ANNUAL REPORT

2022/2023

COLOMBO COMMERCIAL FERTILIZERS LTD

Dalupitiya Road, Hunupitiya, Wattala

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www.commercialpohora.com

1.1

Vision

To be the benchmark of a well-run government owned organization by positively contributing towards the enhancement of the Sri Lankan Agricultural industry throughout the swift manufacture and distribution of all agro- related products and services

Mission

To be the market leader whilst being the premier fertilizer distributor and manufacturer in the country and taking pride in participating in the execution of the GOSL vision on the agricultural sector, exploring avenues for self-sustainability through product diversification, focusing on delivering quality products and being receptive to needs of all stakeholders of the organization.

1.2 Our Values

Integrity	*Accountability*	*Mutual Respect*
Ethical and transparent in all matters	Responsible for our own promises and actions.	Treating everyone with dignity and Respecting each other. Motivating people to develop and rewarding the good performance.

Good Citizenship	*Quality*	*Team work*
Respecting the law, contributing to the society and being environmentally responsible in what we do.	Maintaining quality in everything we do and deliver.	Individual commitment to work together towards the common vision of success.

1.3 Milestones of our Journey

1872

- The Company was incorporated in Great Britain for the purpose of carrying out it's business in Ceylon.

1976

- The company was vested with the Government of Sri Lanka under the Business Aquisition Act No. 35 of 1971
- The name of the company was changed as "Government Owned Business Undertaking of Colombo Commercial Fertilizers Ltd.

1989

- The company was converted in to a public company under the "Convertion of State Corporations or Business Undertakings in to Public Companies act No.23 of 1987"
- The company's name was changed as Colombo Commercial Fertilizers Ltd.
- The company issued it's total share capital of 10,000,000 to the General Treasury

1994

- The Comapny was privatized in accordance with the Government's privatization policy. 90% of the shares were transferred to a private management entity, keeping the balance 10% with the General Treasury. However, due to Management issues and labour unrest, the company's operations came to a standstill for a period of two years.

1997

- The Company was revested by the General Treasury under the"Rehabiitation of Public Enterprises Act No.29 of 1996" with the appoinment of a Competent Authority by H.E the president.
- The head office of the comapny was shifted from Union Place to the current location at Hunupitiya, Wattala.

Milestones of our Journey contd….

2005
- Started distributing subsidized paddy fertilizer under the Mahinda Chinthana Policy Framework.

2010
- Distribution of Subsidized fertilizer for Other Crops was started

2011
- The control of the company was handed over to an appointed Board of Directors whilst being supervised the Line Ministry.

2016
- The current fertilizer subsidy scheme was repalced with an alternative system by the Government at the end of February. The company started doing business in the open competitive market since then.

2018
- Restarted distribution of subsidized fertilizer under open market conditions.

2021
- Change in government fertilizer policy.Banning the use of chemical fertilizers and promoting local Organic fertilizers.

2023
- Government lifing the ban imposed in chemical fertilizer and company shifting its operaions back towards distribution of chemical fertilizers

2023
- Cabinet decision has made in amalgamating the company with state owned other fertilizer company, Ceylon Fertilizers Ltd.

1.4 Chairman's Review

On behalf of the Board I am pleased to present you the Annual Report and Financial Statements of Colombo Commercial Fertilizers Ltd. For the year ended 31st March 2023.

Company Performance

In 2022, the real economy had a broad-based a downturn, reversing the post-pandemic recovery of 2021. The agriculture sector, which has been underperforming since 2019, declined by 4.6% in 2022 compared to the previous year. This was mostly due to acute shortages of chemical fertilizer and other agrochemicals, higher raw material costs, and supply network interruptions. Rice, tea, vegetables, animal production, and marine fishing and aquaculture all contributed significantly to the total decline in the agriculture sector, whereas oleaginous fruit, forestry, and logging had increase throughout the year.

However, the abrupt ban on chemical fertilizer importation in 2021 had devastating effects on the country's staple food production, almost leading to a food crisis in 2022, which was worsened by limited food imports amid a lack of foreign exchange liquidity. This has directly affected the business of our company and revenue has been drastically fallen since distribution of chemical fertilizers has banned.

Company's operations were shifted from distributing chemical fertilizers to overseeing and facilitating the process of Eco Friendly fertilizer distribution by local suppliers. However, the company has played a major role in distribution of World bank and other donor project funded fertilizer for free of charge.

For the financial year ended 31st March 2023, the company has recorded a net profit of Rs.361 million which mainly constitutes with company's interest income. 84,588.762 MT of Neat fertilizer were distributed among the farmer community.

Social Responsibilities

Strengthening the national Agriculture, offering a better living condition to the farmer community by mingling and assisting with their operations were done as usual during this problematic time.

As a prime entity which enables the state policies we were able to distribute fertilizers among the farmer community without any delay or scarcity giving our utmost contribution towards the government and the public. And we are very pleased to inform that we have played a key role in the development of Agriculture industry in our country.

Positive Outlook

A stable financial position, industry perception over a century, energetic and innovative human capital and the strong backing form the regulators for being a fully government owned company provide a sound foundation for our growth.

In order to overcome the challenges caused by the global pandemic situation and to ensure sustainability in economy the need of a novel economic policy framework has arisen. The government has introduced timely economic policies to address the above and to ensure food safety and self-sufficiency. Enhancing the productivity of traditional agricultural methods is a main step taken by the government. Increasing economies of scale, promoting modern technology based agriculture, adopting smart farming technologies for efficient usage of resources efficiently connecting farmers with supply chains are among the major aspects that could enhance the productivity of the agriculture sector and the main concern of the government.

Further, aspects such as utilization of nanotechnology for soil improvement and crop disease diagnosis, promoting hydroponics methods, selecting hybridized and high yielding crops, improved post harvesting treatment techniques for packaging, storage and distribution are taken into consideration by the government in the new policies introduced.

Further, the Government's policy agenda to encourage domestic agriculture, which re-introduced and promoted the concept of small family farming and urban farming, was supportive in fulfilling basic food needs of the population to a certain extent during the pandemic. Amidst numerous hurdles and challenges the Government continued the fertilizer subsidy program to support food production and offered fertilizer free of charge for paddy cultivation. Accordingly, it is certain that the agriculture industry of the country will have a bright future ahead. Our strategies are aligned harmonizing these new opportunities and we are confident about our success.

Acknowledgment

On behalf of the Board of Directors I take this opportunity to thank all the members of Colombo Commercial Fertilizers family. Their hard work, dedication, efficiency and commitment are the pillars which uplift the company.

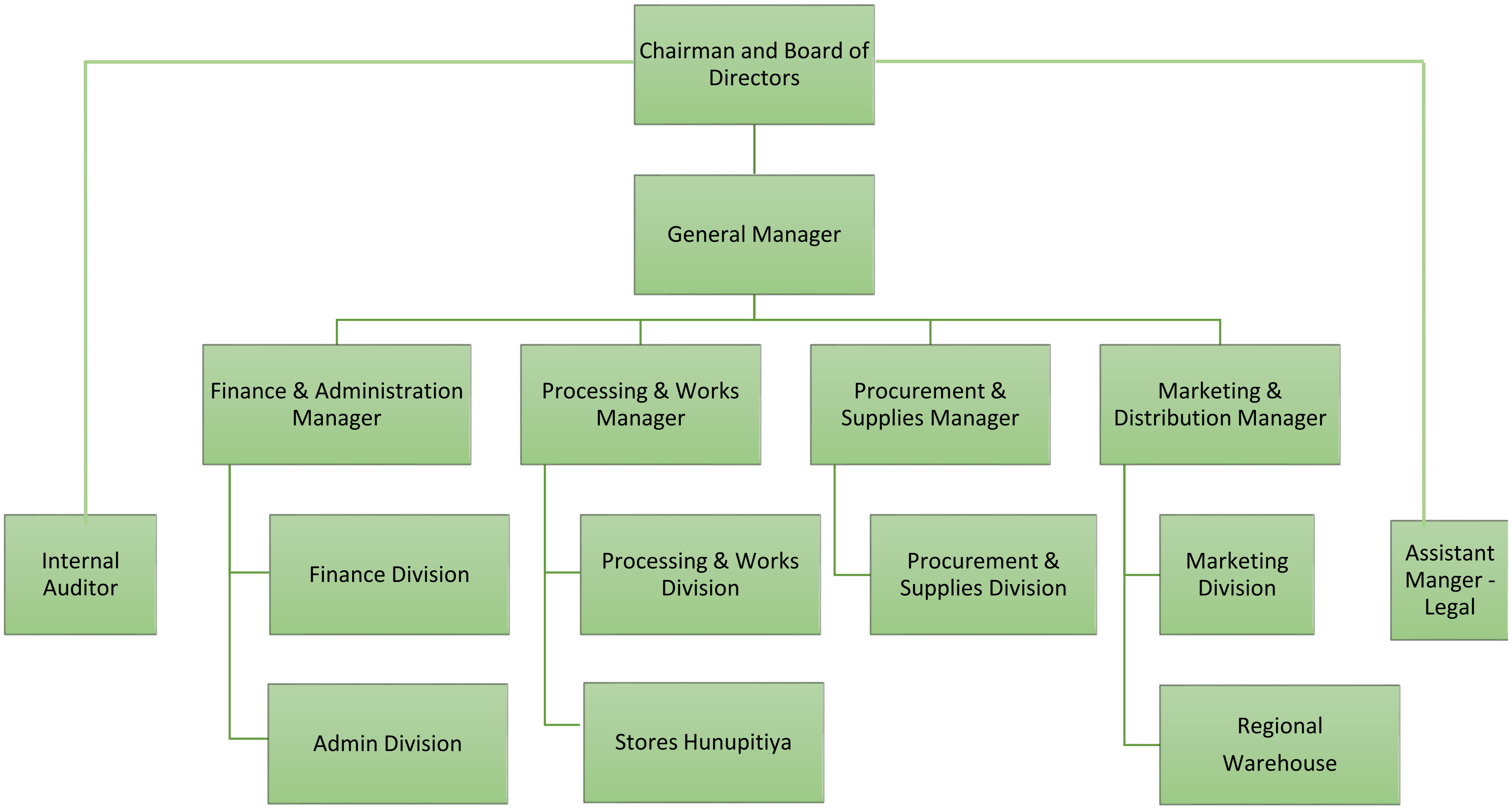
I appreciate the co-operation and the contribution extended by the Board of Directors to achieve the targets of CCF Ltd. Specially, I take this opportunity to thank the Director of National Fertilizer Secretariat and his staff for their continuous assistance and guidance.

I'm sincerely grateful to the Honorable Minister of Agriculture, Secretary to the Ministry, all Officials and Staff members of the Ministry of Agriculture, Commissioner General of Agrarian Services and the officers of Agrarian Services Centers across the country, who have extended their valuable assistance and co-operation to discharge our duties for the betterment of farmer community and in general, to the people of our country.

I am also grateful to the Director General, Department of Treasury Operations and the Staff for their kind assistance in settling our import bills on time. Finally, I thank our bankers and all our stakeholders for their contribution towards the progress of this company.

DR. JAGATH PERERA
CHAIRMAN
COLOMBO COMMERCIAL FERTILIZERS LTD.

1.5 Organizational Structure of the Company



1.6 Board of Directors and Steering Committees

Board of Directors

- Chairman - Mr. Jagath Perera
- Director - Mrs. K.A.W. Fernando
- Director - Mr. Kalu Durage Sunanda Lal
- Director - Mr. H.A. Kumara
- Director - Mr. T. Susil Sirinandana De Silva
- Director - Mr. S.L. Paranamanna
- Company Secretary - Mrs. A.M. Chamila S. Thilakarathne (Attorney at Law)

Audit and Management Commitee

- Chairman - Mrs. K.A.W. Fernando
- Member - Mr. H.A. Kumara
- Member - Mrs. H.I. Nilmini
- Member - Mr. Kalu Durage Sunanda Lal
- Observer - Mrs. G.K.U. Abeyrathne
- Convener - Mr. H.V.A.J. Wijesiri (Internal Auditor)

Senior Management Committee

- General Manager - Dr. W.M. Jayantha Weeraratne
- Finance and Administration Manager - Mr. S.N.J. Wickremesinghe
- Processing & Distribution Manager - Mr. J.C. Wickramsinghe
- Internal Auditor - Mr. H.V.A.J. Wijesiri

1.7 Corporate Governance

Being a state-owned enterprise, maintaining good corporate governance is not just a concern but it's the core of everything we do. It's the system of rules, practices and processes by which the company is directed and controlled. It vitally engaged in balancing the interests of all stake holders. The company represents the government. Hence, it's more challenging for us to maintain good corporate governance. The Board of Directors ensures that the activities of the company are always in accordance with the highest ethical standards and in the best interest of the company.

