CEYLON FERTILIZER COMPANY LTD

REENERGIZING AGRICULTURE

ANNUAL REPORT 2021

Reenergizing agriculture

Trapped by the COVID-19 pandemic for most of the year, the country as well as the world is still struggling to shake off its social and economic impact. As the company looks into the future, it sees the farmers of Sri Lanka and indeed, the entire agricultural sector under unprecedented threats.

Yet, over the years, the Lakpohora family has always stood up to challenges and tried its upmost to shield and protect the farmers of the country. Now, with the sector suffering under the weight of a global crisis of near impossible proportions, it has called upon itself to show its resilience and its metal.

We stand with the country, the field, the farmer and the people of Sri Lanka in our collective effort to overcome this greatest of crises that has visited us in recent history. Providing the very energy required for crops to grow, our effort in turn is aimed at also recharging the desire of the farmer to get back into the field. We stand as that vital motor that enthuses and reenergizes the farmer and by extension, the entire agricultural sector. We stand tall in the face of multiple crises. We stand firm beside the farmer. We stand committed to Sri Lanka's socioeconomic recovery.

Signed,

The management and staff of LAKPOHORA

CAVEAT: Due to tremendous logistics pressure during the COVID19 pandemic, it was impossible for Ceylon Fertilizer Corporation Limited to adhere to activities that has been identified in its action plan.

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

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ANNUAL REPORT 2020/21

CEYLON FERTILIZER COMPANY LIMITED

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

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E-mail : info@lakpohora.lk | Web : www.lakpohora.lk

ISO 14001: 2004
Environmental Quality
Certification

Annual Reports Awards
2014
Compliance Award

JASTECA CSR Awards
2014
Merit Award

CNCI Achievers Awards
2014
National Level Merit Award

National Agri Business Awards
2014
Silver Award

National Productivity Awards
2012/13
Second Place

Sri Lanka National
Quality Award 2013
Silver Award

SLCBCC Business Star
2014
Silver Award

Akimoto 5S Awards
2014
Merit Award

National Business Excellence
Awards 2014
Golden Award

Human Resource Management
Awards 2013
Merit Award

CONTENTS

THE FOUNDATION OF AGRICULTURE IN SRI LANKA

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

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

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

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

CORPORATE INFORMATION

Company Name

Ceylon Fertilizer Company Limited

Company Registration Number

PB 499

Legal Nature

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

1964

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

1964

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

1966

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

1970

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

1976

The permit system is abolished and the fertilizer subsidy introduced.

1978

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

1980

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

1986

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

1988

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

1992

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

1994

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

2002

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

2005

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

2007

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

2008

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

2010

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

2013

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

2016

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

BOARD OF DIRECTORS

Chairman / Director

Mr. Sarath Samarakoon
(2020.04.01 – 2020.08.31)

Mr. Janath Vidanage
(2020.09.17 - 2021.03.31)

Directors

Mr. S. L. Gamage Bandusiri
(2020.04.01 – 2021.03.31)

Mr. W. P. Dimuthu Pathum
(2020.04.01 – 2021.03.31)

Mr. Kosala Jayakody
(2020.04.01 – 2021.03.31)

Mr. H. K. C. Tharuka Alwis
(2020.04.01 – 2021.03.31)

Ms. E. G. G. H. Madhuka Ranasinghe
(2020.04.01 – 2021.03.31)

Mr. L. Gemunu Samarawickrama
(2020.04.01 – 2021.03.31)

Mr. G. R. Don Sunil
(2021.03.04 – 2021.03.31)

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)
Mrs. M.L.U. Perera	Manager (Laboratory)
Mr. G. G. Saman	Acting Manager (Procurement and Imports)
Mrs. M. G. D. Gayani	Acing Manager (Finance)
Mrs. T. S. S. Dharmabandhu	Acting Manager (Administration and Human Resources)

For TEA Cultivation

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

THE FUNDEMENTALS OF OUR EFFORT

PURPOSE

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

MISSION

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

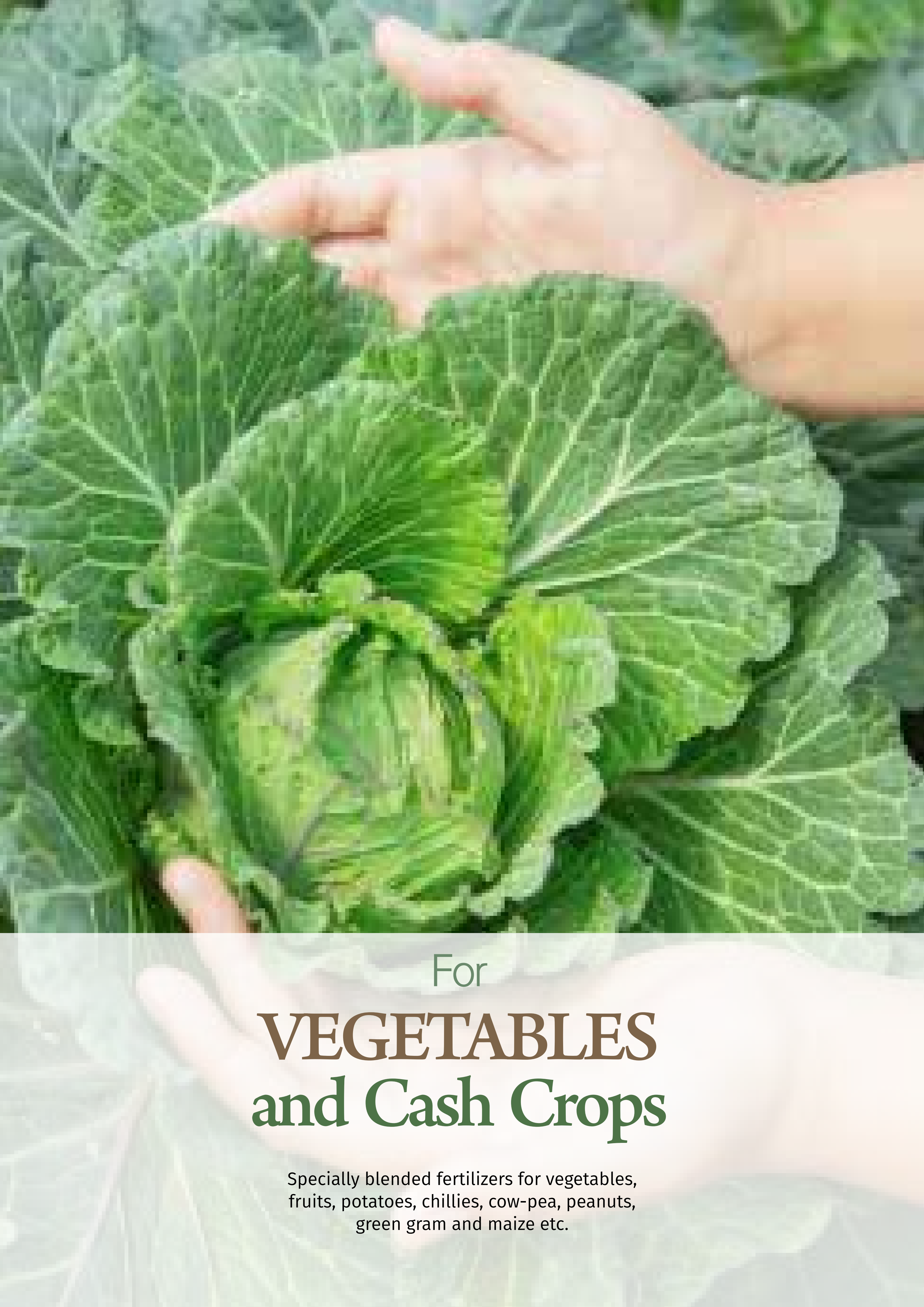
VISION

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

VALUES

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

DEDICATED TO SUSTAINABLE AGRICULTURE



For

VEGETABLES and Cash Crops

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

FINANCIAL HIGHLIGHTS

INCOME
LKR 2.2 BILLION

PROFIT BEFORE TAX
LKR 162.6 MILLION

TOTAL ASSETS
LKR 32 BILLION

Financial Highlights and YoY Ratios			
Item	**2021 (LKR)**	**2020 (LKR)**	**Ratio (%)**
	Rs.	**Rs.**	**%**
Income	2,257,657,781	2,100,583,296	7
Profit before tax	162,590,416	188,443,929	-14
Profit after tax	124,392,743	97,993,276	27
Earnings per share	2.48	1.95	27
Benefits on assets	7.03%	8.28	-15
Benefits on liabilities	0.36%	0.34	6

Financial Position and YoY Ratios			
Item	**2021**	**2020**	**Ratio (%)**
Total Assets	32,098,651,854	25,366,775,513	26.54
Total Equity	6,345,978,479	6,141,242,690	3.33
Number of shares issued	50,245,608	50,245,608	0.00
Net assets per share	126.30	122.22	3.34

FINANCIAL SUMMARY FOR LAST TEN YEARS

	2012 SLFRS	2013 SLFRS	2014 SLFRS	2015 SLFRS	2016 SLFRS	2017 SLFRS (Restate)	2018 SLFRS (Restate)	2019 SLFRS	2020 SLFRS	2021 SLFRS
Statement of Comprehensive Income										
Revenue	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	2,257,657,781
Gross profit	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	416,141,028
Other income	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	118,465,561
Profit before taxation	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	162,590,416
Taxation	(52,315,944)	(73,037,738)	(62,869,313)	134,184,888	(233,331,176)	11,787,491	(63,882,188)	(154,240,094)	(90,450,653)	(38,197,672)
Profit for the year	107,228,551	126,856,581	178,459,452	386,015,851	603,272,829	139,592,032	(24,536,064)	(34,458,049)	97,993,276	124,392,743
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	1,836,179,780	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	2,317,365,710
Retained Earnings	1,285,578,730	1,397,891,510	1,500,363,432	1,869,914,195	2,392,840,203	2,899,788,327	2,792,590,448	2,736,987,204	3,341,503,885	3,526,156,689
Total equity	3,624,214,590	3,736,071,170	3,838,543,092	4,205,441,355	4,728,367,363	5,909,220,594	5,323,905,117	5,531,232,042	6,141,242,690	6,345,978,479
Property, plant and equipment	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	2,665,990,105
Capital working progress	-	-	-	29,982,587	32,152,294	21,960,737	22,316,114	676,729	676,729	676,729
Deferred tax expense	4,862,949	73,037,738	5,561,375	37,484,888	-	-	-		5,493,967	21,992,312
Investment in treasury bills	471,025,753	338,620,163	369,088,140	489,125,747	514,903,604	532,548,539	439,277,353	634,370,554	698,334,484	730,446,740
Intangible assets	-	669,017	344,717	115,417	79,667	-	-	17,501,026	13,754,126	9,560,797
Deffered tax assets	71,951,574	-	-	-	-	-	-	-	-	-
Net current assets	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	19,880,264,806
Deferred tax liabilities	-	1,086,164	6,647,539	44,132,427	40,928,542	251,974,437	242,009,768	643,022,709	169,037,795	139,082,220
Long term loan	-	-	17,728,367,618	31,304,325,268	-	-	20,746,712,026	14,795,213,338	-	15,991,700,302
Cash Flow Statement										
Net cash inflow/(out flow) from operating activities	12,695,227,509	(9,517,159,808)	(5,094,105,859)	(9,560,794,959)	4,859,448,679	11,542,320	8,052,725,854	182,709,212	(282,165,789)	(5,899,813,904)
Net cash inflow/(out flow) from investing activities	(8,458,411)	83,232,936	(498,105,232)	(1,021,212,231)	(1,086,700,012)	(908,705,035)	278,487,418	1,301,650,014	1,435,897,612	37,785,222
Net cash inflow/(out flow) from financing activities	(13,079,312,780)	9,575,483,282	5,654,013,585	10,614,850,014	(3,843,885,272)	(7,628,967,604)	834,304,831	5,966,502,687	(691,730,383)	5,554,446,115
Other Information										
Earning per share (Rs)	2.13	2.52	3.55	7.68	12.01	2.78	(0.49)	(0.69)	1.95	2.48
Dividend per share (Rs)	0.18	0.76	1.05	2.30	3.60	0.83	(0.15)	(0.21)	0.59	0.37
Net asstes per share (Rs)	-	-	-	84	94	118	116	110	122.22	126.30
Current ratio (No.of times)	-	-	-	1.06	1.09	1.09	2.60	1.60	1.19	3.08

For COCONUT Cultivation

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

MESSAGE FROM **THE CHAIRMAN**

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 2021.

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.

2020 saw the rapid global progress of the COVID-19 pandemic and the results of these were severely felt by the agricultural sector, especially one of our primary targets – the small scale farmer. While globally and locally every social and economic indicator literally "fell off the charts", the negative impact of movement restrictions, the rise of sickness, the increased fear among the population all combined to make for a nightmarish scenario for the sector.

However, despite those negatives, the CFCL rose to the challenge of keeping their supply lines intact and delivering its product portfolio to farmers to keep the country from having to face a food crisis on top of the health crisis. In this, I am proud to say, our efforts yielded highly positive results as evidenced by the fact that there was only marginal drop in sales and revenue. This was due to the fact that the CFCL continued with its best practices which commenced during its initial response to the COVID crisis during the fourth quarter of the previous year, adjusting its business process to retain and motivate the teams by helping employees to restructure work, providing transport or work-from-home options as well as making sure to provide optimum health care facilities in order to ensure employee health & safety.

Despite these significant negatives in the operating environment, revenue rose slightly to LKR 2.26 Billion, up from LKR 2.1 Billion, a 7% increase YoY and it is the third successive reporting period in which the company showed an upward rise. Against this, the company recorded a gross profit of LKR 416 Million, up from LKR 216.7 Million, an increase of 55.22% YoY indicating the commitment and resolve of the management team and staff of the company to see that margins were met despite adverse economic conditions. Profit before tax was LKR 162.6 Million down from LKR 188 Million during the previous reporting period while Earnings Per Share was LKR 2.48 showing a 27.18 percent increase YoY.

The CFCL is an organization that prioritizes its human capital and has continued to work for the improvement of both their skills and their benefits. The combined effects of multiple strategies for worker enhancement and wellbeing has resulted increased satisfaction proven clearly by lower levels of staff attrition and lower levels of staff costs when compared to the previous reporting period.

As a fiscally stable State Owned Enterprise, the CFCL is proud to have serviced 60% of the paddy fertilizer needs of the farmers and has ensured a risk-free supply chain with multiple international purchase points for urea, MOP and TSP fertilizers. As an organization that constantly aims to integrate its various business related activities in order to optimize its productivity and minimize its costs, it continues to expand the reach of its ERP system and targets full island-wide network integration and automation in the near future. In addition, the distribution network has been consolidated and optimized, marketing efforts targeted at specific needs and geographies resulting in 87% of paddy targets and 63% of other fertilizer targets being met during the year under review and the outputs of one of the best laboratories in the agrarian sector of the country ensuring that the highest quality for the product range under the Lakpohora brand.

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

STATEMENT OF THE **GENERAL MANAGER**

I am pleased to present the audited financial statement and the annual report for the financial year of 2020/21 and address all of you. Ceylon Fertilizer Company Ltd is completing 56 years of its successful operations in fertilizer marketing. In the process CFCL has emerged as one of the best corporate entities of the country. We take pride in being owners of the brand “LAKPOHORA” which is synonymous with quality. In this regard every possible measure is undertaken to ensure the product quality which is the hallmark of “LAKPOHORA” brand.

Since its inception CFCL has been the market leader in many years in the whole fertilizer industry including private sector in Sri Lanka. This has been made possible through the efforts of motivated, committed and high caliber team of marketing professionals striving to excel under the guidance and support of the senior management.

CFCL has the largest dealer network in the industry spread across the country, penetrating even into remote locations where no other company operates. Our warehousing network is also the most extensive in the fertilizer industry. In this way we ensure that our entire range of fertilizer is available near the doorstep of the farmer at the required time at affordable prices.

For us, human health, the environment and leaving a livable world for future generations have always been substantial issues requiring further action. Therefore, we aimed to minimize the effects of climate change and water resources on our production. In this context, the company expanded its product portfolio to organics in line with state policy to reduce dependence on agrochemicals and position Sri Lanka in the vanguard of sustainable development while simultaneously become an example to the world as one of the first countries to wholeheartedly espouse sustainable agrarian practices. I am proud to announce that Ceylon Fertilizer Company is the first state organization to produce and distribute organic pellet fertilizer to the local market.

During this fiscal year, in its efforts to change the thinking of both its dealer network as well as the farmers, large scale, island wide programs were implemented to improve farmer awareness of the positives of using organics over synthetics and these exercises increased marketing potential by driving paradigm shifting attitudinal changes deep into the minds of our primary target – our farming communities. Such is our commitment to local and global efforts towards a more durable world that we aim to minimize agrochemical use in Sri Lanka and shift our agricultural production towards organic exclusivity.

In one hand, the year has been a difficult one for the agrarian sector due to the COVID–19 pandemic playing havoc with farming activities resulting in a significant drop in production and reciprocal drop in the contribution of the agrarian sector to the GDP. CFCL as the state leading fertilizer company declared stable performance during COVID–19 the pandemic period; supply chains and distribution channels continue to maintain resilience as well as sustainability of operations resulting in good sales dynamics. However, revenue has slightly decreased although it did not suffering significant losses. This is primarily due to the fact that fertilizers are critical in ensuring food security and nutrition.

