

MISSION



***“To
Fulfill the National Requirement
of Phosphate Fertilizer by being Self-Sufficient in
Phosphorus
Through
an Environment friendly and State of the art process”***

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BOARD OF DIRECTORS



Mr. Jaliya P. Kulasekara
Chairman & CEO



Mr. R.R.M.N. Rajapaksha
Executive Director



Mrs. B.M.D.M. Balasooriya
Director



Mr. Amarapala Gamage
Director



Mr. D.M. Wijepala
Director



Mr. D.D. Amarathunga
Ministry Observer

CORPORATE INFORMATION

Company Name

Lanka Phosphate Ltd

Domicile and Legal Form

Lanka Phosphate Ltd was incorporated on July 10, 1992 as a Limited Liability Company under the Companies Act No. 17 of 1982 in terms of the conversion of Public Corporations or Government Owned Business undertakings in to Public Companies Act No. 23 of 1987 to take over the Eppawala Phosphate project of the State Mining and Mineral Development Corporation. However, subsequently the Company has re-register under the Companies Act No. 07 of 2007

Principal Activities and Nature of Operations

The principal activities of the company are excavating, processing and selling of Rock Phosphate, which is used as a fertilizer for perennial agricultural crops.

Registration No

PB 308

Board of Directors

Mr. Jaliya P. Kulasekara (Chairman & CEO)

Mr. R.R.M.N.Rajapaksha (Executive Director)

Mrs. B.M.D.M. Balasooriya

Mr. Amarapala Gamage

Mr. D.M.Wijepala

Mr. D.D.Amarathunga (Ministry Observer)

Company Secretary

Financial Services and Commercial Agencies (Pvt)
Ltd, Attorney – at – Law
28, Rosmead Place, Colombo 07

Ultimate Parent Company

The company's issued shares are fully owned by the Secretary to the Treasury on behalf of the Government of Sri Lanka

Line Ministry

Ministry of State Resources & Enterprise
Development

No 561/3, Elvitigala Mawatha

Colombo 05

Registered Office

73 1/1, New Kelani Bridge Rd

Colombo 14

Tel: 94112459906/7

Fax:94112459908

Auditors

SJMS Associates

Chartered Accountants

No 02, Castle Lane

Colombo 04

Tax Consultants

Amerasekara & Co.

Chartered Accountants

12, Rotunda Gardens

Colombo 03

Bankers

Bank of Ceylon

Peoples Bank

Hatton National Bank PLC

FINANCIAL HIGHLIGHTS

SUMMARY OF RESULTS FOR THE YEAR (Rs. '000)

	<u>2012/13</u>	<u>2011/12</u>	<u>2010/11</u>
Revenue	399,031	491,280	393,068
Net Profit for the Year	79,536	129,805	86,478
Total Comprehensive income	98,150	144,001	82,968

SUMMARY AT THE YEAR END (Rs. '000)

	<u>2012/13</u>	<u>2011/12</u>	<u>2010/11</u>
Share holder's Funds	587,901	529,751	405,750
Working Capital	511,821	462,171	395,228
Total Assets	640,020	612,678	492,672
Staff Cost	156,989	161,143	145,638
No of Employees (No)	285	294	307

PER SHARE (Rs.)

	<u>2012/13</u>	<u>2011/12</u>	<u>2010/11</u>
Earnings	10.97	17.90	11.93
Net Assets	81.08	73.06	55.96

RATIOS

	<u>2012/13</u>	<u>2011/12</u>	<u>2010/11</u>
Current Ratio (Times)	21.41	12.67	12.28
Return on Shareholders Funds (%)	16.69	27.18	20.45

CHAIRMAN'S STATEMENT



Lanka Phosphate Ltd (LPL) was incorporated on 10th July, 1992 in terms of the conversion of public corporations or government owned business undertaking into Public Companies Act, No 23 of 1987 to take over the Eppawala Phosphate Project of the State Mining & Mineral Development Corporation. It is fully owned by the Secretary to the Treasury on behalf of the Government of Sri Lanka. LPL becomes a fully independent organization with the separation from Bogala Graphite Ltd in November 1998. Company has exclusive exploration rights over 450 hectares of land at Eppawala in Anuradhapura district on which a large Rock Phosphate deposit is located. The ore is currently estimated at 60 million tones containing 33-40% of P₂O₅ and is considered to be one of the richest and unique phosphate deposit in the world.

Currently LPL produces two types of rock phosphate fertilizers namely Eppawala Rock Phosphate (ERP) and High-Grade Eppawala Rock Phosphate (HERP) which are used as fertilizer for

perennial crops in Sri Lanka. However, there is a big potential to expand our activities to give the maximum benefit to the nation from this valuable deposit.

At present we are producing about 55,000 mt Eppawala Rock Phosphate annually and marketing the same for plantation crop sector. Our fertilizers are used for perennial crops such as Tea, Rubber, Coconut, export cash crops and fruit crops. Tea plantations dominate 60 percent of the use of Eppawala Rock phosphate, whereas rubber and coconut sectors share 30 percent of the use. The export cash crops and the fruit crops mainly share the balance. Because of the use of our own Phosphate fertilizer there is a saving of substantial foreign exchange over Rs. 500 million annually.

The financial year 2012/2013 ended achieving a gross turnover of Rs.399.0 Million. I wish to place on record that Lanka Phosphate Ltd achieved a sales level of 39,216.25 mt of Eppawala Rock Phosphate (ERP) and 6543.85 mt of High-Grade Eppawala Rock Phosphate (HERP) respectively. It is with concern to note that even under sever cost escalations during the year, the company was able to record a profit before taxation of Rs. 136.9 Million. There is more to be done in the years ahead both in planning and organizing to enhance the Company profitability to a higher level. During the period under review the LPL was able to purchase and install new Grinding Mill which has the capacity of producing 10mt. of ERP/HERP per hour. The

introduction of the new Mill will enhance the total production capacity to meet the ever growing demand owing to His Excellency the Presidents' fertilizer subsidy for the Agriculture sector. Workshops have been conducted together with Coconut Research Institute and Lak Pohora Ltd to enhance the knowledge on the use of fertilizer on annual & perennial crops.

We have great challenges ahead of us. Company Board is committed to work out solutions to develop the existing as well as new business opportunities for the optimal utilization of Eppawala Phosphate Deposit. We have recognized the importance and national need of a more soluble type of phosphate fertilizer in the form of Triple Super Phosphate (TSP) or Single Super Phosphate (SSP) fertilizer for short-term crops to cater to the total requirement of the country. New venture of the Company for the manufacture of TSP/SSP fertilizer with the setting-up of a local plant will be a boon to Sri Lanka Agriculture field thus, preventing the large annual out flow of foreign exchange on the import of Triple Supper Phosphate (TSP).

I have no doubt that LPL as a responsible State organization we will

support to enrich soil fertility of the Motherland while enhancing Agricultural productivity to dedicate the national economy. I wish the company to achieve its bench marks while providing much needed service to the people of the country.

I consider the development of human resources, information technology and infrastructure of the company are necessary for better productivity, competitiveness, profitability and stability. We have given priority to value added productions, Human friendly environments and staff training programs to develop the necessary skills at all levels to be conversant with the new developments in their respective fields.

In conclusion, I greatly appreciate the guidance, encouragement and support extend by the Ministry of State Resources & Enterprises Development, General Treasury and Board of Directors in this regard.