Corporate Governance Framework

Regulatory Framework	Assurance	Internal Governance Structure
Companies Act No.07 of 2007	General Treasury	Shareholders
Finance Act No.31 of 1971	Line Ministry	Board of Directors
Accounting and Auditing Standards Act No.15 of 1995	Auditor General's Department	Audit and Management Committee
Code of Best Practice in Corporate Governance for Public Enterprises in Sri Lanka	Department of Public Enterprises Ministry of Finance	Senior Management Team
		Internal Controls
		Internal Audit

1.8 How We Maintain Corporate Governance

Board Meetings

•During the reporting year 12 Board Meetings were held

Cadre Requirements

➓All cadre requirements and promotions are subject to the approval of Board of Directors.

Policy Decisions

•All policy decisions are formulated and broader strategies are discussed in the board room

Important Matters

➓All importance matters relating required closer scrutiny are diverted through Management committee.

Audit and Management Committee Meetings

➓During the year under review six Audit and Management committee meetings were held.

Detailed prgrams and work plans

➓Senior management committee formulates the detailed programs and work plan with aim to achieve effective and efficient operational results.

2. Risk Management

Risk Management can be defined as forecasting and evaluation of financial risks together with the identification of procedures to minimize their impact. Avoiding all risk would be result in no achievement, no progress and no reward. The Board of Directors holds the oversight responsibility of the company's risk strategy and the Internal Audit division is responsible for maintaining adequate internal control systems within the company to minimize risk. The Internal Audit division carries out routine and special assignments, to ensure whether the control systems implemented are strictly adhered in to, and reports the Board of Directors regarding exceptions.

Top Risks to the company's capacity to deliver value to its stakeholders are summarized below.

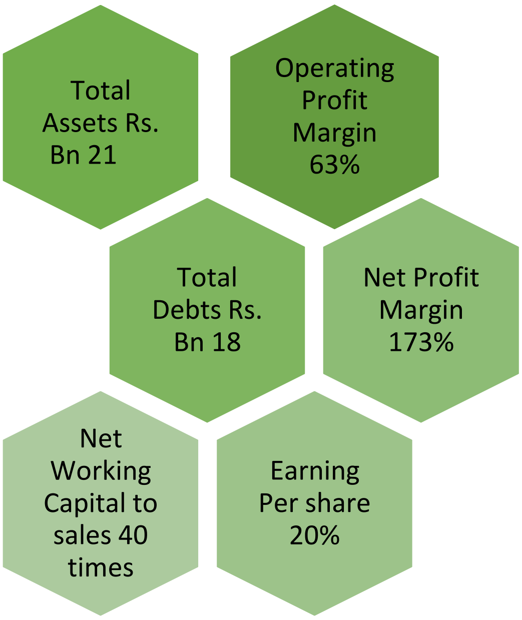
Probability	Minor	Medium	high	very High
Frequent			**2 ,9**	**5,8**
Occasional			**3,15**	**1 ,4 ,6 ,10 ,14**
Likely	**7**			
seldom		**11**	**13**	**12**

Consequences

No. as per the Matrix	*Risk*	***Risk Response***
01	Fertilizer prices being increased in the world market	Constantly monitoring the price fluctuations and importing when most reasonable price is recorded.
02	Restrictions in using strategies to compete with the competitors due to being answerable to the Government Audit	Acceptance and maximum usage of strategies which are out of Government Audit's concern and development of company specified guidelines to be approved by the general treasury.
03	Risk of declining customer demand as a result of adverse health effects of the chemical fertilizers	Opening up to the organic fertilizer market. Production of special mixtures for each soil type, which only contains the lacking ingredients in that particular soil.
04	Imposing new regulations or sudden changes in existing regulations in relation to the business by the government	Acceptance and constantly monitoring government's policy and aligning company's strategies accordingly.
05	Product price being controlled by the government	
06	chance to sell low market demand fertilizer items which are not prior planned and procured by the government	
07	Extra time consumption in Procurement/ tender procedures	
08	Occurrence of human and process failures due to non-availability of a proper system to get accurate and up to date information.	Introducing a standard computerized system to mitigate the risk
09	Lack of Standard operating procedures and inefficiencies in the current standard procedures	Introducing standard operating procedures to mitigate the risk

No. As per the Matrix	*Risk*	***Risk Response***
10	Risk of declining the customer demand as a result of adverse weather conditions	Acceptance and maintaining necessary investments with a view of being flexible enough to absorb the pressure from the unexpected weather conditions.
11	Deliberate deception, trickery, or cheating intended to gain an advantage	Maintaining improved strong internal control system to reduce the exposure to frauds and Strengthening an ethical culture to mitigate frauds
12	Risk of not having adequate funds to meet the financial commitments of the company	Income and expenditure are monitored and matched constantly and strong relationships are maintained with banks and Treasury.
13	Losses arising due to debtors not making repayments within the stipulated periods	Maintaing a strong internal control system including legal procedures for long outstanding receivables.
14	The risk of changing the value payable for Imports due to changes in currency exchange rate	The government is bearing the import cost of main fertilizer items. However, a minor quantity of fertilizer items was imported in company's expense. In such cases consistent monitoring of Forex rates are done in order to mitigate the risk
15	Exposure of the company's financial condition to adverse movements of the interest rate	Since the import loans are settled by the government investments are the main component affected by the interest rate. In that case constant monitoring on interest rates and negotiating with the banks to obtain attractive interest rates for deposits are done to mitigate the risk

3. Performance Highlights



Revenue

Due to the unexpected change taken place in the State policy in chemical fertilizer usage, the main business process of Import and sale of chemical fertilizers of the company was halted. sales of the company have drastically fallen during the year 2022/23.

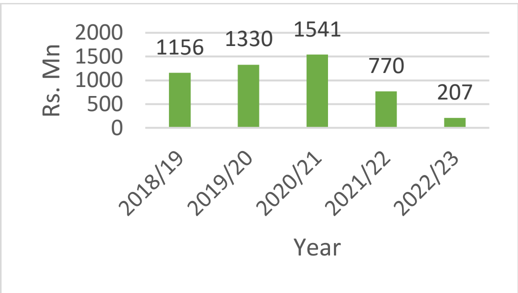


Chart No. 01. Revenue of the company (Rs. Mn)

Gross Profit

Since chemical fertilizer operations have been halted cost of sales of the company was low. Hence, the company was able to secure a gross profit of 178 Mn during the year.

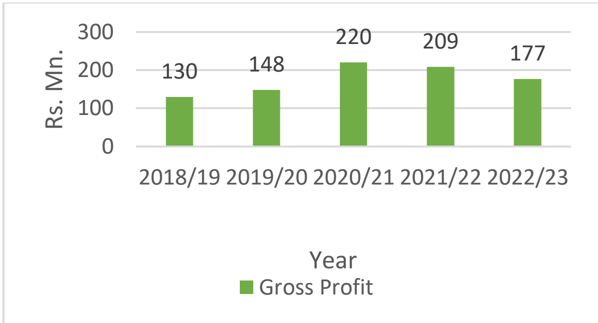


Chart No. 02. Gross Profit of the company (Rs. Mn)

Administrative Expense

The administrative expense of the company has increased by 12% when compared with previous year, mainly due to the inflation and price increments taken place in commodities and services.

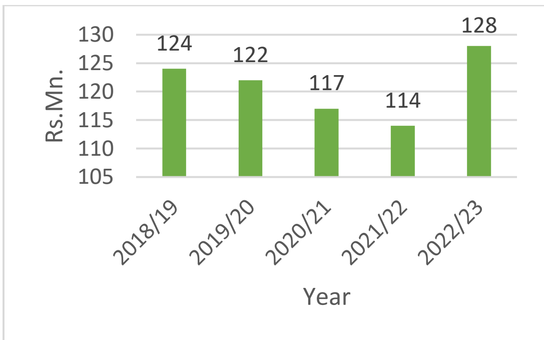


Chart No. 03. Administration Expenses of the company (Rs. Mn)

Distribution Expense

Company's distribution expenses have drastically fallen down during the year since company's operations have been navigated towards supply of Eco-Friendly Fertilizers. The distribution expenses were borne by the local suppliers and as a result the distribution expenses have declined by 75%.

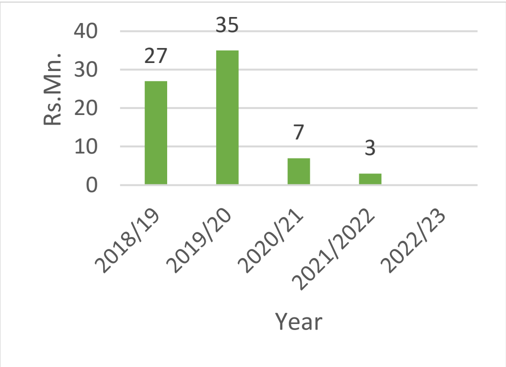


Chart No. 04. Distribution Expenses of the company (Rs Mn)

Finance Income and Expenses

Finance income of the company records 397 million for the year. Finance income includes interest income related to the prudent investment in fixed deposits and REPO investments.

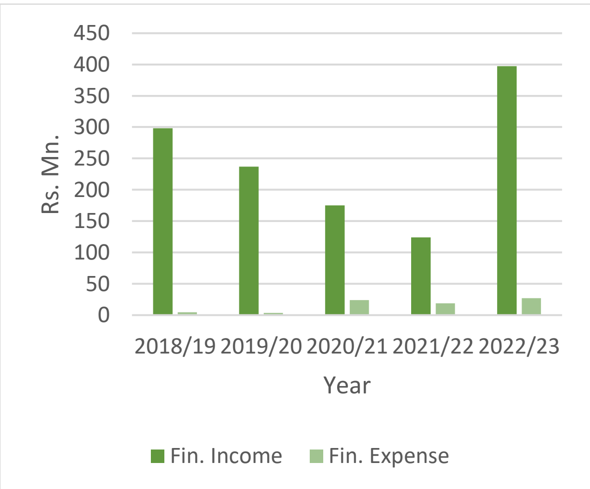


Chart No. 05. Finance Income and Expenses of the company (Rs. Mn)

Profit Before Taxation

The company has been able to maintain sustainable profits through-out the recent past. Continuous increase in interest income has contributed to the growth of net profit of the company. Interest income in 2022/23 has increased by 220% and as a result profit before taxation has increased by 125%.

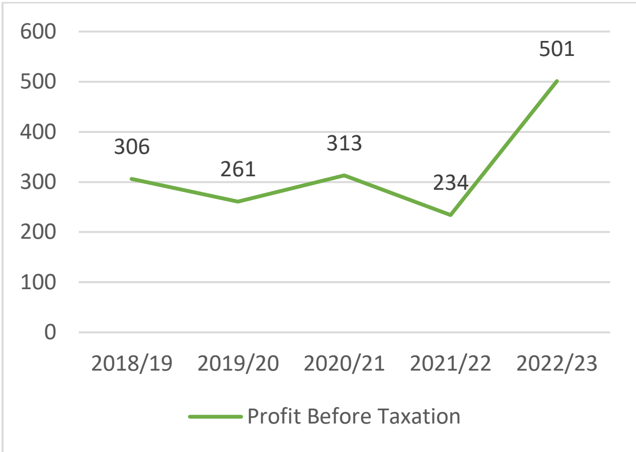


Chart No. 06. Profit before Taxation of the company (Rs. Mn)

Comparison of Financial Highlights

		2023	2022	Change %
Earnings Highlights and Ratios				
REVENUE	Rs. Mn.	207	770	-73
Profit from Operating Activities	Rs. Mn.	131	128	2
Profit Before Tax	Rs. Mn.	501	234	114
Profit After Tax	Rs. Mn.	361	160	125
Operating Profit Margin	%	63	16	280
Earnings per Share (Basic)		20	16	25
Financial Position Highlights and Ratios				
TOTAL ASSETS	Rs. Mn.	21,125	22,293	
Total Debts	Rs. Mn.	17,019	19,217	
Equity Attributable for Share Holders	Rs. Mn.	3.432	3,075	
Current Ratio	No. of times	2	4.5	
Quick Ratio	No. of times	2	1.5	
Net Working Capital to Sales	No. of times	41	22	

4. Physical and Financial Progress 2023

<table>
<tr><th rowspan="2">Serial No.</th><th rowspan="2">Project/Activity</th><th colspan="2">Target in 2023</th><th colspan="2">Progress</th><th rowspan="2">Expected results of the project/activity</th></tr>
<tr><th>Measuring Unit</th><th>Target</th><th>Physical Progress</th><th>Financial Progress Rs. Mn.</th></tr>
<tr><td>1</td><td>Import and distribution of urea fertilizer under World Bank assistance.</td><td>Mt.</td><td>55,101</td><td>55,101</td><td>704</td><td rowspan="4">To increase the living standards of farmers and agricultural self-sufficiency by distributing fertilizers in the right amount at a subsidized price at the right time without shortage when needed for crops.</td></tr>
<tr><td>2</td><td>USAID funded fertilizer import and distribution.</td><td>Mt.</td><td>7,707</td><td>7,707</td><td>84</td></tr>
<tr><td>3</td><td>Import and distribution of MOP fertilizer under Asian Development Bank loan support.</td><td>Mt.</td><td>16,729</td><td>16,729</td><td>271</td></tr>
<tr><td>4</td><td>Import and distribution of TSP fertilizers with USAID funding.</td><td>Mt.</td><td>15,265</td><td>15,265</td><td>159</td></tr>
<tr><td>5</td><td>Import and distribution of Urea fertilizer under Japanese support.</td><td>Mt.</td><td>5,769</td><td>5,769</td><td>53</td><td></td></tr>
</table>

5. Creating Value for Stakeholders

How we create Value……….

