ANNUAL REPORT
2023/2024

COLOMBO COMMERCIAL FERTILIZERS LTD

Dalupitiya Road, Hunupitiya, Wattala

Tel: 011-2948102/3, 011-2941859
Fax: 011-2930252, 011-2949126
E-mail: ccffinance@yahoo.com
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

- A Cabinet decision has taken to amalgamate the company with other state owned fertilizer company, Ceylon Fertilizers Company 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 2024.

Industry overview

The fertilizer market in Sri Lanka in 2023 was marked by a series of challenges and changes, driven largely by the country's economic situation, government policies, and the global fertilizer market.

The Sri Lankan economy was still recovering from the severe economic crisis that began in 2022. The economic downturn led to significant challenges in the agricultural sector, which is heavily reliant on fertilizers for crop production. In 2022, the government's sudden decision to ban chemical fertilizers in an attempt to promote organic farming caused a significant disruption. The policy reversal in 2023 aimed to restore the use of chemical fertilizers to stabilize agricultural production.

Following protests and the realization of the negative impact on crop yields, the government lifted the ban on chemical fertilizers. This policy shift was critical in 2023, as farmers were struggling with reduced harvests due to the lack of adequate fertilizers. The government also began providing subsidies to farmers to mitigate the cost of fertilizers.

The global supply chain for fertilizers was still affected by the geopolitical tensions, particularly the ongoing conflict between Russia and Ukraine. This disruption led to higher fertilizer prices and limited availability. Sri Lanka, which depends on imports for most of its fertilizer requirements, faced higher costs, and at times, shortages.

Fertilizer prices saw significant increases due to global price hikes, affecting Sri Lankan farmers. The rising costs of fertilizers, combined with the country's foreign exchange shortages, created challenges in ensuring a stable supply of fertilizers at affordable prices.

To help stabilize the fertilizer market, Sri Lanka received international aid and loans from countries like India and organizations such as the Asian Development Bank (ADB) to import fertilizers. These external resources helped alleviate some of the supply shortages during the year.

Company Performance

The company has achieved a turnover of 260 million for the reporting period. This reflects the total revenue generated from the company's operations, including all goods sold and services provided. The gross profit stands at 118 million and net profit of the company is reported as 293 million. This amount represents the company's earnings after accounting for all expenses, taxes, and interest.

By assisting the government in the distribution of fertilizers provided through international donor programs, we have played a crucial role in ensuring food security and supporting the farming community. This collaboration has helped improve agricultural productivity, enabling farmers to produce higher yields and sustain their livelihoods. Through these efforts, we have contributed to a more stable food supply, benefiting both local economies and the broader community.

Amidst of hardships in economy, with the patronage of GOSL our company was able to secure its share in fertilizer mixture market (mainly in Tea Sector). Company has signed an agreement with Sri Lanka Tea Development Board to distribute Mixture fertilizer to Tea Small Holding entities at a subsidized price encouraging their dedication towards country's economy.

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.

Agricultural activities in Sri Lanka exhibited a notable resurgence, with a 2.6 per cent increase in value added in 2023, marking a significant turnaround from the 4.2 per cent contraction witnessed in 2022, mainly driven by the improved supply conditions, especially fertilizer, other agrochemical inputs and fuel. The growing of rice, fruits, vegetables, and fishing activities were the main contributors to this growth.

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.

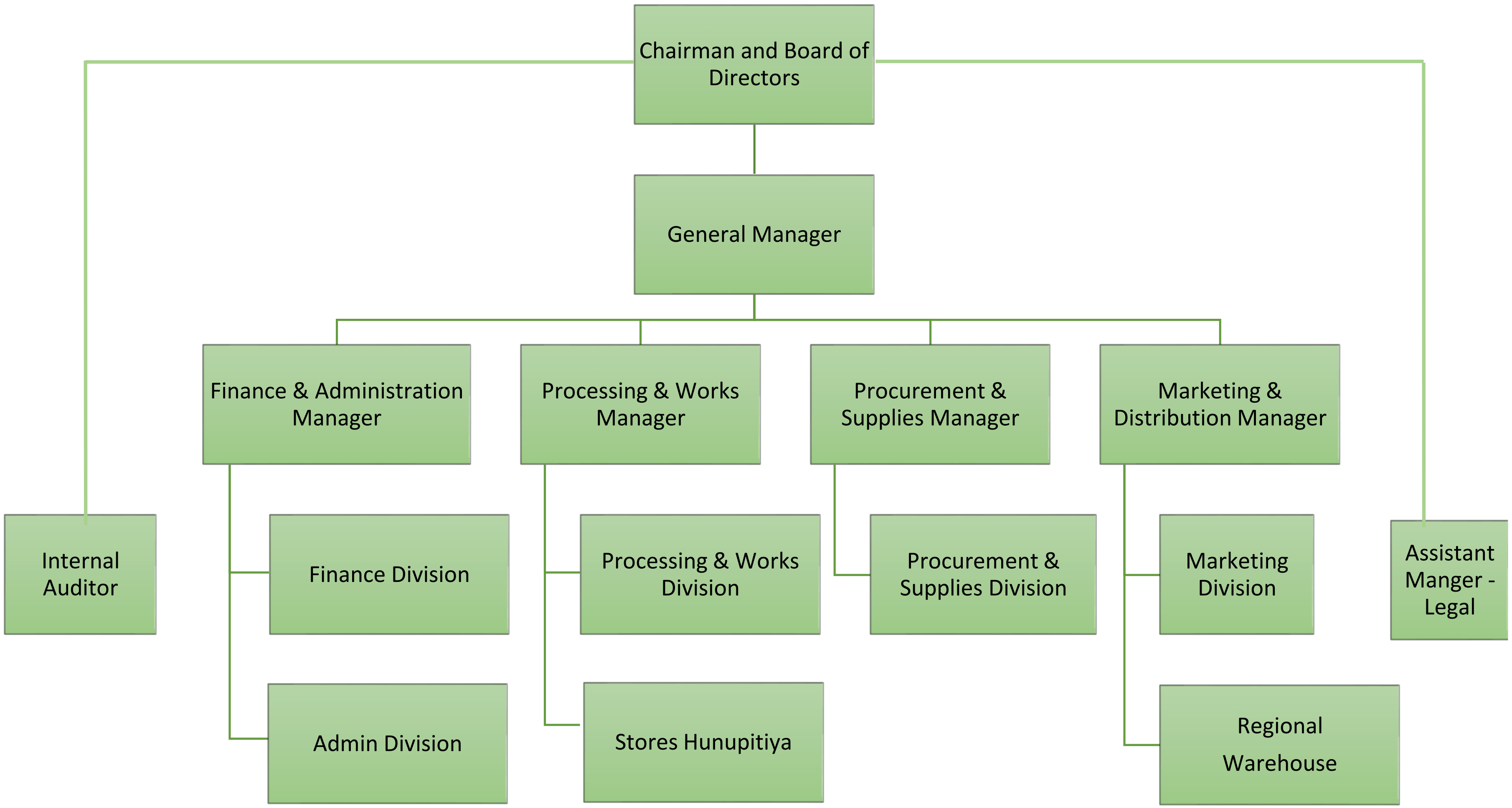
I appreciate the co-operation and the contribution extended by the Board of Directors to achieve the targets of CCF Ltd. Specially, I take this opportunity to thank the Director of National Fertilizer Secretariat and his staff for their continuous assistance and guidance.

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.

CHAIRMAN
COLOMBO COMMERCIAL FERTILIZERS LTD.

1.5 Organizational Structure of the Company



1.6 Board of Directors and Steering Committees

Board of Directors

- Chairman - Dr. Jagath Perera
- Director - Mrs. K.A.W. Fernando
- Director - Mr. Kalu Durage Sunanda Lal
- Director - Dr. 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 - Mr. E.W.G.K Priyadarshana
- Member - Mr. Kalu Durage Sunanda Lal
- Observer - Mrs. G.K.U. Abeyrathne

