



51 Years of
Glory

PROGRESSING
with Quality and
Commitment...



Ministry of Agriculture

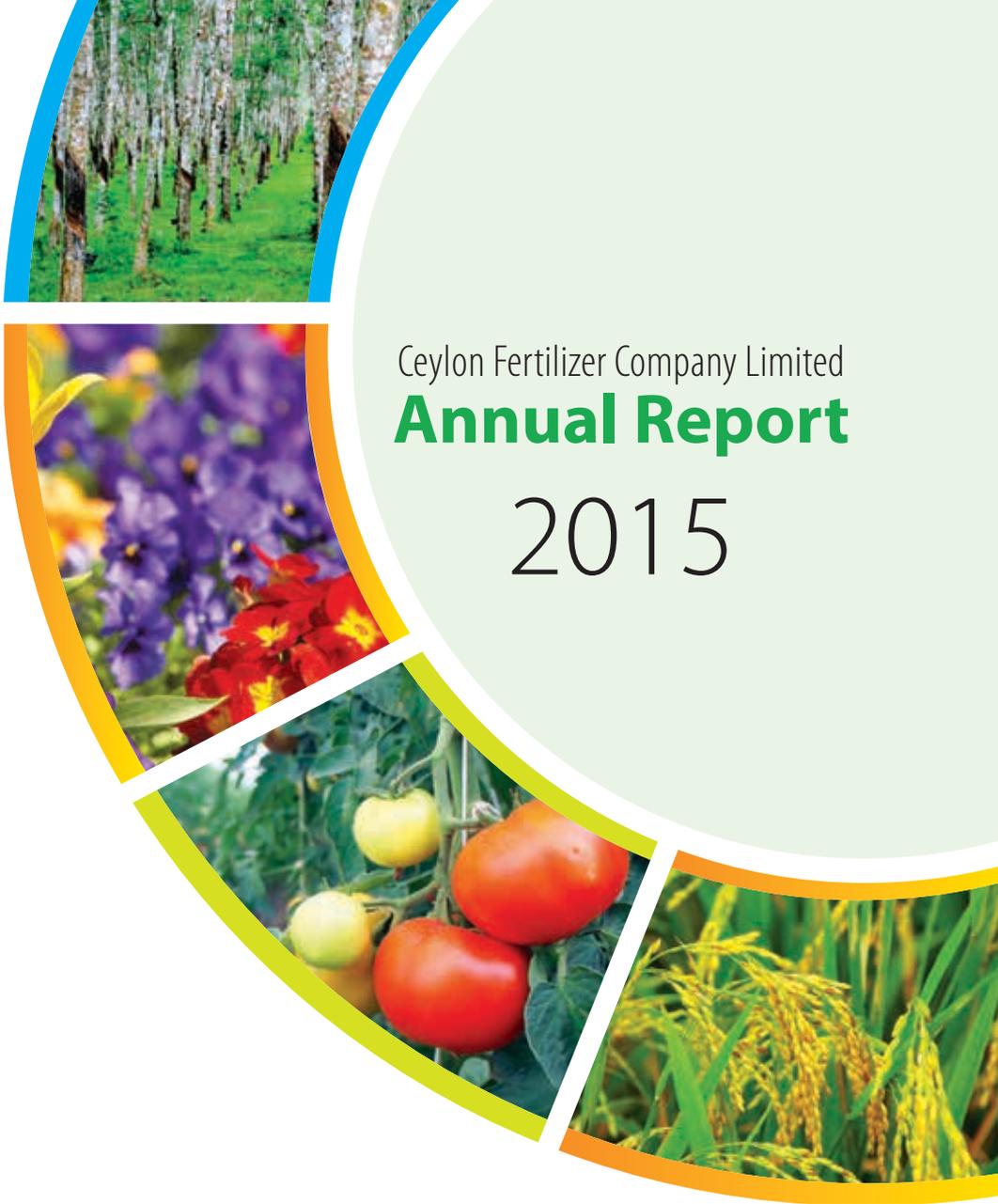
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Ceylon Fertilizer Company Limited
Annual Report
2015



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

Telephone : 011-2 930 298 / 99 | Fax : 011-2 947 763
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Lakpohora Awards



CNCI Achievers Awards 2014
National Level Merit Award



Annual Reports Awards
2014 Compliance Award



National Agri Business
Awards 2014 Silver Award



ISO 14001: 2004 Environmental
Quality Certification



JASTECA CSR Awards
2014 Metit Award



Akimoto 5S Awards
2014 Merit Award



National Business
Excellence Awards 2014
- Golden Award



SLCBCC Business Star
2014 Silver Award



Human Resource
Management Awards
2014 Silver Award



National Productivity
Awards 2014 - 2013/14
Second Place



Human Resource
Management Awards
2014 Merit Award

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Straight Fertilizer for Paddy Cultivation

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



Company as a Whole

Ceylon Fertilizer Company Limited, a fully state owned company, operates under the Ministry of Agriculture. The company was established in 1964 under the State Industrial Corporations Act of 49 in 1957 with Financial and Technological support from the Republic of Germany.

This company was re-established as Ceylon Fertilizer Company Limited with effect from September 15, 1992 under the Act Number 23 of 1987 and in compliance with the transforming of Government Corporations and state owned business entities into Government Companies.

Presently it has been registered under the Companies Act Number 07 of 2007.

In 2008, Thamankaduwa Agri Fertilizer Company was incorporated into this company and it is in operation as the Polonnaruwa Stores Complex of Ceylon Fertilizer Company.

Ceylon Fertilizer Company Limited is committed to fulfill the fertilizer needs of the Sri Lankan agricultural community by importing chemical fertilizer, mixing and manufacturing quality fertilizer and distributing via regional stores and authorized dealers island wide.

.....
 This company was re-established as Ceylon Fertilizer Company Limited with effect from September 15, 1992 under the act number 23 of 1987 and in compliance with the transforming of Government Corporations and state owned business entities into Government Companies.



Corporate Information



Company Name

Ceylon Fertilizer Company Limited

Company Registration Number

PB 499

Legal Nature

A limited liability company incorporated in Sri Lanka with the full ownership of the Secretary of the Treasuries.

Registered Office and Address

Ceylon Fertilizer Company Limited
Lakpohora Swarna Jayanthi Mawatha, Hunupitiya, Wattala.
Telephone : 011 – 2 930 298 / 99 | Fax : 011 2 947 763
E-mail : lakpohora@sltnet.lk | Web : www.lakpohora.lk

Board of Directors

Chairman

Mr. Buddhika Madihahewa 18. 02. 2008 – 09. 02. 2015
Mr. Roshana Waduge 19. 02. 2015 – 31. 03. 2015

Working Director

Mr. Sudarshana Ganegoda 12. 05. 2010 – 09. 02. 2015
Mr. Chanadana Palpita 19. 02. 2015 – 31. 03. 2015

Working Director

Mr. Premasiri Abeynayaka 2010.06.07-2015.02.09
Mr. Madhawa Waththegama 19. 02. 2015 – 31. 03. 2015

Director

Mr. H. M. Ajithchandra (Additional Director General)
 Treasury Operations Department
 20. 05. 2011 – 09. 02. 2015
Mrs. Ja. M. S. D. Rathnayaka (Additional Director General)
 National Policy Planning Department
 10. 03. 2015 – 31. 03. 2015

Mr. A. L. A. Ashoka Siriwardhana Additional Secretary (Administration)
 Ministry of Agriculture
 28. 10. 2003 – 09. 02. 2015
Mrs. Anoja Herath Director Development
 Ministry of Agriculture
 25. 02. 2015 – 31. 03. 2015

Mr. Nevil Abeyrathna (Attorney-at-Law and Notary Public)
 07. 06. 2010 – 09. 02. 2015
Mr. Hemaka Lasith Balasuriya 19. 02. 2015 – 31. 03. 2015

Mr. Dhammika Dahanayaka (Attorney-at-Law and Notary Public)
 03. 05. 2013 – 09. 02. 2015
Mr. Upul Peiris 19. 02. 2015 – 31. 03. 2015

Company Secretary

Mr. S. P. Morawaka
 (Attorney-at-Law and Notary Public)

Management Team

Mr. Pradeep Yasarathna General Manager
 01. 04. 2014 – 28. 01. 2015
Mr. Priyantha Samaraweera General Manager (Acting)
 Manager (Finance)

Mr. B. D. L. Kumarasiri Chief Internal Auditor
Mr. P. S. K. Jayakodi Manager (Procurement & imports)

Mrs. H. M. T. P. Herath Manager (Administration & Human Resources)
Mr. R. A. Priyantha Perera Manager (Distribution)

Mrs. R. P. S. Bodhipala Manager (Marketing & Sales)
Mr. D. M. N. A. Disanayaka Manager (Technical)



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



Vision

To become the new world's leading diversified organization that provides agricultural and related new products, services and applications as the leader in the Sri Lankan fertilizer market.



Mission

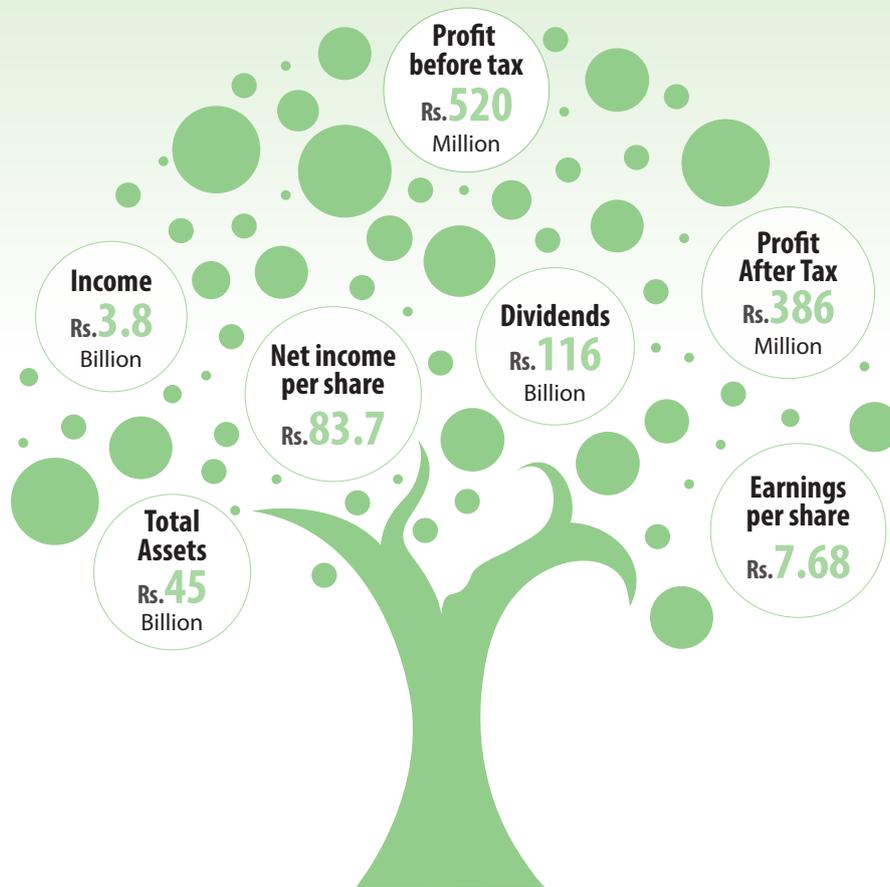
Ensuring the profitable sustainability of the company by manufacturing and distributing fertilizer catering to the multitude of market demands in order to increase products, income and profitability in the Sri Lankan agricultural and farmer community services with the maximum contribution of the Lakpohora family in compliance with state policies.



