



லாரீகை லாரீனால
வருடாந்த அறிக் கை
ANNUAL REPORT

2014

சீ/ச னொலூடி னொலூர்சுட் டொனொர் சிமொடு
வ/ப கொழும்பு கொமர்ஷல் உரக் கம்பனி
COLOMBO COMMERCIAL FERTILIZERS LTD

VISION

To be the benchmark
of a well runs Government owned organization
by Positively contributing
towards the enhancement
of the Sri Lankan Agricultural industry
Through the swift manufacture
and distribution 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 stake holders of the organization.

Values

Accountability
Oversight
Transparency
Protection of Environment
Quality
Sustainability
Incentives

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1 Accountability

1.1 . Chairman's Review

Achievements

As per the Government fertilizer subsidy program the company has been engaged in distribution of 35% of subsidized paddy fertilizers to the farmer community. Apart from the paddy fertilizer, the Colombo Commercial Fertilizers Limited (CCF) distributes fertilizers to other crops also from our central warehouse and 17 regional stores in accordance with the allocation made by National Fertilizer Secretariat.

During the period of accounting year 2013/14, CCF has imported 109,390 MT fertilizers in all three varieties (Urea, TSP & MOP) and during the same period has distributed 115,929 MT fertilizers. Turnover of CCF during the period under review was Rs. 1,052 million which was generated a net profit of Rs. 113 million after tax.

Contribution to consolidated fund

During the financial year the CCF has estimated to pay of Rs. 96 million being income tax to the Department of Inland Revenue.

Audit report

The Audit report on the Financial Statements of the company are given in page 19 to 23.

Financial Statements

The Financial Statements of the company are given on page 24 to 27.

Accounting policies

Accounting policies adopted in the preparation of the Financial Statements of the company are given on page 28 to 41.

Future outlook

The Company has planned to construct a warehouse complex to store fertilizer at Hambantota closer to the Maganikota Mahinda Rajapaksha Port as a strategy to reduce cost of transport, be nearer to the farmer community in south and reduce the congesting status of Colombo port while using all facilities at this new port.

Acknowledgments

On behalf of the board I take this opportunity to thank to Senior Managers, and Executives, Clerical and Allied Staff and all the employees for achieve the targets of the company and their hard work, dedication and commitment in effectively implementing our plans and strategies.

I appreciate the co-operation and the contribution extended to me by the Board of Directors, Specially, I take this opportunity to thank the Director, National fertilizer Secretariat and his staff for their continuous assistance, support and guidance extended in respect of planning fertilizer procurement for the smooth flow of distribution program without any short comings or any complaints. My thanks also goes to the Director General, Department of Treasury Operations and Director General, Development Finance and their Staff for their assistance to settle our LC bills in time. I also thank, the Chairman and the staff of People's Bank Corporate division and Wattala Branch in granting facilities to CCF to establish Letter of credit for the Imports. My thanks are also due to each and every stake holders of the company for their contribution towards the physical and financial progress of this company.

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



N.S. M. SAMSUDEEN
(Attorney at Law)
CHAIRMAN
COLOMBO COMMERCIAL FERTILIZERS LTD.

1.2 Board of directors

Category	Name of the Director
Chairman	Mr.N.S.M.Samsudeen (Attorney at Law)
Executive Director	Mr.D.Wijyaratne
Director	Mr.Rohana Alwis
Director	Mr.N.P.Amarathunga
Director	Mrs.Priyangani Liyanage
Director	Mr.S.M.W.Korasagalla (Attorney at Law)
Director	Mr.T.M.K.Thannakoon (Attorney at Law)
Company Secretary	Mr.S.P.Morawaka (Attorney at Law)

1.3 Audit and Management Committee

1. Mrs.Priyangani Liyanage	Chairman
2. Mr.Rohana Alwis	Member
3. Mr. N.P.Amarathunga	Member
4. Mr. W.K.L.E. Walallawita	Observer
5. Mrs. A. P.G Athukorala	Observer

1.4 Senior Management Committee

1. Mr. H. N. Ariyadasa	Finance Manager
2. Mr. K.K. Somasundaram	Supplies and shipping Manger
3. Mr. J. C. Wickramesinghe	Works Manager
4. Mr. Y.A D.Percy Wijerathne	Distribution Manager
5. Mr. H .V. A. J Wijesiri	Chief Internal Auditor

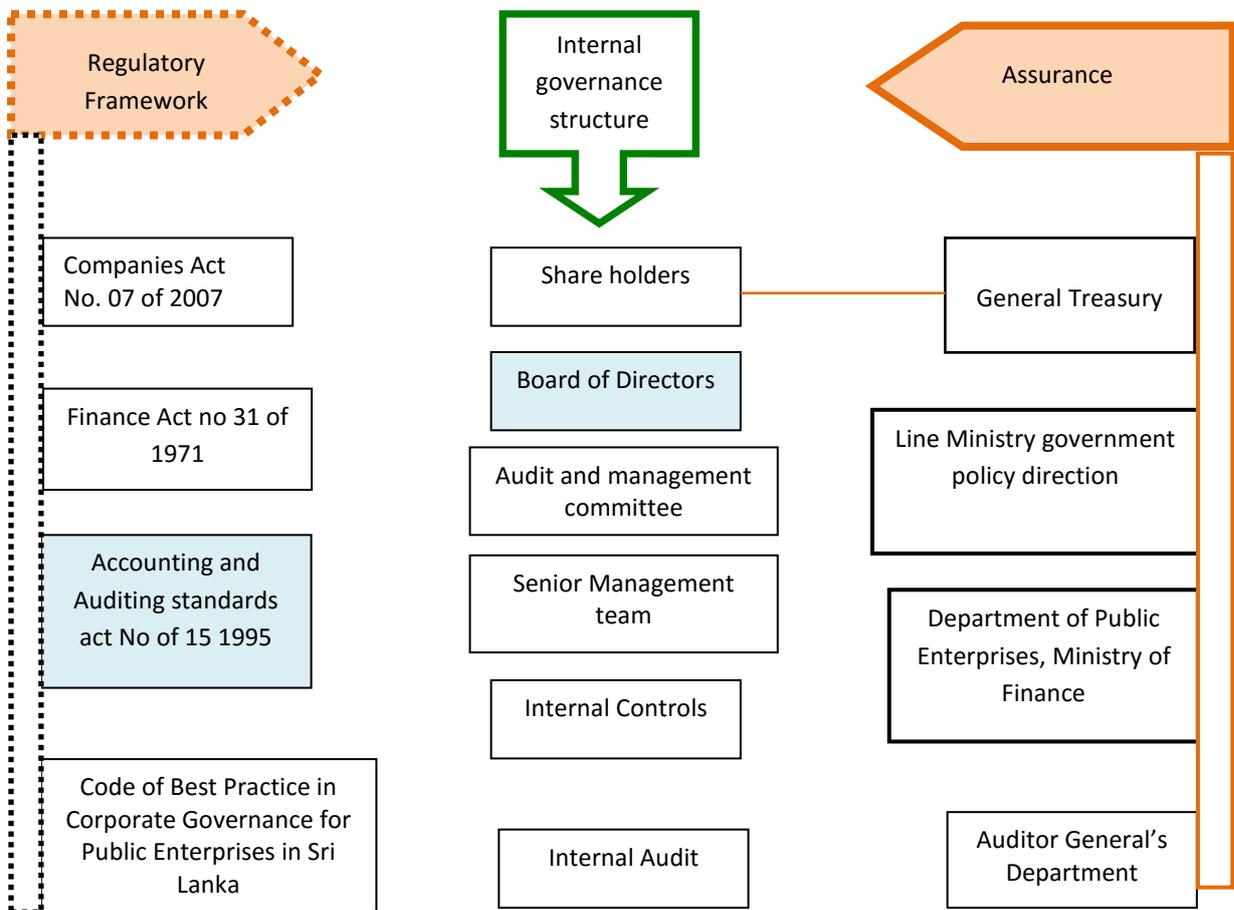
1.5 Corporate governance

CCF operates in very complicated regulatory environment and external mechanisms assert on implementation of state political policy directions. Corporate Governance involves the major issues relating to public policy of national importance and not limited to the narrow interests of shareholders with a direct financial stake in the firm find in private sector.

Arrangements of activities and practices within CCF are determined by the policy and institutional framework of which the CCF operates. State policy framework, state programs, high accounting and auditing standards and well-timed imports and efficient supply of our product- fertilizer are the basic elements that exert disciplinary pressures on CCF. Thus efficient management is the vital factors determining Corporate Governance structures and practices.

In CCF Corporate Governance is more critical and more challenging than in privately owned business enterprises. It is more vital because CCF is engaged in the provision of fertilizer to paddy crops. It is a strategic sectors of the national economy, which affect directly and indirectly to the interests of a entire households of the nation, moreover, ours performance has a direct impact on nations life and macroeconomic stability.

Frame work of corporate governance of CCF



Thorough the above framework of governance CCF achieve the followings

Accountability

The Board of Directors of CCF takes every possible action to fulfill the government objectives and other stakeholders' requirement while protecting the assets and value of the Company;

Oversight

Board of Directors performs administration actively and effectively over management and the operates of CCF to safeguard the best interests of the General Treasury – State and other stakeholders;

Transparency

Board of Directors takes every attempts to disclose information timely and accurately to government authorities, other stakeholders and to the market about the operations, finances and prospects of the company;

Incentives

Board of Directors adopts the policy in recruiting, motivating and retaining the best-qualified personal as its senior management members;

2. Performance highlights

2.1 Market position

With the initiation of Government Fertilizer subsidy Scheme in the year 2005, aiming to distribute main paddy Fertilizers Urea, MOP and TSP. at subsidized price of Rs.7,000 per MT to entire country. Highly competitive open market of paddy Fertilizer with large number of private sector companies were competing each other become exclusive government owned market with CCF Ltd and CFC Ltd. The market for fertilizer for other crops was left for private sector companies.

The Government entrusted to implement these vast operations to its own two companies, i.e. Ceylon Fertilizer Co Limited and CCF. The CCF was allocated about 35% of market share. Since then market roll and strategies of CCF were changed from effective competitor to efficient importer and distributor.

In 2011 Government Fertilizer subsidy Scheme was extended to the fertilizer for other crops too ceiling the prices of other crops fertilizer to Rs. 24,000 per MT. Covering private sector sales too. With the ceiling of prices of other crops fertilizer the important of the price as market strategies was changed and market efficiency becomes the new strategy.

Thus the market strategies of price war were changed into efficient and effective market strategies. CCF too adjusted our strategies accordingly.

2.2 Company performance

In 2013/14 the company achieved the distribution targets and turn over targets set for the year. Weather conditions are always become decisive factor in deciding the extent of cultivation and demand for fertilizer.