Chairman & CEO
Lanka Phosphate Ltd

SENIOR MANAGERS



Capt. (Rtd) Eng Upul Kumarasena
General Manager



H.R.U.D. Bandara
Deputy General Manager



U.S.P.G. Sooriyarachchi
Maintenance Manager



D.G.U. Chamara
Finance Manager



G.A.Chandradasa
Production Manager



D.A.M. Munasinghe
Admin. & HR Manager

MANAGERS



Capt. K.G.R.P.Kiriella
Security Officer



M.M.D.Thilakerathna
Internal Auditor



L.R Basnayake
Production Engineer



S.A. Abeyesiri
Supplies Officer



W.R.Illangasinghe
Transport Officer



D.R.K.Thilakerathn
Finance Officer



S.M.A.R.K.Manchanayake
Admin & HR Officer



R.A.A.P. Ranasinghe
Marketing Officer

REPORT OF THE DIRECTORS

The Directors of Lanka Phosphate Limited, (the Company) present herewith the Audited Accounts for the year ended 31st March 2013 and the Annual Report for the year ended 31st March 2013.

1.0 Company Name

Lanka Phosphate Ltd (Reg. no PB 308)

2.0 Domicile and Legal Form

Lanka Phosphate Ltd was incorporated on July 10, 1992 as a Limited Liability Company under the Companies Act No. 17 of 1982 in terms of the conversion of Public Corporations or Government Owned Business undertakings in to Public Companies Act No. 23 of 1987 to take over the Eppawala Phosphate project of the State Mining and Mineral Development Corporation. However, subsequently the Company has re-register under the Companies Act No. 07 of 2007

3.0 Principal Activities and Nature of Operations

The principal activities of the company are excavating, processing and selling of Rock Phosphate, which is used as a fertilizer for perennial agricultural crops.

4.0 Financial Statement

Directors are satisfied that the financial statement attached hereto gives a true and fair view of the state of affairs of the Company as at the Balance Sheet date.

The Directors consider that in preparing these Financial Statements, suitable accounting policies have been followed, which are applied consistently and supported by reasonable and prudent judgment and estimates. They are of the opinion that there been no significant change in the accounting policies which warrant disclosure in this report. The Directors have taken such steps as are responsibly open to them to Safeguard the assets of the Company and to prevent and detect fraud or other irregularities.

5.0 Financial Statements and Accounting Policies

The Directors consider that in preparing these Financial Statements, suitable Accounting Policies have been selected which are applied consistently while reasonable and prudent judgments and estimates have been made so that the form and substance of transaction are properly reflected. There was no change in accounting policies made during the accounting period.

6.0 Property, Plant & Equipment, their Valuation and Depreciation

Capital Expenditure during the year on property plant and equipment by the company amounted Rs. 16,236,637.00

Details of the status and movements of Property plant and Equipment, their

Valuation and Deprecation are given in Note 11.0 of Note to the Financial Statements.

7.0 Taxation

The company was taxable at 28% on the taxable income for the year under review.

8.0 Dividends

Rs. 25.0 million dividend was declared for the year under review.

9.0 Stated Capital

The Stated Capital of the Company altogether Rs. 72,510,000.00 consisting of 7,251,000 ordinary shares. There was no change in the Stated Capital for the year under review.

10.0 Shareholding

Interms of Section 2(3) of the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act No. 23 of 1987 the sole shareholder of the Company is Secretary to the Treasury (in his official capacity) for on behalf of the state.

As at 31st March 2013, the shareholding details of the company are as follows;

Secretary to the Treasury (in his official capacity) 7,251,000 ordinary shares

Lanka Phosphate Limited is a Shareholder of GSMB Technical Services (Private) Limited and holding 100,000 of ordinary shares (Rs. 10/- each).

The Percentage of said shareholding is 16.66%.

11.0 Changes in Shareholdings

There have been no changes to the Shareholding of the Company as at 31.03.2013.

12.0 Donations

The Company has contributed Rs. 3,484,125.00 for charitable purposes & CSR during the year under review.

13.0 Employees

The total cost of personnel during the year was Rs. 156,989,254.00

The number of persons employed by the Company at the end of the year was 285.

14.0 Directors

The following Directors held office during the year under review.

Admiral Daya Sandagiri - Former Chairman & CEO

Mr. R.R.M.N Rajapaksha – Executive Director

Mrs. B.M.D.N Balasooriya - Director

Mr. A. Gamage - Director

Mr. P.D.J Jayawardana - Director

Mr. D.M.Wijepala – Director

15.0 Resignation and Appointment of Directors

No Director were resigned or appointed during the year of 2012/13.

16.0 Director's remuneration

Rs. 3,227,665.24 was paid as Directors Remuneration & Expenses in the year under review.

17.0 Statutory Payments

The Directors, to their best of their knowledge and the belief are satisfied that all statutory payments due to the Government and to Employment Provident Fund and Employees Trust Fund have been paid accurately and on time.

18.0 Compliance

The company has not engaged in activities that contravene the laws or regulations that are applicable in Sri Lanka or elsewhere.

19.0 Going Concern

The Directors are satisfied that the company has adequate resources to continue their operations in the foreseeable future and accordingly all finance statements of the company is prepared on the going concern basis.

20.0 Corporate Governance

The Board of Directors ensures good corporate Governance. It is the duty of the Board of Directors to ensure that the performance is in line with the company objectives as a public enterprise as well as the objectives and expectations of the stakeholders.

21.0 Risk Management

The Company consciously fulfills its statutory and legal requirement to ensure that its exposure to legal risk is eliminated or minimized.

22.0 Auditors

Messrs SJMS Associates, Chartered Accountant are the present Auditors of the Company.

As the present Auditors of Lanka Phosphate Limited, M/s. SJMS Associates, Chartered Accountants have completed their 3rd year of service and retire at the Annual General Meeting Scheduled to be held on 30th September 2013.

Therefore the Directors of Lanka Phosphate Limited have decided to recommend to the Shareholders of the Company to re-appoint the retiring Auditors M/s. SJMS Associates subject to the procedure imposed by the Companies Act No. 07 of 2007 at the Annual General Meeting scheduled to be held on 30th September 2013 at 4.30pm at Head Office, Lanka Phosphate Ltd, No 73 1/1, New Kelani Bridge Rd, Colombo 14.

A resolution proposing that the Directors be authorized to determine the remuneration of new Auditors will be tabled at the Annual General Meeting.

Total audit fees paid by the company to Messrs SJMS Associates Amount to Rs. 408,408.00 for the year under review. Fees paid for tax consultation services to Messer. Ameresekara & Company for the year is Rs. 171,432.00.

As far as the Directors are aware, the Auditors did not have any relationship with the Company or its subsidiaries that would have an impact on their independence.

FOR AND BEHALF OF THE BOARD OF DIRECTORS



Chairman



Executive Director



Company Secretaries

AUDIT & MANAGEMENT COMMITTEE REPORT

COMPOSITION

The Audit & Management Committee is appointed by the Board of Directors and it is responsible to the Board. The Chairman of the Committee was the Director who represents the Secretary to the Treasury on behalf of the Government of Sri Lanka and also the General Manager, Deputy General Manager, Finance Manager, Admin & Human Resource Manager and Internal Auditor represent the committee as members who represent the Management of the company.

MEETINGS

The Audit & Management Committee was able to meet three occasions during the year to discuss the issues and evaluate the existing controls in order to make recommendations to the Board of Directors of the company.

ACTIVITIES & RESPONSIBILITIES

Financial Reporting

The committee reviewed and discussed the financial reporting system adopted by the company in the preparation of its quarterly and annual financial statements with the Management & the External Auditors to ensure reliability of the processes and the consistency of the accounting policies adopted and its compliance with the Sri Lanka Accounting Standards and the provision of the Companies Act No 07 of 2007.

Internal Audit

An Internal Audit Division has established in the company with the aiming of strengthening & enhancing the overall controls and performances of the company.

COMPLIANCE WITH LAWS AND REGULATIONS

The Committee reviewed the monthly / quarterly compliance reports submitted by the relevant officers to ensure that the company has complied with all statutory requirements.

CONCLUSION

The Audit & Management Committee is satisfied that the Company's accounting policies, operational controls and risk management processes provided reasonable assurance that the affairs of the Company are managed in accordance with Company policies and that the Company assets are properly accounted for and adequately safeguarded.