Input

Financial capital
Equity Rs. 3,432 Mn
Debt Rs. 17,019 *Mn*

Manufactured Capital
Property Plant &
Equipment Rs. 525Mn

Human Capital
129 Employees

Social & Network Capital
Customers - ASC's 557
Registered Dealers -150
Registered Suppliers -17

Process of Value Creation

Supply Chain Management

Financial Management

Customer Relations

Import

↓

Mixing and Storage

↓

Distribution

Good Governance

Efficient Process

Good Industrial relations

Value Created

For Finance Providers
Rs 27.5 Mn

For Employees
Employee Cost Rs.67 Mn
Bonus & Incentive
Rs. 12 Mn

For Customers
Sales *Rs. 220 Mn.*

For Suppliers
Purchases Rs. 354 Mn

For Regulators
Taxes Rs. 139Mn

Retained with the
Business *Rs. 356 Mn*

6. Fertilizer Distribution at a Glance

Market Share of the Company

Company’s operations in distributing chemical fertilizers has been halted due to the change in government policy. The complete chemical fertilizer market has collapsed as a result of the above policy. However, the company acted as the distributor of chemical Fertilizer received through World Bank Donor Programs.

Distribution of Neat & Mixing fertilizers During the Year

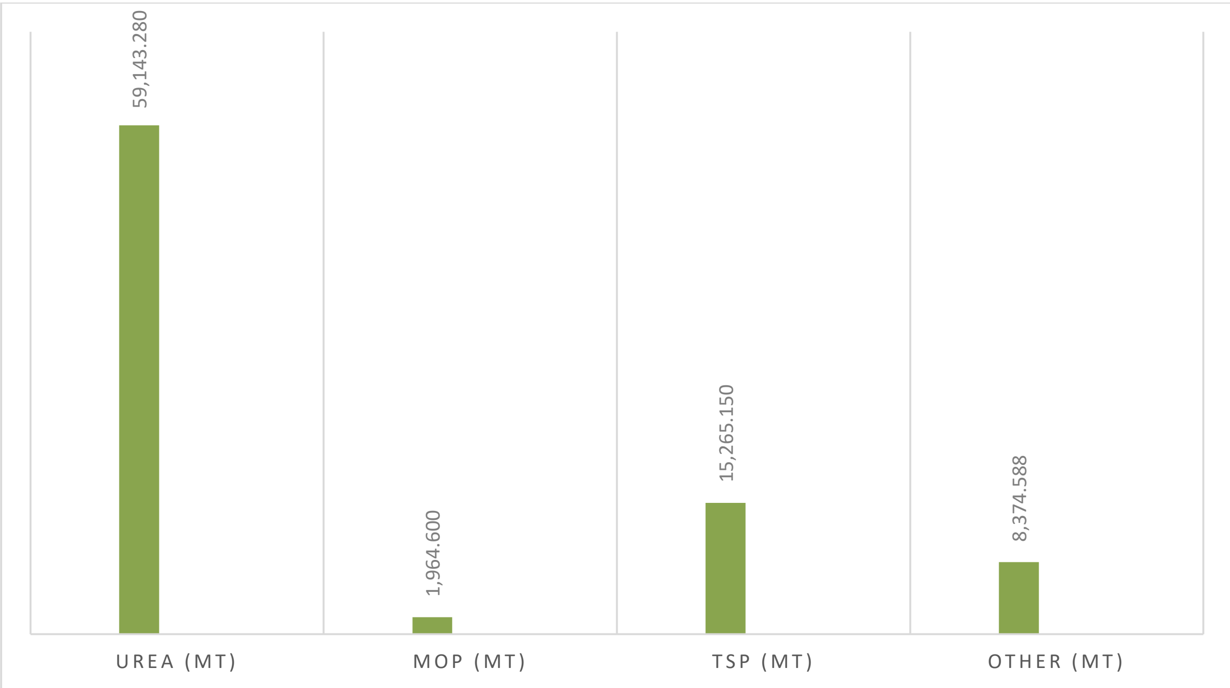
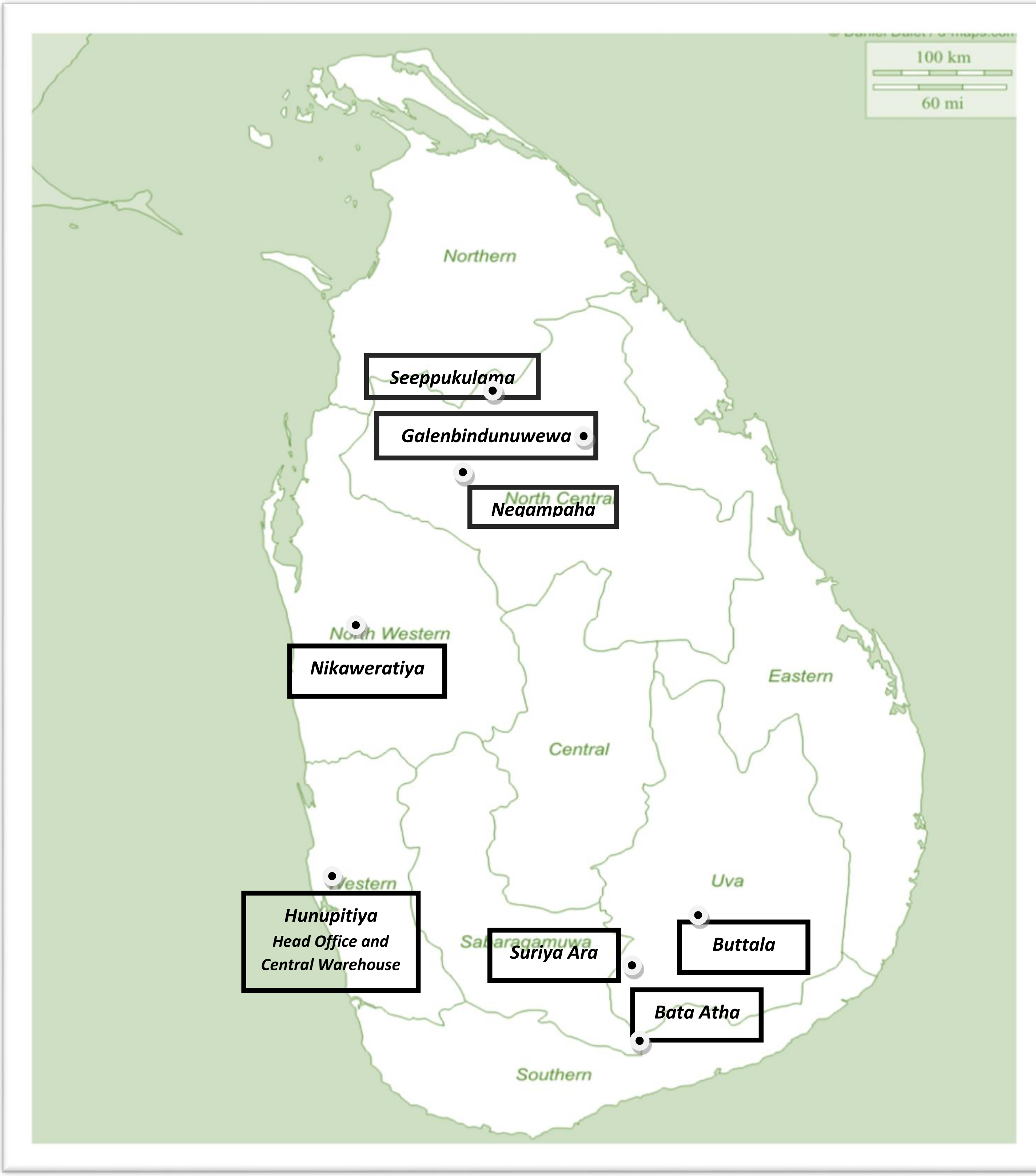


Chart No.07. Distribution of Neat & Mixtures Fertilizers during the year (MT)

Regional Stores Network of the Company



7. Employee Overview of the Company

Employees are the most important priority of the company. Currently there are 117 members in the Colombo Commercial Fertilizer family. The strength of the company lies on the hard work of our employees, especially during the peak seasons. The company constantly considers the well-being of its employees and appreciates them in numerous ways and strictly adheres in to all labor laws of the country.

- Employee Recognition of the Company

- Staff Strength of the Company

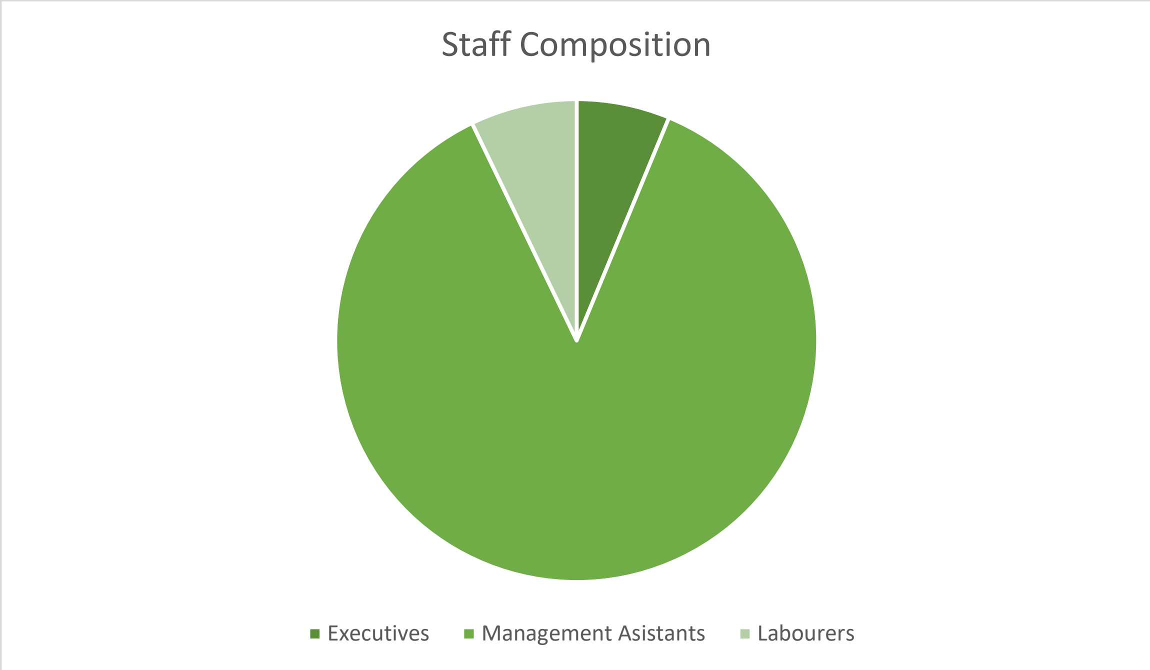


Chart. Staff composition of the company

- Financial Review Over Human Capital

Year	2022/23	2021/22
Revenue per Employee (Mn)	1.77	5.9
Profit per Employee (Mn)	3	1.2
Cost Per Employee (Mn)	0.6	0.5
No. of Employees	117	129

8. Financial Reporting

8.1 Statement of Directors' Responsibilities

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

The Directors are also responsible, under Section148, for ensuring that proper accounting records are kept to enable for determination of financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

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

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

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

The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities. As required by Section 56 (2) of the Companies Act, the Board of Directors has authorised distribution of the dividend now proposed, being satisfied based on information available to it that the Company would satisfy the solvency test after such distribution in accordance with Section 57 of the Companies Act, and have sought in respect of the dividend now proposed, a certificate of solvency from the Auditors.

The Auditor General who were appointed by the Constitution of Democratic Socialist Republic of Sri Lanka was provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company as at the Balance Sheet date have been paid or where relevant, provided for.

A.M. Chamila S. Thilakarathne
By Order of the Board
Colombo Commercial Fertilizers Ltd.
Secretaries

8.2 Chairman's and Financial Manager's Responsibility Statement

The Financial Statements of Colombo Commercial Fertilizers Ltd as at 31st March 2023 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 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 Financial Statements were audited by the Auditor General of Democratic Socialist Republic of Sri Lanka.

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Dr. Jagath Perera
Chairman

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S. N.J. Wickremasinghe
Finance & Administration Manager

8.3 Auditor General's Report

My No.ARI/A/CCF/01/2023/10 08 December 2023

The Chairman,
Colombo Commercial Fertilizers Ltd.