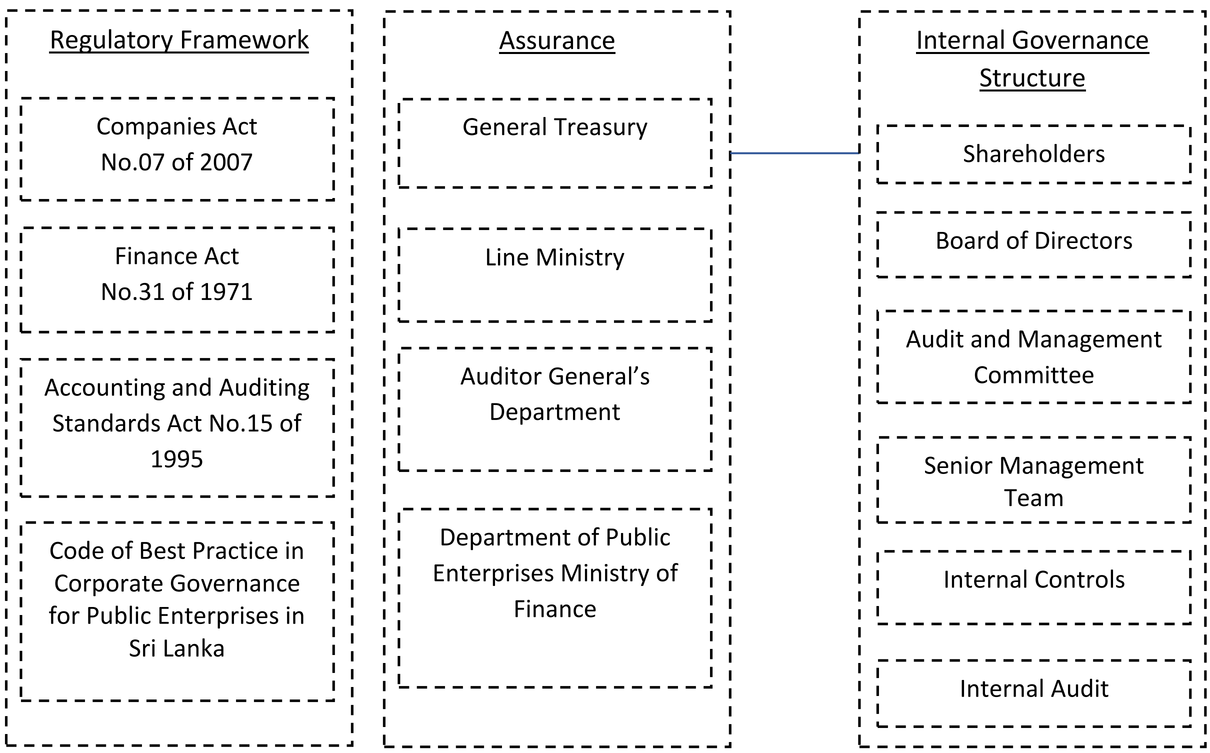
Senior Management Committee

- Finance and Administration Manager - Mr. S.N.J. Wickremesinghe
- Marketing Manager - Mr. J.G.U Wickremapala
- Act.Processing & Distribution Manager - Mr. G.T.P Senanayake

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



1.8 How We Maintain Corporate Governance

Board Meetings

- During the reporting year 12 Board Meetings were held

Cadre Requirements

- All 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

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

Audit and Management Committee Meetings

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

Detailed prgrams and work plans

- Senior 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.

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**

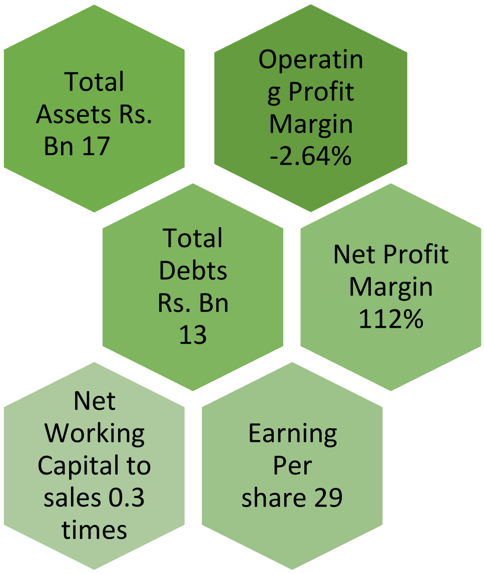
Consequences

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

<table>
<tr><th>No. as per the Matrix</th><th>Risk</th><th>Risk Response</th></tr>
<tr><td>01</td><td>Fertilizer prices being increased in the world market</td><td>Constantly monitoring the price fluctuations and importing when most reasonable price is recorded.</td></tr>
<tr><td>02</td><td>Restrictions in using strategies to compete with the competitors due to being answerable to the Government Audit</td><td>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.</td></tr>
<tr><td>03</td><td>Risk of declining customer demand as a result of adverse health effects of the chemical fertilizers</td><td>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.</td></tr>
<tr><td>04</td><td>Imposing new regulations or sudden changes in existing regulations in relation to the business by the government</td><td rowspan="4">Acceptance and constantly monitoring government's policy and aligning company's strategies accordingly.</td></tr>
<tr><td>05</td><td>Product price being controlled by the government</td></tr>
<tr><td>06</td><td>chance to sell low market demand fertilizer items which are not prior planned and procured by the government</td></tr>
<tr><td>07</td><td>Extra time consumption in Procurement/ tender procedures</td></tr>
<tr><td>08</td><td>Occurrence of human and process failures due to non-availability of a proper system to get accurate and up to date information.</td><td>Introducing a standard computerized system to mitigate the risk</td></tr>
<tr><td>09</td><td>Lack of Standard operating procedures and inefficiencies in the current standard procedures</td><td>Introducing standard operating procedures to mitigate the risk</td></tr>
</table>

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

Although the ban imposed on importing chemical fertilizers, was lifted during the reporting period, fertilizer imports were challenged by the foreign currency crisis in the country. company have drastically fallen during the year 2022/23. However, during the latter part of financial year 2024 the company has entered into an agreement with SL Tea Board and started supplying fertilizer mixtures to tea small holder entities. This transaction helped to increase the revenue of the company by 25%.

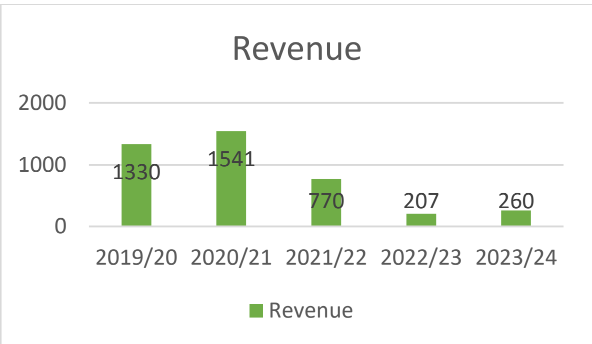


Chart No. 01. Revenue of the company (Rs. Mn)

Gross Profit

Gross Profit of the company reported 118 Mn. This is a 33% increment when compared with the previous year. Rising inflation and increased cost of sales has resulted in the same.

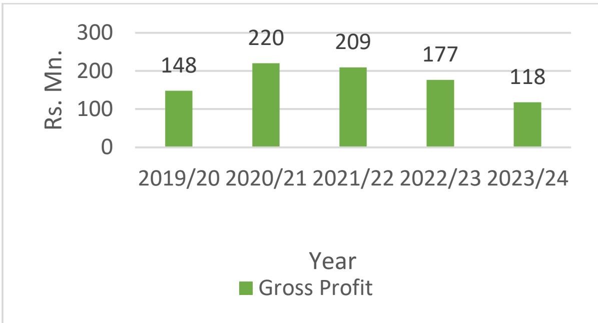


Chart No. 02. Gross Profit of the company (Rs. Mn)

Administrative Expense

The administrative expense of the company has slightly declined by nearly 1%. Despite substantial inflation, the company was able to keep administrative expenses under control as compared to the prior year.

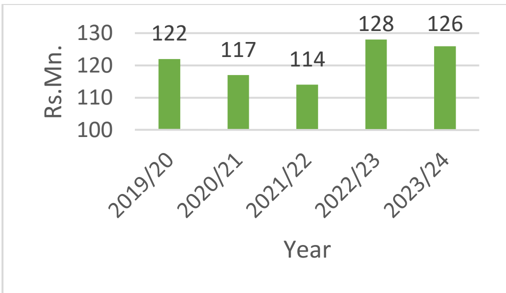


Chart No. 03. Administration Expenses of the company (Rs. Mn)

DISTRIBUTION EXPENSE

Company's distribution expenses have increased in parallel with the Mixture fertilizer distribution to the tea sector.

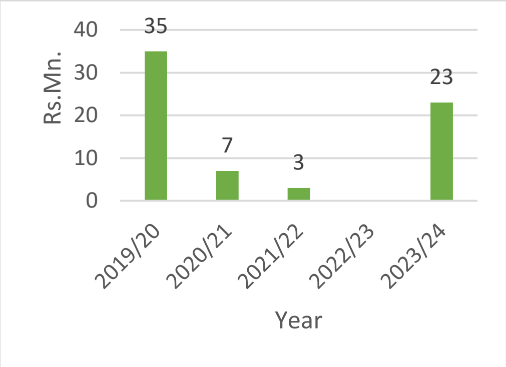


Chart No. 04. Distribution Expenses of the company (Rs Mn)

FINANCE INCOME AND EXPENSES

Finance income of the company records 566 million for the year. Finance income includes interest income related to the prudent investment in fixed deposits and REPO investments.

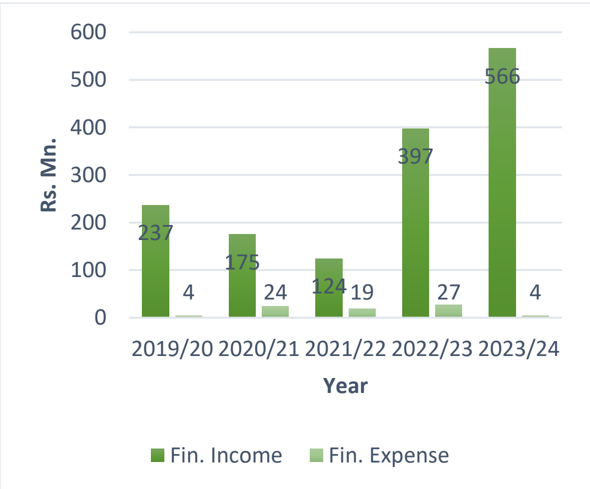


Chart No. 05. Finance Income and Expenses of the company (Rs. Mn)

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 2023/24 has increased by 42% and as a result profit before taxation has increased by 11%.

