ANNUAL REPORT 2020/2021

COLOMBO COMMERCIAL FERTILIZERS LTD

Dalupitiya Road, Hunupitiya, Wattala

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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.

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 2021.

Company Performance

Beginning of the year under review was not a healthy period for the whole country due to the covid 19 global pandemic taken place. Anyhow, we were able to stand strong and perform our duties amidst of the challenges occurred.

In the context of the pandemic every aspect of the economy has been contracted and the field of Agriculture, wildlife and Fisheries field faced a contraction of 2%.

As a State owned company to exercise the state policies we have acted our best to overcome the challenges and were able to supply fertilizer to the farmer community within the stipulated time. For the financial year ended 31st March 2021, the company has recorded a net profit of Rs. 259 million. 149,664 MT of Neat fertilizer were distributed among the farmer community which contributed for a turnover of Rs.1.5 billion.

Social Responsibilities

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

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

Positive Outlook

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

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

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

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

Acknowledgment

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

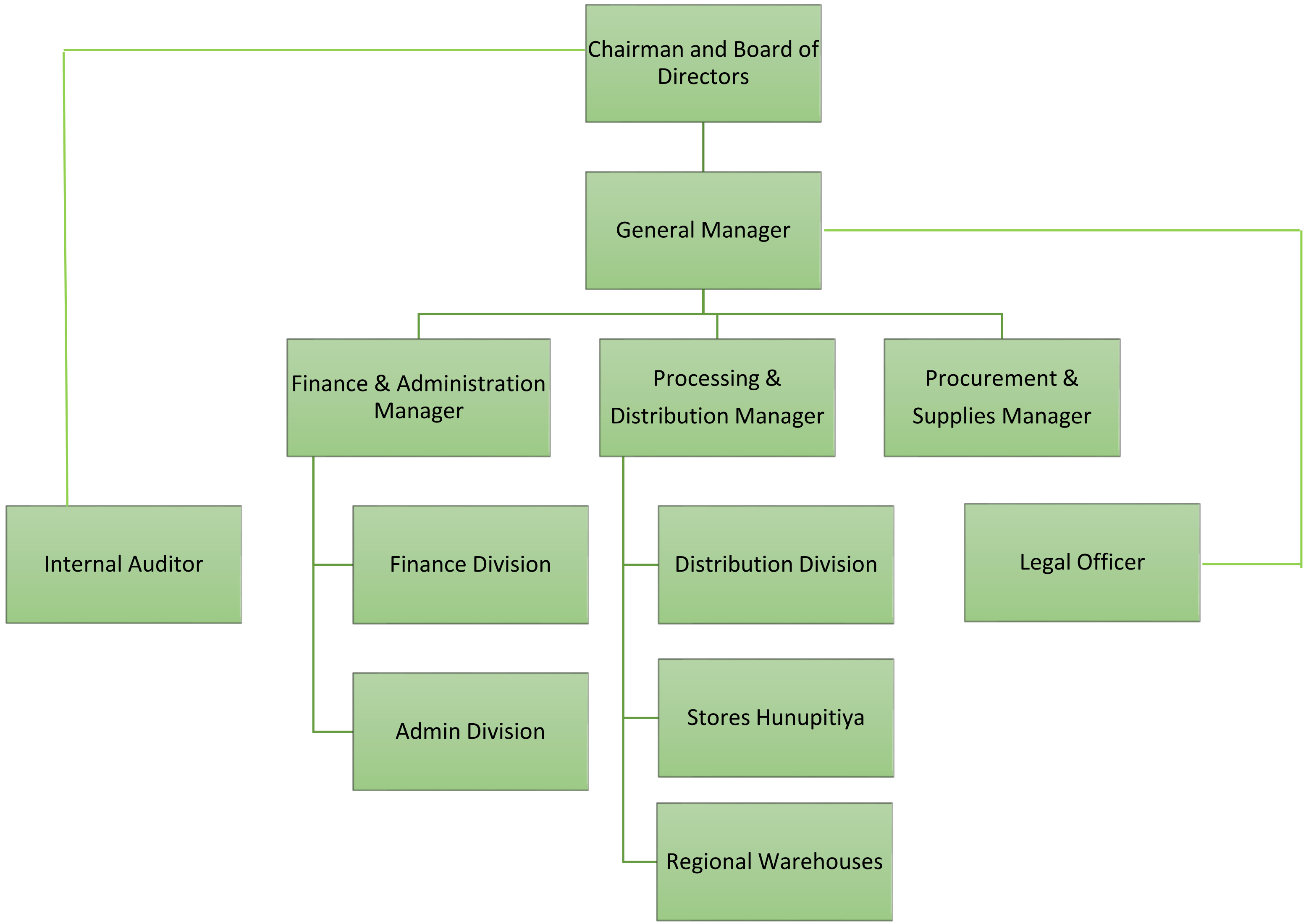
I appreciate the co-operation and the contribution extended by the Board of Directors to achieve the targets of CCF Ltd. Specially, I take this opportunity to thank the Director of National Fertilizer Secretariat and his staff for their continuous assistance and guidance.

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

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

METHSIRI WIJEGUNAWARDENA
CHAIRMAN
COLOMBO COMMERCIAL FERTILIZERS LTD.

1.5 Organizational Structure of the Company



1.6 Board of Directors and Steering Committees

Board of Directors

- Chairman - Mr. Methsiri Wijegunawardena
- Director - Mr. K.G.P. Pushpa Kumara
- Director - Mr. Anushanka Kaushitha
- Director - Mr. Manjula Liyanage
- Director - Dr.L.R. Darshana Deshapriya
- Director - Mr. Niel Munasinghe
- Director - Mr. P.M. Shantha Prathiraja
- Company Secretary - Mr. L.G. Hector (Attorney at Law)

Audit and Management Commitee

- Chairman - K.G.P. Pushpakumara
- Member - Mr. Manjula Liyanage
- Member - Mr. U.S.L. Kumara
- Member - Mr. Neel Munasinghe
- Member - Mr. Anusanka Kaushitha
- Observer - Mr. R.M.P.A. Janaka
- Convener - Mr. H.V.A.J. Wijesiri

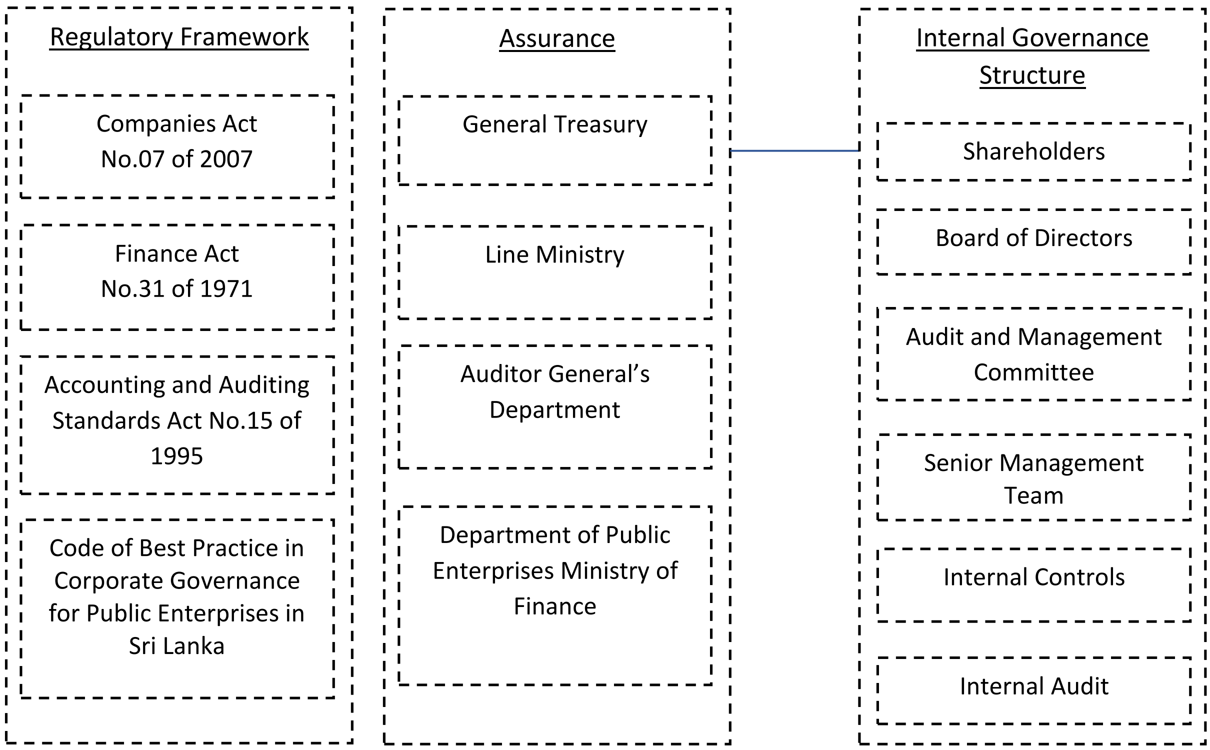
Senior Management Committee

- General Manager - Dr. W.M. Jayantha Weeraratne
- Finance and Administration Manager - Mr. S.N.J. Wickremesinghe
- Procesing and Distribution Manager - Mr. J.C. Wickramesinghe
- Proucrement & Supplies Manager - Mr. K. Somasunderam
- Internal Auditor - Mr. H.V.A.J . Wijesiri