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Colombo Commercial Fertilizers Ltd. for the year ended 31 March 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Colombo Commercial Fertilizers Ltd. ("Company") for the year ended 31 March 2023 comprising the statement of Financial Position as at 31 March 2022 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

(a) Since the charges that cannot be considered as the sales cost for the calculation of sales cost related to the year under review had been included comprising the transport cost of Rs.453,863,594 incurred in delivering fertilizer to regional fertilizer warehouses and agrarian services centres, loading charges of the head office of Rs.9,646,304 related to the fertilizer sales and distribution process, loading and unloading charges of Rs.339,744 incurred in regional warehouses, petty cash expenses of Rs.29,850 in regional warehouses and sums totaling Rs. Rs.7,122,689 paid as employees salary, contribution to the Employees Provident Fund and Employees Trust Fund, Overtime allowances, 1/20 allowance, incentive, bonus and combined allowances, operating profit had decreased by Rs.471,002,181.

(b) Although the value of the fertilizer stock as per the stock verification report as at the end of the year under review was Rs. 29,771,585, the value of the Stock Account amounting to Rs.30,472,835 had been stated as the closing stock value in the preparation of financial statements.

(c) Transactions worth Rs.19,371,441 related to 39 Goods Received Notes had been accounted for in the Stock Account bearing No.2000 and subsequently, it had been debited to the Local and Foreign Trade Creditors Account through the Journal Entry No.J/MAY/0028. Nevertheless, reasons behind the removal of those items had not been presented.

(d) Sums totaling Rs.1, 346,652,978 reported to be incurred as clearance, transport, unloading and loading charges and administrative expenses pertaining to the delivery of 111,077 metric tons of TSP Urea and MOP fertilizer received under the Indian credit facilities and aids during the financial year from the Port to Hunupitiya main warehouse and regional warehouses had been deducted from the purchasing cost as the reimbursable expenses from the General Treasury. The amount thus deducted had exceeded the total of expenses incurred for the purchase of fertilizer under the normal operating activities of the Company and the expenses incurred for the fertilizer imported under the credit facilities and aids. As a result, the purchasing cost of the year under review had become a debit value of Rs.505,074,049. This is observed as a normal occurrence and the Company failed to submit an acceptable explanation as to how the purchasing cost turned out to be a debit amount.

(e) Although payment of Rs.253,301,126 had been made to the supplier on 18 October 2021 for the import of 100,224 bottles of Nano Nitrogen liquid fertilizer at USD 12.45 each, subsequently, the price of a bottle had reduced to USD 10. The supplier had agreed to offset the overpayment amount of Rs.49,846,406, whereas the Company had not taken steps to get the amount offset even by the date of audit and it had not been disclosed in the final accounts.

(f) It was observed during the course of audit that there were 1,809 Nano Nitrogen liquid fertilizer 500ml bottles worth Rs.3,672,270 in the warehouses of this Company and 701 liquid fertilizer bottles worth Rs.1,423,030 in the warehouses of the Lanka Fertilizer Limited without distributing among farmers even by 30 September 2023 and all such fertilizer is set to expire by December 2023. The number of damaged and leaked bottles during the import of liquid fertilizer was 11 and the shortage of the bottles in the importation is 7 and the value thereof is Rs.36,540.

(g) As the opening balances of the ledger accounts prepared by the computerized accounting system did not automatically generate there observed differences between the balances in the trial balance obtained from that system and the balances included in the financial statements.

(h) It is observed that necessary discussions and relevant activities are in progress to amalgamate Lanka Fertilizer Limited and Commercial Fertilizer Limited and maintain it as a single company in accordance with the Cabinet Decision No.අමප/22/0077/323/003 dated 01 February 2022. Accordingly, the going concern of the Colombo Commercial Fertilizer Limited is observed to be uncertain and the decision regarding the amalgamation had not been disclosed either in the notes to the counts or in the financial statements.

(i) Packing sacks valued at Rs.15,904,111 included in the financial statements as at 31 March 2023 had not been physically verified and included in the annual stock verification report.

(j) Due to the weaknesses in keeping accounts of the Company, a sum of Rs.5,029,353 received as at the end of the year under review including Rs.942,719 received as direct deposits to the bank account had not been recognized and brought to account. Accordingly, due to not recognizing unidentified balances and not crediting to the relevant accounts, the trade debtors balance had been overstated.

(k) Balance confirmation letters and the individual debtors schedule related to the trade debtors balance of Rs.1,053,306,348 included in the statement of financial position of the year under review had not been furnished to the Audit.

(l) Balance confirmation letters and documents related to consumer deposits and over-receipt balance of Rs.178,913,393 included in the financial statements had not been furnished to the Audit. The amount of Rs.16,958,034 received from the Department of Agrarian Services Development and included in that balance had been included in the consumer deposits and over-receipt account instead of deducting it from the receivable debtor balances after recognizing the relevant agrarian services centres. Accordingly, it was observed during the audit test check that the debtors balance as at the last date was incorrect.

(m) Due to a change in subsidy policy in 2016, where the distribution of subsidized fertilizer to farmers was halted, and a shift to the cash disbursement process was implemented, the subsidy value of 2,112,468,040 related to 55,809 metric tons of fertilizer existing in the company as of 29 February 2016 was not remitted. This amount was accounted for as a payable, with a sum of Rs. 1,009,667,181 incurred as interest income on a short-term loan of the company, along with stamp and stationery charges. Despite being recommended by the previous year's Audit Report to remit the relevant amount to the General Treasury, the Company had not implemented those recommendations and a sum of Rs.1,102,800,859 had been revealed in the financial statements under the current liabilities as the value payable to the General Treasury as at the end of the year under review.

(n) Out of Rs.2,416,052,756 received by the sale of 28,100 metric tons of fertilizer received under the Indian credit line during the year under review by Agrarian Services Centres, a sum of Rs.833,338,893 only had been remitted to the Treasury and Rs.1,582,713,863 had been retained idle in the bank account of the Company even as at the end of the year under review.

(o) The land located at Wattala Hunupitiya, on which the head office of the company is situated and not legally vested in the Company, had been valued at Rs.90,000,000 and included in the non-current assets. As a result, the non-current assets had been overstated by that amount.

(p) Of the software system with a total cost of Rs.4,979,818, the accounted value of Rs.3,894,518 only had been eliminated from the Work-in- Progress Account on 01 September 2022 and it had been debited to the Computers and Printers Account under the Property, Plant and Equipment. As the value of Rs.1,085,300 spent thereon during the year under review had not been debited to that account, the non-current assets had been understated by that amount.

(q) A sum of Rs.172,030 paid during the year under review for the outstanding telephone charges of the previous year had been debited to the Telephone Chargers Account, the profit for the year under review had decreased by that amount.

(r) Although a sum of Rs.37,384,363 had been deducted from the debtors balance by the Company as provision for the doubtful debt, an age analysis report as indicated in Notes to the account No.3.8 in the financial statements had not been furnished to the Audit. Furthermore, it was observed that a same amount had been deducted from the debtors balance as the provisions for doubtful debtors over a number of years without carrying out an age analysis related to the debtors balances.

(s) The following weaknesses were observed relating to the preparation of cash flow statements during the year under review.

(i) Instead of annual depreciation value of Rs.40,324,267 included in the revenue statements of the year under review, a sum of Rs.40,058,378 had been erroneously included in the cash flow statement. As a result, cash inflow of Rs.265,889 had been understated in the cash flow under the operating activities.

(ii) Although the profit of eliminating non-current assets should be adjusted to the before-tax profit of the cash flow statement, the value of eliminating assets amounting to Rs.194,329 during the year under review had not been adjusted. Accordingly, cash flow from operating activities had been overstated by that amount.

(iii) Instead of accounting for the actual cash inflow of Rs.287,340 related to the sale of Property, Plant and Equipment under the investment activities in the cash flow statement, the value of eliminated Property, Plant and Equipment costing Rs.358,900 had been stated and as a result, the cash flow under the investment activities had been overstated by Rs.71,560.

(iv) The cost of computer and printers amounting to Rs.1,085,300 to be accounted for in the Assets Account had been stated in the Work-in- Progress Account and as such, the relevant annual depreciation of Rs.158,273 had been under stated in the account. Accordingly, the profit and the non-current assets of the year had been overestimated by that amount and the cash inflow in the cash flow under operating activities had been understated by that amount.

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

1.3 Other Information Included in the Annual Report 2022 of the Company

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The other information means the information included in the 2023 Annual Report of the Company, which was expected be submitted to me after the date of this report, but not contained in the Financial Statements and my audit report thereon. Management is responsible for this other information.

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

My responsibility in connection with my audit of financial statements is to study the above identified other information and evaluate whether the other information is substantially mismatched with the financial statements or my knowledge gained in auditing or another manner.

In the study of Annual Report of the Company for the year 2023, if I conclude that there are substantial misstatements, I should communicate that matters to the governing body for correction. If there are misstatements further to be corrected, those will be included in the report which I table in parliament in accordance with Article 154 (6) of the Constitution in due course.

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

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

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

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

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

1.5 Auditor's Responsibility for the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company 's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the company was obtained to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit. I am solely responsible for my audit opinion.

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

2. Report on Other Legal and Regulatory Requirements

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

2.1.1 Subject to the observations described in the Basis for Qualified Opinion paragraph in this report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

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

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 except for the observations stated under (f), (g), (h), (i) and (j) in the Basis for Qualified Opinion paragraph.

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

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

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

Reference to Laws, Rules/Directives	**Non-compliance**
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) F.R.137 (5)	Although it is stated that in the case of supplies, they have been examined and correctly taken on charge or otherwise accounted for in terms of the Regulations or instructions of Government, the Company had

	paid the total invoice value of items including, PVC wires, Oxygen, tyres and diesel transfer pumps amounting to Rs.517,641 to 05 private suppliers before the receipt of such items.
(ii) F.R.371 (2)	(i) Although Sub Imprest received should be settled immediately after the completion of the purpose for which it is granted, Sub Imprest totaling Rs.1,460,999 had not been settled immediately after the completion of the relevant purpose. (ii) Despite not settling the advances after completion of the purpose for which they are granted, there were instances where, sub- imprests had been paid again to the Assistant Manager (Administration) of the Company.
(b) Public Enterprises Circulars	
(i) Section 6.6 of the Operating Manual issued along with the Public Enterprises Circular No.01/2021 dated 16 November 2021 of the Secretary to the Treasury.	Every public company should prepare financial statements and submit them to the Auditor General within 60 days from the expiry of the year of accounts. Nevertheless, the financial statements pertaining to the financial year 2022/2023 had been furnished to the Auditor General after lapse of 126 days from the expiry of the year of account.
(ii) Public Enterprises Circular No.PED 08/2022 dated 21 December 2022.	When making payments to the employees of companies for their unavailed leave, dividends/tax payable to the Treasury in respect of the year preceding the year taken into account for the payment should be paid to the Treasury. Nevertheless, without being paid the payable dividends for the years 2019/2020, 2020/2021 and 2021/2022, the Company had paid holiday pay totaling Rs.4,113,280 for the employees' unavailed short leave and medical leave and sums totaling Rs.1,708,981 for unavailed medical leave of the Executive Grade officers.
(c) Public Enterprises Circular No.03/2021 dated 15 December 2021.	Although the bonus for the year 2022 should have been paid based on the audited financial statements, bonus of Rs. 1,660,500 had been paid before the issuance of the Auditor General's Report on the financial statements for the year 2021/2022, which was released on 14 December 2022.

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018, except for the following observations.

(a) When including journal entries to the computer system, an internal control system had not been followed to obtain a formal approval for that purpose. Since supporting documents related to the journal entry were not submitted along with the journal entry, it was further observed that the relevant journal entries were incomplete.

(b) In terms of Letter No.PED/P/04/24(i) dated 06 April 2006 of the Director General of Public Enterprises Department, only 50 per cent of the income of the Dispatch Money annually obtained by the company through the acceleration of unloading cargo should be paid based on the performance of the employees subject to a maximum of three months basic salary under the approval of the Board of Directors. Nevertheless, the company had made payments based on the total of the basic salary and the cost of living allowance of the employees. The amount so paid was Rs.16,269,635 and the amount to be paid according to the calculation based on the basic salary was Rs.13,949,760. Accordingly, a sum of Rs.2,319,875 had been paid violating the conditions set out in the above letter.

(c) In terms of Public Finance Circular No.PED/08/2022 dated 21 December 2022, in the payment of incentives, the dividends to be paid to the General Treasury in respect of the preceding year should be paid. Nevertheless, without being paid dividends to be paid for the years 2019/2020, 2020/2021 and 2021/2022, the Company had paid incentives on 07 September 2022.

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018, except for the following observations.

(a) On 10 November 2022, money had been withdrawn from the BOC current account to open a fixed deposit for a sum of Rs.100,000,000. Accordingly, audit observed that due to turning that current account into an overdraft balance, the company had to pay 2.5 percent excess interest than the interest paid for the fixed deposit.

(b) Although the total of the initial expenses incurred during the year 2018/2019 for the construction of a warehouse on the leased land in Hambantota owned by the Mahaweli Authority was Rs.3,372,901, the constructions had not been started or it had not been used for other useful purpose even by the year under review. Accordingly, it was observed during the audit that the above cost had become a fruitless expenditure.