The journey so far has been very successful and the future seems to be promising. Strong determination and will power of our team will drive us to greater achievements irrespective of the many obstacles, challenges and difficulties that it faces. We believe in ourselves knowing very well that the potential is there for us to excel in many ways that are yet to be recognized. We know that we have the talent, commitment and expertise to become a team of trendsetters in the field of agriculture. Let us join hands and move forward together to make our big dreams come true in the years to come.

R. A. Priyantha Perera
Acting General Manager

BOARD OF DIRECTORS

MR. JANATH VIDANAGE
Chairman / Director

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

MR. S. L. GAMAGE 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 a 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 ofColombo Commercial Company Ltd and Ceylon Fertilizer Company Ltd. Additionally, he is a Member to the Audit & Management Committee of the company.

MR. W. P. DIMUTHU PATHUM
Director

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

BOARD OF DIRECTORS

MR. KOSALA JAYAKODY
Director

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

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.

MRS. E. G. G. H. MADHUKA RANASINGHE

Director

Mrs. 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.

MR. L. GEMUNU SAMARAWICKRAMA

Director

Mr. Samarawickrama holds a Special Degree in Economics from the University of Peradeniya and a Diploma in Personnel Management from the National Institute of Business Management. He has also been a member of the Institute of Personnel Management since 1993. He also holds certificates in Human Resources Training from Thailand, Strategic Management from Indian, Malaysia and 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.

MR. G. R. DON SUNIL
Director

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

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

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.

For RUBBER Cultivation

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

SENIOR MANAGEMENT TEAM

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

The Distribution Manager, Mr. Perera has a special degree in Sociology from the University of Colombo. Additionally he holds diplomas in Management and Information Technology. He is currently in a diploma program on productivity at the National Productivity Secretariat and is an expert in human resource management, industrial health and safety, fire safety and machinery and equipment maintenance.

Mr. B. D. L. Kumarasiri
The Chief Internal Auditor of the company

The Chief Internal Auditor of the company, Mr. Lal Kumarasiri is a Commerce (Special) Graduate of the University of Kelaniya. He holds the higher memberships of the Sri Lanka State Financial Accountants Association and the State Finance and Development Accountants Institute of Sri Lanka. He has received certificates for internal auditing from the State Accounts and Finance Institute and the Internal Auditors Institute. He has worked as Accountant and Chief Internal Auditor at the National Institute of Machinery.

Eng. D. M. N. A. Dissanayaka
The Manager (Technical)

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

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

Marketing and Sales Manager of the company, Mrs. Suranganie Bodhipala holds a Science Special Degree in Agriculture (Plantation Management) from the University of Sabaragamuwa and a Post Graduate Degree from the Post Graduate Institute of Agricultural Science of the University of Peradeniya. 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.

SENIOR MANAGEMENT TEAM

Mr. G. G. Saman
The Acting Manager
(Procurement & Imports)

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

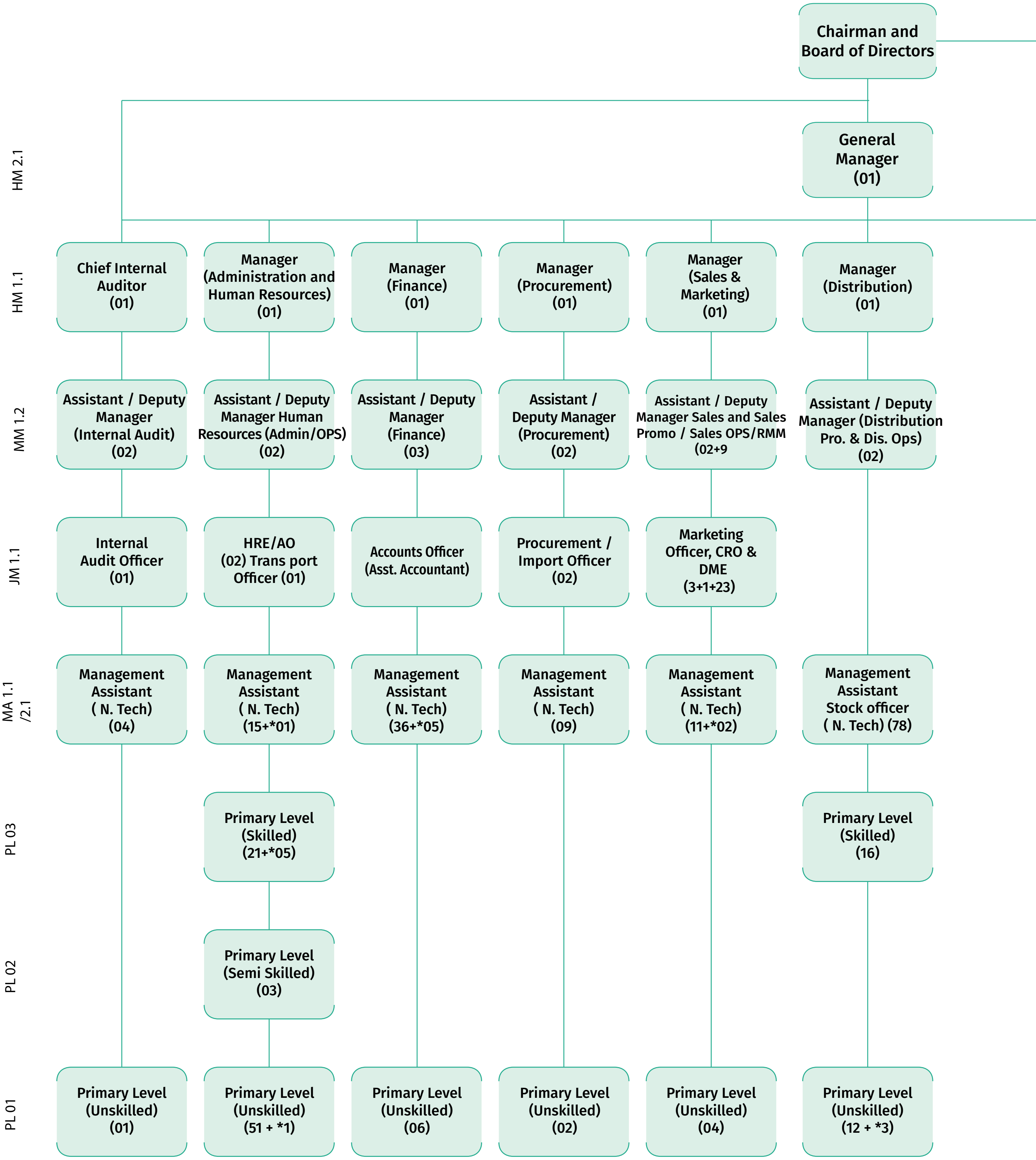
Mrs. M. G. D. Gayani
The Acting Manager (Finance)

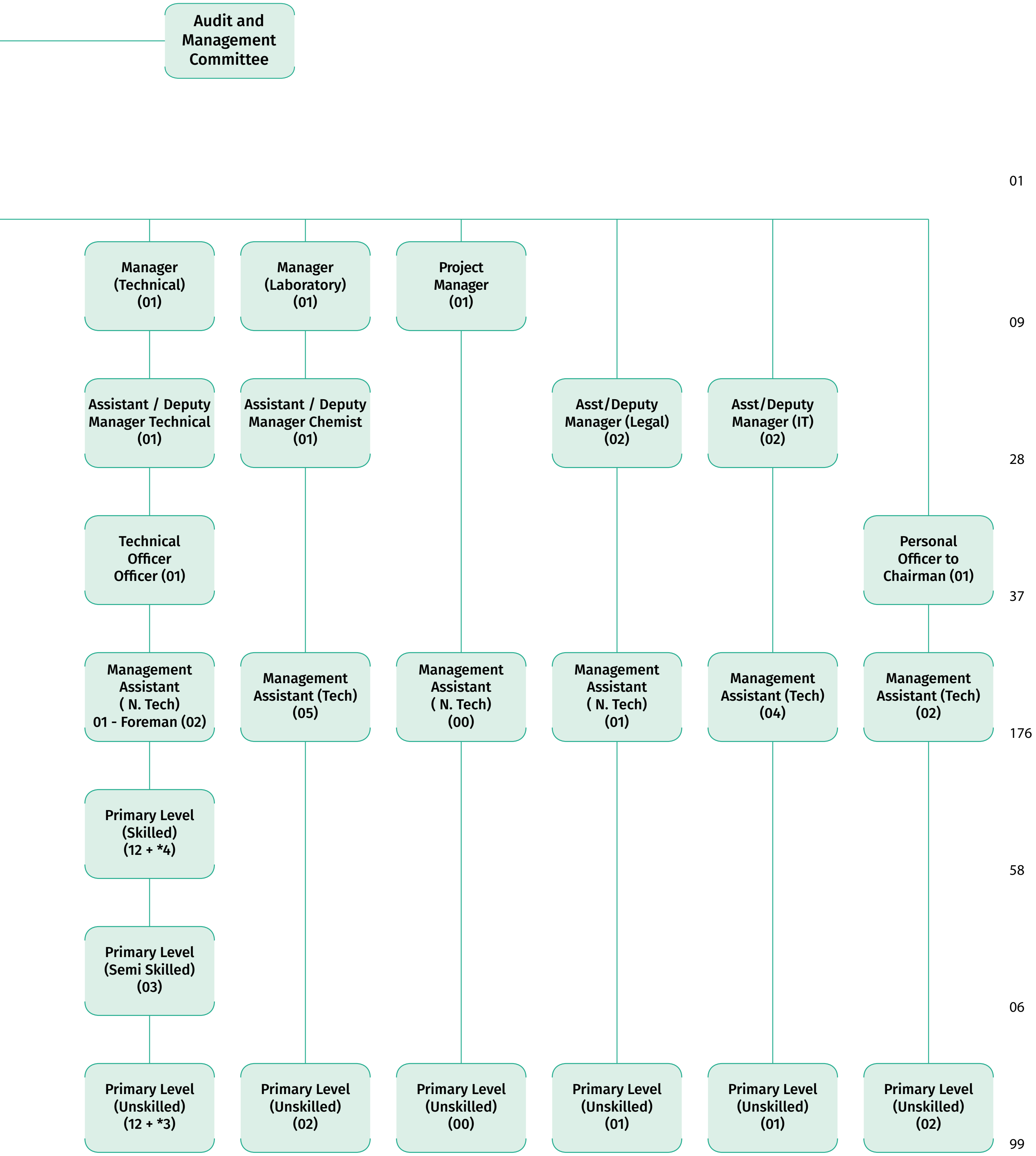
Mrs. Gayani obtained a degree in B. com. (Special) From the University of Sri Jayawardhanapura and also she holds the Higher National Diploma in Accountancy (HNDA) in technical collage at Maradana . She holds the Associate memberships of the Association of public finance Accountants of Sri Lanka. She is one of the longest serving officers of the CFCL and counts 26 years experience at the company.

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

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

ORGANIZATIONAL STRUCTURE





Total Approved Cardre 414

46 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

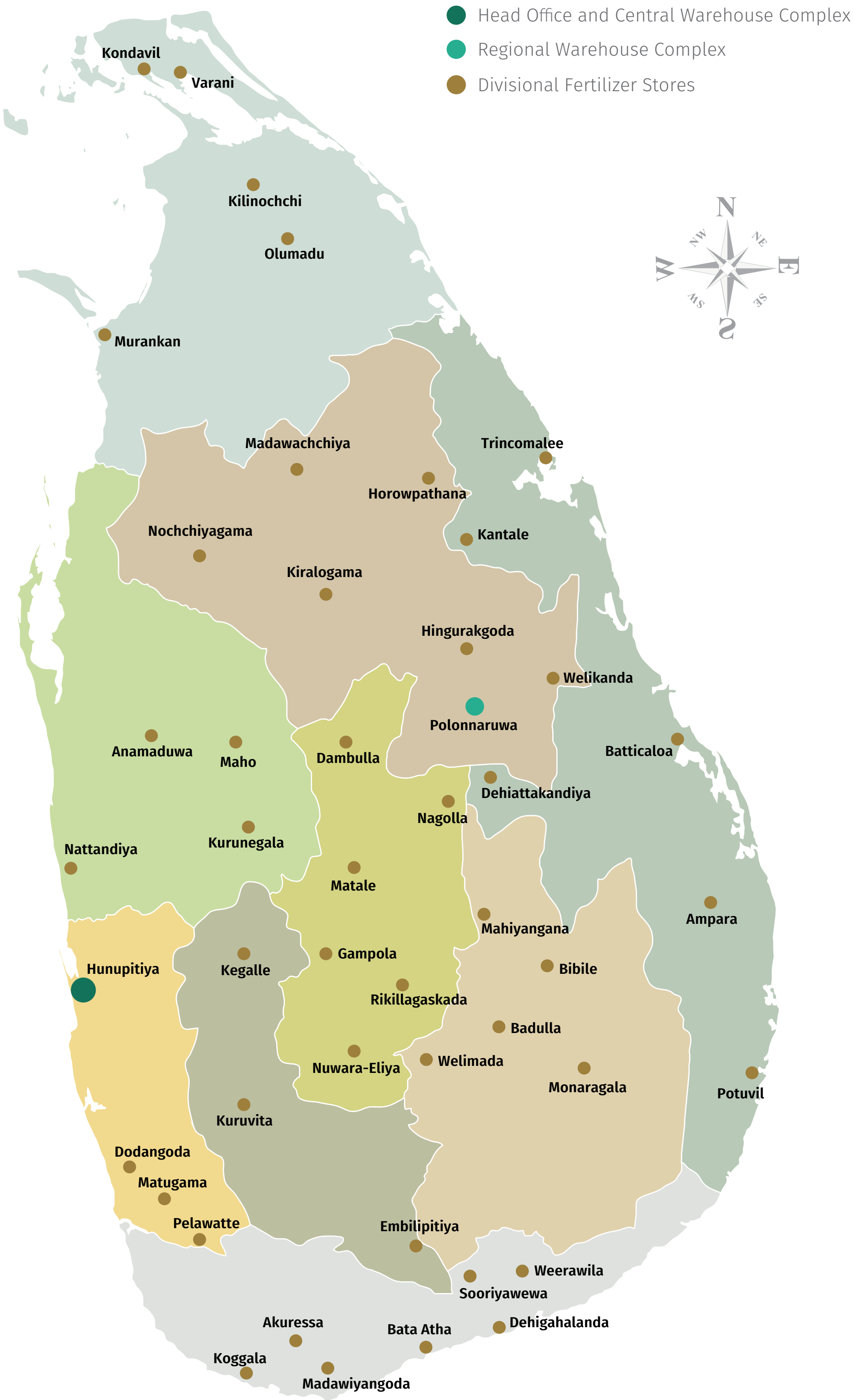
Eastern Region
Trincomalee
Kantale
Batticaloa
Dehiattakandiya
Ampara
Pothuvil

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:

The COVID-19 pandemic created social and economic chaos across the entire world and Sri Lanka was similarly affected with significant scarring of domestic and commercial stability and curbing of activities resulting in Sri Lanka's economy contracting by 3.6 per cent in real terms compared to the 2.3 per cent growth recorded in the preceding year, thereby recording the deepest recession since independence despite extraordinary policy decisions taken by the Central Bank and the government to mitigate the negative impacts of the global, health related downturn. This overall contraction in 2020 was driven by the year-on-year contraction of 16.4 per cent experienced during the second quarter of the year, due to the nationwide lockdown measures imposed to contain the COVID-19 outbreak.

Unemployment rose above 5 per cent for the first time since 2009 with a decline in labor force participation due to uncertainties and volatilities resulting from the pandemic. Reflecting the combined effect of the contraction in Gross Domestic Product (GDP) at current market prices and the depreciation of the Sri Lankan rupee against the US dollar, GDP per capita declined to US dollars 3,682 in 2020 from US dollars 3,852 in the previous year. The pandemic also caused a

decline in the overall size of the economy to US dollars 80.7 billion in 2020 from US dollars 84.0 billion in 2019.

All sectors of the economy contracted during 2020 with agriculture, forestry and fishing contracting by 2.4 per cent compared to the previous year. 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.

Productivity improvements in the traditional agriculture sector remain a priority in ensuring equitable growth and development. Substantially low levels of productivity have adverse effects on incomes of farmers and other workers in the agriculture sector. Increasing economies of scale, promoting modern technology based agriculture, adopting smart farming technologies for efficient usage of resources, such as Good Agricultural Practices (GAP) and Geographic Information Systems (GIS), and efficiently connecting farmers with supply chains are among the major aspects that could enhance the productivity of the agriculture sector. Further, utilization of nanotechnology for soil improvement and crop disease diagnosis, promoting hydroponics methods, selecting hybridized and high yielding crops, improved post harvesting treatment techniques for packaging, storage and distribution would also help improve productivity in the agriculture sector.

