

ANNUAL REPORT

2013



COLOMBO COMMERCIAL FERTILIZERS LTD

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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 'Mahinda Chinthana' 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 2012/13, CCF has imported 124,800 MT fertilizers in all three varieties (Urea, TSP & MOP) and during the same period has distributed 129,000 MT fertilizers. Turnover of CCF during the period under review was Rs. 867 million which was generated a net profit of Rs. 123 million after tax.

Contribution to consolidated fund

During the financial year the CCF has estimated to pay of Rs. 58 million being income tax to the Department of Inland Revenue.

Dividends

It is my privilege to inform that CCF has planned to contribute to the consolidated fund to the General Treasury a sum of Rs. 10 million being payment of dividend for the accounting year 2012/13.

Audit report

The Audit report on the Financial Statements of the company are given in page 20 to 24.

Financial Statements

The Financial Statements of the company are given on page 25 to 28.

Accounting policies

Accounting policies adopted in the preparation of the Financial Statements of the company are given on page 29 to 42.

Future outlook

CCF expects to complete its office complex having a floor area of 10,000 sq. ft equipped with all modern facilities and the warehouse having a floor area of 25,000 sq. ft. at Hunupitiya premises during ensuing financial year. These entire projects will be contributed from our own funds. Thus our employees and our customers will get a better working environment than the present office building which was a warehouse converted to an office building.

Further Company has planned to construct a warehouse complex to store fertilizer at Hambantota closer to the Maganthota 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.Wijayaratne
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. H. A.V. P. Hapangama	Member
4. Mr. K. B. Wimilasi	Member
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

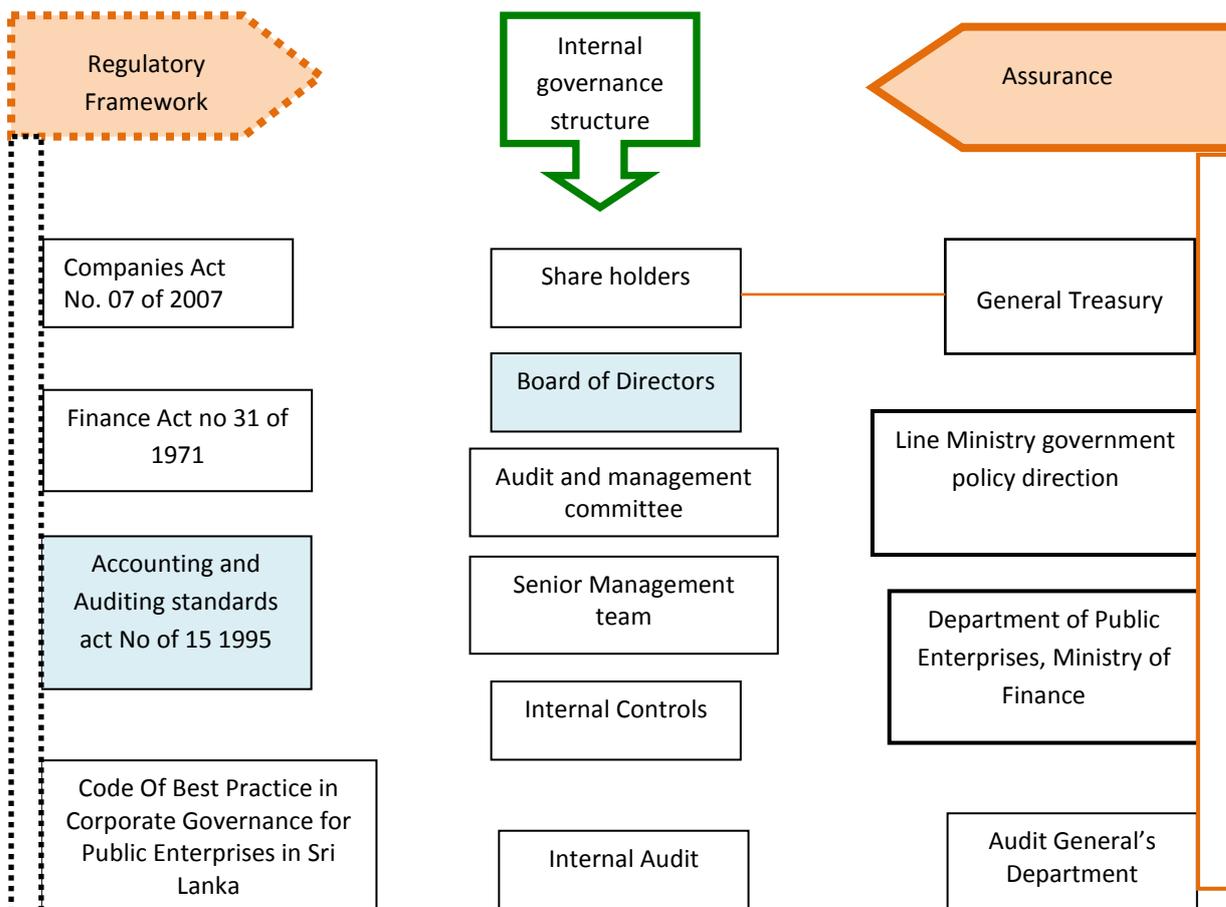
1.5 Corporate governance

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 Mahinda Chinthana paddy 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 Mahinda Chinthana paddy 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 2012/13 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

	2012/13	2011/12	2010/11	2009/10
Financial performances (Rs. 000)				
Revenue	866,809	982,118	1,070,228	916,759
Net Finance Cost	(1,758)	20,063		(223,044)
Gross Profit	208,325	407,265	309,297	589,420
Profit (Loss) before Tax	181,929	314,143	326,514	106,598
Net Profit for the year	123,183	216,412	210,630	106,598
Financial Position (Rs. 000)				
Total assets	13,047,192	10,847,571	14,330,092	16,968,920
Shareholders fund	1,459,950	1,346,767	1,131,546	414,522
Information per ordinary shares (Rs.)				
Earnings per share	12	22	21	10
Effective dividend	1.00	1.00	--	-
Net assets	123	115		



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 31.03.2013

- Construction work commenced for the office complex and warehouse complex at Hunupitiya.
- 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.
- Completion of the long awaiting plan of permanent cadre requirement of the Company and scheme of recruitment procedure with approval of the Department of Management Services.