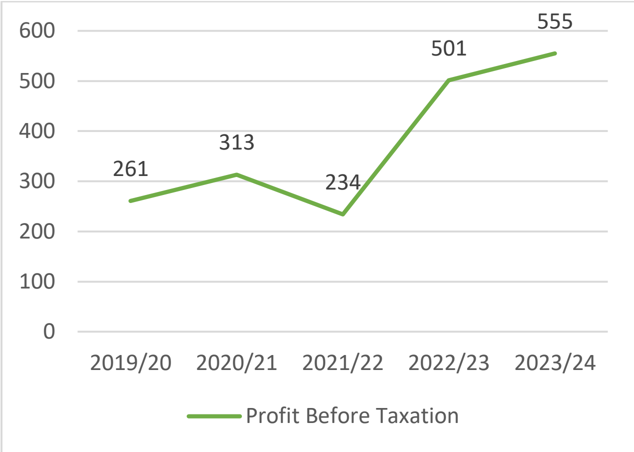


Chart No. 06. Profit before Taxation of the company (Rs. Mn)

4. Comparison of Financial Highlights

Comparison of Financial Highlights				
Earnings Highlights and Ratios		**2024**	**2023**	**Change %**
Revenue	Rs. Mn.	260	207	26%
Profit from Operating Activities	Rs. Mn.	-6	131	-105%
Profit Before Tax	Rs. Mn.	555	501	11%
Profit After Tax	Rs. Mn.	293	361	-19%
Operating Profit Margin	%	(2.31)	63	
Earnings per Share (Basic)		29.00	36	
Financial Position Highlights and Ratios				
Total Assets	Rs. Mn.	17,441	21,125	-17%
Total Debts	Rs. Mn.	13,012	17,019	-24%
Equity Attributable for Share Holder	Rs. Mn.	4,287	3,432	25%
Current Ratio	No. of times	2.40	2	
Quick Ratio	No. of times	2.19	2	
Net Working Capital to Sales	No. of times	36.99	41	

5. **Financial Highlights for the Past Ten Years**

(Figures are shown in Rs. Mn)

Statement of Comprehensive Income	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Revenue	1,566.00	1,839.00	824.00	2,112.00	1,156.00	1,331.00	1,541.00	770.00	207.00	260.00
Gross Profit	206.00	(8,754.00)	(80.00)	2,297.00	7,747.00	148.00	220.00	209.00	177.00	118.00
Operating Profit	377.00	185.00	53.00	61.00	10.00	28.00	163.00	128.00	131.00	(7.00)
Profit Before Taxation	436.00	252.00	70.00	407.00	306.00	261.00	313.00	234.00	501.00	555.00
Taxation	154.00	71.00	13.00	97.00	159.00	98.00	53.00	73.00	139.00	262.00
Net Profit	281.00	182.00	57.00	193.00	147.00	163.00	260.00	160.00	361.00	292.00
Statement of Financial Position										
Total Assets	18,752.00	17,127.00	17,988.00	16,115.00	15,330.00	16,201.00	20,418.00	22,292.00	21,125.00	17,441.00
Total Equity	1,636.00	1,792.00	1,844.00	1,997.00	2,542.00	2,778.00	3,010.00	3,075.00	3,432	4,287
Total Liabilities	17,116.00	15,335.00	16,144.00	14,118.00	12,787.00	13,423.00	17,408.00	19,216.00	17,692	13,154
Cashflow Statement										
Net Cash Flow from Operating Activities	(3,100.00)	149.00	(1,094.00)	4,835.00	1,926.00	(1,252.00)	(4,374.00)	(3,680.00)	1,759	4,530.00
Net Cash used in Investing Activities	2.00	48.00	801.00	(1,311.00)	738.00	624.00	(43.00)	92.00	85	(551.00)
Net Cash used in Financing Activities	3,170.00	184.00	1,197.00	(3,637.00)	(2,709.00)	758.00	4,135.00	3,479.00	(1,794)	(4,088.00)
Other										
EPS	28.16	18.10	5.68	19.53	14.76	16.29	25.99	16.08	36.12	29.280

6. Creating Value for Stakeholders

How we create Value……….

Input

Financial capital
Equity Rs. 4287 Mn
Debt Rs. 13,012 *Mn*

Manufactured Capital
Property Plant &
Equipment Rs. 903Mn

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 4.4 Mn

For Employees
Employee Cost Rs.58Mn
Bonus & Incentive
Rs. 6 Mn

For Customers
Sales *Rs. 260 Mn.*

For Suppliers
Purchases Rs. 1,506 Mn

For Regulators
Taxes Rs. 177Mn

Retained with the
Business *Rs. 292 Mn*

7. 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 resul. However, the company acted as the distributor of chemical Fertilizer received through World Bank Donor Programs.

The company has recently entered into a strategic agreement with the Tea Development Board to supply a specialized mixture fertilizer to all small tea estate owners registered under the Board. This initiative offers Tea fertilizers at a subsidized price, making it more affordable for small-scale tea producers to enhance their crop yields. The collaboration has proven to be highly beneficial, not only supporting the growth and productivity of small tea estates but also significantly boosting the company's sales. The increased demand for the product has strengthened the company's market position, establishing it as a key player in the tea industry's growth and sustainability.

Distribution of Neat & Mixing fertilizers During the Year

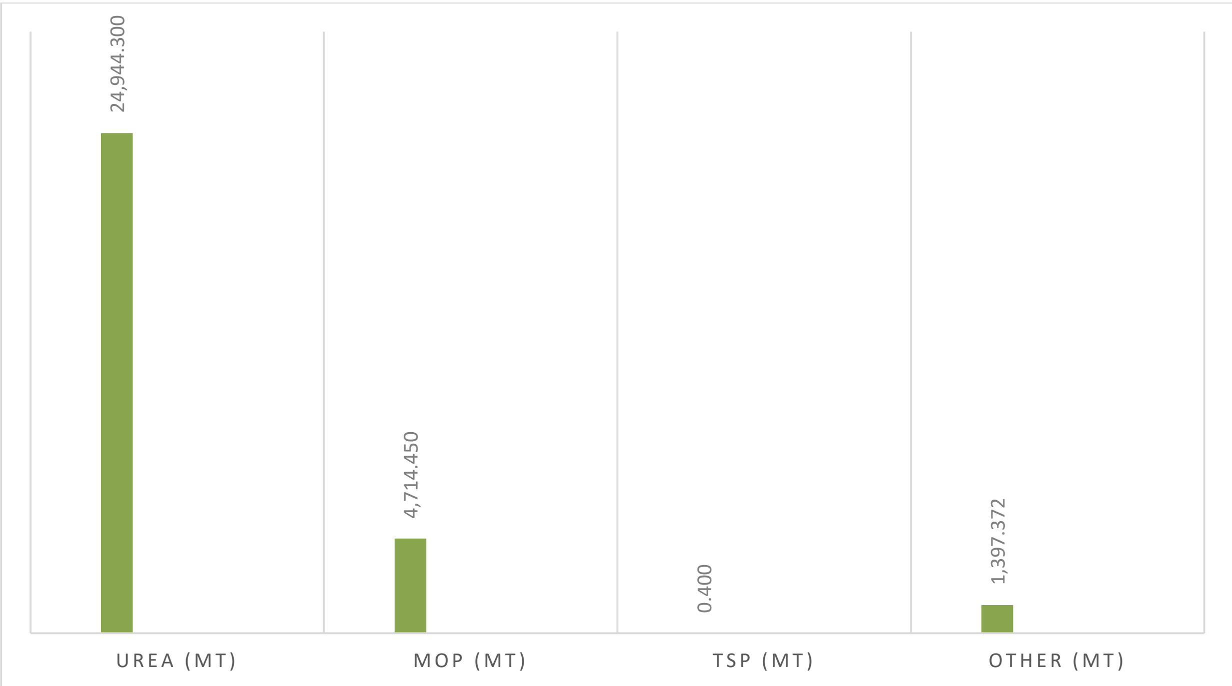
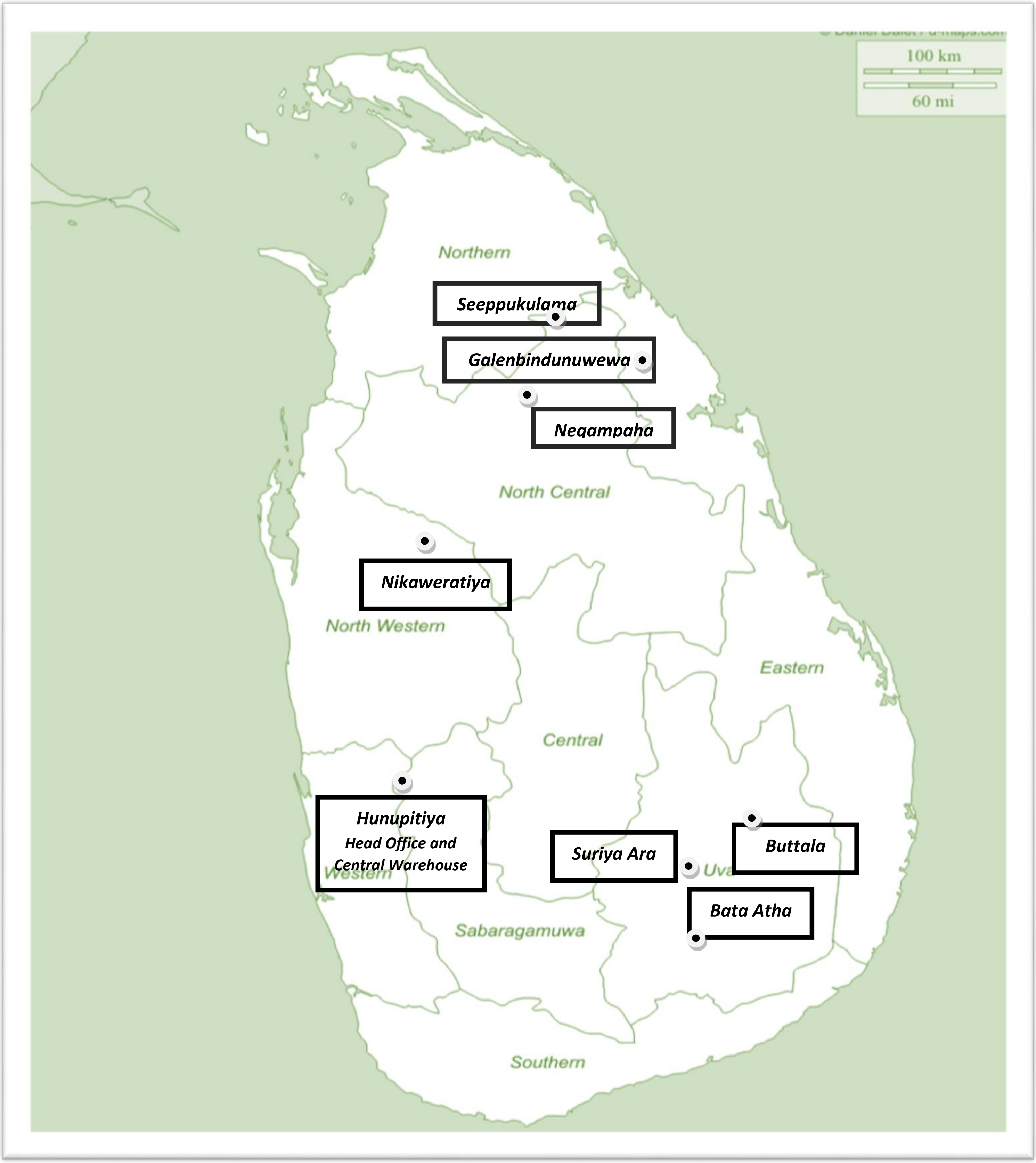


