advances Received		
Refundable Performance Bond	29,741,441	132,467,288
Staff Security Deposits	3,534,471	3,458,774
Refundable Deposits	3,442,500	2,415,300
Receipt in Advance	6,877,229	9,857,136
Sundry Salary Deduction	118,795	38,693
Excess on Sales	744,020	735,692
	44,458,457	148,972,883

27 Current Tax Liability		
Balance as at 01 April	(23,998,981)	43,399,414
Payments Made for Previous Year	(56,926,867)	(43,399,414)
Provision for the Current Year	52,634,399	-
Self Assessment Payments Made During the Year	(5,000,000)	-
Economic Service Charges (ESC) Recoverable	(3,802,062)	(5,989,454)
Withholding Tax (WHT) and notional tax Recoverable	(4,722,170)	(18,009,527)
Balance as at 31 March	(41,815,681)	(23,998,981)

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

28	Accrued Expenses and Provisions	2020	2019
	Accrued Expenses	78,699,320	108,446,379
		78,699,320	108,446,379

29 Capital and Other Commitments

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

	Expense Incurred	
	In Year 2020	In Prior Years
(a) Over layering of Asphaltting at hunupitiya premises for Rs. 49 Mn	-	-

30 Events Occurring after Reporting Period

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

31 Contingent liabilities

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

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

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

32 Related Party Disclosures

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

Transactions with Key Management Personnel

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

Transactions with Key Management Personnel are given below.	2019/20	2018/19
Remuneration and Other Short - Term Employee Benefits	3,656,820	3,348,476

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	9,992,820,363.60	
	Sales of Goods	2,115,103,382	
	Recoveries of Trade Receivables	5,088,400	
State-Owned Enterprises	Short-term Loans borrowed	9,839,059,331	
	Settlements of Loans	(10,530,789,713)	
	Investments In Treasury Bills and Repo's		
	Proceeds from Maturity of Investment		
	Interest Received	60,547,622.76	
	Investments In Fixed Deposits		
	Investment during the year		
	Interest Received	283,703,801.11	
	Call Deposits and Saving Deposits	528,843,907.36	
	Current Accounts	570,071,556.89	
	Current Accounts - Overdraft	66,858,563.99	
Other Government Related Entities	Recoveries of Trade Receivables	68,805,790.00	

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2020

(Expressed in Sri Lankan Rupees)

33 Financial Instruments and Risk Management

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	634,370,554	583,043,365
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HTM investments are stated at amortized cost using the effective interest method

Loans and Receivables

Trade and Other Receivables	225,993,757	646,533,328
Employees Loans and Advances	40,730,642	37,891,499
Other Financial Assets	2,267,056,772	3,437,106,212
Cash and Cash Equivalents	570,071,557	151,964,476

3,103,852,728 **4,273,495,515**

The loans and receivables are stated at amortised costs using the effective interest method.

TOTAL FINANCIAL ASSETS **3,802,187,212** **4,907,866,069**

FINANCIAL LIABILITIES

Other Financial Liabilities

Interest Bearing Borrowings	14,103,482,956	9,144,554,912
Trade and Other Payables	4,694,602,515	5,685,527,349
Deposits and Advances Received	44,458,457	148,972,883
Bank Overdrafts	66,858,564	110,752,922

Total Financial Liabilities **18,909,402,491** **15,089,808,066**

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 2020

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	2020	2019
Cash and Cash Equivalents	569,343,722	151,964,476
Other Financial Assets	2,267,056,772	3,437,106,212
Trade and Other Receivables	18,802,655,103	19,388,003,091

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 2020 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 2020

Financial Assets and Liabilities	Carrying Amount (Rs.)	6 Month or Less	6 - 12 Months	More than 1 Years
Financial Assets				
Held-to-Maturity Investments	698,334,484	-	698,334,484	-
Other Financial Assets	2,267,056,772	1,936,511,842	330,544,930	-
Cash and Cash Equivalents	570,071,557	570,071,557	-	-
Trade and Other Receivables	18,802,655,103	18,802,655,103	-	-
Employees Loans and Advances	40,730,642	40,730,642	-	-
Total Undiscounted Financial Assets	22,378,848,557	21,349,969,143	1,028,879,414	-
Financial Liabilities				
Interest Bearing Borrowings	14,103,482,956	-	14,103,482,956	-
Trade and Other Payables	4,694,602,515	5,636,893,295	3,906,516,96	-
Deposits and Advances Received	44,458,457	44,458,457	-	-
Bank Overdrafts	66,858,564	66,858,564	-	-
Total Undiscounted Financial Liabilities	18,909,402,491	5,748,210,316	14,107,389,473	-
Net Undiscounted Financial Assets / (Liabilities)	3,469,446,066	15,601,758,827	(13,078,510,059)	-

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 2020 is Rs.162,295,385.83/-.

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 Rs14,795,213,338. /- (2018: Rs. 20,746,716,025/-) 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 2020 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.....2020.

.....
Signature of Shareholder

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

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