3. Management discussion and analysis

3.1 Product folio

Mahinda Chinthana Idiri Dakma is Honorable President Mahinda Rajapaksa's flagship for development of the country. Advancement of paddy cultivation was one of the significant achievements under this policy. Under this dignified policy package of government 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 Mahinda Chinthana 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 2012/13

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 Hunupitya for ACS situated beyond 30 KM from Hunupitya

Rs. 290 for purchases from Hunupitya 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

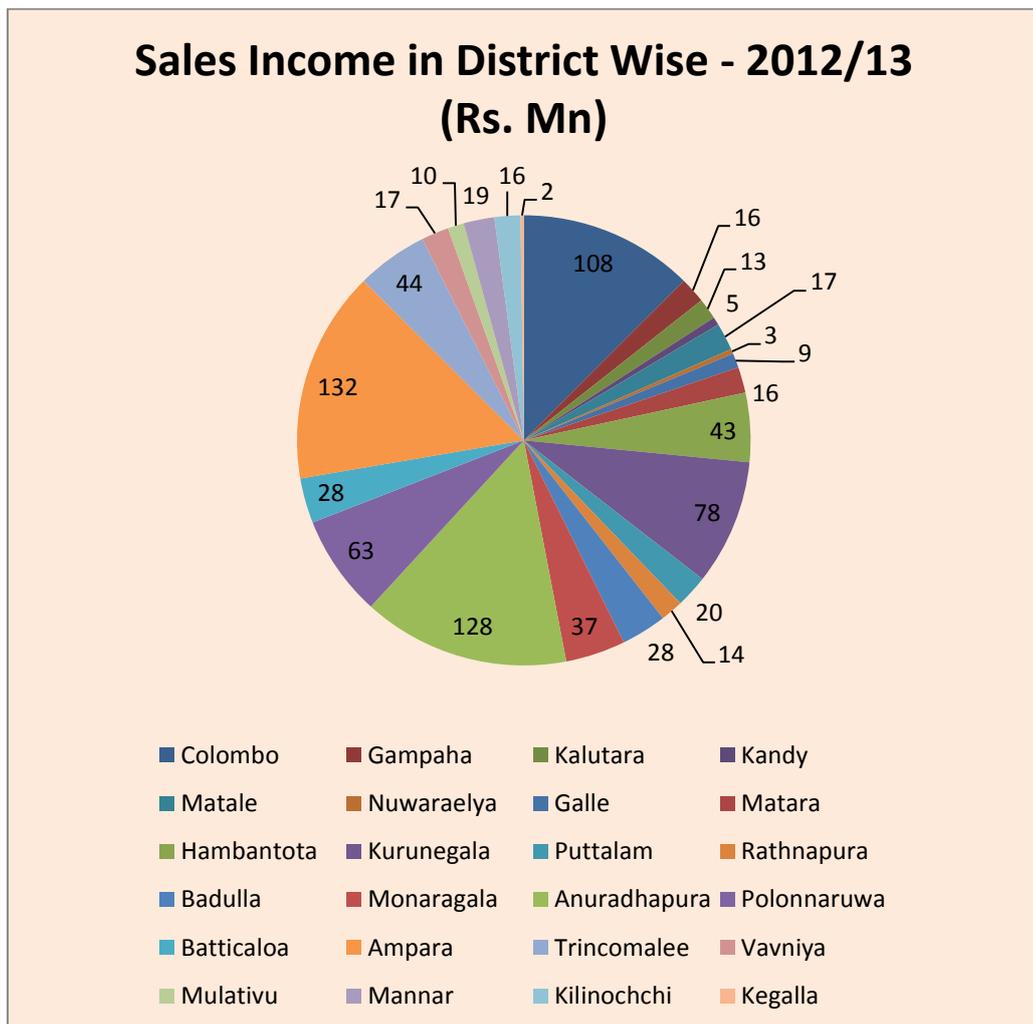
3.2 Business review

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

Type of Fertilizer	Total quantity MT	
	2012/13	2011/12
Urea Paddy	79,017.350	90,593.700
MOP Paddy	23,269.400	27,418.300
TSP paddy	26,745.100	30,206.550
	-	-
Urea Other crops	3,483.658	145.200
MOP other crops	471.903	81.775
TSP other crops	1,706.699	68.673
Ammonium Sulphate	15.590	0.105
Kieserite	33.407	44.203
Zink Sulphate	1.092	5.226
Mixed fertilizer	41.495	83.603