1.7 Corporate Governance

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

Corporate Governance Framework



1.8 How We Maintain Corporate Governance

Board Meetings

•During the reporting year 12 Board Meetings were held

Cadre Requirements

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

Policy Decisions

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

Important Matters

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

Audit and Management Committee Meetings

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

Detailed prgrams and work plans

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

2. Risk Management

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

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

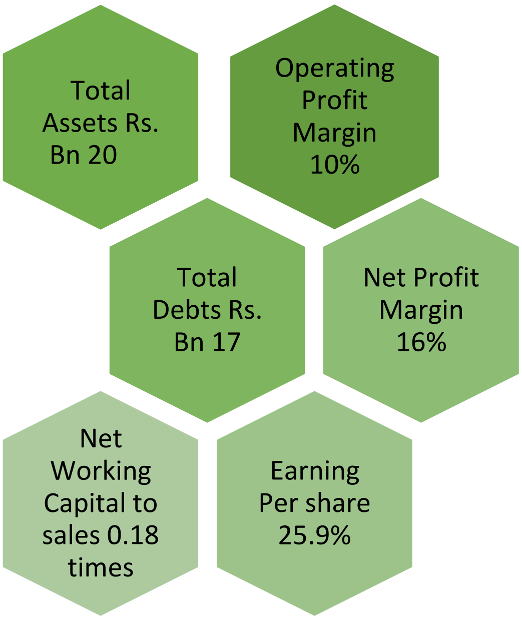
Probability	Minor	Medium	high	very High
Frequent			**2 ,9**	**5,8**
Occasional			**3,15**	**1 ,4 ,6 ,10 ,14**
Likely	**7**			
seldom		**11**	**13**	**12**

Consequences

<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 revenue of the company increased continuously through-out the last five years, due to the change occurred in the subsidy scheme and unfavorable weather conditions, sales of the company have drastically fallen during the year 2016/17. However, the same was recovered in year 2018 and when comparing with the previous year revenue has been increased by 16% due to the increase in sales quantity.

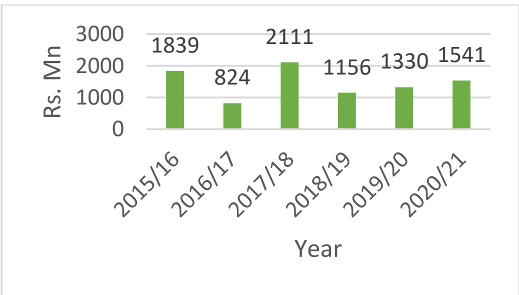


Chart No. 01. Revenue of the company (Rs. Mn)

Gross Profit

With the support of the government grant awarded from the General Treasury the company managed to earn a Gross Profit of Rs 220 Mn for the year under review.

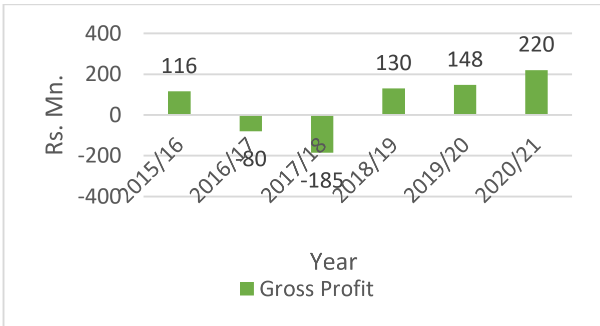


Chart No. 02. Gross Profit of the company (Rs. Mn)

Administrative Expense

The administrative expense of the company has slightly decreased by 4% when compared with previous year.

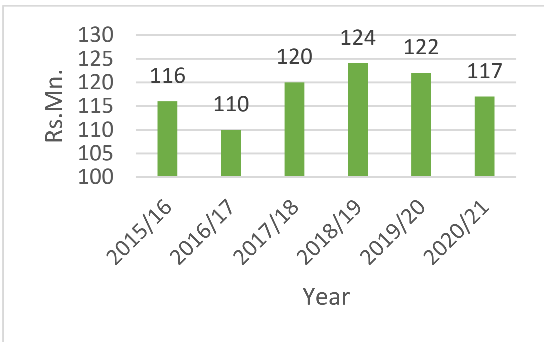


Chart No. 03. Administration Expenses of the company (Rs. Mn)

Distribution Expense

Company's distribution expenses have drastically fallen down during the year since company's operations have been navigated towards supply of Eco-Friendly Fertilizers. The distribution expenses were borne by the local suppliers and as a result the distribution expenses have declined by 80%.

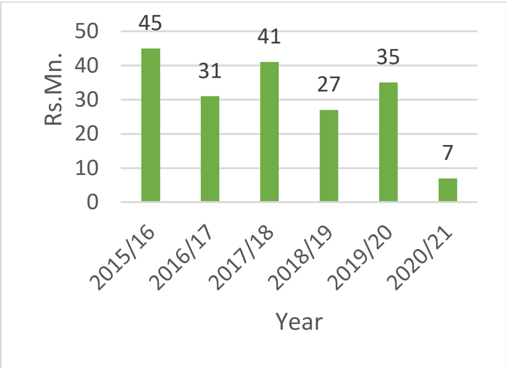


Chart No. 04. Distribution Expenses of the company (Rs Mn)

Finance Income and Expenses

Finance income of the company records 175 million for the year. Finance income includes interest income related to the prudent investment in fixed deposits and REPO investments.

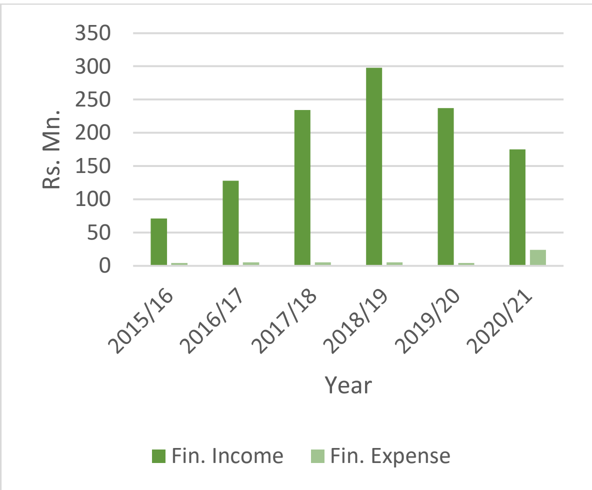


Chart No. 05. Finance Income and Expenses of the company (Rs. Mn)

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. However, changing the Fertilizer Subsidy Scheme and unfavorable weather conditions has massively affected the profit of the company in year 2016/17. However, increased investment income has been able to increase company's profit before taxation up to 313Mn. for the previous year, however, the same was declined by 20% .

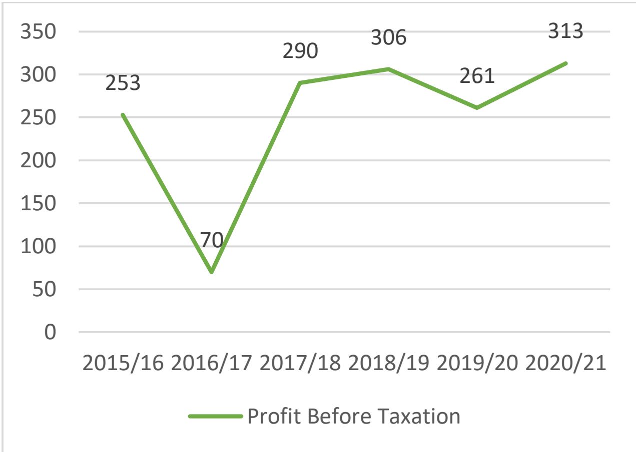


Chart No. 06. Profit before Taxation of the company (Rs. Mn)

Comparison of Financial Highlights

		2021	2020	Change %
Earnings Highlights and Ratios				
Revenue	Rs. Mn.	1541	1330	16
Profit from Operating Activities	Rs. Mn.	162	28	478
Profit Before Tax	Rs. Mn.	313	261	20
Profit After Tax	Rs. Mn.	259	160	59.8
Operating Profit Margin	%			
Earnings per Share (Basic)	%	1%	1%	
Financial Position Highlights and Ratios				
Total Assets	Rs. Mn.	20,418	16,132	26
Total Debts	Rs. Mn.	17,148	13,337	29
Equity Attributable for Share Holders	Rs. Mn.	2,909	2,795	9.9
Current Ratio	No. of times	3	1.9	
Quick Ratio	No. of times	3	1.8	
Net Working Capital to Sales	No. of times	1.16	0.26	

