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**வரையறுக்கப்பட்ட  
இலங்கை பொஸ்பேட் நிறுவனம்**

**LANKA PHOSPHATE LTD**  
(PB 308)



**லார்கீக லார்கீல – 2015/16**

**ஆண்டு அறிக்கை – 2015/16**

**ANNUAL REPORT 2015/16**

**VISION**

*“To enrich the soil fertility in our motherland by providing phosphorus nutrient with the Optimum utilization of the Eppawala phosphate deposit.”*



**MISSION**

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

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## ***BOARD OF DIRECTORS***



Mr. Upali. A Dissanayake  
Chairman & MD



Mr. R.N.K Ranaweera  
Executive Director



Mrs. S.A.C Kulathilake  
Director



Mr. A.M.M Banda  
Director



Mr. I.M Hettiarachchi  
Director



Mr. M.R. Gnanathilake  
Director



Mrs. P.H Handunhewa  
Director

# ***CORPORATE INFORMATION***

## **Company Name**

Lanka Phosphate Ltd

## **Domicile and Legal Form**

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

## **Principal Activities and Nature of Operations**

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

## **Registration No**

PB 308

## **Board of Directors**

Mr. U.A.Dissanayake - Chairman  
Mr. R.N. K. Ranaweera – Executive Director  
Mrs.S.A.C Kulathilake – Director  
Mr.A.A.M Banda - Director  
Mr. I.M Hettiarachchi – Director  
Mr. M.R.Gnanathilake - Director  
Mrs.P.H.Handunhewa – Director

## **Company Secretary**

Financial Services and Commercial Agencies (Pvt) Ltd,  
28, Rosmead Place, Colombo 07

## **Ultimate Parent Company**

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

## **Line Ministry**

Ministry of Agriculture  
'Govijana Mandiraya'  
No 5/80, Rajamalwatta Avenue  
Battaramulla

## **Registered Office**

73 1/1, New Kelani Bridge Rd  
Colombo 14  
Tel: 94112459906/7  
Fax:94112459908

## **Auditors**

Auditor General  
Department of Auditor General  
No 306/72, Polduwa Rd,  
Battaramulla

## **Tax Consultants**

Amerasekara & Co.  
Chartered Accountants  
12, Rotunda Gardens  
Colombo 03

## **Bankers**

Bank of Ceylon  
National Savings Bank  
Peoples Bank  
Hatton National Bank PLC

## ***FINANCIAL HIGHLIGHTS***

### **SUMMARY OF RESULTS FOR THE YEAR**

(Rs. '000)

	<b><u>2015/16</u></b>	<b><u>2014/15</u></b>	<b><u>2013/14</u></b>	<b><u>2012/13</u></b>	<b><u>2011/12</u></b>
Revenue	562,735	530,431	499,969	399,031	491,280
Net Profit for the Year	26,587	100,089	134,385	79,536	129,805
Total Comprehensive income	29,578	101,173	131,662	98,150	144,001

### **SUMMARY AT THE YEAR END**

(Rs. '000)

	<b><u>2015/16</u></b>	<b><u>2014/15</u></b>	<b><u>2013/14</u></b>	<b><u>2012/13</u></b>	<b><u>2011/12</u></b>
Shareholder's Funds	760,315	760,737	694,564	587,901	534,705
Working Capital	482,608	411,167	492,724	511,821	462,171
Total Assets	860,451	844,245	766,140	640,020	612,678
Staff Cost	236,020	192,571	162,284	156,989	161,143
No of Employees (No)	347	339	285	285	294

### **PER SHARE**

		(Rs.)	(Rs.)		
	<b><u>2015/16</u></b>	<b><u>2014/15</u></b>	<b><u>2013/14</u></b>	<b><u>2012/13</u></b>	<b><u>2011/12</u></b>
Earnings	4.08	13.95	18.53	10.97	17.9
Net Assets	104.86	104.91	95.79	81.08	73.06

### **RATIOS**

	<b><u>2015/16</u></b>	<b><u>2014/15</u></b>	<b><u>2013/14</u></b>	<b><u>2012/13</u></b>	<b><u>2011/12</u></b>
Current Ratio (Times)	7.41	8.91	14.06	21.41	12.67
Return on Shareholders' Funds (%)	3.89%	13.2%	19.3%	13.5%	24.3%

## ***CHAIRMAN'S STATEMENT***



Lanka Phosphate Ltd (LPL) was incorporated on 10<sup>th</sup> July, 1992 in terms of the conversion of public corporations or government owned business undertaking into Public Companies Act, No 23 of 1987 to take over the Eppawala Phosphate Project of the State Mining & Mineral Development Corporation. It is fully owned by the Secretary to the Treasury on behalf of the Government of Sri Lanka. LPL becomes a fully independent organization with the separation from Bogala Graphite Ltd in November 1998. Company has exclusive exploration rights over 450 hectares of land at Eppawala in Anuradhapura district on which a large Rock Phosphate deposit is located. The ore is currently estimated at 60 million tones containing 33-40% of P<sub>2</sub>O<sub>5</sub> and is considered to be one of the richest and unique phosphate deposit in the world.

Currently LPL produces two types of rock phosphate fertilizers namely Eppawala Rock Phosphate (ERP) and High-Grade Eppawala Rock Phosphate (HERP) which are used as fertilizer for perennial crops in Sri Lanka. In addition, LPL operating a

Coconut Fertilizer mixing plant at Wariyapola, Kanaththewewa since 2014. However, there is a big potential to expand our activities to give the maximum benefit to the nation from this valuable deposit.

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

The financial year 2015/2016 ended achieving a gross turnover of Rs.562.7 Million which is the highest sales ever in the company history. It is further to inform that Lanka Phosphate Ltd achieved a sales level of 46,925.85 mt of Eppawala Rock Phosphate (ERP), 7,901.05 mt of High-Grade Eppawala Rock Phosphate (HERP) and 1611.3 mt of Coconut Fertilizer (APM/YPM) respectively. It is with concern to note that, the company was able to record a profit before taxation of Rs. 60.9 Million, despite the fact of cost escalations in personnel and administrations. There is more to be done in the years ahead both in planning and organizing to increase the Company profitability to an acceptable level. Workshops need to

be conducted together with Coconut Research Institute and Ceylon Fertiliser Ltd to enhance the knowledge on the use of fertilizer on annual & perennial crops.