Sales made during financial year 2012/13 in accordance with the districts

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



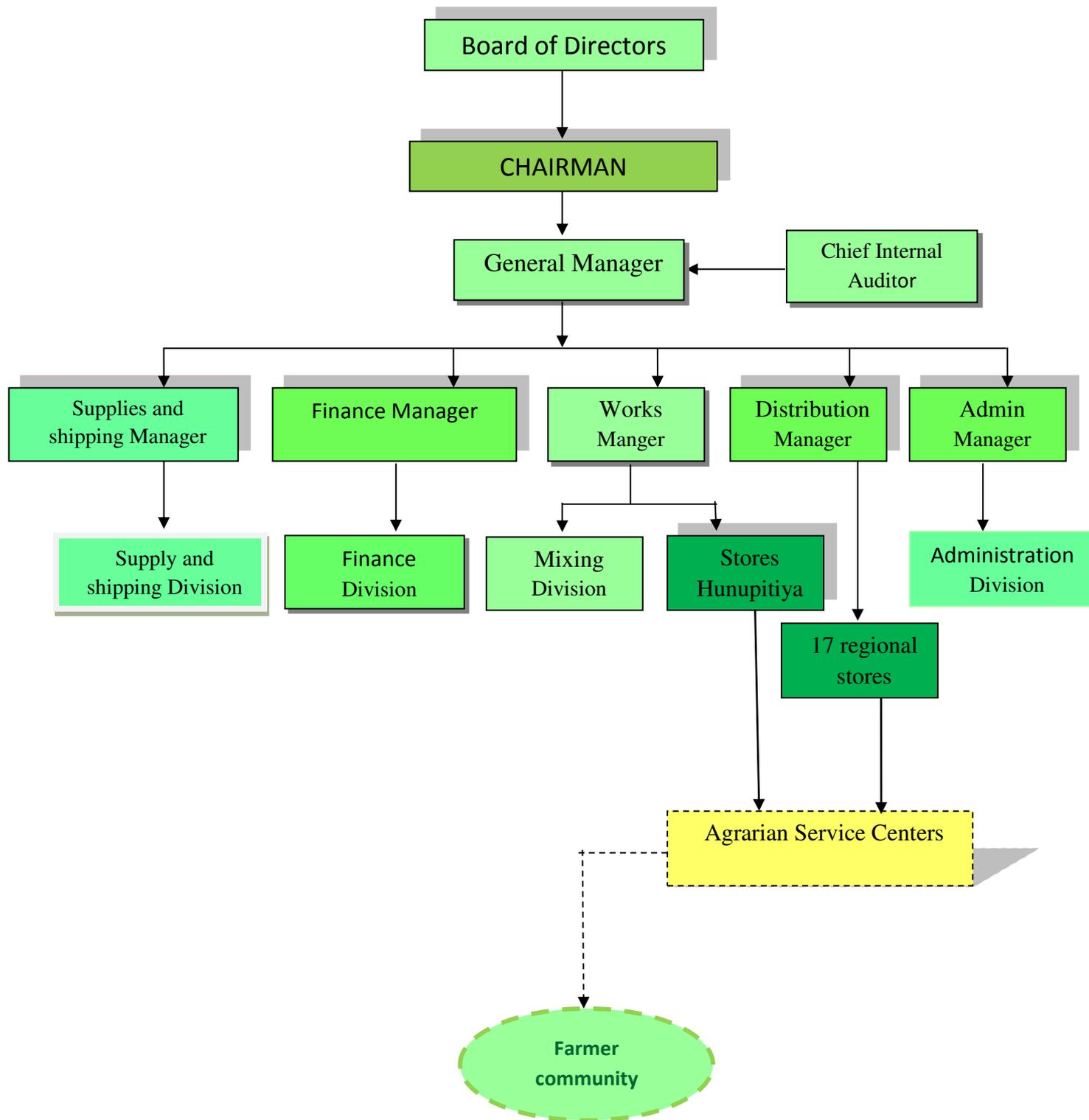
SALES DETAILS IN DISTRICT WISE. (QUANTITY)

District	Type of fertilizer in (MT)			Total (MT)
	Urea	T.S.P.	M.O.P	
Colombo	3,461	1,679	611	5,751
Gampaha	1,179	520	498	2,197
Kalutara	956	484	798	2,239
Kandy	416	159	135	711
Matale	1796	579	494	2,870
Nuwaraeliya	241	104	105	450
Galle	663	323	567	1,554
Matara	1,332	557	841	2,730
Hambantota	4,568	1,555	1,289	7,411
Kurunegala	8,399	2,653	2,317	13,368
Puttalam	2,160	685	582	3,427
Rathnapura	1,415	495	475	2,385
Badulla	2,919	1,077	885	4,881
Monaragala	3,964	1,303	1,091	6,359
Anuradhapura	13,743	4,520	3,672	21,935
Polonnaruwa	6,680	2,218	1,862	10,760
Batticaloa	2,975	1,010	818	4,803
Ampara	13,959	4,737	3,746	22,442
Trincomalee	4,790	1,566	1,200	7,556
Vavuniya	1,809	585	446	2,841
Mulativu	1,083	350	277	1,710
Mannar	1,967	701	512	3,181
Kilinochchi	1,839	507	437	2,782
Kegalla	186	83	85	354
Total	82,501	28,452	23,741	134,694