Chart No.07. Distribution of Neat & Mixtures Fertilizers during the year (MT)

Regional Stores Network of the Company



8. Employee Overview of the Company

Employees are the most important priority of the company. Currently there are 115 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

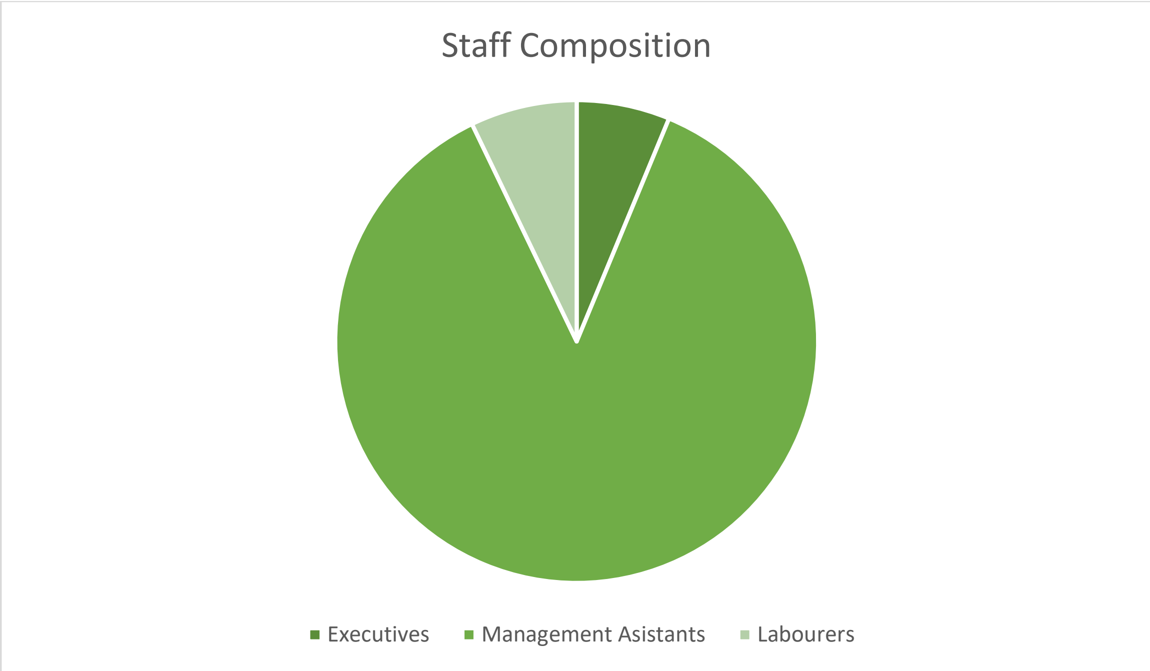


Chart. Staff composition of the company

- Financial Review Over Human Capital *(Figures are in Rs Mn)*

Year	**2023/24**	**2022/23**
Revenue per Employee (Mn)	2	1.77
Net Profit per Employee (Mn)	2	3
Cost Per Employee (Mn)	0.5	0.6
No. of Employees	115	117

9. Financial Reporting

9.1 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

9.2 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

9.3 Auditor General's Report

ARI/A/CCF/2024/02 2024 September 30

Chairman

Colombo Commercial Fertilizer Company Ltd

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Colombo Commercial Fertilizer Company Ltd for the year ended 31 March 2024 in terms of Section 12 of the National Audit Act, No.19 of 2018.

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Colombo Commercial Fertilizer Company Ltd ("Company") for the year ended 31 March 2024 comprising the statement of financial position as at 31 March 2024 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements of the Company give a true and fair view of the financial position at 31 March 2024, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

(a) In other receivable balance of Rs.11,165,141,941 included in the financial statements as on 31 March 2024 was included Rs.199,373,874 outstanding unsettled balances which is more than 01 year and provision has not been made for these unsettled outstanding long-term receivable balances.

(b) Contrary to Section 28 of Sri Lanka Accounting Standard No 02, the stock of fertilizers amounting Rs.1,409,592,766 has been accounted only at cost without considering the net realizable value as at the last day of the year under review.

(c) Investing activities were overstated by that amount due to inclusion of receivable interest income amounting of Rs.149,581,640 in the investing activities in the cash flow statement.

(d) Due to the fact that not being able to identify individual balances and complete time analysis by allocating the money received for settlement of debtor balances from Agrarian Service Centers, other institutions and individuals and making adjustments in the respective accounts, the company has been failed to allocate the provision for impairment losses in accordance with paragraph 96 of Sri Lanka Accounting Standard 36. The amount of Rs.37,384,363 which was allocated amount of impairment made in the year 2018 was deducted from the debtor balance as the impairment of debtor in this year and its accuracy could not be confirmed during the audit.

(e) The amount of Rs.5,138,726 which was received directly into the bank account of the company as of 31 March 2024 had been correctly identified and accounted for under deposits without adjustments to the accounts.

(f) The amount of Rs.6,360,182 payable to Ceylon Fertilizer Company Limited on 31 March 2024 has not been identified as an accrued expense.

(g) The amount of Rs.166,760,000 to be paid to the Treasury for the fertilizer remaining in the warehouses of the Agrarian Service Centers from the stock of MOP fertilizer which imported and distributed under the loan assistance of the Asian Development Bank has not been accounted as a payable in the financial statements.

(h) The amount of Rs.49,846,406 overpaid by the company to the Nano Nitrogen supplier was not accounted as receivable.

(i) Interest income of Rs.29,586,074 relating to the previous year was included within the fixed deposit interest income accounted for the year under review also.

(j) A difference of Rs.3,586,952,472 was observed between the trade debtor balance of Rs.280,994,295 included in the financial statements of the year under review and the total of individual debtor balances as per the supporting documents, and the debtor balance confirmation letters were not submitted to the audit.