We have great challenges ahead of us. Company Board is committed to work out solutions to develop the existing as well as new business opportunities for the optimal utilization of Eppawala Phosphate Deposit. We have recognized the importance and national need of a more soluble type of phosphate fertilizer in the form of Triple Super Phosphate (TSP) or Single Super Phosphate (SSP) fertilizer for short-term crops to cater to the total requirement of the country.

LPL as a responsible State organization supports to enrich soil fertility of the Motherland while enhancing Agricultural productivity to dedicate the national economy. I believe the company will achieve its bench marks while providing much needed service to the people of the country.

We are working together to introduce value added productions, Human friendly environments and staff training programs to develop the necessary skills at all levels to be conversant with the new developments in their respective fields.

In conclusion, I greatly appreciate the guidance, encouragement and support extend by Ministry of Agriculture, General Treasury and Board of Directors in this regard.

I wish all the success to Lanka Phosphate Ltd for its future endures.



Chairman & MD  
Lanka Phosphate Ltd



## ***SENIOR MANAGERS***



H.R.U.D. Bandara  
General Manager



U.S.P.G. Sooriyarachchi  
Deputy General Manager



G.A.Chandradasa  
Production Manager



D.G.U. Chamara  
Finance Manager



S.D Rupasinghe  
Operations Manager

## ***MANAGERS***



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



M.M.D.Thilakerathna  
Internal Auditor



D.R.K.Thilakerathne  
Accountant



R.A.A.P. Ranasinghe  
Marketing Executive



S.A. Abeyesiri  
Supplies Officer



S.M.A.R.K.Manchanayake  
Admin. Officer (Adm. & HR)



D.R Gunarathna  
Mill Officer



R.M Maddumabandara  
Supplies Officer

## ***REPORT OF THE DIRECTORS***

The Directors of Lanka Phosphate Limited, (the Company) present herewith the Audited Accounts for the year ended 31st March 2016 and the Annual Report for the year ended 31st March 2016.

### **1.0 Company Name**

Lanka Phosphate Ltd (Reg. no PB 308)

### **2.0 Domicile and Legal Form**

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

### **3.0 Principal Activities and Nature of Operations**

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

### **4.0 Financial Statement**

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

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

### **5.0 Financial Statements and Accounting Policies**

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

### **6.0 Property, Plant & Equipment, their Valuation and Depreciation**

Capital Expenditure during the year on property plant and equipment by the company amounted Rs. 53,251,881.57.

Details of the status and movements of Property plant and Equipment, their Valuation and depreciation are given in Note 10.0 of Note to the Financial Statements.

#### **7.0 Taxation**

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

#### **8.0 Dividends**

No interim dividend was declared for the year under review.

#### **9.0 Stated Capital**

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

#### **10.0 Shareholding**

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

As at 31<sup>st</sup> March 2016, the shareholding details of the company are as follows;

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

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

The Percentage of said shareholding is 16.66%.

#### **11.0 Changes in Shareholdings**

There have been no changes to the Shareholding of the Company as at 31.03.2016.

#### **12.0 Corporate Social Responsibility**

The Company has contributed Rs. 585,201.50 for charitable purposes & CSR during the year under review.

#### **13.0 Employees**

The total cost of personnel during the year was Rs. 236,020,214

The number of persons employed by the Company at the end of the year was 347.

#### **14.0 Directors**

The following Directors held office during the year under review.

Mr. U.A.Dissanayake - Chairman

Mr. R.N. K. Ranaweera – Executive Director

Mrs.S.A.C Kulathilake – Director

Mr.A.A.M Banda - Director

Mr. I.M Hettiarachchi – Director

Mr. M.R.Gnanathilake - Director

Mrs.P.H.Handunhewa – Director

### **15.0 Resignation and Appointment of Directors**

No Director resigned or newly appointed during the year of 2015/16.

### **16.0 Director's remuneration**

Rs. 4,111,754.19 was paid as Directors remuneration, fees and expenses in the year under review.

### **17.0 Statutory Payments**

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

### **18.0 Compliance**

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

### **19.0 Going Concern**

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

### **20.0 Corporate Governance**

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

### **21.0 Risk Management**

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

### **22.0 Auditors**

Government Auditors, are the present Auditors of the Company.

Directors of Lanka Phosphate Limited have decided to recommend to the Shareholders of the Company to appoint the Auditor General Department (Government Auditors) for F/Y 2016/17 subject to the procedure imposed by the Companies Act No. 07 of 2007 at the Annual General Meeting scheduled to be held on 28<sup>th</sup> September 2016 at 3.00pm at Head Office, Lanka Phosphate Ltd, No 73 1/1, New Kelani Bridge Rd, Colombo 14.

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

Total audit fees provided by the company to Government Auditors for the year 2015/16 is Amount to Rs. 300,000.00 for the year under review. Fees paid for tax consultation services to Messrs Ameresekara & Company for the year is Rs. 237,852/-.

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

FOR AND BEHALF OF THE BOARD OF DIRECTORS



Chairman



Director



Company Secretaries

# ***AUDIT & MANAGEMENT COMMITTEE REPORT***

## ***COMPOSITION***

The Audit & Management Committee is appointed by the Board of Directors and it is responsible to the Board. The Chairman of the Committee is the Director who represents the General Treasury. All Non-Executive Directors of Lanka Phosphate Ltd are members of the Committee and also an officer from Auditor General's Department and the Chief Internal Auditor of the Line Ministry are representing the Committee as observers.

## ***MEETINGS***

The Audit & Management Committee met four times during the year to discuss the issues placed before the Committee. The Committee reviewed and evaluated the quarterly Internal Audit Reports submitted by the Internal Auditor and the existing controls in order to make recommendations to the Board of Directors.