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

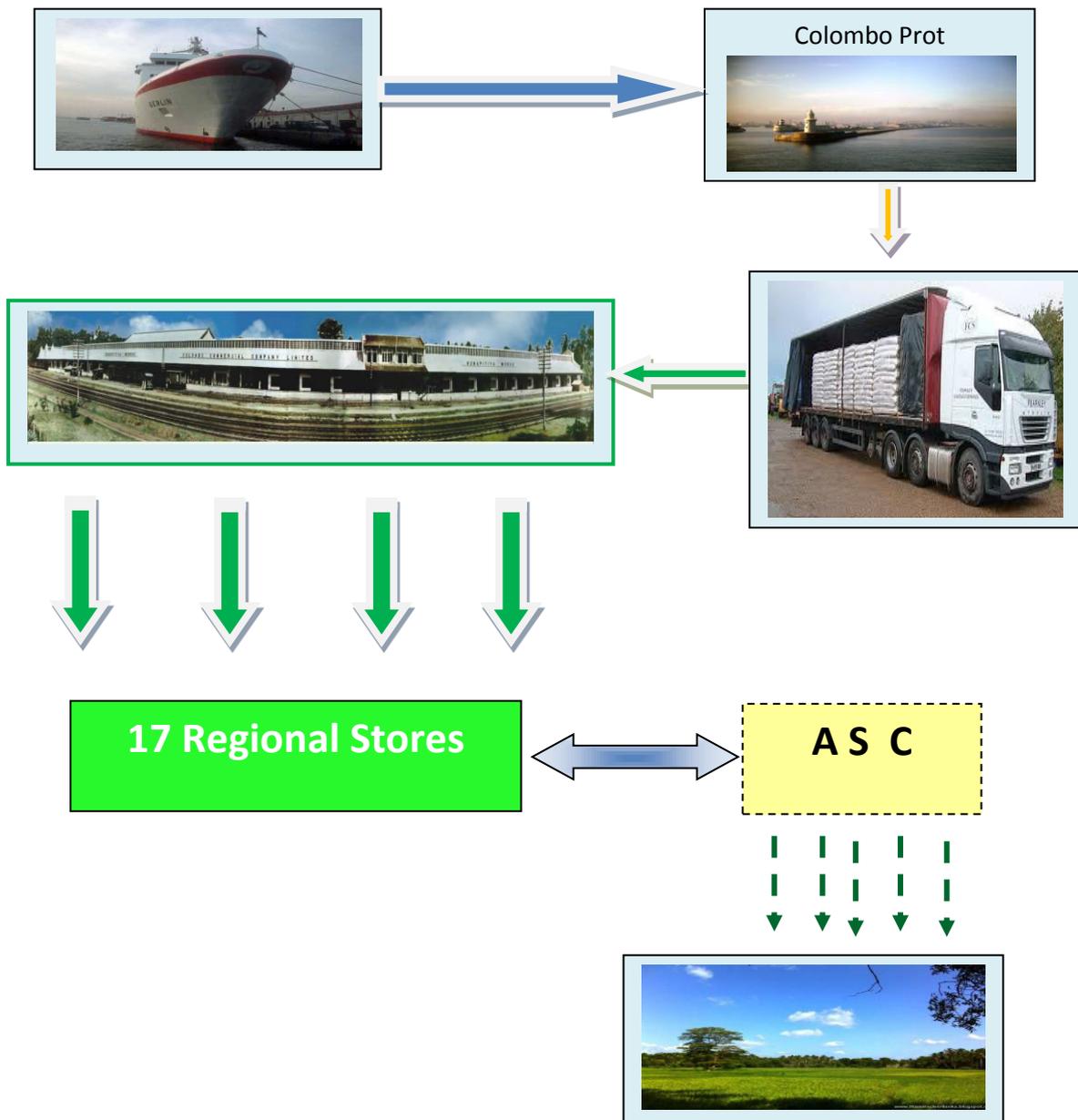


3.4 Supply chain management

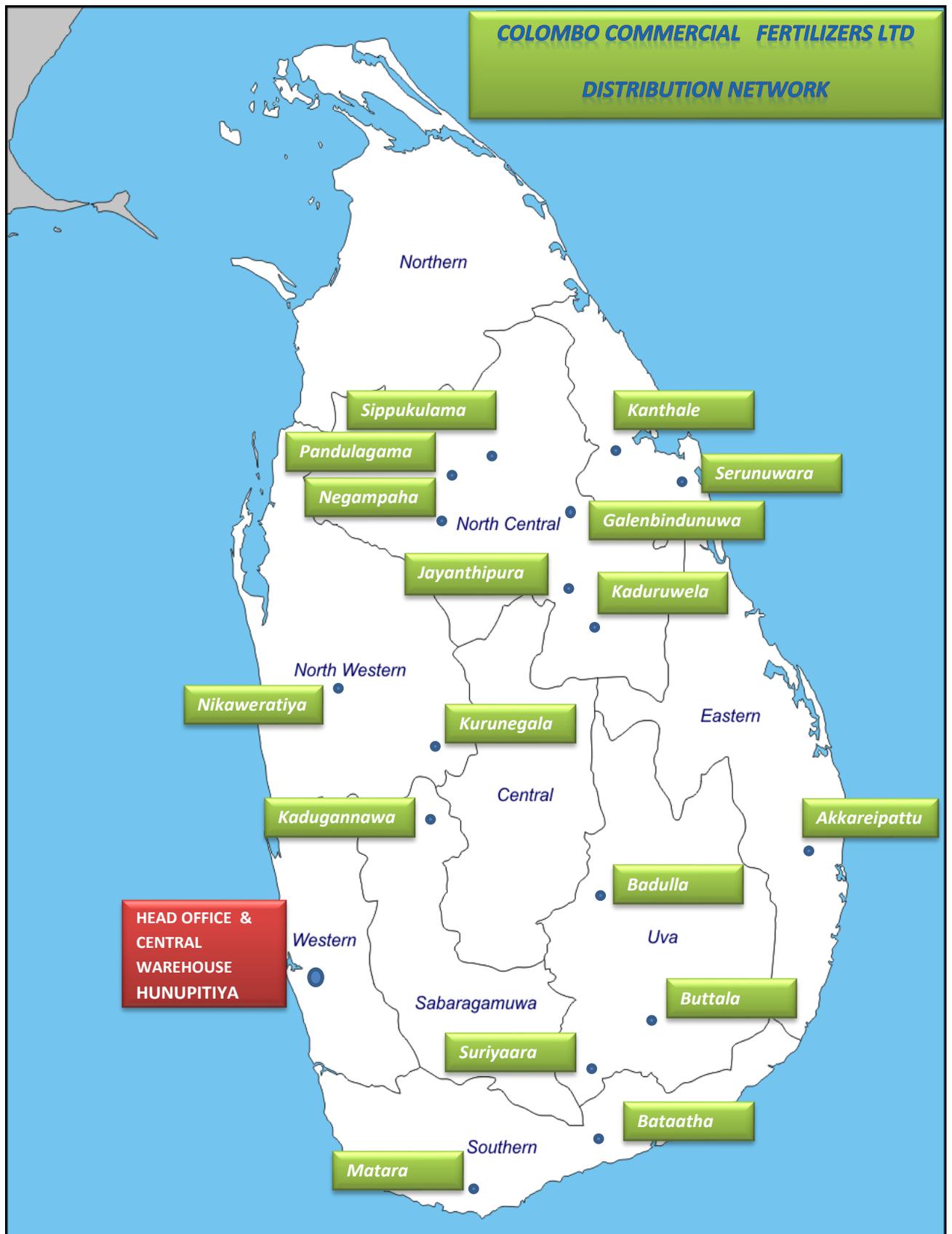
Planning, execution, control, and monitoring of supply chain activities are come under Supplies and shipping Manager. He is responsible to the management of upstream and downstream value-added flows of fertilizer, and related information among suppliers, company and state institution.