For Other Crops

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

Financial Highlights



Income Statements and Rates		2015	2014	Difference
		Rs.	Rs.	%
Income	Rs.	3,835,989,834	2,563,549,727	50%
Profit before tax	Rs.	520,200,738	241,328,764	116%
Income tax cost	Rs.	134,184,888	62,869,312	113%
Profit after tax for the year	Rs.	386,015,851	178,459,452	116%
Dividends	Rs.	115,804,755	52,930,556	119%
Earnings per share	Rs.	7.68	3.55	116%
Return on assets	Rs.	87%	0.49%	-
Return on equity	Rs.	9.2%	4.6%	-
Financial Status Statements and Rates				
Total Assets	Rs.	44,549,598,217	36,266,731,182	23%
Total Equity	Rs.	4,205,441,355	3,838,543,092	10%
Number of shares issued	No.	50,245,608	50,245,608	-
Net asset per share	Rs.	83.70	76.40	10%

Financial Summary for Last 10 Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	SLAS	SLAS	SLAS	SLAS	SLAS	SLAFS	SLAFS	SLAFS	SLAFS	SLAFS
	(For 7 Month) (For 7 Month)									
Extended Income Statement										
Income	1,738,890,120	1,597,921,714	900,461,713	1,370,080,315	1,904,299,851	2,246,402,738	2,496,268,383	2,450,132,816	2,563,549,727	3,835,989,834
Gross Profit	123,581,353	236,228,785	204,414,682	221,286,371	322,826,103	414,124,001	310,189,751	621,684,097	575,467,461	855,558,167
Other Income	166,406,012	146,931,059	76,899,044	130,892,642	132,287,779	157,164,017	197,912,757	108,809,998	93,172,755	142,197,667
Profit Before Tax	20,738,590	3,599,741	26,957,610	35,088,271	42,411,705	73,979,009	159,544,495	199,894,319	241,328,764	520,200,738
Tax	(10,762,878)	(13,771,790)	(19,766,392)	(25,092,763)	(35,000,000)	(43,666,668)	(52,315,944)	(73,037,738)	(62,869,312)	134,184,888
Profit After Tax	9,975,712	(10,172,049)	7,191,217	9,995,508	7,411,705	30,312,341	107,228,551	126,856,581	178,459,452	386,015,851
Financial Status Report										
Stated Capital	444,456,080	444,456,080	444,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080	502,456,080
Recounting Reserves	1,616,307,519	1,616,307,519	1,616,307,519	1,616,307,519	1,986,087,280	1,986,087,280	1,836,179,780	1,835,723,580	1,835,723,580	1,833,071,080
Income Reserves	194,370,332	184,198,282	191,389,499	201,385,007	208,796,713	224,109,054	1,285,578,730	1,397,891,510	1,500,363,432	1,869,914,195
Total Liabilities	2,255,133,931	2,244,961,881	2,252,153,098	2,320,148,607	2,697,340,072	2,712,652,414	3,624,214,590	3,736,071,170	3,838,543,092	4,205,441,355
Property, Cost & Equipment	1,638,495,136	1,647,477,060	1,642,814,214	1,686,442,553	1,902,075,430	1,895,412,152	1,908,557,760	1,882,887,059	1,879,174,306	1,865,055,225
Continuing Capital Work	17,895,434	17,895,434	17,895,434	20,024,735	15,934,103	542,901	-	-	-	29,982,587
Differed Tax Expense	-	-	-	-	-	-	4,862,949	73,037,738	5,561,375	37,484,888
Investment Treasury Bills	113,633,853	132,782,037	146,109,366	172,614,796	332,205,456	434,767,955	471,025,753	338,620,163	471,894,936	489,125,747
Hidden Assets	-	-	-	-	-	-	-	669,017	344,717	115,417
Differed Tax Income	-	-	-	-	-	76,814,523	71,951,574	-	-	-
Net Mobile Assets	600,912,136	582,772,763	592,829,041	610,949,150	12,476,640,540	6,975,143,544	1,706,541,296	1,915,693,141	2,025,842,182	2,417,551,302
Differed Tax Debits	-	-	-	-	-	-	-	1,086,164	6,647,539	44,132,427
Short/Long Term Credit	-	-	-	-	11,837,929,928	5,369,929,928	-	-	17,728,367,618	31,304,325,268
Cash Flow Statement										
Net Cash Flow from Operational Activities	(4,487,339,145)	(5,537,840,553)	(9,812,750,171)	(23,925,719)	(12,169,047,254)	(16,012,155,140)	12,695,227,509	(9,517,159,808)	(5,094,105,859)	(9,560,794,959)
Net Cash Flow from Investment Activities	4,509,295,472	5,347,791,109	9,796,712,574	(85,865,511)	12,216,587,459	(36,565,665)	(8,458,411)	83,232,936	(508,688,188)	(1,021,212,231)
Net Cash Flow from Financial Activities	(30,008,448)	(40,493,187)	(19,176,247)	46,739,763	(159,725,222)	16,168,483,382	(13,079,312,780)	9,575,483,282	5,654,013,585	10,614,850,014
Other Information										
Income per Share	0.22	(0.23)	0.16	0.22	0.17	0.60	2.13	2.52	3.55	7.68
Dividend per Share	-	-	-	0.06	0.06	0.18	0.18	0.76	1.05	2.3
Net Income per Share	51	51	51	46	54	54	72	74	76.4	83.7
Mobile Rate (Terms)	1.17	1.10	1.07	1.04	2.09	1.29	1.08	1.08	1.06	1.06



For Coconut

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



Message from the **Chairman**

The primary operating policy of Ceylon Fertilizer Company Limited is to fulfill the needs of the Sri Lankan farming community whilst achieving the corporate vision as per state policies. Company's operations in 2015, having incorporated with the proposals for empowering agriculture, apparently have reached a distinctive position. In this perspective it is important to review the future developments that would be in line with the corporate plan and reassure our current position.

Compared to many challenges and numerous issues faced by the agricultural sector in other countries, the industry of agriculture in Sri Lanka has achieved a rapid development. It managed to play a key role in the positive economic development process in the recent past.

With regard to the corporate development and progress of Ceylon Fertilizer Company Limited the continuous and successful process of fertilizer distribution throughout the island has greatly contributed towards the corporate development.

I am grateful for the blessings and guidance of His Excellency the President Maithripala Sirisena and for the invaluable guidance and co-operation extended by the Honourable Minister of Agriculture, Mr. Duminda Dissanayake, the Secretary of the Ministry and the other officials of the ministry.

The net assets amount of Ceylon Fertilizer Company Limited in the financial year of 2014/15 has increased up to Rs. 1,922 Million and the profit before tax of Rs. 241 Million in 2013/14 increased up to Rs. 520 Million recording the highest ever profit before tax amount in the corporate history.

I am proud to state that the Board of Directors have planned to pay a dividend of Rs. 116 Million this year to the treasury, the shareholder of the company.

The tax amount paid to the government in the year of 2014/15 was Rs. 134 Million. Company has been continuing its operations without taking any financial support from the integrated state fund.

Company has storage facility to fulfill the paddy fertilizer needs of the farmers island wide through 376 farmer service centers. An authorized dealer network of about 1500 dealers has been established in order to sell other subsidiary fertilizer. Our distribution network consisting of 52 regional stores helps us greatly to maintain a close relationship with our customers.

An efficient strategic process has been implemented by the company to gain the market share and as a result of that the sales capacity has grown. As a

promotions approved by the Management Services Department have been standardized enabling all employees the opportunities of getting promotions based on their skills and qualifications.

A very efficient computer system with soft-wares and hard-wares having reference facilities is being maintained by the company and training programmes to educate the computer users of the new updated soft-wares installed are also held from time to time.

Ceylon Fertilizer Company Limited always contributes towards the community and regards it as a social responsibility. The company believes in understanding key performance and future goals for long term corporate sustainability.

As a result of achieving sales targets in the highly competitive market, the company's sales income has increased by Rs. 1.3 Billion


Roohana Waduge
Chairman

result of achieving sales targets in the highly competitive market, the company's sales income has increased by Rs. 1.3 Billion.

A special achievement made by the company last year was the ISO 14001:2004 Environmental Standards Certification. In order to achieve short and long term strategic goals the work force has been managed in a very productive manner and recruitments under the processes of employ recruitments and



Statement from the **General Manager**

I am pleased to present the audited financial statement and the annual report for the financial year of 2014/15 and address all of you, our valued shareholders when yet another financial year comes to an end. As all of you know, Ceylon Fertilizer Company Limited has been recognized as a state owned reputed company that has offered services to the Sri Lankan farming community for 50 years.

Winning the Compliance Award of the Competition for Annual Reports in 2014 organized by the Institute of Chartered Accountants of Sri Lanka

Winning Merit Awards at the Ian Dias Abeysinghe Memorial JASTECA CSR Awards Ceremony 2014 organized by Japan Sri Lanka Technological and Cultural Organization

Winning Merit Awards at the Akimoto 5S Awards Ceremony 2014 organized by Japan Sri Lanka Technological and Cultural Organization

Winning the Silver Award under the state category of the Human Resources Management Awards Ceremony 2014 organized by the Association of Human Resources Professionals in Sri Lanka and the Association of Human Resources Professionals in India.

Winning the Gold Award under the category of large scale manufacturing at the National Business Excellence Awards Ceremony 2014 organized by the National Chamber of Commerce in Sri Lanka is a great achievement made by us last year. This, being the only Gold Award won by Ceylon Fertilizer Company Limited in its history of 50 years, indeed was significant for us.

We hope to continue our focused growth strategy during the financial year of 2015/16 in compliance with the state strategy. Our objective is to expand our operations to identified growth markets in the country. Focus has been directed at understanding the challenges that could arise in the industry and we

strongly believe that we will be able to face them successfully. As a key point of our strategy we are planning to implement a new soft ware (EPR) system and technological innovations in order to increase productivity and effectiveness of our company. Our strategy of developing the market for other crops and field crops and continuously supervise the developments and trends in this sector to ensure that the processes are carried out in compliance with the market conditions will be continued by us in the financial year of 2015/16. We are planning to extend our operations towards producing organic fertilizer since we expect a more increased level of development and currently we have a technological background with which we can offer a more efficient service to our customers. Our market activities will be properly managed as per the government's vision of minimizing the practice of using chemical fertilizer. We expect to invest in developing our skills bank by providing training in the areas of technology, soft skills and leadership in order to perform more effectively in a very competitive market condition.

Since the emerging market development rates have decreased last year's business objectives will remain unchanged in this year too. Focusing on increasing the profit margins by continuing our corporate strategies is also a goal we have for 2015/16. Our expectation hence is to see 2015/16 as a year of challenges.

Yet another goal of ours on our way towards the future with confidence would be to generate income for our shareholders. We commit ourselves and contribute towards achieving Sri Lanka's economic and development goals with a

corporate strategy that would be in line with the national strategy for income generation. With our experienced and efficient team of employees we will always be able to secure new development opportunities. I commit myself to give leadership, vision and strategic direction to the Chairman and the Board of Directors as I did in the last year, to make a new era of development with a wider vision in the next business year.

I wish to express my heart-felt gratitude to the Chairman and the Board of Directors who extended their guidance and continuous support to make the year of 2014/15 yet another year of special achievements irrespective of many hurdles and difficulties. I am thankful to the Management team and all the members of the family of Lak Pohora who have continuously committed themselves towards achieving the vision of our company.

The customers who placed their trust in us are the foundation of our success so far and I assure that we will be committed more and more to fulfill their needs in the years to come. Last but not least, our shareholders who extended their support and always stayed with us deserve my appreciation and gratitude. We are ready to welcome the new year with self-determination and dedication.