2.3 Financial highlights and achievements

	2013/14	2012/13	2011/12	2010/11	2009/10
Financial performances (Rs. 000)					
Revenue	1,052,299	866,809	982,118	1,070,228	916,759
Net Finance Cost	48,589	(1,758)	20,063	(67,609)	(223,044)
Gross Profit	43,560	208,325	407,265	309,297	589,420
Profit (Loss) before Tax	208,985	181,929	314,143	326,514	106,598
Net Profit for the year	112,888	123,183	216,412	210,630	106,598
Financial Position (Rs. 000)					
Total assets	15,819,544	13,047,192	10,847,571	14,330,092	16,968,920
Shareholders fund	1,368,583	1,459,950	1,346,767	1,131,546	414,522
Information per ordinary shares (Rs.)					
Earnings per share	11	12	22	21	10



2.4 History of the Company

Colombo Commercial Company was a British owned company incorporated in the year 1872 in Great Britain in order to carry out its business operations in Ceylon (Sri Lanka). Since the year 1872, up to 1976, over a period of 100 years this company was managed and administered by the Britishers from their head office based in London.

On 14th January 1976 Government of Sri Lanka vested, Colombo Commercial Company (Fertilizers) Ltd under the Business acquisition Act. No. 35 of 1971 and changed its name as “Government owned Business Undertaking of Colombo Commercial Company (Fertilizers) Limited.”

- After the vesting, this company was managed and administered by the Competent Authority appointed by the Government of Sri Lanka.
- On 04th October 1989, the CCC was converted into public company under Conversion of State Corporations or Business Undertakings into public companies Act. No. 23 of 1987 incorporated and renamed as Colombo Commercial Fertilizers Ltd. The company issued its total share capital of 10,000,000 shares at Rs. 10/= each amounting to Rs. 100,000,000 to Secretary to General Treasury.
- In July 1994 the company was privatized under the policy of then Government and 90% of the shares were transferred to the private management on keeping the balance 10% with the General Treasury with expectation to be transferred to the employees later.
- On 20th January 1997, the shares of the company were re-vested to the General Treasury, under Rehabilitation of Public Enterprises Act. No. 29 of 1996, due to breach of contract between the General Treasury and the private management and labour unrest was prevailed in the company,
- Under re-vesting program administration of the company was placed under a competent Authority and supervision of operation of the company was assigned to then line ministry.
- On 10th June 2011, Board of Directors was appointed for the administration of the Company.

2.5 Events during the year ended 31.03.2014

- Launching an initialization activity for constructing a new warehousing complex at Hambanthota.
- Conducting training programs for enhancement of skill of internal staff.
- Initiation of a project in improvement of Information Technology to aiming to expanding to Enterprise Resource Planning system.

3. Management discussion and analysis

3.1 Product folio

Under Government Fertilizer Subsidy program decided to continue to distribute main three fertilizers Urea, MOP and TSP at Rs, 7,000 per MT.

National Fertilizer Secretariat (NFS) is the government arm which decides the fertilizer requirement of the country for paddy cultivation based on the cultivable land under two main season Yala and Maha in accordance with the recommendation made by the relevant research institutions.

Thus paddy fertilizers under Government Fertilizer Subsidy scheme are distributed the direction of the NFS through 557 ASC net - Work Island wide

In 2010 the fertilizer for other corps also were brought under the umbrella of subsidy scheme by controlling the price of one MT to Rs. 24,000

Government has set the sales prices as

Subsidized paddy fertilizer at	Rs. 7,000 per MT
Subsidized other crop direct fertilizer at	Rs. 24,000 per MT
Subsidized other crop mixed fertilizer at	Rs. 26,000 per MT

Sales discounts for FY 2013/14

As determined by NFS, for purchases of one M.T. of paddy by ACS are given discounts on the following basis

Rs. 330 for purchase made from DFSs

Rs. 314 for purchases from stores complex at Hunupitiya for ACS situated beyond 30 KM from Hunupitiya

Rs. 290 for purchases from Hunupitiya with approval of NFS

CCF operates as one of two main government fertilizer distributors for paddy cultivation in Sri Lanka. NFS has allocated to CCF to distribute and sell about 35% of total paddy fertilizer requirements to paddy cultivation.

CCF deals very limited quantity of other crop fertilizer

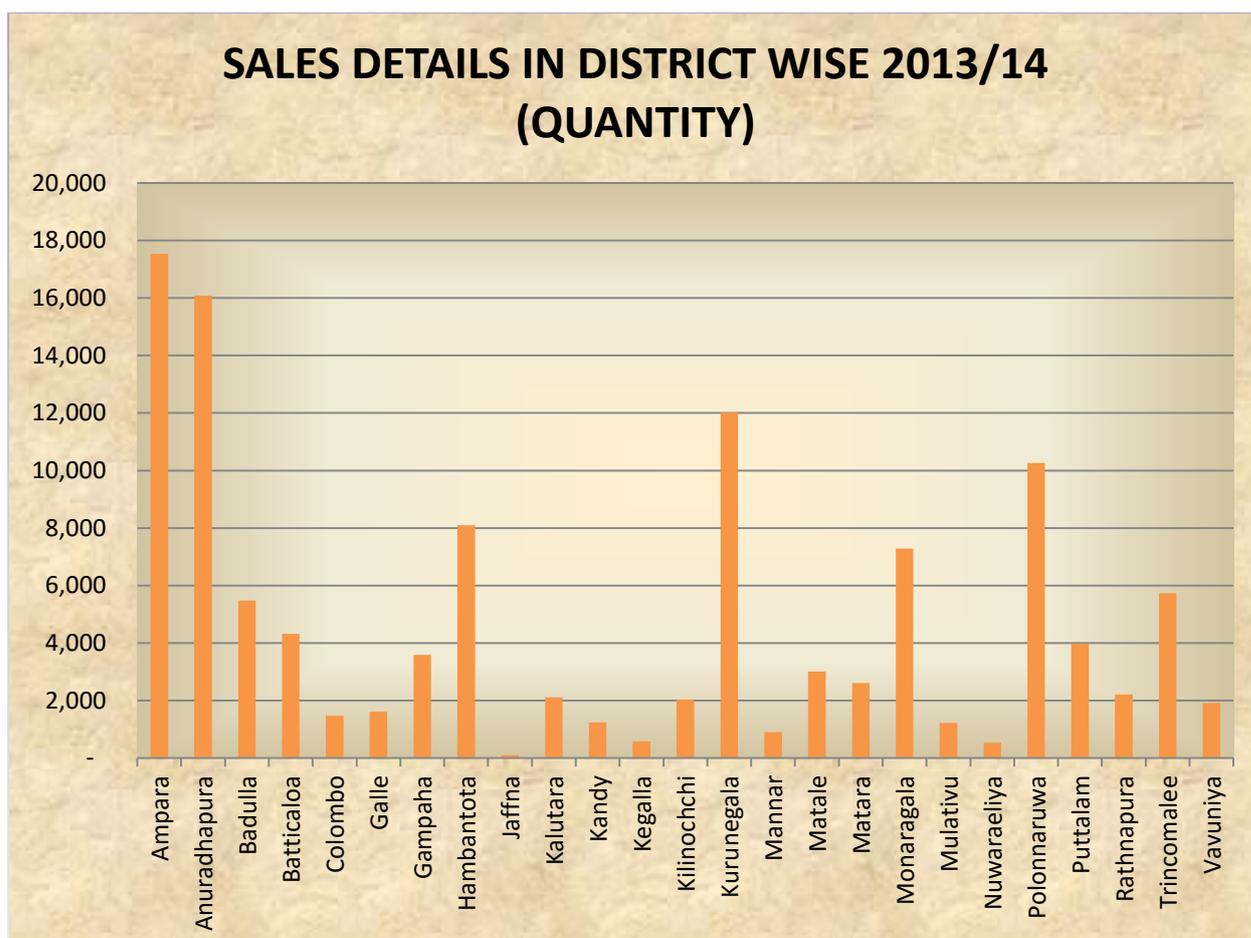
3.2 Business review

Participation in distribution of paddy subsidy and sales of other fertilizer during last two was as follows:

Type of Fertilizer	Total quantity MT	
	2013/14	2012/13
Urea Paddy	61,465.800	79,017.350
MOP Paddy	18,477.700	23,269.400
TSP paddy	15,987.700	26,745.100
		-
Urea Other crops	14,006.115	3,483.658
MOP other crops	3,431.941	471.903
TSP other crops	2,586.582	1,706.699
Other fertilizers	506.662	91.584

Sales made during financial year 2013/14 in accordance with the districts

Sales operations are carried out in 24 districts under 17 sub stores the highest sales volume was achieved in Ampara district and Anuradahapura District as shown in the chart and the table.



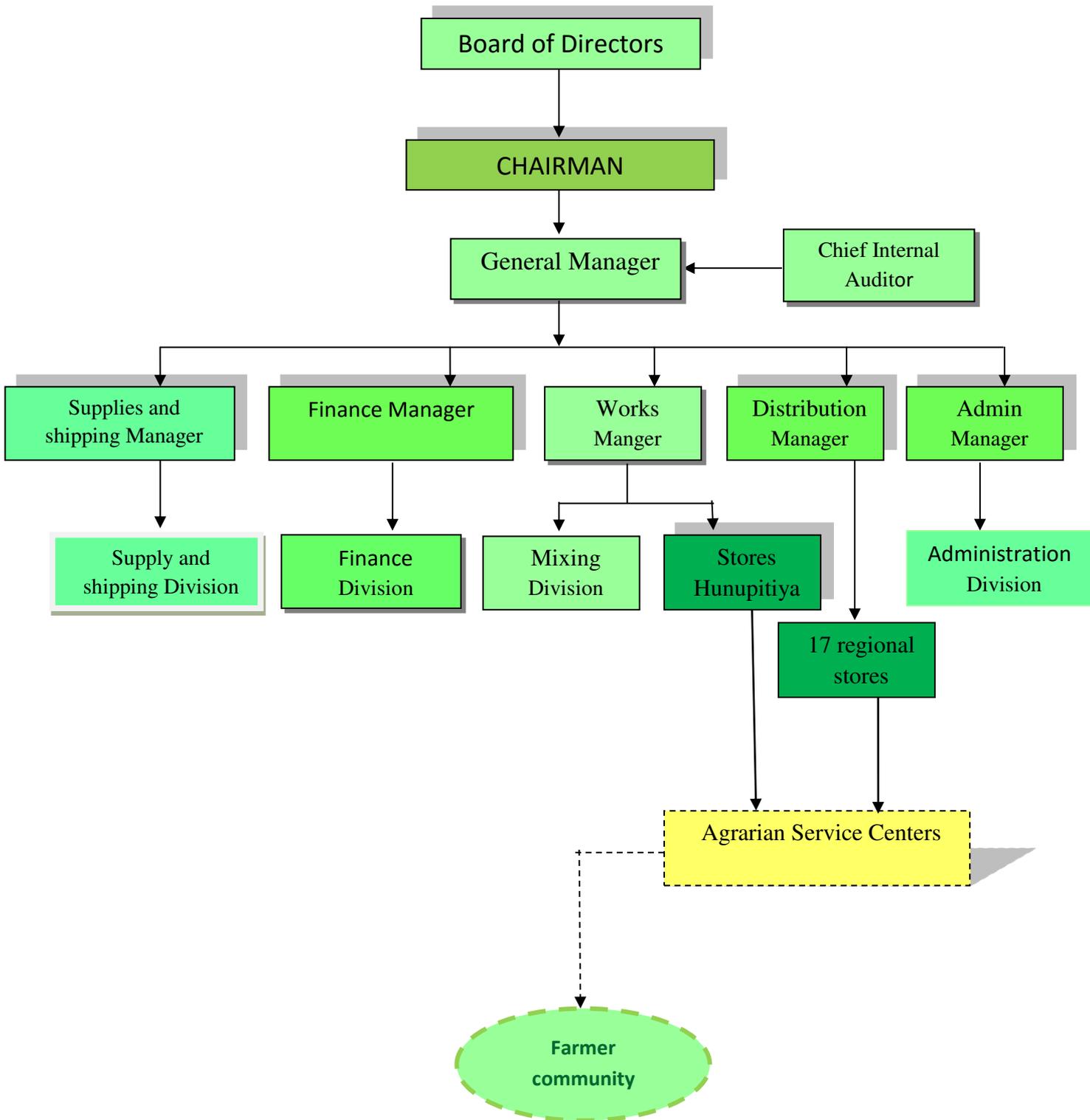
SALES DETAILS IN DISTRICT WISE. (QUANTITY)