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

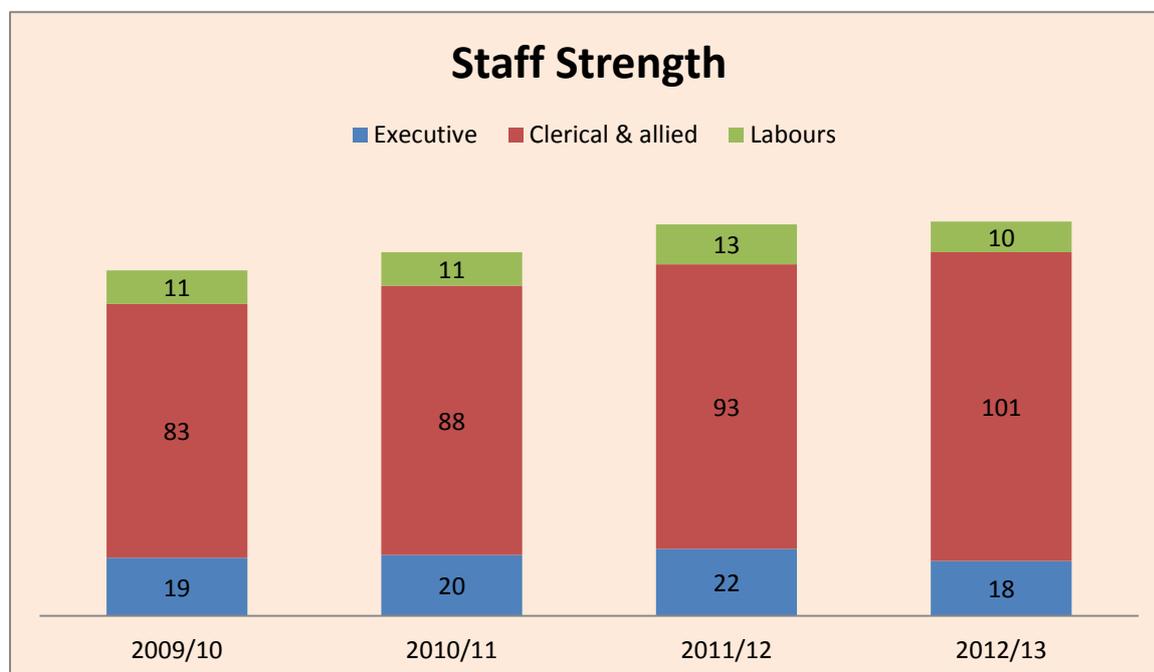


Distribution network of regional stores



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	2012/13	2011/12	2010/11	2009/10
Revenue per employer (Rs. 000)	6,719	7,497	8,994	8,113
Profit per employee (Rs. 000)	956	1,652	1,770	943
No of Employees	129	131	119	113

3.7 Programs for human capital development

Name of Training	Institution at which the training received	Number of officers participated
Adaptations of IFRS	B.R.D. Silva & Co (Chartered Accountants)	06

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 Mahinda Chinthana 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)

During the year 2012/13, CCF Ltd was in the process of building an office complex having a floor area of 10,000 sq. ft equipped with all modern facilities and warehouse having floor area of 25,000 sq. ft. at Hunupitiya premises. This building was opened during the month of October 2013 by the Honorable Speaker of Democratic Socialist Republic of Sri Lanka Mr. Chamal Rajapaksha.

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.

It became possible for CCF Ltd to develop to extend of net current assets of million 1,039 rupees during the year 2012/13. During the said financial period CCF Ltd has earned a profit before tax of Rs. 182 million against to the earlier year 2011/12 of Rs. 314 million during the year company incurred exchange of Rs. 104 million unless we should have to maintain the same profit margin of previous year.

Effective and efficient monitoring of financial standing of company consciously CCF achieved surplus of an interest of Rs 1.8 million compared to the deficit of Rs. 20 million previous year.

Dividends

Boards of Directors are pleased in recommending first and final dividends 10 %. The dividend payment for the year was Rs. 10 m

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.

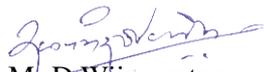
During the year under review four Audit and Management committee meetings were held.

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



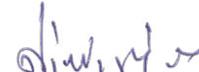
N.S.M.Samsudeen (*Attorney at Law*)

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 20 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 2013, are prepared and presented in compliance with the requirements of the following.

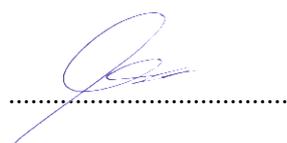
- Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka;
- Companies Act No. 07 of 2007;
- Code of Best Practice on Corporate Governance issued by the General Treasury

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

Colombo Commercial Fertilizer Company Ltd. - 2013

1. Financial Statements

1.1 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 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.1.2 Compliance with other Legal and Regulatory Requirements

These financial statements comply with the requirements in Section 151(2) of the Companies Act, No. 7 of 2007.

1.2 Comments on Financial Statements

1.2.1 Delay in the Presentation of Financial statements

Even though the financial statements should be prepared and presented for audit within 60 days after the close of the year of accounts in terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the draft financial statements for the year 2012/2013 had been presented for audit only on 01 November 2013, that is after a delay of 05 months.

1.2.2 Transactions not supported by Adequate Authority

Even though a Cabinet Memorandum had been presented with a request for approval for the construction of a three storeyed building at a cost of Rs. 77.314 million for the Head Office of the Company, the Cabinet of Ministers having considered the activities of the Company at the meeting of the Cabinet of Ministers held on 22 June 2011, indicated that there is no need

for a new building and as such the approval of the Cabinet of Ministers for the purpose had not been granted. Deviating from that decision, an agreement for a sum of Rs.49.666 million had been entered into with a private institution on 22 June 2012 for the construction of a three storeyed building for the Head Office and a sum of Rs.38.795 million had been paid for construction works by 30 June 2013, the date of audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Company during the year under review had resulted in a pre-tax net profit of Rs.181,928,588 as compared with a pre-tax net profit of Rs.314,143,499 for the preceding year thus indicating a decrease of Rs.132,214,911 in the financial results.

2.2 Analytical Financial Review

(a) The financial results of the year under review and the preceding year under different stages are given in the following Table.

	For the year ended 31 March	
	2013	2012
	-----	-----
	Rs.	Rs.
Gross Profit	208,324,888	169,316,076
Pre-tax Net Profit	181,928,588	314,143,499
Net Profit after Tax	123,182,723	216,412,432

The decrease of sales of the Company by 12 per cent and the increase of the finance cost of the Company by 62 per cent had been the main reasons for the decrease in the profit.