Summary of sales:

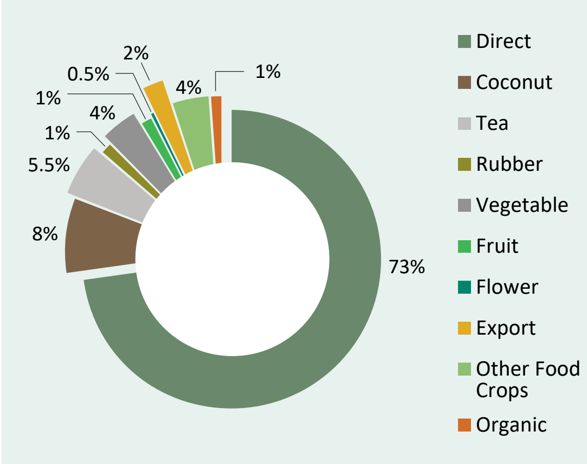
Year	Paddy subsidy (Mt.)	Direct Fertilizer for other crops (Mt.)	Mixed Fertilizer for other crops (Mt.)	Total
2019/2020	186,335,331	186,335.331	220,59.705	208,335.036
2020/2021	205,344.15	12,538.16	4,382.08	222,264.39

DIRECT FERTILIZER	Sales (Mt.)
UREA	143123.650
TSP	19785.000
MOP	42435.497

Paddy Subsidy, Other Crops, Non Subsidy, Mix & Organic Fertilizer Sales From 01.04.2020 to 31.03.2021

Month	Urea	TSP	MOP	Paddy Sales Total (Mt.)	Other Crops subsidy, Non subsidy and mixed fertilizer (Mt.)	Organic Sales (Mt.)
April	27698.350	2297.200	7295.200	37290.750	583.829	17.284
May	18074.550	4675.650	6781.650	29531.850	4091.955	8.956
June	7544.700	682.650	1731.250	9958.600	3524.426	16.228
July	1162.150	204.550	286.547	1653.247	810.600	5.696
August	183.150	32.600	57.500	273.250	270.457	4.556
September	139.750	22.700	12.350	174.800	79.348	14.544
October	17532.450	5172.400	9692.700	32397.550	2191.087	8.260
November	27247.600	2472.250	6880.650	36600.500	2877.185	5.076
December	32904.600	2440.850	7083.800	42429.250	620.815	0.788
January	4871.150	640.250	1348.900	6860.300	628.604	39.522
February	1455.700	176.400	384.650	2016.750	649.425	7.096
March	4309.500	967.500	880.300	6157.300	592.506	16.294
Total	**143123.650**	**19785.000**	**42435.497**	**205344.147**	**16920.237**	**144.300**

Cropwise Sales From 01.04.2020 to 31.03.2021		
Type of Fertilizer	**Sales (Mt.)**	**%**
Direct	12,538.159	73%
Coconut	1,412.270	8%
Tea	917.395	5.5%
Rubber	148.614	1%
Vegetable	676.756	4%
Fruit	197.342	1.0%
Flower	19.003	0.5%
Export	399.218	2%
Other Food Crops	611.480	4%
Organic	144.300	1%
Total	**170,64.537**	**100%**

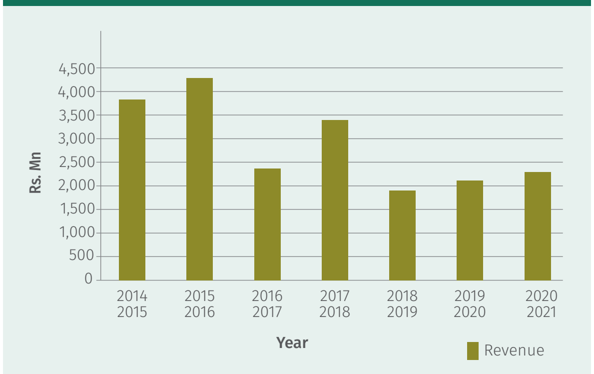


Financial review

Income

The Company recorded an income of Rs. 2.258 billion from the sale of fertilizer for paddy and other crops during the year under review and that was an increase of 7% YoY.

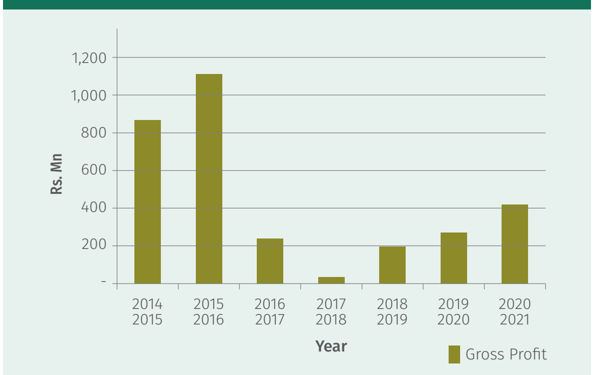
Revenue



Gross profit

Company had recorded a gross profit of Rs. 416 Million during the year under review which was a 55.22% increase YoY.

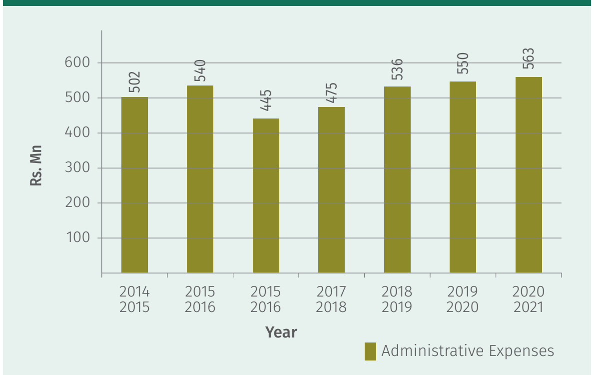
Gross Profit



Administrative Expenses:

The company saw a YoY decrease in administrative expenses YoY due to stronger and tighter management controls. However, overall administrative costs increased by 2.36% (down from 3% a year previously) with an increase from LKR 550 Mn to LKR 563 Mn.

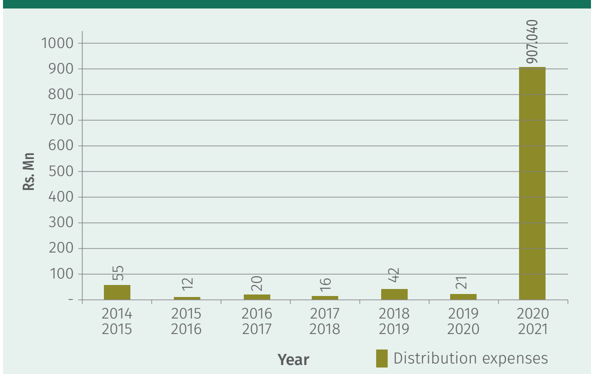
Administrative Expenses



Distribution expenses

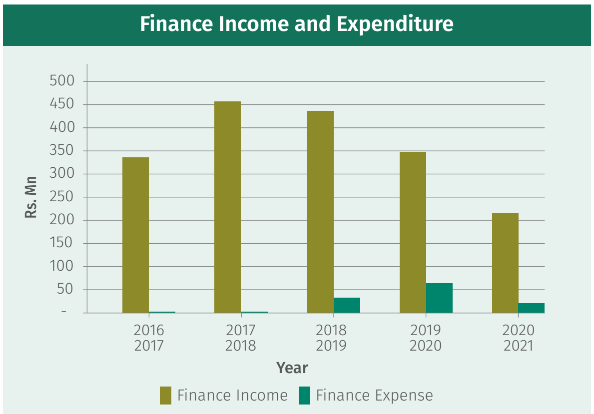
The distribution expenses of the company fell by xxx YoY from LKR 21 million to LKR 1 million.

Distribution Expenses



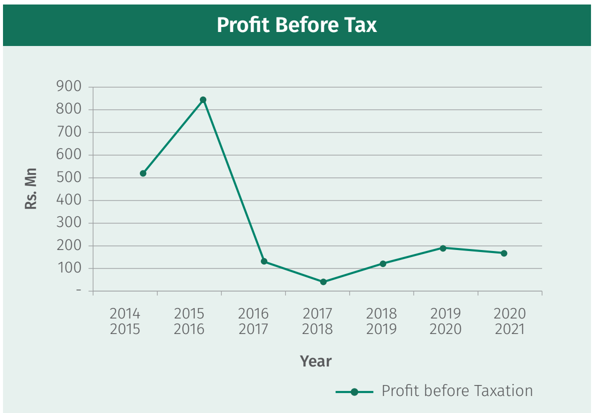
Income and expenditure

Income fell for a third consecutive reporting period recording a 38.44% drop from LKR 346 Mn to LKR 213 Mn. However, financial expenses dropped as well by 66.67% from 63 Mn to 21 Mn Yoy.



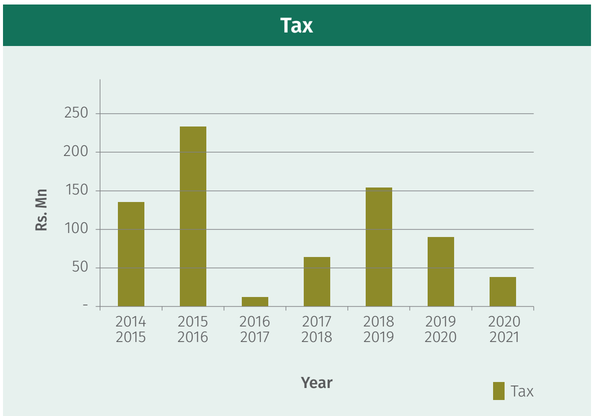
Profit before tax

Profit before tax dropped 13.30% from LKR 188 Mn to LKR 164 Mn YoY. Decrease in sales due to the pandemic was one of the key reasons for the drop in the pre-tax bottom line.



Tax

Differed tax cost of LKR 38 million is included in the income tax cost and was a reduction of LKR 52 Mn YoY.

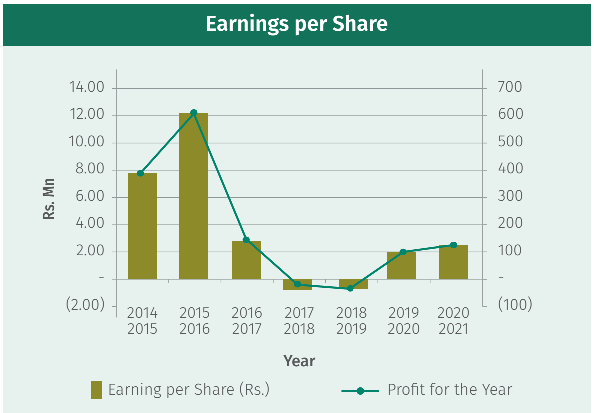


Earnings per share

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

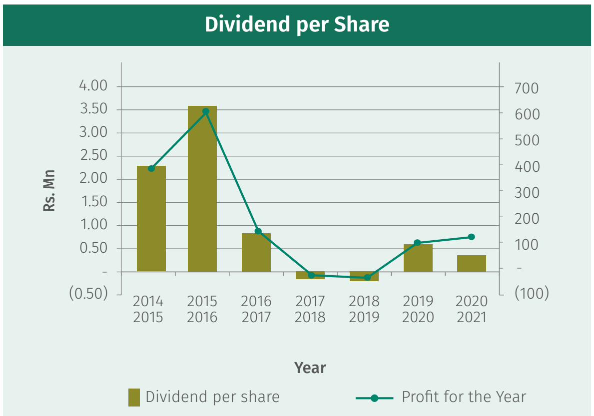
Dividend per share

Dividend Per Share in the financial year was LKR 0.59..



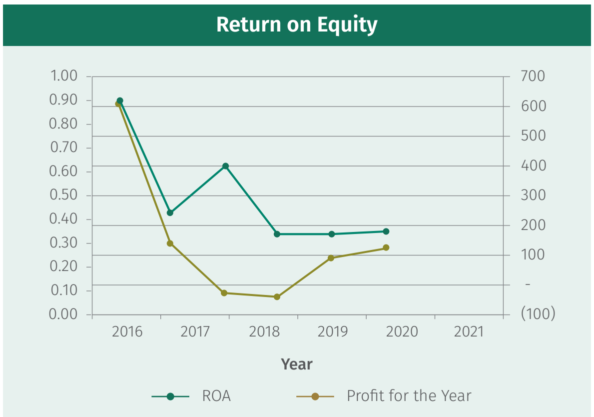
Dividends per share

Dividends per share for the year was LKR 0.37 down from LKR 0.59 YoY.



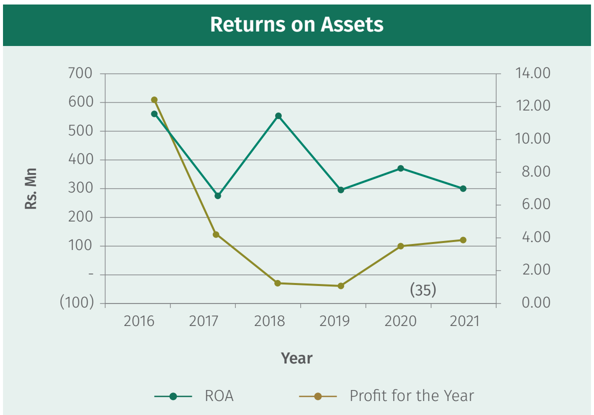
Return on equity(ROE)

The company increased its return on equity slightly to 0.34 during the year under review.



Return on assets (ROA)

The company was able to generate a re-profit of 7.03% on total assets in the year under review, down from 8.28% in the previous year.



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 10 meetings in the financial year of 2020/21 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.

4.1.2.4. 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.

4.1.2.5. Cash Risks

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

4.1.2.6. Credit Risk

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

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

Liquidity Risk

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

Market Risk

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

Exchange Currency Risk

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

Interest Risk

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

Regulatory Risk

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

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

DIVISIONAL REPORTS

HUMAN RESOURCES MANAGEMENT REPORT

Good Practices and Employee Policies

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

Employee Benefit Plan

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

Introduction of Benefit Plan

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

Employee Motivation

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

Financial benefits

- An annual incentive program identifies individual performance of each employee according to internationally accepted standards for performance evaluation.

- Allowances for tea, food and clothing etc. are paid to eligible staff to reduce financial stress.

- Cash is paid for balance medical leave as an incentive to spend more days of the year at the place of work of all employees.

- Mobile phones are provided to eligible employees and mobile and direct line bills are reimbursed, once again, to reduce the burden on staff in conducting business operations on behalf of the company.

- Understanding its responsibility to the staff that goes beyond simple economic remuneration for work, financial assistance is offered to the children of our staff who excel in educational, cultural or sports activities at local or international arenas.

Other benefits

- Official vehicles are provided to Regional Managers who achieve sales targets.

- Motorcycles are offered to District Sales Executives in order to reduce fatigue and increase productivity.

- A medical scheme is established to improve access to health services from a financial perspective for all employees and their family members.

- Incentivized local or foreign tours are offered to District Sales Executives who record the highest sales.

- An organizational culture is established encouraging a fear-free environment where open communication policies encourages the free and candid flow of information from bottom to top.

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

Training programs conducted during the year under review

Employee costs per age group (Training)

Age Category	Total (Participants only)	Investment
18 - 30	-	-
30 - 40	4	314,000.00
40 - 50	2	237,000.00
50 - 60	3	314,000.00
Total	**9**	**865,000.00**

Employee investment by gender

	Rs.
Male	858,000.00
Female	7,000.00
Total	**865,000.00**

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.