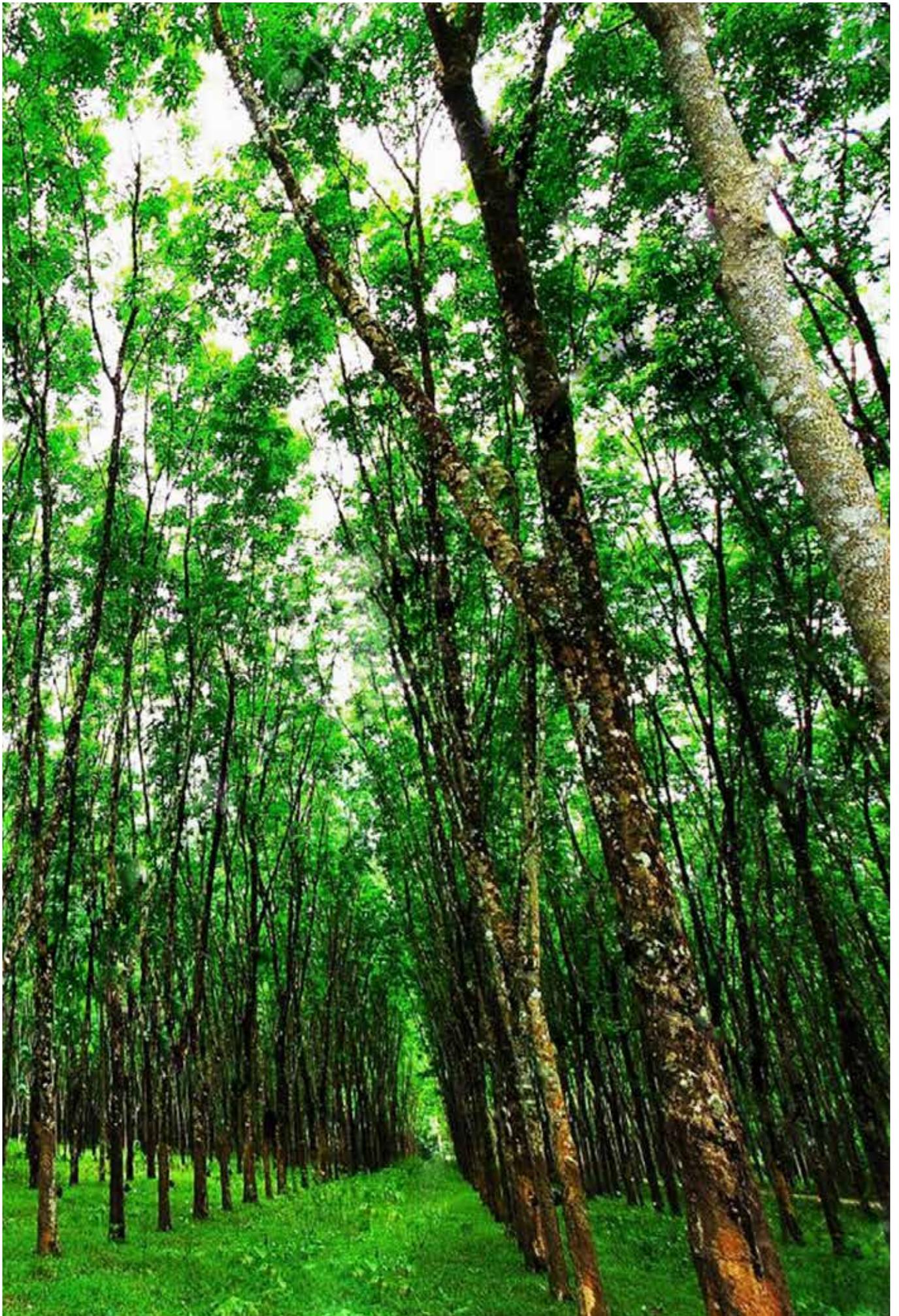


Priyantha Samaraweera
General Manager



For Rubber Cultivation

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



BOARD OF DIRECTORS



**Mrs. Anoja
Herath**

Director

**Mr. Chandana
Pelpita**

Working Director

**Mr. Upul
Peris**

Director

**Mr. Roshana
Waduge**

Chairman



**Mr. Hemaka
Lasith Balasuiya**
Director

**Mr. Madhawa
Wattegama**
Working Director

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

Board of Directors



Mr. Roshana Waduge

Chairman

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

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

He presided the Lions Club of the capital city of Kotte for 2 years and performed duties as its member Director for 3 years and works as the Director of the District

306 C International Lions Club.

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

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



Mr. Chandana Pelpita

Working Director

After completing his primary and secondary education at Asoka College and Ananda College, Colombo, Mr. Chandana Pelpita obtained Masters Degree in Industrial Relationships and Human Resource Management from the University of Delhi, India.

He has obtained a Diploma in Business Management from the National Institute of Labour Education and Management in India and gained experience in the management field by working at the senior management level for over 15 years in India and Sri Lanka.



Mr. Madhawa Waththegama

Working Director

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

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

Mr. Hemaka Lasith Balasuriya

Director

Mr. Hemaka Balasuriya has obtained his Post Graduate Degree in Business Administration from the University of Wales and a Post Graduate Diploma in Marketing from the Institute of Chartered Marketers.

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

Board of Directors



Mr. Upul Peiris

Director

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

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



Mrs. Shiranthi Dhammika Rathnayaka

Director

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

Being a member of the Sri Lanka Economics Association and Sri Lanka Policy Planning Association, she has worked as a Standards Officer at the Sri Lanka Standards Institute (1993 – 1994), as an Assistant Director of the Finance and National Implementations Department (1994 – 2004), as an Assistant Director in the Development Finance Department of the same Ministry and as the Project Director of the Programme

for Rural Finance Sector Development. After performing her duties as the Director in the Department of Budget Preparations of the same Ministry from 2011 to 2013, she is presently working as the Director General – Economics in the Ministry of National Implementations.

She has taken part in research studies of a number of local and international universities including the University of Melbourn in Australia, IDEAS School in Japan and the University of Colombo and with effect from March 10, 2015 she has been working at Ceylon Fertilizer Company Limited as absolute shareholder and officially appointed member to the Board of Directors representing the National Treasuries.



Mrs. Anoja Herath

Director

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

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

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

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

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



Mr. S. P. Morawaka

Company Secretary

Being a lawyer who has gained his training on The Intellectual Property Law in countries like France, Germany and Switzerland, Mr. S. P. Morawaka has worked as the former Company Registrar. He has been working as the Company Secretary of Ceylon Fertilizer Company Limited for last 11 years.

Management Team



Mr. Priyantha Samaraweera

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

Mr. Lal Kumarasiri

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.

Mrs. Tharanga Herath

Mrs. Tharanga Herath, who has obtained a Bachelors Degree (University of Kelaniya) and a Post Graduate Degree in Human Resources Management (University of Kelaniya), is the Human Resources Manager of the company. She holds a Post Graduate Diploma in Human Resources Management (University of Kelaniya) and Certificate in Change Management (Oxford University – United Kingdom). She is the former Assistant Regional Secretary in Rathmalana and a former Secretary of the Ministry of Wildlife.



Engineer Mr. Kumara Jayakodi

Company's Procurement and Imports Manager, Mr. Kumara Jayakodi has obtained the Bachelors Degree - Special (Engineering) and a Post Graduate Diploma in State Procurement and Contract Administration. He has experience in telecommunication Engineering and road constructions as well.

Mrs. Suranganie Bodhipala

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.

Mr. Priyantha Perera

Company's Distribution Manager, Mr. Priyantha Perera has a Bachelor of Arts Specialized in Sociology University of Colombo, Diploma in IT & Management reading for Diploma in Productivity in National Productivity Secretariat, Professionally Specialized in HRM, Fire & Safety, Industrial Health & Safety, Equipment & Material Maintenance.

D. M. N. A. Mr. Dissanayake

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.

Management Review and Analysis



Business Review

The gross national productivity recorded as 7.3 percent in 2013 recorded a higher growth of 7.4 percent to the Sri Lankan economy in 2014 and as a key source of this the contribution from the agricultural sector recorded 0.3 percent in the reviewed year. This growth which contributed to the gross national productivity by 10.1 percent and to the employments by 28.5 percent has received the maximum contribution from all the cultivation industries including paddy. Due to the effect of changing weather conditions the rice production decreased by 27 percent resulting in reducing country's total rice production to 3.38 million metric tons. Tea production remained at almost the same level as in 2013 and the production of other field crops which was 3.4 percent increased up to 7.2 percent (up to 1,035,012 million metric tons). Main reason for this was the increased import tax for other crops. Production of pepper, nutmeg, areca nut and citrus had decreased and a slight increase in the production of cinnamon, cocoa and cardamom could be seen. Vegetable

production had gone up by 07 percent (up to 1,279, 155 metric tons).

Contributions were made towards developing the agricultural sector by distributing 315,850 metric tons of subsidiary fertilizer with an approximate cost of Rs. 40 billion under national fertilizer subsidy programme in 2014. More than 75 percent of the quantity of fertilizer imported for paddy cultivations by the two state companies, Ceylon Fertilizer Company Limited and Colombo Commercial Fertilizer Company Limited, was consumed for the total paddy cultivations in the year.

The company is making all the arrangements to introduce organic fertilizer manufacturing with the name of 'Corporation Compost' in the next year to minimize the harmful effects of using chemical fertilizers on a long term basis.

As a result of the efforts made by private and state companies to achieve their market share following the introduction of the National Fertilizer Subsidy Programme for other crops in 2011 the sale of fertilizer for other crops increased rapidly.

Corporate Review

The key objective of Ceylon Fertilizer Company Limited, Sri Lankan farmer's friend in need who imports fertilizer and distributes it in mixed and unmixed forms, is to function as a state institute that is committed to develop the agricultural industry.

Fully committed to distribute quality fertilizer as and when it is necessary to the farmers island wide, our company ensures the highest standard of all imported fertilizer by getting them tested for quality by industrial research institutes. Samples of each type of fertilizer distributed from our stores to authorized dealers are tested at our own laboratory, which has been authorized by the Sri Lanka Authorization Board and ISO/IEC/17025:2005 certified.

Our company's central stores complex in Hunupitiya, Wattala has a capacity of 67,000 metric tons and 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 52 stores island wide is 20,000 metric tons.

Manufacture of mixed fertilizer is done as per state recommended rates to suit each crop at the central stores complex. Introduction of the five-fold concept to the Head Office has boosted the efficiency of our staff and the

company has won the ISO 9001:2008 Quality Management System Certificate.

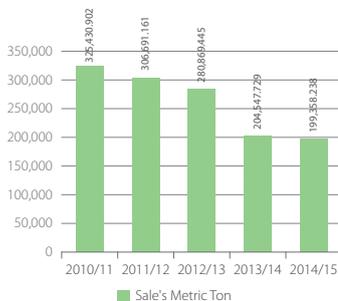
Without limiting ourselves to supplying unmixed fertilizer for paddy cultivations, we supply special chemical fertilizer for tea, coconut, rubber, vegetables, fruits and other crops also and presently we are making arrangements to introduce organic fertilizer under the name of 'Corporation Compost' to the farmers in due course.

Our new products are marketed through our island wide dealer network and the supermarkets including Arpico, Cagills and Keels promoting our brand name 'Lak Pohora' to a wider audience.

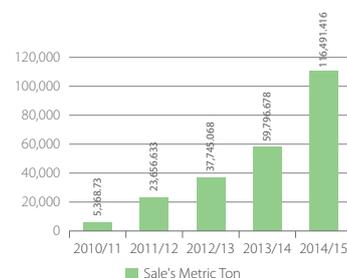
Extending company's corporate service responsibility, we offer sponsorships for sports, arts and religious programmes organized by many state and private organizations in addition to carrying out other corporate responsibility programmes on our own.

Organizing workshops and pocket meetings on our products and the usage of fertilizer, our representatives educate and support the customers continuously and as a result of such efforts, the quantity of subsidiary fertilizer for other crops sold by us in 2013/14 increased by 201 percent in 2014/15 (116,491.416). It is recorded as the highest sale made during the period of last five years.

Sale of paddy subsidy fertilizer during last 05 years

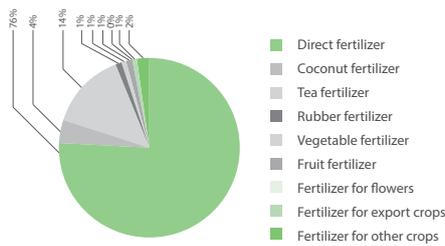


Sale of subsidy fertilizer for other crops during last 05 years



³ Reducing the recommended paddy fertilizer usage as per a policy decision of the government is indicated

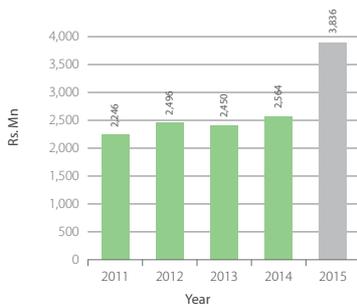
Crop-wise sale in 2015



Financial Review

Company recorded an income of Rs. 3.8 billion from the sale of fertilizer for paddy and other crops and that was an increase of 50% compared to the previous year.

Income



Sale of other or subsidy fertilizers has greatly contributed to company's income growth.

Contribution from the sale of paddy subsidy fertilizer to the total income in 2014/15 was 36% and it was a decrease of 12% compared to the previous year. Lower usage of paddy fertilizer as per a policy decision of the government and a strategic decision made by the government to promote the usage of organic fertilizer were the main reasons for the sales drop of paddy subsidy fertilizer.

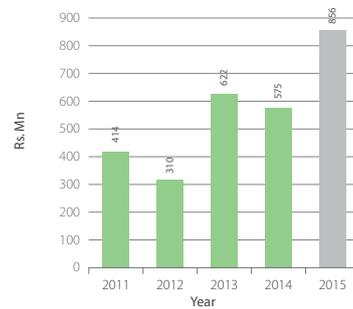
The sale of subsidy fertilizer for other crops contributed to the total income of the company by 67% with a considerable increase of 15% in 2014/15 and the sales target of the relevant year was well achieved.

Gross Profit

Company had recorded a gross profit of Rs. 855.5 Million in the financial year of 2014/15 and it was an increase of 49% compared to the previous

year. Increased sales of subsidy fertilizers for other crops had greatly contributed towards this increase.

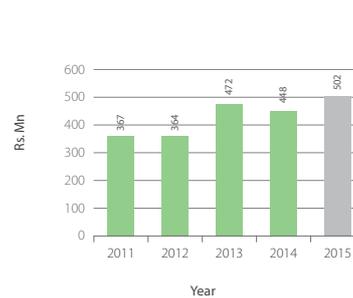
Gross Profit



Administrative Expenses

Company's administrative expenses for the financial year was Rs. 502 Million and it was an increase of 13% compared to the previous year.