- (b) The selling and distribution expenses as compared with the preceding year had increased by 308 per cent due to the exchange loss of Rs.103,676,072 incurred in the year under review.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) A speedy course of action had not been implemented for the rebagging of the damaged fertilizer bags stored in 08 Regional Stores over a number of years.
- (b) It was observed that adequate attention had not been paid for the minimization of the damage caused to the stocks of fertilizer in most Regional Stores by natural causes.
- (c) Instances where Agrarian Service Centres had submitted orders without the official frank and certification to Regional Stores and instances of issue of fertilizer without orders being submitted were observed. As such, the internal control thereon had been weak.
- (d) Even though the service of a Sales Manager of the Company had been suspended with effect from 01 February 2011 for financial losses and acts of misconduct such as the overpayment of Rs.31,696,909 by stating longer distances than the actual distance for the payment of transport charges and causing a loss of Rs.3,771,411 by issuing fertilizer to a private institution. But action had not been taken to conduct an internal investigation for the recovery of the financial losses.

3.2 Deficiencies in the Contract Administration

Award of Fertilizer Transport Contracts – 2012

The following observations are made.

- (i) According to Section 5.4.8(a) and (b) of Chapter 5 of the Government Procurement Guidelines, a performance security not less than 5 per cent of the estimated contract sum should be furnished through a performance bond valid for 28 days beyond the procurement period. But performance bond had not been obtained from the 02 institutions selected for the transport of fertilizer.
- (ii) According to Section 8.9.1 of Chapter 8 of the Government Procurement Guidelines, a formal contract agreement should be executed for all service contracts exceeding Rs.500,000. But formal agreements had not been entered into with 09 transport contractors.

3.3 Staff Administration

The following observations are made.

(a) Contravention of the Shop and Office Employees Act

- (i) According Section 6 of the Act, employees are entitled to 14 days of annual leave and 07 days of casual leave. Nevertheless, the Company had allowed 21 days of casual and 21 days of Medical leave totalling 42 days, while a sum of Rs.2,851,258 had been paid for Medical leave not obtained.
 - (ii) According to section 17 of the Act, records of the number of hours worked and overtime services should be maintained for all employees while a detailed Register of Salaries should also be maintained for all employees. But that had not been done.
- (b) Payment of overtime and leave not taken should be based on the basic salary. But payments exceeding the specific amount had been made as overtime had been computed on the gross salary inclusive of all allowances.

3.4 Motor Vehicles Utilization

It was observed that the Company had failed to implement a proper internal control on the running of motor vehicles due to deficiencies such as the absence of fuel adjustments in the Daily Running Charts, the name and signature of the driver, non-determination of the number of kilometres per litre and the absence of the name and signature of officer using the motor vehicle.

4. Accountability and Good Governance

4.1 Tabling of Annual Reports

The Annual Report of the Company for the financial year 2011/2012 had not been tabled in Parliament even by 13th January 2014.

4.2 Instances of non-implementation of Directives made by the Committee on Public Enterprises

Even though the need for the preparation of a Treasury approved Incentive Scheme for the Company had been noted at the meeting of the Committee on Public Enterprises held on 05 July 2012 that scheme had not been prepared up to 31 December 2013.

5. Systems and Controls

Deficiencies in the 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 Control
- (c) Preparation and Certification of Vouchers and recording Payments
- (d) Procurement
- (e) Staff Administration


H.A.S. Samaraweera

Auditor General

*(Expressed in Sri Lankan Rupees)***COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2013**

the year ended 31 march		2013	2012
	NOTE		
Revenue	13	866,809,058	982,118,071
Subsidy on Cost of Sales	14 a	8,385,934,065	9,022,943,917
Cost of Sale	14 b	(9,044,418,235)	(9,835,745,912)
Gross Profit		208,324,888	169,316,076
Subsidy on Institutional Overheads	14 c	190,388,603	206,843,175
Other Income	15	21,234,145	31,105,688
		419,947,636	407,264,940
Administrative Expenses		(77,979,300)	(73,359,044)
Selling and Distribution Cost		(154,471,085)	(37,887,395)
Other Expenses		(3,810,241)	(1,937,512)
Profit from Operation		183,687,010	294,080,988
Net Finance Cost	16	(1,758,422)	20,062,511
Finance Income	16.a	(62,511,226)	(59,820,500)
Finance Expenses	16.b	64,269,648	39,757,989
Profit (Loss) before Tax	17	181,928,588	314,143,499
Income Tax Expenses	18	(58,745,864)	(97,731,067)
Net Profit for the year		123,182,723	216,412,432
Basic Earnings per Share	19	12.32	21.64
Other Comprehensive Income			
Total Comprehensive Income for the Year		123,182,723	216,412,432

Figures in brackets indicates deductions.

STATEMENT OF FINACAIL POSITION AS AT 31ST MARCH 2013

	NOTE	2012/2013	2011/2012	2010/2011
		Rs.	Rs.	Rs.
NON CURRENT ASSETS				
Property Plant and Equipments	20	223,942,057	208,808,059	209,886,592
Capital Work in Progress	21	29,191,969	12,153,192	413,001
		253,134,026	220,961,251	210,299,594
CURRENT ASSETS				
Inventories and other consumables	23	184,649,069	165,784,382	196,757,936
Trade and Other Debtors	24	11,960,848,352	9,671,176,077	12,947,440,049
Statutory Receivables	25	-	2,394,734	2,675,239
Employees Loans and Advances	26	11,401,972	15,017,379	582,290
Deposits and Advances	27	7,564,046	11,449,481	19,867,162
Other Financial Assets	28	294,331,756	464,694,252	436,672,463
Cash at Bank	29	335,262,627	296,093,770	515,797,182
TOTAL CURRENT ASSETS		12,794,057,823	10,626,610,074	14,119,792,320
TOTAL ASSETS		13,047,191,849	10,847,571,325	14,330,091,914
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Stated Capital	30	100,000,000	100,000,000	100,000,000
Capital Reserve	31	1,683,685	1,683,685	1,683,685
Reconstruction and Revalue Reserve	32	288,947,577	288,947,577	290,147,577
Retained Earnings		1,069,318,320	956,135,597	739,714,490
		1,459,949,582	1,346,766,858	1,131,545,752
NON CURRENT LIABILITIES				
Retirement Benefit Obligation	33	6,421,801	8,996,424	7,418,966
Deferred Taxation	34	20,385,523	11,620,485	6,776,244
Interest Bearing Borrowings	35			3,586,937,069
		26,807,324	20,616,909	3,601,132,279
CURRENT LIABILITIES				
Interest Bearing Borrowings	35	10,715,949,860	3,586,937,069	4,800,982,988
Trade and Other Payables	36	527,107,610	5,554,246,656	4,356,136,052
Dividend Payable	37	10,000,000	8,000,000	-
Deposits and Advances Received	38	15,602,676	21,070,351	23,576,321
Statutory Payables	39	273,083,253	288,129,977	395,900,924
Accrued Expenses	40	18,691,544	21,803,504	20,817,599
TOTAL CURRENT LIABILITIES		11,560,434,943	9,480,187,558	9,597,413,884
TOTAL EQUITY & LIABILITIES		13,047,191,849	10,847,571,325	14,330,091,914