**Chairman
Audit & Management Committee**

REPORT OF THE AUDITORS

INDEPENDENTS AUDITOR'S REPORT TO THE SHAREHOLDERS OF LANKA PHOSPHATE LTD

Report on the Financial Statements

We have audited the accompanying financial statements of **Lanka Phosphate Ltd.**, which comprise the Statement of Financial Position as at 31st March 2013, the Statement of comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes .

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are responsible in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. we conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2013 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2013 and of its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion these financial statements also comply with the requirements of section 151 (2) of the Companies Act No 07 of 2007.


SJMS ASSOCIATES
Chartered Accountants
Colombo

30th August 2013

LANKA PHOSPHATE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2013

		2012/2013	2011/2012
	Note	Rs.	Rs.
Revenue	5	399,031,481	491,279,533
Cost of sales		(176,323,948)	(192,287,311)
Gross profit		222,705,533	298,992,221
Other income	6	53,423,346	38,125,203
Distribution costs		(6,485,603)	(7,114,844)
Administrative expenses		(151,397,292)	(141,533,109)
Finance costs	7	-	(8,932.68)
Profit before taxation	8	118,247,984	188,460,539
Tax expense	9	(38,712,211)	(58,655,362)
Net profit for the year		79,535,773	129,805,177
Other Comprehensive income			
Actuarial gain on defined benefit plan		18,614,321	14,195,733
Total other comprehensive income for the year		18,614,321	14,195,733
Total comprehensive income for the year		98,150,094	144,000,910
Earnings per Share	10	11	18

The accounting policies and notes from 1 to 28 to the financial statements form an integral part of these financial statements.

LANKA PHOSPHATE LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2013

	Note	31.03.2013 Rs.	31.03.2012 Rs.	01.04.2011 Rs.
Assets				
Non-Current Assets				
Property, plant and equipment	11	99,731,584	100,064,625	46,043,415
Equity Investments	12	1,000,000	1,000,000	1,000,000
Investment in treasury bonds		-	956,168	887,208
Long term loan	13	-	1,522,038	3,931,258
Deferred taxation	14	2,388,357	7,353,957	10,542,400
		103,119,941	110,896,788	62,404,281
Current Assets				
Inventories	15	87,218,892	69,042,402	40,653,986
Trade receivables		39,256,431	33,175,325	31,198,225
Deposits, prepayments and other receivables	16	50,202,603	54,465,699	55,322,909
Long term loan receivable within one year	13	1,303,018	2,628,240	2,628,240
Short term deposits		320,577,775	296,803,354	250,120,043
Cash and cash equivalent	17	38,341,754	45,666,638	50,344,325
		536,900,473	501,781,659	430,267,728
Total Assets		640,020,413	612,678,447	492,672,009
Equity and Liabilities				
Capital and Reserves				
Stated capital	18	72,510,000	72,510,000	72,510,000
Retained profit		515,391,055	457,240,961	333,240,052
Total Equity		587,901,055	529,750,961	405,750,052
Non-Current Liabilities				
Retirement benefit obligations	19	27,039,602	43,316,874	51,882,087
Current Liabilities				
Trade payable		9,349,444	2,702,576	3,928,609
Income Tax Payable		7,241,137	24,838,298	13,783,746
Other payables and accrued expenses	20	8,489,175	12,069,737	11,218,848
Bank overdrafts		-	-	6,108,668
		25,079,756	39,610,611	35,039,870
Total Equity and Liabilities		640,020,413	612,678,447	492,672,009

I certify that the financial statements also comply with the requirements of the Companies Act No 07 of 2007.

The Board of Directors is responsible for the preparation and presentation of these financial statements.



Finance Manager

Approved and signed for and on behalf of the Board



Director

Date: 30th August 2013



Director

The accounting policies and notes from 1 to 28 to the financial statements form an integral part of these financial statements.

LANKA PHOSPHATE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2013

	Stated Capital Rs.	Retained Profit Rs.	Total Equity Rs.
Balance as at 31.03.2011	72,510,000.00	339,432,103.53	411,942,103.53
Restatement on transition to SLFRS	-	(6,192,052.00)	(6,192,052.00)
Balance as at 01.04.2011 as restated	72,510,000.00	333,240,051.53	405,750,051.53
Profit for the year (restated)	-	129,805,176.86	129,805,176.86
<i>Other comprehensive income</i>			
Actuarial gain / (loss) on defined benefit plan	-	14,195,732.84	14,195,732.84
<i>Transactions with equity holders</i>			
Dividend Paid	-	(20,000,000.00)	(20,000,000.00)
Balance as at 31.03.2012	72,510,000.00	457,240,961.23	529,750,961.23
Profit for the year	-	79,535,772.85	79,535,772.85
<i>Other comprehensive income</i>			
Actuarial gain / (loss) on defined benefit plan	-	18,614,321.14	18,614,321.14
<i>Transactions with equity holders</i>			
Dividend Paid	-	(40,000,000.00)	(40,000,000.00)
Balance as at 31.03.2012	72,510,000.00	515,391,055.23	587,901,055.23

The accounting policies and notes from 1 to 28 to the financial statements form an integral part of these financial statements.

LANKA PHOSPHATE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2013

	31.03.2013	31.03.2012
Note	Rs.	Rs.
Cash Flow from Operating Activities		
Profit before taxation	118,247,984	188,460,539
Adjustments for ;		
Depreciation	7,841,011	8,165,100
Retiring Benefit Obligations	6,194,069	8,507,722
Interest income	(48,616,904)	(37,507,732)
Profit from sale of Property, Plant & Equipments	(3,468,000)	
Dividend income	(540,000.00)	(450,000.00)
Operating profit before working capital changes	79,658,160	167,175,629
Working Capital Changes		
(Increase) / decrease inventories	(18,176,490)	(28,388,416)
(Increase) / decrease in trade receivables	(6,081,106)	(1,977,100)
(Increase) / decrease in deposits, prepayments and other receivables	4,263,097	857,209
Increase / (decrease) in trade payables	6,646,868	(1,226,033)
Increase / (decrease) in other payables and accrued expenses	(3,580,562)	850,890
Cash generated from operations	62,729,967	137,292,178
Income tax/ESC/WHT paid	(51,343,771)	(44,412,367)
Payment of retirement benefit obligation	(3,857,020)	(2,877,203)
Net cash flow from operating activities	7,529,175	90,002,609
Cash Flow from Investing Activities		
Purchase of property, plant and equipment	(4,763,392)	(25,903,906)
Additions in capital work-in-progress	(2,744,578)	(36,282,403)
Additions in investment	956,168	(68,961)
Additions in short term deposits	(23,774,421)	(46,683,311)
Interest received	48,616,904	37,507,732
Dividend Received	540,000	450,000
Cash proceed from disposed assets	3,468,000	-
Loan capital recovered	2,847,260	2,409,220
Net cash flow from investing activities	25,145,941	(68,571,629)

Cash Flow from Financing Activities

Dividend paid		(40,000,000.00)	(20,000,000.00)
Net cash used in financing activities		(40,000,000.00)	(20,000,000.00)
Net changes in cash and cash equivalents		(7,324,884)	1,430,981
Cash and cash equivalents at beginning of the year	21.1	45,666,638	44,235,657
Cash and cash equivalents at the end of the year	21.2	38,341,754	45,666,638

The accounting policies and notes from 1 to 28 to the financial statements form an integral part of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 General

Lanka Phosphate Limited (“The Company”) is a limited liability company under the Companies Act No. 17 of 1982 in terms of the conversion of Public Corporations or Government Owned Business undertakings in to Public companies Act No. 23 of 1987 to take over the Eppawala Phosphate Project of the State Mining and Mineral Development Corporation. Subsequently the company has re-registered under the Companies Act No. 07 of 2007, and domiciled in Sri Lanka.

The registered office of the company is located at No. 73/1/1, New Kelani Bridge Road, Colombo 14 and Rock Phosphate (Apatite) deposit is located at Eppawala.