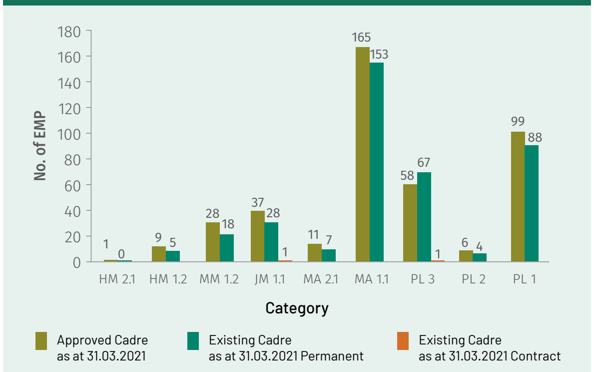
EMPLOYEE DETAILS 2021.03.31

Human Resource Distribution-Service Level

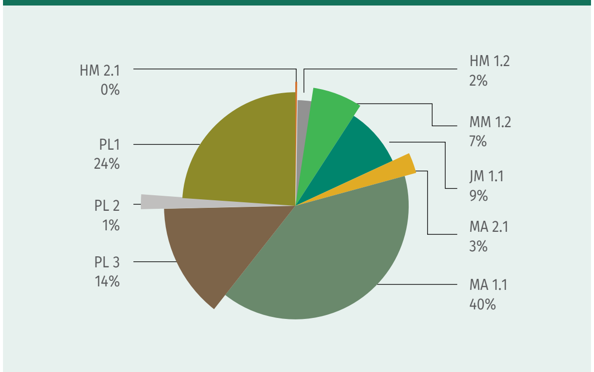
STAFF COMPOSITION Approved cadre and existing cadre

Service Level	Category	Salary Code	Approved Cadre as at 31.03.2021	Existing Cadre as at 31.03.2021	
				Permanent	**Contract**
Senior	Senior Manager	HM 2.1	1	0	
	Senior Manager	HM 1.2	9	5	
	Manager	MM 1.2	28	18	
Tertiary	Junior Manager	JM 1.1	37	28	1
Secondary	Management Assistant (TECH)	MA 2.1	11	7	
	Management Assistant (None TECH)	MA 1.1	165	153	
Primary	Primary Level (Skilled)	PL 3	58	67	1
	Primary Level (SemiSkilled)	PL 2	6	4	
	Primary Level (UnSkilled)	PL 1	99	88	
Total			**414**	**370**	**2**

Approved Cadre and Existing Cadre

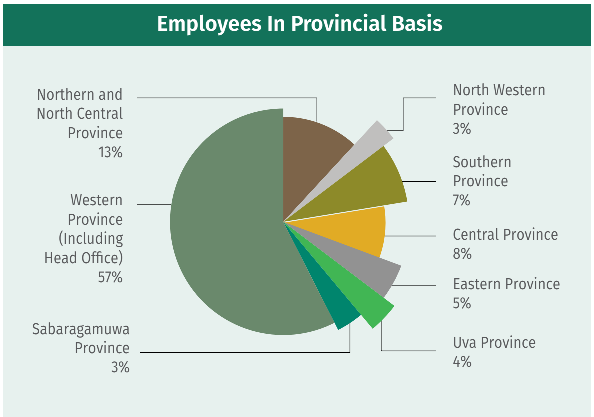


Approved Cadre as at 31.03.2021 (Permanent)



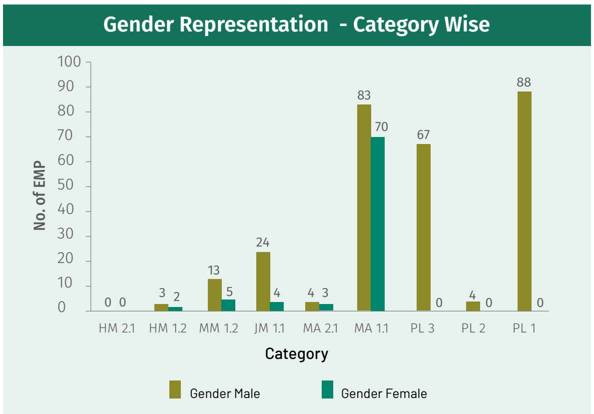
PROVINCIAL STAFF

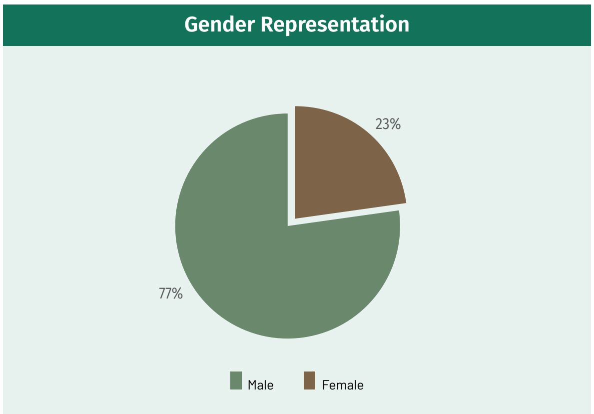
Se. No	Provisions	No Of Employees
1	Northern and North Central Province	47
2	North Western Province	11
3	Southern Province	28
4	Central Province	30
5	Eastern Province	17
6	Uva Province	15
7	Sabaragamuwa Province	12
8	Western Province (Including Head Office)	210
	Total	370



GENDER DISTRIBUTION OF STAFF

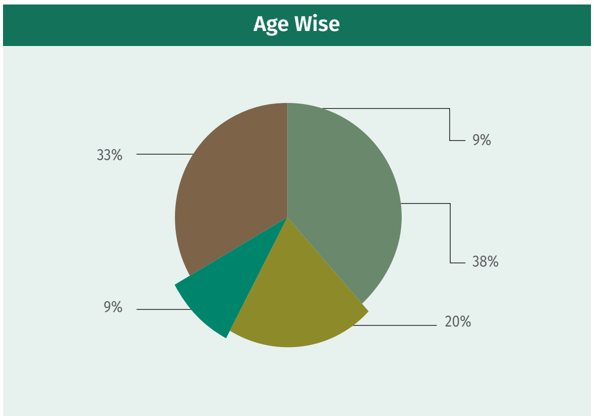
Category	Salary Code	Gender	
		Male	Female
Senior Manager	HM 2.1	0	0
Senior Manager	HM 1.2	3	2
Manager	MM 1.2	13	5
Junior Manager	JM 1.1	24	4
Management Assistant (TECH)	MA 2.1	4	3
Management Assistant (None TECH)	MA 1.1	83	70
Primary Level (Skilled)	PL 3	67	0
Primary Level (SemiSkilled)	PL 2	4	0
Primary Level (UnSkilled)	PL 1	88	0
		286	84

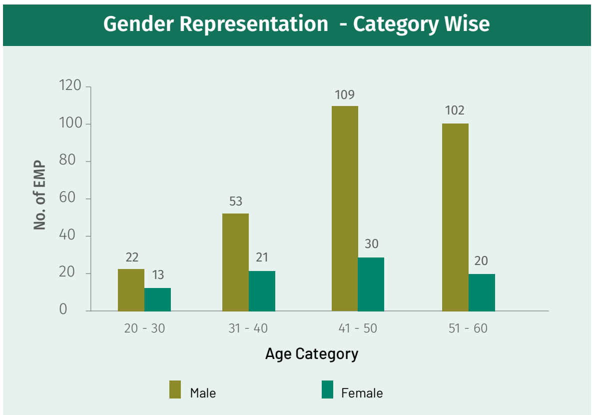




AGE WISE As at 2021.03.31

Age Category	Total
20 - 30	35
31 -40	74
41 - 50	139
51 - 60	122





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 AND RISK MANAGEMENT COMMITTEE REPORT

In the year ended on 31st March 2021, the Audit and Risk Management Committee has acted in accordance with the work rules recommended by the Board of Directors.

Composition of the committee

Audit and Risk Management Committee has been appointed by the Board of Directors. The Committee comprises of three Non-Executive Directors and a Representative of the treasury who acts as the Committee Chairman and attends committee meetings as an observer of the external audit committee. This committee comprised of the following Directors in 2020/21.

- **Ms. E. G. H. M. Ranasinghe**
  Committee Chairperson
  (15-01-2020 to continue)
- **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

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

Date	2020.07.09	2020.12.10
Ms. E. G. H. M. Ranasinghe	✓	✓
Mr. S. L. G. Bandusiri	✓	✓
Mr. L. G. Samarawickrama	✓	✓

2.3. Duties of the Committee

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

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

6. Summarizing internal audit reports / external audit reports.

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

Activities in the year

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

Internal Audit

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

Key Objectives of the Internal Audit Section:

1. Reviewing accounting and internal control systems

2. Scrutinizing financial and operational information

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

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

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

Conducting special inquiries

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

Internal audit reports of 46 regional fertilizer stores and 09 key sectors were thoroughly reviewed and a considerable growth was observed in total internal control systems and internal audit process.

External Audit

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

Support given to the committee

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

Committee Assessment

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

Ms. 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 01/04/2020 TO 31/03/2021	
Type	**Quantity (Mt)**
UREA	152,670.067
TRIPLE SUPER PHOSPHATE	27,541.400
MURIATE OF POTASH	52,971.000
SA	2,400.000
Total	**235,582.47**

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.

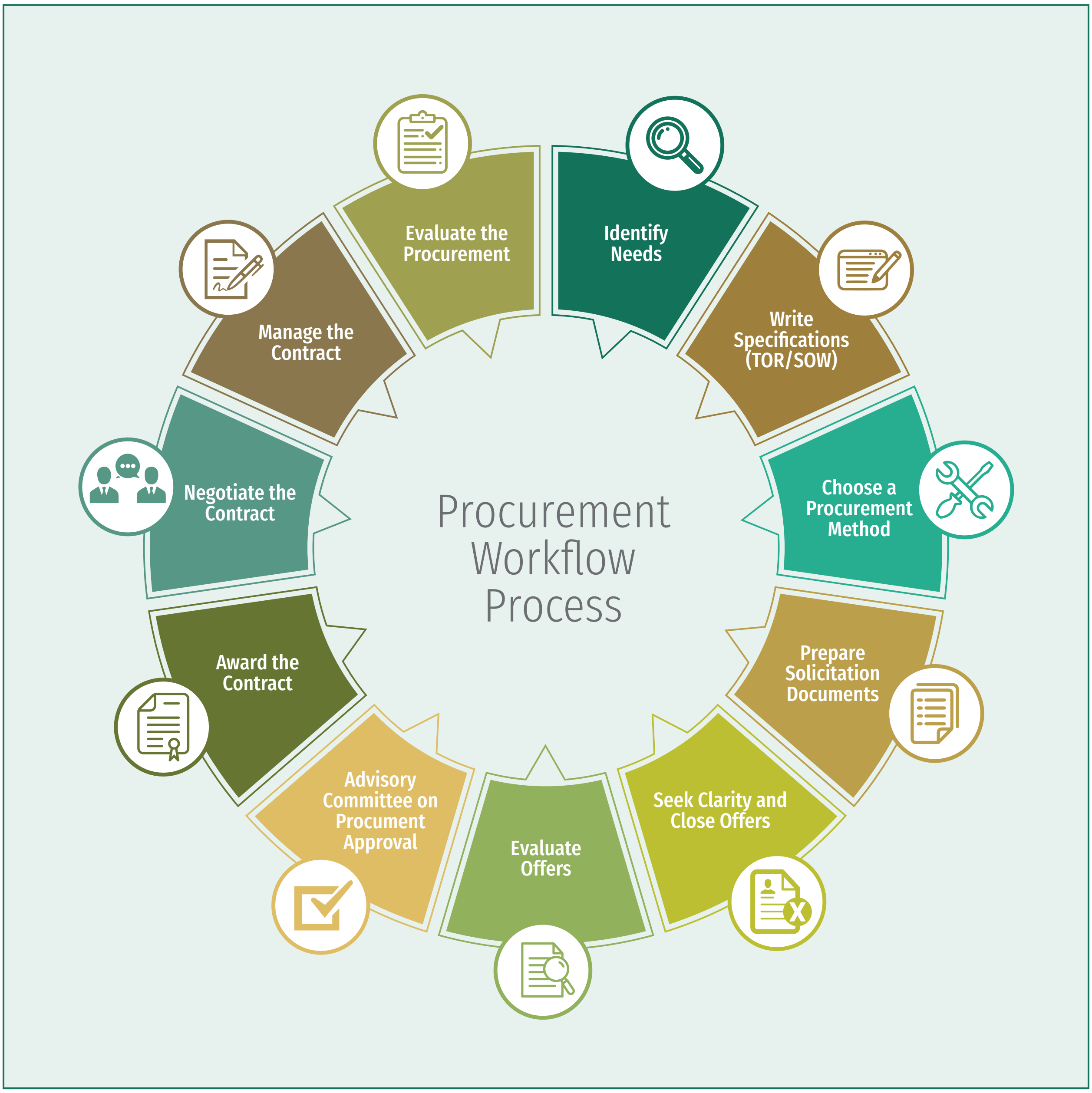
Challenges faced by the procurement division

- One of the key tasks of the procurement division is to obtain the required goods, services, works and consultancies by optimizing their value-for-money. However, one of the key challenges that the division faces is that it must mandatorily adhere to the 2006 procurement guidelines which have not been updated to consider massive advances in information technology and procurement related sciences.
- Despite the process of procurement being subject to audits there have been no performance audits and therefore, it is not always possible to achieve the prime directive or cardinal rule of value-for-money procurement.
- A majority of the company's finances (as well as those of the government) goes into procurement. However, the present state mechanism does not prioritize the subject or the science of procurement and therefore, there is a significant dearth of quality procurement personnel both in the company as well as generally, within the entire government.

Strategic solutions

- As a business enterprise, the company must necessarily compete with other business entities. Therefore, it is imperative that with the approval of higher authorities and without compromising the key premises of the national procurement guidelines, that modern technology is utilized based on e-procurement methodologies to both increase efficiency and impact of the process as well as reduce expenditure and corruption.
- While continuing to maintain process audits, introduce a strong, evidence based performance audit that will provide clear feedback on efficiencies and results and thereby optimize the level to which the company's fiscal resources are utilized.
- Provide a strong training not only to key staff members of the division but also to those in other divisions – especially those in technical evaluation committees and representatives of departmental procurement committees and thereby improve both the efficiency and the productivity of procurement efforts.
- The 15 members of the procurement division, having identified and highlighted the above challenges and solutions shall work during the coming year to utilize the recommendations to overcome challenges and become a strong and competitive business entity.

The procurement mechanism:



INFORMATION AND TECHNOLOGY DIVISION REPORT

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

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

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

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

- In addition to the currently connected 16 District Fertilizer Stores (DFS), 3 extra DFSs (Ampara, Badulla and Koggala) are interconnected with the Head Office (Hunupituya) and the relevant real-time data is acquired successfully using the ERP system and another 2 DFSs (Dodangoda and Pelawatta) have been computerized.
- The rest of the 21 including Medawachchiya, Akuressa,Trincomalee,Pelawatta,Dodangoda, Nattandiya, Kondawil, Monaragala, Bibila, Murunkan, Olumadu, Potuvil, Kantale, Nagolla, Welikanda, Bataata, Dehigahalanda, Madawiyangoda, Embilipitiya, Suriyawewa and Nochchiyagama DFSs have applied to grant the necessary devices for the network through the procurement procedure.
- The ERP system is developed and enhanced to get the District Marketing Executives, Regional Managers and Stock Keepers informed via automatic SMSs when issuing fertilizers to the DFSs and finishing the process of loading the particular fertilizers stock at the Hunupitiya stores.
- Also, the ERP system is developed to send emails to the Distribution Manager and the Marketing Manager when DFSs issue the stocks.
- A new server machine was purchased in order to backup the data of the main server machine safely and currently the new server machine is being placed in an external place from the IT Division.

Backing up the data in an external server machine supports all the operational activities to function steadily and it increases the data safety.

LEGAL DIVISION REPORT

The Legal Division has successfully defended the company against following cases 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 that in the 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 Laws and Regulations.

Court of Appeal - CA/Writ/50/2021

Writ application filed by former Development Officer Mr. Zaid Mohammed Shaheed to get his suspended pension released where Ceylon Fertilizer Company Ltd was named as a party to the writ application. Ceylon Fertilizer Company Ltd has issued a no objection letter for releasing his pension and the case was settled accordingly.

Case Nos. CHC/278/20/ARB, CHC/279/ARB, CHC/43/20/MR, CHC/45/20/MR

Golden Barley International Pte. Ltd. – had filed the above cases to recover USD323,190.00 and USD 116,497.50 as well as legal fees. After reaching an amicable settlement between the parties the above cases were withdrawn by Golden Barley International Pte Ltd.

Arbitration between M/S Agri Commodities, Finance FZE and Ceylon Fertilizer Company Ltd.

The Arbitration Case was filed by M/S Agri Commodities and Finance FZE claiming USD209,385 and legal fees. After reaching an amicable settlement between parties, arbitration was withdrawn by Agri Commodities and Finance FZE.

Supreme Court Appeal No.115/2016

The above case was between Ceylon Fertilizer Company Ltd and retired employee Mrs. Nandalatha Somarathne. The case was settled by paying Exgracia a payment of Rs.700,000/- to her considering illnesses and the 69 years of age of the retired employee.

Arbitration between D.S Constructions & Earth Movers and Ceylon Fertilizer Company Ltd.

The claim of D.S Constructions & Earth Movers was Rs.16,103,108.19 and the Claim of Ceylon Fertilizer Company Ltd. was Rs.8,859,708.00. Proceedings were terminated by rejecting claims of both Companies.

The Legal Division has taken legal action against four (04) errant debtors for recovering the dues to the company as follows.

Gampaha District Court Case No.330/20/M

The above case was filed by Ceylon Fertilizer Company Ltd to recover loss of Rs.10,580,000/- and legal fees from Heday Agro Business Pvt. Ltd.

Gampaha District Court case No.255/2020/M

The above case was filed by Ceylon Fertilizer Company Ltd to recover loss of Rs.15, 629,217.64 and legal fees from Mr.A.D.C.Alwis.

Gampaha District Court Case No.216/2020/M

The above case was filed by Ceylon Fertilizer Company Ltd to recover loss of Rs.11,974,234/- and legal fees from Mr.Sboorkhan Amjithkhan.

Gampaha District Court case No.51/2020/M

The above case was filed by Ceylon Fertilizer Company Ltd to recover loss of Rs.600,200/- and legal fees from Mr.R.Mahindapala.

The Division, also formulated Agreements and other legal documents in and orderly manner as requested by other Divisions of the Company during the year under review. The Division also provided support to other divisions to resolve employee issues through dialogue and thereby ensured optimal harmony in the employer – employee dynamic resulting in minimal labor related issues.

The work of the Legal Division in the areas mentioned above helped the onward progress of the company during the year under review.

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 an 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 division'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.