(k) The company had not been able to recover the debt balance amounting to Rs.22,053,338 related to the issuance of fertilizers to 15 different private companies on credit basis during the period from 1994 to 1997 and provisions for impairment had not been made based on that amount.

(l) The confirmation has not been provided regarding the ability to cover a balance of Rs.185,830,554 outstanding at the end of the year under review which was accounted for in the year 2012 as an interest receivable from the Treasury.

(m) The cost of packing materials amounting to Rs.19,721,956 which included in the financial statements was not physically verified as on 31 March 2024 and hence its accuracy could not be confirm to the audit.

(n) While a case is currently in progress to recover the amount due from the storekeepers for the stock shortage of Rs.3,360,430 occurred in the year 2014 in the Negama regional warehouse, it was not disclosed in the financial statements and the amount was included in the sundry debtors without accounting as stock loss.

(o) A difference of Rs.659,457,661 and Rs.476,987,899 were observed respectively regarding the opening stock balance as well as closing stock balance of the year under review between the stock report prepared by the computerized accounting system (ERP) and the physical stock verification reports.

(p) According to the VAT report of the company for the quarter ending 31 March 2024, the value of the Output VAT was Rs.25,693,035,the value of Input VAT was Rs. 35,270,829 and the balance of Input VAT carried forward was Rs. 9,577,794. According to the ledger accounts, the above balances were Rs. 25,070,186 , Rs.52,131,731 respectively and the balance carried forward was zero, so a difference of Rs. 622,849, Rs.16,860,903 respectively and a difference in the Input VAT balance carried forward of Rs.9,577,794 was observed.

(q) The Server & Network costing of Rs.1,085,300 used for accounting purposes was not capitalized and it was accounted under work-in-progress.

(r) Written evidence was not submitted to the audit regarding the following receivable and payable balances.

	Item	**Amount (Rs.)**	**Evidence not submitted**
i.	Short-term loans	32,488,030	Bank confirmation letters regarding loan balance
ii.	Customer deposits and received	27,277,854	Receipts

iii.	Recoverable compensation	2,273,324	Documents to confirm compensation claims
iv.	Withholding Tax (WHT)	8,446,844	Documents to confirm over-recovery of withholding tax

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 2024 Annual Report.

The other information comprises the information included in the 2024 Annual Report but does not include the financial statements and my auditor's report thereon. Management is responsible for the other information.

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Annual Report of the year 2024, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends 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 Section 16(1) of the National Audit Act No. 19 of 2018, the Company are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

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

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional 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 internal control of the Company and the Group.
- 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 Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on

the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2. Report on Other Legal and Regulatory Requirements

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

2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 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 is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2 (f),(g),(h),(n),2.2.2(a),2.2.4(a) described in the basis for Qualified Opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

2.2.1 To state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which is 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 of 2018.

Reference to Laws, Rules Regulations etc.	**Observation**
Public Enterprise Circular No. PED 08/2022 dated 21 December 2022.	Although, when the payment of allowances on leave saved to the employees of the companies should have paid the dividend/tax payable to the treasury in respect of year preceding the year under consideration for such payment, leave allowances of Rs.2,571,736 totaled for short leave and medical leave saved by the employees of the company and allowances of Rs.1,545,249 totaled for medical leave saved by the executive officers had been paid without paying the dividend payable for the 2022/2023 by the company.

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.

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.

(a) Although import and distribute chemical fertilizers is the main task of the company, 396.45 MT of Urea Fertilizer which was to be auctioned at Sri Lanka Customs was purchased in the year under review for Rs.56,993,652 review and 1200 MT of Urea Fertilizer was purchased from a local fertilizer importer for Rs.207,600,000. Due to the fact that in local procurement process, the minimum experience of 03 years mentioned in the bid specifications is not mentioned by the Departmental Technical Evaluation Committee in the bidder's bid documents, It was observed during the audit that it is not comply with the procurement guidelines to act ignoring it as an important specification while evaluating the bids by the evaluation committee.

2.3 Other Matters

(a) Although 1,809 bottles of 500ml of Nano Nitrogen liquid fertilizer worth of Rs.3,672,270 which not distributed to the farmers that expired by December 2023 are available in the warehouses of the company by 31st May 2024 and 701 bottles of liquid fertilizer worth of Rs.1,423,030 are available in the warehouses of Ceylon Fertilizer Company Limited, action had not been taken in this regard.

(b) The interest of Rs.416,610,193 earned from matured fixed deposits throughout the year had been re-invested in fixed deposits by the company. it was observed during the audit that In a situation where the company has excess cash invested in fixed deposits of Rs.3,637,072,070, the proper cash management has not been done in the year under review due to the fact that the bank overdraft facility was obtained and Rs.3,232,997 was paid as interest for that.

(c) Out of The subsidy value of Rs 2,112,468,040 related fertilizer held by the company as at 29 February 2016 due to change in the subsidy policy to the method of giving money to farmers by ending the release of subsidized fertilizers in 2016, without remittance to the Treasury, a Rs.780,101,025 had been write-off as interest expenses stamp and stationery charges on short term loans taken for import of fertilizers. Accordingly, the value retained without payment to the treasury was Rs.1,332,367,014 as at 31 March 2024.

(d) A USD 5,707,739.40 which should payable the foreign supplier for KCL fertilizer imported in the year 2021 was not paid on the due date due to lack of foreign exchange and the necessary money for that was released from the treasury at the rate of USD 250,000 per week to the bank account of the company after agreeing to pay the money as instalments to the supplier and also the company still has an amount of Rs 31,791,644 due to the change in the exchange rate after paying all the money payable to the supplier including the bank charges, nevertheless it has not been remitted to the Treasury.

(e) An initial expenditure of Rs.3,732,901 was incurred in the year 2018 for the construction of a warehouse in the leased land in Hambantota, nevertheless, any construction had not been carried out till the date of this report.

W.P.C. Wickramaratne
Auditor General

9.4

COLOMBO COMMERCIAL FERTILIZERS LTD

(Expressed in Sri Lankan Rupees)

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

THE YEAR ENDED 31 MARCH	NOTE	2024	2023
Revenue	12	260,549,059	207,177,447
Cost of Sale	13	(142,450,630)	(29,395,165)
Gross Profit (Loss)		118,098,430	177,782,282
Other Income	14	4,290,203	83,011,716
		122,388,633	260,793,998
Administrative Expenses	15	(126,520,558)	(128,074,102)
Selling and Distribution Cost	16	(2,393,019)	(751,203)
Other Expenses	17	(353,449)	(692,404)
Profit (Loss) from Operation		**(6,878,393)**	**131,276,289**
Net Finance Income	18	561,736,554	369,867,507
Finance Income	18.a	(566,202,609)	(397,375,941)
Finance Expenses	18.b	4,466,055	27,508,434
Profit (Loss) before Tax		**554,858,161**	**501,143,796**
Income Tax Expenses	19	(262,104,581)	(139,948,197)
Net Profit for the year		**292,753,580**	**361,195,599**
Other Comprehensive Income (Expenses)			
Items that will never be reclassified to profit or loss			
Acturial Gain / (Loss) on Obligation		(8,884,019)	7,959,181
Impact from Property, Plant and Equipment Revaluation		412,151,319	-
Total Other Comprehensive Income		**403,267,300**	**7,959,181**
Total Comprehensive Income for the Year		**696,020,880**	**369,154,780**
Basic Earnings per Share	20	29.28	36.12

Figures in brackets indicates deductions.

9.5

COLOMBO COMMERCIAL FERTILIZES LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2024

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2024

	NOTE	2023/2024	2022/2023
		Rs.	Rs.
NON CURRENT ASSETS			
Property Plant and Equipments	21	903,691,846	525,838,827
Right of Use Assets	22	12,756,329	16,842,313
Intangible Assets	23	916,667	1,833,333
Capital Work in Progress	24	4,837,791	4,837,791
		922,202,632	**549,352,264**
CURRENT ASSETS			
Inventories and other consumables	25	1,439,743,632	54,581,256
Trade and Other Debtors	26	11,408,751,873	17,935,343,439
Employees Loans and Advances	27	16,887,866	17,056,510
Deposits and Advances	28	9,769,326	4,968,626
Other Financial Assets	29	3,637,072,070	2,520,635,971
Cash at Bank	30	7,126,452	42,983,959
TOTAL CURRENT ASSETS		**16,519,351,218**	**20,575,569,760**
TOTAL ASSETS		**17,441,553,850**	**21,124,922,024**
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	1,124,873,150	712,721,831
Retained Earnings		3,060,888,060	2,617,873,151
		4,287,444,894	**3,432,278,667**
NON CURRENT LIABILITIES			
Retirement Benefit Obligation	34	24,130,029	17,046,187
Deferred Taxation	35	219,554,155	134,666,957
Interest Bearing Borrowings	36	6,027,613,162	5,555,353,975
Long Term Lease Liabilities	37	-	1,351,816
		6,271,297,346	**5,708,418,936**
CURRENT LIABILITIES			
Interest Bearing Borrowings	36	4,126,480,636	8,622,758,030
ShortTerm Lease Liabilities	37	866,861	3,423,985
Trade and Other Payables	38	2,475,672,431	2,836,730,396
Deposits and Advances Received	39	65,758,051	185,112,237
Statutory Payable	40	62,843,803	170,422,583
Accrued Expenses	41	13,442,207	100,929,457
Bank Overdraft	30	137,747,620	64,847,733
TOTAL CURRENT LIABILITIES		**6,882,811,609**	**11,984,224,421**
TOTAL EQUITY & LIABILITIES		**17,441,553,850**	**21,124,922,024**

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.