## ***CONCLUSION***

After scrutinizing the reports thoroughly the committee has given the instructions to the management for rectifying the issues highlighted in relation to the Company's Accounting policies, operational controls and risk management process. Further, some of the crucial matters were referred to the Board of Directors for their due consideration and necessary action.



Chairman  
Audit and Management Committee  
Lanka Phosphate Ltd





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கணக்காய்வாளர் தலைமை அ்திபதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இல.  
My No.

IMU/A/LPL/FA/2016/1/42

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

26 September 2016

To the Shareholders of the  
Lanka phosphate Limited

**Report of the Auditor General on the Financial Statements of the Lanka Phosphate Limited for the year ended 31 March 2016**

The audit of the financial statements of the Lanka Phosphate Limited ("Company") for the year ended 31 March 2016 comprising the statement of financial position as at 31 March 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

**Board's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

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අංක 306/72, පොල්දඬු පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, - - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka



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oaggov@slt.net.lk



www.auditorgeneral.gov.lk





### Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the company as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirement

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

- a. The basis of opinion and scope and limitations of the audit are as stated above.
- b. In my opinion :
  - I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company.
  - The financial statements of the Company comply with the requirement of Section 151 of the Companies Act No. 07 of 2007.

### Report to Parliament

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

**H.M. Gamini Wijesinghe**  
Auditor General

**LANKA PHOSPHATE LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST MARCH 2016**

	Note	2015/2016 Rs.	2014/2015 Rs.
Revenue	5	562,734,795	530,430,994
Cost of sales		(319,223,189)	(250,027,971)
Gross profit		243,511,606	280,403,023
Other income	6	37,783,451	41,993,334
Distribution costs		(3,396,237)	(12,366,891)
Administrative expenses		(217,005,254)	(192,170,979)
Profit before taxation	7	60,893,567	117,858,487
Tax expense	8	(34,307,032)	(17,769,522)
<b>Profit for the year</b>		26,586,535	100,088,965
<b>Other Comprehensive income</b>			
Actuarial gain on defined benefit plan		2,991,618	1,084,179
<b>Total other comprehensive income for the year</b>		2,991,618	1,084,179
<b>Total comprehensive income for the year</b>		29,578,152	101,173,144
Earnings per Share	9	3.67	13.80

The accounting policies and notes from 1 to 26 to the financial statements form an integral part of these financial statements.

**LANKA PHOSPHATE LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2016**

	Note	31.03.2016 Rs.	31.03.2015 Rs.
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	10	337,918,703	380,078,567
Equity Investments	11	1,000,000	1,000,000
Deferred taxation		-	-
		<u>338,918,703</u>	<u>381,078,567</u>
<b>Current Assets</b>			
Inventories	12	126,596,959	83,731,306
Trade receivables		36,153,621	40,766,197
Deposits, prepayments and other receivables	13	97,280,218	77,908,442
Short term deposits	14	233,831,314	252,560,294
Cash and cash equivalent	15	27,669,774	8,200,063
		<u>521,531,886</u>	<u>463,166,302</u>
<b>Total Assets</b>		<u>860,450,589</u>	<u>844,244,868</u>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Stated capital	16	72,510,000	72,510,000
Retained profit		687,804,839	688,226,686
<b>Total Equity</b>		<u>760,314,839</u>	<u>760,736,686</u>
<b>Non-Current Liabilities</b>			
Retirement benefit obligations	17	29,712,137	31,508,910
Deferred taxation	18	31,499,240	8,053,929
		<u>61,211,377</u>	<u>39,562,839</u>
<b>Current Liabilities</b>			
Trade payable		9,923,862	3,285,468
Income Tax Payable	19	4,174,833	287,755
Other payables and accrued expenses	20	24,825,679	40,372,120
Bank overdrafts		-	-
		<u>38,924,374</u>	<u>43,945,343</u>
<b>Total Equity and Liabilities</b>		<u>860,450,589</u>	<u>844,244,868</u>


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

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



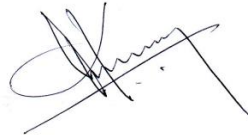
Finance Manager

Approved and signed for and on behalf of the Board



Director

Date: 01<sup>st</sup> September 2016



Director

The accounting policies and notes from 1 to 26 to the financial statements form an integral part of these financial statements.

**LANKA PHOSPHATE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST MARCH 2016**

	<b>Stated Capital Rs.</b>	<b>Retained Profit Rs.</b>	<b>Total Equity Rs.</b>
Balance as at 01.04.2014	72,510,000	622,053,543	694,563,543
Profit for the year	-	100,088,965	100,088,965
<i>Other comprehensive income</i>			
Actuarial gain/(loss) on defined benefit plan	-	1,084,179	1,084,179
<i>Transactions with equity holders</i>			
Dividend Paid	-	(35,000,000)	(35,000,000)
Balance as at 31.03.2015	72,510,000	688,226,687	760,736,687
Profit for the year		26,586,535	26,586,535
<i>Other comprehensive income</i>			
Actuarial gain/(loss) on defined benefit plan		2,991,618	2,991,618
<i>Transactions with equity holders</i>			
Dividend Paid		(30,000,000)	(30,000,000)
Balance as at 31.03.2016	72,510,000	687,804,839	760,314,839

The accounting policies and notes from 1 to 26 to the financial statements form an integral part of these financial statements.