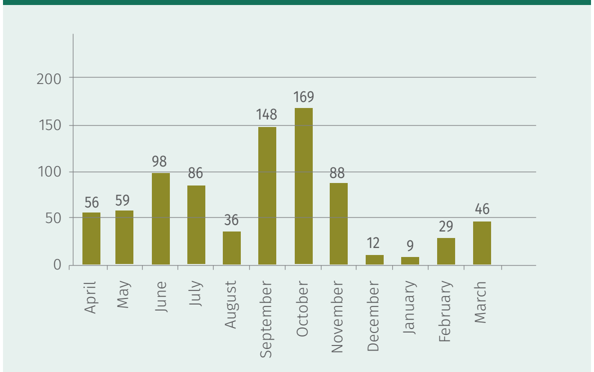
Testing Fertilizer Samples

Summary Report April - March (2020/2021)

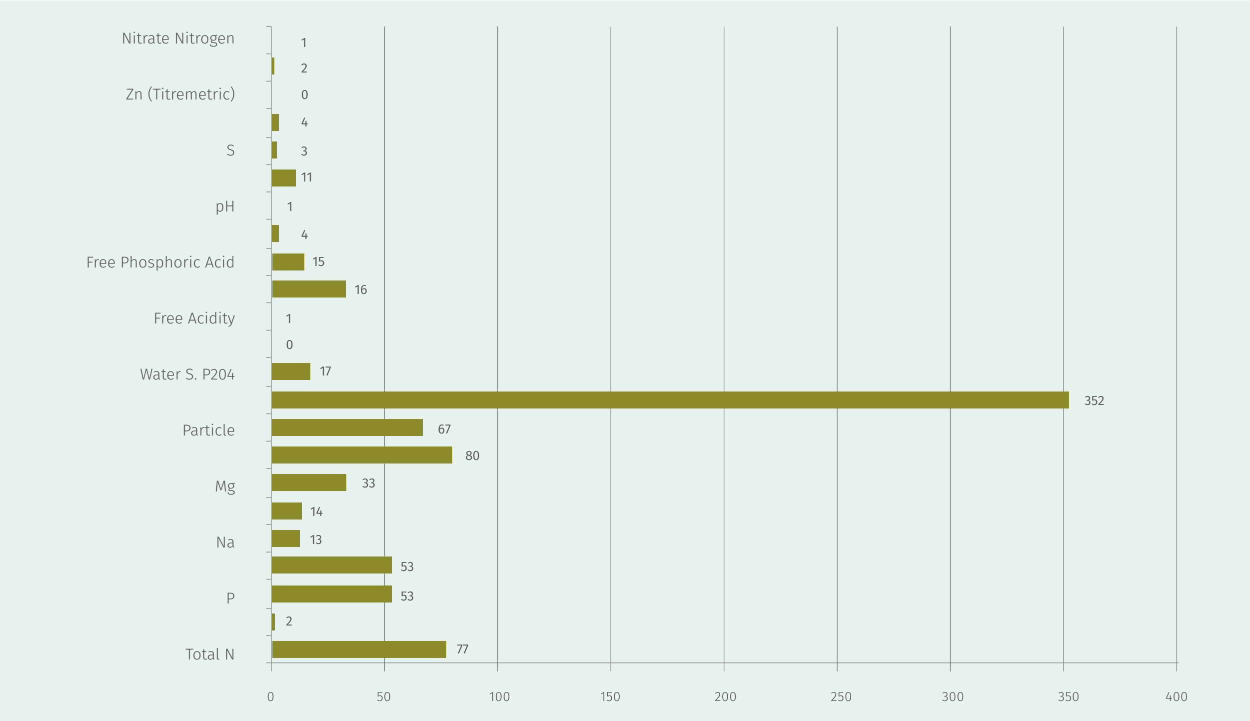
Testing of Fertilizer Samples Summary Report April-March (2020/2021)

Parameter	Number of Test													
	April	May	June	July	August	September	October	November	December	January	February	March	Total	Total Cost
Total N	4	1	6	11	4	6	14	15	1	0	4	11	77	161,700.00
Ammonical N	0	0	0	0	0	0	0	1	0	1	0	0	2	4,200.00
P	2	5	4	8	3	6	5	3	2	0	3	12	53	116,600.00
K	3	0	5	8	2	4	8	8	0	0	3	12	53	116,600.00
Na	1	0	3	0	0	2	4	2	0	0	0	1	13	28,600.00
Ca	2	0	2	4	0	1	0	1	0	0	3	1	14	30,800.00
Mg	3	0	3	4	0	4	6	5	2	1	3	2	33	72,600.00
Moisture	3	6	7	3	3	11	21	15	3	2	4	2	80	60,000.00
Particle	3	6	7	3	3	11	17	13	0	1	2	1	67	40,200.00
Metals	31	30	51	39	16	88	84	10	0	0	0	3	352	1,056,000.00
Water S. P2O4	0	5	2	0	3	4	1	1	0	0	0	1	17	37,400.00
Citric Acid S. P2O5	0	0	0	0	0	0	0	0	0	0	0	0	0	-
Free Acidity	0	0	0	0	0	0	0	0	0	1	0	0	1	1,100.00
Biuret	2	1	4	3	0	4	8	10	0	0	1	0	33	99,000.00
Free Phosphoric Acid	0	5	2	0	2	4	1	1	0	0	0	0	15	31,500.00
Sand Content	0	0	0	0	0	1	0	0	0	0	3	0	4	9,200.00
pH	0	0	0	0	0	1	0	0	0	0	0	0	1	800.00
OC	2	0	2	3	0	1	0	0	0	0	3	0	11	35,200.00
S	0	0	0	0	0	0	0	1	1	1	0	0	3	4,500.00
Water Insoluble/Water Solubility	0	0	0	0	0	0	0	1	2	1	0	0	4	4,000.00
Zn (Titremetric)	0	0	0	0	0	0	0	0	0	0	0	0	0	-
Cl	0	0	0	0	0	0	0	0	1	1	0	0	2	4,400.00
Nitrate Nitrogen	0	0	0	0	0	0	0	1	0	0	0	0	1	5,500.00
Total	**56**	**59**	**98**	**86**	**36**	**148**	**169**	**88**	**12**	**9**	**29**	**46**		**1,919,900.00**

Summary Report April -March Month Wise



SUMMARY REPORT PARAMETER WISE



Shipment/In-house/Outside Total Samples		
Parameter	**No.Test**	**Value (Rs.)**
Total Nitrogen	77	161,700.00
Ammonical Nitrogen	2	4,200.00
Total Phosphorous	53	116,600.00
Pottassium	53	116,600.00
Sodium	13	28,600.00
Ca	14	30,800.00
Mg	33	72,600.00
Moisture	80	60,000.00
Particle	67	40,200.00
HM	352	1,056,000.00
Water S.P	17	37,400.00
Citric P	0	0.00
Free Acidity	1	1,100.00
Biuret	33	99,000.00
Free Phosphoric Acid	15	31,500.00
Sand Content	4	9,200.00
pH	1	800.00
Organic Matter	11	35,200.00
S	3	4,500.00
Matter Insoluble/ Water Solubility	4	4,000.00
Zn (Titremetric)	0	0.00
Cl	2	4,400.00
Nitrate Nitrogen	1	5,500.00
Total	**836**	**1,919,900.00**

Outside (Paid)		
Parameter	**No. Tests**	**Income (Rs.)**
Total Nitrogen	34	71,400.00
Ammonical Nitrogen	0	0.00
Total Phosphorous	16	35,200.00
Pottassium	23	50,600.00
Sodium	5	11,000.00
Ca	0	0.00
Mg	7	15,400.00
Moisture	29	21,750.00
Particle	26	15,600.00
HM	101	303,000.00
Water S.P	1	2,200.00
Citric P	0	0.00
Free Acidity	0	0.00
Biuret	16	48,000.00
Free Phosphoric Acid	1	2,100.00
Sand Content	0	0.00
pH	0	0.00
Organic Matter	0	0.00
S	0	0.00
Matter Insoluble/Water Solubility	0	0.00
Zn (Titremetric)	0	0.00
Cl	0	0.00
Nitrate Nitrogen	0	5,500.00
Total	**259**	**581,750.00**

TEST DATA OF PACKING MATERIAL - Year : 2020/2021													
Sample ID	Diamention (Width, Length)	Bulk Strength	Width of the tape	Stiches per dm	Linear Density	Seam stitching	Construction (Ends & Picks)	Mouth of the Sack	Fabric breaking Strength	Bursting Strength	Inner Liner (Width, Length, Thickness)	Date of the Sampling/ Received	Reported on
Pac/NUP/2020/001	1	1	1	1	1	1	1	1	1	0	1	13.08.2020	18.08.2020
Pac/NUP/2020/002	1	1	1	1	1	1	1	1	1	0	1	13.08.2020	18.08.2020
Pac/Mini Pack - 2Kg/2020/003	1	1	0	0	0	0	0	0	0	0	1	28.08.2020	31.08.2020
Pac/Mini Pack - 5Kg/2020/004	1	1	0	0	0	0	0	0	0	0	1	28.08.2020	31.08.2020
Pac/Mini Pack - 2Kg/2020/005	1	1	0	0	0	0	0	0	0	0	1	20.10.2020	22.10.2020
Pac/Mini Pack - 5Kg/2020/006	1	1	0	0	0	0	0	0	0	0	1	20.10.2020	22.10.2020
Pac/Urea/2020/007	1	1	1	1	1	1	1	1	1	0	1	12.11.2020	13.11.2020
Pac/Lak Pohora - 50Kg/2021/001	1	1	1	1	1	1	1	1	1	0	1	11.01.2021	12.01.2021
Pac/Lak Pohora - 50Kg/2021/002	1	1	1	1	1	1	1	1	1	0	1	08.03.2021	10.03.2021
Total	9	9	5	5	5	5	5	5	5	0	9		

TEST DATA OF PAPER MATERIAL - April 2020 – March 2021			
Sample ID	**No.of Samples (GSM)**	**Date of the Sampling / Received**	**Reported on**
CFC/LAB/GSM/2020/007	3	12.08.2020	13.08.2020
CFC/LAB/GSM/2020/008	4	12.08.2020	13.08.2020
CFC/LAB/GSM/2020/010	6	21.09.2020	25.09.2020
CFC/LAB/GSM/2020/011	6	07.10.2020	08.10.2020
CFC/LAB/GSM/2021/001	4	11.01.2021	12.01.2021
CFC/LAB/GSM/2021/002	5	11.01.2021	12.01.2021
CFC/LAB/GSM/2021/003	4	11.03.2021	12.03.2021
CFC/LAB/GSM/2021/004	20	18.03.2021	22.03.2021
Total	**52**		

DISTRIBUTION DIVISION REPORT

Distribution Division

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

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

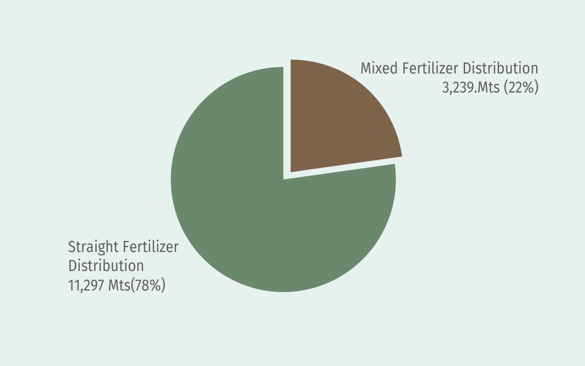
The Distribution Division's primary task is the management of the company's logistics. It optimizes the demand-supply equation utilizing the island wide distribution network. Our wide distribution network covers and satisfies the fertilizer requirements for the major agricultural sectors of the entire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

The CFC has a vast and diverse supply chain ranging from our overseas principals, large local suppliers to small scale farmer-out grower networks across Sri Lanka.

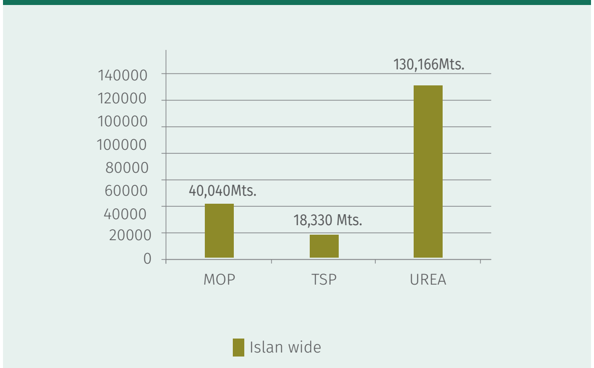
The significant strength of CFCL is the warehouse network established island wide and which is the largest for the sector. The facility at wattala comprises the largest central warehousing complex that facilitates to ensure the availability of fertilizer at right time & right place.

The central stores complex at Hunupitiya, Wattala has a capacity of 67,000 metric tons while the main regional stores complex in Polonnaruwa has a capacity of 18,500 metric tons. In addition to that, the total capacity of the stores network consisting 44 stores island wide is 35,000 metric tons. Although a large component of its business is in supplying paddy fertilizers, in addition the company has a wide portfolio of mixed fertilizer products tailored to specific crops such as tea, coconut, rubber, vegetables, fruit, flowers etc. It has also embarked recently on manufacturing organic fertilizers in line with emerging global trends in sustainable agriculture.

Fertilizer Distribution (other crop)



Islandwide Distribution - 2020/21



Total paddy subsidy fertilizer distribution is allocated to two government companies with 60% to CFC. The allocated paddy subsidy fertilizer (60%) is distributed through Agrarian Services Centers to the Farmer according to the seasonal distribution plan published by national fertilizer secretariat. In the financial year 2020/2021 the distribution performances recorded as M.O.P 40,040.95Mts, T.S.P 18,330Mts & Urea 130,166.6Mts to the paddy sector while distributing 11,297Mts of straight fertilizers & 3239Mts of mixed fertilizers to the other crop sector.

Various types of methodologies have applied to transport paddy subsidy fertilizer to the ASC.

1. Direct transport from Hunupitiya Warehouse to ASC
2. Purchase from Regional fertilizer stores by ASC
3. Purchase from Hunupitiya main Warehouse by ASC

Our transport agents are most often large reputed local corporations. The relationship with transport agents is bound by a contract. The CFCL has built long standing relationships with many of these transport agents by working consistently to honor all contractual obligations, without exception. For transporters, we ensure a level playing field. A transporters registry is maintained & updated annually, allowing new transporters the opportunity to register. All transporters, including those already registered are subject to the same evaluation and verification protocols to determine their capacity and confirm their credibility. Transporters reviews carried out annually provide further assurances regarding their alignment with the company ethics and values. Transporter development initiatives are mobilized mainly to support our outgrow farmer. The appointment of transport agents has contributed substantially to the outreach of the company and facilitates the supply of fertilizer right to the doorstep of the farmers.

MARKETING DIVISION REPORT

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

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

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

Performance during the year under review

Forecast against actuals for subsidized paddy fertilizer

Type	Forecast sales (Mt)	Actual Sales (Mt)	%
Urea	153,245	143,123.650	93%
TSP	37,587	19,785.000	53%
MOP	45,660	42,435.497	93%
Total	**236,492**	**205,344.147**	**87%**

Despite climate, environment and social upheavals during the year under review, our team committed itself to ensuring that the agricultural sector was strengthened and that the farmer was provided with subsidized paddy fertilizer inputs when they were needed. The proof of this effort despite COVID-19 setbacks was that the team managed to deliver 87% of its sales target in one of the most difficult years on record for the company. The fertilizer was distributed through agrarian service centers across the island after obtaining approval for both company and external transport lorries to operate during the travel bans that existed at various times during the year. However, there was a substantial drop in the delivery of TSP to the farmers and the following reasons can be sited for this shortfall:

- TSP deliveries had to be done skipping one planting season and according to circular number 7/1/3/2020 issued by the Secretary to the Ministry of Mahaweli, Agriculture, Irrigation and Rural Development, the company had to deliver only 50% of its recommended volumes to the farmers.

- The reduction of TSP was also rationalized through circular 5/2020 by Secretary to the Ministry of Mahaweli, Agriculture, Irrigation and Rural Development where it was cited that TSP had high levels of heavy metals that were detrimental to both humans and the environment and since farmers required phosphorous, it was recommended that they use such alternatives as hay and organic fertilizer to make up the shortfall in this element.

Despite the fact that it was not possible to achieve 100% of the targets, by utilizing the large irrigation system / small irrigation systems methods, the company was able to successfully deliver its fertilizer to the rice farmer.

Forecast against actuals for subsidized other crop fertilizer

Type	Forecast sales (Mt)	Actual Sales (Mt)	%
Fertilizer for other crops	27,000	16,970.24	63%

Of the targeted subsidized other crop fertilizer amounting to 27,000 Mt, it was anticipated that 75% of the volume would be sold as direct fertilizer and the remaining 25% as mixed fertilizer.

	Forecast sales (Mt)	Actual Sales (Mt)	%
Direct (75%)	20250	12538.16	62%
Mixed (25%)	6750	4382.08	65%

Although the paddy fertilizer was delivered quite successfully to the farmer, there was a significant shortfall in the delivery of other crop fertilizer due to the following reasons:

- The exact fertilizer requirements of the farmers could not be determined since the CFCL officers working at the 46 stores and in the field had to resort to working from home during a substantial part of the year under review.
- The available lorries from transport contractors were limited due to travel restriction and those that were available were used to deliver high priority subsidized paddy fertilizer and the other crop fertilizer deliveries suffered as a results.
- Sales promotions activities could not be carried out.
- With the dollar appreciating on the global currency markets there was a fiscal crisis during that time and the government had to prioritize importing essential items and medicines and neglected providing funds to obtain the fertilizer requirements of the country.