District	Type of fertilizer in (MT)			Total (MT)
	Urea	T.S.P.	M.O.P	
Ampara	11,633	2,928	2,975	17,537
Anuradhapura	11,217	2,560	2,298	16,075
Badulla	3,771	690	1,020	5,481
Batticaloa	2,854	695	770	4,319
Colombo	728	255	491	1,474
Galle	699	253	661	1,613
Gampaha	1,983	470	1,138	3,590
Hambantota	5,134	1,370	1,589	8,093
Jaffna	98	2	1	101
Kalutara	878	365	874	2,117
Kandy	748	213	273	1,235
Kegalla	363	94	128	584
Kilinochchi	1,332	348	358	2,037
Kurunegala	8,000	1,918	2,093	12,011
Mannar	549	216	140	905
Matale	1,866	571	577	3,013
Matara	1,269	457	886	2,611
Monaragala	5,142	1,051	1,098	7,291
Mulativu	789	205	226	1,221
Nuwaraeliya	343	82	117	542
Polonnaruwa	6,831	1,701	1,724	10,256
Puttalam	2,657	576	750	3,982
Rathnapura	1,451	300	466	2,217
Trincomalee	3,823	951	959	5,733
Vavuniya	1,313	305	300	1,918
Total	75,472	18,574	21,910	115,956

3.3 Organizational structure and distribution net work

As the prices and volume of fertilizer are fixed the prospect of the company is depend on the efficiency and effectiveness of company organizational structure and distribution channel.

Organization chart of CCF

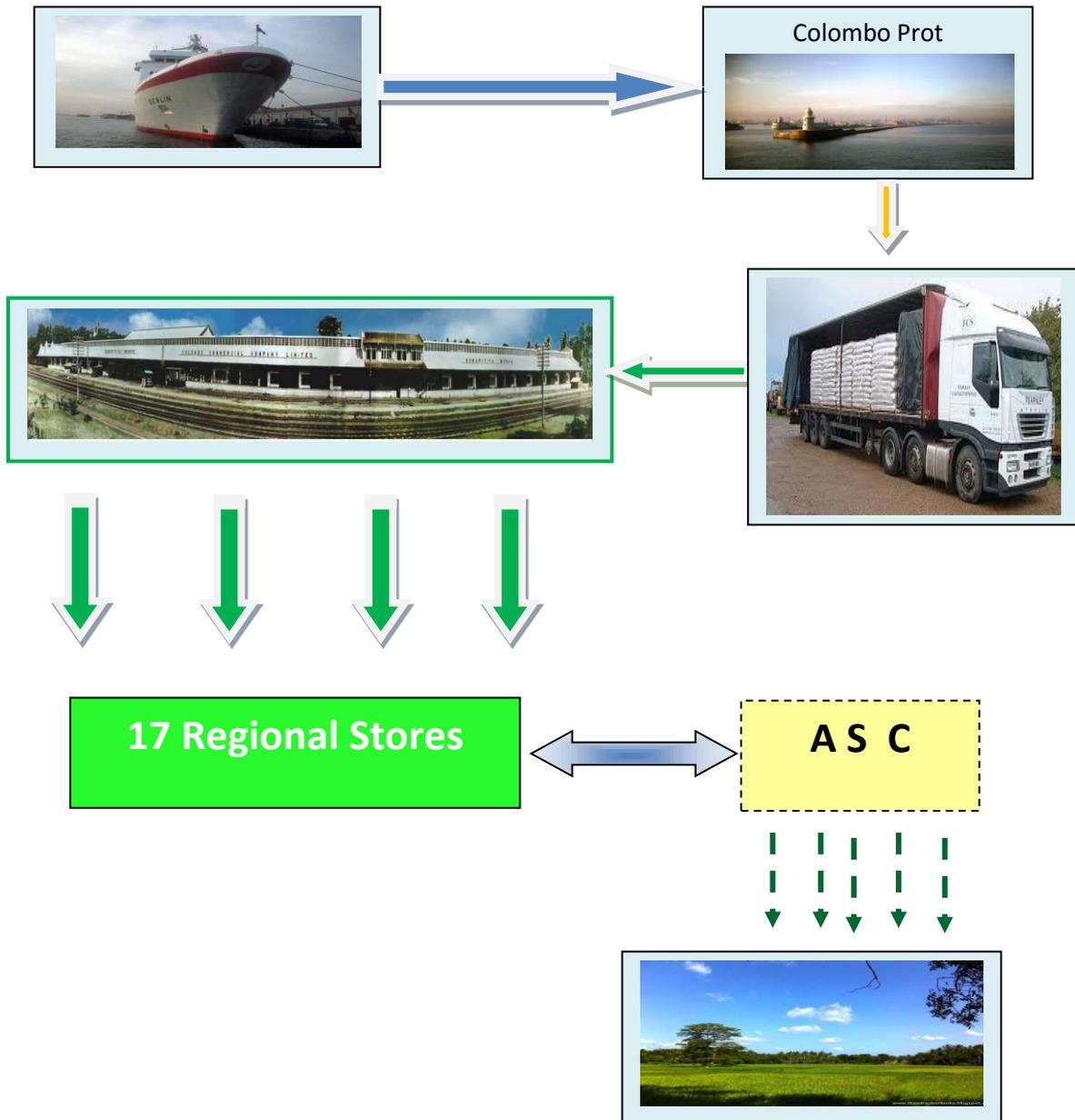


3.4 Supply chain management

Planning, execution, control, and monitoring of supply chain activities are come under Supplies and shipping Manager. He is responsible to the management of upstream and downstream value-added flows of fertilizer, and related information among suppliers, company and state institution.

Main objective of CCF in supply chain strategies is to link the chains that work together efficiently to create customer satisfaction at the end point of delivery to the farmer community As a consequence, costs must be lowered throughout the chain by driving out unnecessary expenses, movements, and handling. The main focus is turned to efficiency and added value,

Flow of supply chain management

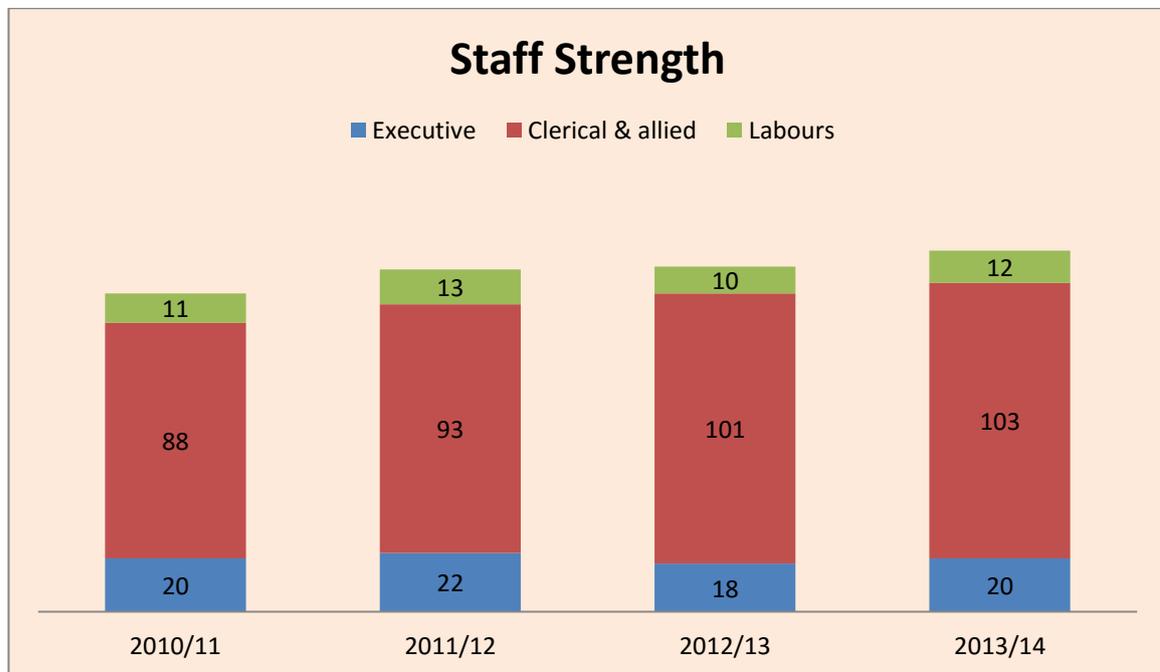


Distribution network of regional stores



3.5 Human capital indicators

Employees of the organization are considered as our human capital. CCF gradually increased our carder strength as demand by the working environment.



CCF has very strong young human capital that assists our future sustainability in immense ways.

Currently CCF's executive base is building from young executives meanwhile about 50% executive staff were above 50 years of age.

3.6 Human Capital Financial review

Year	2013/14	2012/13	2011/12	2010/11
Revenue per employer (Rs. 000)	7,795	6,719	7,497	8,994
Profit per employee (Rs. 000)	836	956	1,652	1,770
No of Employees	135	129	131	119

3.7 Programs for human capital development

Name of Training	Institution at which the training received	Number of officers participated
Workshop for Store Keepers	Skills Development Fund Limited	35

4. Financial Reporting

4.1 Review by the Board of Directors

Our product

Our company was in the service to the nation more than centuries still maintain the same spirit of service keeping our name among farmer community all over country. Currently the most of our efforts are concentrated to extend the benefit of Government fertilizer subsidy paddy fertilizer in time to the farmer community.