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 38 to 70 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 May 23, 2014 at Colombo.

Annual report 2013

DIRECTOR

J.P.Priyangani Liyanage

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

	SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVE	REVALUAION RESERVE	RETAINED EARNINGS	TOTAL
Balance as at 01-April -2011 (previously stated)	100,000,000	1,683,685	30,691,298	290,172,577	768,443,422	1,190,990,981
Impact due to first time adaptation of SLFRS	-	-	(30,691,298)	(25,000)	(28,728,932)	(2,587,494,537)
Balance as at 01-04-2011 (Restated)	100,000,000	1,683,685	-	290,147,577	739,714,490	(1,396,503,556)
				290,147,577	742,541,544	(1,393,676,502)
Prior year adjustments		-	-	-	3,546,273	3,546,273
Dividend	-	-	-	-	(10,000,000)	(10,000,000)
Impact due to first time adaptation of SLFRS				(1,200,000)	6,462,402	5,262,402
Net Profit/Loss for the Period		-	-	-	216,412,432	216,412,432
RETAINED BALANCE AT 31-03-2012	100,000,000	1,683,685	-	288,947,577	956,135,597	(1,181,282,449)
Net Profit/Loss for the Period					123,182,723	123,182,723
Dividend	-	-	-	-	(10,000,000)	(10,000,000)
						-
RETAINED BALANCE AT 31-03-2013	100,000,000	1,683,685	-	288,947,577	1,069,318,320	(1,068,099,726)

Figures in brackets indicates deductions.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013*(Expressed in Sri Lankan Rupees)*

FOR THE YEAR ENDED 31 MARCH	2013	2012
Cash Flows from Operating Activities	181,928,588	314,143,499
Profit Before Taxation		
<i>Adjustments for;</i>		
Depreciation	15,358,640	11,981,743
Allocation of dividends	-	8,000,000
Gratuity Charge for the Year	517,835	1,645,143
Adjustment for Opening balances	-	3,661,031
Interest Income	(62,511,226)	(59,820,500)
Interest Expenses	64,269,648	39,757,989
Operating Profit Before Changes in Working Capital	199,563,484	319,368,904
Changes in Working Capital		
Inventories	(18,864,688)	30,973,554
Trade and Other Receivables	(2,289,672,276)	3,276,263,972
Deposits and Advances	3,885,435	8,417,681
Employees Loans and Advances	3,615,407	(14,435,089)
Trade and Other Payables	(5,027,139,046)	1,198,110,604
Statutory receivable	(2,247,564)	280,505
Deposits and Advances Received	(5,467,675)	(2,505,969)
Accrued Expenses and Provision	(3,111,961)	985,905
Cash Generated from Operations	(7,139,438,883)	4,817,460,067
Gratuity Paid	(3,092,458)	(67,685)
Interest Paid	(64,269,648)	(39,757,989)
Taxes Paid	(60,385,251)	(204,310,129)
Net Cash Flow from Operating Activities	(7,267,186,241)	4,573,324,264
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(30,492,638)	(12,103,209)
increasing the investment on working capital	(17,038,777)	(11,740,191)
Net Investments in Other Financial Assets	170,362,495	(28,021,789)
Interest Received	62,511,226	59,820,500
Net Cash used in Investing Activities	185,342,307	7,955,311
Cash Flows from Financing Activities		
Dividends Paid During the Year	(8,000,000)	-
Borrowings During the Year	10,715,949,860	-
Settlements of Borrowings During the Year	(3,586,937,069)	(4,800,982,988)
Net Cash used in Financing Activities	7,121,012,791	(4,800,982,988)
Net Changes in Cash and Cash Equivalents During the Year	39,168,857	(219,703,412)
at Beginning of the Year	296,093,770	515,797,182
at End of the Year	335,262,627	296,093,770

Note 31

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 2013 were authorized for issue in accordance with a resolution of the Board of Directors dated May 23, 2014.

1.5 Number of employees

The number of employees of the Company

31st March 2013	31st March 2012
• Executive Staff - 18	• Executive Staff - 22
• Clerical & Allied - 98	• Clerical & Allied - 79
• Labour - 10	• Labour - 15
126	116

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.

The Company has prepared its financial statements for previous periods including the reporting period ended 31 March 2012 in accordance with SLAS effective up to 31 December 2011. The Financial Statements for the year ended 31st March 2013 are the first annual Financial Statements prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) and SLFRS 1, First Time Adoption of SLFRS has been applied. These SLFRSs have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements are the Company’s first SLFRS financial statements prepared in accordance with SLFRS 1- First-Time Adoption of Sri Lanka Accounting Standards. The effect of the transition to SLFRSs on previously reported financial positions and financial performances of the Company is given in Notes 46 the financial statements.