Type	Forecast sales (Mt)	Actual Sales (Mt)	%
Organic pellets and compost	5000	144.300	3%

Sri Lankan farmers had for decades gotten used to agrochemical based fertilizers and they showed reluctance to revert back to organics. Additionally, the type of varieties that were in common use responded to chemical fertilizers better than they did to organics. Therefore, the sale of organics remained very low due to the following reasons:

- Commercial farmers use hybrids or improved varieties that require a large quantity of nutrients. The amount of nutrients in organics are comparatively lower than that of chemical fertilizers. Therefore, there was a requirement to use more organic fertilizer to obtain the same nutrients as chemical fertilizers. During that time, there was only organic pellet fertilizer whose price escalation was too great for farmers to bear.

- There was reduction in the sale of compost from the company due to the fact that farmers created their own compost in their own gardens and fields.
- The organic fertilizer was targeted at traditional farmers. However, there was no possibility of conducting awareness or coaching programs for them during the period under review.
- There was little trust among farmers on the effectiveness of organic fertilizers.
- Insufficient supply of organic fertilizers from the HS organization which was tasked with delivering organics.
- Although the fertilizer was issued targeting urban small garden growers, the pandemic made it difficult to get the products to the end-users.

FINANCIAL STATEMENTS

Statement of **Director's Responsibilities**

The Directors are responsible under Sections 150 (1), &151of 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 2021 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**

ARI/A/CFC/2022/16 14 December 2022

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 Ltd. for the year ended 31 March 2021 in terms of Section 12 of the National Audit Act No. 19 of 2018.

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon Fertilizer Company Ltd ("Company") for the year ended 31 March 2021 comprising the statement of financial position as at 31 March 2021 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 2021, and 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) According to Sri Lanka Accounting Standards 02, the year-end stock should be physically verified and accounted at the lower of cost or net realizable value.

Accordingly, a physical stock verification was arranged on October 2021 with the participation of external auditors, but the stock could not be physically verified due to the stock was not packed as stock count could not be made. However, the final stock amounting to Rs. 446,784,423 was shown in the final accounts according to the stock reports and the audit could not be satisfied about its correctness.

(b) It was stated in the accounting note No. 2.8.6 (h) that the company had discovered a stock shortage of 122.73 metric tons of fertilizer worth Rs. 6,000,000. But, it was not explained what the types of fertilizers, what was the basis on which the value was calculated and the profit of the year under review was understated by Rs. 6,000,000 as the stock shortage was not adjusted to the cost.

(c) Due to the calculation of foreign exchange profit and losses on different rates instead of the foreign exchange rates published by the Central bank of Sri Lanka for each day, the accounted foreign exchange loss was overstated by Rs. 2,845,381.

(d) The Land Reform Commission has legally transferred the 29.93 perches of land called Wariyapolawaththa, where the Ceylon fertilizer warehouse is located in Matale district, to the company on 10 September 2020 through a deed, but due to the land was not assessed and accounted, non-current assets were understated in the financial statements.

(e) Although the income related to 103 laboratory tests conducted by the company's laboratory tests conducted by the company's laboratory to external institutions during the accounting year is Rs. 1,200,140, as only the value of Rs. 693,406 received in cash during the year was recognized as laboratory income in the financial statements, profit of the year was understated by Rs. 506,734 and current assets were understated by that amount.

(f) Due to failure to provide proper warehouse workers for the warehouses, the bid of Rs. 172,500 which was collected from a private institution was not accounted as income of the collateral company and it was further represented as current liability.

(g) The aggregate value of which had exceeded six months but was unclaimed in respect of three contractors who provided services to the company as at 31 March 2021 was Rs. 239,141 stated as payable balance without adjustment to income or consultation with the relevant parties.

(h) During the accounting year, an investigation was carried out on the deficiency of Rs. 415,514 included in the consumable account, stationery, water pipe fittings, building materials and auto spare parts etc. and instead of recovering from the responsible persons, the deficiency value was entered in the financial statements as other receivable value.

(i) Although the receivable balances include a credit balance of Rs. 807,650 to be received from Pelawatte Sugar Company, there were any such payable were not indicated in the accounts of Pelawatte Sugar Company and Pelawatte Sugar Company has indicated that all payments to be paid to Ceylon Fertilizer Company have been completely paid. Accordingly, no action was taken to conduct a formal investigation regarding the above balance and recover that amount from them or written off from the books.

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

1.3 Other Information included in the Annual Report 2021 of the Company

Although this audit report may be included in the annual report 2021 of the company, which is expected to be submitted to me after the date of this report, other information reflects information not included in the financial statements and my audit report on that.

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

My responsibility is to read the other information above when in becomes available and when doing so, consider whether the other information are materially inconsistent with the financial statements or with my knowledge obtained during the audit or another way regarding with my audit of the financial statements.

If, based on other information obtained by me and work performed by me prior to the date of this auditor's report, I conclude that there other information are materially misstated, I am required to report that fact.

If, when reading the annual report 2021 of the company, I conclude that there are material misstatements that shall be communicated to the governance parties for the corrections. If there are any further uncorrected misrepresentations, they will be included in the report tabled by me in Parliament in due course according to the terms of Article 154(6) of the Constitution.

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

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the fund 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 Sub Section 16(1) of the National Audit Act No. 19 of 2018, the fund 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 the company.

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

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional 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 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

2.1 The specific provisions were included about the following requirements in the National Audit Act, No. 19 of 2018 and the Companies Act No. 07 of 2007.

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

2.1.2 Financial statements of the company were in complied with the section 151 of the Companies Act No. 07 of 2007.

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

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year except the audit observations of (a), (b), (c), and (d) described in the basis for Qualified Opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

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

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

Reference to Laws, Rules and Observation

Regulations

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(a) Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003

Although every public company should prepare the financial statements and submit them to the Auditor General within 60 days of the end of the accounting year, the financial statements related to the year 2020 had been submitted to the Auditor General after 229 days of the end of the accounting year.

(b) Circular PED/1/2015 dated 25 May 2015 and Section 3 of the Public Enterprises Circular No. PED 1/2015 (i) dated 25 October 2016

Beyond the circular provisions and according to the Director Board approval, an allowance of Rs. 10000 per month was given to ten officers belonging to the MN 1-2 service category who do not belong to the category of officers who can be given vehicle and fuel allowance and Rs. 40000 and a maximum fuel allowance of 125 liters were given to 08 officers working as Regional Dealers of the same category.

2.2.3 The powers, duties and functions of the company have been made in accordance with the requirement mentioned in Section 12 (g) of the National Audit Act No. 19 of 2018,

2.2.4 According to the requirement mentioned in section 12(h) of the National Audit Act No. 19 of 2018, resources have not been procured and used in accordance with the relevant rules in a timely manner, efficiently and effectively except from the following observations.

(a) In the year 2018, Ceylon Fertilizer Limited has provided motorcycles to sales promotion officers on the basis of contribution of 50 percent of the total cost from the company on the approval of the Board of Directors. According to the agreement between the company and the officers who get the motorcycles, the officer has to pay the remaining 50 percent in 60 equal installments and the company owns the motorcycle until the payment is completed. The then Olumadu store keeper who had acquired a motorcycle under the above programme was suspended due to a fertilizer fraud and at the time of suspension he had paid only 13 installments for the motorcycle. It was observed that the government property worth Rs. 325,000 has been misused due to no action has been made to recover the premium from August 2019, which is the date of suspended, till the end of the year under review or take over the motorcycle back to the company as per the agreements.

(b) According to the agreements made with the transport institutions for the transportation of fertilizers, if the received stocks to deliver are damaged, the transport institution should pay the cost of the damaged stock to the company. But when a lorry carrying out subsidized MOP fertilizer faced with an accident in Gampaha Imbulgoda area on 21 December 2020, 58 bales of fertilizer mixed with sand were returned the fertilizer company and made into 50 bales of fertilizer and taken into stock, action was not taken to carried out a formal investigation in this regard and no arrangements were made to recover the money from the company and to use the stock of fertilizer retained in the warehouse.

(c) The rates of Nuwaraeliya and Polonnaruwa circuit bungalows owned by the company have been revised on 10 May 2019 with the approval of the Board of Directors. The internal office memos containing the revised rates are two types of rates as festival season and non-festival season and employees and outsiders, but the period which includes festival season and non-festival season was not clearly mentioned. Although the revised rates should be done rates from the date of internal memo, the external parties had been given the opportunity to use the circuit bungalows by charging lower on the intervention of the executive officers of the company without charging the above rates correctly.

(d) Since the year 2006, when the subsidized fertilizer system is effected, Ceylon Fertilizer Company has been working as the government agent for issuing fertilizer for paddy cultivation and sales promotion and other activities related to sales have decreased drastically from that day. Accordingly, instead of revising the number of approved employees, the company has continued to fill the vacancies in the posts of District Sales Promoters, Regional Sales Promoters, Sales Promotion Officers belonging to the approved marketing staff and the recruitment was done on acting basis for 5 Regional Sales Manager posts in the year 2021. Due to this, the company had to incur uneconomic costs for salaries and allowances.

(e) Although the company has a laboratory equipment worth Rs. 19,264,125 registered in the Sri Lanka Accreditation Board, the number of sample tests conducted during the year under review was 103 and the related income was Rs. 1,200,140. It was observed that a corporate plan was not prepared and implemented to earn income from this laboratory and due to this, the resources of the laboratory were underutilized.

2.3 Other Matters

(a) The entire process related to fertilizer, including receiving, issuing and exchanging fertilizers, had been computerized, but the ability to enter data into the computer system to be updated on previously could not be satisfied in the audit of the computer system due to lack of essential general controls and system controls.

(b) Due to the shutdown of the country as the Covid 19 epidemic situation, duty has been introduced as the shift system, but due to the lack of control, Rs. 39,219,757 overtime allowances were paid with an increase of 12.3 percent compared to last year.

(c) Rs. 274,000 worth unclaimed bid to repay over a period of 4 to 11 years had been indicated as a current liability for a long time without taking any steps to increase the income on the approval of the Board of Directors.

(d) Although permission has given for the re-import of chemical fertilizers as per the cabinet decision No. AMP/21/0964/323/030 dated 08 June 2021 and the special gazette notification No. 2238/45 dated 31 July 2021 introduced by the government, due to that the no permission to Ceylon Fertilizer Company for that, the main business activity carried out by the company from the year 2021 has been lost. It was observed that the going concern of the company was challenged as the company did not focus on new business opportunities that could ensure its going concern.

(e) The Internal Audit Division of the company identified a shortage of fertilizer during an investigation conducted at Olumadu warehouse on 26 September 2019 and the store keeper of the fertilizer warehouse has been removed from service and the investigations has been conducted. Based on the results of the investigations, the Chairman of the company has issued a letter to the Head, Special Criminal Investigation Division, Mullativu dated 24 November 2020 stating that the above store keeper has defrauded the government money of Rs. 2,191,948 related to the misappropriation of government money. But, the company had tried to suppress the criminal offense of misappropriation of government money by filing a civil case for receiving without filing a complaint to the police regarding the above matter.

(f) At the maturity of letters of credit of fertilizer suppliers, when the letters of credit have been issued by the bank in converting the amount to the loan of rupees, the company had to overpay the short term loan amounting to Rs. 485,074,407 due to using a higher rate than the exchange rate published by the Central bank on that date.

W.P.C. Wickramaratne

Auditor General

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
Revenue	3	2,257,657,781	2,100,583,296
Cost of Sales	4	(1,841,516,753)	(1,832,856,472)
Gross Profit		**416,141,028**	**267,726,824**
Other Operating Income	5	118,465,561	209,623,485
Administrative Expenses	6	(562,562,771)	(550,184,970)
Distribution Expenses	7	(907,040)	(21,423,709)
Profit from Operation		**(28,863,222)**	**(94,258,371)**
Finance Income	8	212,531,507	345,946,426
Finance Cost	8	(21,077,869)	(63,244,126)
Profit Before Taxation		**162,590,416**	**188,443,929**
Income Tax Expenses	9	(38,197,672)	(90,450,653)
Profit for the Year		**124,392,743**	**97,993,276**
Other Comprehensive Income			
Acturial Gain/Loss on Obligation		(7,955,528)	(10,206,319)
Deferred Tax Benefits / (Expenses) on Acturial Gain/Loss on Obligation		1,909,327	-
Deferred Tax Benefits / (Expenses) on Revaluation Surplus		20,082,985	5,493,967
Total Other Comprehensive Income		**14,036,784**	**(4,712,352)**
Total Comprehensive Income for the Year		**138,429,527**	**93,280,924**
Basic Earnings Per Share (EPS)	10.1	2.48	1.95
Dividends Per Share (DPS)	10.2	0.37	0.59

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 91 to 128 form an integral part of these Financial Statements.

Statement of Financial Position

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

	Note	2021	2020
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	2,665,990,105	2,705,686,663
Capital Work-in-Progress	12	676,729	676,729
Intangible Assets	13	9,560,797	13,754,126
Total Non-Current Assets		**2,676,227,631**	**2,720,117,519**
Current Assets			
Inventories	14	388,720,934	225,993,757
Trade and Other Receivables	15	25,672,027,321	18,802,655,103
Employees Loans and Advances	16	39,171,276	40,730,642
Investments in Government Securities	17	730,446,740	698,334,484
Investments in Fixed Deposits	18	2,396,023,005	2,267,056,772
Income Tax Recoverable		-	41,815,680
Cash and Cash Equivalents	19	196,034,947	570,071,557
Total Current Assets		**29,422,424,223**	**22,646,657,994**
Total Assets		**32,098,651,854**	**25,366,775,513**
EQUITY AND LIABILITIES			
Equity			
Stated Capital	20	502,456,080	502,456,080
Revaluation Reserve	21	2,317,365,710	2,297,282,725
Retained Earnings		3,526,156,689	3,341,503,885
Total Equity		**6,345,978,479**	**6,141,242,690**
Non-Current Liabilities			
Retirement Benefits Obligation	22	79,731,435	68,393,216
Deferred Taxation	23	139,082,220	169,037,795
Interest Bearing Borrowings	25	15,991,700,302	-
Total Non-Current Liabilities		**16,210,513,957**	**237,431,011**
Current Liabilities			
Trade and Other Payables	24	5,770,919,966	4,694,602,515
Interest Bearing Borrowings	25	3,666,228,769	14,103,482,956
Deposits and Advances Received	26	22,058,923	44,458,457
Income Tax Payables	27	4,345,255	-
Accrued Expenses and Provisions	28	78,201,983	78,699,320
Bank Overdrafts	19	404,521	66,858,564
Total Current Liabilities		**9,542,159,417**	**18,988,101,812**
Total Equity and Liabilities		**32,098,651,854**	**25,366,775,513**
Net Asset Value Per Share		**126.30**	**122.22**

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

Finance Manager

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

Chairman

Director

14.07.2021
Colombo.

Figures in brackets indicate deductions.
Notes to the Financial Statements on Pages 91 to 1128 form an integral part of these Financial Statements.

Statement of Changes In Equity

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

	Stated Capital	Revaluation Reserve	Retained Earnings	Total
Balance as at 01 April 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 (Note No 1)	-	5,493,967	(10,206,319)	(4,712,352)
				-
Provision of Dividend	-	-		-
Balance as at 31 March 2020	**502,456,080**	**2,297,282,725**	**3,341,503,885**	**6,141,242,690**
Prior Year Adjustments	-	-	66,306,262	66,306,262
Profit for the Year	-	-	124,392,743	124,392,743
				-
Other Comprehensive Income	-	20,082,985	(6,046,201)	14,036,784
Balance as at 31 st March 2021	**502,456,080**	**2,317,365,710**	**3,526,156,689**	**6,345,978,479**

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 91 to 128 form an integral part of these Financial Statements.

Statement of Cash Flows

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

		2021	2020
Cash Flows from Operating Activities			
Profit Before Taxation		162,590,416	188,443,929
Adjustments for;			
Depreciation		53,130,341	52,382,408
Amortization of Intangible Assets		4,517,354	4,457,400
(Profit) / Loss on Sale of Property, Plant and Equipment		(90,014)	2,289,940
Impairment of Trade Receivables		-	19,804,991
Gratuity Charge for the Year		11,211,931	10,284,130
Interest Income		(212,531,507)	(345,946,426)
Interest Expenses		21,077,869	63,244,126
Prior Year Adjustments		66,306,262	10,470,553
Operating Loss Before Working Capital Changes		**106,212,653**	**5,431,051**
Inventories		(162,727,177)	420,539,571
Trade and Other Receivables		(6,869,372,218)	565,542,997
Employees Loans and Advances		1,559,366	(2,839,143)
Trade and Other Payables		1,076,317,452	(990,924,834)
Deposits and Advances Received		(22,399,534)	(104,514,426)
Accrued Expenses and Provisions		(497,337)	(29,747,059)
Cash Flow from Operations		**(5,870,906,795)**	**(136,511,844)**
Gratuity Paid		(7,829,240)	(11,958,720)
Interest Paid		(21,077,869)	(63,244,126)
Taxes Paid		-	(70,451,099)
Net Cash Flow from / (used in) Operating Activities		**(5,899,813,904)**	**(282,165,789)**
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment		(13,625,891)	(15,423,824)
Acquisition of Intangible Assets		(324,025)	(710,500)
Proceeds from Sale of Property, Plant and Equipment		282,122	-
Investment (With Interest Re-investment) in Treasury Bills / Fixed Deposits		(161,078,490)	(1,211,565,657)
Withdrawal of (With Interest) Treasury Bills / Fixed Deposits		-	2,317,651,167
Interest Received (Net of Taxes)		212,531,507	345,946,426
Net Cash Flow from / (used in) Investing Activities		**37,785,222**	**1,435,897,612**
Cash Flows from Financing Activities			
Borrowings During the Year		**11,437,869,814**	**9,839,059,331**
Settlements of Borrowings During the Year		(5,883,423,698)	(10,530,789,713)
Net Cash Flow from / (used in) Financing Activities		**5,554,446,115**	**(691,730,383)**
Net Changes in Cash and Cash Equivalents During the Year		**(307,582,567)**	**462,001,441**
Cash and Cash Equivalents at Beginning of the Year		503,212,993	41,211,553
Cash and Cash Equivalents at End of the Year	**(Note 19)**	**195,630,426**	**503,212,993**

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 91 to 128 form an integral part of these Financial Statements.