....

CHAIRMAN — D. B.K Jagath Perera

DIRECTOR — K.A.W. Fernando

9.6

COLOMBO COMMERCIAL FERTILIZERS LTD.

(Expressed in Sri Lankan Rupees)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2024

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVE	REVALUAION RESERVE	RETAINED EARNINGS	TOTAL
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**
Comprehensive Income for the Year						
Net Profit/Loss for the Period	-	-	-	-	292,753,580	292,753,580
Impact from Property, Plant and Equipment Revaluation	-	-		412,151,319	-	412,151,319
Other Comprehensive Expenses for the Year (Net of Tax)	-	-		-	(8,884,019)	(8,884,019)
Total Comprehensive Income for the Year	-	-	-	**412,151,319**	**283,869,561**	**696,020,880**
Dividend	-	-	-	-	(60,000,000)	(60,000,000)
Prior Year Adjustements	-	-	-	-	219,145,347	219,145,347
RETAINED BALANCE AT 31-03-2024	**100,000,000**	**1,683,685**	-	**1,124,873,150**	**3,060,888,060**	**4,287,372,573**

9.7

COLOMBO COMMERCIAL FERTILIZERS LTD.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2024

(Expressed in Sri Lankan Rupees)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH			2024	2023
Cash Flows from Operating Activities				
Profit Before Taxation			554,858,161	501,143,796
Adjustments for;				
Depreciation			37,513,505	40,324,267
Amortization of Intangible Assets			916,667	1,113,587
Sale of Property, Plant and Equipment			(2,268,442)	(194,329)
Depreciation of right of use of leased assets			4,085,984	4,085,984
Gratuity Charge for the Year			3,975,381	4,349,441
Interest Income			(566,202,609)	(397,375,941)
Interest Expenses for lease			401,544	886,499
Prior Year Adjustements			219,145,347	(2,625,766)
Operating Profit Before Changes in Working Capital			**252,425,539**	**151,707,537**
Changes in Working Capital				
Inventories			(1,385,162,376)	(9,164,023)
Trade and Other Receivables			6,526,591,566	1,450,247,363
Deposits and Advances			(4,800,700)	554,288
Employees Loans and Advances			168,644	(1,990,446)
Trade and Other Payables			(361,057,966)	(39,211,808)
Deposits and Advances Received			(119,354,186)	170,396,797
Accrued Expenses and Provision			(87,487,250)	94,403,293
Cash Generated from Operations			**4,821,323,272**	**1,816,943,001**
Gratuity Paid			(5,775,559)	(4,118,613)
Interest Paid			(401,544)	(886,499)
Taxes Paid			(284,796,163)	(52,543,771)
Net Cash Flow from Operating Activities			**4,530,350,006**	**1,759,394,119**
Cash Flows from Investing Activities				
Acquisition of Property, Plant and Equipment			(3,777,318)	(4,653,435)
Increasing the investment on working capital			-	5,559,218
Acquisition of Intangible Assets			-	(2,750,000)
Proceeds from Sale of Property, Plant and Equipment			2,830,554	287,340
Net Investments in Other Financial Assets			(1,116,436,100)	(310,637,043)
Interest Received			566,202,609	397,375,941
Net Cash used in Investing Activities			**(551,180,253)**	**85,182,021**
Cash Flows from Financing Activities				
Dividends Paid During the Year			(60,000,000)	(10,000,000)
Repayment of Lease Liabilities			(3,908,940)	(3,423,985)
Borrowings During the Year			-	8,311,911,443
Settlements of Borrowings During the Year			(4,024,018,207)	(10,092,678,355)
Net Cash used in Financing Activities			**(4,087,927,147)**	**(1,794,190,897)**
Net Changes in Cash and Cash Equivalents During the Year			(108,757,394)	50,385,243
Cash and Cash Equivalents at Beginning of the Year			(21,863,774)	(72,249,016)
Cash and Cash Equivalents at End of the Year	**(Note)**	**30**	**(130,621,168)**	**(21,863,774)**

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 2024		31st March 2023	
• Executive Staff -	16	• Executive Staff -	17
• Clerical & Allied -	90	• Clerical & Allied -	91
• Labour -	9	• Labour -	9
	115		**117**

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/-.

COLOMBO COMMERCIAL FERTILIZERS LTD.

(Expressed in Sri Lankan Rupees)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH			**2024**	**2023**
12	**REVENUE**			
	Fertilizer Sale (Cash)		189,634,997	82,425,885
	Fertilizer Sale (Credit)		70,914,063	65,675,082
	Sales of Compost Bags		-	59,076,480
			260,549,059	**207,177,447**

			2024	2023
13	Purchases	**(Note 13.1)**	1,272,358,781	(505,074,049)
	Direct Expenses	**(Note 13.2)**	155,086,193	461,016,134
	Cost of Production		1,427,444,973	(44,057,915)
	Finish Goods as at 01 April		30,472,835	13,426,240
	Finish Goods as at 31 March		(1,409,592,766)	(30,472,835)
			48,325,042	(61,104,510)
	General Overheads	**(Note 13.3)**	94,125,587	90,499,675
			142,450,630	**29,395,165**

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

		2024	2023
Fertilizer Value		1,506,565,653	354,816,118
Contract labour wages		23,601,731	43,076,016
Transport Charges		52,391,704	289,731,469
Loading & Unloading Charges-RS		14,400	339,744
Fertilizer Testing Charges		346,719	537,045
Packing Materials		2,515,232	153,054,739
Exchange Loss		2,000	23,799
Exchange Profit		(1,693,474)	-
Treasury Grant		(311,385,185)	(1,346,652,978)
		1,272,358,781	(505,074,049)

13.2 Direct Expenses

		2024	2023
Labour Charges	**Note 13.2.1**	5,136,812	7,122,689
Regional Stores Expenditure		378,060	29,850
Transport Charges to District Fertilizer Stores		149,571,321	453,863,594
		155,086,193	461,016,134

13.2.1 Labour Charges

	2024	2023
Wages	3,191,335	4,063,708
Employees Provident Fund	382,960	487,645
Employees Trust Fund	95,740	121,911
Over Time & 1/20th Allowance	684,903	1,062,322
Unutilized Staff Leave & Incentive	12,815	20,233
Unutilized Medical Leave	104,723	174,197
Welfare & Medical	101,049	85,722
Meal Money & Combine Allowance	36,900	32,880
Incentive Payment	386,387	894,070
Bonus	140,000	180,000
	5,136,812	7,122,689

13.3 General Overheads

	2024	2023
General Stores Items	3,321,420	2,054,598
Factory Overheads	90,804,168	88,445,077
	94,125,587	90,499,675

COLOMBO COMMERCIAL FERTILIZERS LTD.

(Expressed in Sri Lankan Rupees)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

14 OTHER INCOME

		2024	2023
Rent Received		183,608	115,418
Registration of Suppliers		1,645,500	399,500
Miscellaneous Income		185,054	826,322
Sale of Disposable Items		7,600	985,125
Sale of Fixed Assets		2,268,442	194,329
Commission from Eco Suppliers		-	80,491,022
		4,290,203	**83,011,716**

15 ADMINISTRATION AND ESTABLISHMENT

			2024	2023
Executive Staff Remuneration	Note	15.1	18,986,157	23,031,247
Clerical Staff Remuneration	Note	15.1	44,303,503	48,675,674
Head Office Casual / Trainees Remuneration	Note	15.1	46,500	-
Gratuity			3,975,381	4,349,441
Building Maintenance			167,096	17,130
Electricity			201,363	102,806
Water Bill			250,191	158,413
Telephone Charges			946,722	1,080,135
Security Charges			9,356,983	8,029,028
Stationery			2,408,108	2,572,034
Postage & Telegram			203,193	165,332
Legal Charges			413,696	6,128
Motor Vehicle Maintenance			7,000,371	5,699,232
Fuel			4,743,617	5,870,188
Rates & Taxes			150,230	69,098
Office Equipment Maintenance			177,078	610,572
Travelling			184,260	272,970
Audit Fees			1,040,000	1,020,510
Other Administrative Expenses			252,949	180,093
Refreshment on Official Meetings			1,032,418	561,200
Building Depreciation			2,620,273	2,682,209
Office Equipment Depreciation			455,851	898,319
Furniture & Fittings Depreciation			745,639	1,702,912
Directors Allowance			1,925,000	1,463,033
Company Registration Expenses			37,412	-
Staff Skills Development Expenses			562,552	1,067,451
Insurance for Vehicle			1,420,958	1,209,523
Fertilizer License			77,139	59,444
Staff Welfare			4,830,257	3,388,187
TEC Allowance			879,000	342,000
Licence Fees			130,190	110,295
Directors Travelling Allowance			350,000	215,000
Professional charges			4,147,827	586,725
Audit & Management Committee Meeting Allowance A/C			119,000	119,000
Audit & Management Committee Meeting Travelling Allowance A/C			60,000	60,000
Semi Luxury Vehicle Tax			20,000	24,000
Amortization of Intangible Assets			916,667	1,113,587
Hambanthota New Warehouse Exp			1,026	378,076
Home Garden Expenses			25,190	46,470
Air Conditioners Depreciation			167,651	945,168
Computer Accessories Depreciation			1,627,187	1,842,093
Printers & Fax Machines Depreciation			232,624	
Web Site Expenditure			503,813	702,845
Computers, Printers and Fax Machines Maintenance			2,556,102	1,575,298
A/C Maintanance			1,259,811	590,557
Depreciation of right of use of leased assets			4,085,984	4,085,984
Subsistence			738,898	338,238
Accommodate Expenses For Out Visit			184,695	56,457
			126,520,558	**128,074,102**