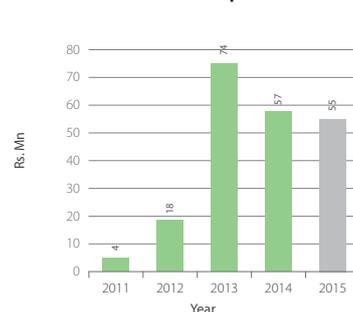
Administrative Expenses



Distribution Expenses

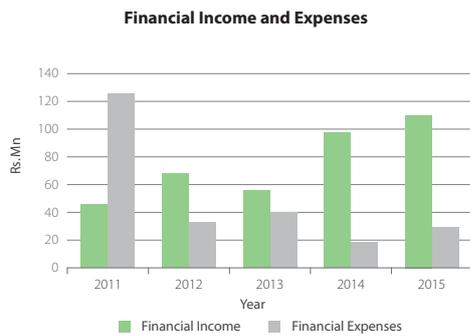
Company's distribution expenses had dropped to Rs. 55 Million and as a result of effective and efficient management, a considerable expansion of the distribution network had happened.

Distribution Expenses



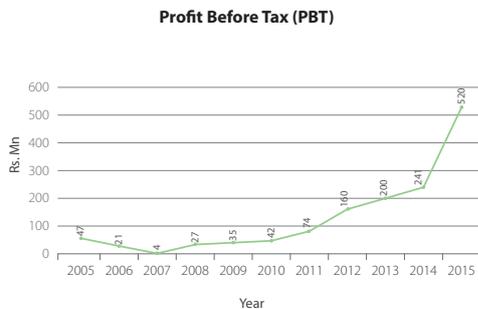
Financial Income and Expenses

Company's financial income has increased up to Rs. 110 Million in the financial year. Interest income related to the additional investments on fix asset and repurchase investments is included in the financial income. Company's expenses have increased by 57% compared to the previous year.



Profit Before Tax (PBT)

Company's highest ever profit before tax was recorded as Rs. 520 Million and it was an increase of 116% compared to the previous year.



Tax

Income tax cost for the financial year was Rs. 134 Million and it was Rs. 62.8 Million in 2013/14. Differed tax cost of Rs. 37 Million is included in the income tax cost. According to the Income Tax Act of No. 10 in 2006 and the revisions made later on, the company is under an income tax credit obligation of 28% each

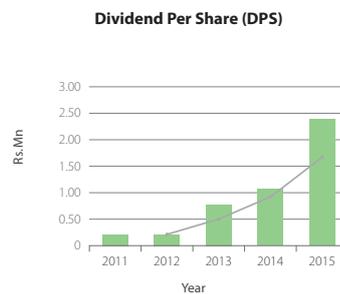
Earning Per Share (EPS)

The company recorded a value of Rs. 7.08 as highest ever earning per share in the financial year. This was an increase of 116% over the previous year.



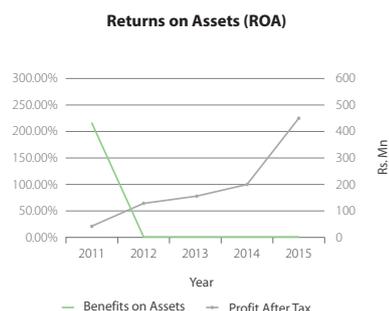
Dividend Per Share (DPS)

Dividend Per Share in the financial year was Rs. 2.3, the highest ever value recorded so far.



Returns on Assets (ROA)

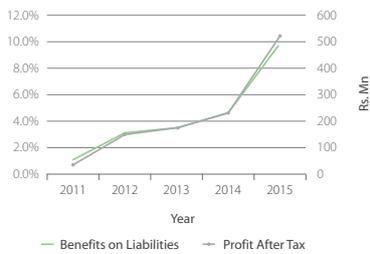
The company was able to generate a re-profit of 0.87% on total assets in the projected year. This was an increase of 93% compared to the previous year.



Returns on Equity (ROE)

The company generated a return on equity of 9.2% and it was an increase of 106% compared to the previous year.

Returns on Equity (ROE)



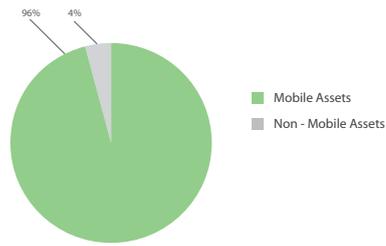
Asset Base

The company's total asset value, with non-mobile assets of 4% and mobile assets of 96%, was Rs. 44.5 Billion at the close of the financial year of 2015.

Total non-mobile asset of the company consisted mainly of properties, liabilities and equipment was Rs.1.9 Billion for the projected year.

Total assets had increased by Rs. 8.3 compared to the last year.

Asset Base



Cash Flow and Liquidity

Cash generated by way of operations and investments are the main cash sources of the company. Cash flow from operations was Rs. 9.5 Billion and the net cash flow from investments was Rs.1.0 Billion in the projected financial year. Cash flow from the company's financial functions in the reviewed year was Rs. 10.6 Billion.

Service Credit and Working Capital Requirements

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

Shareholders' Funds

Compared to shareholders' funds of Rs. 3.8 Billion in the previous year, it increased up to Rs. 4.2 Billion in the reviewed year and as a result of that retained earnings in the year had increased.





For Garden Crops

Fertilizer in small packs
for fruits, vegetables and flowers



Human Resources **Management**

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 Labour Laws presently being practiced in Sri Lanka. Furthermore, in order to practice Human Resources Management with higher levels of transparency, staff composition and the recruitment and promotion procedure have been prepared and obtained approval from the Department of Management Services.

Employee Benefit Plan

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

The defined benefit liability indicated in the financial status statement is annually calculated by a qualified assessor as recommended in 19 Accounting Standards of Sri Lanka and the provisions for pensions benefit liability would be calculated from the first service year of every employee.

Employee Motivation

Employees are motivated to perform their duties with team spirit since the job security is ensured as this is a state owned company. Essential employee motivation required for the company's success has been retained at a higher level through financial and non-financial benefits offered to employees.

Financial Benefits

- An annual incentive programme is implemented to evaluate individual performance of each employee.
- Allowances for tea, food and clothing etc are paid to liable employees.
- Cash is paid for balance medical leave.
- Mobile phones are provided to liable employees and mobile and direct line bills are reimbursed.
- Cash donations are offered to employees children who excel in educational, cultural or sports activities at local or international levels.



Other Benefits

- Offering official vehicles to Regional Managers who achieve sales targets.
- Offering motorcycles to District Sales Executives.
- Implementation of a medical scheme for employees and their family members.
- Offering local or foreign tours to District Sales Executives who record the highest sales.
- Maintaining an open communication policy that encourages free flow of communication from bottom to top.
- Spiritual development and skills development were achieved through various training

programmes including those on improving team work, positive thinking and team building. And opportunities were given to improve their proficiency in Information Technology and English Language.

- Implementation of an structural employee communications plan including monthly meeting to share knowledge and generate ideas in addition to general communication.
- Offering gold sovereigns recognizing employees with over 25 years of service.
- Joining hands with the National Apprenticeship and Industrial Training Authorities to offer national vocational qualification certificates to employees with identified vocational skills even though they are primarily not in the technical category.

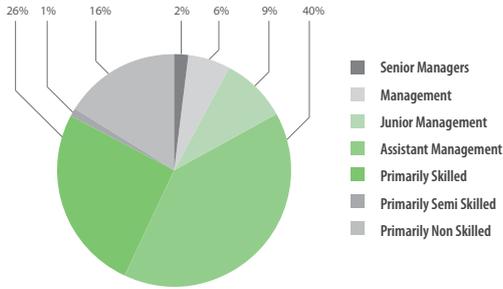


Our Staff Composition

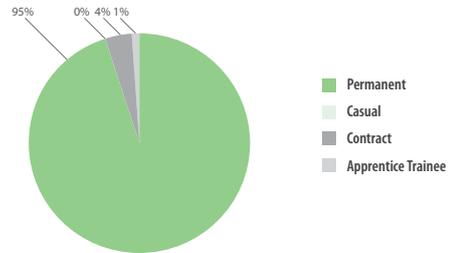
Commitment of the members of Lak Pohora is the secret of our success. We have a team of 429 employees who have committed themselves

to achieve the goals set under implementations of key strategic plans of the company. Employ categorization based on employment base, service category, areas and gender is given below.

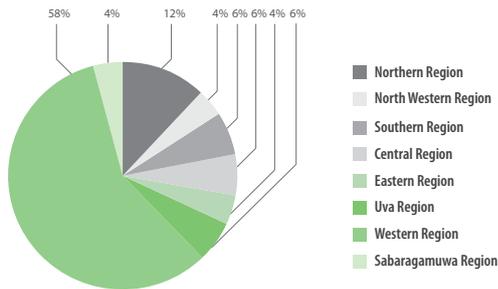
Permanent Employees as at 31. 03. 2015



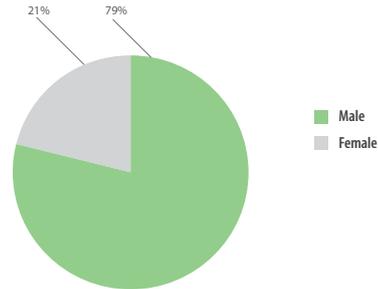
All Employees as at 31. 03. 2015



Permanent Employees on Provincial Basis as at 31. 03. 2015



Permanent Employees on Gender Basis as at 31. 03. 2015



Employee Health and Safety

Employees' health is an essential factor for company's continuous performance. Company always give priority to employees' health and safety in order to improve welfare and higher productivity.

In the event of an accident happened at the workplace the situation will be reviewed and cautionary steps will be taken according to the precautionary policy of the company to avoid such accidents in future.

Welfare of Human Resources

We have well understood the importance of a good working environment for our employees. That would facilitate our employees with opportunities to perform better, develop themselves, gain knowledge and face challenges. Our responsibility towards this and the investments made for the benefit of our employees will be continued.

And also, continuous Human Resources Development is focused mainly on areas like technical and skills development, leadership development, interest of employment, learning with experience and consultancy. All the training programmes are organized by the company with the help of internal and external professionals with expertise in relevant industries.

The company has been conducting ICT Training Programmes since 2010 and those who successfully complete these training programmes under sponsorship of the company are awarded with internationally recognized ICDL Certificate.

Special training programmes are organized at the Head Office and Regional Stores in Polonnaruwa for the employees in the marketing division to learn about chemical fertilizers.



Library facilities have been provided for employees to update and improve their knowledge.

Special Training Programmes for the Laboratory Staff for them to standardize fertilizer analyses in the modernized laboratory.



Receiving the Silver Award for the State Sector of the Human Resources Management Awards organized by the Association of Human Resources Management in India.

All the training programmes are organized by the company with the help of internal and external professionals with expertise in relevant industries

Retention

The company is proud of the achievement made by maintaining a lower employee cost in the financial year thanks to employment satisfaction facilitated through Human Resources Development, equality, friendly and learning atmosphere, opportunities for developing professional proficiency, benefits and facilities.

Employee cost as per age group

	Number of Employees	%
Below 30 Years	0	0
Between 30 -49 Years	5	2
50 Years and above	3	2.8

Employee cost as per gender

	Number of Employees	%
Male	3	0.93
Female	5	5.74
Total cost (%)		6.67

Spiritual Development

Special programmes are organized by the company for the spiritual development of the employees.

Religious rituals for the Buddha Statues installed in front of the office complex and at the Central Stores Complex in Hunupitiya are performed with the guidance of the Buddhist Society.

Rituals are performed for the statue of the 'Lord Ganesh' installed in front of the company in order to encourage religious cooperation.

In addition, our employees and their family members got together to celebrate 'Lak Pohora' Family Day and held Christmas Carols Concert



Our Society

Our Corporate Social Responsibility

Our Corporate Social Responsibility along with the policy led by it contributes towards the sustainable development of the country. With that, we grow as a company that is loved and trusted by all the interested parties and the entire society as a whole

Our Community

- Standard laboratory tests when introducing quality products
- Sponsorship programmes
- Respecting diversity
- Job oriented training programmes for university students
- Organizing and sponsoring community service programmes
- Training programmes to educate customers on the usage of fertilizer

Our Economy

- Reducing energy consumption
- Standardized laboratory tests to introduce environmental friendly products
- Contributing to the national programme on organic fertilizer
- Virgin and Green Environment Waste Management System
- Environmental Management System

Our Environment

- Contribution to the Development of the Agricultural Industry
- Direct and indirect employment opportunities
- Tax paying
- Benefits for shareholders
- Corporate governance

Our Community



Our Community Service

Retired Employees'
Get-together





Our Environment

Awarded with the ISO 14001:2004 Environmental Standards Management Certificate in 2014 by maintaining the office complex with virgin and green surroundings, through the commitment to protect the environment.





Corporate Governance

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

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

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

Board of Directors

The company is governed by a strong Board of Directors who hold the responsibilities of the company for the state or interested parties. A note on the Board of Directors is summarized in the pages 24 to 27.

Composition of the Board of Directors

Board of Directors consist of 7 members including the Chairman, covering the areas mentioned below.

- Experts in the fields of Management, Finance, Law and Agriculture.
- Representation of the Ministry of Agriculture and Treasuries.
- Two Directors representing executive aspects.