**LANKA PHOSPHATE LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH 2016**

	31.03.2016	31.03.2015
Note	Rs.	Rs.
<b>Cash Flow from Operating Activities</b>		
Profit before taxation	60,893,567	117,858,487
<i>Adjustments for ;</i>		
Depreciation	29,757,670	24,317,754
Retiring Benefit Obligations	5,980,956	4,566,291
Interest income	(36,526,936)	(41,231,730)
Dividend income	(200,000)	(600,000)
<b>Operating profit before working capital changes</b>	<b>59,905,256</b>	<b>104,910,802</b>
<b>Working Capital Changes</b>		
(Increase)/ decrease inventories	(42,865,653)	(19,782,852)
(Increase)/ decrease in trade receivables	4,777,584	1,104,934
(Increase)/ decrease in deposits, prepayments and other receivables	(19,536,784)	(11,657,222)
Increase/(decrease) in trade payables	6,638,394	2,268,698
Increase/(decrease) in other payables and accrued expenses	(15,546,443)	8,222,978
<b>Cash generated from operations</b>	<b>(6,627,647)</b>	<b>85,067,337</b>
Income tax/ESC/WHT paid	(6,974,642)	(18,774,994)
Payment of retirement benefit obligation	(4,786,110)	(1,036,180)
<b>Net cash flow from operating activities</b>	<b>(18,388,398)</b>	<b>65,256,163</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of property, plant and equipment	(44,068,086)	(121,097,086)
Additions in capital work-in-progress	56,470,280	(48,625,071)
Additions in short term deposits	18,728,980	92,789,333
Interest received	36,526,936	41,231,730
Dividend Received	200,000	600,000
<b>Net cash flow from investing activities</b>	<b>67,858,110</b>	<b>(35,101,093)</b>
<b>Cash Flow from Financing Activities</b>		
Dividend paid	(30,000,000)	(35,000,000)
<b>Net cash used in financing activities</b>	<b>(30,000,000)</b>	<b>(35,000,000)</b>

<b>Net changes in cash and cash equivalents</b>		<b>19,469,712</b>	<b>(4,844,930)</b>
Cash and cash equivalents at beginning of the year	<b>21.1</b>	8,200,063	13,044,993
<b>Cash and cash equivalents at the end of the year</b>	<b>21.2</b>	<b>27,669,774</b>	<b>8,200,063</b>

The accounting policies and notes from 1 to 26 to the financial statements form an integral part of these financial statements.

# ***SIGNIFICANT ACCOUNTING POLICIES***

## **1. CORPORATE INFORMATION**

### **1.1 General**

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

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

### **1.2 Principal activities and nature of operations**

The principal activities of the company are excavating, processing and selling of Rock Phosphate, which is used as fertilizer for perennial agricultural crops. In addition, company commenced the mixing operations of fertilizer at Wariyapola, Kanaththewewa in 2014.

### **1.3 Date of authorization for issue**

The Financial Statements of company for the year ended 31 March 2016 were authorized for issue by the Board of Directors on 01<sup>st</sup> September 2016.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

### **2.2 Basis of measurement**

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

- available for sale financial assets are measured at fair value
- liability of defined benefit obligation is recognized as the present value of the defined benefit obligation
- Phosphate Deposit which is utilized to generate income to the company had not been recognized as an assets in the financial statement since the value of the assets couldn't be measured reliably

### **2.3 Functional and presentation currency**

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



## **2.4 Comparative information**

The accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with LKAS 01 - presentation of financial statements,

## **2.5 Materiality & aggregation**

In compliance with LKAS 01 on presentation of financial statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions too are presented separately, if they are material. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

## **3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements requires the application of certain critical accounting assumptions relating to the future. Further, it requires the management of the company to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

Hence, actual experience and results may differ from these judgments and estimates.

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

### **a) Taxation**

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

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

### **b) Useful life-time of the property and equipment**

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

**c) Going concern**

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

**d) Post Balance Sheet Events**

A fire was broken out at Eppawala Site Office on 21<sup>st</sup> June 2016. The estimated loss to the company is approximately 6.9 million. However, the assets were fully covered under insurance at the time of fire.

**e) Impairment losses on financial assets**

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

**f) Impairment of available for sale investments**

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

**g) Deferred tax assets**

Deferred tax assets are recognized for all deductible temporary differences, unused

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

**h) Defined benefit plans**

The carrying value of defined benefit plans is determined using a formula which considers the actuarial assumption. This involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied by the company in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise is indicated.

## **4.1 Revenue recognition**

### **4.1.1 Sale of goods**

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

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

- a) The company has transferred significant risks and rewards of ownership of the goods to the buyer.
- b) The company retaining, neither a continuing managerial involvement to the degree usually associated with ownership nor an effective control over the goods sold.
- c) The amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity; and
- d) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **4.1.2 Interest income**

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

### **4.1.3 Dividend income**

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

### **4.1.4 Other income**

Other income is recognized on an accrual basis.

## **4.2 Expenditure recognition**

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

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

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

## **4.3 Taxation**

### **4.3.1 Current tax**

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

### **4.3.2 Deferred tax**

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

Deferred tax assets are recognized for all deductible differences. Carry forward of

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

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

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

#### **4.4 Non-financial asset**

##### **4.4.1 Property and equipment**

###### **Recognition and measurement**

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

###### **Cost model**

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of

the equipment when that cost is incurred, if the recognition criteria are met.

###### **Subsequent cost**

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

###### **Depreciation**

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is charged from the date of purchase to the date of disposal on prorate basis. Land is not depreciated.

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

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

## **De-recognition**

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

### **4.4.2 Impairment of non-financial assets**

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

### **4.5 Operating leases**

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

### **4.6 Inventories**

Stocks are stated at the lower of cost and net realizable value. Cost is determined on weighted average basis based on the cost of production. It has been the practice to apportion 40% of the costs of the Mine to "Crushed" production (Unprocessed) and to apportion the balance 60% to "Ground" production (Processed) when valuing the Phosphate stocks. Net realizable value is the price at which stock can be sold in the ordinary course of business after allowing for the cost of realization. Provision is

made where necessary for obsolete, slow-moving and defective stocks.

## **4.7 Financial assets – recognition and measurement**

### **4.7.1 Initial recognition**

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

### **4.7.2 Initial measurement**

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

### **4.7.3 Subsequent measurement**

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

### **4.7.4 Reclassification of financial assets**

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

- Out of the held-for-trading category and into the available for sale, loans and receivables, or held-to-maturity categories.