4. Physical and Financial Progress 2020/2021

Serial No.	Project/Activity	Target in 2020/2021		Provision allocated Rs.Mn	Progress		Expected Outcome of the Project/Activity
		Measuring Unit	Target		Physical Progress	Financial Progress Rs. Mn.	
1	Distribution of 40 per cent of the required quantity of chemical fertilizer for the paddy cultivation in Yala season, 2021 under the subsidy scheme.	Mt.tons	71,558		54,238	542	Upgrading living standard of the farming community and the agricultural self-sufficiency through the distribution of required fertilizer without shortage in time and in the due amount for cultivation at a concessionary price .
2	Distribution of subsidized chemical fertilizer for other crops in the Yala season, 2021	Mt.tons	7,500		5,488	110	
3	Distribution of organic fertilizer (through institution)	Mt.tons	2,500		933	14	
4	Distribution of Nano Nitrogen fertilizer	Liters	2,125,000	8,627	153,227	622	
5	Distribution of KCL fertilizer	Mt.tons	20,371		11,780	-	
6	Distribution of organic fertilizer through local suppliers • Organic fertilizer • Organic liquid fertilizer • Bio liquid fertilizer	 Mt.tons Liters Liters	 10,656 2,603,522 1,566,084	3,574	 8,870 2,333,730 1,465,352	3,121	

5. Creating Value for Stakeholders

How we create Value……….

Input

Financial capital
Equity Rs. 3,010 Mn
Debt Rs. 17,408 Mn

Manufactured Capital
Property Plant & Equipment Rs. 603Mn

Human Capital
130 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 24.4 Mn

For Employees
Employee Cost Rs.67 Mn
Bonus & Incentive Rs. 11 Mn

For Customers
Sales *Rs. 1541Mn.*

For Suppliers
Purchases Rs. 8,287Mn

For Regulators
Taxes Rs. 53Mn

Retained with the Business *Rs. 2,196 Mn*

6. Fertilizer Distribution at a Glance

Market Share of the Company

Market share of the company was defined by the government as 40%. However, during previous years the company had to operate in the open competitive market in accordance with the government's policies during then and the market share was significantly low as 7%.

Distribution of Neat & Mixing fertilizers During the Year

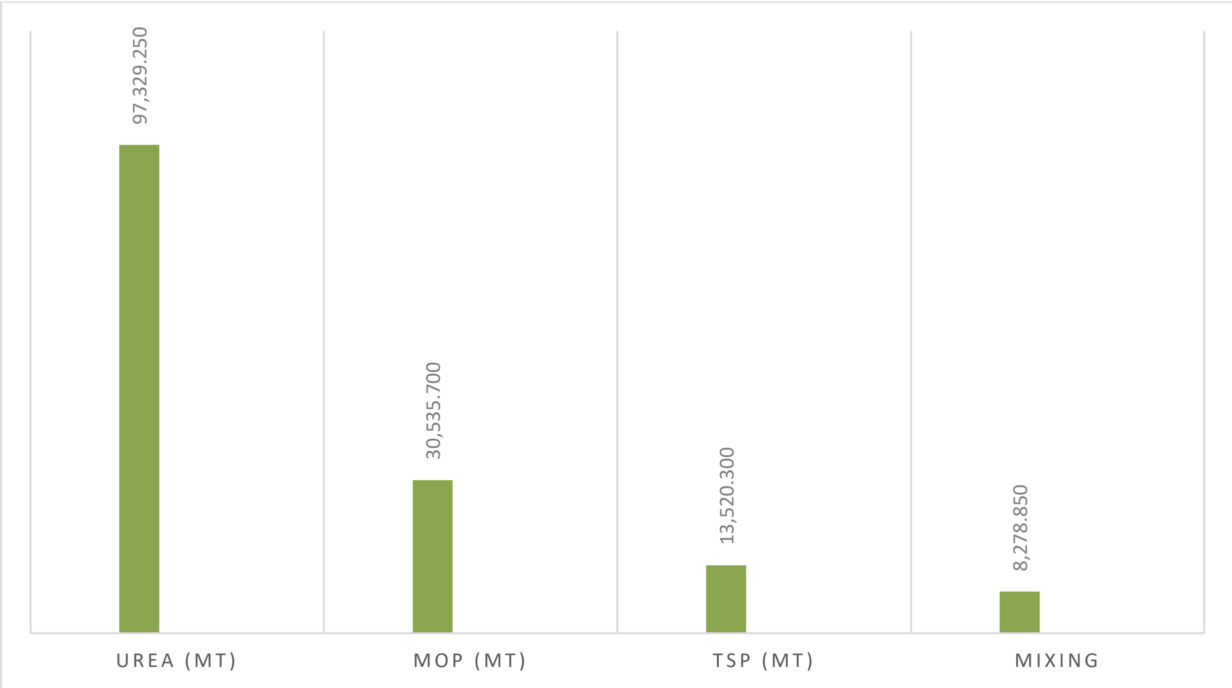
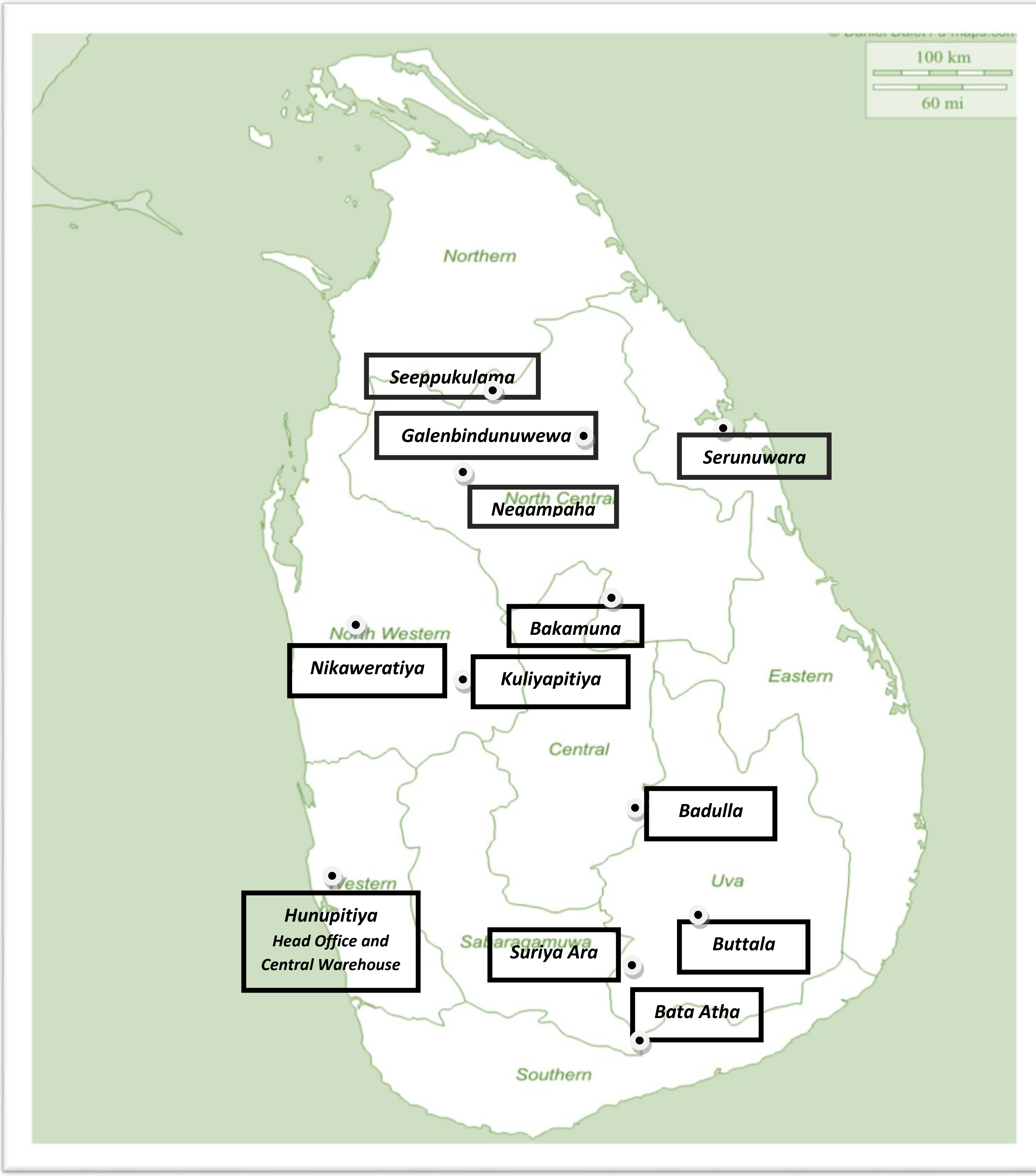


Chart No.07. Distribution of Neat & Mixtures Fertilizers during the year (MT)

Regional Stores Network of the Company



7. Employee Overview of the Company

Employees are the most important priority of the company. Currently there are 131 members in the Colombo Commercial Fertilizer family. The strength of the company lies on the hard work of our employees, especially during the peak seasons. The company constantly considers the well-being of its employees and appreciates them in numerous ways and strictly adheres in to all labor laws of the country.