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 31.03.2024

	EXECUTIVE STAFF	CLERICAL & ALLIED STAFF	CASUAL / TRAINEES	TOTAL
Salaries	10,452,516	24,365,388	-	34,817,904
Employees Provident Fund	1,254,302	2,912,292	-	4,166,594
Employees Trust Fund	313,575	728,073	-	1,041,648
Unutilized Short Leave & Incentive	-	149,215	-	149,215
Over Time & 1/20th Allowance	3,096,811	8,353,978	46,500	11,497,289
Unutilized Medical Leave	1,545,249	2,304,983	-	3,850,232
Welfare & Medical	210,881	1,016,063	-	1,226,944
Combine Allowance & Meal Money	29,000	542,075	-	571,075
Incentive Payment	1,843,823	2,998,103	-	4,841,926
Bonus	240,000	933,333	-	1,173,333
Total	**18,986,157**	**44,303,503**	**46,500**	**63,336,160**

	2024	2023
16 SELLING AND DISTRIBUTION COST		
Sales Promotion & Advertising	2,393,019	751,203
	2,393,019	**751,203**
17 OTHER EXPENSES		
General Expenses	353,449	692,404
	353,449	**692,404**
18 NET FINANACE COST		
18.a FINANACE INCOME		
Interest on Fixed Deposits	558,850,229	395,590,511
REPO Investments	6,625,668	1,121,618
Interest from Employees Loans	726,712	663,811
	566,202,609	**397,375,941**
18.b FINANACE COST		
Bank Charges	117,626	212,670
Penalty Charges	-	344,644
Bank Commission Charges	713,887	252,750
Interest On Overdraft	3,232,997	25,811,872
Interest for lease	401,544	886,499
	4,466,055	**27,508,434**
	(561,736,554)	**(369,867,507)**
19 Income Tax Expenses		
Current Tax Expense	177,217,383	118,624,621
Deferred Tax Charge	84,887,198	21,323,576
	262,104,581	**139,948,197**
20 ***Amount used as the Numerator***		
Net Profit Attributable to Ordinary Shareholders (Rs.)	696,020,880	369,154,780
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	**69.60**	**36.92**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

21 ***Property Plant and Equipments***

Freehold Cost	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Office Equipment	Computer Accessories	Printer Mach
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**	
Additions	-	-	242,375	-	-	490,542	3,920,518	
Disposals	-	-	-	(200,000)	(99,200)	(59,700)	-	
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**	
Adjustment of Revaluation	-	185,513,633	(3,672,999)	3,225,000	1,645,447	(229,502)	(5,382,691)	3,
Additions	-	-	564,693	-	-	50,700	17,900	
Disposals	-	-	-	(1,850,000)	-	(46,790)	-	
Balance as at 31 March 2024	**90,000,000**	**721,955,500**	**19,229,243**	**48,300,000**	**10,060,805**	**4,497,125**	**12,186,300**	**3,1**
Depreciation								
Balance as at 31 March 2022	-	**106,987,863**	**8,714,209**	**23,514,323**	**6,324,143**	**3,103,459**	**12,324,355**	
Charge for the Year	-	26,822,093	2,223,057	5,890,625	1,702,912	898,319	1,842,093	
Disposals	-	-	-	(125,000.00)	(99,200.00)	(41,689.00)	-	
Balance as at 31 March 2023	-	**133,809,957**	**10,937,266**	**29,279,948**	**7,927,854**	**3,960,089**	**14,166,448**	
Adjustment of Revaluation	-	(154,606,265)	(12,814,308)	(32,509,374)	(8,221,446)	(4,146,734)	(15,109,981)	
Charge for the Year	-	26,202,733	2,177,583	5,904,238	745,639	455,851	1,627,187	
Disposals	-	-	-	(1,318,442)	-	(16,236)	-	
Balance as at 31 March 2024	-	**5,406,425**	**300,540**	**1,356,370**	**452,047**	**252,970**	**683,654**	**2**

Net Carrying Values

	Economic Life Span / Years	Percentage
Land	-	-
Buildings	30	3%
Plant and Machinery	15	7%
Motor Vehicles	8	13%
Furniture and Fittings	5	20%
Office Equipment	4	25%
Computer Accessories	4	25%
Printers & Fax Machines	3	33%
Air Conditioners	5	20%

Provisan for Impairment of Fixed Assets

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

21 Property, Plant and Equipment Contd…

21.1 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.

21.2 The Company's Property, Plant & Equipment were revalued on 08 January 2024 by Mr. G.H.A.P.K Fernando (Chartered Valuation Surveyor) (Sri Lanka), incorporated valuer of The Institute of Valuers of Sri Lanka, a professionally qualified and independent valuer.

21.3 Details of buildings owned by the company are as follows:

Ownership Status	Location	Last Revaluation Date	Carrying value 2024	Carrying value 2023
Buildings				
Building carried at revalued amount	Main Office and Stores - Hunupitiya	08 January 2024	716,152,071	402,631,910
	Continer Office	08 January 2024	397,004.57	
			716,549,075	**402,631,910**

21.4 Fair value hierarchy and valuation technique and significant unobservable inputs.

Fair value hierarchy

The fair value of the property,plant and equipment was determined by external independent property valuer having appropriate recognized professional qualifications and recent experience in the location and category of the property, plant and equipment being valued.

The fair value measurement for all of properties has been categorised as Level 03 fair value based on the input to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used:

	Valuation technique	Significant unobservable inputs
Buildings	Market comparable approach method	Estimated cost per square feet

21.5 None of the property, plant or equipment have been pledged as security as at the reporting date.

21.6 The management has assessed the potential impairment indicators of property, plant and equipment as at 31 March 2024. Based on the assessment, the management does not foresee any indications of Impairment as at Company the reporting date.

(Expressed in Sri Lankan Rupees)

22 Right of Use Assets

At Cost	As at 31 March 2023	Increases	(Decreases)	As at 31 March 2024
Motor Vehicles	32,687,873	-	-	32,687,873
	32,687,873	-	-	**32,687,873**

Depriciation	As at 31 March 2023	Charge for the year	As at 31 March 2024
Motor Vehicles	15,845,561	4,085,984	19,931,545
	15,845,561	**4,085,984**	**19,931,545**
Net Book Value			**12,756,329**

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 2023	Additions	(Disposals)	As at 31 March 2024
Computer Software	3,666,185	-	-	3,666,185
	3,666,185	-	-	**3,666,185**

Depriciation	As at 31 March 2023	Charge for the year	As at 31 March 2024
Computer Software	1,832,852	916,667	2,749,518
	1,832,852	**916,667**	**2,749,518**
Net Carrying Value			**916,667**

24 Capital Work in Progress	31 March 2023	Expenditure	Amount	31 March 2024
Work Stations	19,590	-	-	19,590
Hambanthota Warehouse	3,732,901	-	-	3,732,901
Server & Net Work	1,085,300	-	-	1,085,300
	4,837,791	-	-	**4,837,791**

			2024	2023
25	**Inventories and other consumables**			
25 A	Inventories			
	Fertilizers		1,409,592,766	30,472,835
	Packing Materials		19,721,956	15,904,111
			1,429,314,722	**46,376,946**
25 B	**Other consumables**			
	General Stores Items		6,706,349	5,387,048
	Stationery		3,722,561	2,817,262
			10,428,910	**8,204,310**
	Stok at NLDB Milk Bar		-	-
			1,439,743,632	**54,581,256**
26	**TRADE DEBTORS AND OTHER REVEIVABLES**			
	Trade Receivable		280,994,295	1,053,306,348
	Less: Impairment of Trade receivable		37,384,363	37,384,363
			243,609,932	1,015,921,985
	Net Trade Receivable		243,609,932	1,015,921,985
	Other Receivables	**(Note 26.1)**	11,165,141,941	16,919,421,454
			11,408,751,873	**17,935,343,439**

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

		2024	2023
26.1	**Other Receivables**		
	Treasury Grant	10,627,040,174	14,651,058,381
	From General Treasury - Interest	185,830,554	185,830,554
	Ceylon Shipping Corporation Ltd	-	4,142,366
	CCF Welfare Society - Loan	20,000	20,000
	Fixed Deposit Interest Receivable	142,103,594	169,995,877
	Treasury Investment Interest Receivable	70,667	70,667
	Sundry Debtors	3,838,833	4,848,633
	WHT Receivable	8,446,844	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	124,818,064	513,375,707
	Treasury Grant Receivable for Organic Suppliers	-	516,058,286
	Treasury Grant Receivable for ERP Fertilizer	1,137,235	1,137,235
	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	9,988,367	204,168,520
	Treasury Grant Receivable for Indian Credit line	5,847,302	74,083,479
	VAT Input	52,131,731	-
		11,165,141,941	**16,919,421,454**

COLOMBO COMMERCIAL FERTILIZES LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED	(Expressed in Sri Lankan Rupees) 2024	2,023
27 Employees Loans and Advances		
Distress Loans	16,707,166	16,875,810
Festival Advance	115,700	115,700
Special Loan	65,000	65,000
	16,887,866	17,056,510
	16,887,866	**17,056,510**

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.