2.3 **Other Matters**

(a) Out of the stocks of fertilizer provided to the Agricultural Crops Cultivators Association, which is functioning as a stock distributor for the Colombo Commercial Fertilizer Limited in Anuradhapura, to distribute to the agrarian services centers, a shortage of 7,508.45 metric tons of subsidized fertilizer was observed during the period from 26 April 2006 to 25 May 2009. The market value of the stock shortage is Rs.848,003,961 and no action has been taken to recover that loss from the aforementioned association, even at present.

(b) A sum of Rs.22,053,338 was further remained recoverable as at the date of audit on 22 September 2023 for the issue of fertilizer on credit basis for 15 various private institutions during the period from 29 July 1994 (the date of privatization of the Colombo Commercial Fertilizer Limited) to 20 January 2023 (date of the company's re-acquisition by the Government). The Company is unable to initiate legal proceedings since it lacks relevant documents to confirm this balance.

(c) Although the Company informed the Audit in the previous year that it would recover the balance of Rs. 65,000 of the loans and advances provided to 06 employees before 2012, who have left the service at present, and which is included in the receivable balances in the financial statements, as well as the loan of Rs. 20,000 stated under other receivable balances, it has been further included in the receivable balances without taking action to recover the dues.

(d) Although the sales cost of the Company remained between 73 per cent and 89 per cent compared to the sales of the Company during the past 04 years, that percentage had turned out to be 14 per cent during the year under review.

W.P.C. Wickramaratne
Auditor General

8.4

(Expressed in Sri Lankan Rupees)

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

THE YEAR ENDED 31 MARCH	NOTE	2023	2022
Revenue	12	207,177,447	770,422,986
Cost of Sale	13	(29,395,165)	(561,386,808)
Gross Profit (Loss)		177,782,282	209,036,178
Other Income	14	83,011,716	36,752,312
		260,793,998	245,788,490
Administrative Expenses	15	(128,074,102)	(114,171,605)
Selling and Distribution Cost	16	(751,203)	(2,973,754)
Other Expenses	17	(692,404)	(156,408)
Profit (Loss) from Operation		**131,276,289**	**128,486,722**
Net Finance Income	18	369,867,507	105,668,100
Finance Income	18.a	(397,375,941)	(124,749,394)
Finance Expenses	18.b	27,508,434	19,081,294
Profit (Loss) before Tax		**501,143,796**	**234,154,823**
Income Tax Expenses	19	(139,948,197)	(73,327,093)
Net Profit for the year		**361,195,599**	**160,827,729**
Basic Earnings per Share	20	36.12	16.08
Other Comprehensive Income (Expenses)		7,959,181	(1,293,656)
Total Comprehensive Income for the Year		**369,154,780**	**159,534,073**

Figures in brackets indicates deductions.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2023

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2023

	NOTE	2022/2023 Rs.	2021/2022 Rs.
NON CURRENT ASSETS			
Property Plant and Equipments	21	525,838,827	561,602,670
Right of Use Assets	22	16,842,313	20,928,297
Intangible Assets	23	1,833,333	196,920
Capital Work in Progress	24	4,837,791	10,397,009
		549,352,264	**593,124,896**
CURRENT ASSETS			
Inventories and other consumables	25	54,581,256	45,417,233
Trade and Other Debtors	26	17,935,343,439	19,385,590,802
Employees Loans and Advances	27	17,056,510	15,066,064
Deposits and Advances	28	4,968,626	5,522,914
Other Financial Assets	29	2,520,635,971	2,209,998,928
Cash at Bank	30	42,983,959	37,931,867
TOTAL CURRENT ASSETS		**20,575,569,760**	**21,699,527,807**
TOTAL ASSETS		**21,124,922,024**	**22,292,652,703**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Stated Capital	31	100,000,000	100,000,000
Capital Reserve	32	1,683,685	1,683,685
Reconstruction and Revalue Reserve	33	712,721,831	712,721,831
Retained Earnings		2,617,873,151	2,261,344,137
		3,432,278,667	**3,075,749,653**
NON CURRENT LIABILITIES			
Retirement Benefit Obligation	34	17,046,187	24,774,540
Deferred Taxation	35	134,666,957	113,343,381
Interest Bearing Borrowings	36	5,555,353,975	14,330,338,918
Long Term Lease Liabilities	37	1,351,816	4,775,801
		5,708,418,936	**14,473,232,640**
CURRENT LIABILITIES			
Interest Bearing Borrowings	36	8,622,758,030	1,628,540,000
ShortTerm Lease Liabilities	37	3,423,985	3,423,985
Trade and Other Payables	38	2,836,730,396	2,875,942,204
Deposits and Advances Received	39	185,112,237	14,715,440
Statutory Payable	40	170,422,583	104,341,733
Accrued Expenses	41	100,929,457	6,526,164
Bank Overdraft	30	64,847,733	110,180,883
TOTAL CURRENT LIABILITIES		**11,984,224,421**	**4,743,670,410**
TOTAL EQUITY & LIABILITIES		**21,124,922,024**	**22,292,652,703**

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

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FINANCE MANAGER

S.N.J.Wickremesinghe

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These financial statements were approved by the Board of Directors and Signed on their behalf.

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CHAIRMAN

Dr.B.K.Jagath Perera

……………………………..

DIRECTOR

K.A.W. Fernando

8.6

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2023

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	CAPITAL RESERVE	REVALUAION RESERVE	RETAINED EARNINGS	TOTAL
RETAINED BALANCE AT 31-03-2021	**100,000,000**	**1,683,685**	**712,721,831**	**2,196,038,356**	**3,010,371,552**
Net Profit/Loss for the Period	-	-	-	159,534,072	159,534,072
Dividend	-	-	-	-	-
Prior Year Adjustements	-	-	-	(94,228,292)	(94,228,292)
RETAINED BALANCE AT 31-03-2022	**100,000,000**	**1,683,685**	**712,721,831**	**2,261,344,137**	**3,075,677,332**
Net Profit/Loss for the Period	-	-	-	369,154,780	369,154,780
Dividend	-	-	-	(10,000,000)	(10,000,000)
Prior Year Adjustements	-	-	-	(2,625,766)	(2,625,766)
RETAINED BALANCE AT 31-03-2023	**100,000,000**	**1,683,685**	**712,721,831**	**2,617,873,151**	**3,432,206,346**

Figures in brackets indicates deductions.

8.7

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2023

(Expressed in Sri Lankan Rupees)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH

	2023	2022
Cash Flows from Operating Activities		
Profit Before Taxation	501,143,796	234,154,823
Adjustments for;		
Depreciation	40,058,378	41,824,555
Amortization of Intangible Assets	1,113,587	196,920
Depreciation of right of use of leased assets	4,085,984	4,085,984
Gratuity Charge for the Year	4,349,441	3,202,232
Interest Income	(397,375,941)	(124,749,394)
Interest Expenses for lease	886,499	1,311,271
Prior Year Adjustements	(2,625,766)	(94,228,292)
Operating Profit Before Changes in Working Capital	**151,635,977**	**65,798,099**
Changes in Working Capital		
Inventories	(9,164,023)	199,219,156
Trade and Other Receivables	1,450,247,363	(2,096,314,064)
Deposits and Advances	554,288	2,930,349
Employees Loans and Advances	(1,990,446)	826,826
Trade and Other Payables	(39,211,808)	(1,777,871,559)
Deposits and Advances Received	170,396,797	(8,134,913)
Accrued Expenses and Provision	94,403,293	(3,238,836)
Cash Generated from Operations	**1,816,871,441**	**(3,616,784,942)**
Gratuity Paid	(4,118,613)	(2,248,555)
Interest Paid	(886,499)	(1,311,271)
Taxes Paid	(52,543,771)	(59,906,480)
Net Cash Flow from Operating Activities	**1,759,322,559**	**(3,680,251,248)**
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(4,653,435)	(173,230)
Increasing the investment on working capital	5,559,218	-
Acquisition of Intangible Assets	(2,750,000)	-
Proceeds from Sale of Property, Plant and Equipment	358,900	-
Net Investments in Other Financial Assets	(310,637,043)	(32,656,534)
Interest Received	397,375,941	124,749,394
Net Cash used in Investing Activities	**85,253,581**	**91,919,630**
Cash Flows from Financing Activities		
Dividends Paid During the Year	(10,000,000)	-
Repayment of Lease Liabilities	(3,423,985)	(2,999,213)
Borrowings During the Year	8,311,911,443	5,111,366,454
Settlements of Borrowings During the Year	10,092,678,355)	(1,628,540,000)
Net Cash used in Financing Activities	**(1,794,190,897)**	**3,479,827,241**
Net Changes in Cash and Cash Equivalents During the Year	50,385,243	(108,504,378)
Cash and Cash Equivalents at Beginning of the Year	(72,249,016)	36,255,361
Cash and Cash Equivalents at End of the Year (Note) 30	**(21,863,774)**	**(72,249,016)**

Figures in brackets indicates deductions.

1 Corporate Information

1.1 Reporting entity

The Colombo Commercial Fertilizers Limited (the "Company") is a Limited Liability company incorporated on 04 10 1989 under act No. 17 of 1982 and reregistered on 15.07.2011 under the companies Act No. 7 of 2007,and domiciled in Sri Lanka and is fully owned by the Government of Sri Lanka.

The registered office and principle place of business of the company is located at Dalupitiya Road, Hunupitiya, Wattala.

1.2 Company

The company primarily involved in 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 Date of authorization for issue

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements. The financial statements of the Company for the year ended 31 March 2023 were authorized for issue in accordance with a resolution of the Board of Directors dated 31st July 2023.

1.5 Number of employees

The number of employees of the Company

31st March 2023		31st March 2022	
• Executive Staff -	17	• Executive Staff -	19
• Clerical & Allied -	97	• Clerical & Allied -	98
• Labour -	8	• Labour -	9
	122		**126**

2. Basis of preparation

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (referred to as SLFRS), issued by The Institute of Chartered Accountants of Sri Lanka (CASL) and the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position.

- Buildings and other non-current assets except for land, are stated at fair value based on the valuation done by an independent valuer as at 31.03.2019
- Financial instrument at fair value through profit and loss are measured at fair value
- Defined benefit obligation is measured after actuarially valuing an the present value of the defined benefit of obligation is recorded

2.3 Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees,(LKR) which is the functional currency of the Company and used in primary economic environment of in which the entity operates. All financial information presented in Sri Lankan Rupees which has been rounded to the nearest rupees unless stated otherwise

2.4 Use of Estimates and Judgments and Assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRS/LKAS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2.4.1 Revaluation of Property, Plant & Equipment

The Company carries its land at the value determined by the committee appointed for valuation by the general treasury when acquiring the same to the government on 1997. Further details of the land are explained in Note 18. Other non-current Assets were revalued by an independent valuer as at 31.03.2019 and the fair value is presented in financial statements.

2.4.2 Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash-generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

2.4.3 Retirement Benefits

The cost of defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation and the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

2.4.4 Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been consistently applied to all periods presented in these Financial Statements.

3.1. Foreign Currency

3.1.1 Foreign Currency Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences of gains and losses arising on settlement or translation of monetary items are recognized in the statement of comprehensive income.

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

3.2. Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods and services, for rental to others for administrative purposes and are expected to be used during more than one period. Items of Property, plant and equipment are measured at fair value, except for the land.

3.2.1 Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

3.2.2. Initial Recognition and Measurement

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.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

3.2.3 Subsequent Costs

Subsequent expenditure is capitalized only when it is improbable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expended as incurred.

3.2.4 Revaluation Model

The Company applies the revaluation model to the entire class of PPE except for Land. Property plant and equipment were carried at fair valued amount, as at 31.03.2019 which was revalued by an independent Valuer.

Property, plant and equipment of the Company were carried at revalued amount in the Statement of Financial Position prepared in accordance with SLAS prior to 31 March 2012.

3.2.5 Election of Cost Model

Company’s Land is measured at cost (Pls refer 9.3 - Changes in Significant Accounting Policies).

3.2.6. Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in Statement of Income when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized.

3.2.7. Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Land is not depreciated; depreciation on other assets is calculated at the following rates on a straight line method over the periods appropriate to the estimated useful lives based on the pattern in which the asset’s future economic benefits are expected to be consumed by the Company.

Their estimated useful lives and residual values are reviewed at each reporting date: The estimated useful lives of the current and comparative periods are as follows

Buildings	20 Years
Plant and Machinery	10 Years
Motor Vehicles	08 Years
Office Equipment	05 Years
Furniture and Fittings	05 Years
Computer Accessories	04 Years
Printers/Fax Machines	04 Years
Air Conditioners	05 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.

3.2.8. Intangible Assets

Acquired Computer software and operating system are capitalized on the basis of the cost 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 programmers are recognized as an expenses as incurred.

3.2.9 Impairment of Non-Financial Assets

The carrying value of the company's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

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.

In respect of other assets except goodwill, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decrease or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

3.3 Capital work-in-progress

Capital expenses incurred during the year which are not completed as at the balance sheet date are shown as capital work-in-progress, whilst the capital assets which have been completed during the year and in use have been transferred to property, plant & equipment.

3.4 Current Assets

Assets classified as current in the Statement of financial position are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle or within one year from the Statement of financial position date whichever is shorter.