- Employee Recognition of the Company

- Staff Strength of the Company

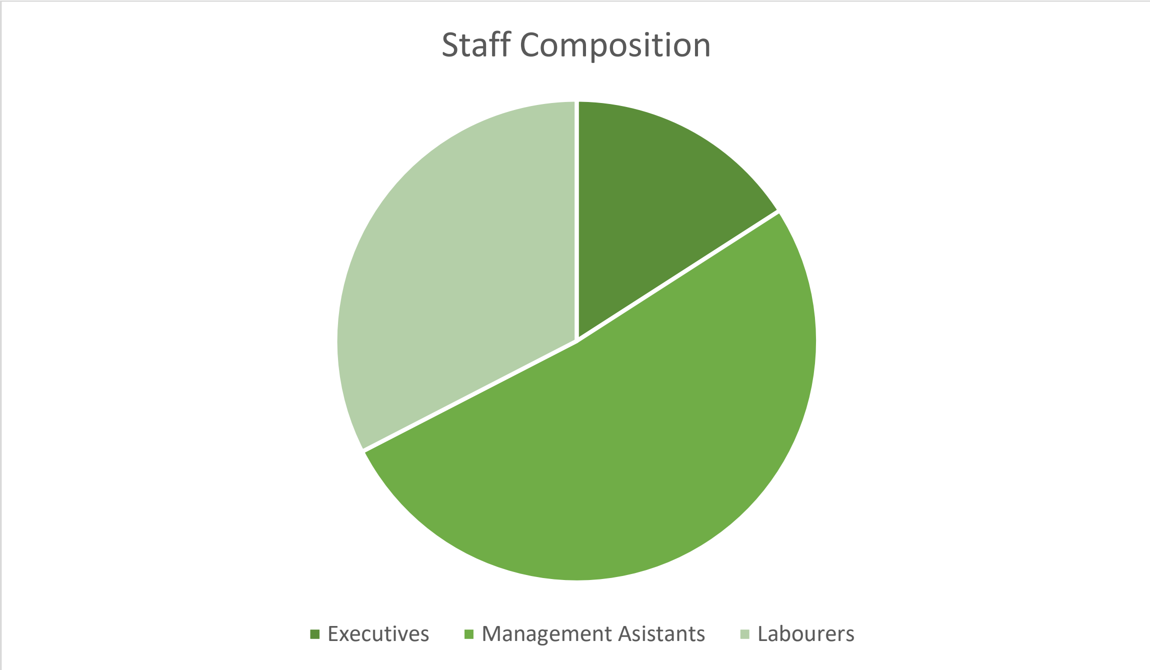


Chart. Staff composition of the company

- Financial Review Over Human Capital

Year	2020/21	2019/20
Revenue per Employee (000')	11.8	10
Profit per Employee (000')	1999	1243
Cost Per Employee (000')	0.5	0.54
No. of Employees	130	132

8. Financial Reporting

8.1 Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

Compliance Report

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

L.G. Hector
By Order of the Board
Colombo Commercial Fertilizers Ltd.
Secretaries

8.2 Chairman's and Financial Manager's Responsibility Statement

The Financial Statements of Colombo Commercial Fertilizers Ltd as at 31st March 2021 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.

....
Methsiri Wijegunawardena
Chairman

....
S. N.J. Wickremasinghe
Finance & Administration Manager

8.3 Auditor General's Report

My No.ARI/A/CCF/2022/27 14 December 2022

The Chairman,
Colombo Commercial Fertilizers Ltd.

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Colombo Commercial Fertilizers Ltd. for the year ended 31 March 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Colombo Commercial Fertilizers Ltd. ("Company") for the year ended 31 March 2021 comprising the statement of Financial Position as at 31 March 2021 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

(a) Although the expenditure on interest should be shown in the cash flow statement in terms of Sri Lanka Accounting Standard 07, the expenditure on interest of Rs.1,683,333 pertaining to the annual lease had not been shown in the cash flow statement of the year under review.

(b) When calculating the before tax profit in the cash flow statement, the annual depreciation of Rs. 4,085,984 relating to the motor vehicle obtained on lease had not been adjusted.

(c) Although Rs. 2,228,063 had been shown as the payment of lease installments under the financial activities in the cash flow statement, the actual value of the payment of lease installments during the year under review was Rs. 2,627,151. Accordingly, cash outflow had been understated by Rs. 399,088.

(d) Cash inflows of Rs. 3,686,895 relating to two motor vehicles acquired on financial lease method have been stated in the cash flow statement under the investment activities and it was observed in audit that, such a cash inflow had not actually taken place during the year under review.

(e) The value of the stock of fertilizers imported by the company in the year is recognized based on the arrival date of the relevant fertilizer stock to the Port and the purchasing price and the cost of the imported fertilized stock relating to the year so recognized had been brought to account as Rs. 7,547,932,485 and Rs. 8,287,975,191 respectively. The following matters were observed in the examination of those values.

(i) In the calculation of value of Rs. 7,547,932,485 brought to account as the purchasing price of the imported fertilizer stock, the relevant value of the stocks for which payments had been made within the year had been calculated based on the date of payment and the value of the stocks for which payments remained further payable had been calculated based on the date of arrival of such stocks to the port. Accordingly, the purchasing value of the imported fertilizer stock had been overstated by Rs. 50,969,114 in the account.

(ii) The stocks of organic fertilizers worth Rs. .11,955,750 purchase from the local buyers had been brought to account as imported fertilizer stocks.

(f) A shortage of chemical fertilizer stocks valued at Rs. 1,496,494 was observed in the physical stock verification carried out on 06 and 07 April 2022.

(g) Since the dispatching money of Rs. 1,899,144 related to the financial year 2021/2022 had been stated under the other income in the financial statements of the year under review, the profit of the year under review had been overestimated by that amount.

(h) The land in Hunupitiya, Wattala where the head office of the Company is situated and which had not been legally taken over by the Company had been valued at Rs. 90,000,000 and included in the non-current assets. As such, the non-current assets had been overstated by that amount.

(i) The Company had made allocation totaling Rs.522,471 for the disposal of non-current assets in the financial years 2014/2015 and 2016/2017 and stated it by deducting from the net value of the non-current assets, and having allocated Rs.1,105,803 for the disposal of stationery in the year of accounts 2019/2020, it had been shown by deducting from the stock of stationery. An adequate clarification regarding the above deduction was not made and reasons for continuously carrying forward those balances up to the year under review were not given.

(j) Although the value of Rs. 160,447,581 which is the interest of the amount converted to a loan that was paid by the People's Bank to the foreign fertilizer suppliers on behalf of the Company has been included in the financial statements under the other receivables, the Treasury has not expressed its concurrence for the settlement of that money and accordingly, it is further observed that there is no possibility to reimburse this amount.

(k) Although the works of the software system (Server & Network) costing Rs. 3,894,518 currently used by the company for accounting activities had been completed by 31 October 2019, the cost thereof had been further brought to account as work-in-progress. Accordingly, related depreciation value of Rs. 1,298,171 of the year under review and the depreciations of Rs. 1,839,076 related to the preceding year had not been brought to account in terms of Sri Lanka Accounting Standard 16. As a result, the value of non-current assets, profit of the year under review and cumulative profit had been overstated.

(l) According to the computer data of the company, although the fertilizer sales income of Rs. 1,541,996,996 relating to the year had been stated in the accounts as the sales income, according to the data of the Marketing and Work Divisions, the actual sales income of the Company for the year under review was Rs. I,547,341,352. Accordingly, annual sales income had been understated by Rs. 5,350,386.

(m) Of the retention money deposits of Rs. 3,630,022 stated under the current liabilities, the unclaimed retention money deposits continued to exist for more than a period of one year was Rs. 3,530,022 and that value had not been analyzed and recognized as the income of the Company.

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

1.3 Other Information Included in the Annual Report 2021 of the Company

The other information means the information included in the 2021 Annual Report of the Company, which was expected be submitted to me after the date of this report, but not contained in the Financial Statements and my audit report thereon. Management is responsible for this other information.

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

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

In the study of Annual Report of the Company for the year 2021, if I conclude that there are substantial misstatements, I should communicate that matters to the governing body for correction. If there are misstatements further to be corrected, those will be included in the report which I table in parliament in accordance with Article 154 (6) of the Constitution in due course.

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

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

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

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

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

1.5 Auditor's Responsibility for the Financial Statements

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

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

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

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

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

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

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

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. <u>Report on Other Legal and Regulatory Requirements</u>

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

2.1.1 Subject to the observations described in the Basis for Qualified Opinion paragraph in this report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (1) (d) 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 of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

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

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

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

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018, except for the following observations.