- Out of the 'available-for-sale' category and into the 'loans and receivables', 'held for trading category' or 'held-to-maturity'. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. For a financial asset reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the income statement.
- out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase are recognized as an adjustment to the EIR from the date of the change in estimate.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
  - The Company has transferred substantially all the risks and rewards of the asset or
  - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

#### **4.7.5 De-recognition of financial assets**

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

- The rights to receive cash flows from the asset have expired.

#### **4.7.6 Identification, measurement and assessment of impairment**

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a Company of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial

recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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

#### **4.8 Cash and bank balances**

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

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

#### **4.9 Stated capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

#### **4.10 Retirement benefit obligations**

##### **4.10.1 Defined benefit plan – gratuity**

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

##### **4.10.2 Defined contribution plan**

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

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

#### **a. Employees' Provident Fund**

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

#### **b. Employees' Trust Fund**

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

#### **4.11 Financial liabilities**

##### **4.11.1 Initial recognition and measurement**

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

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

##### **i. Financial liability at FVTPL**

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

changes there in recognized in profit or loss.

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

## **ii. Other financial liabilities**

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

### **4.11.2 De-recognition of financial liabilities**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original

liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

### **4.12 Provisions**

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

### **4.13 Cash flow statement**

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

### **4.14 Segmental information**

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



## **NOTES TO THE FINANCIAL STATEMENTS**

	2015/2016 Rs.	2014/2015 Rs.
<b>5. Revenue</b>		
Eppawala rock phosphate	424,243,777	429,697,844
High grade eppawala rock phosphate	92,069,620	99,817,395
Coconut fertilizer sales	46,424,398	520,655
Urea & MoP	(3,000)	395,100
	562,734,795	530,430,994
<b>6. Other Income</b>		
<i>Loans and receivables category</i>		
Interest income	36,526,937	41,231,730
<i>Available for sale category</i>		
Dividend income	200,000	600,000
Miscellaneous income	1,056,514	161,604
	37,783,451	41,993,334
<b>7. Profit from operation is stated after charging the following:</b>		
Staff costs	236,020,214	192,570,757
Directors fees	455,476	356,600
Directors expenses	-	82,500
Depreciation	29,757,670	24,317,754
Audit fee	227,384	603,219
Defined benefit plan	5,980,955	4,566,291
<b>8. Income Tax</b>		
Income tax on profit for the year	10,861,720	14,487,584
Deferred tax	23,445,312	3,281,938
	34,307,032	17,769,522
<b>8.1 Reconciliation of Income Tax</b>		
Profit before taxation	60,893,567	117,858,487
Non business income	(36,726,936)	(41,831,731)
Aggregate disallowable items	43,820,394	28,945,034
Aggregate allowable expenses	(29,665,156)	(56,382,016)
Interest income/profit on disposal of fixed assets	36,616,875	41,404,370
Qualifying Payments	(37,668,062)	(37,850,492)
Taxable profit	37,270,681	52,143,653

Income tax at 28%	10,435,791	14,600,223
Notional tax credit	(89,939)	(112,639)
Under/(Over) provision in the prior year	515,868	-
	<u>10,861,720</u>	<u>14,487,584</u>

## 9. Earnings per share

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

Profit attributable to ordinary shareholders	26,586,535	100,088,965
Weighted average number of ordinary shares outstanding during the year	7,251,000	7,251,000
Basic earnings per share	<u>3.67</u>	<u>13.80</u>

## 10. Property, Plant and Equipment

10 Property, Plant and Equipment				<i>(Expressed In Sri Lankan Rupees)</i>
Cost	Balance as at April 01,2015	Addition	Disposal	Balance as at Mar 31 ,2016
Buildings	156,458,238.44	14,558,824	-	171,017,062.76
Internal Roads	65,139,730.22	-	-	65,139,730.22
Plant and Machinery	86,601,578.00	301,431	-	86,903,009.18
Motor Vehicles	76,023,221.00	23,729,940	-	99,753,161.00
Office Equipment	2,401,142.00	-	-	2,401,142.00
Electrical Equipment	9,359,502.63	3,564,835	-	12,924,337.65
Furniture and Fittings	6,391,970.68	895,325	-	7,287,295.73
Laboratory Equipment	407,463.00	-	-	407,463.00
Computer Hardware and Software	13,980,709.10	419,440	-	14,400,149.10
Miscellaneous Assets	10,685,232.01	598,290	-	11,283,522.01
	<b>427,448,787</b>	<b>44,068,085.57</b>	-	<b>471,516,872.65</b>

Depreciation	Balance as at April 01,2015	Charge for the Year	Transfer	Balance as at Mar 31 ,2016
Buildings	24,443,358	6,486,779	-	30,930,136.95
Internal Roads	3,113,206	3,256,986	-	6,370,192.33
Plant and Machinery	32,525,296	3,733,637	-	36,258,933.46
Motor Vehicles	47,257,388	12,370,155	-	59,627,542.91
Office Equipment	2,070,240	95,214	-	2,165,453.79
Electrical Equipment	3,643,270	1,441,409	-	5,084,679.00
Furniture and Fittings	4,271,065	591,341	-	4,862,405.68
Laboratory Equipment	407,463	-	-	407,463.26
Computer Hardware and Software	10,971,337	1,167,509	-	12,138,846.21
Miscellaneous Assets	8,059,774	614,640	-	8,674,413.97
	<b>136,762,398</b>	<b>29,757,670</b>	-	<b>166,520,067.56</b>