1.2 Principal activities and nature of operations

The principal activities of the company are excavating, processing and selling of Rock Phosphate, which is used as fertilizer for perennial agricultural crops.

1.3 Date of authorization for issue

The Financial Statements of company for the year ended 31 March 2013 were authorized for issue by the Board of Directors on 30th August 2013.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company (statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows together with summary of significant accounting policies and notes) are prepared in accordance with Sri Lanka Accounting Standards (LKASs and

SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007.

The company’s financial statements up to and including the year ended 31st March 2012 were prepared in accordance with Sri Lanka Accounting Standards (SLASs) which were effective up to 31st March 2012. The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which became effective from financial periods beginning on or after 01st January 2012. These new standards comprise of accounting standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Accordingly, the financial statements for the year ended 31st March 2013 are the first financial statements prepared and presented in compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) which became effective from 01st January 2012.

In preparing financial statements in accordance with SLFRS, required adjustments have been made for the previously reported financial periods and the effect of the transition from SLASs to SLFRSs has been presented in the reconciliation statements and accompanying notes in respect of items, which have a material impact on previously reported items.

Note 21 to these financial statements, discloses the impact of the transition to SLFRS on the reported financial position, financial performance, and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s financial statements for the year ended 31st March 2012 prepared under SLAS.

2.2 Basis of measurement

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

- available for sale financial assets are measured at fair value

- liability of defined benefit obligation is recognized as the present value of the defined benefit obligation

2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency and presentational currency. All financial information presented in Sri Lanka Rupees is rounded to the nearest rupee unless otherwise stated.

2.4 Comparative information

The accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with LKAS 01 - presentation of financial statements, except those which had to be changed as a result of application of the new SLFRS.

2.5 Materiality & aggregation

In compliance with LKAS 01 on presentation of financial statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the application of certain critical accounting assumptions relating to the future. Further, it

requires the management of the company to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Hence, actual experience and results may differ from these judgments and estimates.

In the process of applying the company's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

a) Taxation

The company is subject to income taxes and other taxes. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The company recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made.

b) Useful life-time of the property and equipment

The company reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

c) Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on the going concern basis.

d) Impairment losses on financial assets

The Company assesses at each reporting date or more frequently to determine whether there is any objective evidence whether an impairment loss should be recorded in the income statement.

e) Impairment of available for sale investments

The Company reviews its loan given to the share trust classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied on the individual assessment of loans and advances.

f) Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and tax credits to the extent it is probable that taxable profits will be available against which these losses/credits can be utilized. Significant management judgments are required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies.

g) Defined benefit plans

The carrying value of defined benefit plans is determined using a formula which considers the actuarial assumption. This involves making various assumptions which may differ from actual developments in the future. These

include the determination of the discount rate, future salary increases, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the yield of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the company in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SLFRS statement of financial position at 1st April 2011 for the purpose of transition to SLFRS, unless otherwise is indicated.

4.1 Revenue recognition

4.1.1 Sale of goods

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The company has transferred significant risks and rewards of ownership of the goods to the buyer.
- b) The company retaining, neither a continuing managerial involvement to the degree usually associated with ownership

nor an effective control over the goods sold.

- c) The amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity; and
- d) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

4.1.2 Interest income

Interest income is recognized using the Effective Interest Rate (EIR) method.

4.1.3 Dividend income

Dividend income is recognised in the statement of comprehensive income on an accrual basis when the Company's right to receive the dividend is established.

4.1.4 Other income

Other income is recognized on an accrual basis.

4.2 Expenditure recognition

Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in running the business and in maintaining property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's performance.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income.

4.3 Taxation

4.3.1 Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid

to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

4.3.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting period date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax assets are recognized for all deductible differences. Carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each Statement of financial position date and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the reporting date.

4.4 Non-financial asset

4.4.1 Property and equipment Recognition and measurement

Property & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 -

property, plant & equipment. Initially property and equipment are measured at cost.

Cost model

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Subsequent cost

Subsequent expenditure incurred for the purpose of acquiring, extending, or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business is treated as capital expenditure and such expenses are recognized in the carrying amount of an asset. The costs associated with day-to-day servicing of property and equipment is recognized in the income statement as incurred.

Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is charged from the date of purchase to the date of disposal on prorated basis. Land is not depreciated. The rates of depreciations based on the estimated useful lives are as follows:

Category of asset	Depreciation rate (%)
Building	4
Plant and Machinery	10
Laboratory Equipment	10
Electrical equipment	10
Miscellaneous assets	10
Motor vehicle	20
Office equipment	20
Furniture & Fittings	20
Computer Hardware and software	20

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

De-recognition

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'other operating income' in the statement of comprehensive income in the year the asset is derecognised.

4.4.2 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

4.5 Operating leases

Leases where the lessor effectively retains substantially all the risk and benefits of ownership over the leased term are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term or on a basis which is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.6 Inventories

Stocks of Phosphate are valued on a weighted average basis, based on the cost of production. It has been the practice to apportion 40% of the costs of the Mine to "Crushed" production (Unprocessed) and to apportion the balance 60% to "Ground" production (Processed) when valuing the Phosphate stocks.

General stocks are stated at the lower of cost and net realizable value. In general, cost is determined on Weighted Average basis. Net realizable value is the price at which stock can

be sold in the ordinary course of business after allowing for the cost of realization. Provision is made where necessary for obsolete, slow-moving and defective stocks.

4.9 Financial assets – recognition and measurement

4.9.1 Initial recognition

All financial assets are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time-frame generally established by regulation or convention in the market place.

4.9.2 Initial measurement

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value including transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

4.9.3 Subsequent measurement

The Company subsequently measures non-derivative financial assets categorising them in to the categories of financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables and available-for-sale financial assets.

i. Financial assets at Fair Value Through Profit or Loss (FVTPL)

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss.

ii. Held-to-maturity financial Investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the

intention and ability to hold to maturity. Subsequent to initial measurement, held to maturity financial investments are measured at amortised cost using the Effective Interest Rate (EIR), less impairment.

iii. Loans and receivables

Loans & receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Company intends to sell immediately or in the near term and those that the Company, upon initial recognition, designates as at fair value through profit or loss
- Those that the Company, upon initial recognition, designates as available for sale
- Those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, loans and receivables are subsequently measured at amortised cost using the EIR method less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the income statement. The losses arising from impairment are recognised in the income statement in 'impairment gain/ (loss) on loans and receivables'. The Company may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss. Where the loan, on drawdown, is expected to be retained by the Company, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss.

iv. Available-for-sale financial investments

Available-for-sale investments include loan given to the employee's share trust fund. Available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. The Company has not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are measured at fair value. Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the "available-for-sale reserve". When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognised in the income statement in other operating income.

4.9.4 Reclassification of financial assets

The Company may reclassify non-derivative financial assets other than those designated at FVTPL upon initial recognition, in certain circumstances:

- out of the held-for-trading category and into the available for sale, loans and receivables, or held-to-maturity categories.
- out of the 'available-for-sale' category and into the 'loans and receivables', 'held for trading category' or 'held-to-maturity'. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. For a financial asset reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be

impaired, then the amount recorded in equity is recycled to the income statement.

- out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those

cash receipts, the effect of that increase are recognized as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of the management, and is determined on an instrument by instrument basis.

4.9.5 De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
 - The Company has transferred substantially all the risks and rewards of the asset or
 - 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, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises 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.

4.9.6 Identification, measurement and assessment of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a Company of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

The Company writes off loans and advances and investment securities when they are determined to be uncollectible.

4.10 Cash and bank balances

Cash and bank balances are defined as cash in hand and balances with banks.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

4.11 Stated capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of

the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

4.12 Retirement benefit obligations

4.12.1 Defined benefit plan – gratuity

The Company is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983, according to which an obligation to pay gratuity arises only on completion of 5 years of continued service. The Company's obligations under that the said Act is determined based on a formula which considers the actuarial assumptions. The liability is not externally funded.