3.4.1 Inventories - Direct and Mixed Fertilizers

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.

Packing material and Consumable items are stated at cost

3.5. Financial Instruments

3.5.1 Non Derivative Financial Assets

Initial recognition and measurement

Financial Assets are recognized when and only when, the company becomes a party to the contractual provisions of the financial instruments. The company determines the classification of its financial assets at initial recognition. When financial assets are recognized they are measured at fair value plus directly attributable transaction costs, however in the case of financial assets classified at fair value through profit and loss, directly attributable transaction costs are not considered

Classification and Subsequent measurement

At inception a financial asset is classifies in one of the following categories.

a. Held-to- Maturity Investment
b. Loans and receivable
c. At fair value through profit or loss.
d. Available- for- sale

3.5.1.1 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 intent and ability to hold them until maturity and which were not designated as at fair value through profit or loss or as available-for-sale. HTM investments are record under current assets.

3.5.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Company does not intend to sell immediately or in the near term. 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.

During the financial year there were no assets classified as Fair value through profit and loss and Available for sale.

3.5.2. Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

3.5.2.1. 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 the discount or premium on acquisition and transaction costs.

3.5.2.2. Loans and receivables

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less allowances for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the (Effective Interest Rate) EIR. The EIR amortization is included in profit or loss as finance income.

3.5.2.3 Derecognisition

The Company derecognizes financial asset when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset in a transaction in which substantially.

All the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability in the Statement of Financial Position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss. Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

3.5.3 Impairment of Financial Assets

Assets carried at amortized cost

For financial assets carried at amortized cost, the Company assesses at the end of each reporting period whether there are objective evidences exist individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

A financial asset is impaired and impairment losses are incurred only if there is objective evidence that an impairment loss has been incurred, 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. 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 expected credit losses that have not yet been incurred The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate.

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

The Company considers evidence of impairment for receivables at both specific asset and collective level. All individually significant receivables are assessed for specific impairment. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the company - uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.6 Collaterals

Company has pledged its' following Fixed Deposits to the People's bank Corporate division against the LC facilities obtained on behalf of import of fertilizers and O/D facilities.

FD No.	Amount	LC No.
222-60-01-00009791-2	50,000,000.00	Assigned as an insurance fund
222-60-01-00012080-6	150,000,000.00	Assigned as an insurance fund
81942328	200,000,000.00	Overdraft facility
81994288	300,000,000.00	Overdraft facility

3.7 Financial Liabilities

3.7.1. Non derivative financial liabilities

3.7.1,1 Initial recognition and measurement

Financial liabilities within the scope of SLFRS/LKAS are recognized when and only when the company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognized initially at fair value plus in case of financial liabilities which can be classified in to two categories as financial liabilities at fair value through profit and loss and other financial liabilities. Company has classified its financial liabilities in to other financial liability category.

3.7.2 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3.8 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.

Trade receivables are recognized initially at fair value, which is the invoice value and subsequently measured at the original invoice value less impairment.

The Company assesses at the end of each reporting period whether there is objective evidence that trade receivables are 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

3.9 Cash and Cash Equivalents

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

3.10 Stated Capital

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

3.11 Trade and Other Payables

The Company's other financial liabilities include borrowings, trade and other payables and bank overdraft. 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.

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.

3.12 Borrowings

3.12.1. Initial recognition

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

3.12.2. Subsequent measurement and recognition

The Company classifies on derivative financial liability into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities including interest bearing loans and borrowings are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized.

3.13 Borrowing Cost

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

3.14 Government Grants and subsidy

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.

3.15 Corporate tax and differed Taxes

The Company is subjected to income taxes. The Company recognizes liabilities for anticipated taxes based on estimates of taxable income where the final tax outcome may be different from amount that were initially recorded them. This different will be affected to its current and differed income tax. Such difference will impact the current and differed income tax assets and liabilities in the period in which determination is made.

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 or items recognized directly in equity or in other comprehensive income. In this case, the tax is also recognized in other comprehensive income.

3.15.1 Current

The current income tax charge is the expected tax payable or receivable on the taxable income or loss for the year calculated on the basis of the tax rates and tax laws enacted or substantively enacted at the reporting period end applicable for the Company and any adjustment to tax payable in respect of previous years. Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Management evaluates periodically where appropriate on the basis of amounts expected to be paid to the tax authorities. With respect to situations in which applicable tax regulations subjected to interpretation and establishes provisions where appropriate

3.15.2 Deferred Tax

Deferred tax is recognized in respect of the taxable temporary differences arising between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes or the tax bases of assets and liabilities and their carrying amounts in the financial statements except for;

(a). the initial recognition of goodwill; or
(b). the initial recognition of an asset or liability in a transaction which:
   i. is not a business combination: and
   ii. at the time of the transaction, affects neither accounting profit nor taxable profit.

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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

3.16 Employee Benefits

The Company has both defined contribution plans and defined benefit plan

3.16.1 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. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the income statement in the periods during which services are rendered by employees

3.16.2 Employees’ Provident Fund

The company and employees contribute 12% and 10% respectively of the salary of each employee to the Employees Provident Fund. Managed by the Central Bank of Sri Lanka.

3.16.3. Employees’ Trust Fund

The company contributes 3% of the salary of each employee to the Employees’ Trust Fund managed by Central Bank of Sri Lanka.

3.16.4 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company is liable to pay retirement benefits under the Payment of Gratuity Act, No 12 of 1983. The liability recognized in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated using the formula method. The company has hired a qualified actuary to perform actuarial valuation to determine the obligation for previous year. However, as per the provisions made in section 57 and appendix D of LKAS 19 we have used the formula method to calculate the gratuity provision of the company.

In respect of any gains and losses arising from the gratuity calculation, is recognized in other comprehensive income statement and the related staff cost and other cost are recognized in the comprehensive Income statement. The company’s liability arising on employees retirement benefits are not funded externally.

3.16.5 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.

3.17 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 to settle the obligation 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.

3.18 Capital commitments & contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by the occurrence uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Capital commitment and contingent liabilities of the Company are disclosed in the respective notes to the Financial Statements.

3.19 Events after the balance sheet date

The materiality of the events after the balance sheet date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.
All contingent liabilities are disclosed as a note to the financial statements unless the possibility of an outflow of resources is remote.

3.20 Financial Liabilities - Disclosure of Contingent Liabilities

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

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

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

- During the previous year, a fertilizer stock shortage of 87.985 metric tons (approximate cost value rupees 1.5 million) were detected. However, this matter is currently under investigation by the internal audit on a directive issued by the Chairman and since the matter has not been fully established no provision has been made in the books of accounts.

4. Cash Flow Statement

The Cash Flow Statement has been prepared using the “Direct Method” of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS 7) “Statement of Cash Flows”. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand, balances with banks, placements with banks, money at call and short notice

5. Revenue Recognition

Revenue is measured at the subsidized value received or receivable, and represents amounts receivable for sales of goods, stated net of Nation Building Tax (NBT). The Company recognizes revenue when the amount of revenue can be reliably measured, when it is probable that economic benefits associated with the transaction will flow to the entity and when the cost incurred or to be incurred in relation to the transaction can be measured reliably.

The following specific criteria are used by the Company for the purpose of recognition of revenue.

5.1 Sale of Fertilizer

The Company import and sells direct fertilizers to state agencies designated by government 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. It is the point of dispatch from the store to buyer’s vehicles.

5.2 Interest Income

Interest income is recognized as it accrues in the income statement using effective interest method.

5.3 Rent Income

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

5.4 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, revaluation reserve and are recognized in the statement of comprehensive income.

5.5 Other Income

Other income is recognized on accrual basis.

6. Expenditure

All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of income statement, the Directors are of the opinion that function of expense method present fairly the elements of the company's performance, hence such presentation method is adopted.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to the income statement in the year in which the expenditure is incurred. The profit earned by the company is before income tax expense and after making provision for all known liabilities, impairments and depreciation of property, plant & equipment.

7 Withholding tax on dividends (WHT)

Dividends distributed out of taxable profit of the subsidiaries are subject to 10% deduction at source.

8 Basic earnings per share (EPS)

The financial statements present basic earnings per share (EPS) for its ordinary shareholders. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

9. Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is charged.

10. New accounting standards issued not yet adopted

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

10.1 SLFRS 13-Fair Value Measurement

This SLFRS defines fair value, set out in a single SLFRS a framework for measuring fair value; and requires disclosures about fair value measurements. This SLFRS will become effective for the Company from 1 April 2014. Earlier application is permitted. This SLFRS shall be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of this SLFRS need not be applied in comparative information provided for periods before initial application of this SLFRS.

10.2 SLFRS 9- Financial instruments

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. An entity shall apply this SLFRS to all items within the scope of LKAS 39financial instruments - recognition &measurement. The effective date of this standard has been deferred.

In addition to above below listed standards are also been changed, however the application of these standards do not have any impact on the financial statements of the company.

10.3 LKAS 8 – Changes in Significant Accounting Policies

I. SLFRS 16

SLFRS 16 Supersedes LKAS 17 Leases, evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

The company has purchased three vehicles on finance lease basis during the financial year 2019/2020. Since, there were no leasing transactions for prior periods no adjustment is needed to record the same.

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). Upon adoption of SLFRS 16, the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low value assets. The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Policy Applicable After 01st April 2019 At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset representing the right to use the underlying asset and a lease liability at the lease commencement date.

Right-of-Use Asset

The right-of-use asset is initially measured at cost. This comprises of the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. After the commencement date, Company measures the right-of-use asset on cost model. Depreciation Right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the estimated useful life of the underlying asset. If the ownership of the leased asset transfers to the Company at the end of the lease term, or the cost of the right-of-use asset reflects the exercise a purchase option, the asset is depreciated over the useful life of the underlying asset. The right-of-use assets are subject to impairment.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, on initial application the Company used the incremental borrowing rate as the discount rate to determine the lease liability. The Company determines its incremental borrowing rate using the interest rate mentioned at the lease agreement. The lease liability is measured at amortized cost using the effective interest method. After the commencement date, the Company measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-Term Leases and Leases of Low-Value Assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

Presentation in the Statement of Financial Position

The Company presents right-of-use assets separately from other assets and lease liabilities separately from other liabilities in its 'statement of financial position. Policy Applicable Before 01st April 2019 Accounting policies under LKAS 17 – "Leases" and IFRIC 4 - "Determining Whether an Arrangement Contains a Lease".

Finance Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership were classified as finance leases. On initial recognition, the leased assets under property, plant and equipment, were measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

11 Leased Land

According to the cabinet decision made on 05/09/2018 against the cabinet paper CP/18/1740/820, company has obtained a land in Mayurapura, Hambanthota on lease basis from the Mahaweli Authority of Sri Lanka (Walawe special Area) for a period of 30 years. Land extent is 0.0894 hectares and the assessed value of the land is Rs. 11,515,000.00. Lease amount per annum is Rs. 230,300/-.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH		2023	2022
12 REVENUE			
Fertilizer Sale (Cash)		82,425,885	179,354,673
Fertilizer Sale (Credit)		65,675,082	591,068,313
Sales of Compost Bags		59,076,480	-
		207,177,447	**770,422,986**

Sales of Compost Bags

Company has come in to agreement with registered organic fertilizer suppliers to purchase organic fertilizers from them and to distribute the same among the ASC centers allocated by NFS. Packing material for the said process were provided by CCFL, invoiced at a rate of Rs.240/- per bag. Since the main revenue generating operations of CCFL was halted during the financial year and the bags which were sold to the organic fertilizer suppliers form a part of company's cost of sales (since the bags were on company's packing material stock), the income derived was recognized as a revenue of CCFL.

13 Purchases	**(Note 13.1)**	(505,074,049)	194,393,988
Direct Expenses	**(Note 13.2)**	461,016,134	70,739,115
Cost of Production		(44,057,915)	265,133,103
Finish Goods as at 01 April		13,426,240	229,408,441
Finish Goods as at 31 March		(30,472,835)	(13,426,240)
		(61,104,510)	481,115,304
General Overheads	**(Note 13.3)**	90,499,675	80,271,504
		29,395,165	**561,386,808**

Inventories are measured at the cost and net realizable value. The cost of the finished goods is computed based on the FIFO cost method. Net realizable value represent the difference between the cost per MT and the subsidiary entitle for a metric ton.