1. GENERAL POLICIES

1.1 CORPORATE INFORMATION

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 Organic fertilizer as per government policies, 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 begins on 1st April and ends on 31stMarch each year.

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 2021 was 362 (2020-388)

1.5 DATE OF AUTHORIZATION FOR ISSUE IS 29 10 2021.

1.6 LEGAL NATURE AND ADDRESS OF THE REGISTEREDOFFICE

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 NATUREOFOPERATION

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.

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 PREPARATON

(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.

(b) Basis of measurement

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

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. The preparation of financial statements, in conformity with Sri Lanka Accounting Standards (SLFRSs), requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.3.2

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:

1) liability of defined benefit obligation is recognized as the present value of the defined benefit obligation,

2) Freehold land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts, which are the fair values at the date of revaluation.

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

In preparing the financial statements, and as when it is deemed to be required the fundamental accounting concept of accrual basis is applied.

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.

(C) 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 accounting policies set out below have been applied consistently to all periods presented in these financial statements,

(d) 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.

(e) 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:

1) expected to be realized or intended to be sold or consumed in normal operating cycle,
2) held primarily for the purpose of trading,
3) expected to be realized within twelve months after the reporting period, or
4) 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.

(f) Considering liabilities of the company

1) When it is expected to be settled in normal operating cycle,
2) When it is held primarily for the purpose of trading,
3) When it is due to be settled within twelvemonths after the reporting period, or
4) When 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 liabilities thus 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.

In preparing the financial statements, the company has applied accounting policies consistently to all periods presented in these financial statements following the Accounting Standards as per SLFRS sissued by the Institute of Chartered Accountants of Sri Lanka.

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.

2.3.3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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 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 company. Such changes are reflected in the assumptions when they occur.

2.4 ASSETS AND BASIS OF THEIR VALUATION

(2.4.1) Property, Plant and Equipment

(a) Recognition and Measurement

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

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

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

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

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

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

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

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

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 is 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

(b) 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.

Depreciation on other assets is calculated using straight-line method to allocate their cost or revalued amount over their estimated useful lives, as follows:

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

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

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

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

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

(C) 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.

(d) MEASUREMENT OF FAIR VALUES

When measuring the fair value of an asset or a liability, the company 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.

1) Level 1-quoted prices (unadjusted) in active markets for identical assets and liabilities.

2) Level 2-inputs other than quoted prices included in Level 1 that are observable for the asset or Liability, either directly or indirectly.

3) 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 financial statements.

(e) REVALUATION MODEL

The company applies Revaluation Model for the entire class of land and buildings in the statement of financial position. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end ofeach reporting period. If the fair values of land and buildings does not change other than by an insignificant amount at each reporting period, the company will revalue such land and buildings every 5 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 building sare 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 company revalued its buildings, furniture and fittings, machinery, vehicles in the year 2017 by Ace Property & Business Consultants (Pvt) limited, a registered business entity in Sri Lanka to provide the necessary professional services and requirements in carrying out valuations for financial reporting purposes and the company is expected to revalue these assets every 5 years.

(f) 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.

2.4.1 INTANGIBLE ASSETS

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

Computer Software	05 Years

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

2.4.2 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

2.5 INVENTORIES

Stocks are stated at lower of cost or net realizable value. Thus 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 cost is also determined using the first -in- first out method.

2.6. 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.

2.7 TRADE RECEIVABLES

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

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

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

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

i) Multi-Purpose Co-operative Societies,

ii) Agrarian Service Centers,

iii) Authorized Dealers,

iv) Government Institutions and Departments.

2.8 FINANCIAL ASSETS

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized 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 company's business model for managing them. With the exception of trade receivables

that do not contain a significant financing component or for which the company has applied the practical expedient, the company 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 company has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the company commits to purchase or sell the asset

2.8.1 Business Model Assessment

The company 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:

1) 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 interstate 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;

2) How the performance of the portfolio is evaluated and reported to the company'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;

3) 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;

4) The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and

5) 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 company'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. Assessments 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 company 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 company 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 company's claim to cash flows from specified assets (e.g. non-recourse features).

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

2.8.2 Impairment of Financial Assets

The company 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 company 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 company applies simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The company 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.

2.8.3 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 company's statement of financial position) when: The rights to receive cash flows from the asset have expired or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay there ceived cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

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

(b) The company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset when the company has transferred its rights to receive cash flows from

an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the company 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 company 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 company 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

2.8.4 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.

2.8.5 Stated Capital

Ordinary shares issued are classified as equity.

2.8.6 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) 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.

(b) 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.

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

(d) 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.

(e) 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.

(f) The Company had also rented out Stores premises of the Sri Lanka Mahawele Authority in the year 015 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.

(g) Similarly, the Company had also rented out the Kirologama stores premises of the Sri Lanka Mahawele athority 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.

(h) During the accounting year and the previous year, a fertilizer stock shortage of 122.73 metric tons (approximate cost value rupees 6 million) were detected. However, this matter is currently under investigation by the internal audit on a directive issued by the Chairman and since the matter has not been fully established no provision has been made in the books of accounts.

(i) Similarly, an unreconciled stock balance of approximately rupees 2.5 million as at the end of the accounting year in the consumable stores is reported but since the cause of this unreconciled balance has not been established, no provisions has been made in this regard in the books of accounts. However, until such time this balance is reconciled, the unreconciled stock balance has been separately shown as unreconciled stocks.

(j) The department of Inland Revenue from time to time since year 2005 has imposed tax penalties with tax liability on VAT and income tax. This is approximately rupees 70 million but since this had not been disclosed in the books of accounts of the company, discussions are presently underway to fully settle the amount amicably. This is due to the Department of Inland Revenue verbally informing that the matter could be settled without any cash payment and as such no provision has been made in the books of accounts of the company.

(k) Under case reference CHC 96/2020/ MR, Baylawn private limited has filed action against Ceylon Fertilizer Company limited (CFC) claiming a sum of rupees 557.49 million in the commercial courts for CFC recovering 80 million fixed deposits from people's bank, for the out dated fertilizer stock of rupees 107.5 million stored at CFC stores and rupees 1.1 million worth of stocks directly issued by Bay lawn private limited to Department of Agrarian services. However, this case is at the initial stage and therefore no provision has been made in this regard.

(l) CFC employee P.S.K. Jayakodi had filed a case in the labour courts under case reference 31/26/2019 in the wattala labour tribunal but since the matter is proceeding and no legal obligation as at the end of the accounting period, no provision has been made in this regard.

2.8.7 Recognition and Measurement

Financial liabilities are classified as measured at amortized costor 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.

2.8.8 De-recognition 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 de-recognition 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.

2.8.9 Offsetting of Financial Instruments

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

2.9. 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.

2.9.1 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.

2.9.2 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.

2.9.3 Borrowing Cost

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

2.9.4 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 non current 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.

2.9.5 Current and Deferred Tax

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

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

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

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

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

2.9.6 Employee Benefits

The Company has both defined benefit and defined contribution plans.

a) Defined Contribution plan

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

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

b) Defined benefit plan

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

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

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

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

The retirement benefits obligation is not externally funded.

c) Short-term employee benefit

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

2.9.7 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.

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

b) Interest Income

Interest income is recognized using the effective interest method.

c) Rent Income

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

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

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

e) Other Income

Other income is recognized on an accrual basis.

2.9.8 Expenses

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

2.9.9 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.

2.10.0 Commitments

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

2.10.1 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.

2.10.02 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.

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

(a) Useful life time of Depreciable Assets

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

(b) Defined benefit plan

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

2.11.0 Cases filed by the Ceylon Fertilizer Company (CFC) and settlements reached

1) CFC has filed a case in the commercial courts against K.S.R. Wicramanayake (sales agent) under case reference CHC/481/2013/MR to recover the stock shortage loss of rupees 122,398,095 together with a 25% surcharge.

2) CFC has filed a case in the commercial courts against S.A. Samantha (sales agent) under case reference CHC/330/2014/MR to recover the stock shortage loss of rupees 118,758,894.

3) CFC has filed a case in the gampaha district courts against A.M.M.A. Adnan (sales agent) under case reference 4494/MR/12 to recover outstanding dues of rupees 2,580,750. Although the court decision was issued an appeal has been forwarded by A.M.M.A. Adnan.

4) CFC has filed a case in the gampaha district courts against S. Amjithkahan (sales agent) under case reference 216/2020/M to recover outstanding dues of rupees 11,974,234.

5) CFC has filed a case in the gampaha district courts against A.D.S. Alwis (store keeper) under case reference 255/2020/M to recover outstanding dues of rupees 14,796,235.

6) CFC has filed a case in the gampaha district courts against R. Mahindapala (sales agent) under case reference 51/2020/M to recover outstanding dues of rupees 645,300.

7) CFC has filed a case in the gampaha district courts against Heday Agro Business private limited under case reference 330/2020/M to recover outstanding dues of rupees 10,580,000.

8) CFC has filed a case in the gampaha district courts against W.D.B. Weerasinghe (sales agent) under case reference 7810/M to recover outstanding dues of rupees 936,000.

9) CFC has filed a case in the vavuniya district courts against H.K.K.Gunasena (store keeper) under case reference 7810/M to recover outstanding dues of rupees 2,084,848.

10) Golden Barley International Private Limited has withdrawn the case filed against CFC on 30.12.2020 as CFC has released the performance bond to the value of US Dollars 323,190.

11) Agri Commodities Finance Private Limited has withdrawn the case filed against CFC on 17.03.2021 as CFC has released the performance bond to the value of US Dollars 149,600.63.

Notes to the Financial Statements

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

3	Revenue		2021	2020
	Gross Revenue		2,257,657,781	2,115,103,382
	Nation Building Tax (NBT)		-	(14,520,086)
	Sale of Fertilizer		**2,257,657,781**	**2,100,583,296**

4	Cost of Sales			
	Purchases	4.1	1,455,727,883	996,723,621
	Direct Expenses	4.2	548,421,499	501,982,010
	Cost of Production		**2,004,149,382**	**1,498,705,631**
	Finished Goods as at 01 April		284,151,794	618,302,635
	Finished Goods as at 31 March		(446,784,423)	(284,151,794)
			1,841,516,753	1,832,856,472
4.1	**Purchases**			
	Fertilizer Import Bills		12,179,409,158	9,725,705,675
	Insurance		2,415,799	5,713,460
	Duty and Duty Surcharge		85,568	1,150,254.00
	Port and Airport Development Tax		915,347,902	715,774,563
	Miscellaneous (Sri Lanka Port Authority)		1,661,928	4,194,247
	Discharging Expenses		2,268,350	1,766,671
	Landing Charges		26,319,717	16,301,878
	Stevedoring Charges		210,485,119	127,980,922
	Custom Duty and Charges		1,108,647	132,215
	Demurrage Charges		(80,859)	(0)
	Sampling Charges		3,579,850	7,107,654
	Transport and Handling Charges		197,464,242	151,966,243
	Letter of Credit Charges		38,515,269	37,520,209
	Bank Charges		20,510,828	472,330
	Local Purchase		16,148,450	14,203,950
	Packing Materials		5,921,013	14,892,936
	Detention Charges		3,028,557	1,126,178
	Local Agency Commission		2,368,014	1,364,647
	Exchange (Gain) / Loss		373,856,996	162,169,953
	Subsidy Claimed		(12,544,686,665)	(9,992,820,364)
			1,455,727,883	**996,723,621**
4.2	**Direct Expenses**			
	Mixing Charges		3,771,428	6,484,055
	Provision for Impairment of Non Moving Inventories		(1,272,843)	-
	Handling Charges		115,441,456	114,340,129
	Labour Charges		10,393,176	15,288,821
	Transport Charges to District Fertilizer Stores		388,716,187	296,558,701
	Stocks Transfers / Adjustments		31,372,096	69,310,304
			548,421,499	**501,982,010**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

5	Other Operating Income	2021	2020
	Income from Penalties - Local	381,672	608,713
	Circuit Bungalow Income - Polonnaruwa	641,537	1,896,870
	Dispatch Income	86,971,767	44,407,138
	Sales of Polythene and WPP Bags	1,192,049	1,210,081
	Non Refundable Tender Deposit Income	1,875,300	1,781,000
	Profit / (Loss) on Disposal of Property, Plant and Equipment / Scraps	90,014	-
	Earnings from Transport	23,505	35,318
	Claim against Performance bond	22,546,755	141,226,432
	Laboratory Testing Income	693,406	278,730
	Other Income	4,019,557	17,805,378
	Earning from Farms	30,000	24,343
	Income from government Grant	-	5,000
	Trading Stock (Excess) / Shortage	(0)	344,481
		118,465,561	**209,623,485**

6	Administrative Expenses		
	Directors' Remuneration	1,950,572	2,508,517
	Motor Vehicles Running Chairman / Directors	245,162	996,911
	Telephone,Fax,E-mail and Internet Charges-Chairman/Directors	129,640	151,393
	Secretary Fees	100,000	90,000
	Salaries - Executive	47,451,944	46,875,007
	Salaries - Non Executive	159,096,872	146,464,792
	Overtime	39,219,757	34,923,572
	Travelling and Subsistence	2,363,991	2,590,911
	Employees' Provident Fund	30,637,710	28,810,240
	Employees' Trust Fund	6,127,542	5,761,450
	Fuel Allowance for Managers	7,222,001	7,531,872
	Tea and Dust Allowance	7,425,470	8,269,070
	Annual Bonus	4,971,150	4,725,323
	Medical Leave Payment	16,095,527	12,986,660
	Employees on Contract Basis	1,066,364	4,301,101
	Training and Scholarships	896,500	1,590,820
	Weekend and Other Allowances	1,293,746	1,707,276
	Employee Compensation	700,000	-
	Medical Expenses	5,798	19,487
	Clothing and Medical Allowance	4,468,770	4,813,131
	Medical Insurance	8,392,200	8,986,319
	Other Allowances	686,875	445,867

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(*Expressed in Sri Lankan Rupees*)

	2021	2020
Employee Valuation Expenses	-	10,709
Staff Transport	1,201,613	1,451,450
Annual Incentive	40,470,088	49,940,296
Staff Welfare	4,637,185	2,647,608
Entertainment	923,393	614,920
Electricity	5,684,281	6,007,915
Telephone,Fax,E-mail and Internet Charges	8,572,650	6,201,973
Fire Insurance	552,878	638,137
License and Insurance	681,536	494,419
Cash in Transit and Cash in Safe Insurance	32,592	199,980
Postage	631,111	706,463
Printing and Stationery	4,139,137	4,350,007
Periodicals and Books	40,450	82,638
Office Equipment Maintenance	523,710	501,511
Foot Bicycle Maintenance	-	7,850
Office Expenses	1,592,803	1,504,837
Vehicle Running Expenses	6,161,497	5,361,771
Vehicle Maintenance	7,113,229	4,329,977
Water Bill	2,173,228	2,143,298
Legal Fees	347,709	869,145
Security Charges	30,769,685	26,299,841
Lab/Equipment Maintenance	669,866	45,841
Plant , Machinery and Equipment Maintenance	889,018	233,647
Building Maintenance	7,440,777	5,067,505
Research and Development Expenses	-	-
Furniture and Fittings Maintenance	28,460	78,437
Public Notice Charges	3,235,051	2,781,399
Computer and Accessories Maintenance	5,027,422	5,416,224
Rent	1,281,009	3,249,231
Expenses for Temporary Storage	4,985,305	-
Charity and Donation	350,000	-
Depreciation	53,130,342	51,963,383
Amortization of Intangible Assets	**4,517,354**	**4,457,400**
Audit Fees	**824,000**	**1,501,850**
Profit / (Loss) on Disposal of Property, Plant and Equipment / Scraps	**-**	**3,482,635**
Balance C / F	**539,174,971**	**517,192,014**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