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මෙහෙවර

රාජ්‍ය ප්‍රතිපත්ති වලට අනුකූලව ලක්පොහොර පවුලේ උපරිම දායකත්වයෙන් ශ්‍රී ලංකාවේ කෘෂිකර්ම හා ගොවිජන සේවා ක්ෂේත්‍රයේ නිෂ්පාදනය, ආදායම හා ලාභදායීත්වය වැඩිකිරීම සඳහා බහුවිධ වෙළඳපල ඉල්ලුමට සරිලන පොහොර නිෂ්පාදනය හා අලෙවිය තුළින් සමාගමේ ලාභදායී තිරසාර පැවැත්ම තහවුරු කිරීම.

Mr. Ruwan Roshana Waduge	Chairman
Mr. Chandana Pelpita	Working Director
Mr. Madhawa Waththegama	Working Director
Mrs. J. M. S. D. Rathnayake	Representative of the Treasury
Mrs. Anoja Herath	Representative of the Ministry of Agriculture
Mr. Upul Peiris	Non Executive Director
Mr. Hemaka Balasuriya	Non Executive Director

Role of the Board of Directors

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

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

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

Appointing the Board of Directors

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

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

Board of Director Meetings

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

Directors' Allowances

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

Chairman

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

Secretary to the Board of Directors

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

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

with assistance to the members of the Board of Directors will be provided by him.

General Manager and The Senior Management

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

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

Financial Reports

Board of Directors are responsible for preparing annual financial reports indicating company's annual status and performance in an accurate and fair manner. Financial statements need to be prepared and presented in accordance with the financial recording standards of Sri Lanka and the Companies Act of No. 07 in 2007. Financial reports

should fully reveal the important information as and when they are required enabling the Board of Directors and the Senior Management including the General Manager perform their responsibilities effectively.

Annual Audit

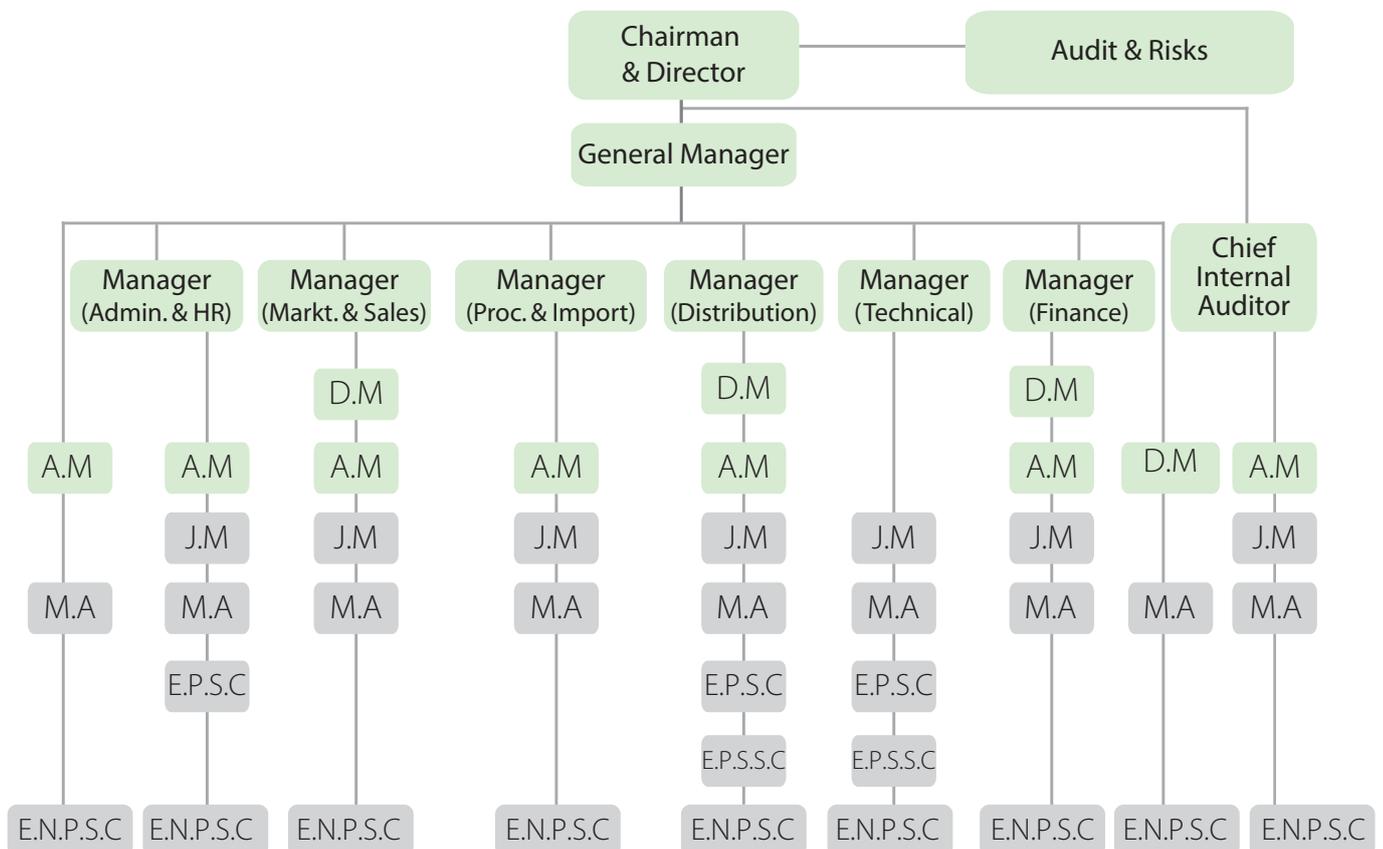
Annual Audit of the company is done by an external auditor who is recommended from the list of Chartered Accountants by the Auditor General /Treasury and approved by the Board of Directors upon the recommendation of the Audit and Management Committee. The Annual Audit Report is reviewed by the Board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

Audit and Risk Management Committee

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

Organizational Structure of the Company

Ceylon Fertilizer Company Limited



- D.M** - **Deputy Manager**
- A.M** - **Assistant Manager**
- J.M** - **Junior Manager**
- M.A** - **Management Assistant**
- E.P.S.C** - **Employees of the Primary Skill Services category**
- E.P.S.C** - **Employees of the Primary Semi Skill Services category**
- E.N.P.S.C** - **Employees of the Non-Primary Skill Services category**

Risk Management

Risk Management Process

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

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

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

Key Risk Factors

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

Strategic Risks

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

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

Business Risks

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

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

as the state, Coconut Research Institute, Tea Research Institute and the Rubber Research Institute.

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

Non-Business Risks

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

Operational Risks

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

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

Cash Risks

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

Credit Risk

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

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

Liquidity Risk

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

Market Risk

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

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

Exchange Currency Risk

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

Interest Risk

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

Regulatory Risk

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

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

Audit and Risk

Management Committee Reports

In the year ended on 31st March 2015, the Audit and Risk Management Committee has acted in accordance with the work rules recommended by the Board of Directors.

Committee Composition

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 2014/15.

1. Mr. H. M. Ajithchandra
Committee Chairman
From April 2014 to January 2015
2. Ms. J. M. S. D. Rathnayake
Committee Chairman
From February 2015 to March 2015
3. Mr. Nevil Abeyrathne
Committee Member
From April 2014 to January 2015
4. Mr. Asoka Siriwardhane
Committee Member
From April 2014 to January 2015
5. Mr. Hemaka Lasitha Balasuriya
Committee Member
From February 2015 to March 2015
6. Mr. L. S. G. Fernando
Observer
From April 2014 to January 2015
7. Mr. S. M. D. Senanayake
Observer
From February 2015 to March 2015

Committee Meetings & Attendance

Audit committee has formally assembled 12 times in this accpunting year. The chief internal auditor has functioned as the convener of the audit committee and upon the invitation of the committee, the General Manager, relevant divisional heads and other officials have attended the meetings to provide explanations.

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 programmes assigned to managers are in control and with a fair assessment confirming that the operations and programmes are carried out as planned and that the operational results are in line with established goals and targets,
5. Ensuring that the laws, regulations and other external requirements are in line with management policies.
6. Conducting special inquiries.

The audit committee supervised the internal audit process during the period of reporting, focusing on internal audit plan, audit programmes 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.

It is important to note that the first steps have been taken to start audit processes using an audit soft ware package. Internal audit reports of 52 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.

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

External Audit

Tudor V Perera and Company 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.

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.



J. M. S. D. Rathnayake
Audit and Management Committee Chairman
05. 11. 2015

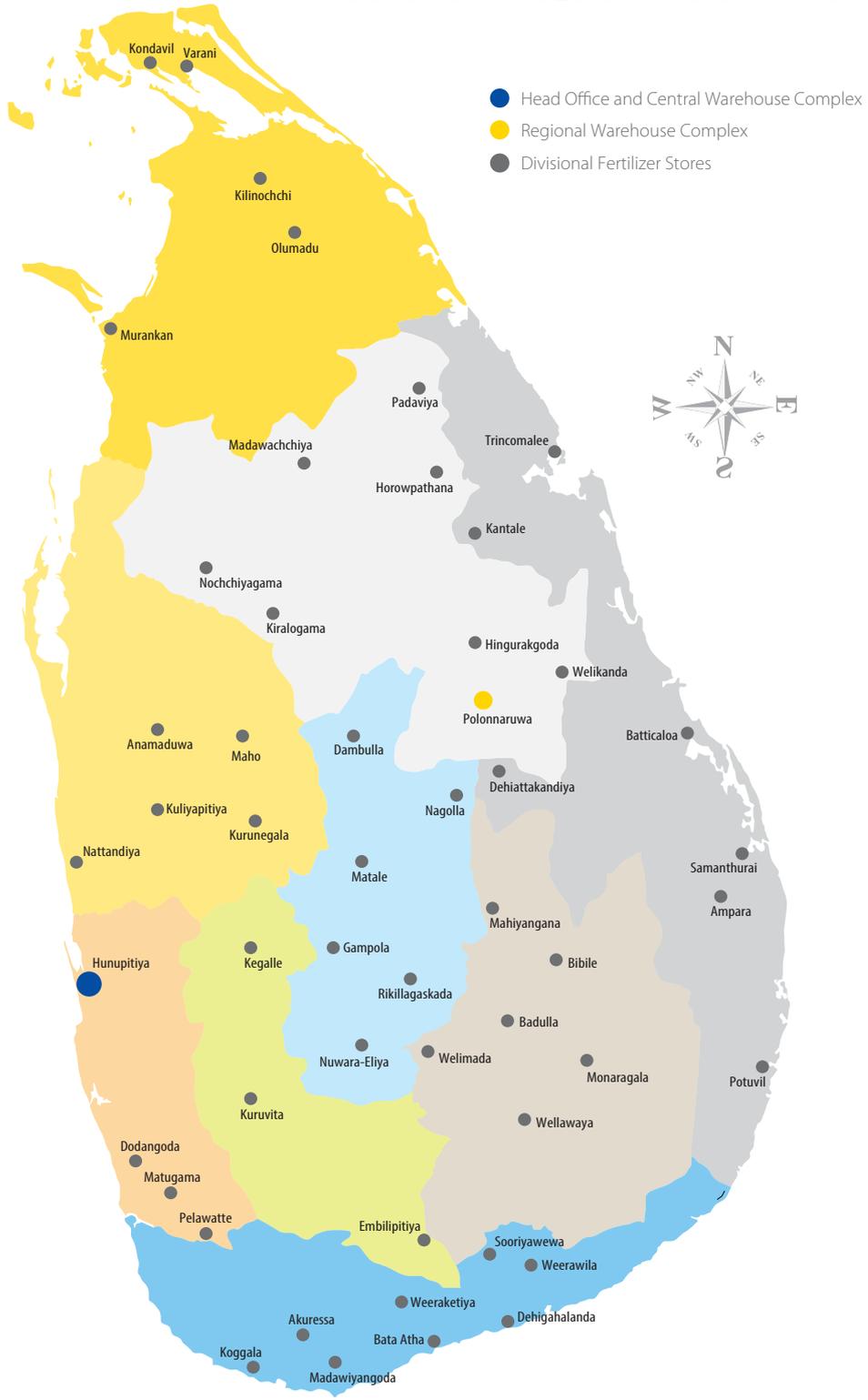
OUR GEOGRAPHICAL COVERAGE

53 Island wide fertilizer distribution warehouse network....



Ceylon Fertilizer Co. Ltd. Islandwide Fertilizer Distribution Network

- Northern Region**
Kondavil
Kilinochchi
Varani
Olumadu
Murankan
- North Central Region**
Padaviya
Medawachchiya
Horowpathana
Nochchiyagama
Kiralogama
Hingurakgoda
Welikanda
Polonnaruwa
- North Western Region**
Anamaduwa
Maho
Kuliyapitiya
Kurunegala
Nattandiya
Polgahawela
- Central Region**
Dambulla
Nagolla
Matale
Gampola
Rikillagaskada
Nuwara-Eliya
- Eastern Region**
Trincomalee
Kantale
Batticaloa
Dehiattakandiya
Samanthurai
Ampara
Pothuvil
- Western Region**
Hunupitiya
Dodangoda
Matuhgama
Pelawatte
- Sabaragamuwa Region**
Kegalle
Kuruvita
Embilipitiya
- Uva Region**
Mahiyanganaya
Bibile
Badulla
Wellimada
Monaragala
Wellawaya
- Southern Region**
Sooriyawewa
Weerawila
Dehigahalanda
Weeraketiya
Bata-Atha
Medawiyangoda
Akuressa
Koggala







Financial Statements

for the year ended 31st march 2015
Ceylon Fertilizer Company Limited

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries, 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 External Auditors, Messrs Tuder V Perera Co. who were appointed at the last Annual General Meeting were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements.