13.1 Purchases

Fertilizer Value		354,816,118	2,260,736,806
Contract labour wages		43,076,016	23,355,306
Transport Charges		289,731,469	29,114,136
Loading & Unloading Charges-RS		339,744	6,328,743
Fertilizer Testing Charges		537,045	256,248
Packing Materials		153,054,739	9,974,023
Exchange Loss		23,799	67,131,983
Exchange Profit		-	(65,421,347)
Treasury Grant on Cost of Sales		(1,346,652,978)	(2,137,081,911)
		(505,074,049)	194,393,988

13.2 Direct Expenses

Labour Charges	**Note 13.2.1**	7,122,689	7,241,639
Regional Stores Expenditure		29,850	-
Transport Charges to District Fertilizer Stores		453,863,594	63,497,476
		461,016,134	70,739,115

13.2.1 Labour Charges

Wages		4,063,708	4,433,467
Employees Provident Fund		487,645	532,016
Employees Trust Fund		121,911	133,004
Over Time & 1/20th Allowance		1,062,322	511,954
Unutilized Staff Leave & Incentive		20,233	25,210
Unutilized Medical Leave		174,197	321,753
Welfare & Medical		85,722	22,645
Meal Money & Combine Allowance		32,880	19,980
Incentive Payment		894,070	1,106,610
Bonus		180,000	135,000
		7,122,689	7,241,639

13.3 General Overheads

General Stores Items		2,054,598	561,207
Factory Overheads		88,445,077	79,710,296
		90,499,675	80,271,504

Figures in brackets indicates deductions.

(Expressed in Sri Lankan Rupees)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH				2023		2022
14	**OTHER INCOME**					
	Rent Received			115,418		50,100
	Registration of Suppliers			399,500		409,000
	Miscellaneous Income			826,322		19,015,846
	Sale of Disposable Items			985,125		1,173,143
	Dispatch Money Received			-		16,104,222
	Sale of Fixed Assets			194,329		-
	Commission from Eco Suppliers			80,491,022		-
				83,011,716		**36,752,312**

Commission from Eco Friendly Suppliers

As per the agreements had with organic fertilizer suppliers our company earns a commission from the operation of purchasing compost fertilizers from registered suppliers and distributing the same among the ASC centers allocated by NFS. The commission earned is Rs. 2/- per 01Kg of compost fertilizer.

				2023		2022
15	**ADMINISTRATION AND ESTABLISHMENT**					
	Executive Staff Remuneration	Note	15.1	23,031,247		22,961,546
	Clerical Staff Remuneration	Note	15.1	48,675,674		44,134,523
	Gratuity			4,349,441		3,202,232
	Building Maintenance			17,130		6,257
	Electricity			102,806		83,815
	Water Bill			158,413		133,965
	Telephone Charges			1,080,135		1,346,113
	Security Charges			8,029,028		7,704,977
	Stationery			2,572,034		2,120,037
	Postage & Telegram			165,332		94,251
	Legal Charges			6,128		22,840
	Motor Vehicle Maintenance			5,699,232		4,529,260
	Fuel			5,870,188		2,090,938
	Rates & Taxes			69,098		836,291
	Office Equipment Maintenance			610,572		177,529
	Travelling			272,970		186,419
	Audit Fees			1,020,510		825,000
	Other Administrative Expenses			180,093		109,228
	Refreshment on Official Meetings			561,200		147,761
	Building Depreciation			2,682,209		2,682,209
	Office Equipment Depreciation			898,319		858,270
	Furniture & Fittings Depreciation			1,702,912		1,702,912
	Directors Allowance			1,463,033		1,333,475
	Staff Skills Development Expenses			1,067,451		59,000
	Insurance for Vehicle			1,209,523		1,253,970
	Fertilizer License			59,444		20,000
	Staff Welfare			3,388,187		2,656,850
	TEC Allowance			342,000		189,600
	Licence Fees			110,295		97,410
	Directors Travelling Allowance			215,000		225,000
	Professional charges			586,725		1,262,977
	Audit & Management Committee Meeting Allowance A/C			119,000		187,000
	Audit & Management Committee Meeting Travelling Allowance A/C			60,000		110,000
	Semi Luxury Vehicle Tax			24,000		38,333
	Amortization of Intangible Assets			1,113,587		196,920
	Hambanthota New Warehouse Exp			378,076		-
	Home Garden Expenses			46,470		33,171
	Air Conditioners Depreciation			945,168		945,168
	Computer Accessories Depreciation			1,842,093		3,403,863
	Web Site Expenditure			702,845		266,621
	Computers, Printers and Fax Machines Maintenance			1,575,298		900,405
	A/C Maintanance			590,557		351,407
	Depreciation of right of use of leased assets			4,085,984		4,085,984
	Subsistence			338,238		395,571
	Accommodate Expenses For Out Visit			56,457		167,508
	Technical Evaluation Committee Travelling Allowance			-		35,000
				128,074,102	#	**114,171,605**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

15.1 Staff salaries and Remuneration for the year ended 31.03.2022

	EXECUTIVE STAFF	CLERICAL & ALLIED STAFF	CASUAL / TRAINEES	TOTAL
Salaries	12,236,862	26,249,837	-	38,486,699
Employees Provident Fund	1,465,998	3,117,010	-	4,583,008
Employees Trust Fund	366,499	779,253	-	1,145,752
Unutilized Short Leave & Incentive	-	193,033	-	193,033
Over Time & 1/20th Allowance	4,155,569	7,820,569	-	11,976,139
Unutilized Medical Leave	1,198,817	2,218,478	-	3,417,295
Welfare & Medical	171,566	579,037	-	750,603
Combine Allowance & Meal Money	11,025	308,730	-	319,755
Incentive Payment	3,144,910	6,309,727	-	9,454,637
Bonus	280,000	1,100,000	-	1,380,000
Total	**23,031,247**	**48,675,674**	**-**	**71,706,921**

		2023	2022
16	**SELLING AND DISTRIBUTION COST**		
	Sales Promotion & Advertising	751,203	1,457,354
	Rent Expenses for Stores	-	1,516,400
		751,203	**2,973,754**
17	**OTHER EXPENSES**		
	General Expenses	692,404	156,408
		692,404	**156,408**
18	**NET FINANACE COST**		
18.a	**FINANACE INCOME**		
	Interest on Fixed Deposits	395,590,511	122,647,659
	REPO Investments	1,121,618	1,480,115
	Interest from Employees Loans	663,811	621,620
		397,375,941	**124,749,394**
18.b	**FINANACE COST**		
	Bank Charges	212,670	131,188
	Penalty Charges	344,644	-
	Bank Commission Charges	252,750	13,162
	Interest on Non Payment of Bill	-	821,075
	Interest On Overdraft	25,811,872	16,804,597
	Interest for lease	886,499	1,311,271
		27,508,434	**19,081,294**
		(369,867,507)	**(105,668,100)**
19	**Income Tax Expenses**		
	Current Tax Expense	118,624,621	60,790,805
	Deferred Tax Charge	21,323,576	12,536,288
		139,948,197	**73,327,093**
20	***Amount used as the Numerator***		
	Net Profit Attributable to Ordinary Shareholders (Rs.)	369,154,780	159,534,073
	Number of Ordinary Shares used as the Denominator		
	Weighted Average number of Ordinary Shares in issue	10,000,000.000	10,000,000.000
	Basic Earnings per Share	**36.92**	**15.95**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

21 ***Property Plant and Equipments***

Freehold Cost	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Office Equipment	Computers, Printers & Fax Machines	Air Conditioners	Total
Balance as at 31 March 2021	**90,000,000**	**536,441,867**	**21,979,174**	**47,125,000**	**8,514,558**	**4,264,885**	**13,600,333**	**4,725,842**	**726,651,659**
Additions	-	-	116,000	-	-	26,990	30,240	-	173,230
Disposals	-	-	-	-	-	-			-
Balance as at 31 March 2022	**90,000,000**	**536,441,867**	**22,095,174**	**47,125,000**	**8,514,558**	**4,291,875**	**13,630,573**	**4,725,842**	**726,824,889**
Additions	-	-	242,375	-	-	490,542	3,920,518	-	4,653,435
Disposals	-	-	-	(200,000)	(99,200)	(59,700)			(358,900)
Balance as at 31 March 2023	**90,000,000**	**536,441,867**	**22,337,549**	**46,925,000**	**8,415,358**	**4,722,717**	**17,551,091**	**4,725,842**	**731,119,424**
Depreciation									
Balance as at 31 March 2021	-	**80,165,770**	**6,512,586**	**17,623,698**	**4,621,231**	**2,245,189**	**8,920,492**	**2,786,229**	**122,875,194**
Charge for the Year	-	26,822,093	2,201,623	5,890,625	1,702,912	858,270	3,403,863	945,168	41,824,555
Disposals	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2022	-	**106,987,863**	**8,714,209**	**23,514,323**	**6,324,143**	**3,103,459**	**12,324,355**	**3,731,397**	**164,699,748**
Charge for the Year	-	26,822,093	2,223,057	5,890,625	1,702,912	898,319	1,842,093	945,168	40,324,267
Disposals	-	-	-	(125,000)	(99,200)	(41,689)	-	-	(265,889)
Balance as at 31 March 2023	-	**133,809,957**	**10,937,266**	**29,279,948**	**7,927,854**	**3,960,089**	**14,166,448**	**4,676,565**	**204,758,126**

Net Carrying Values

	Economic Life Span / Years	Percentage	2023	2022
Land	-	-	90,000,000	90,000,000
Buildings	20	5%	402,631,910	429,454,004
Plant and Machinery	10	10%	11,400,283.74	13,380,966
Motor Vehicles	8	12.5%	17,645,052.08	23,610,677
Furniture and Fittings	5	20%	487,504.03	2,190,416
Office Equipment	5	20%	762,628	1,188,416
Computers, Printers & Fax Machines	4	25%	3,384,643	1,306,217
Air Conditioners	5	20%	49,277	994,445
			526,361,298	**562,125,141**
Provisan for Impairment of Fixed Assets			(522,471)	(522,471)
			525,838,827	**561,602,670**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

21 Property, Plant and Equipment Contd…

Land and property situated at Hunupiitya has not yet been vested to CCF. Under the shares of company were re-vested to the General Treasury, under Rehabilitation of Public Enterprises Act. No. 29 of 1996, from private management on 20th January 1997, the ownership of the said land was vested to Provincial Secretary Kalaniya. The process of obtaining the tile of land which is originally belong to CCF is in progress.

22 Right of Use Assets

At Cost	As at 31 March 2022	Increases		(Decreases)	As at 31 March 2023
Motor Vehicles	32,687,873	-		-	32,687,873
	32,687,873	**-**	#	**-**	**32,687,873**

Depriciation	As at 31 March 2022		Charge for the year	As at 31 March 2023
Motor Vehicles	11,759,577		4,085,984	15,845,561
	11,759,577	#	**4,085,984**	**15,845,561**
Net Book Value				**16,842,313**

Details of Right of Use Assets under finance lease

Nature of the Activity	Lease Capital	Initial Payments	Discount Rate used	No. of years remaining
Lease of two double cabs	9,950,000.00	937,496.70	13.50%	1
Lease of Honda CRV Jeep	5,900,000.00	224,229.69	13.00%	1.4

23

Intangible Assets At Cost	As at 31 March 2022	Additions		(Disposals)	As at 31 March 2023
Computer Software	916,185	2,750,000		-	3,666,185
	916,185	**2,750,000**	#	**-**	**3,666,185**

Depriciation	As at 31 March 2022		Charge for the year	As at 31 March 2023
Computer Software	719,265		1,113,587	1,832,852
	719,265	#	**1,113,587**	**1,832,852**
Net Carrying Value				**1,833,333**

24

Capital Work in Progress	31 March 2022	Expenditure Incurred	Amount Capitalized	31 March 2023
Work Stations	19,590	-	-	19,590.19
Hambanthota Warehouse	3,732,901	-	-	3,732,900.90
Server & Net Work	3,894,518	1,085,300	(3,894,518)	1,085,299.98
Computer software ERP system	2,750,000	-	(2,750,000)	-
	10,397,009	**1,085,300**	**(6,644,518)**	**4,837,791**

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED			2023	2022
25	**Inventories and other consumables**			
25 A	Inventories			
	Fertilizers		30,472,835	13,426,240
	Packing Materials		15,904,111	24,876,002
			46,376,946	**38,302,242**
25 B	**Other consumables**			
	General Stores Items		5,387,048	4,610,346
	Stationery		2,817,262	2,504,645
			8,204,310	**7,114,991**
	Stok at NLDB Milk Bar		-	-
			54,581,256	**45,417,233**
26	**TRADE DEBTORS AND OTHER REVEIVABLES**			
	Trade Receivable		1,053,306,348	923,709,181
	Less: Impairment of Trade receivable		37,384,363	37,384,363
			1,015,921,985	886,324,818
	Net Trade Receivable		1,015,921,985	886,324,818
	Other Receivables	**(Note 26.1)**	16,919,421,454	18,499,265,984
			17,935,343,439	**19,385,590,802**

Trade receivables have been tested for impairment. Certain trade receivables which balances are uncollectible are treated as impaired and adjustments have been made in financial statement on the basis as stated in note 3.8

		2023	2022
26.1	**Other Receivables**		
	Treasury Grant	14,651,058,381	16,677,211,670
	From General Treasury - Interest	185,830,554	160,447,581
	Ceylon Shipping Corporation Ltd	4,142,366	4,142,366
	CCF Welfare Society - Loan	20,000	20,000
	Fixed Deposit Interest Receivable	169,995,877	46,636,075
	Treasury Investment Interest Receivable	70,667	70,667
	Sundry Debtors	4,848,633	5,048,633
	WHT Receivable	8,446,844	-
	Ceylon Fertilizer Co. Ltd	960,000	960,000
	Recoverable Claim	2,273,324	2,273,324
	Receivable from Impots	635,250	635,250
	Rent Receivable	47,318	-
	Treasury Grant Receivable for Import of Organic Fertilizer	513,375,707	1,321,384,716
	Treasury Grant Receivable for Organic Suppliers	516,058,286	273,751,399
	Treasury Grant Receivable for ERP Fertilizer	1,137,235	6,684,303
	Treasury Grant Receivable for World Bank Fund	356,359,265	-
	Treasury Grant Receivable for Asian Development Ba	225,909,748	-
	Treasury Grant Receivable for USAID	204,168,520	-
	Treasury Grant Receivable for Indian Credit line	74,083,479	-
		16,919,421,454	**18,499,265,984**

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

		2023	2022
27	**Employees Loans and Advances**		
	Distress Loans	16,875,810	14,885,364
	Festival Advance	115,700	115,700
	Special Loan	65,000	65,000
		17,056,510	15,066,064
		17,056,510	**15,066,064**

Letter No PE/CON/100/EST dated 01.05.2011 issued by the Director General of Department of Public Enterprises and as in accordance with Para 3.8 in chapter XXVI in Establishment Code amended by public administration circular no 26/97 dated at 19.11.97 Personal loans are measured at fair value using the interest rate of 4.2% the rate at which the loans have been granted is considered as the market interest rate for employees working at Public sector entities.