4.12.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Income Statement as in the periods during which services are rendered by employees.

a. Employees' Provident Fund

The company and employees contribute 12% and 10% respectively on the salary of each employee to the approved Provident Fund.

b. Employees' Trust Fund

The company contributes 3% of the salary of each employee to the Employees' Trust Fund.

4.13 Financial liabilities

4.13.1 Initial recognition and measurement

The Company classifies financial liabilities in to financial liabilities at Fair Value Through Profit or Loss (FVTPL) or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

The Company recognizes financial liabilities in the statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

i. Financial liability at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognized in profit or loss.

Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred. The criteria for designation of financial liabilities

at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

ii. Other financial liabilities

Other financial liabilities including deposits, debt issued by the Company and the other borrowed funds are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortized cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue

and costs that are an integral part of the EIR.

4.13.2 De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where 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 exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

4.14 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

4.15 Cash flow statement

The cash flow statement has been prepared using the indirect method, as stipulated in LKAS 7- statement of cash flows. Cash and cash equivalents comprise of cash in hand, cash at bank and bank overdrafts.

4.16 Segmental information

A Segment is a distinguishable component engaged in providing services and that is subject to risks and returns that are different to those of other segments. The company does not have distinguishable components to be identified as a segment as all operations are treated as one segment.

4.17 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the financial statements are set out below. The Company will adopt these standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimated as at the date of publication of these financial statements.

- o SLFRS 9 -Financial instruments: classification and measurement
- o SLFRS 10 - Consolidated financial statements
- o SLFRS 11 - Joint arrangements
- o SLFRS 12 - Disclosure of interests in other entities
- o SLFRS 13 -Fair value measurement

	2012/2013 Rs.	2011/2012 Rs.
5. Revenue		
Eppawala rock phosphate	327,697,521	393,480,918
High grade eppawala rock phosphate	<u>71,333,960</u>	<u>97,798,615</u>
	<u>399,031,481</u>	<u>491,279,533</u>
6. Other Income		
<i>Loans and receivables category</i>		
Interest income	48,616,904	37,507,732
<i>Available for sale category</i>		
Dividend income	540,000	450,000
Miscellaneous income	<u>4,251,443</u>	<u>167,472</u>
	<u>53,408,346</u>	<u>38,125,203</u>
7. Finance Costs		
Debit tax	-	8,933
	<u>-</u>	<u>8,933</u>
8. Profit from operation is stated after charging the following:		
Staff costs	156,989,254	161,143,086
Directors fees	331,500	356,500
Directors expenses	240,000	240,000
Depreciation	7,841,011	8,165,100
Audit fee	446,242	336,739
Payment of gratuity	6,194,069	8,507,722
9. Income Tax		
Income tax on profit for the year (Note-9.1)	33,746,610	55,466,919
Deferred tax	<u>4,965,601</u>	<u>3,188,443</u>
	<u>38,712,211</u>	<u>58,655,362</u>
9.1 Reconciliation of Income Tax		
Profit before taxation	135,624,133	188,460,539
Non business income	(64,274,339)	(32,666,359)
Aggregate disallowable items	36,028,653	40,677,675
Aggregate allowable expenses	(31,150,452)	(35,042,875)
Interest income/profit on disposal of fixed assets	<u>45,440,620</u>	<u>32,720,449</u>
Taxable profit	<u>121,668,616</u>	<u>194,149,428</u>

Income tax at 28%	34,067,212	54,361,840
Notional tax credit	(320,602)	(504,090)
Over provision in the prior year	-	1,609,169
	<u>33,746,610</u>	<u>55,466,919</u>

10. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders of the company and the weighted average number of ordinary shares outstanding during the year as follows:

Profit attributable to ordinary shareholders	79,535,773	129,805,177
Weighted average number of ordinary shares outstanding during the year	7,251,000	7,251,000
Basic earnings per share	<u>11</u>	<u>18</u>

11. Property, Plant and Equipment

	Buildings	Plant & Machinery	Motor Vehicles	Office Equipment	Electrical Equipment	Furniture & Fittings	Laboratory Equipment	Computer Hardware & Software	Miscellaneous	WIP	Total
Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance at 1 April 2011	32,838,448	32,411,419	33,853,221	1,996,007	2,230,155	3,488,511	407,463	8,408,100	8,649,112	6,589,652	130,872,088
Additions	1,869,745	13,000	18,800,000	44,800	1,278,214	476,968	-	2,907,999	513,180	36,282,403	62,186,309
Balance at 31 March 2012	34,708,192	32,424,419	52,653,221	2,040,807	3,508,369	3,965,479	407,463	11,316,099	9,162,292	42,872,055	193,058,396
Additions	-	-	3,260,000	-	34,500	165,729	-	299,800	1,003,363	2,744,578	7,507,970
Balance at 31 March 2013	34,708,192	32,424,419	55,913,221	2,040,807	3,542,869	4,131,208	407,463	11,615,900	10,165,655	45,616,633	200,566,366
Accumulated Depreciation											
Balance at 1 April 2011	16,106,671	24,182,742	25,621,138	1,568,384	1,550,317	3,007,862	389,983	6,910,807	5,490,768	-	84,828,672
Charge for the year	1,313,537	1,798,485	3,240,417	118,122	151,972	204,603	4,370	745,153	588,439	-	8,165,099
Balance at 31 March 2012	17,420,208	25,981,227	28,861,555	1,686,506	1,702,289	3,212,465	394,353	7,655,961	6,079,207	-	92,993,771
Charge for the year	1,388,328	1,373,480	2,800,833	118,966	237,433	238,541	4,370	1,020,001	659,060	-	7,841,011
Balance at 31 March 2013	18,808,536	27,354,708	31,662,388	1,805,471	1,939,722	3,451,006	398,723	8,675,961	6,738,266	-	100,834,782
Written Down Value											
Balance at the end of the year	15,899,656	5,069,711	24,250,833	235,336	1,603,146	680,202	8,740	2,939,938	3,427,389	45,616,633	99,731,584
Balance at the beginning of the year	17,287,984	6,443,192	23,791,666	354,301	1,806,079	753,014	13,110	3,660,139	3,083,085	42,872,055	100,064,625

		Holding	31.03.2013	31.03.2012	31.03.2011
		%	Rs.	Rs.	Rs.
12. Equity investments					
	Investment in GSMB Technical Services (Pvt) Ltd				
	100,000 Ordinary shares, Rs.10 each	17%	1,000,000	1,000,000	1,000,000

	2012/2013 Rs.	2011/2012 Rs.	2010/2011 Rs.
13. Long Term Loan -Bogala Graphite Lanka Limited			
Balance at the beginning of the year	5,037,391	7,446,611	10,074,851
Installments received during the year	<u>(2,847,260)</u>	<u>(2,409,220)</u>	<u>(2,628,240)</u>
	2,190,131	5,037,391	7,446,611
Installments received in advance	<u>(887,113)</u>	<u>(887,113)</u>	<u>(887,113)</u>
	1,303,018	4,150,278	6,559,498
Amount receivable within one year	1,303,018	2,628,240	2,628,240
Amount receivable after one year	<u>-</u>	<u>1,522,038</u>	<u>3,931,258</u>
	1,303,018	4,150,278	6,559,498

14. Deferred tax			
Balance at the beginning of the year	7,353,957	10,542,400	7,124,790
Reversal during the year	<u>(4,965,601)</u>	<u>(3,188,443)</u>	<u>3,417,610</u>
Balance at the end of the year	2,388,357	7,353,957	10,542,400