This company is having a very popular name among the farmer communities under our brand name '*Commercial Pohora*' and distributes 35% of the paddy fertilizers across the country under the '*Commercial Pohora*' brand name. Apart from the distribution to paddy crops CCF Ltd does distribute considerable volume of fertilizers to other field crops, such as Tea, Coconut, vegetable and other minor export crops also.

Our strength

The corporate plan for the year 2011 - 2016 and the operational plan for 2012 - 2015 have been formulated and implementing in the process of the annual procurement plan has been formulated based on the total national requirement of fertilizers with the assistance of National Fertilizer Secretariat and the Ministry of Agriculture. The annual distribution plan also formulated with the assistance of National Fertilizer Secretariat and the Ministry of Agriculture and was implemented satisfactory to all the stake holders of the company.

Our achievement during year

CCF Ltd adapted and published financial reports in compliance with the International Financial Reporting Standards (IFRS) and Sri Lanka Accounting Standards (LKAS).

The company's permanent cadre and scheme of recruitment procedure was introduced with approval of the Department of Management Services. In order to enhance the efficiency and productivity of the company's staff, CCF Ltd has arranged for the short term training programmers.

During the said financial period CCF Ltd has earned a profit before tax of Rs. 209 million against to the earlier year 2012/13 of Rs. 182 million.

Our Future outlook

CCF is currently in the process of implementation the computer networking system linked to Enterprises Resources Planning system to suit the requirement of the company's business environment this activity are in the initial stage and expected to be implemented in full from the year 2014/2015 financial year.

Our Corporate governances

During the reporting year 12 Board of Directors meetings were held.

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

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

Operational activities are subject to our directions, guidance and reviews.

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

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

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



N.S.M.Samsudeen (*Attorney at Law*)

Chairman



Mr.D.Wijayaratne

Executive Director



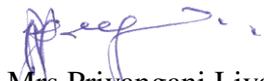
Mr.Rohana Alwis

Director



Mr.N.P.Amarathunga

Director



Mrs.Priyangani Liyanage

Director



Mr.S.M.W.Korasagalla (*Attorney at Law*)

Director



Mr.T.M.K.Thannakoon (*Attorney at Law*)

Director



Mr.S.P.Morawaka (*Attorney at Law*)

Company Secretary

Statement of Directors' Responsibilities

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

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

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

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards (SLFRS), Sri Lanka Accounting Standards (LKAS) 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 Co. 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 report of the Auditors, shown on page 19 on words sets out their responsibilities in relation to the Financial Statements.

Compliance Report

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



S.P. Morawaka

By order of the Board

Colombo Commercial Fertilizers Ltd.

Secretaries

Chairman's and Financial Manager's Responsibility Statement

The Financial Statements of Colombo Commercial Fertilizers Ltd., as at 31st March 2014, are prepared and presented in compliance with the requirements of the following.

- Sri Lanka Financial Reporting Standards and 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 the General Treasury

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

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

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits, and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by Auditor General of Democratic Socialist Republic of Sri Lanka



N.S.M. Samsudeen
Chairman



H.N. Ariyadasa
Finance Manager

The Chairman
Colombo Commercial Fertilizer Limited

Report of the Auditor General on the Financial Statements of the Colombo Commercial Fertilizer Company Ltd for the year ended 31 March 2014.

The audit of Financial Statements of the Colombo Commercial Fertilizer Company Ltd for the year ended 31 March 2014 comprising the statement of financial position as at 31 March 2014 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction. The matters observed during the course of the audit appear in this report. A detailed report on the financial statements, operations and performance was issued to the Chairman of the company on 14 November 2014.

1:2 Management's Responsibility for the Financial Statements

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

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

2. Financial Statements

2:1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Colombo Commercial Fertilizer Company Ltd as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2:2 Comments on Financial Statements

2:2:1 Accounting Deficiencies

Even though recovery of the debts amounting to Rs. 5,267,231 of 21 debtors relating to the years 1996 to 2006 in an uncertain status, an adequate provision for that had not been made.

2:2:2 Unexplained Differences

The Value of the stock of fertilizer as at 31 March 2014 according to the stock ledgers of the Finance Division amounted to Rs. 71,611,445 and that value according to the stock ledgers of the stores amounted to Rs. 72,494,890. Action had not been taken to identify and account for the difference of Rs. 883,445.

2:3 Accounts Receivable

The following observations are made.

- (a) Even though the maximum debt period for the trade debtors had been stated as 90 days in the Notes to the financial statements, the debtors balance amounting to Rs. 28,952,494 as at 31 March 2014 included a debtors balances amounting to Rs. 28,680,576 older than one year.
- (b) The debtors balance amounting to Rs. 5,972,262 receivable from the Agrarian Services Centers in relation to the period from the year 2006 to the year 2013, included the debtors balances order than 05 years receivable from 10 centers amounted to Rs. 2,549,304 and the follow up action on the recovery of those debts had been at a weak level.
- (c) Debts older than 03 years amounting to Rs. 8,042,990 receivable from a fertilizer company remained in an irrecoverable position.

2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliances with the following laws, rules, regulations, etc. were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
-----	-----
(a) Management Services Circular No. 01/2013(i) of 09 December 2013.	Even though the financial statements should be prepared and presented to the Auditor General on the date specified for the payment of bonus or prior to such date, a sum of Rs. 1,641,754 had been paid as bonus prior to that.
(b) Government Procurement Guidelines of 25 January 2006.	
I. Section 8.9.1(b)	A contract agreement should be executed before awarding a contract for the supply of goods or services exceeding Rs. 500,000 in value. Nevertheless, contracts had been awarded to two transport contractors for the years 2012/13 without executing agreements.
II. Section 8.11.4 (a) and (b)	Even though action should be taken to inform the secretary to the line Ministry regarding the contractors who fail to submit performance security, transport contracts had been awarded to three contractors who had not submitted performance security without taking such action. The contractor who had been awarded the transport services in 05 districts in March 2012, had not submitted performance security at that time. But after the elapse of one year, a sum of Rs. 1,900,000 had been retained from his bills in March 2013 as performance security.

2:5 Transactions not supported by Adequate Authority

The following observations are made.

- (a) Even though the Board of Directors had approved the payment of a sum equivalent to Rs. 8,000,000 as the incentive allowance, a sum of Rs. 9,988,798 had been paid as the incentive allowance. As such a sum of Rs. 1,988,798 exceeding the approved amount had been paid.
- (b) Instead of the 1/20 allowance payable to the staff officers, the board of directors had decided to pay with effect from May of the year under review at the rate of Rs. 2,750 per Manager, Rs. 2,000 per Assistant Manager and Rs. 1,500 per Junior Manager per day. But the approval of the treasury had not been obtained in that connection and allowances amounting to Rs. 1,329,479 had been paid during the year under review.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the operations of the Company for the year under review had resulted in an after tax net profit of Rs. 112,887,642 as compared with the corresponding after tax net profit of Rs. 123,182,724, thus indicating a deterioration of Rs. 10,295,082 in the financial result. The gross profit for the year under review and decreased by Rs. 164,765,267 and the deterioration had been due to the increase of the non-operating income by a sum of Rs. 20,531,123, the decrease of the administrative expenditure by a sum of Rs. 171,290,228 and the increase of taxes by a sum of Rs. 37,351,167.

3:2 Analytical Financial Review

The significant variances observed in the financial results for the year under review and the preceding year are given below.

- (a) The sale of paddy lands fertilizer in the year under review had decreased by 20 per cent and sale of fertilizer for other crops had increased by 273 per cent. As such the overall sales income had increased by 21 per cent.
- (b) In view of the decrease of the quantity of fertilizer imported in the year under review by 12 per cent and the decrease of the import prices, the cost of sales had decreased by 29 per cent.
- (c) The financial expenses for the year under review had decreased by 57 per cent due to the reimbursement of the entire short term loan interest and the long term loan interest by the Treasury and the action taken to settle the import bills on the specified dates.

3:3 Financial Position

A long term loans of Rs. 10,598 million had been obtained for the settlement of the short term loan balances amounting to Rs. 10,183 million and the interest on those loans for 3 months amounting to Rs. 415 million. Out of that a sum of Rs. 2,061 million had been paid in installments during the year under review and as such a long term loan balance of Rs. 8,537 million remained as at the end of the year under review. Out of that a sum of Rs. 5,005 million had been shown under the non-current liabilities and a sum of Rs. 3,532 million had been shown under the current liabilities. Accordingly, the non-current liabilities had increased by 18,802 per cent.

4. Operating Review

4:1 Management Inefficiencies

The following observations are made.

- (a) The National Fertilizer Secretariat had approved in December of the year under review that 2,500 metric tons of paddy lands fertilizer should be sold as fertilizer for other crops in bags price marked at Rs. 1,200 and had instructed that those should not be sold in the same bags by revising or removing prices of Rs. 350 printed on the fertilizer bags. Nevertheless, contrary to the instruction,

7,523 metric tons of paddy fertilizer had been sold as fertilizer for other crops by revising the price of Rs. 350 printed on the bags as Rs. 1,200.

(b) The institution which supplied in labour services for the year 2012/2013 had been engaged for the supply of labour services for the year 2013/14 by granting an extension of the agreement. The Procurement Committee had given approval for the increase of the previous prices by 10 per cent with effect from April of the year under review.

(c) A stock of 183,475 metric tons of Triple Super Phosphate fertilizer, wet due to absorption of water had been sold by packing at 25 kilograms per bag without obtaining confirmation as fit for use.

5 Accountability and Good Governance

5:1 Presentation of Financial Statements

According to section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements should be prepared and presented to audit within 60 days after the close of the year of accounts. Nevertheless, the draft financial statements for the year 2013/14 had been presented to audit only on 04 August 2014, that is, after a delay of 2 months.

5:2 Tabling of Annual Reports

The Annual Report of the Company for the year 2012/13 had not been tabled in Parliament even by 12 November 2014.

5:3 Unsettled Audit Paragraphs

Even though the Committee on Public Enterprises had, at the meeting held on 05 July 2012, informed the company of the need for the formulation of an Incentive Procedure approved by the General Treasury, the approval of the General Treasury for the Procedure prepared had not been obtained even by 31 October 2014.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Company from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fertilizer Distribution Process
- (b) Stock Controls
- (c) Payment Controls
- (d) Procurements
- (e) Staff Administration



W.P.C. Wickramaratne
Acting Auditor General

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

THE YEAR ENDED 31 MARCH		2014	2013
	NOTE		
Revenue	10	1,041,775,830	858,118,109
Subsidy on Cost of Sales	11 a	5,365,407,153	8,385,934,065
Cost of Sale	11 b	(6,363,623,362)	(9,035,727,286)
Gross Profit		<u>43,559,621</u>	<u>208,324,888</u>
Subsidy on Institutional Overheads	11 c	164,085,974	190,388,603
Other Income	12	54,675,903	21,234,145
		<u>262,321,498</u>	<u>419,947,636</u>
Administrative Expenses		(89,074,702)	(77,979,300)
Selling and Distribution Cost		(11,816,817)	(154,471,085)
Other Expenses		(1,034,547)	(3,810,241)
Profit from Operation		<u>160,395,432</u>	<u>183,687,010</u>
Net Finance Cost	13	48,589,241	(1,758,422)
Finance Income	13.a	(75,903,220)	(62,511,226)
Finance Expenses	13.b	27,313,980	64,269,648
Profit (Loss) before Tax	14	208,984,673	181,928,588
Income Tax Expenses	15	(96,097,031)	(58,745,864)
Net Profit for the year		<u>112,887,642</u>	<u>123,182,724</u>
Basic Earnings per Share	16	11.29	12.32
Other Comprehensive Income			
Total Comprehensive Income for the Year		<u>112,887,642</u>	<u>123,182,724</u>

Figures in brackets indicates deductions.