	Reference to Laws, Rules/Directives	Observations
(a)	Section 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003	Every public company should prepare financial statements and submit them to the Auditor General within 60 days from the expiry of the year of accounts. Nevertheless, the financial statements pertaining to the financial year 2020/2021 had been furnished to the Auditor General after lapse of 277 days from the expiry of the year of account.
(b)	Sub-section 10:1 of Chapter VIII of the Establishments Code as amended by the Public Enterprises Circular No.21/2013 dated 07 October 2013 of the Secretary to the Ministry of Public Administration and Home fairs.	Payments for performing duties in weekends and public holidays had been made in excess of 02 days without prior approval of the Secretary to the Ministry.
(c)	Circular No.PED 1/2015 dated 25 May 2015 and Section 3 of Public Enterprises Circular No.PED 1/2015(i) dated 25 October 2016.	By superseding the circular provisions, action had been taken to pay a fuel allowance of Rs.600,000 at Rs.10,000 each for five officers belonging to the MM 1-1 Service Category on the approval of the Board of Directors. .

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, except for the following observations.

(a) Due to the policy decision of the government to ban the import of chemical fertilizers, there was a risk of losing the chemical fertilizer sales income, the main operating activity of the Company. Provided however that, the management had failed to resort to another strategic operating activity and out Repo Deposit of the Company amounting to Rs.300,000,000, a sum of Rs.150,000,000 had been used for day to day expenses of the Company.

(b) As the government stamp duty and stationery charges of Rs.7.001,558 related to the short-term loans obtained during the year under review to settles the bills of imported fertilizers had been debited to the bank charges account and written off as an expenditure of the Company, the bank charges expenses had shown an abnormal increase of 5,417 per cent in this year compared to the preceding year. The explanations for writing off of the above expenditure against the profit during this year had not been made to the audit.

(c) The total of the initial expenses incurred during the year 2018/2019 for the construction of a warehouse on the leased land in Hambantota was Rs.3,372,901 and the constructions had not been commenced or the resources relating to the capital expenses had not been used for another project even by the year under review. It was observed that the above expenditure had become a fruitless expenditure.

(d) Although allocation of provisions for the doubtful debt at the end of each year is the policy of the Company, the Company had not implemented that policy after the year 2018/2019. The balance of Rs.37,961,958 in the Allocation of Doubtful Account included a balance of Rs.4,857,456 older than ten years and due from the Lanka Fertilizer Company and a balance of Rs.31,507,476 older than seven years and due from private institutions and it is as high as 95 per cent of the allocation of doubtful debts. It was observed that action had not been taken to write off that amount although recovery of those balances was uncertain.

(e) Without the approval of the General Treasury, sums totaling Rs.2,176,747 had been paid to the employees of the Company for their unavailed short-leave and medical leave and Rs. 1,196,450 for the executive officers for their unavailed medical leave.

(f) The following matters were observed in examining the overtime payments of the Company.

   (i) Several executive officers who are entitled to 1/20 allowance under Sub-section 10.1 of Chapter VIII of the Establishments Code had been paid overtime allowances for the number of hours they performed duties after 4.30 p.m.

   (ii) Without being limited the quantity of overtime to a certain value, it had been allowed to do overtime without proper management and control and therefore, overtime allowances up to Rs.11.63 million had to be paid.

2.3 <u>Other Matters</u>

Although the entire process including the receipt, issuance and exchange of fertilizers had been computerized, due to the capability of entering data in the computer system so as to be updated on an earlier date and the lack of necessary general control and a system control, the audit could not satisfy regarding the relevant computer system.

W.P.C. Wickramaratne
Auditor General

8.4

(Expressed in Sri Lankan Rupees)

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	NOTE	2021	2020
Revenue	12	1,541,996,966	1,330,769,020
Cost of Sale	13	(1,321,525,561)	(1,182,131,947)
Gross Profit (Loss)		220,471,406	148,637,073
Other Income	14	68,656,200	37,885,783
		289,127,606	186,522,856
Administrative Expenses	15	(117,923,728)	(121,689,863)
Selling and Distribution Cost	16	(7,748,907)	(35,228,754)
Other Expenses	17	(639,076)	(799,269)
Profit (Loss) from Operation		**162,815,894**	**28,804,969**
Net Finance Income	18	150,819,076	232,781,875
Finance Income	18.a	(175,675,992)	(237,305,641)
Finance Expenses	18.b	24,856,917	4,523,767
Profit (Loss) before Tax		**313,634,970**	**261,586,844**
Income Tax Expenses	19	(53,738,368)	(98,728,532)
Net Profit for the year		**259,896,602**	**162,858,311**
Basic Earnings per Share	20	25.99	16.29
Other Comprehensive Income (Expenses)		(1,299,979)	(2,763,212)
Total Comprehensive Income for the Year		**258,596,624**	**160,095,100**

Figures in brackets indicates deductions.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2021

	NOTE	2020/2021 Rs.	2019/2020 Rs.
NON CURRENT ASSETS			
Property Plant and Equipments	21	603,253,995	644,323,659
Right of Use Assets	22	25,014,281	28,701,176
Intangible Assets	23	393,840	-
Capital Work in Progress	24	10,397,009	10,397,009
		639,059,125	**683,421,845**
CURRENT ASSETS			
Inventories and other consumables	25	244,636,389	286,993,153
Trade and Other Debtors	26	17,289,276,738	12,889,985,743
Employees Loans and Advances	27	15,892,890	16,495,500
Deposits and Advances	28	8,453,264	21,675,885
Other Financial Assets	29	2,177,342,393	1,955,976,451
Cash at Bank	30	43,667,368	347,352,473
TOTAL CURRENT ASSETS		**19,779,269,042**	**15,518,479,206**
TOTAL ASSETS		**20,418,328,166**	**16,201,901,050**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Stated Capital	31	100,000,000	100,000,000
Capital Reserve	32	1,683,685	1,683,685
Reconstruction and Revalue Reserve	33	712,721,831	712,721,831
Retained Earnings		2,196,038,356	1,963,713,735
		3,010,443,872	**2,778,119,251**
NON CURRENT LIABILITIES			
Retirement Benefit Obligation	34	22,527,207	18,409,402
Deferred Taxation	35	100,807,093	134,956,547
Interest Bearing Borrowings	36	10,847,512,464	5,047,394,141
Long Term Lease Liabilities	37	8,595,622	10,823,684
		10,979,442,386	**5,211,583,774**
CURRENT LIABILITIES			
Interest Bearing Borrowings	36	1,628,540,000	3,290,863,660
ShortTerm Lease Liabilities	37	2,603,377	2,603,377
Trade and Other Payables	38	4,653,813,763	4,802,826,468
Deposits and Advances Received	39	22,850,354	25,291,559
Statutory Payable	40	103,457,409	51,023,192
Accrued Expenses	41	9,765,000	10,916,304
Bank Overdraft	30	7,412,006	28,673,465
TOTAL CURRENT LIABILITIES		**6,428,441,908**	**8,212,198,024**
TOTAL EQUITY & LIABILITIES		**20,418,328,166**	**16,201,901,050**

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

…………………………………

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 **DIRECTOR**
Methsiri Wijegunawardena K.G.P. Pushpa Kumara

Figures in brackets indicates deductions.

8.6

(Expressed in Sri Lankan Rupees)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	CAPITAL RESERVE	REVALUAION RESERVE	RETAINED EARNINGS	TOTAL
RETAINED BALANCE AT 31-03-2019	**100,000,000**	**1,683,685**	**712,721,831**	**1,728,185,967**	**2,542,519,163**
Net Profit/Loss for the Period	-	-	-	160,095,099	160,095,099
Dividend	-	-	-	-	-
Prior Year Adjustements	-	-	-	75,432,669	75,432,669
RETAINED BALANCE AT 31-03-2020	**100,000,000**	**1,683,685**	**712,721,831**	**1,963,713,735**	**2,778,046,931**
Net Profit/Loss for the Period	-	-	-	258,596,623	258,596,623
Dividend	-	-	-	-	-
Prior Year Adjustements	-	-	-	(26,272,002)	(26,272,002)
RETAINED BALANCE AT 31-03-2021	**100,000,000**	**1,683,685**	**712,721,831**	**2,196,038,356**	**3,010,371,552**

Figures in brackets indicates deductions.