		2021	2020
	Balance B / F	**539,174,971**	**517,192,014**
	Non Audit Fees	95,000	2,500
	Audit Related Fees	110,283	72,695
	Consultancy Fees	2,255,750	1,765,419
	Work Shop Tools Expenditure	7,900	13,370
	Sanitary Facilities	4,310,993	3,711,879
	Vehicle Hiring Charges	3,321,172	7,960,909
	Circuit Bungalow Expenses	(11,900)	80,477
	Other Equipment Maintenance	524,766	842,874
	Provision for Retirement Benefit obligation	11,211,931	10,284,129
	Bank Charges	1,139,468	779,220
	Circuit Bungalow Expenses	136,623	437,217
	Gardening and Landscaping Expenses	7,336,961	6,506,759
	Natural Disaster Expenses	20,000	10,000
	Laboratory Building Maintenance	708	13,740
	Laboratory Expenses	146,423	299,478
	Laboratory Equipment Insurance	14,826	30,780
	Registration Fees	136,092	181,510
		562,562,771	**550,184,970**
7	**Distribution Expenses**		
	Advertising and Publicity Notices	752,982	1,537,368
	Written-off of Bad Debts	12,156	-
	Impairment of Trade Receivables	-	19,804,991
	Sales Commission	141,902	50,860
	Corporate Social Responsible	-	30,490
		907,040	**21,423,709**
8	**Net Finance Income**		
	Interest Income	210,993,589	344,251,424
	Interest on Fixed Deposits and REPO Investments	1,537,918	1,695,002
	Interest from Employees Loans	**212,531,507**	**345,946,426**
	Interest Expenses		
	Interest on Overdrafts/Loans	(21,077,869)	(63,244,126)
		(21,077,869)	(63,244,126)
		191,453,638	**282,702,301**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

			2021	2020
9	**Income Tax Expenses**			
	Current Year	9.1	48,151,072	52,634,400
	Under Provision in Previous Years		(1,990,136)	-
	Deferred Tax Charge	23	(7,963,264)	37,816,254
			38,197,672	**90,450,653**
9.1	**Reconciliation between current tax expenses/ (reversal) and the accounting profit/(loss);**			
	Accounting Profit / (Loss) Before Taxation		**162,590,416**	**188,443,929**
	Non-Business Income		(212,531,507)	(345,946,426)
	Aggregate of Disallowable Expenses		68,989,605	166,226,555
	Aggregate of Allowable Claims		(30,950,556)	(34,602,479)
	Tax Adjusted Profit		**(11,902,041)**	**(25,878,421)**
	Income from Other Sources		212,531,507	345,946,426
	Total Statutory Income		**200,629,465**	**345,946,426**
	Loss Claimed previous Year		-	(132,088,007)
	Loss Claimed during the Year		-	(25,878,421)
	Taxable Income		**200,629,465**	**187,979,998**
	Tax Charged at Statutory Tax Rate of 24%		48,151,072	52,634,400
	Current Tax Provision		**48,151,072**	**52,634,400**
	Current Tax on Ordinary Activities for the Year		**48,151,072**	**52,634,400**
	Tax Losses			
	Loss Brought Forward		**-**	**132,088,007**
	Adjustment Due to Prior Year Adjustment		**-**	**(132,088,007)**
	Loss Incured		-	25,878,421
	Loss Utilized		-	(25,878,421)
	Loss Carried forward		**-**	**-**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

10	Basic Earnings per Share / Dividends per Share	2021	2020
10.1	**Basic Earnings Per Share (EPS)**		
	Net Profit Attributable to Ordinary Shareholders (Rs.)	124,392,743	97,993,276
	Weighted Average Number of Ordinary Shares in Issue	50,245,608	50,245,608
	Basic Earnings per Share	**2.48**	**1.95**

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	18,658,911	29,397,983
	Number of Ordinary Shares	50,245,608	50,245,608
	Dividend per Share	**0.37**	**0.59**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

11 Property, Plant and Equipment

Cost	01 April 2020	Additions	Disposal	31 March 2021
Land	1,868,965,707	-	-	1,868,965,707
Biological Assets	2,086,200	-	-	2,086,200
Buildings	886,609,444	5,664,177	-	892,273,620
Container Office	3,265,500	-	-	3,265,500
Plant and Machinery	20,708,507	444,910	(114,000)	21,039,417
Motor Vehicle	49,195,850	-	-	49,195,850
Furniture and Fittings	23,377,440	347,061	(68,700)	23,655,801
Office Equipment	11,689,171	2,103,393	(71,969)	13,720,596
Computer Equipment	20,482,854	4,921,170	(88,000)	25,316,024
Other	19,130,944	145,181	(12,000)	19,264,125
Total	**2,905,511,617**	**13,625,891**	**(354,669)**	**2,918,782,840**

Depreciation	01 April 2020	Charge for the Year	Disposal	31 March 2021
Buildings	111,137,207	27,979,152	-	139,116,359
Container Office	406,088	326,550	-	732,638
Plant and Machinery	9,868,664	2,806,390	(45,000)	12,630,054
Motor Vehicle	38,635,268	9,839,170	-	48,474,438
Furniture and Fittings	15,594,438	3,219,703	(29,716)	18,784,425
Office Equipment	7,488,131	2,467,315	(46,511)	9,908,934
Computer Equipment	10,912,567	4,883,594	(29,333)	15,766,828
Other	5,782,592	1,608,467	(12,000)	7,379,059
	199,824,954	**53,130,341**	**(162,560)**	**252,792,735**

Written Down Value	2021	2020
Land	1,868,965,707	1,868,965,707
Biological Assets	2,086,200	2,086,200
Buildings	753,157,261	775,472,236
Container Office	2,532,862	2,859,412
Plant and Machinery	8,409,363	10,839,843
Motor Vehicle	721,413	10,560,583
Furniture and Fittings	4,871,376	7,783,002
Office Equipment	3,811,662	4,201,041
Computer Equipment	9,549,196	9,570,287
Other	11,885,066	13,348,353
	2,665,990,105	**2,705,686,663**

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 2021

(Expressed in Sri Lankan Rupees)

12	Capital Work-in-Progress	01 April 2020	Expenditure Incurred	Amount Capitalized	31 March 2021
	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 2020**	**Additions (Disposals)**	**31 March 2021**
	Computer Software	22,586,770	324,025	22,910,795
		22,586,770	**324,025**	**22,910,795**
	Amortization	**01 April 2020**	**Charge for the Year**	**31 March 2021**
	Computer Software	8,832,644	4,517,354	13,349,998
		8,832,644	**4,517,354**	**13,349,998**
	Written Down Value		**2021**	**2020**
	Computer Software		9,560,797	13,754,126

14	Inventories	2021	2020
	Direct Fertilizer	446,784,423	284,151,794
	Consumables	8,686,840	9,284,888
	Packing Material	11,017,139	12,273,728
		466,488,402	305,710,409
	Provision for Impairment	(77,767,468)	**(79,716,652)**
		388,720,934	225,993,757

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

15	Trade and Other Receivables			2021	2020
	Trade Receivables	15.1		997,533,036	174,601,800
	Provision for Impairment			(144,671,108)	(144,809,808)
				852,861,928	29,791,992
	Other Receivables	15.2		24,819,165,393	18,772,863,111
				25,672,027,321	**18,802,655,103**
15.1	**Trade Receivables**				
	Government Departments			87,357,301	89,115,621
	Shortage on Sale			55,928	56,593
	Debtors on Loan			7,500,000	5,036,500
	Agrarian Service Centers			844,595,839	22,261,937
	Authorized Dealers			13,092,083	13,136,363
	M.P.C.S.			-	100
	Distributors			44,931,885	44,994,685
				997,533,036	**174,601,800**
The ageing of the trade receivables are as follows					
	Up to 3 Months			850,264,434	25,509,037
	3 to 12 Months			178,792	1,864,572
	More than One (1) Year			60,487,761	60,626,141
	Over Ten (10) Years			86,602,049	86,602,049
				997,533,036	**174,601,800**

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			24,607,904,150	18,584,169,423
	Road Development Authority			12,600,000	12,600,000
	Others		(Note I)	177,986,015	143,889,023
	Deposits			883,611	1,809,436
	Advance and Prepaid Expenses			19,791,616	30,001,300
	Cash Sortage - Stock Officer			-	388,430
	EPF 10%			0.00	5,500
				24,819,165,393	**18,772,863,111**

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 2021

(Expressed in Sri Lankan Rupees)

16	Employees Loans and Advances	2021	2020
	Festival Advances	561,750	553,000
	Motor Cycle Loans	595,251	828,151
	Personal Loans	38,014,275	39,349,491
		39,171,276	**40,730,642**

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

17	Investments in Government Securities		
	Treasury Bills	730,446,740	698,334,484

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

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

18	Investments in Fixed Deposits		
	Fixed Deposits	2,396,023,005	2,267,056,772

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	25,134	727,835
	Current Accounts	499,389	42,309,251
	Saving / Call Deposits (Ref: Note 18.4)	195,510,424	527,034,471
		196,034,947	**570,071,557**
	Unfavorable Balances		
	Bank Balance Overdraft	404,521	66,858,564
		404,521	**66,858,564**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

20	Stated Capital		2021	2020
	Number of Ordinary Shares Issued and Fully Paid		50,245,608	50,245,608
	Ordinary Share Capital Issued and Fully Paid		**502,456,080**	**502,456,080**

21 Revaluation Reserve

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

22	Retirement Benefits Obligation	Note		
	Balance as at 01 April		**68,393,217**	**59,861,487**
	Expenses Recognized in Comprehensive Income	22.1	11,211,931	10,284,130
	Payments Made During the Year		(7,829,240)	(11,958,720)
	Acturial Gain Losson obligation		7,955,528	10,206,319
	Balance as at 31 March		**79,731,435**	**68,393,216**
22.1	**Expense Recognized in Comprehensive Income**			
	Current Service Cost		4,030,643	(3,400,059)
	Interest Charge for the Year		7,181,288	(6,884,071)
			11,211,931	**(10,284,130)**

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

The principal assumptions used are as follows.

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

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

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

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

The Principle Assumptions	Sensitivity [%]		Gratuity Liability Change	
	Increase in 1%	Decrease 1%	Increase in 1%	Decrease 1%
Salary Escalation Rate [%]	6.15	(5.56)	84,638,098	75,296,789
Discount Rate [%]	(6.38)	7.15	74,646,294	85,429,294

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

23	Deferred Taxation	Note	2021	2020
	Balance as at 01 April		**169,037,796**	**136,715,509**
	(Originated) / Reverse for the Year Recognised in Profit or Loss		(7,963,264)	37,816,254
	Deferred Tax Expenses Recognised in OCI for Revaluation Surplu		(21,992,312)	(5,493,967)
	Balance as at 31 March	**23.1**	**139,082,220**	**169,037,796**

23.1	**The Analysis of Deferred Tax Assets and Liabilities**		
	Deferred Tax Liability		
	From Accelerating Depreciation	172,123,969	191,212,983
	From Revaluation Surpluses	4,757,988	24,840,973
		176,881,957	**216,053,956**
	Deferred Tax Assets		
	From Retirement Benefits Obligation	(19,135,544)	(19,150,101)
	Deferred Tax Assets Arising accounting provisions	(18,664,192)	(27,866,060)
		(37,799,737)	**(47,016,161)**
		139,082,220	**169,037,796**

24	Trade and Other Payables		2021	2020
	Trade Payables		5,686,914,923	4,636,187,820
	Other Payables	**24.1**	84,005,044	58,414,695
			5,770,919,966	**4,694,602,515**
24.1	**Other Payables**			
	Sundry Creditors		68,530,974	43,803,468
	Retention Money		860,270	628,765
	General Treasury		13,929,039	13,313,039
	PAYE Tax		-	-
	Others		667,868	668,064
	Payable to SLPA		16,892	1,358.70
			84,005,044	**58,414,695**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

25	Interest Bearing Borrowings Short Term	Note	2021	2020
	People's Bank			
	Balance as at 01 April		**14,103,482,956**	**14,795,213,338**
	Obtained During the Year		11,437,869,814	9,839,059,331
	Paid During the Year		(5,883,423,698)	(10,530,789,713)
	Balance as at 31 March		**19,657,929,071**	**14,103,482,956**
	Non-current Portion		15,991,700,302	-
	Current Portion		3,666,228,769	14,103,482,956
			19,657,929,071	**14,103,482,956**

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	3,874,499	29,741,441
	Staff Security Deposits	3,875,791	3,534,471
	Refundable Deposits	4,296,053	3,442,500
	Receipt in Advance	9,145,761	6,877,229
	Sundry Salary Deduction	120,139	118,795
	Excess on Sales	746,679	744,020
		22,058,923	**44,458,456**

27	Current Tax Liability		
	Balance as at 01 April	**(41,815,681)**	**(23,998,981)**
	Payments Made for Previous Year	-	(56,926,867)
	Provision for the Current Year	46,160,936	52,634,399
	Self Assessment Payments Made During the Year	-	(5,000,000)
	Economic Service Charges (ESC) Recoverable	-	(3,802,062)
	Withholding Tax (WHT) and notional tax Recoverable	-	(4,722,170)
	Balance as at 31 March	**4,345,255**	**(41,815,681)**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

(Expressed in Sri Lankan Rupees)

28	Accrued Expenses and Provisions	2021	2020
	Accrued Expenses	78,201,983	78,699,320
		78,201,983	**78,699,320**

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 Asphalting 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

(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.	2021	2020
Remuneration and Other Short - Term Employee Benefits	2,325,374	3,656,820

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	12,544,686,665	
	Sales of Goods	2,257,657,781	
	Recoveries of Trade Receivables	5,088,400	
State-Owned Enterprises	Short-term Loans borrowed	11,437,869,814	
	Settlements of Loans	(5,883,423,698)	
	Investments In Treasury Bills and Repo's		
	Proceeds from Maturity of Investment		
	Interest Received	210,993,588.85	
	Investments In Fixed Deposits		
	Investment during the year		
	Interest Received	-	
	Call Deposits and Saving Deposits	194,759,402.19	
	Current Accounts	196,034,947.07	
	Current Accounts - Overdraft		
Other Government Related Entities	Recoveries of Trade Receivables	68,805,790.00	

Figures in brackets indicates deductions.

Notes to the Financial Statements Continue

Notes to the Financial Statements

For the Year Ended 31st March 2021

(Expressed in Sri Lankan Rupees)

33	Financial Instruments and Risk Management	2021	2020
	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	730,446,740	698,334,484
	Investments are stated at amortized cost using the effective interest method		
	Trade and Other Receivables	**25,816,698,429**	**18,947,464,911**
	Employees Loans and Advances	39,171,276	40,730,642
	Investments in Government Securities	730,446,740	698,334,484
	Investments in Fixed Deposits	2,396,023,005	2,267,056,772
	Cash and Cash Equivalents	196,034,947	570,071,557
		29,178,374,397	**3,103,852,728**
	Financial assets at amotized cost are stated at amortized cost using the effective interest method		
	TOTAL FINANCIAL ASSETS	**29,908,821,137**	**3,802,187,212**
	FINANCIAL LIABILITIES		
	Financial Liabilities measured at Amortized Costs		
	Interest Bearing Borrowings	19,657,929,071	14,103,482,956
	Trade and Other Payables	5,770,919,966	4,694,602,515
	Deposits and Advances Received	22,058,923	44,458,457
	Bank Overdrafts	404,521	66,858,564
	Total Financial Liabilities	**25,451,312,481**	**18,909,402,491**
	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

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	2021	2020
Cash and Cash Equivalents	196,009,813	569,343,722
Investments in Government Securities	730,446,740	698,334,484
Investments in Government Securities	2,396,023,005	2,267,056,772
Trade and Other Receivables	25,672,027,321	18,802,655,103

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

Financial Assets and Liabilities	Carrying Amount (Rs.)	6 Month or Less	6 - 12 Months	More than 1 Years
Financial Assets				
Investments in Government Securities	730,446,740	-	730,446,740	-
Investments in	2,396,023,005	2,065,478,075	330,544,930	-
Cash and Cash Equivalents	196,034,947	196,034,947	-	-
Trade and Other Receivables	25,672,027,321	25,672,027,321	-	-
Employees Loans and Advances	39,171,276	39,171,276	-	-
Total Undiscounted Financial Assets	**29,033,703,289**	**27,972,711,619**	**1,060,991,670**	**-**
Financial Liabilities				
Interest Bearing Borrowings	19,657,929,071		3,666,228,769	15,991,700,302
Trade and Other Payables	5,770,919,966	5,636,893,295	3,906,516.96	
Deposits and Advances Received	22,058,923	22,058,923	-	-
Bank Overdrafts	404,521	404,521	-	-
Total Undiscounted Financial Liabilities	**25,451,312,481**	**5,659,356,739**	**3,670,135,286**	**15,991,700,302**
Net Undiscounted Financial Assets / (Liabilities)	**3,582,390,880**	**22,313,354,880**	**(2,609,143,615)**	**(15,991,700,302)**

Figures in brackets indicates deductions.

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

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

Currency Risk

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

The company has reported foreign exchange losses included in the operating results for the reporting period 2021 is Rs.373,856,996/-.

Interest Rate Risk

"The company's exposure to interest risk is the changes in market interest rates relate to the interest bearing borrowings with a fixed interest rate Rs 21,077,869/- of the company's interest bearing loans and borrowings carried interest at fixed rates. The company has bank balances including term deposits placed with state banks. The company monitors interest rate risk by actively monitoring interest rate movements. However, interest are paid by Government's treasury.

FORM OF PROXY

CEYLON FERTILIZER COMPANY LIMITED.

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

Signed this

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

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

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

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

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

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

Signed on this .... day of................................2021.

....
Signature of Shareholder

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

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