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2014

	NOTE	2013/2014 Rs.	(RESTATED) 2012/2013 Rs.
NON CURRENT ASSETS			
Property Plant and Equipments	17	327,945,303	223,942,057
Capital Work in Progress	18	1,078,857	29,191,969
		<u>329,024,160</u>	<u>253,134,026</u>
CURRENT ASSETS			
Inventories and other consumables	20	138,343,689	184,649,069
Trade and Other Debtors	21	14,415,302,158	11,766,594,294
Employees Loans and Advances	22	9,542,247	11,401,972
Deposits and Advances	23	4,266,032	7,564,046
Other Financial Assets	24	333,016,116	294,331,756
Cash at Bank	25	590,049,718	335,262,627
TOTAL CURRENT ASSETS		<u>15,490,519,960</u>	<u>12,599,803,765</u>
TOTAL ASSETS		<u>15,819,544,120</u>	<u>12,852,937,791</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Stated Capital	26	100,000,000	100,000,000
Capital Reserve	27	1,683,685	1,683,685
Reconstruction and Revalue Reserve	28	288,947,577	288,947,577
Retained Earnings		977,951,904	875,064,262
		<u>1,368,583,166</u>	<u>1,265,695,524</u>
NON CURRENT LIABILITIES			
Retirement Benefit Obligation	29	9,179,603	6,421,801
Deferred Taxation	30	53,028,316	20,385,523
Interest Bearing Borrowings	31	5,005,000,899	-
		<u>5,067,208,818</u>	<u>26,807,324</u>
CURRENT LIABILITIES			
Interest Bearing Borrowings	31	4,294,898,843	10,715,949,860
Trade and Other Payables	32	4,758,679,621	527,107,610
Dividend Payable	33	10,000,000	10,000,000
Deposits and Advances Received	34	20,482,324	15,602,676
Statutory Payables	35	262,397,559	273,083,253
Accrued Expenses	36	37,293,789	18,691,544
TOTAL CURRENT LIABILITIES		<u>9,383,752,136</u>	<u>11,560,434,943</u>
TOTAL EQUITY & LIABILITIES		<u>15,819,544,120</u>	<u>12,852,937,791</u>

I certify that these Financial Statements of the Company comply with the requirements of the Companies Act No. 07 of 2007. Notes to the Financial Statements on pages 42 to 59 form an integral part of these Financial Statements.

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



FINANCE MANAGER

H.N. Ariyadasa

The Board of Directors is responsible for preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board.



CHAIRMAN

N.S.M. Samsudeen

Dated November 08, 2014 at Colombo.



DIRECTOR

J.P. Priyangani Liyanage

Figures in brackets indicates deductions.

(Expressed in Sri Lankan Rupees)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2013

	SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVE	REVALUAION RESERVE	RETAINED EARNINGS	TOTAL
RETAINED BALANCE AT 31-03-2012	100,000,000	1,683,685	-	288,947,577	956,135,597	1,346,766,858
Dividend	-	-	-	-	(10,000,000)	(10,000,000)
Adjustment to subsidy receivable	-	-	-	-	(194,254,059)	(194,254,059)
Net Profit/Loss for the Period	-	-	-	-	123,182,724	123,182,724
RETAINED BALANCE AT 31-03-2013 (Restated)	100,000,000	1,683,685	-	288,947,577	875,064,262	1,265,695,523
Net Profit/Loss for the Period	-	-	-	-	112,887,642	112,887,642
Dividend	-	-	-	-	(10,000,000)	(10,000,000)
RETAINED BALANCE AT 31-03-2014	100,000,000	1,683,685	-	288,947,577	977,951,904	1,368,583,165

Figures in brackets indicates deductions.

(Expressed in Sri Lankan Rupees)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
Cash Flows from Operating Activities		
Profit Before Taxation	208,984,673	181,928,588
<i>Adjustments for;</i>		
Depreciation	17,952,199	15,358,640
Gratuity Charge for the Year	2,882,050	517,835
Interest Income	(75,903,220)	(62,511,226)
Interest Expenses	27,313,980	64,269,648
Operating Profit Before Changes in Working Capital	181,229,681	199,563,485
Changes in Working Capital		
Inventories	46,305,380	(18,864,688)
Trade and Other Receivables	(2,648,707,866)	(2,289,672,276)
Deposits and Advances	3,298,014	3,885,435
Employees Loans and Advances	1,859,725	3,615,407
Trade and Other Payables	4,231,572,011	(5,027,139,046)
Statutory receivable	(4,053,963)	(2,247,564)
Deposits and Advances Received	4,879,648	(5,467,675)
Accrued Expenses and Provision	18,602,245	(3,111,961)
Cash Generated from Operations	1,834,984,876	(7,139,438,883)
Gratuity Paid	(124,248)	(3,092,458)
Interest Paid	(27,313,980)	(64,269,648)
Taxes Paid	(70,085,969)	(60,385,251)
Net Cash Flow from Operating Activities	1,737,460,679	(7,267,186,241)
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(121,955,444)	(30,492,638)
Increasing the investment on working capital	28,113,112	(17,038,777)
Net Investments in Other Financial Assets	(38,684,359)	170,362,495
Interest Received	75,903,220	62,511,226
Net Cash used in Investing Activities	(56,623,471)	185,342,307
Cash Flows from Financing Activities		
Dividends Paid During the Year	(10,000,000)	(8,000,000)
Borrowings During the Year	9,299,899,742	10,715,949,860
Settlements of Borrowings During the Year	(10,715,949,860)	(3,586,937,069)
Net Cash used in Financing Activities	(1,426,050,118)	7,121,012,791
Net Changes in Cash and Cash Equivalents During the Year	254,787,090	39,168,857
Cash and Cash Equivalents at Beginning of the Year	(Note) 335,262,628	296,093,770
Cash and Cash Equivalents at End of the Year	590,049,718	335,262,628

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 owned by the Government of Sri Lanka.

The registered office and principle place of business of the company is located at 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 years

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 2014 were authorized for issue in accordance with a resolution of the Board of Directors dated November 08, 2014.

1.5 Number of employees

The number of employees of the Company

31st March 2014

31st March 2013

• Executive Staff - 19	• Executive Staff - 18
• Clerical & Allied - 102	• Clerical & Allied - 98
• Labour - 12	• Labour - 10
133	126

2. Basis of preparation

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

- Land and buildings stated at valuation done on 12.03.2007
- Financial instrument at fair value through profit and loss are measured at fair value
- Defined benefit obligation is measured after actuarially valuing and 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 revalued amounts with changes in fair value being recognized in other comprehensive income. The Company engaged Government valuer to determine fair value as at 12.03.2007. Further details of the land are explained in Note 22.

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.

Notes to the Financial Statements for the year ended 31 March 2014

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 cost accumulated depreciation and accumulated impairment losses, if any, whilst land is measured at fair value.

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 freehold land and buildings. Property plant and equipment were carried at fair valued amount, being their fair value at 12.03.2007 the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

The Company has elected revalued amount of property, plant and equipment except land and buildings as deemed cost at 12.03.2007 the date of the revaluation. Accordingly the property, plant and equipment except land and buildings are stated at deemed cost less accumulated depreciation and any accumulated impairment losses.

The Company measures land and buildings at revalued amounts and changes in fair value was recognized in the statement of equity. The Company engaged Government Chief Valuer to determine fair value of land and buildings in 12.03.2007

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.

3.2.8. 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	05 Years
Motor Vehicles	05 Years
Office Equipment	05 Years
Office Furniture	10Years
Workshop Tools	05 Years
Lab Equipment	05 Years
Computer Accessories	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.

3.2.9.1 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 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 Intangible assets

Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment.

3.4 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.

3.5 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 are in cash during the normal operating cycle or within one year from the Statement of financial position ate whichever is shorter.

3.5.1 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 Consumables are stated at cost

3.6. Financial Instruments

3.6.1 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 classified 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

3.6.1.1 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.

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

3.6.2. Subsequent Measurement

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

3.6.2.1. 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 of discount or premium on acquisition and transaction costs.

3.6.2.2. 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.

3.6.2.3 Derecognition

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 expire.

3.6.3 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.

3.7 Financial Liabilities

3.7.1. Non derivative financial liabilities

3.7.1.1 Initial recognition and measurement

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

3.7.2 Offsetting

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

3.8 Trade Receivables

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

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

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

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

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

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

3.9 Cash and Cash Equivalents

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

3.10 Stated Capital

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

3.11 Trade and Other Payables

The Company's other financial liabilities include borrowings, trade and other payables and bank overdraft. Trade and other payables are recognized initially at fair value, which is the transaction price and subsequently measured at the original invoice value as they are expected to be paid within a short period, such that the time value of money is not significant.

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

3.1 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.

3.11.2. 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

3.12 Borrowing Cost

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

3.13 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.

3.13 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.

3.13.1 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

3.13.2 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.

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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized

3.14 Employee Benefits

The Company has both defined contribution plans and defined benefit plan

3.14.1 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

3.14.2 Employees' Provident Fund

The company and employees contribute 15% and 10% respectively of the salary of each employee to the Employees Provident Fund. Managed by the Central Bank of Sri Lanka.

3.14.3. 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.

Contributions to defined contribution plans are recognized as an expense in the income statement as incurred

3.14.4 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 by qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - "Employee benefits". Such actuarial valuations will be carried out once in every year.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of comprehensive income in the period in which they arise.

In respect of any gains and losses arising from actuarial valuation that arise in calculating the Company's obligation in respect of employee benefits, 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

3.14 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.

3.15 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.

3.16 Capital commitments & contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by 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.

3.17 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.

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 and when it is probable that future economic benefits will flow to the Company.

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.

5.1.1 Interest Income

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

5.1.2 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 an 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 caprice is charged.

9. 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.

9.1 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.

9.2 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 trousers 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 39 financial 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.

9.3 SLFRS 10-Consolidated financial statements

This standard becomes effective for annual periods beginning on or after 1 January 2014.

9.4 SLFRS 11-Joint arrangements

This standard becomes effective for annual periods beginning on or after 1 January 2014.

9.5 SLFRS 12 – Discloser of interest in other entities

This standard becomes effective for annual periods beginning on or after 1 January 2014.