<b>Written Down Value</b>	<b>290,686,390</b>	<b>304,996,805</b>
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<i>Capital work-in-Progress</i>	<b>Balance as at April 01,2015</b>	<b>Addition</b>	<b>Transfer</b>	<b>Balance as at Mar 31 ,2016</b>
Rubber Fertilizer Project	1,693,908	-	(1,693,908)	-
S.S.P.Project (New)	2,296,595	-	(2,296,595)	-
Guard Room with Toitel	2,676,267	-	(2,676,267)	-
Mill Office & Stores Factory	-	10,219,548	(10,219,548)	-
New Crusher Plant (02 Nos)	23,738,101	9,183,796	-	32,921,897.43
Installation of New Mill	56,994,583	-	(49,554,583)	7,440,000.00
CCTV Camera System	1,000,000	1,885,000	(2,885,000)	-
New Toilet Block at Site	992,722	-	(992,722)	-
Coconut Fert. Mixing Machine	-	244,508	(244,508)	-
	<b>89,392,177</b>	<b>21,532,852</b>	<b>(70,563,132)</b>	<b>40,361,897</b>

**Total**

**380,078,567**

**345,358,703**

	<b>Holding %</b>	<b>31.03.2016 Rs.</b>	<b>31.03.2015 Rs.</b>
<b>11. Equity investments</b>			
Investment in GSMB Technical Services (Pvt) Ltd			
100,000 Ordinary shares, Rs.10 each	17%	<u>1,000,000</u>	<u>1,000,000</u>

GSMB Technical Services (Pvt) Ltd is not listed and the fair value of the investment is not available. Management decided to carry the investment value at cost considering the uniqueness of the investee's operation and the management's intention not to dispose the investment to gain profits.

	<b>2015/2016 Rs.</b>	<b>2014/2015 Rs.</b>
<b>12. Inventories</b>		
Trade inventory - Eppawala Finished Goods	16,039,437	20,176,706
Provision for Unrealized Profit	(334,105)	
Raw Material Stocks	14,868,782	11,043,009
General inventory	59,139,039	48,226,904
Spare parts stock transferred from CWP	30,751,574	-
Trade Stocks - Wariyapola	<u>6,720,069</u>	<u>4,872,523</u>
	127,184,796	84,319,143
Less : Impairment of general inventory	<u>(587,838)</u>	<u>(587,838)</u>
	<u>126,596,959</u>	<u>83,731,306</u>
<b>13. Deposits, Prepayments and Other Receivables</b>		
Staff loans and advances	76,675,391	47,879,216
Prepaid staff compensation	17,699,426	26,465,980
Deposit & Prepayments	2,900,485	3,563,243
Interest from REPO	4,916	-
	<u>97,280,218</u>	<u>77,908,442</u>
<b>14. Short Term Deposits</b>		
Fixed Deposits		
People's Bank	104,811,356	110,121,691
Bank of Ceylon	110,974,399	125,392,496
National Savings Bank	<u>18,045,559</u>	<u>17,046,107</u>
	<u>233,831,314</u>	<u>252,560,294</u>

	<b>31.03.2015</b>	<b>31.03.2014</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>15. Cash and Cash Equivalent</b>		
Repo -Bank of Ceylon	25,000,000	
Stamp float	7,151	7,068
Cash at bank	2,542,623	8,072,995
Cash in hand	120,000	120,000
	<u>27,669,774</u>	<u>8,200,063</u>
<b>16. Stated Capital</b>		
Issued and fully paid	<u>72,510,000</u>	<u>72,510,000</u>
No. of shares in issue	<u>7,251,000</u>	<u>7,251,000</u>
	<b>31.03.2016</b>	<b>31.03.2015</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>17. Retirement Benefit Obligations</b>		
Balance at the beginning of the year	31,508,910	29,062,978
Current service cost	1,601,217	1,659,993
Interest cost	4,379,738	2,906,297
	<u>37,489,865</u>	<u>33,629,268</u>
Payments during the year	(4,786,110)	(1,036,180)
Actuarial (gain)/loss	(2,991,618)	(1,084,179)
Balance at the end of the year	<u>29,712,137</u>	<u>31,508,910</u>
The following assumptions have been taken in the computation of the liability		
Expected annual average salary increment	3%	3%
Discount rate	10%	10%
<b>18. Deferred tax</b>		
Balance at the beginning of the year	8,053,929	4,771,990
Reversal during the year	31,499,241	3,281,939
Balance at the end of the year	<u>39,553,170</u>	<u>8,053,929</u>
<b>19. Tax Payable</b>		
Balance at the beginning of the year	287,755	4,575,164
Provision for the year	10,841,720	14,487,584
Payments during the year	(5,327,690)	(16,100,558)
Withholding Tax	(1,626,952)	(2,674,436)
Balance at the end of the year	<u>4,174,833</u>	287,755

**20. Other Payables and Accrued Expenses**

Accrued expenses	17,085,765	36,683,704
Other payables	7,739,914	3,688,416
	<u>24,825,679</u>	<u>40,372,120</u>

**21. Notes to the Cash Flow Statement****21.1 Cash and Cash Equivalent at the Beginning of the year**

Repo -Bank of Ceylon	-	-
Stamp float	7,068	4,048
Cash at bank	8,072,995	12,930,945
Cash in hand	120,000	110,000
	<u>8,200,063</u>	<u>13,044,993</u>

<b>31.03.2016</b>	<b>31.03.2015</b>
<b>Rs.</b>	<b>Rs.</b>

**21.2 Cash and Cash Equivalent at the End of the Year**

Repo -Bank of Ceylon	25,000,000	-
Stamp float	7,151	7,068
Cash at bank	2,542,623	8,072,995
Cash in hand	120,000	120,000
	<u>27,669,774</u>	<u>8,200,063</u>

**22 Categorization of financial instruments by categories****Financial assets**

Cash in hand and Bank	2,669,774	8,200,063
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***Loans and receivables***

Trade Receivables	36,318,629	40,766,197
Staff loans and advances	76,675,391	47,879,216
Deposit	1,399,588	1,523,837
Short-term Deposits	233,831,314	252,560,294

***Available-for-sale***

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

**Other financial liabilities**

Other payables and accrued expenses	24,825,679	40,372,120
Trade payables	9,923,862	3,285,468

**23 Financial risk management**

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

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

**(a) Credit risk**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

**(b) Trade receivables**

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

**(c) Liquidity risk**

Cash flow forecasting is performed by the Finance Division. The Finance Division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Surplus cash held over and above balance required for working capital management is invested in deposits with banks. At the reporting date, the Company held deposits of Rs. 233,831,314 (31/03/2015- Rs. 252,560,294) that are expected to readily generate cash inflows for managing liquidity risk.