14.1	The closing deferred tax liability balance relates to the following:			
	Accelerated depreciation for tax purposes	18,509,758	17,052,740	14,230,657
	Retirement benefit obligation	<u>(27,039,602)</u>	<u>(43,316,874)</u>	<u>(51,882,087)</u>
		<u>(8,529,844)</u>	<u>(26,264,134)</u>	<u>(37,651,430)</u>
	Deferred tax assets @ 28%	2,388,356	7,353,958	10,542,400

15. Inventories

Trade inventory	22,064,775	16,151,045	5,576,908
General inventory	<u>65,741,954</u>	<u>53,479,195</u>	<u>35,664,915</u>
	87,806,730	69,630,240	41,241,824
Less : Impairment of general inventory	<u>(587,838)</u>	<u>(587,838)</u>	<u>(587,838)</u>
	<u><u>87,218,892</u></u>	<u><u>69,042,402</u></u>	<u><u>40,653,986</u></u>

16. Deposits, Prepayments and Other Receivables

Staff loans and advances	46,294,256	45,307,909	48,762,025
Prepaid staff compensation	1,295,489	3,603,306	3,196,251
Deposit	1,456,246	982,426	738,000
Prepayments	<u>1,156,612</u>	<u>4,572,058</u>	<u>2,626,632</u>
	<u><u>50,202,603</u></u>	<u><u>54,465,699</u></u>	<u><u>55,322,909</u></u>

31.03.2013
Rs.

31.03.2012
Rs.

31.03.2011
Rs.

17. Cash and Cash Equivalent

Repo -Bank of Ceylon	29,531,405	26,010,357	44,666,015
Stamp float	4,083	15,272	23,702
Cash at bank	8,721,267	19,556,009	5,569,608
Cash in hand	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>
	<u><u>38,341,754</u></u>	<u><u>45,666,638</u></u>	<u><u>50,344,325</u></u>

18. Stated Capital

Issued and fully paid	<u>72,510,000</u>	<u>72,510,000</u>	<u>72,510,000</u>
No. of shares in issue	<u><u>7,251,000</u></u>	<u><u>7,251,000</u></u>	<u><u>7,251,000</u></u>

19. Retirement Benefit Obligations

Balance at the beginning of the year	43,316,874	51,882,087	49,314,545
Current service cost	1,429,213	2,800,693	3,199,268
Interest cost	<u>4,764,856</u>	<u>5,707,030</u>	<u>4,684,882</u>
	49,510,943	60,389,809	57,198,695
Payments during the year	(3,857,020)	(2,877,203)	(8,826,212)
Actuarial (gain)/loss	<u>(18,614,321)</u>	<u>(14,195,733)</u>	<u>3,509,604</u>
Balance at the end of the year	<u><u>27,039,602</u></u>	<u><u>43,316,874</u></u>	<u><u>51,882,087</u></u>

The following assumptions have been taken in the computation of the liability

Expected annual average salary increment	3%	10%	10%
Discount rate	11%	11%	9.5%

20. Other Payables and Accrued Expenses

WHT payables	-	-	201,133
Accrued expenses	7,793,589	9,804,155	10,162,671
Other payables	695,586	2,265,583	855,044
	<u>8,489,175</u>	<u>12,069,738</u>	<u>11,218,848</u>

21. Notes to the Cash Flow Statement

21.1 Cash and Cash Equivalent at the Beginning of the Year

Repo -Bank of Ceylon	26,010,357	44,666,015	-
Stamp float	15,272	23,702	24,062
Cash at bank	19,556,009	5,569,608	21,220,643
Bank overdraft	-	(6,108,668)	(1,840,004)
Cash in hand	85,000	85,000	85,000
	<u>45,666,638</u>	<u>44,235,657</u>	<u>19,489,701</u>

31.03.2013	31.03.2012	31.03.2011
Rs.	Rs.	Rs.

21.2 Cash and Cash Equivalent at the End of the Year

Repo -Bank of Ceylon	29,531,405	26,010,357	44,666,015
Stamp float	4,083	15,272	23,702
Cash at bank	8,721,267	19,556,009	5,569,608
Bank overdraft	-	-	(6,108,668)
Cash in hand	85,000	85,000	85,000
	<u>38,341,754</u>	<u>45,666,638</u>	<u>44,235,657</u>

22 Categorization of financial instruments by categories

Financial assets

Cash in hand and Bank	38,341,754	45,666,638	50,344,325
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Loans and receivables

Trade Receivables	39,256,431	33,175,325	31,198,225
Staff loans and advances	46,294,256	45,307,909	48,762,025
Deposit	1,456,246	982,426	738,000
Shortterm Deposits	320,577,775	296,803,354	250,120,043
Investment in Treasury Board	-	956,168	887,208
Long term loan		1,522,038	3,931,258

Available-for-sale

Equity investments	1,000,000	1,000,000	1,000,000
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Financial Liabilities

Bank overdrafts

Other financial liabilities

Other payables and accrued expenses	8,489,175	12,069,738	11,218,848
Trade payables	9,349,444	2,702,576	3,928,609

23 Financial risk management

The Company's activities are exposed to a variety of financial risks such as Market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management process focuses on the unpredictability of financial risks and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is performed by the Finance Department under policies approved by the Board of Directors.

The principal financial instruments of the Company comprise of short term deposits, money market investments, and cash. The main purpose of these financial instruments is to raise and maintain liquidity for the Company's operations, and maximize returns on the Company's financial reserves. The Company has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

(a) Credit risk

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Credit risk

arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

(b) Trade receivables

Trade receivables consist of local **customers**. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The company does not have a significant credit risk exposure to any single counterparty or any group of counterparties. The company has established policies and procedures to evaluate the clients before approving credit terms.

(c) Liquidity risk

Cash flow forecasting is performed by the Finance Division. The Finance Division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Surplus cash held over and above balance required for working capital management is invested in deposits with banks. At the reporting date, the Company held deposits of Rs. 320,577,775 (31/03/2012- Rs. 296,803,354) that are expected to readily generate cash inflows for managing liquidity risk.

(d) Interest rate risk

The Company has cash and bank balances including deposits placed with government and creditworthy banks. The Company monitors interest rate risk by actively monitoring the yield curve trends and interest rate movements.

(e) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

24 First time adoption of SLFRS - explanation of transition to SLFRSs

As stated in note 2.1, these are the company's / group's first financial statements prepared in accordance with SLFRS. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31st March 2013, the comparative information presented for the year ended 31st March 2012 and in the preparation of an opening SLFRS based statement of financial position at 1st April 2011 (the date of transition). The reconciliations are given below:

24.1 Effect of adoption for the comprehensive income of the company for the year ended 31 March 2012

	SLAS Rs.	Adjustments Rs.	SLFRS Rs.
Revenue	491,279,533	-	491,279,533
Cost of sales	(192,287,312)	-	(192,287,312)
Gross profit	298,992,221	-	298,992,221

Other income	(b)	49,908,731	(11,783,528)	38,125,203
Distribution costs		(7,114,844)	-	(7,114,844)
Administrative expenses	(a) & (b)	(140,359,076)	(1,174,033)	(141,533,109)
Finance costs		<u>(8,933)</u>	-	<u>(8,933)</u>
Profit before taxation		201,418,100	(12,957,561)	188,460,539
Tax expense		<u>(58,655,362)</u>	-	<u>(58,655,362)</u>
Profit for the year		<u><u>142,762,738</u></u>		<u><u>129,805,177</u></u>
Other comprehensive income				-
Actuarial gain/ (loss) on defined benefit plan	(d)		14,195,733	14,195,733
Total other comprehensive income for the year				<u>14,195,733</u>
Total comprehensive income for the year				<u><u>144,000,910</u></u>

24.2 Reconciliation of total comprehensive income	2011/2012
	Rs
Profit after tax in accordance with the SLAS	142,762,738
(a) Reversal of the goodwill amortization	1,238,172
(b) Recognition of additional interest income on staff loans at the market rate	1,235,570
(b) Amortization of prepaid staff cost	(1,235,570)
Profit after tax in accordance with the SLFRS	144,000,910

24.5 There are no material differences between the company's and group's statement of cash flows presented under SLFRSs and the statement of cash flows presented under SLASs.