Notes to the Financial Statements for the year ended 31 March 2014*(Expressed in Sri Lankan Rupees)*

		2014	2013
10 REVENUE			
Gross Revenue		1,052,298,820	866,809,058
Nation Building Tax (NBT)		<u>10,522,990</u>	<u>8,690,949</u>
		<u>1,041,775,830</u>	<u>858,118,109</u>
11 a Subsidy on Cost of Sales		5,365,407,153	8,385,934,065
This represents the part of treasury grants for reimbursement of direct expenses incurred in respect of implementation of Mahinda Chinthana fertilizer subsidy schemes.			
11 b Cost of Sale			
Purchases	(Note 11.b.1)	6,108,287,745	8,880,567,513
Direct Expenses	(Note 11.b.2)	<u>166,763,810</u>	<u>142,312,403</u>
Cost of Production		6,275,051,555	9,022,879,915
Finish Goods as at 01 April		173,460,034	144,605,717
Stock Shortage/Excess	(Note 11.b.3)	-	110,042
Finish Goods as at 31 March		<u>(128,571,342)</u>	<u>(173,460,034)</u>
		6,319,940,247	8,994,135,639
General Overheads	(Note 11.b.4)	<u>43,683,115</u>	<u>41,591,646</u>
		<u>6,363,623,362</u>	<u>9,035,727,286</u>
11.b.1 Purchases			
Import of Fertilizer Value		5,987,397,644	8,977,230,681
Contact labour wages		32,445,841	33,707,325
Transport Charges		114,327,053	115,585,414
Packing Materials		2,997,283	4,650,168
Exchange Gain		<u>(28,880,076)</u>	<u>(250,606,076)</u>
		<u>6,108,287,745</u>	<u>8,880,567,513</u>
11.b.2 Direct Expenses			
Labour Charges	Note 11.b.2.1	5,174,596	4,893,398
Regional Stores Expenditure		95,979,685	60,042,898
Transport Charges to District Fertilizer Stores		<u>65,609,528</u>	<u>77,376,107</u>
		<u>166,763,810</u>	<u>142,312,403</u>

Figures in brackets indicates deductions.

Notes to the Financial Statements for the year ended 31 March 2014*(Expressed in Sri Lankan Rupees)***11.b.2.1 Labour Charges**

	2014	2013
Wages	2,955,646	2,663,220
Employees Provident Fund	354,702	321,995
Employees Trust Fund	88,675	80,499
Over Time & 1/20th Allowance	696,034	554,960
Unutilized Staff Leave & Incentive	16,128	14,271
Unutilized Medical Leave	182,671	196,303
Welfare & Medical	38,240	524,114
Meal Money & Combine Allowance	24,895	12,485
Incentive Payment	671,284	525,552
Bonus	146,321	-
	<u>5,174,596</u>	<u>4,893,398</u>

11.b.4 General Overheads

Spare Parts	3,845,145	3,303,246
Factory Overheads	39,486,999	37,712,387
Laboratory Overheads	350,972	576,013
	<u>43,683,115</u>	<u>41,591,646</u>

11.c Subsidy on Institutional Overheads**164,085,974****190,388,603**

This also represents the part of treasury grants given on 109,391 MT @ Rs. 1,500 for 2013/14 and on 126,926 MT @ Rs. 1,500 for 2012/13 respectively for cost incurred in relations to the administration for effecting of Mahinda Chinthena fertilizer subsidy schemes.

12 OTHER INCOME

Rent Received	1,281,400	1,177,400
Non Refundable Tender Deposit	450,650	335,050
Miscellaneous Income	19,987,355	1,056,216
Sale of Disposable Items	711,949	622,803
Impairment of Debtors	7,955,575	-
Dispatch Money Received	24,288,974	18,042,676
	<u>54,675,903</u>	<u>21,234,145</u>

Figures in brackets indicates deductions.

Notes to the Financial Statements for the year ended 31 March 2014*(Expressed in Sri Lankan Rupees)*

	2014	2013
13 NET FINANCE COST	(48,589,241)	1,758,422
13.a FINANCE INCOME		
Interest on Fixed Deposits	36,485,663	41,780,685
REPO Investments	31,513,374	13,994,533
Notional tax	3,501,486	1,554,948
Withholding tax	4,053,963	4,642,298
Interest from Employees Loans	348,735	538,762
	<u>75,903,220</u>	<u>62,511,226</u>
13.b FINANCE COST		
Bank Charges	12,897,699	12,334,200
Penalty Charges	14,376,800	65
Overdraft Interest	39,481	2,224,617
Short Term Loan Interest	-	24,290,320
Long Term Loan Interest	-	1,650,141
Non Payment of Bill Value Interest	-	23,770,305
	<u>27,313,980</u>	<u>64,269,648</u>
14 PROFIT BEFORE TAX	208,984,673	181,928,588
Profit before tax is stated after charging all expenses including followings		
Depreciation on property plant & equipment's (Note 17)	17,952,199	15,358,640
Auditors remuneration	300,000	300,000
Director fees and remunerations (Note 14.1)	2,228,875	1,662,949
Salaries and wages (Note 14.2)	54,791,521	47,938,979
Allowances for Impairment of debtors	-	511,220
14.1 Director fees and remunerations		
Directors Allowance	1,993,075	1,462,849
Directors Travelling Allowance	235,800	200,100
	<u>2,228,875</u>	<u>1,662,949</u>

Figures in brackets indicates deductions.

Notes to the Financial Statements for the year ended 31 March 2014*(Expressed in Sri Lankan Rupees)*

		2014	2013
14.2 Salaries and wages			
Executive Staff Remuneration	Note 14.2.1	12,202,707	11,398,188
Clerical Staff Remuneration	Note 14.2.2	41,179,190	35,880,667
Head Office Casual / Trainees Remuneration	Note 14.2.3	<u>1,409,624</u>	<u>660,124</u>
		<u>53,296,087</u>	<u>47,938,979</u>

Staff salaries and enumeration for the year ended 31.03.2014

	14.2.1 EXECUTIVE STAFF	14.2.2 CLERICAL & ALLIED STAFF	14.2.3 CASUAL / TRAINEES	TOTAL
Salaries	7,287,365	21,507,477	973,910	29,768,752
Employees Provident Fund	874,484	2,583,006	107,566	3,565,056
Employees Trust Fund	218,621	645,752	26,891	891,264
Unutilized Short Leave & Incentive	-	166,915	-	166,915
Over Time & 1/20th Allowance	951,577	6,734,309	301,256	7,987,142
Unutilized Medical Leave	560,688	1,569,122	-	2,129,810
Welfare & Medical	105,380	540,951	-	646,331
Combine Allowance & Meal Money	18,900	900,540	-	919,440
Incentive Payment	1,925,692	5,295,685	-	7,221,378
Bonus	<u>260,000</u>	<u>1,235,433</u>	<u>-</u>	<u>1,495,433</u>
Total	<u>12,202,707</u>	<u>41,179,190</u>	<u>1,409,624</u>	<u>54,791,521</u>

Staff salaries and enumeration for the year ended 31.03.2013

Salaries	7,135,209	20,260,255	469,950	27,865,415
Employees Provident Fund	856,225	2,431,086	56,394	3,343,706
Employees Trust Fund	214,056	607,772	14,099	835,926
Unutilized Short Leave & Incentive	-	152,135	-	152,135
Over Time & 1/20th Allowance	347,183	5,466,994	119,681	5,933,858
Unutilized Medical Leave	692,210	1,364,457	-	2,056,667
Welfare & Medical	39,032	178,454	-	217,485
Combine Allowance & Meal Money	3,595	662,845	-	666,440
Incentive Payment	<u>2,110,678</u>	<u>4,756,669</u>	<u>-</u>	<u>6,867,347</u>
Total	<u>11,398,188</u>	<u>35,880,667</u>	<u>660,124</u>	<u>47,938,979</u>

Figures in brackets indicates deductions.

(Expressed in Sri Lankan Rupees)

	2014	2013
15 Income Tax Expenses		
Current Tax Expense	63,454,238	49,980,826
Deferred Tax Charge	32,642,793	8,765,039
	<u>96,097,031</u>	<u>58,745,864</u>

15.1 Reconciliation Between the Current Tax Expense and the Product of Accounting Profit

Accounting Profit / (Loss) Before Taxation	208,984,673	181,928,588
Interest for Fixed and repo investment	(67,999,037)	(55,775,218)
Aggregated Disallowable Items	24,947,772	20,519,517
Aggregated Allowable Items	(14,865,617)	(30,142,403)
Income from Other Sources	75,554,486	61,972,464
Profit / (Loss) from Trade or Business	<u>226,622,277</u>	<u>178,502,949</u>
Total Statutory Income	<u>226,622,277</u>	<u>178,502,949</u>
Assessable Income / Taxable Income	<u>226,622,277</u>	<u>178,502,949</u>
Tax Charged at Statutory Tax Rate of 28%	63,454,238	49,980,826
Current Tax on Ordinary Activities for the Year	<u>63,454,238</u>	<u>49,980,826</u>

16 Earnings Per Share

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

16 a Amount used as the Numerator

Net Profit Attributable to Ordinary Shareholders (Rs.)	112,887,642	123,182,724
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	<u>11.29</u>	<u>12.32</u>

Figures in brackets indicates deductions.

Notes to the Financial Statements for the year ended 31 March 2014

(Expressed in Sri Lankan Rupees)

17 *Property Plant and Equipment's*

Cost	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Office Equipment	Total	
Balance as at 31 March 2012	90,000,000	116,724,043	15,531,247	33,876,503	3,933,145	4,875,948	264,940,887	
Additions	-	14,899,843	242,149	12,550,000	327,082	2,473,564	30,492,638	
Disposals	-	-	-	-	-	-	-	
Adjustments	-	-	-	-	-	-	-	
Balance as at 31 March 2013	90,000,000	131,623,886	15,773,397	46,426,503	4,260,227	7,349,512	295,433,525	
Additions	-	120,766,634	671,422	-	130,110	387,279	121,955,444	
Disposals	-	-	-	-	-	-	-	
Balance as at 31 March 2014	90,000,000	252,390,520	16,444,818	46,426,503	4,390,336	7,736,791	417,388,969	
Depreciation								
Balance as at 31 March 2012	-	26,382,936	11,952,430	14,385,263	393,323	3,018,876	56,132,828	
Charge for the Year	-	6,564,639	295,716	7,223,090	414,542	860,654	15,358,640	
Disposals	-	-	-	-	-	-	-	
Balance as at 31 March 2013	-	32,947,575	12,248,146	21,608,352	807,865	3,879,529	71,491,467	
Charge for the Year	-	9,341,099	363,636	6,973,875	842,921	430,667	17,952,199	
Disposals	-	-	-	-	-	-	-	
Balance as at 31 March 2014	-	42,288,674	12,611,782	28,582,228	1,650,786	4,310,196	89,443,666	
Net Carrying Values							2014	2013
Land						90,000,000	90,000,000	
Buildings				5%		210,101,845	98,676,311	
Plant and Machinery				20%		3,833,036	3,525,250	
Motor Vehicles				20%		17,844,275	24,818,151	
Furniture and Fittings				20%		2,739,550	3,452,362	
Office Equipment				10%		3,426,595	3,469,983	
						327,945,303	223,942,057	

Figures in brackets indicates deductions.