**(d) Interest rate risk**

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

**(e) Capital risk management**

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



#### 24. **Contingent liabilities / Contingent Assets**

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

#### 25. **Commitments**

##### 25.1 **Financial commitments**

There were no material financial commitments outstanding at the end of the reporting date.

##### 25.2 **Capital commitments**

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

	<b>31.03.2016</b>	<b>31.03.2015</b>
	<b>Rs.</b>	<b>Rs.</b>
Unpaid capital expenditure for new Crusher	5,314,114	19,151,271
Unpaid Royalty	Nil	27,149,612
	<u>5,314,114</u>	<u>27,149,612</u>

##### **Pending litigation**

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

#### 26. **Events after the reporting period.**

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

#### 26. **Related Party Transactions**

##### 26.1 **Transaction with Key Management Personnel**

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

	<b>2015/2016</b>	<b>2014/2015</b>
	<b>Rs.</b>	<b>Rs.</b>
Short term benefits	4,111,755	3,270,327

##### 26.2 **Transaction with other Related Parties**

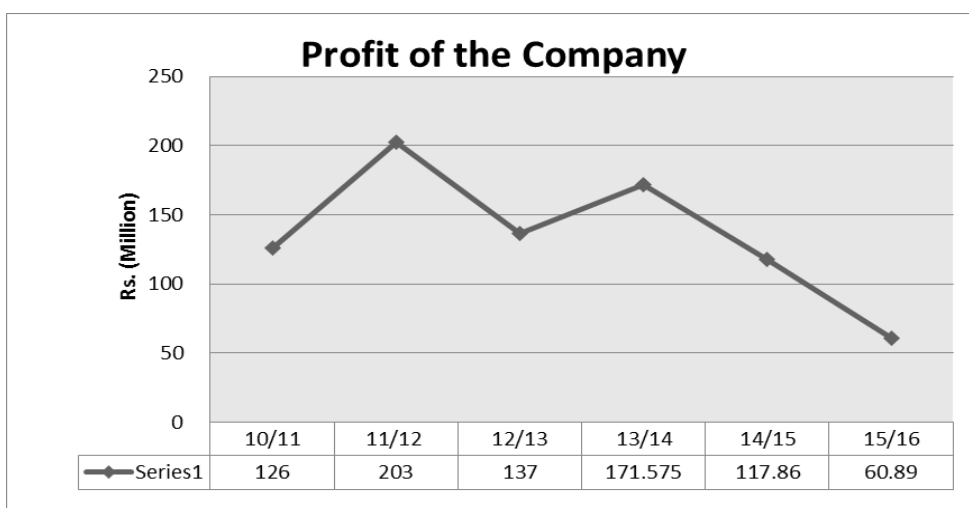
During the financial year, no parties and transactions were identified as related parties defined under the LKAS 24.

## REVIEW OF OPERATIONS

A brief review of operations and operational results for the year 2015/16 of the company are presented as follows.

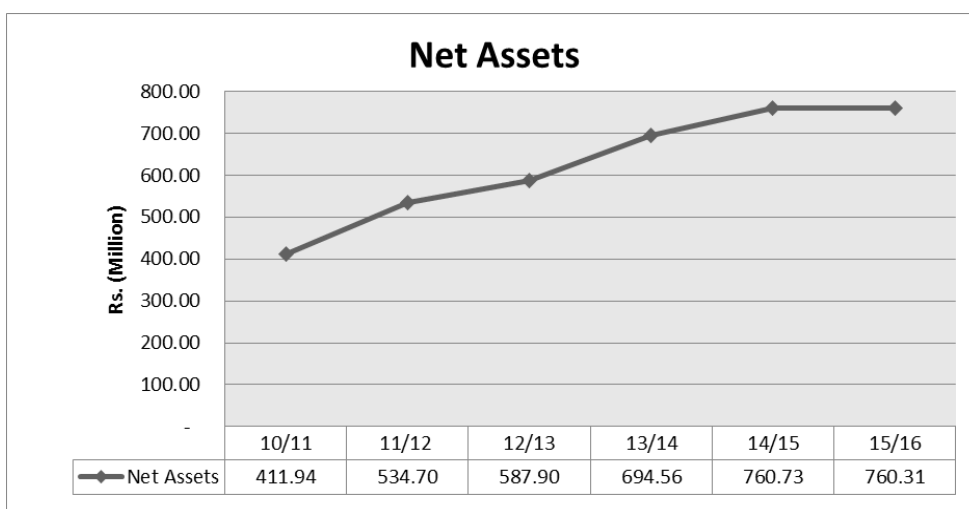
### 01. PROFITABILITY

Profit before taxation (PBT) for the year 2015/16 is Rs. 60.89 millions. The PBT for the year 2014/15 was Rs. 117.86. It is almost 48% decrease when compared to the previous year. Unstable Fertilizer policy in the country, Higher Fertilizer prices, higher labour and administration cost, reduced interest income and higher depreciation cost resulted in low profitability for the current year.