		2023	2022
28	**Deposits and Advances**		
	Deposits	1,769,938	3,412,938
	Payment in Advance	446,443	103,880
	Post Master General	59,957	47,038
	Pre Payment	2,692,289	1,959,059
		4,968,626	**5,522,914**
29	**Other Financial Assets**		
	Fixed Deposits	2,520,635,971	2,209,998,928
		2,520,635,971	**2,209,998,928**
30	**CASH AT BANK**		
	Favorable Balances		
	Cash in Hand	16,028	16,028
	NLDB Milk Bar Imprest	50,000	50,000
	Regional Stores Contingency Fund	1,885,724	1,663,618
	Repo's	10,051,370	27,142,192
	Cash at Bank	30,980,837	9,060,029
		42,983,959	**37,931,867**
	Unfavorable Balances		
	Bank balance overdraft	64,847,733	110,180,883
		64,847,733	**110,180,883**
	Cash and Cash Equivalents for the Purpose of Cash Flow Statement	**(21,863,774)**	**(72,249,017)**
	Investments In Treasury Bills		
31	**Issued and fully paid**		
	Number of Ordinary Shares	**10,000,000**	**10,000,000**
	Value (Rs.)	**100,000,000**	**100,000,000**
32	**Capital Reserve**	**1,683,685**	**1,683,685**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

			2023	2022
33	Reconstruction and Revaluation Reserve			
	Capital Reserve	33.1	122,262,785	122,262,785
	Revaluation Reserve 2007	33.2	105,668,272	105,668,272
	Revenue Reserve	33.3	61,016,519	61,016,519
	Revaluation Reserve 2019	33.4	423,774,255	423,774,255
			712,721,831	**712,721,831**

33.1 Capital Reserve - Year 2000 Rs.122,262,785

Assets were re valued as at 14.02.2000 by chief value ,Valuation department for Rs. 140,000,000 The book Value of the assets as at 31.03.1993, according to Audited balance sheet was Rs. 17,737,215. Since then no any records to show the value of assets

33.2 Revaluation Reserve 2007 Rs. 105.893,272

Revaluation of fixed assets in March 2007 generated this revaluation reserve amounting to Rs. 105.893,272

33.3. Revenue Reserve 1997 Rs. 61,016,519

A unidentified difference of Rs. 237,451,804 between total assets and total liabilities were revealed In the reconstructing of the balance sheet as at 20.01.1997. After eliminating revaluation reserve of 122,262,785 the balance of Rs 115,189,019 has been transferred to a Revenue Reserve. Current liabilities and current assets relating to previous periods that are revealed and settled later also have been adjusted to this Revenue Reserve account. Thus suspense balance of Revenue Reserve has reduced to Rs. 61,016,519

33.4 Revaluation Reserve 2018 Rs. 423,774,254.74

Revaluation of fixed assets in March 2018 generated this revaluation reserve amounting to Rs. 423,774,254.74

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.

34	**Retirement Benefits Obligation**			
	Provision for PV-DBO as at 01-04-2022		**24,774,540**	**22,527,207**
	Expenses Recognized in Income Statement	**(Note 34.1)**	(3,609,741)	4,495,888
	Payments made during the year		(4,118,613)	(2,248,555)
	Over Provision of the Previous Year		-	-
	Balance as at 31 March		**17,046,187**	**24,774,540**

34.1	**Expense Recognized in Income Statement**		
	Gratuity Charge		
	Current Service Cost	1,376,496	1,914,813
	Interest Charge for the Year	2,972,945	1,287,419
	(Gain) / Loss Arising From Changes in the Assumptions	(7,959,181)	1,293,656
		(3,609,741)	**4,495,888**

The company has adopted the projected Unit Credit Method to calculate the Retirement Benefit Obligation and the Gratuity Formula (Appendix E) is used for the same. Assumptions used for the calculations are based on the management's best estimates.

The principal assumptions used are as follows.

Morality	As per A1967/70Morality table	
Discount Rate [%]	18	13
Future Salary escalation rate [%]	6	6
Staff Turnover Factor [%]	2	2
Retirement age [Yrs]	60	60

Sensitivity Analysis

A sensitivity analysis has been conducted to illustrate the significance of the Discount Rate assumed in the calculation as at 31.03.2023

The results are as follows.

Discount Rate	Present value of defind benefit obligation
One Precentage Point Increase (+1%)	23,310,394
One Precentage Point Decrease (-1%)	26,450,335

		2023	2022
35	**Deferred Taxation**		
	Balance as at 01 April	**113,343,381**	**100,807,093**
	(Charge) / Reverse for the Year	21,323,576	12,536,288
	Balance as at 31 March	**134,666,957**	**113,343,381**

35.1 The Analysis of Deferred Tax Assets and Liabilities		
Deferred Tax Liability		
From Accelerating Depreciation	141,960,984	119,289,271
	141,960,984	**119,289,271**
Deferred Tax Assets		
From Retirement Benefits Obligation	7,294,027	5,945,890
From Impairment Provisions - Trade Debtors	-	-
	7,294,027	**5,945,890**
	134,666,957	**113,343,381**

Deferred tax assets are recognized for provision for retirement benefits obligation, impairment provision for trade and other receivables and non- moving stocks to the extent that the realization of the related tax benefits through future taxable profits are probable and deferred tax liabilities are recognized for accelerating depreciation and revaluation surplus.

		2023	2022
36	**Interest Bearing Borrowings**		
	Settlement Fall Due More than One Year		
	Long Term Loan	5,555,353,975	7,068,662,532
	Short Term Loan	-	7,261,676,385
		5,555,353,975	**14,330,338,918**
	Settlement Fall Due Within One Year		
	Short Term Loan	32,438,030	-
	Long Term Loan	8,590,320,000	1,628,540,000
		8,622,758,030	**1,628,540,000**
		14,178,112,005	**15,958,878,918**

36.1 Movement of the Loan		
Balance as at 01 April	**15,958,878,918**	**12,476,052,464**
Obtained During the Year	8,311,911,443	5,111,366,454
Settlements Made During the Year	(10,092,678,355)	(1,628,540,000)
Balance as at 31 March	**14,178,112,005**	**15,958,878,918**

		2023	2022
37	**Lease Liabilities**		
	Long Term Lease Liabilities		
	Motor Vehicles	1,351,816	4,775,801
		1,351,816	**4,775,801**
	Short Term Lease Liabilities		
	Motor Vehicles	3,423,985	3,423,985
		3,423,985	**3,423,985**
		4,775,801	**8,199,786**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

			2023	2022
38	**Trade and Other Payable**			
	Trade Payable	Note 38.1	750,685,615	1,447,895,250
	Other Payable	Note 38.2	2,086,044,782	1,428,046,955
			2,836,730,396	**2,875,942,204**
	38.1 Trade Payables			
	Fertilizer Suppliers (Imports)		366,424,241	1,158,661,966
	Fertilizer Suppliers (Local)		-	5,850,000
	Organic Fertilizer Suppliers		384,261,374	283,383,284
			750,685,615	**1,447,895,250**
	38.2 Other Payable			
	Audit Fees		2,041,020	2,463,000
	Treasury Payable	Note 38.2.1	1,936,139,752	1,102,800,859
	E.P.F. Payable		1,122,940	1,191,328
	E.T.F. Payable		153,118	162,444
	Stamp fees payable		17,900	19,425
	Union Fees Payable		8,965	8,765
	Third Party Deduction		15,159	15,159
	Medical Insurance Claim		77,446	76,591
	Salary Withholding		333,084	293,551
	Welfare society & Death Donation		32,354	32,354
	Medical Insurance Cover		370,563	371,763
	Salaries Control		8,391	8,391
	Retentions		135,002,907	292,596,028
	Other Creditors		10,720,482	28,006,697
	Welfare Payable		700	600
			2,086,044,782	**1,428,046,955**

38.2.1 Treasury Payable

From 1st of March 2016, the New Subsidy Scheme was introduced by the Government to sell the Fertilizer at the Market Price and the prevailed Subsidy Scheme was removed from 29th February 2016. Accordingly the Company has to repay the Subsidy amount pertaining in the Closing Stock as at 29th February 2016 to the General Treasury.

		2023	2022
39	**Deposits and Advances Received**		
	Employee Security Deposit	659,492	765,092
	Refundable Deposits	510,000	10,000
	Customer Deposits & Over Received	178,913,393	9,853,714
	Deposits Prior to Clearance A/C	5,029,353	4,086,634
		185,112,237	**14,715,440**
40	**Statutory Payable**		
	Current Taxation	170,462,400	104,469,935
	Withholding Tax (WHT)	(1)	(1)
	NBT	(162,897)	(162,897)
	PAYE	123,081	34,695
		170,422,583	**104,341,733**
41	**Accrued Expenses**		
	Accrued Expenses	100,929,457	6,526,164
		100,929,457	**6,526,164**

42 Capital and Other Commitments

CCF has not entered into contracts with any parties for constructions for other capital committemnt.

Figures in brackets indicates deductions.

43 Events Occurring after Reporting Period

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

44 Contingent liabilities

a The Company has contingent liabilities in respect of legal claims arising in conducting its ordinary course of business. Management is of the opinion that these claims can be successfully defended thus possibility of an outflow of resources for their settlement is remote. This evaluation is consistent with legal advices of the years, no provision has been made for such legal claims.

b Transport charges to transport from CCF stores to miscellaneous Agrarian Services Centers and outstation CCF stores for a total sum of Rs. 3,522,255.43 has not been claimed from the year 2009 up to 2013 for unforeseen reason. CCF Ltd believes that these transporters will not lodge their claim in future for the recovery of the said amount. Since they have not been lodged their claim so far or submitted their bills for the payment, CCF ltd believe that this unaccounted amount shall not be paid.

45 Related Party Disclosures

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the ‘reporting entity. The Company's related parties includes Government of Sri Lanka, State-Owned Enterprises, their related entities and key management personnel.

Transactions with Key Management Personnel

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

Transactions with Key Management Personnel are given below.	**2022 / 23**	**2021 / 22**
Directors allowances	1,463,033	1,333,475

Name of the Related Party	**Nature of Transactions**		
Government of Sri Lanka	Subsidies Received	347,576,397	521,853,838
	Sales of Goods	207,177,447	770,422,986
State-Owned Enterprises	Loans borrowed	8,311,911,443	5,111,366,454
	Settlements of Loans	(10,092,678,355)	(1,628,540,000)
	Investments In Fixed Deposits		
	Investment during the year	1,513,000,000	85,000,000
	Interest Received	396,712,130	124,127,774
	Current Accounts	30,980,837	(101,120,854)
Other Government Related Entities	Recoveries of Trade Receivables	4,142,366	4,142,366

Figures in brackets indicates deductions.

CORPORATE INFORMATION

• Name of the Company	Colombo Commercial Fertilizers Ltd.
• Legal Form	The Colombo commercial Fertilizers Ltd is a Limited Liability company incorporated on 04.10.1989 under the companies act of No.17 of 1982 and reregistered on 15.07.2011 under the Companies Act No.07 of 2007, and domiciled in Sri Lanka and downed by the Government of Sri Lanka.
• Company Registration No.	PB1631
• Income Tax Identification No.	294000194
• VAT Registration No.	2940001941947000
• Registered Office and Warehouse Complex	Dalupitiya Road, Hunupitiya, Wattala
• Telephone	011-2948102/03 011-2941859
• Fax	011-2930252 011-2949126
• Bankers	1. Peoples' Bank – Corporate Branch 2. Peoples' Bank – Wattala 3. Bank of Ceylon – Wattala
• Company Secretary	Mr. S.P. Morawaka
• Auditors	Auditor General's Department