Notes to the Financial Statements for the year ended 31 March 2014*(Expressed in Sri Lankan Rupees)***17 Property, Plant and Equipment Contd...**

Land and property situated at Hunupiitya has not yet been vested to CCF. Land of district fertilizer stores located at Seepukulum used for operational activities is not recognized under property, plant and equipment as ownerships or leasing arrangements of such assets are not clear. CCF have constructed and owned stores building only at Seepukulum. The land has not yet been vested to CCF, thus the value of the land is not appearing in PPE.

17.1 Cost of fully depreciated property, plant and equipment which are still in use

	As at	As at
	31-03-2014	31-03-2013
Plant and equipment	14,459,173	14,393,298
Motor vehicle	11,557,126	9,195,500
Office equipment	3,208,821	1,869,041
	29,225,120	25,457,840

18 Work in progress

At Cost	As at	Additions	(Disposals)	As at
	31-03-2013			31-03-2014
	29,191,969	396,501	(28,509,612)	1,078,857
	29,191,969	396,501	(28,509,612)	1,078,857

19 CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amount of the financial assets and liabilities reported in the statement of financial position are as follows,

The Carrying Values of Financial Assets and Liabilities.

		2014	2013
Loans and Receivables			
Trade and Other Receivables	Note 21	14,415,302,158	11,766,594,294
Employees Loans and Advances	Note 22	9,542,247	11,401,972
Other Financial Assets	Note 24	333,016,116	294,331,756
Cash and Cash Equivalents	Note 25	590,049,718	335,262,627
		15,347,910,239	12,407,590,649

The loans and receivables are stated at carrying values as their carrying value approximates the fair value.

TOTAL FINANCIAL ASSETS

15,347,910,239 **12,407,590,649**

FINANCIAL LIABILITIES**Other Financial Liabilities**

Interest Bearing Borrowings	Note 31	9,299,899,742	10,715,949,860
Trade and Other Payables	Note 32	4,758,679,621	527,107,610
Deposits and Advances Received	Note 34	20,482,324	15,602,676
Total Financial Liabilities		14,079,061,686	11,258,660,146

The financial liabilities are stated at amortized cost using the effective interest method.

Figures in brackets indicates deductions.

Notes to the Financial Statements for the year ended 31 March 2014*(Expressed in Sri Lankan Rupees)*

		2014	2013
20	Inventories and other consumables		
20 A	Inventories		
	Fertilizers	128,571,342	173,460,034
	Packing Materials	<u>1,958,133</u>	<u>2,876,816</u>
		<u>130,529,475</u>	<u>176,336,851</u>
20 B	Other consumables		
	General Stores Items	6,308,544	7,077,899
	Stationery	<u>1,505,669</u>	<u>1,234,320</u>
		<u>7,814,213</u>	<u>8,312,219</u>
		<u>138,343,689</u>	<u>184,649,069</u>
21	TRADE DEBTORS AND OTHER RECEIVABLES		
	Trade Receivable	52,729,313	53,144,673
	Less: Impairment of Trade receivable	<u>23,776,819</u>	<u>31,732,394</u>
		<u>28,952,494</u>	<u>21,412,279</u>
	Net Trade Receivable	28,952,494	21,412,279
	Other Receivables	Note 21.1 <u>14,386,349,664</u>	<u>11,745,182,014</u>
		<u>14,415,302,158</u>	<u>11,766,594,294</u>
	The ageing of the trade receivables are as follows		
	Up to 3 Months	271,918	127,996
	More than One Year	<u>52,457,395</u>	<u>53,016,677</u>
		<u>52,729,313</u>	<u>53,144,673</u>
	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 3.6.3		
	The Details of the Trade Receivables		
	Multi Purpose Corporative Society	1,106,341	(98,503)
	Farmers Association	83,595	83,595
	Agrarian Service Centers	6,244,180	7,505,832
	State institution	17,273,941	9,285,861
	Authorized Dealers	<u>28,021,256</u>	<u>36,367,889</u>
		<u>52,729,313</u>	<u>53,144,675</u>

Figures in brackets indicates deductions.

Notes to the Financial Statements for the year ended 31 March 2014*(Expressed in Sri Lankan Rupees)*

	2014	2013
21.1 Other Receivables		
From General Treasury - Subsidies Paddy	13,346,029,865	11,433,490,585
From General Treasury - Other crops	881,265,592	223,585,104
Adjustment to subsidy receivable	<u>-</u>	<u>(194,254,059)</u>
	14,227,295,457	11,462,821,631
From General Treasury - Interest	143,349,526	262,751,752
Ceylon Shipping Corporation Ltd	244,263	1,356,447
Rent Receivable	774,000	118,367
CCF Welfare Society - Loan	20,000	20,000
Fixed Deposit Interest Receivable	12,733,962	18,113,817
A Bour & Co. (Pvt) Ltd. A/C	1,923,656	-
Third Party Deduction	<u>8,800</u>	<u>-</u>
	<u>14,386,349,664</u>	<u>11,745,182,014</u>
22 Employees Loans and Advances		
Distress Loans	9,042,497	10,840,622
Festival Advance	434,750	496,350
Special Loan :-	<u>65,000</u>	<u>65,000</u>
	<u>9,542,247</u>	<u>11,401,972</u>
<p>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.</p>		
23 Deposits and Advances		
Deposits	557,674	477,109
Advance and Pre Payment	<u>3,708,358</u>	<u>7,086,937</u>
	<u>4,266,032</u>	<u>7,564,046</u>
24 Other Financial Assets		
Fixed Deposits	<u>333,016,116</u>	<u>294,331,756</u>
	<u>333,016,116</u>	<u>294,331,756</u>

Figures in brackets indicates deductions.

(Expressed in Sri Lankan Rupees)

		2014	2013
25 CASH AT BANK			
Favorable Balances			
Cash in Hand		22,765	22,765
Regional Stores Contingency Fund		2,347,306	950,406
Repo's		568,000,000	316,000,000
Cash at Bank		<u>19,679,647</u>	<u>18,289,456</u>
		<u>590,049,718</u>	<u>335,262,627</u>
People's Bank Corporate Branch A/C No 004100170211270		8,415,468	12,772,631
People's Bank Corporate Branch A/C No 004100160204816		-	5,418
People 'S Bank Wattala A/C No 222100160976544		5,589,111	4,512,188
Bank Of Ceylon - Wattala A/C No 135670		5,675,069	999,219
		<u>19,679,647</u>	<u>18,289,456</u>
Cash and Cash Equivalents for the Purpose of Cash Flow Statement		<u>590,049,718</u>	<u>335,262,627</u>
26 Issued and fully paid			
Number of Ordinary Shares		<u>10,000,000</u>	<u>10,000,000</u>
Value (Rs.)		<u>100,000,000</u>	<u>100,000,000</u>
27 Capital Reserve		1,683,685	1,683,685
28 Reconstruction And Revaluation Reserve			
Capital Reserve	28.1	122,262,785	122,262,785
Revaluation Reserve 2007	28.2	105,668,272	105,668,272
Revenue Reserve	28.3	<u>61,016,519</u>	<u>61,016,519</u>
		<u>288,947,576</u>	<u>288,947,576</u>

Figures in brackets indicates deductions.

(Expressed in Sri Lankan Rupees)

28.1 Revaluation 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

28.2 Revaluation Reserve 2007 Rs. 106.893,272

Revaluation of fixed assets in March 2007 generated this revaluation reserve amounting to Rs. 103,118,963

28.3 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

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.

29 Retirement Benefits Obligation

	2014	2013
Balance as at 01 April	6,421,801	8,996,424
Expenses Recognized in Comprehensive Income (Note 35.1)	2,882,050	517,835
Payments made during the year	(124,248)	(3,092,458)
Adjustments in Retained Earning at the Date of Transition to SLFRSs	-	-
Balance as at 31 March	9,179,603	6,421,801
29.1 Expense Recognized in Comprehensive Income		
Current Service Cost	590,559	438,605
Interest Charge for the Year	706,359	989,607
(Gain) / Loss Arising From Changes in the Assumptions	1,585,132	(910,377)
	2,882,050	517,835

These assumptions are developed by independent actuarial consultants are based on the management's best estimates of variables used to measure the retirement benefits obligation adopting Projected Unit Credit Method

The principal assumptions used are as follows.

Mortality	67/70	67/70
Discount Rate [%]	11	11
Future Salary escalation rate [%]	2	2
COLA rate [%]	Fixed	Fixed
SPA rate [%]	15	15
Staff Turnover Factor [%] - up to 50 yrs	1	1
- over 50 yrs	0	0
Retirement age [Yrs]	60	60

Figures in brackets indicates deductions.

Notes to the Financial Statements for the year ended 31 March 2014*(Expressed in Sri Lankan Rupees)*

	2014	2013
30 Deferred Taxation		
Balance as at 01 April	20,385,523	11,620,485
(Charge) / Reverse for the Year	32,642,793	8,765,039
Adjustments in Retained Earning at the Date of Transition to SLFRSs	-	-
Balance as at 31 March	<u>53,028,316</u>	<u>20,385,523</u>

30.1 The Analysis of Deferred Tax Assets and Liabilities**Deferred Tax Liability**

From Accelerating Depreciation	<u>62,256,115</u>	<u>31,068,698</u>
	<u>62,256,115</u>	<u>31,068,698</u>

Deferred Tax Assets

From Retirement Benefits Obligation	2,570,289	1,798,104
From Impairment Provisions - Trade Debtors	<u>6,657,509</u>	<u>8,885,070</u>
	<u>9,227,798</u>	<u>10,683,175</u>
	<u>53,028,316</u>	<u>20,385,523</u>

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

31 Interest Bearing Borrowings**Settlement Fall Due More than One Year**

Long Term Loan	<u>5,005,000,899</u>	<u>-</u>
	<u>5,005,000,899</u>	<u>-</u>

Settlement Fall Due Within One Year

Short Term Loan	762,218,843	10,715,949,860
Long Term Loan	<u>3,532,680,000</u>	<u>-</u>
	<u>4,294,898,843</u>	<u>10,715,949,860</u>
	<u>9,299,899,742</u>	<u>10,715,949,860</u>

31.1 Movement of the Loan

Balance as at 01 April	10,715,949,860	3,586,937,069
Obtained During the Year	11,691,945,899	10,715,949,860
Settlements Made During the Year	<u>(13,107,996,017)</u>	<u>(3,586,937,069)</u>
Balance as at 31 March	<u>9,299,899,742</u>	<u>10,715,949,860</u>

Figures in brackets indicates deductions.