	2024	2,023
28 Deposits and Advances		
Deposits	3,179,938	1,769,938
Payment in Advance	66,200	446,443
Post Master General	56,487	59,957
Pre Payment	6,466,702	2,692,289
	9,769,326	**4,968,626**
29 Other Financial Assets		
Fixed Deposits	3,637,072,070	2,520,635,971
	3,637,072,070	**2,520,635,971**
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	1,626,097	1,885,724
Repo's	51,370	10,051,370
Cash at Bank	5,382,957	30,980,837
	7,126,452	**42,983,959**
Unfavorable Balances		
Bank balance overdraft	137,747,620	64,847,733
	137,747,620	**64,847,733**
Cash and Cash Equivalents for the Purpose of Cash Flow Statement	**(130,621,168)**	**(21,863,774)**
Investments In Treasury Bills		

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

COLOMBO COMMERCIAL FERTILIZES LTD

(Expressed in Sri Lankan Rupees)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED			2024	2023
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**
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
	Revaluation Reserve 2024	33.5	412,151,319	-
			1,124,873,150	**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

33.4 Revaluation Reserve 2024 Rs. 412,151,319

Revaluation of fixed assets in March 2018 generated this revaluation reserve amounting to Rs. 412,151,319

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

		2024	2023
Provision for PV-DBO as at 01-04-2023		**17,046,187**	**24,774,540**
Expenses Recognized in Income Statement	**(Note 34.1)**	12,859,400	(3,609,741)
Payments made during the year		(5,775,559)	(4,118,613)
Over Provision of the Previous Year		-	-
Balance as at 31 March		**24,130,029**	**17,046,187**

34.1 Expense Recognized in Income Statement

	2024	2023
Gratuity Charge		
Current Service Cost	907,067	1,376,496
Interest Charge for the Year	3,068,314	2,972,945
(Gain) / Loss Arising From Changes in the Assumptions	8,884,019	(7,959,181)
	12,859,400	**(3,609,741)**

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.

	2024	2023
Morality	As per A 1967/70Morality table	
Discount Rate [%]	12	18
Future Salary escalation rate [%]		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 31.03.2024

The results are as follows.

Discount Rate	Present value of defind benefit obligation
One Precentage Point Increase (+1%)	22,424,831
One Precentage Point Decrease (-1%)	26,076,583

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

COLOMBO COMMERCIAL FERTILIZES LTD

(Expressed in Sri Lankan Rupees)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED	2024	2023
35 Deferred Taxation		
Balance as at 01 April	**134,666,957**	**113,343,381**
(Charge) / Reverse for the Year	84,887,198	21,323,576
Balance as at 31 March	**219,554,155**	**134,666,957**

35.1 The Analysis of Deferred Tax Assets and Liabilities		
Deferred Tax Liability		
From Accelerating Depreciation	226,793,164	141,960,984
	226,793,164	**141,960,984**
Deferred Tax Assets		
From Retirement Benefits Obligation	7,239,009	7,294,027
From Impairment Provisions - Trade Debtors	-	-
	7,239,009	**7,294,027**
	219,554,155	**134,666,957**

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.

36 Interest Bearing Borrowings	2024	2023
Settlement Fall Due More than One Year		
Long Term Loan	6,027,613,162	5,555,353,975
Short Term Loan	-	-
	6,027,613,162	**5,555,353,975**
Settlement Fall Due Within One Year		
Short Term Loan	32,438,030	32,438,030
Long Term Loan	4,094,042,606	8,590,320,000
	4,126,480,636	**8,622,758,030**
	10,154,093,798	**14,178,112,005**

36.1 Movement of the Loan		
Balance as at 01 April	**14,178,112,005**	**15,958,878,918**
Obtained During the Year		8,311,911,443
Settlements Made During the Year	(4,024,018,207)	(10,092,678,355)
Balance as at 31 March	**10,154,093,798**	**14,178,112,005**

37 Lease Liabilities	2024	2023
Long Term Lease Liabilities		
Motor Vehicles	-	1,351,816
	-	**1,351,816**
Short Term Lease Liabilities		
Motor Vehicles	866,861	3,423,985
	866,861	**3,423,985**
	866,861	**4,775,801**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

COLOMBO COMMERCIAL FERTILIZES LTD

(Expressed in Sri Lankan Rupees)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED			2024	2023
38	**Trade and Other Payable**			
	Trade Payable	Note 38.1	1,109,132,463	750,685,615
	Other Payable	Note 38.2	1,366,539,968	2,086,044,782
			2,475,672,431	**2,836,730,396**
	38.1 Trade Payables			
	Fertilizer Suppliers (Imports)		15,186,100	366,424,241
	Fertilizer Suppliers (Local)		106,362	-
	Organic Fertilizer Suppliers		-	384,261,374
	Treasury Payable for ADB Fertilizer		1,093,840,000	-
			1,109,132,463	**750,685,615**
	38.2 Other Payable			
	Audit Fees		1,040,000	2,041,020
	Treasury Payable	Note 38.2.1	1,332,367,015	1,936,139,752
	E.P.F. Payable		1,156,883	1,122,940
	E.T.F. Payable		156,434	153,118
	Stamp fees payable		18,000	17,900
	Union Fees Payable		20,015	8,965
	Third Party Deduction		26,595	15,159
	Medical Insurance Claim		90,355	77,446
	Salary Withholding		294,832	333,084
	Welfare society & Death Donation		711,327	32,354
	Medical Insurance Cover		358,092	370,563
	Salaries Control		8,391	8,391
	Retentions		-	135,002,907
	Other Creditors		2,009,625	10,720,482
	Welfare Payable		200	700
	VAT Output		25,070,186	-
	Ceylon Shipping Corporation Ltd		3,212,019	
			1,366,539,968	**2,086,044,782**

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.

		2024	2023
39	**Deposits and Advances Received**		
	Employee Security Deposit	345,471	659,492
	Refundable Deposits	210,000	510,000
	Customer Deposits & Over	27,277,854	178,913,393
	Deposits Prior to Clearance A/C	5,138,726	5,029,353
	Advance From Tea Board	32,786,000	-
		65,758,051	**185,112,237**
40	**Statutory Payable**		
	Current Taxation	62,934,187	170,462,400
	Withholding Tax (WHT)	(1)	(1)
	NBT	(162,897)	(162,897)
	PAYE	72,514	123,081
		62,843,803	**170,422,583**
41	**Accrued Expenses**		
	Accrued Expenses	13,442,207	100,929,457
		13,442,207	**100,929,457**

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.

Notes to the Financial Statements Continued

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. Except that.

To enhance operational efficiency and strategic alignment. Colombo Commercial Fertilizer Company and Ceylon Fertilizer Company are in the process of amalgamating as mandated by Cabinet Decisions No. 21/0118/323/005 and 22/0706/514/001, dated 01.02.2021 and 30.05.2022, respectively. This merger will lead to the formation of a new entity named State Fertilizer Company Limited. The primary goal of this strategic decision is to optimize resources, streamline operations, and improve the effectiveness of fertilizer distribution within Sri Lanka.
Management is currently assessing the financial and operational impacts of the amalgamations. It is important to note that, as of the reporting date, the financial statements do not yet reflect these developments.

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.	2023 / 24	2022 / 23
Directors allowances	1,925,000	1,463,033

Name of the Related Party	Nature of Transactions		
Government of Sri Lanka	Subsidies Received	311,385,185	347,576,397
	Sales of Goods	260,549,059	207,177,447
State-Owned Enterprises	Loans borrowed	-	8,311,911,443
	Settlements of Loans	(4,024,018,207)	(10,092,678,355)
	Investments In Fixed Deposits		
	Investment during the year	1,060,000,000	1,513,000,000
	Interest Received	565,475,897	396,712,130
	Current Accounts	(132,364,663)	30,980,837
Other Government Related Entities	Recoveries of Trade Receivables	-	4,142,366

Figures in brackets indicates deductions.

10. 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	Mrs. Chamilla Thilakaratne
• Auditors	Auditor General's Department