The report of the Auditors, shown on page 3 and 4 sets out their responsibilities in relation to 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.



S.P. Morawaka

By order of the Board
Ceylon Fertilizer Co Ltd.
Secretaries
July 30, 2015,

Chairman's and Financial Manager's Responsibility Statement

The Financial Statements of Ceylon Fertilizer Co.Ltd. As at 31st March 2015 are prepared and presented in compliance with the requirements of the following.

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

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

We have also taken proper and sufficient care in installing systems of internal control and accounting records, to safeguard assets, and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established policies and procedures of the Company have been consistently followed were provided by periodic audits conducted by company's internal auditors. However, there are inherent limitations that should

be recognised in weighing the assurances provided by any system of internal controls and accounting. The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits, and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by independent external auditors, Messrs Tuder V Perera Co. Chartered Accountants



Roshana Waduge
Chairman



Priyantha Samaraweera
Finance Manager
July 30, 2015.

TUDOR V. PERERA & CO.

Chartered Accountants

No.1177, D Mell Building, 3rd Floor Chatham Street, Colombo 01

T.P: 94 11 2431941 | Fax : 94 11 2320639 | E mail: tudov@slt.net.lk

Independent Auditor's Report

To The Shareholders Of Ceylon Fertilizer Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Fertilizer Company Limited, which comprise the statement of financial position as at March 31, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, except for the effects of the matter described in the below paragraph the financial statements give a true and fair view of the financial position of Ceylon Fertilizer Company Limited as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards. Without qualifying our opinion, we draw attention to Note 15, subsidies receivable from Treasury amounting to Rs. 39,660,734,217/- which have accumulated over three financial years.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 7 of 2007.


TUDOR V. PERERA & CO.

Chartered Accountants

Colombo.

October 29, 2015

CEYLON FERTILIZER COMPANY LIMITED
**Statement Of Comprehensive Income
For the Year Ended 31st March 2015**

(Expressed in Sri Lankan Rupees)

	Note	2015 March	2014
Revenue	3	3,835,989,834	2,563,549,727
Cost of Sales	4	(2,980,431,667)	(1,988,082,266)
Gross Profit		855,558,167	575,467,461
Other Operating Income	5	142,197,667	93,172,755
Administrative Expenses	6	(502,180,495)	(447,891,771)
Distribution Expenses	7	(55,408,645)	(57,427,928)
Profit from Operation		440,166,694	163,320,517
Net Finance Income	8	80,034,044	78,008,248
Profit before Taxation		520,200,738	241,328,764
Income Tax Expenses	9	(134,184,888)	(62,869,312)
Profit for the Year		386,015,851	178,459,452
Basic Earnings per Share	10.1	7.68	3.55
Dividends per Share	10.2	2.3	1.05

Figures in brackets indicate deductions

The significant Accounting Policies and Notes from Page No. 5 to 19 form an integral part of the Financial Statement.

(Expressed in Sri Lankan Rupees)

	Note	2015 March 31	2014
ASSETS			
Non Current Assets			
Property, Plant and Equipment	11	1,865,055,224	1,879,174,306
Work in Progress	12	29,982,586	-
Intangible Assets	13	115,417	344,717
Total Non Current Assets		1,895,153,227	1,879,519,023
Current Assets			
Inventories	14	495,391,114	368,758,034
Trade and Other Receivables	15	39,729,774,663	32,705,019,856
Employees Loans and Advances	16	33,861,873	33,926,652
Held-to-Maturity Investments	17	489,125,747	471,834,936
Other Financial Assets	18	1,833,364,544	768,606,042
Cash and Cash Equivalents	19	72,927,049	39,066,639
Total Current Assets		42,654,444,990	34,387,212,159
Total Assets		44,549,598,217	36,266,731,182
EQUITY AND LIABILITIES			
Equity			
Stated Capital	20	502,456,080	502,456,080
Revaluation Reserve	21	1,833,071,080	1,835,723,580
Retained Earnings		1,869,914,195	1,500,363,432
Total Equity		4,205,441,355	3,838,543,092
Non Current Liabilities			
Retirement Benefit Obligation	22	50,189,133	50,189,133
Government Grants	23	12,941,616	9,981,441
Deferred Taxation	24	44,132,427	6,647,539
Total Non Current Liabilities		107,263,176	66,818,113
Current Liabilities			
Trade and Other Payables	25	8,587,796,894	11,362,419,612
Interest Bearing Borrowings	26	31,304,325,268	20,646,483,768
Deposits and Advances Received	27	164,340,003	116,261,797
Dividends Payable		-	52,930,556
Current Tax Liability	28	53,690,008	4,580,806
Accrued Expenses and Provisions	29	120,185,335	173,154,847
Bank Overdrafts	19	6,556,178	5,538,591
Total Current Liabilities		40,236,893,686	32,361,369,977
Total Equity and Liabilities		44,549,598,217	36,266,731,182
Net Asset Value per Share		83.70	76.40

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 5 to 19 form an integral part of the Financial Statements.

It is certified that these Financial Statements have been prepared in compliance with the requirements of Companies Act No. 07 of 2007.


Finance Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board.


Chairman


Director

CEYLON FERTILIZER COMPANY LIMITED
Statement Of Changes In Equity
For The Year Ended 31st March 2015

(Expressed in Sri Lankan Rupees)

	Stated Capital	Revaluation Reserve	Retained Earnings	Total
Balance as at 1st April 2013	502,456,080	1,835,723,580		3,736,071,170
Profit for the Year	-	-	178,459,452	178,459,452
Dividends 2012/2013	-	-	(23,056,974)	(23,056,974)
Dividends 2013/2014	-	-	(52,930,556)	(52,930,556)
Balance as at 1st April 2014	502,456,080	1,835,723,580	1,500,363,432	3,838,543,092
Profit for the Year	-	-	386,015,851	386,015,851
Previous Year Adjustment	-	-	(19,117,588)	(19,117,588)
Disposal of Revalued Assets	-	(2,652,500)	2,652,500	-
Balance as at 31st March 2015	502,456,080	1,833,071,080	1,869,914,195	4,205,441,355

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 5 to 19 form an integral part of the Financial Statements.

CEYLON FERTILIZER COMPANY LIMITED
Statement Of Cash Flow
As at 31st March 2015

(Expressed in Sri Lankan Rupees)

	2015	2014
Cash Flows from Operating Activities		
Profit before Taxation	520,200,738	241,328,764
Adjustments for;		
Depreciation	34,667,000	26,339,772
Reversal of Impairment of Property, Plant and Equipment	(680,000)	-
Amortization of Intangible Assets	324,300	324,300
Amortization of Government Grants	(7,586,175)	(7,361,866)
(Profit) / Loss on Sale of Property, Plant and Equipment	(527,317)	(2,277,722)
Impairment of Trade Receivables	35,153,452	40,351,788
Gratuity Charge for the Year	4,589,102	7,144,846
Impairment of Non-Moving Inventory	645,582	(31,606)
Provision for Legal Claims	-	22,943,253
Interest Income	(110,255,269)	(97,262,460)
Bad Debt Writeoff	1,157,815	-
Interest Expenses	30,221,225	19,254,213
Adjutments	(19,117,588)	-
Operating Profit before Working Capital Changes	488,792,865	250,753,282
Increase in Inventories	(127,278,662)	(59,578,579)
Increase in Trade and Other Receivables	(7,059,908,259)	(9,256,999,380)
Decrease in Employees Loans and Advances	64,779	8,437,390
(Decrease)/ Increase in Trade and Other Payables	(2,775,173,251)	3,957,702,793
Increase in Deposits and Advances Received	48,078,206	8,165,482
(Decrease)/ Increase in Accrued Expenses and Provision	(52,969,512)	27,800,379
Cash Flow from /(Used in) Operation Activities	(9,478,393,834)	(5,063,718,634)
Gratuity Paid	(4,589,102)	(1,704,290)
Interest Paid	(30,221,225)	(19,254,213)
Taxes Paid	(47,590,798)	(9,428,723)
Net Cash Flow from Operating Activities	(9,560,794,959)	(5,094,105,859)
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(19,867,918)	(22,628,659)
Acquisition of Intangible Assets	(95,000.00)	-
Work in Progress	(29,982,586)	-
Proceeds from Sale of Property, Plant and Equipment	527,317	2,279,362
Net Proceeds / (Investment) in Treasury Bills	(17,290,811)	(41,050,932)
Net Investments in Other Financial Assets	(1,064,758,502)	(540,131,390)
Interest Received	110,255,269	92,843,432
Net Cash used in Investing Activities	(1,021,212,231)	(508,688,188)
Cash Flows from Financing Activities		
Government Grants Received	10,546,350	-
Dividends Paid During the Year	(53,537,836)	(38,056,974)
Borrowings During the Year	17,993,705,500	25,113,976,817
Settlements of Borrowings During the Year	(7,335,864,000)	(19,421,906,258)
Net Cash used in Financing Activities	10,614,850,014	5,654,013,585
Net Changes in Cash and Cash Equivalents During the Year	32,842,824	51,219,538
Cash and Cash Equivalents at Beginning of the Year	33,528,048	(17,691,491)
Cash and Cash Equivalents at End of the Year	66,370,872	33,528,047

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 5 to 19 form an integral part of the Financial Statements.

1. Corporate Information**1.1 General**

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

1.2 Principal Activities and Nature of Operations

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

1.3 Financial Year

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

1.4 Registered Office

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

1.5 Number of Employees

The number of employees of the Company as at 31 March 2015 was 420 (2014 - 399)

1.6 Date of Authorization for Issue

The financial statements of the Company for the year ended 31 March 2015 were authorized for issue in accordance with a resolution of the Board of Directors dated 29th October 2015

2. Summary Of Significant Accounting Policies**2.1 Statement of Compliance**

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 there to 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.

2.2 Basis of Measurement

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:

- available for sale financial assets and held for trading financial investments are measured at fair value
- liability of defined benefit obligation is recognized as the present value of the defined benefit obligation
- Freehold land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts, which are the fair values at the date of revaluation

2.3 Comparative Information

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

2.3 Foreign Currency Translation

2.3.1 Functional and Presentation Currency

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

2.3.2 Transactions and Balances

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

2.4 Significant Accounting Policies

2.4.1 Property, Plant and Equipment

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

The Company measures land and buildings at revalued amounts and changes in fair value was recognized in the statement of changes in equity. The Company engaged independent valuation specialists to determine fair value of land and buildings in 2010.

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

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

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

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

2.4.2 Intangible Assets

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

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

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

2.4.3 Impairment of Non-Financial Assets

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

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

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

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

- a) Held-to- Maturity Investment
- b) Loans and receivables
- a) Held-to- Maturity Investment (HTM)
HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the positive intention and ability to hold them until maturity. HTM investments are included in current assets.
- b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are

classified as non-current assets. The Company's loans and receivables comprise subsidy receivables, trade and other receivables, repurchase government securities, fixed deposits, prepayments, advances, deposits, loans to employees and cash and cash equivalents in end of the reporting period.

2.5.2 Recognition and Initial Measurement

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

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

2.5.3 Subsequent Measurement

- a) **Held-to- Maturity Investment (HTM)**
HTM investments are measured subsequently at amortized cost using the effective interest method. Amortized cost is computed taking into account of discount or premium on acquisition and transaction costs.
- b) **Loans and Receivables**
Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment.

2.5.4 Impairment of Financial Assets

Assets Carried at Amortized Cost

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

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

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

2.6 Inventories

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

Consumables and packing material are stated at cost.

2.7 Trade Receivables

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

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

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

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

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

2.8 Cash and Cash Equivalents

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

2.9 Stated Capital

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

2.10 Financial Liabilities

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

2.11 Trade and Other Payables

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

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

2.12 Borrowings

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

2.13 Government Grants

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

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

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

2.14 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 nor 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.