(Expressed in Sri Lankan Rupees)

		2014	2013
32 Trade and Other Payables			
Trade Payables	Note 32.1	4,755,545,149	332,706,351
Other Payables	Note 32.2	<u>3,134,472</u>	<u>194,401,259</u>
		<u>4,758,679,621</u>	<u>527,107,610</u>
32.1 Trade Payables			
Bills Payable on L/C		<u>4,755,545,149</u>	<u>332,706,351</u>
		<u>4,755,545,149</u>	<u>332,706,351</u>
32.2 Other Payable			
Lanka Salt Ltd		-	174,082
Audit Fees		603,629	303,629
Ceylon Fertilizer Company Ltd		2,054,756	352,220
Interest Payable -Treasury		241,964	192,748,302
Others		200,350	823,026
Stamp fees payable		(3,476)	-
Union Fees Payable		40	-
Welfare society & Death Donation		<u>37,208</u>	<u>-</u>
		<u>3,134,472</u>	<u>194,401,259</u>
33 Dividend Payable			
As per LKAS dividend should not be provided as dividend is not obligatory event that exists at the end of the reporting period. The dividend should be disclosed in the notes to the financial statements However as per treasury directions all government entities are to be provided dividend to the General Treasury			
34 Deposits and Advances Received			
Employee Security Deposit		840,000	765,000
Refundable Deposits		9,559,903	4,383,314
Customer Deposits & Over Received		<u>10,082,421</u>	<u>10,454,362</u>
		<u>20,482,324</u>	<u>15,602,676</u>

Figures in brackets indicates deductions.

Notes to the Financial Statements for the year ended 31 March 2014*(Expressed in Sri Lankan Rupees)*

		2014	2013
35	Statutory Payables		
	Current Taxation (Note 35.1)	251,421,644	268,418,195
	NTB	11,016,715	4,660,432
	PAYE	<u>(40,800)</u>	<u>4,626</u>
		<u>262,397,559</u>	<u>273,083,253</u>
35.1	Current Tax		
	Balance at 01 April	268,418,195	287,841,054
	Charge for the Year	63,454,238	49,980,826
	Payments Made - Self Assessment	(25,000,000)	-
	Payments Made - to Settle the Previous Liability	(47,895,340)	(60,811,704)
	Set-off Against the Tax Credits - ESC	-	(2,394,734)
	Set-off Against the Tax Credits - WHT	(4,053,963)	(4,642,298)
	- Notional tax	<u>(3,501,486)</u>	<u>(1,554,948)</u>
	Balance at 31 March	<u>251,421,644</u>	<u>268,418,195</u>
36	Accrued Expenses		
	Accrued Expenses	<u>37,293,789</u>	<u>18,691,544</u>
		<u>37,293,789</u>	<u>18,691,544</u>

37 Capital and Other Commitments

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

38 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.

39 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** The Inland Revenue Department has issued assessment notices charging penalties of Rs. 357,589 for 2003/04, Rs. 6,080,959 for 2006/07, Rs.45,362 2007/08 and Rs. 9,486,657 for 2009/10. The management is negotiating with the department for waved of the penalties and in the view that penalties could be get waved off.
- c** 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.

Figures in brackets indicates deductions.

(Expressed in Sri Lankan Rupees)

- d** A case was filed during the year 2008 against CCF Ltd, claiming damage/ loss incurred to 'MS Midgulf International Pvt Ltd' Cyprus for a sum of Rs. 1,736,640,000/- in respect of the supply of 12,000 MT TSP fertilizers. This was due to the non-establishment of letter of credit for this supply bidder has filed case against CCF Ltd. This case was taken up at the Commercial High Court, Colombo and subsequently transferred to the Arbitration center for hearing. Currently this case has been hearing at the Arbitration center.

40 Contingent assets

- a** Vessel MV 'Lok Pratap' carried 11,400 MT MOP during April 2011 had completed discharging with 597 MT MOP short. In this regard CCF Ltd has filed a case against this vessel owner the Shipping Corporation of India to recover the loss incurred to CCF Ltd. This case is currently before the Court of Law for hearing.

41 Related Party Disclosures

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

Transactions with Key Management Personnel

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

Transactions with Key Management Personnel are given below.		2013 / 14	2012 / 13
Directors allowances		1,993,075	1,462,849
Name of the Related Party	Nature of Transactions		
Government of Sri Lanka	Subsidies Received out of	-	-
	Sales of Goods	1,052,298,820	866,809,058
State-Owned Enterprises	Loans borrowed	11,691,945,899	10,715,949,860
	Settlements of Loans	(13,107,996,017)	(3,586,937,069)
	Investments In Fixed Deposits		
	Investment during the year	-	170,362,495
	Interest Received	67,999,037	5,577,521
	Current Accounts	19,679,647	18,289,456
Other Government Related Entities	Recoveries of Trade Receivables	244,263	1,356,447

Figures in brackets indicates deductions.

42. Financial Instruments**42.1 Risk Management**

The Company's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The financial instruments of the company comprise of investments in term deposits and government securities, bank deposits, and short-term bank borrowings. The company also has trade receivables & payables and subsidy receivables arising from its core business activities. The main purpose of investment in short- term deposits and short-term borrowings are to raise and maintain liquidity for the operations.

Therefore, the Company is exposed to

- i. Credit risk
- ii. Market risk and
- iii. Liquidity risk.

42.2 Risk Management Framework

The Company's Board of Directors oversees the management of these risks. The company's senior management committee advises on financial risks and the appropriate financial risk governance framework for the Company.

The senior management committee provides assurance to the Company 's Board of Directors that the Company 's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

42.2.1. Credit Risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Company's receivables from customers subsidy receivables from the General Treasury and investment securities from deposits held with banks and financial institutions, cash and cash equivalents (excluding cash in hand), .

Exposure to Credit Risk Company

The maximum risk exposures of financial assets that are subject to credit risk are equal to their carrying amounts. Following table depicts the maximum risk exposure of financial assets reporting dates

Risk Exposure to line items	31/03/2014	31/03/2013
Trade Receivables	28,952,494	21,412,279
Subsidy receivables from the General Treasury	14,227,295,457	11,657,075,690
Deposits held with Banks	333,016,116	294,331,756
Cash and cash equivalents	590,049,718	335,262,627
	15,179,313,785	12,308,082,352

42.2.1.1 Trade Receivables

The company trades mainly with Agrarian Service Centers, State Entities, Multipurpose corporative societies and authorized dealers. The management evaluates the credit worthiness of authorized dealers based on the past experience and other factors such as financial guarantees from them. In addition, outstanding balances are monitored on an ongoing basis by the management.

The age analysis of the company's trade receivables portfolio is as follows:

Aging of Receivables	Receivables (Rs.)	
	As at 31.03.2014	As at 31.03.2013
Up to 3 Months	271,918	127,996
3 to 6 Months		
6 to 12 Months		
More than One Year	52,457,395	53,016,677
	52,729,313	53,144,673

The company adopted the policy for reviewing debtors for their impairment (Refer note 3.6.6 to the financial statements) and estimates losses incurred in respect of trade receivables. According to the impairment policy adopted, each specific customer is reviewed individually to measure the impairment loss. Note 26 to the financial statements illustrates the status of trade receivables and impairment losses recognized in relation to trade receivables.

42.2.1.1.2 Subsidy Receivables

Under the Mahinda Chinthana fertilizer subsidy scheme CCF has to sell the main paddy fertilizer for Rs. 7,000 per MT and other fertilizer at Rs. 24,000 per MT. The difference between imported cost plus margin for operational expenses are reimbursed by the General Treasury. The subsidy receivable is expected to recover within a period of 180-270 days. The company's exposure to credit risk arises from default in meeting contractual obligation of the General Treasury, with a maximum exposure equal to the carrying amount of the receivables.

42.2.1.1.3 Other Financial Assets

Credit risk arising from other financial assets of the company comprises deposits held with banks and financial institutions, cash and cash equivalents. The company's exposure to credit risk arises from default in meeting contractual obligation of contractual parties, with a maximum exposure equal to the carrying amount of these financial instruments. The company manages its credit risks with regard to these financial instruments by mainly placing its fund with state financial institutions and other government institutions.

42.2.3 Market Risk

Market risk' is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Company has considered internal and external factors which are critical in managing the business in carrying out the marketing operation. Internal factors are products, ordering, warehousing and distribution. The identified external factors are competition, legal and environment. Internal elements are captured through the process audits, while the external risks are captured through enhanced training programs.

42.2.3.1. Currency Risk - Foreign Exchange Risk

The company is sensitive to the fluctuations in exchange rates and is principally exposure to currency risk arising from fluctuations in the value of US Dollar (USD) against the Sri Lankan Rupee after Central Bank of Sri Lanka allowed the Sri Lanka Rupees to freely float against USD during the reporting period. The company's functional currency in respect of imports fertilizers is USD however settlements of imports are made through rupee accounts.

Foreign Exchange losses and gains were as follows:

		Year ended 31.03.2014
Exchange Loss	Rs.	-
Exchange Gain	Rs	28,880,076

The following significant exchange rates were applied during the year:

Year	Average Rate		Reporting Date – Spot Rate	
	2014	2013	2014	2013
1 USD = LKR	132.60	130.00	132.17	128.47

42.2.3.2 Interest Risk

Interest rate risk is the risk to the Company's earnings and economic value of equity ("EVE") arising from adverse movements in interest rates. The company's exposure to interest risk is the changes in market interest rates relate to the interest bearing borrowings with a fixed interest rate and bank deposits.

Interest rate risk is the exposure of a company's financial condition to adverse movements in interest rates. Accepting this risk is a normal part of operation of a company and can be an important link to profitability,

Interest Bearing Borrowings amounting as at 31.03.2014 - was Rs. 9,299,899,742 (31.03.2013 – Rs. 10,715,949,860.) that carried interest at fixed rates. The company has bank balances including term deposits placed with state banks. The company monitors interest rate risk by actively monitoring interest rate movements. Company's currency risk exposure is remains in terms of usance bills guaranteed by the General Treasury

42.2.3.3 Liquidity Risk

Liquidity risk is the risk of not having sufficient funds to meet its financial commitments in a manner. As they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and unexpected conditions, without incurring unacceptable losses.

42.2.3.4 Operational Risk

Operational Risk is the risk of direct or indirect losses incurred due to inadequate internal processes, systems, human failures and or external events other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. The majority of losses that have operational risk are due to weakness in internal control framework.

CORPORATE INFORMATION

- **Name of the Company** - Colombo Commercial Fertilizers Limited.

- **Legal Form**
The Colombo Commercial Fertilizers Limited 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 owned by the Government of Sri Lanka.

- **Company Registration No.** - PB 1631

- **Income tax Payer Identification No.-** 294000194

- **Vat registration No** - 2940001947000

- **Registered office & warehouse complex**
Dalupitiya Road, Hunupitiya, Wattala

- **Bankers** -
 1. Peoples' Bank - Corporate Branch
 2. Peoples' Bank - Wattala.
 3. Bank of Ceylon - Wattala.

- **Secretaries** - Mr. S.P.Morawaka

- **Auditors** - Auditor General