8.7

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021

(Expressed in Sri Lankan Rupees)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH		2021	2020
Cash Flows from Operating Activities			
Profit Before Taxation		313,634,970	261,586,844
Adjustments for;			
Depreciation		41,745,504	41,296,726
Amortization of Intangible Assets		196,920	108,475
Gratuity Charge for the Year		3,154,001	2,735,673
Interest Income		(175,675,992)	(237,305,641)
Prior Year Adjustements		(26,272,002)	75,432,669
Operating Profit Before Changes in Working Capital		**156,783,402**	**143,854,746**
Changes in Working Capital			
Inventories		42,356,764	12,982,002
Trade and Other Receivables		(4,399,290,994)	(1,142,935,508)
Deposits and Advances		13,222,621	(11,808,236)
Employees Loans and Advances		602,611	2,017,775
Trade and Other Payables		(149,012,705)	(132,443,051)
Deposits and Advances Received		(2,441,206)	4,639,138
Accrued Expenses and Provision		(1,151,304)	(38,464,874)
Cash Generated from Operations		**(4,338,930,812)**	**(1,162,158,009)**
Gratuity Paid		(336,175)	(1,194,023)
Taxes Paid		(35,453,605)	(88,716,931)
Net Cash Flow from Operating Activities		**(4,374,720,592)**	**(1,252,068,963)**
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment		(675,840)	(4,463,857)
Increasing the investment on working capital		-	249,817
Acquisition of Intangible Assets		(590,760)	-
Acquisition of Lease Vehicles		3,686,895	(28,701,176)
Net Investments in Other Financial Assets		(221,365,942)	420,149,332
Interest Received		175,675,992	237,305,641
Net Cash used in Investing Activities		**(43,269,654)**	**624,539,757**
Cash Flows from Financing Activities			
Repayment of Lease Liabilities		(2,228,063)	13,427,061
Borrowings During the Year		18,679,657,702	6,347,007,328
Settlements of Borrowings During the Year		(14,541,863,038)	(5,601,583,979)
Net Cash used in Financing Activities		**4,135,566,601**	**758,850,411**
Net Changes in Cash and Cash Equivalents During the Year		(282,423,645)	131,321,206
Cash and Cash Equivalents at Beginning of the Year		318,679,007	187,357,801
Cash and Cash Equivalents at End of the Year	**(Note) 30**	**36,255,361**	**318,679,007**

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 2021 were authorized for issue in accordance with a resolution of the Board of Directors dated 28.02.2022.

1.5 Number of employees

The number of employees of the Company

31st March 2021			31st March 2020		
• Executive Staff	-	21	• Executive Staff	-	21
• Clerical & Allied	-	100	• Clerical & Allied	-	97
• Labour	-	9	• Labour	-	10
		130			**128**

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.
004-60-01-00002113-2	10,000,000.00	42002200018293
004-60-01-00001570-0	10,000,000.00	42002200018293
004-60-01-00006715-5	55,000,000.00	42002200018293
004-60-01-00006714-6	200,000,000.00	42002210004412
222-60-01-00010321-9	60,000,000.00	42002210004412
222-60-01-00011759-8	75,000,000.00	42002190025983
81942328	200,000,000.00	Overdraft facility of Rs. 190,000,000/-
81994288	300,000,000.00	Overdraft facility of Rs. 325,000,000/-

3.7.1 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 41.891 metric tons (approximate cost value rupees 1.2 million) were detected. However, this matter is currently under investigation by the internal audit on a directive issued by the Chairman and since the matter has not been fully established no provision has been made in the books of accounts.

4. Cash Flow Statement

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

5. Revenue Recognition

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

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

5.1 Sale of Fertilizer

The Company import and sells direct fertilizers to state agencies designated by government and mixed fertilizers in the wholesale and retail markets. Sales of goods are recognized at the point that the risks and rewards of the goods have passed to the customer. It is the point of dispatch from the store to buyer's vehicles.

5.2 Interest Income

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

5.3 Rent Income

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

5.4 Gain and Losses on Disposal of Property, Plant and Equipment

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, revaluation reserve and are recognized in the statement of comprehensive income.

5.5 Other Income

Other income is recognized on accrual basis.

6. Expenditure

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

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

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

7 Withholding tax on dividends (WHT)

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

8 Basic earnings per share (EPS)

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

9. Related party transactions

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

10. New accounting standards issued not yet adopted

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

10.1 SLFRS 13-Fair Value Measurement

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

10.2 SLFRS 9- Financial instruments

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to

Users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. An entity shall apply this SLFRS to all items within the scope of LKAS 39financial instruments - recognition &measurement. The effective date of this standard has been deferred.

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

10.3 LKAS 8 – Changes in Significant Accounting Policies

I. SLFRS 16

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

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

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

Right-of-Use Asset

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

Lease Liability

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

Short-Term Leases and Leases of Low-Value Assets

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

Presentation in the Statement of Financial Position

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

Finance Leases

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

11 Leased Land

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH			2021	2020
12	**REVENUE**			
	Fertilizer Sale (Cash)		352,290,775	1,564,402,605
	Fertilizer Sale (Credit)		1,189,706,192	29,634,288
	Less: Discount		-	(263,267,873)
			1,541,996,966	**1,330,769,020**

			2021	2020
13	Purchases	**(Note 13.1)**	1,013,023,918	911,868,043
	Direct Expenses	**(Note 13.2)**	175,736,712	177,945,960
	Cost of Production		1,188,760,630	1,089,814,003
	Finish Goods as at 01 April		278,323,718	283,295,398
	Finish Goods as at 31 March		(229,408,441)	(278,323,718)
			1,237,675,908	1,094,785,682
	General Overheads	**(Note 13.3)**	83,849,653	87,346,265
			1,321,525,561	**1,182,131,947**

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

	2021	2020
Import of Fertilizer Value	8,287,975,191	7,311,895,615
Contract labour wages	64,929,810	65,422,975
Transport Charges	115,602,439	97,956,290
Loading & Unloading Charges-RS	21,952,967	24,904,815
Fertilizer Testing Charges	481,402	1,154,204
Packing Materials	10,725,477	6,504,518
Exchange Loss	157,988,608	194,498,996
Exchange Profit	(5,194,382)	(9,525,690)
Treasury Grant	(7,641,437,594)	(6,780,943,680)
	1,013,023,918	911,868,043

13.2 Direct Expenses

		2021	2020
Labour Charges	**Note 13.2.1**	7,651,200	7,198,607
Regional Stores Expenditure		2,560	572,026
Transport Charges to District Fertilizer Stores		167,907,104	169,614,287
Rent for Vehicle		260,850	561,040
Stock (Excess) / Shortage		(85,002)	-
		175,736,712	177,945,960

13.2.1 Labour Charges

	2021	2020
Wages	4,300,367	4,078,121
Employees Provident Fund	516,044	489,375
Employees Trust Fund	129,011	122,344
Over Time & 1/20th Allowance	1,121,307	1,035,291
Unutilized Staff Leave & Incentive	37,218	17,552
Unutilized Medical Leave	311,642	230,687
Welfare & Medical	55,411	74,593
Meal Money & Combine Allowance	47,790	51,975
Incentive Payment	997,410	972,670
Bonus	135,000	126,000
	7,651,200	7,198,607

13.3 General Overheads

	2021	2020
General Stores Items	2,182,922	4,327,986
Factory Overheads	81,666,730	83,018,278
	83,849,653	87,346,265

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

(Expressed in Sri Lankan Rupees)

	NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH			2021		2020
14	**OTHER INCOME**					
	Rent Received			48,700		68,400
	Registration of Suppliers			366,500		542,800
	Miscellaneous Income			22,897,903		3,121,138
	Sale of Disposable Items			3,411,070		368,800
	Dispatch Money Received			41,721,172		33,184,319
	Sales from NLDB Milk Bar			210,855		600,326
				68,656,200		**37,885,783**
15	**ADMINISTRATION AND ESTABLISHMENT**					
	Executive Staff Remuneration	Note	15.1	25,038,129		22,656,613
	Clerical Staff Remuneration	Note	15.1	42,602,154		41,728,304
	Head Office Casual / Trainees Remuneration	Note	15.1	13,196		24,500
	Gratuity			3,154,001		2,735,673
	Building Maintenance			18,683		14,273
	Electricity			109,645		116,314
	Water Bill			189,026		183,668
	Telephone Charges			1,509,093		1,770,790
	Security Charges			12,198,428		16,670,546
	Stationery			1,688,986		1,459,825
	Postage & Telegram			79,202		108,016
	Legal Charges			3,012		125,111
	Motor Vehicle Maintenance			4,730,028		4,509,679
	Fuel			1,879,343		2,071,342
	Rates & Taxes			941,485		161,574
	Office Equipment Maintenance			174,096		129,984
	Travelling			73,457		132,899
	Audit Fees			819,000		698,000
	Other Administrative Expenses			60,381		514,694
	Refreshment on Official Meetings			169,179		377,506
	Donation			-		12,000
	Building Depreciation			2,682,209		2,682,209
	Office Equipment Depreciation			845,509		732,652
	Furniture & Fittings			1,694,618		1,590,891
	Stock Verification Expenses			-		612,105
	Directors Allowance			1,356,500		2,141,500
	Company Registration Expenses			540		7,508
	Staff Skills Development Expenses			232,000		426,522
	Insurance for Vehicle			1,262,518		1,218,389
	Fertilizer License			20,000		-
	Staff Welfare			2,575,806		4,223,359
	TEC Allowance			1,146,400		1,608,150
	Licence Fees			104,165		48,650
	Directors Travelling Allowance			245,000		461,129
	Professional charges			269,745		487,933
	Audit & Management Committee Meeting Allowance A/C			136,000		204,000
	Audit & Management Committee Meeting Travelling Allowance A/C			80,000		120,000
	Semi Luxury Vehicle Tax			56,000		8,000
	Amortization of Intangible Assets			196,920		108,475
	Hambanthota New Warehouse Exp			2,000		345,996
	Home Garden Expenses			46,642		41,019
	Air Conditioners Depreciation			945,168		945,168
	Computer Accessories Depreciation			3,354,082		3,139,946
	Web Site Expenditure			38,382		44,004
	Computers, Printers and Fax Machines Maintenance			469,918		417,594
	A/C Maintanance			426,939		285,746
	Depreciation of right of use of leased assets			4,085,984		3,587,608
	Head Office Expenditure			4,532		-
	Subsistence			150,127		-
	Accommodate Expenses For Out Visit			45,500		-
				117,923,728	**#**	**121,689,863**