25. Contingent liabilities / Contingent Assets

The company has no material contingent liabilities/assets except the outcome on following pending cases as at the statement of financial position date.

i. Case No.'s LPL/COU/03-1 & LPL/COU/03-02 have been filed by third parties claiming damages Rs 2.5 mn for the accident met.

ii. Two labor cases are pending against the company; outcome of those not known.

26. Commitments

Financial commitments

There were no material financial commitments outstanding at the statement of financial position date.

Capital commitments

Capital expenditure contracted for, at the statement of financial position date but not recognized in the financial statements is as follows:

	31.03.2013	31.03.2012
	Rs.	Rs.
Unpaid capital expenditure for new mill construction in progress	<u>9,924,513</u>	<u>18,201,526</u>

27. Events after the reporting period.

No circumstances have arisen since the statement of financial position which requires adjustments to or disclosure in the financial statements.

28. Related Party Transactions

28.1 Transaction with Key Management Personnel

Related parties includes key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Key management personnel includes the directors of the Company. Compensation to key management personnel for the year was as follows:

	2012/2013	2011/2012
	Rs.	Rs.
Short term benefits	3,227,665.24	3,372,004

28.2 Transaction with other Related Parties

During the financial year, no parties and transactions were identified as related parties defined under the LKAS 24.

24.3 Effect of SLFRS adoption for the statement of financial position of the company

	01 April 2011 (beginning of the day balance)			31 March 2012 (end of the day balance)		
	SLAS	Adjustments	SLFRS	SLAS	Adjustments	SLFRS
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non-Current Assets						
Property, plant and equipment	46,043,415	-	46,043,415	100,064,625	-	100,064,625
Equity investments	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Investment in treasury bonds	887,208	-	887,208	956,168	-	956,168
Long term loan	3,931,258	-	3,931,258	1,522,038	-	1,522,038
Goodwill (a)	6,192,052	(6,192,052)	-	4,953,880	(4,953,880)	-
Deferred taxation	10,542,400	-	10,542,400	7,353,957	-	7,353,957
	68,596,333		62,404,281	115,850,668		110,896,788
Current Assets						
Inventories	40,653,986	-	40,653,986	69,042,402	-	69,042,402
Trade receivables	31,198,225	-	31,198,225	33,175,325	-	33,175,325
Deposits, prepayments and other receivables (c)	65,318,941	(9,996,032)	55,322,909	66,279,410	(11,813,711)	54,465,699
Long term loan receivable within one year	2,628,240	-	2,628,240	2,628,240	-	2,628,240
Short term deposits (c)	240,190,027	9,930,017	250,120,043	285,000,000	11,803,354	296,803,354
Cash in hand and bank (c)	50,278,310	66,015	50,344,325	45,656,281	10,357	45,666,638
	430,267,728		430,267,728	501,781,659		501,781,659
Total Assets	498,864,061		492,672,009	617,632,327		612,678,447
Equity and Liabilities						
Capital and Reserves						
Stated capital	72,510,000	-	72,510,000	72,510,000	-	72,510,000
Retained profit (a)	339,432,104	(6,192,052)	333,240,052	462,194,841	(4,953,880)	457,240,961
Total Equity	411,942,104		405,750,052	534,704,841		529,750,961

Non-Current Liabilities

Retirement benefit obligations	51,882,087	-	51,882,087	43,316,874	-	43,316,874
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Current Liabilities

Trade payable	3,928,609	-	3,928,609	2,702,576	-	2,702,576
Commissioner General of Inland Revenue	13,783,746	-	13,783,746	24,838,298	-	24,838,298
Other payables and accrued expenses	11,218,848	-	11,218,848	12,069,738	-	12,069,738
Bank overdrafts	6,108,668	-	6,108,668	-	-	-
	<u>35,039,870</u>		<u>35,039,870</u>	<u>39,610,611</u>		<u>39,610,611</u>
Total Equity and Liabilities	<u>498,864,061</u>		<u>492,672,009</u>	<u>617,632,327</u>		<u>612,678,447</u>

(0)

0

(0)

(0)

24.4 Reconciliation of equity**Total equity in accordance with the SLAS**

(a) Write off of goodwill

(a) Reversal of the goodwill amortization

(b) Recognition of additional interest income on staff loans at the market rate

(b) Amortization of prepaid staff cost

Total equity in accordance with the SLFRS**31.03.2012****01.04.2011****Rs****Rs****534,704,841****411,942,104**

(6,192,052)

(6,192,052)

1,238,172

-

1,235,570

-

(1,235,570)

-

529,750,961**405,750,052**

(a.) The phosphate operations of State Mining and Mineral Development Corporation was transferred to Lanka Phosphate Limited in 1997. The Surplus arising between the issued share capital and the net assets of the business was treated as goodwill. The goodwill so recognized was amortized over a period of 20 years on a straight line basis, commencing from the year ended 31.03.1997. On adoption of SLFRS the company derecognize it.

(b) The company had given loan to employees under different loan schemes at a rate below the market rate which is 7.2% per annum. With the adoption of SLFRS the company recognized the outstanding loan balance at the at present value discounted at the rate of market interest rate which is 13%. The Difference between the carrying amount and the present value at the rate of market rate is recognized as prepaid staff compensation. Prepaid staff compensation is amortized and recognized as an expense in the income statement over the loan periods.

(c) Under the previous accounting practice the company recognized the interest receivable under Deposits, prepayments and other receivables. With the adoption of SLFRS the company reclassified the interest receivable and recognized as part of the investment value to reflect the fair value of the investment.

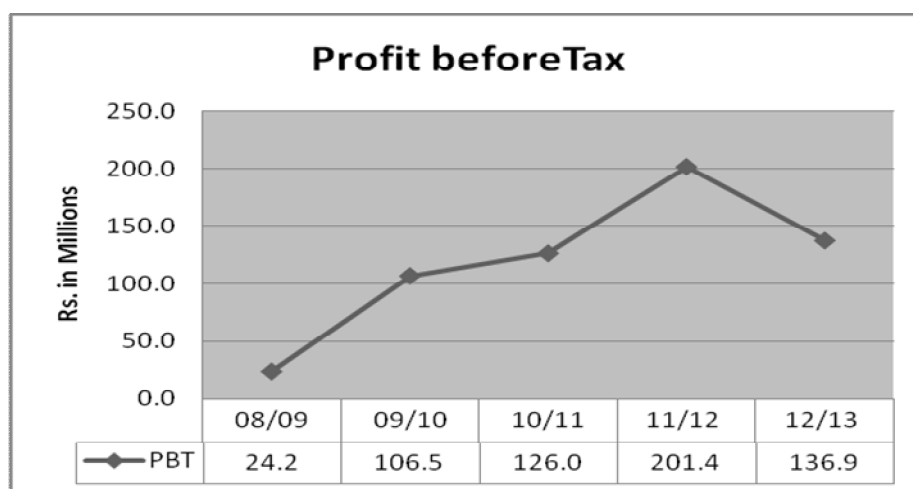
(d) Under the previous accounting practice the company recognized the gain or loss on changes in actuarial assumptions under administrative expenses. As per the requirements of LKAS 19 - Employee Benefits, the company reclassified the said gain or loss under other comprehensive income.

REVIEW OF OPERATIONS

A brief review of operations and operational results for the year 2012/13 and the future plans of the company are presented as follows.