2.15 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 recognized in the statement of comprehensive income in the period in which they arise. The company will recognize the Define Benefit Obligation when the amount recognized in the financial statements will defer materially from the amount that would be determine at the end of the reporting period. The last actuarial valuation was done as at 31/03/13.

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.

2.16 Provisions and Contingent Liabilities

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

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

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

2.17 Revenue Recognition

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

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

a) Sale of Fertilizer

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

b) Interest Income

Interest income is recognized using the accrued 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.

2.18 Expenses

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

2.19 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.

2.20 Commitments

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

2.21 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.

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

(a) Recognition of Deferred Tax Assets

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

2.21.2 Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:**(a) Useful life time of Depreciable Assets**

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

(b) Defined Benefit Plan

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

2.22 Standards Issued but not yet Effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new Accounting Standards that have an effective date in the future and have not yet been applied in preparing the financial statements for the year ended 31st March 2015. Pending a detailed review, the financial impact is not reasonably estimated as at the date of publication of these financial statements.

SLFRS 9 -Financial instruments: classification and measurement

SLFRS 15-Revenue from contracts with customers

(Expressed in Sri Lankan Rupees)

		2015 Rs.	2014 Rs.
3	Revenue		
	Sale of Fertilizer	3,835,989,834	2,563,549,727
4	Cost of Sales		
	Purchases (Note 4.1)	2,343,962,264	1,640,562,989
	Direct Expenses (Note 4.2)	755,041,799	414,275,191
	Cost of Production	3,099,004,063	2,054,838,180
	Finished Goods as at the Beginning of the Year	353,814,803	287,058,889
	Finished Goods as at the End of the Year	(472,387,199)	(353,814,803)
		2,980,431,667	1,988,082,266
4.1	Purchases		
	Fertilizer Import Bills	13,525,770,075	14,332,252,236
	Insurance	9,618,360	15,876,076
	Duty and Duty Surcharge	19,142	5,438
	Port and Airport Development Tax	648,096,063	750,198,629
	Discharging Expenses	3,253,942	4,746,028
	Landing Charges	27,598,917	23,619,226
	Stevedoring Charges	186,022,743	187,222,746
	Custom Duty and Charges	6,569,185	1,952,532
	Operational Expenses	9,122,404	3,313,565
	Demurrage Charges	397,299	-
	Sampling Charges	5,100,348	3,387,564
	Transport and Handling Charges	262,655,716	250,874,144
	Letter of Credit Charges	109,247,482	108,180,105
	Bank Charges	963,118	795,721
	Local Purchase	47,123,580	47,570,780
	Packing Materials	28,335,653	31,281,046
	Detention Charges	1,945,082	-
	Local Agency Commission	878,183	-
	Exchange (Gain) / Loss	162,241,068	88,582
	Subsidy Claimed	(12,690,996,096)	(14,120,801,429)
		2,343,962,264	1,640,562,989
4.2	Direct Expenses		
	Mixing Charges	23,313,443	11,743,015
	Provision for Impairment of Non Moving Inventories	645,582	(31,606)
	Handling Charges	145,291,035	132,712,261
	Labour Charges	19,949,101	27,120,902
	Transport Charges to District Fertilizer Stores	439,429,234	374,143,309
	Trading Stock (Excess) / Shortage	-	(194,186)
	Stocks Transfers / Adjustments	126,413,404	(131,218,504)
		755,041,799	414,275,191

(Expressed in Sri Lankan Rupees)

	2015 Rs.	2014 Rs.
5 Other Operating Income		
Income from Penalties - Local	443,097	1,559,996
Liquidated Damages Income	5,953,168	-
Income from Penalties - Imports	-	173,280
Circuit Bungalow Income - Polonnaruwa	994,450	1,210,601
Earning from Garden	-	14,480
Dispatch Income	100,957,948	57,857,011
Sales of Polythene and WPP Bags	5,049,430	7,662,198
Non Refundable Tender Deposit Income	765,475	1,148,725
Amortization of Government Grant	7,586,176	7,361,866
Rent Income	85,643	86,545
Profit on Disposal of Property, Plant and Equipment	527,317	2,277,722
Earnings from Transport	64,617	96,809
Laboratory Testing Income	42,395	32,200
Other Income	17,451,028	13,691,322
Reversal of Impairment	680,000	-
Government Grant	1,596,923	-
	142,197,667	93,172,755
6 Administrative Expenses		
Directors' Remuneration	2,593,616	2,264,354
Motor Vehicles Running Chairman / Directors	587,999	903,375
Telephone,Fax,E-mail and Internet Charges-Chairman/Directors	59,226	209,296
Secretary Fees	158,490	89,013
Salaries - Executive	29,975,366	25,861,881
Salaries - Non Executive	123,859,256	107,103,667
Overtime	42,941,972	38,532,240
Travelling and Subsistence	4,218,750	4,848,940
Employees' Provident Fund	23,607,653	20,488,090
Employees' Trust Fund	4,697,146	4,097,618
Government Pension	190,990	88,244
Fuel Allowance for Managers	4,303,590	2,345,851
Fuel Allowance for Field Staff	1,802,898	377,215
Tea and Dust Allowance	6,261,926	5,334,740
Annual Bonus	5,253,188	3,628,246
Medical Leave Payment	9,387,193	8,488,588
Employees on Contract Basis	4,189,527	5,190,464
Training and Scholarships	1,091,248	1,644,417
Weekend and Other Allowances	1,771,818	1,576,210
Compensation	163,575	-
Medical Expenses	35,890	4,888
Clothing and Medical Allowance	3,302,387	2,639,696
Medical Insurance	2,304,871	4,185,485
Other Allowances	941,140	-
Employee Valuation Expenses	518,575	-
Staff Transport	1,685,738	1,569,456
Annual Incentive	40,619,226	40,001,183

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 5 to 19 form an integral part of the Financial Statements.

CEYLON FERTILIZER COMPANY LIMITED
 Notes To The Financial Statements
 For The Year Ended 31st March 2015

(Expressed in Sri Lankan Rupees)

	2015 Rs.	2014 Rs.
Staff Welfare	6,206,673	4,714,796
Entertainment	1,218,927	746,948
Electricity	6,641,585	6,737,183
Telephone,Fax,E-mail and Internet Charges	4,473,917	4,369,519
Fire Insurance	134,463	333,155
License and Insurance	1,252,251	1,116,447
Cash in Transit and Cash in Safe Insurance	114,302	153,180
Postage	940,637	1,282,862
Printing and Stationery	7,729,870	5,002,267
Periodicals and Books	87,852	290,350
Office Equipment Maintenance	1,065,985	411,192
Office Expenses	3,202,500	1,941,088
Vehicle Running Expenses	8,401,984	10,320,613
Vehicle Maintenance	7,261,967	6,806,623
Water Bill	2,815,691	2,924,179
Legal Fees	944,020	813,926
Security Charges	36,166,386	32,513,688
Research and Development Expenses	-	2,000
Lab/Equipment Maintenance	256,842	281,412
Plant , Machinery and Equipment Maintenance	1,249,727	1,149,742
Building Maintenance	22,904,082	13,504,454
Furniture and Fittings Maintenance	71,395	91,975
Public Notice Charges	2,486,690	1,703,744
Internal Road Construction	74,600	-
Computer and Accessories Maintenance	2,115,130	1,185,108
Rent and Rates	2,813,348	667,472
Expenses for Temporary Storage	12,264,032	3,233,992
Depreciation	34,667,009	26,341,412
Amortization of Intangible Assets	324,300	324,300
Audit Fees	262,500	300,000
Non Audit Fees	39,950	101,250
Audit Related Fees	125,000	-
Consultancy Fees	1,352,450	2,948,656
Work Shop Tools Expenditure	99,167	894,571
Sanitary Facilities	2,213,572	1,890,630
Other Equipment Maintenance	2,251,653	1,225,929
Gratuity	4,589,102	7,144,846
Bank Charges	739,113	682,238
Write Off / (Back)	795,350	100,581
Provision for Legal Claims	-	22,943,253
(Over) / Under Provision of Recurrent Expenses	(916,275)	(3,963,335)
Circuit Bungalow Expenses	240,356	803,494
Gardening and Landscaping Expenses	2,934,960	1,719,811
Charity and Donations	93,000	550,660
Corporate Social Responsibility	2,200,945	-
Natural Disaster Expenses	110,000	-

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 5 to 19 form an integral part of the Financial Statements.

(Expressed in Sri Lankan Rupees)

	2015 Rs.	2014 Rs.
Laboratory Building Maintenance	238,882	64,395
Laboratory Expenses	370,923	48,008
Laboratory Equipment Insurance	30,437	-
	502,180,495	447,891,771
7 Distribution Expenses		
Advertising and Publicity Notices	14,036,851	12,237,486
Written-off of Bad Debts	362,465	245,652
Impairment of Trade Receivables	35,153,452	40,351,788
Sales Commission	5,855,877	4,593,002
	55,408,645	57,427,928
8 Net Finance Income / (Expenses)		
Interest Income		
Interest on Fixed Deposits and REPO Investments	108,832,911	95,829,840
Interest from Employees Loans	1,422,358	1,432,620
	110,255,269	97,262,460
Interest Expenses		
Interest on Overdrafts/Loans	(30,221,225)	(19,254,212)
Net Finance Income / (Expenses)	(30,221,225)	(19,254,212)
	80,034,044	78,008,248
9 Income Tax Expenses		
Current Year	Note 9.1 96,700,000	47,000,471
Adjustment on Under / (Over) Provision	-	10,307,466
Deferred Tax Charge	37,484,888	5,561,375
	134,184,888	62,869,312
9.1 Reconciliation between current tax expenses/(reversal) and the accounting profit/(loss);		
Accounting Profit/(Loss) before Taxation	520,200,738	241,328,764
Non Business Income	(120,645,684)	(98,259,494)
Aggregate of Disallowable Expenses	83,373,287	99,682,019
Aggregate of Allowable Claims	(62,428,271)	(75,404,571)
Tax Adjusted Profit	420,500,070	167,346,718
Income from Other Sources	110,782,585	90,897,628
Total Statutory Income	531,282,655	258,244,346
Loss Claimed	185,948,929	90,385,521
Taxable Income	345,340,648	167,858,825
Taxation at 28%	96,493,443	47,000,471
Current Tax Provision	96,700,000	47,000,471
Tax Losses		
Loss Brought Forward	197,546,692	287,932,213
Loss Utilized	(185,948,929)	(90,385,521)
Loss Carried forward	11,597,763	197,546,692

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 5 to 19 form an integral part of the Financial Statements.

(Expressed in Sri Lankan Rupees)

	2015 Rs.	2014 Rs.
10 Basic Earnings per Share/Dividends per Share		
10.1 Basic Earnings per Share		
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.		
Net Profit Attributable to Ordinary Shareholders (Rs.)	386,015,851	178,459,452
Weighted Average Number of Ordinary Shares in Issue	50,245,608	50,245,608
	Rs. cts	Rs. cts
Basic Earnings per Share	7.68	3.55
10.2 Dividends per Share		
The Board of Directors has proposed a dividend of Rs.2.30 per share for the year ended 31st March 2015. As stipulated by Sri Lanka Accounting Standard "Events after the end of the reporting Period", the proposed final dividend is disclosed but not recognized as a liability as at 31st March 2015.		
Dividends Paid / Proposed	115,804,755	52,930,556
Number of Ordinary Shares	50,245,608	50,245,608
	Rs. cts	Rs. cts
Dividend per Share	2.30	1.05

(Expressed in Sri Lankan Rupees)

11 Property, Plant and Equipment				
Cost :	2014	Additions	Disposal	2015
Land	1,512,855,000	-	-	1,512,855,000
Road Construction	820,000	-	-	820,000
Buildings	338,909,897	1,666,845	-	340,576,742
Plant and Machinery	6,006,105	602,800	20,000	6,588,905
Motor Vehicle	70,037,876	10,051,000	6,632,500	73,456,376
Furniture and Fittings	12,516,470	1,490,593	76,075	13,930,988
Office Equipment	5,554,745	708,200	32,155	6,230,790
Computer Equipment	13,177,184	3,118,816	16,350	16,279,650
Other	24,841,547	2,229,664	54,000	27,017,211
Total	1,984,718,824	19,867,918	6,831,080	1,997,755,662
Depreciation:	2014	Charge for the Year	Disposal	2015
Buildings	33,236,609	8,767,899	-	42,004,508
Plant and Machinery	2,770,754	809,095	20,000	3,559,849
Motor Vehicle	33,356,571	14,691,275	6,632,500	41,415,346
Furniture and Fittings	10,002,669	1,243,111	76,075	11,169,705
Office Equipment	3,901,615	611,747	32,155	4,481,207
Computer Equipment	9,053,962	2,227,736	16,350	11,265,348
Other	12,542,338	6,316,137	54,000	18,804,475
	104,864,518	34,667,000	6,831,080	132,700,438
Written Down Value	1,879,854,306			1,865,055,224
Provision for Impairment	(680,000,00)			
Net Carrying Value	1,879,174,306			1,865,055,224
12 Work in Progress				
	2014	Expenditure Incurred	Amount Capitalized	2015
Nuwara Eliya Bungalow	-	27,643,444	-	27,643,444
Kataragama Bungalow	-	2,339,142	-	2,339,142
	-	29,982,586	-	29,982,586

12.1 The Board has decided to temporarily stop the construction of bungalow in Kataragama at the board meeting held on 26.02.2015.