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 31.03.2021

	EXECUTIVE STAFF	CLERICAL & ALLIED STAFF	CASUAL / TRAINEES	TOTAL
Salaries	15,082,085	23,871,543	12,062	38,965,690
Employees Provident Fund	1,725,043	2,949,393	907	4,675,343
Employees Trust Fund	431,261	737,348	227	1,168,836
Unutilized Short Leave & Incentive	-	223,570	-	223,570
Over Time & 1/20th Allowance	2,638,972	4,844,492	-	7,483,464
Unutilized Medical Leave	1,196,450	1,953,176	-	3,149,626
Welfare & Medical	136,535	388,046	-	524,580
Combine Allowance & Meal Money	28,165	358,055	-	386,220
Incentive Payment	3,583,620	6,562,156	-	10,145,776
Bonus	216,000	714,375	-	930,375
Total	**25,038,129**	**42,602,154**	**13,196**	**67,653,479**

		2021	2020
16	**SELLING AND DISTRIBUTION COST**		
	Sales Promotion & Advertising	1,384,684	1,180,843
	Rent Expenses for Stores	6,364,223	22,053,587
	Impairment of debtors	-	-
	Notional Building Tax (NBT)	-	10,132,545
	Economic Service Charges	-	1,861,779
		7,748,907	**35,228,754**
17	**OTHER EXPENSES**		
	General Expenses	446,685	253,928
	NLDB Milk Bar Expences	192,391	545,342
		639,076	**799,269**
18	**NET FINANACE COST**		
18.a	**FINANACE INCOME**		
	Interest on Fixed Deposits	173,097,896	228,348,574
	REPO Investments	1,955,688	8,299,887
	Interest from Employees Loans	622,409	657,180
		175,675,992	**237,305,641**
18.b	**FINANACE COST**		
	Bank Charges	7,058,619	127,946
	Penalty Charges	-	677,658
	Bank Commission Charges	27,312	31,344
	Interest on Non Payment of Bill	211,604	7,124
	Interest On Overdraft	15,876,049	2,109,634
	Interest for lease	1,683,333	1,570,060
		24,856,917	**4,523,767**
		(150,819,076)	**(232,781,875)**
19	**Income Tax Expenses**		
	Current Tax Expense	87,887,822	92,189,069
	Deferred Tax Charge	(34,149,454)	6,539,464
		53,738,368	**98,728,532**
20	***Amount used as the Numerator***		
	Net Profit Attributable to Ordinary Shareholders (Rs.)	258,596,624	160,095,100
	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	**25.86**	**16.01**

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	Computers, Printers & Fax Machines	Air Conditioners	Total
Balance as at 31 March 2019	**90,000,000**	**536,441,867**	**21,766,524**	**46,750,000**	**6,717,016.50**	**3,414,385**	**11,696,328**	**4,725,842**	**721,511,963**
Additions	-	-	-	375,000	1,729,742	807,610	1,551,505	-	4,463,857
Disposals	-	-	-	-	-	-			-
Balance as at 31 March 2020	**90,000,000**	**536,441,867**	**21,766,524**	**47,125,000**	**8,446,758**	**4,221,995**	**13,247,833**	**4,725,842**	**725,975,819**
Additions	-	-	212,650	-	67,800	42,890	352,500	-	675,840
Disposals	-	-	-	-	-	-			-
Balance as at 31 March 2021	**90,000,000**	**536,441,867**	**21,979,174**	**47,125,000**	**8,514,558**	**4,264,885**	**13,600,333**	**4,725,842**	**726,651,659**
Depreciation									
Balance as at 31 March 2019	**-**	**26,521,583**	**2,142,525**	**5,843,750**	**1,335,722**	**667,028**	**2,426,464**	**895,892**	**39,832,963**
Charge for the Year	-	26,822,093	2,176,652	5,889,323	1,590,891	732,652	3,139,946	945,168	41,296,726
Disposals	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	**-**	**53,343,677**	**4,319,177**	**11,733,073**	**2,926,613**	**1,399,680**	**5,566,410**	**1,841,060**	**81,129,689**
Charge for the Year	-	26,822,093	2,193,408	5,890,625	1,694,618	845,509	3,354,082	945,168	41,745,504
Disposals	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2021	**-**	**80,165,770**	**6,512,586**	**17,623,698**	**4,621,231**	**2,245,189**	**8,920,492**	**2,786,229**	**122,875,194**

Net Carrying Values	**Economic Life Span / Years**	**Percentage**	**2021**	**2020**
Land	-	-	90,000,000	90,000,000
Buildings	20	5%	456,276,097	483,098,190
Plant and Machinery	10	10%	15,466,588.92	17,447,347
Motor Vehicles	8	12.5%	29,501,302.08	35,391,927
Furniture and Fittings	5	20%	3,893,327.31	5,520,146
Office Equipment	5	20%	2,019,696	2,822,315
Computers, Printers & Fax Machines	4	25%	4,679,840	7,681,423
Air Conditioners	5	20%	1,939,614	2,884,782
			603,776,466	**644,846,130**
Provisan for Impairment of Fixed Assets			(522,471)	(522,471)
			603,253,995	**644,323,659**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

21 Property, Plant and Equipment Contd…

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

22 Right of Use Assets

At Cost	As at 31 March 2020	Increases		(Decreases)	As at 31 March 2021
Motor Vehicles	32,288,785	399,089		-	32,687,873
	32,288,785	**399,089**	**#**	**-**	**32,687,873**

Depriciation	As at 31 March 2020		Charge for the year	As at 31 March 2021
Motor Vehicles	3,587,608		4,085,984	7,673,592
	3,587,608	**#**	**4,085,984**	**7,673,592**
Net Book Value				**25,014,281**

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%	4
Lease of Honda CRV Jeep	5,900,000.00	224,229.69	13.00%	4

23 Intangible Assets

At Cost	As at 31 March 2020	Additions		(Disposals)	As at 31 March 2021
Computer Software	325,425	590,760		-	916,185
	325,425	**590,760**	**#**	**-**	**916,185**

Depriciation	As at 31 March 2020		Charge for the year	As at 31 March 2021
Computer Software	325,425		196,920	522,345
	325,425	**#**	**196,920**	**522,345**
Net Carrying Value				**393,840**

24

Capital Work in Progress	01 April 2020	Expenditure Incurred	Amount Capitalized	31 March 2021
Work Stations	19,590	-	-	19,590.19
Hambanthota Warehouse	3,732,901	-	-	3,732,900.90
Server & Net Work	3,894,518	-	-	3,894,518.01
Computer software ERP system	2,750,000	-	-	2,750,000.00
	10,397,009	**-**	**-**	**10,397,009**

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED		2021	2020
25	**Inventories and other consumables**		
25 A	Inventories		
	Fertilizers	229,408,441	278,323,718
	Packing Materials	9,077,499	2,327,868
		238,485,940	**280,651,586**
25 B	**Other consumables**		
	General Stores Items	4,513,866	5,338,530
	Stationery	2,742,386	2,108,840
	Less: Provision for Impairment of Stationary	(1,105,803)	(1,105,803)
		6,150,450	**6,341,567**
	Stok at NLDB Milk Bar	-	-
		244,636,389	**286,993,153**
26	**TRADE DEBTORS AND OTHER REVEIVABLES**		
	Trade Receivable	618,951,855	103,500,422
	Less: Impairment of Trade receivable	37,961,958	37,961,958
		580,989,897	65,538,464
	Net Trade Receivable	580,989,897	65,538,464
	Other Receivables **(Note 26.1)**	16,708,286,841	12,824,447,280
		17,289,276,738	**12,889,985,743**

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

26.1	**Other Receivables**		
	Treasury Grant	16,463,590,821	12,565,782,362
	From General Treasury - Interest	160,447,581	158,498,393
	Ceylon Shipping Corporation Ltd	4,049,128	4,049,128
	CCF Welfare Society - Loan	20,000	20,000
	Fixed Deposit Interest Receivable	41,618,286	55,617,618
	Treasury Investment Interest Receivable	-	1,874,335
	Sundry Debtors	5,048,633	5,048,633
	WHT Receivable	-	3,426
	Ceylon Fertilizer Co. Ltd	960,000	960,000
	Recoverable Claim	2,296,210	1,421,543
	Receivable from Impots	14,168,517	11,090,216
	Income Recievable	16,087,664	20,081,626
		16,708,286,841	**12,824,447,280**
27	**Employees Loans and Advances**		
	Distress Loans	15,004,690	15,612,300
	Festival Advance	823,200	818,200
	Special Loan	65,000	65,000
		15,892,890	16,495,500
		15,892,890	**16,495,500**

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.