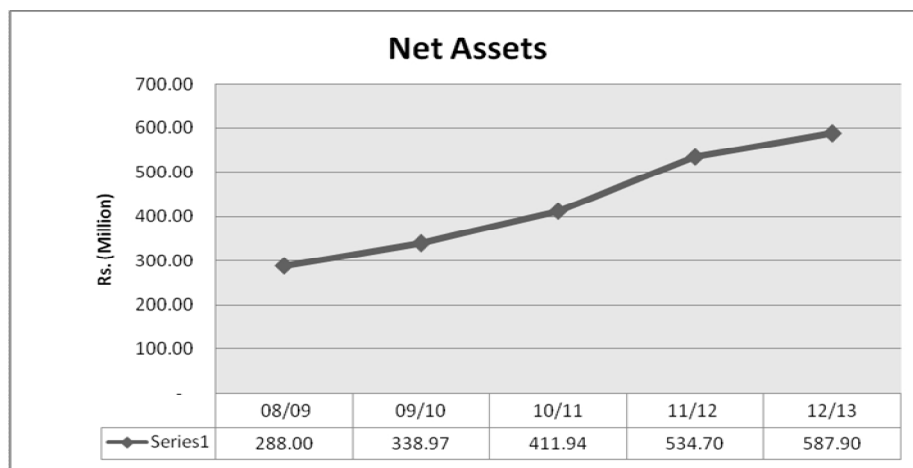
01. PROFITABILITY

Profit before taxation for the year 2012/13 is Rs. 118.25 millions. However, the total comprehensive income for the year (before tax) is. Rs. 136.86. It is around 32% decrease when compared to the previous year. The reason for the shortfall is mainly due to uneven weather patterns throughout the year and the shortage of fertilizer at the latter part of the year.



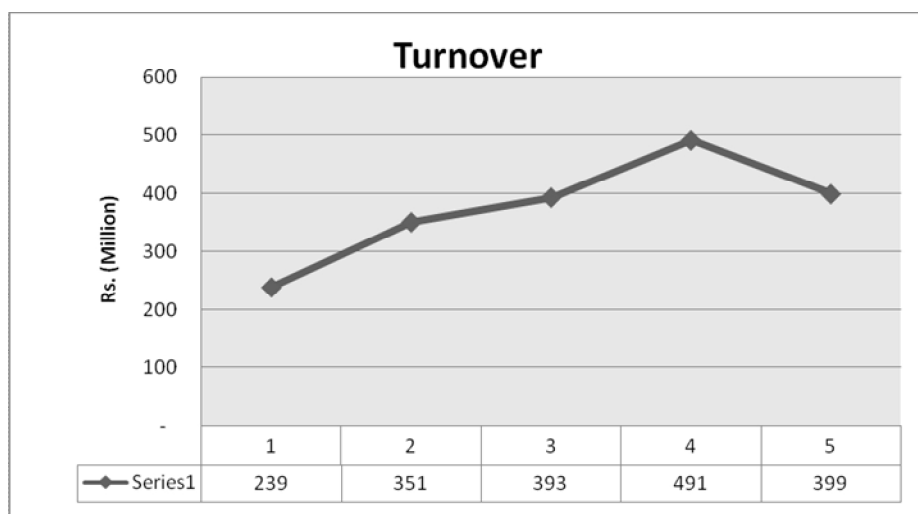
02. NET ASSETS

The company maintains a healthy Net Assets position. The net assets position as at the end of the last year was Rs.535 million and it had been increased up to Rs. 588 million by the end of current year 2012/13.



03. REVENUE

Company achieved a gross turnover of Rs. 399.0 million which included the sale of 39,216.25 mt of ERP and 6,543.85 mt of HERP for the year. It is a decrease of 19% over last year.



04. CAPITAL EXPENDITURE

The capital expenditures incurred during the last five years are as follows;

Acquisition & Capital Work-In-Progress

2008/09- Rs. 1,078,048/=

2009/10- Rs. 1,720,805/=

2010/11- Rs. 11,446,539/=

2011/12- Rs. 62,186,309/=

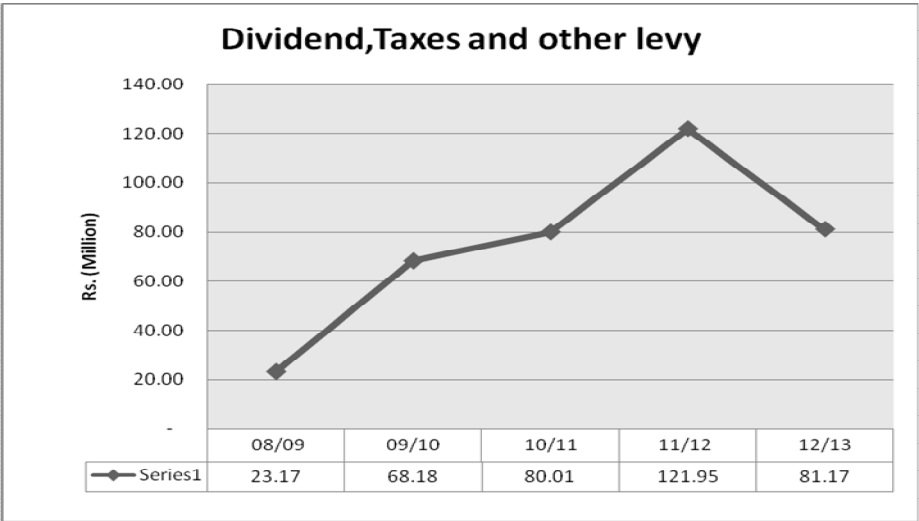
2012/13- Rs. 12,855,655/=

The Company has planned to enhance the production, storage & infrastructure facilities during the upcoming year.

05. PAYMENTS TO GENERAL TREASURY & GOVERNMENT INSTITUTIONS

General Treasury to Sri Lanka is the sole shareholder of Lanka Phosphate Ltd. Therefore, total dividend declared is remitted to General Treasury of Sri Lanka. The dividend declared for the year is Rs. 25.0 million. In addition to the dividend payments, company pays different type of taxes such as Income Tax, Mineral Tax, Royalty etc. on sales/production.

Summary of such payments for last five years are as follows.



General Manager

NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN to the shareholders of Lanka Phosphate Limited that the Annual General Meeting of the Shareholders of Lanka Phosphate Limited would be held on 30th September 2013 at 4.30pm at the Head Office of Lanka Phosphate Limited at No. 73 1/1, New Kelani Bridge Road, Colombo 14 for the following purposes:

1. To confirm the Minutes of the Annual General Meeting held on 24th September 2012.
2. To receive, consider and adopt the Audited Statement of Accounts for the year ended 31.03.2013 and the Balance Sheet as at 31.03.2013 and the Report of the Auditors thereon all of which are sent herewith.
3. To receive, consider and adopt the Annual Report sent herewith.
4. To declare a dividend for the year 2012/13 as recommended by Board to the Treasury as the sole Shareholder of the Company.
5. To re-elect Directors, Mr. R.R.M.N Rajapaksha and Mr. D.M Wijepala who retire (at the Annual General Meeting) in terms of the Article 92 & 93 of the Articles of Association of the Company and who being eligible offer themselves for re-election in term of the Article 94 of the Article of Association of the Company.
6. To re-appoint the retiring Auditors 'SJMS Associates' Chartered Accountants for the year 2013/2014 and to authorize the Directors to determine their remuneration for the year.
7. Any other business of which due notice has been given.

By Order of the Board,



FINANCIAL SERVICES AND COMMERCIAL AGENCIES (PRIVATE) LIMITED
Company Secretaries to Lanka Phosphate Limited

Notes:

A shareholder who is entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a member of the company. A form of proxy is attached for this purpose.

FORM OF PROXY

Lanka Phosphate Ltd

P R O X Y

I / We

Of

Being a member of the above named Company hereby appoint

.....ofor

Failing him

Of

As my / our proxy to vote for me / us an on my / our behalf at the Annual General Meeting of the company to be held on 30th September 2013 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed thisday oftwo thousand and thirteen

Signature

NOTE

- **A Proxy may vote as he thinks fit on any resolution brought before the Meeting**
- **A Proxy need not to be a Member of the Company**
- **Instructions as to completion are noted on the reverse hereof**