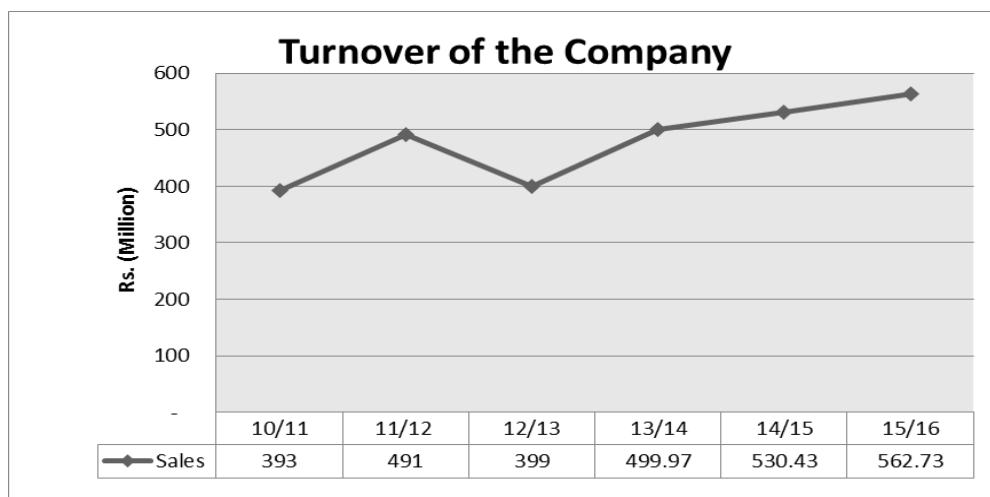
### 02. NET ASSETS

The company maintains a healthy Net Assets position. The net assets position at the end of the last year 2014/15 was Rs.760.74 million, which had been remain same at the end of current year.



### 03. REVENUE

Company achieved a gross turnover of Rs. 562.7 million which included 46,925.85 mt of Eppawala Rock Phosphate (ERP), 7,901.05 mt of High-Grade Eppawala Rock Phosphate (HERP) and 1611.3 mt of Coconut Fertilizer (APM/YPM) respectively. It is the higher sales ever in the history of Lanka Phosphate Ltd.



### 04. CAPITAL EXPENDITURE

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

#### Acquisition & Capital Work-In-Progress

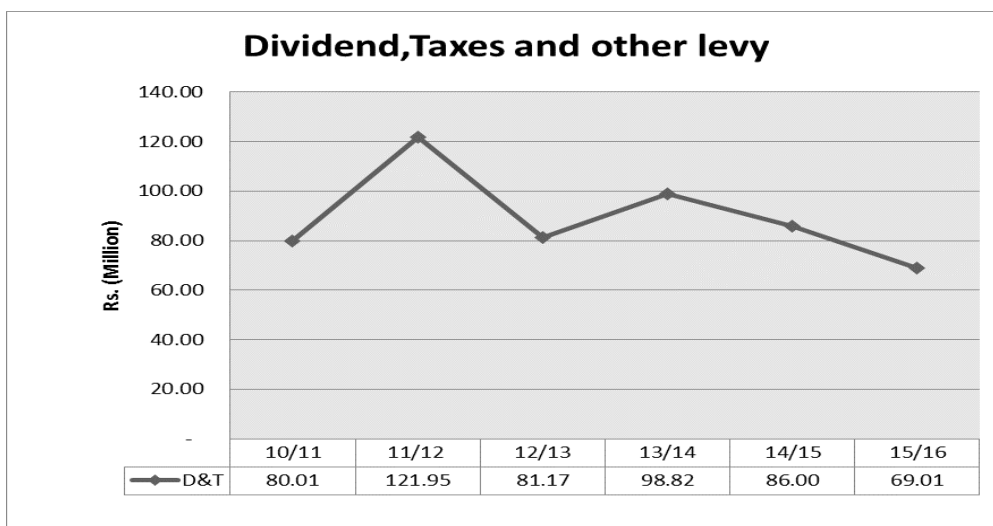
Year	Amount (Rs.)
2011/12	62,186,309.00
2012/13	12,855,655.00
2013/14	134,001,412.00
2014/15	121,097,086.38
2015/16	53,251,881.57

The Company has invested for enhancing production capacity, productivity, system controls and quality of operations during the year. However the investments were curtailed due to lower sales during the year.

## 05. PAYMENTS TO GENERAL TRESURY & GOVERNMENT INSTITUTIONS

General Treasury to Sri Lanka is the sole shareholder of Lanka Phosphate Ltd. The dividend declared for the year 2014/15 was Rs. 30.0 million and the current years dividend will be proposed and approved at the upcoming Annual General Meeting. In addition, the company had paid several taxes and levies such as Income Tax, Mineral Tax, Royalty etc. on the sales/production of the company

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



*General Manager*

## ***NOTICE OF THE MEETING***

NOTICE IS HEREBY GIVEN to the shareholders of Lanka Phosphate Limited that the Annual General Meeting of the Shareholders of Lanka Phosphate Limited would be held on 28<sup>th</sup> September 2016 at 3.00pm at the Head Office of Lanka Phosphate Limited at No. 73 1/1, New Kelani Bridge Road, Colombo 14 for the following purposes:

1. Tabling of written consent by the Secretary to the Treasury (as the registered owner of all the shares in the Company) to have an Annual General Meeting at 'Short Notice' in term of the Article 53 of the Articles of Association of the Company.
2. To confirm the Minutes of the Annual General Meeting held on 28<sup>th</sup> September 2015.
3. To receive, consider and adopt the Audited Statement of Accounts for the year ended 31.03.2016 and the Statement of Financial Position as at 31.03.2016 and the Report of the Auditors thereon all of which are sent herewith.
4. To receive, consider and adopt the Annual Report sent herewith.
5. To consider and declare a final dividend for the year 2015/16 as recommended by Board to the Treasury as the sole Shareholder of the Company.
6. To re-elect Directors who retire (at the Annual General Meeting) in terms of the Article 92 & 93 of the Articles of Association of the Company and who being eligible offer for re-election in term of the Article 94 of the Article of Association of the Company.
7. To appoint the Auditors for the year 2016/2017 and to authorize the Directors to determine their remuneration for the year.
8. Any other business of which due notice has been given.

**By Order of the Board,**

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

***Notes:***

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

**FORM OF PROXY**

***Lanka Phosphate Ltd***

**P R O X Y**

I/We .....

Of .....

Being a member of the above named Company hereby appoint .....

.....of .....or

Failing him .....

Of .....

As my/our proxy to vote for me/us an on my/our behalf at the Annual General Meeting of the company to be held on 28<sup>th</sup> September 2016 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this .....day of .....two thousand and sixteen

Signature .....

**NOTE**

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