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED			2021	2020
28	**Deposits and Advances**			
	Deposits		4,476,538	9,742,250
	Payment in Advance		173,155	76,430
	Post Master General		39,463	69,495
	Pre Payment		3,764,108	11,787,710
			8,453,264	**21,675,885**
29	**Other Financial Assets**			
	Fixed Deposits		2,177,342,393	1,955,976,451
			2,177,342,393	**1,955,976,451**
30	**CASH AT BANK**			
	Favorable Balances			
	Cash in Hand		16,028	16,028
	NLDB Milk Bar Imprest A/C		50,000	50,000
	Regional Stores Contingency Fund		877,716	(23,720)
	Repo's		-	300,000,000
	Cash at Bank		35,311,618	18,636,700
			36,255,362	**318,679,007**
	Cash and Cash Equivalents for the Purpose of Cash Flow Statement		**36,255,362**	**318,679,007**
	Investments In Treasury Bills			
31	**Issued and fully paid**			
	Number of Ordinary Shares		**10,000,000**	**10,000,000**
	Value (Rs.)		**100,000,000**	**100,000,000**
32	**Capital Reserve**		**1,683,685**	**1,683,685**
33	Reconstruction And Revaluation Reserve			
	Capital Reserve	33.1	122,262,785	122,262,785
	Revaluation Reserve 2007	33.2	105,668,272	105,668,272
	Revenue Reserve	33.3	61,016,519	61,016,519
	Revaluation Reserve 2019	33.4	423,774,255	423,774,255
			712,721,831	**712,721,831**

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

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

33.2 Revaluation Reserve 2007 Rs. 105.893,272

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

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

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

33.4 Revaluation Reserve 2018 Rs. 423,774,254.74

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

The revaluation reserve relates to the revaluation surplus of property, plant and equipment, once the respective revalued assets have been disposed, portion of revalued surplus is transferred to retained earnings.

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED			2021	2020
34	**Retirement Benefits Obligation**			
	Provision for PV-DBO as at 01-04-2020		**18,409,402**	**14,104,540**
	Expenses Recognized in Income Statement	**(Note 34.1)**	4,453,980	5,498,885
	Payments made during the year		(336,175)	(1,194,023)
	Over Provision of the Previous Year		-	-
	Balance as at 31 March		**22,527,207**	**18,409,402**

34.1 Expense Recognized in Income Statement		
Gratuity Charge		
Current Service Cost	1,313,061	1,113,651
Interest Charge for the Year	1,840,940	1,622,022
(Gain) / Loss Arising From Changes in the Assumptions	1,299,979	2,763,212
	4,453,980	**5,498,885**

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.	As per A1967/70Morality table	
Morality		
Discount Rate [%]	10	13
Future Salary escalation rate [%]	N/A	N/A
Staff Turnover Factor [%]	2	1
Retirement age [Yrs]	60	60

Sensitivity Analysis

A sensitivity analysis has been conducted to illustrate the significance of theDiscount Rate assumed in the calculation as at 31.03.2021.

The results are as follows.

Discount Rate	Present value of defind benefit obligation
One Precentage Point Increase (+1%)	21,940,273
One Precentage Point Decrease (-1%)	23,997,342

		2021	2020
35	**Deferred Taxation**		
	Balance as at 01 April	**134,956,547**	**128,417,083**
	(Charge) / Reverse for the Year	(34,149,454)	6,539,464
	Balance as at 31 March	**100,807,093**	**134,956,547**

35.1 The Analysis of Deferred Tax Assets and Liabilities		
Deferred Tax Liability		
From Accelerating Depreciation	106,213,623	129,481,832
	106,213,623	**129,481,832**
Deferred Tax Assets		
From Retirement Benefits Obligation	5,406,530	18,409,402
From Impairment Provisions - Trade Debtors	-	37,961,958
	5,406,530	**56,371,361**
	100,807,093	**73,110,472**

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.

Figures in brackets indicates deductions.

36 Interest Bearing Borrowings

		2021	2020
Settlement Fall Due More than One Year			
Long Term Loan		8,697,202,532	-
Short Term Loan		2,150,309,932	5,047,394,141
		10,847,512,464	**5,047,394,141**
Settlement Fall Due Within One Year			
Short Term Loan		-	1,619,686,252
Long Term Loan		1,628,540,000	1,671,177,408
		1,628,540,000	**3,290,863,660**
		12,476,052,464	**8,338,257,800**

36.1 Movement of the Loan

	2021	2020
Balance as at 01 April	**8,338,257,800**	**7,592,834,451**
Obtained During the Year	18,679,657,702	6,347,007,328
Settlements Made During the Year	(14,541,863,038)	(5,601,583,979)
Balance as at 31 March	**12,476,052,464**	**8,338,257,800**

37 Lease Liabilities

	2021	2020
Long Term Lease Liabilities		
Motor Vehicles	8,595,622	10,823,684
	8,595,622	**10,823,684**
ShortTerm Lease Liabilities		
Motor Vehicles	2,603,377	2,603,377
	2,603,377	**2,603,377**
	11,198,999	**13,427,061**

38 Trade and Other Payable

		2021	2020
Trade Payable	Note 38.1	3,512,803,377	3,641,139,055
Other Payable	Note 38.2	1,141,010,386	1,161,687,413
		4,653,813,763	**4,802,826,468**

38.1 Trade Payables

	2021	2020
Fertilizer Suppliers (Imports)	3,512,803,377	3,640,809,055
Fertilizer Suppliers (Local)	-	330,000
	3,512,803,377	**3,641,139,055**

38.2 Other Payable

		2021	2020
Audit Fees		1,638,000	819,000
Treasury Payable	Note 38.2.1	1,107,955,430	1,099,472,949
E.P.F. Payable		1,262,181	1,249,615
E.T.F. Payable		172,835	340,247
Stamp fees payable		19,450	19,475
Union Fees Payable		8,640	17,235
Third Party Deduction		15,159	19,427
Medical Insurance Claim		76,588	94,593
Unclaimed Salary Wages		264,675	264,675
Welfare society & Death Donation		31,934	753,545
Medical Insurance Cover		373,682	371,169
Salaries Control		23,751	23,751
Other Creditors		29,168,062	58,241,733
		1,141,010,386	**1,161,687,413**

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.

Figures in brackets indicates deductions.

		2021	2020
39	**Deposits and Advances Received**		
	Employee Security Deposit	999,413	1,239,981
	Refundable Deposits	3,630,022	3,797,722
	Customer Deposits & Over Received	8,530,358	10,527,783
	Deposits Prior to Clearance A/C	9,690,560	9,726,073
		22,850,354	**25,291,559**
40	**Statutory Payable**		
	Current Taxation	103,585,611	51,133,263
	Withholding Tax (WHT)	(1)	(1)
	NBT	(162,897)	(144,765)
	PAYE	34,695	34,695
		103,457,409	**51,023,192**
41	**Accrued Expenses**		
	Accrued Expenses	9,765,000	10,916,304
		9,765,000	**10,916,304**

42 Capital and Other Commitments

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

43 Events Occurring after Reporting Period

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

44 Contingent liabilities

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

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

45 Related Party Disclosures

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

Transactions with Key Management Personnel

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

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

Transactions with Key Management Personnel are given below.		**2020 / 21**	**2019 / 20**
Directors allowances		1,356,500	2,141,500

Name of the Related Party	**Nature of Transactions**		
Government of Sri Lanka	Subsidies Received	970,807,936	1,649,378,617
	Sales of Goods	1,541,996,966	1,330,769,020
State-Owned Enterprises	Loans borrowed	18,679,657,702	6,347,007,328
	Settlements of Loans	(14,541,863,038)	(5,601,583,979)
	Investments In Fixed Deposits		
	Investment during the year	150,000,000	315,000,000
	Interest Received	175,053,583	236,648,461
	Current Accounts	35,311,618	18,636,700
Other Government Related Entities	Recoveries of Trade Receivables	4,049,128	4,049,128

Figures in brackets indicates deductions.

CORPORATE INFORMATION

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