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 5 to 19 form an integral part of the Financial Statements.

(Expressed in Sri Lankan Rupees)

13 Intangible Assets	2014	2015	
	Rs	Rs	Rs
Cost :			
Computer Software	877,901	95,000	972,901
	877,901	95,000	972,901
	2014	Charge for the Year	2015
	Rs.	Rs.	Rs.
Amortization:	533,184	324,300	857,484
	533,184	324,300	857,484
Computer Software			
Written Down Value	344,717		115,417
		2015	2014
14 Inventories		Rs.	Rs.
Direct Fertilizer		453,562,639	337,837,402
Mixed Fertilizer		6,625,564	9,179,223
Consumables		18,824,559	15,977,401
Packing Material		18,392,783	7,132,855
		497,405,545	370,126,883
Provision for Impairment		(2,014,431)	(1,368,849)
		495,391,114	368,758,034
15 Trade and Other Receivables			
Trade Receivables	Note 15.1	122,158,723	268,168,693
Provision for Impairment		(87,706,966)	(52,553,513)
		34,451,757	215,615,180
Other Receivables	Note 15.2	39,695,322,906	32,488,804,676
		39,729,774,663	32,705,019,856
15.1 Trade Receivables			
Government Departments		115,796,433	123,220,448
Shortage on Sale		3,407,250	722,472
Debtors on Loan		2,955,040	138,791,650
Agrarian Service Centers		-	247,500
Authorized Dealers		-	5,736,623
		122,158,723	268,768,693
15.2 Other Receivables			
General Treasury - Subsidies		39,660,734,217	32,423,671,525
Sri Lanka Port Authority		26,251	180,666
Road Development Authority		12,600,000	12,600,000
Others		13,665,797	25,013,353
Deposits		1,684,256	850,400
Advance and Prepaid Expenses		6,612,385	26,488,732
		39,695,322,906	32,488,804,677

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 5 to 19 form an integral part of the Financial Statements.

(Expressed in Sri Lankan Rupees)

	2015 Rs.	2014 Rs.
16 Employees Loans and Advances		
Festival Advances	63,000	99,000
Motor Cycle Loans	764,247	794,083
Personal Loans	33,034,626	33,033,569
	33,861,873	33,926,652
17 Held-to-Maturity Investments		
Treasury Bills	489,125,747	369,088,140
The investments in treasury bills amounts to Rs.69,980, 859.87 are maintained separately for the gratuity commitments.		
18 Other Financial Assets		
Fixed Deposits	1,833,364,544	768,606,041
	1,833,364,544	768,606,041
19 Cash and Cash Equivalents		
Favorable Balances		
Cash at Bank	69,343,652	35,690,510
Saving Deposits	3,583,397	3,376,129
	72,927,049	39,066,639
Unfavorable Balances		
Bank Balance Overdrawn	6,556,178	5,538,591
	6,556,178	5,538,591
20 Stated Capital		
Number of Ordinary Shares Issued and Fully Paid	50,245,608	3
	Rs.	Rs.
Ordinary Share Capital Issued and Fully Paid	502,456,080	502,456,080
	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 Benefit Obligation		
Balance as at the Beginning of the Year	50,189,133	44,748,577
Expenses Recognized in Comprehensive Income	4,589,102	7,144,846
Payments Made During the Year	(4,589,102)	(1,704,290)
Balance as at the End of the Year	50,189,133	50,189,133
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 [%]	10.50	10.50
Future Salary Increases [Rs.] - Executive	1,150	1,150
Future Salary Increases [Rs.] - Other	240	240
Staff Turnover Factor [%]	1-5	1-5
Retirement Age [Yrs]	55	55
The last actuarial valuation was done as at 31/03/13 and the management is in the opinion of conducting a actuarial valuation as at 31/03/16.		

The investments in treasury bills amounts to Rs.75,421,290 (2014 -Rs50,189,133, 2012 -Rs 44,748,577) are maintained separately for the gratuity commitments.

(Expressed in Sri Lankan Rupees)

	2015 Rs.	2014 Rs.
23 Government Grants		
Balance as at the Beginning of the Year	9,981,441	17,343,307
Grants Received During the Year	10,546,350	-
Amortization of Government Grants	(7,586,175)	(7,361,866)
Balance as at the End of the Year	12,941,616	9,981,441
The company have decided to amortize the grant received on building construction within 3 years.		
24 Deferred Taxation		
Balance as at the Beginning of the Year	6,647,539	1,086,164
(Originated) / Reverse for the Year	37,484,888	5,561,375
Balance as at the End of the Year	44,132,427	6,647,539
24.1 The Analysis of Deferred Tax Assets and Liabilities		
Deferred Tax Liability		
Property, Plant and Equipment	86,554,749	91,111,832
	86,554,749	91,111,832
Deferred Tax Assets		
Retirement Benefits Obligation	14,052,957	14,052,957
Brought Forward Tax Losses	3,247,374	55,313,074
Impairment Provisions - Trade Debtors	24,557,950	14,714,984
Impairment Provisions - Slow Moving Stocks	564,041	383,278
	42,422,322	84,464,293
	44,132,427	6,647,539
25 Trade and Other Payables		
Trade Payables	8,536,449,271	11,335,724,662
Other Payables (Note 25.1)	51,347,623	26,694,950
	8,587,796,894	11,362,419,612
25.1 Other Payables		
Sundry Creditors	44,176,945	23,780,309
Retention Money	1,425,285	-
General Treasury	5,519,095	2,711,806
Others	226,298	202,835
	51,347,623	26,694,950
Interest Bearing Borrowings People's Bank		
Balance as at the Beginning of the Year	20,646,483,768	14,954,413,210
Obtained During the Year	17,993,705,500	9,971,324,558
Paid During the Year	(7,335,864,000)	(4,279,254,000)
Balance as at the End of the Year	31,304,325,268	20,646,483,768
27 Deposits and Advances Received		
Refundable Performance Bond	110,005,728	84,594,699
Staff Security Deposits	3,633,397	3,376,129
Refundable Deposits	6,023,430	8,832,230
Receipt in Advance	44,633,998	19,474,233
Sundry Salary Deduction	43,450	(15,494)
	164,340,003	116,261,797

(Expressed in Sri Lankan Rupees)

	2015 Rs.	2014 Rs.
28 Current Tax Liability		
Balance as at the Beginning of the Year	4,580,806	-
Less: Payments Made for Previous Year	(4,580,806)	-
	-	-
Add : Provision for the Current Year	96,700,000	47,000,471
Less : Self Assessment Payments Made During the Year	(35,250,000)	(24,132,224)
Economic Service Charge	-	(9,428,723)
Withholding Tax	(7,759,992)	(8,858,718)
Balance as at the End of the Year	53,690,008	4,580,806
29 Accruals and Payables		
Accrued Expenses	117,242,079	150,211,594
Provision for Legal Claim	2,943,256	22,943,253
	120,185,335	173,154,847

Figures in brackets indicate deductions.
Notes to the Financial Statements continued.

(Expressed in Sri Lankan Rupees)

30 Related Parties				
30.1 Transactions with Key Management Personnel				
30.1.1 The Compensation of KMPs				
For the Year Ended 31st March		2015		2014
	Executive Directors ^a	Non-Executive Directors	Executive Directors	Non-Executive Directors
	Rs	Rs	Rs	Rs
Short Term Employment Benefit	2,807,519	433,323	3,242,734	134,291
30.2 Dealings with Related Parties				
Name of the Related Party	Nature of Transactions	Transaction Value (Rs.)	Balance (Due to) Due from	
Government of Sri Lanka	Capital Grants	10,546,350		
	Subsidies Received	12,690,996,096	14,120,801,428.00	
	Sales of Goods	139,770,921	613,980,582.00	
	Recoveries of Trade Receivables	162,567,202	138,936,459.00	
State Owned Enterprises	Short Term/Long term loans borrowed	17,993,705,500	9,971,324,558.00	
	Settlements of Loans	7,355,864,000	4,279,254,000.00	
Investments in Treasury Bills and Repos				
	Proceeds from Maturity of Investment	17,290,811	41,050,933.00	
	Interest Received	31,232,992	42,424,022.00	
Investments in Fixed Deposits				
	Investment during the year	1,064,758,502	540,131,390.00	
	Interest Received	77,599,919	53,405,818.00	
	Call deposits and saving deposits	3,583,397	3,376,129.00	
	Current Accounts	66,759,388	35,690,510.00	
	Current Account -Overdraft	6,556,178	5,538,591.00	
	Recoveries of Trade Receivables	4,348,092	12,326,217.00	

31. Securities Pledged

Following assets have been pledged as security for liabilities.

Nature of Liability	Loan/Facility Rs.	Security	Carrying Amount of Assets Pledged	
			2015 Rs	2014 Rs
Current	Overdraft	Fixed Deposit	206 Mn	206 Mn

32. Capital Commitments

	2015 Rs.	2014 Rs.
a. Proposed circuit bungalow at Katharagama (Estimate Cost)		
b. Expenses as at 31/03/2015 for the Land Development Rs. 2,339,142/-	206 Mn	Nil

33. Contingencies

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 the legal advisors of the company's legal division. Accordingly, no provision has been made for such legal claims.

34. Financial Risk Management

The company has exposure to the following risks from its use of financial instruments and the company applies various risk management strategies to mitigate these risks from time to time.

1. Credit Risk
2. Liquidity Risk
3. 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.

34.1 Credit Risk

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

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

Following table depicts the maximum risk exposure of financial assets reported as at March 31, 2015.

Risk Exposure to line items	Amount (Rs.)
Cash and Cash equivalents	72,927,049
Deposits Held with Banks and Financial Institutions	2,322,490,291
Trade and Other Receivables	102,902,319
Subsidy Receivables from the Treasury	39,660,734,217

34.1.1 Trade 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 portfolio is as follows:

Aging of Trade Receivables	Amount (Rs.)	
	As at 31.03.2015	As at 31.03.2014
Up to 3 Months	34,451,757	35,742,408
3 to 6 Months	-	2,952,958
6 to 12 Months	-	926,077
More than 1 Year	87,706,966	89,583,129
Total	122,158,723	129,204,572

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.

34.1.2 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.

34.1.3 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.

35.2 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 maturity analysis of the company's financial assets and liabilities as at March 31, 2015 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.

Financial Assets and Liabilities	Carrying Amount (Rs.)	6 Months or Less (Rs.)	6-12 Months (Rs.)	More than 1 Year (Rs.)
Financial Assets				
Trade Receivables	34,451,757	34,451,757	-	-
Subsidy Receivables from Treasury	39,660,734,217	5,140,767,284	3,107,099,663	31,412,867,270
Other Receivables	68,450,562	45,531,637	452,510	22,466,415
Held Maturity Investments	489,125,747	-	489,125,747	-
Other Financial Assets	1,833,364,544	-	1,833,364,544	-
Cash and Cash Equivalents	72,927,049	72,927,049	-	-
Total	42,159,053,876	5,293,677,727	5,430,042,464	31,435,333,685
Financial Liabilities				
Interest Bearing Borrowings	31,304,325,268	24,579,753,650	3,667,932,000	3,056,639,618
Trade Payables	8,536,449,271	8,536,449,271	-	-
Other Payables	335,872,961	190,454,888	1,325,938	144,092,135
Bank Overdraft	6,556,178	6,556,178	-	-
Total	40,183,203,678	33,313,213,987	3,669,257,938	3,200,731,753

35.3 Market 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.

35.4 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.

The company has reported foreign exchange loss included in the operating results for the reporting period 2015 is Rs. 162,241,068/-

35.5 Interest 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 and

bank deposits. Rs.31,304,325,268 (2014: Rs. 20,646,483,768) 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.

36 Capital Management

The company manages its capital for safeguarding the company's ability to continue as a going concern in order to provide maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The company monitors capital structure on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings by total equity. Total borrowings include non-current and current borrowings as shown in the statement of financial position. Following table depicts the company's total borrowing and equity ratio as at March 31, 2015 and 2014.

Capital	As at 31.03.2105	As at 31.03.2104
Total Borrowings (Rs.)	31,304,325,268	20,646,483,768
Total Equity (Rs.)	4,205,441,355	3,838,543,092
Gearing Ratio (X)	7.4x	5.4x

The increase in the gearing ratio during the reporting period 2015 resulted from increases in short-term borrowings to meet the import liabilities.

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
.....
2015 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.....2015.

.....
Signature of Shareholder