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
- Financial instrument at fair value through profit and loss are measured at fair value
- Defined benefit obligation is measured after actuarially valuing an the present value of the defined benefit of obligation is recorded

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgments and Assumptions

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

2.4.1 Revaluation of Property, Plant & Equipment

The Company carries its land at 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 20

2.4.2 Impairment of Non-Financial Assets

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

2.4.3 Retirement Benefits

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

2.4.4 Fair Value of Financial Instruments

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

3. Summary of Significant Accounting Policies

The accounting policies set out below have been consistently applied to all periods presented in these Financial Statements and in preparing the opening SLFRS Statement of Financial Position as 1st April 2011 for the purpose of the transition to SLFRSs, unless otherwise indicated.

The Directors have made an assessment of the Company's ability to continue as a going concern for the foreseeable future and they do not intend either to liquidate or cease trading.

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 Cost Model

The company applies cost model to property, plant and equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

3.2.3.1.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

3.2.4 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 Subsequent Costs

Items of property, plant & equipment are subsequently measured at cost or valuation, less accumulated depreciation and/or accumulated impairment losses, and includes the cost of replacing part of the property, plant & equipment. When significant parts of property, plant & equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

3.2.6 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

3.2.7. De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized 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 de-recognized. 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 de-recognized.

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 of the different types of assets,

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	10 Years
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 Impairment of Non-Financial Assets

The carrying value of the company's non-financial assets, i.e. property, plant and equipment and intangible 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 or 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.

3.5.1.1 Impairment for Inventory

Allowances are made for all non-moving and obsolete items on inventory to reflect net realizable value.

3.5.2. Packing material and Consumables

Packing material and Consumables are stated at cost

3.6. Financial Instruments

3.6.1 Non Derivative Financial Assets

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

At initial recognition the Company determines its financial asset and classifies in one of the following categories.

- a. Held-to- Maturity Investment
- b. Loans and receivable

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 included in 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.

3.6.2 Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets as appropriate. The Company determines the classification of its financial assets at initial recognition.

3.6.3. Financial assets at fair value through profit or loss

A financial asset or a financial liability is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition

3.6.4. Subsequent Measurement

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

3.6.4.1. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term

3.6.4.1.1. 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.

3.6.4.1.2. 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.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial assets. The losses arising from impairment are recognized in profit or loss. Cash and Cash Equivalents.

3.6.5. De-recognition

The Company de-recognizes 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 de-recognition that is created or retained by the Company is recognized as a separate asset or liability in the Statement of Financial Position. On de-recognition 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 de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3.6.6. 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 Group 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.

3.6.6.1 Loans and receivables

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 group 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. 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

3.8 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.

3.9. Stated Capital

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

3.10 Financial Liabilities

3.10.1. Non derivative financial liabilities

3.10.1.1 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.

3.10.2 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.

3.10.3. Borrowings

3.10.3.1. 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.

3.10.3.2. Subsequent measurement and recognition

The Company classifies non 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 de-recognized

3.10.4 Borrowing Cost

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

3.11. 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.

3.12 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.

3.12.1 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.

3.12.2 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

3.13 Employee Benefits

The Company has both defined contribution plans and defined benefit plan

3.14 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

3.14.1 Employees' Provident Fund

The company and employees contribute 12% and 10% respectively of the salary of each employee to the approved Private Provident fund. Other companies of the group and their employees contribute at 12% and 8% respectively to the Employees' Provident Fund managed by the Central Bank of Sri Lanka.

3.15.1. Employees' Trust Fund

The company /group contribute 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

3.15.3 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

3.15 4. 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.

3.16 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.

3.17 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.

3.18 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 buyers vehicles.

5.2 Interest Income

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

5.3 Rent Income

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

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

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

5.5 Other Income

Other income is recognized on 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. Commitments

All material commitments at the reporting period end have been identified and disclosed in the notes to the financial statements.

8. Withholding tax on dividends (WHT)

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

9. Significant Accounting Estimates and Judgments

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant judgment

ts in applying the accounting policies that have most significant effect on the financial statements.

9.1 Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

9.2 Useful life time of Depreciable Assets

Management reviews its estimate of the useful life time of depreciable assets at each reporting date, based on the expected economic utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

10. Defined benefit plan

The present value of the defined benefit plan obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions are used in determining the net cost and obligation for defined benefit plan including the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefits obligation.

11. First time adoption of SLFRS/LKAS

The financial statements, for the reporting period ended 31 March 2013, are the first financial statements prepared in accordance with Sri Lanka Accounting Standards (SLFRSs). Previous reporting periods including up to the reporting period ended 31 March 2012, the Company prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS), which were effective up to 31 March 2012.

In preparing these financial statements, the opening statement of financial position was prepared as at 1 April 2011, which is the date of transition to Sri Lanka Accounting Standards (SLFRS). This note explains the principal adjustments made in restating its SLAS financial statements to SLFRSs financial statements for the reporting period as of 1 April 2011, 31 March 2012.

11.1 Exemptions Offered in the SLFRS 1 - First Time Adoption of Sri Lanka Accounting Standards (SLFRS) and retrospective application of other SLFRSS

In preparing the first financial statements in accordance with Sri Lanka Accounting Standards (SLFRSs), The Company has taken the advantage of the following optional exemptions offered in the SLFRS 1 - First Time Adoption of Sri Lanka Accounting Standards (SLFRS) and the retrospective application of other Sri Lanka Accounting Standards (SLFRSs).

11.1.1 Revaluation as deemed cost

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. The Company has elected those revaluation amount as deemed cost at the date of the revaluation since they were broadly comparable to fair value at the date of the revaluation.

11.1.2 .Following optional exemptions are not applicable to the Company:

- i.** SLFRS 4 -Insurance contracts, since this application is not relevant to the Company.
- ii.** LKAS 39 – Designation of previously recognized financial instruments since the company does not have available for sale financial assets and financial instruments at fair value through profit or loss.
- iii.** IFRIC 4 - Determining whether arrangement contains a lease, since the Company does not have such arrangements.
- iv.** LKAS 19 - Employee benefits, since the Company recognizes actuarial gain and losses in the statement of comprehensive income.
- v.** LKAS 21 -Cumulative translation differences, since the Company does not have foreign operation.
- vi.** LKAS 27 – Investments in subsidiaries, jointly controlled entities and associates, since the Company does not have group entities
- vii.** Assets and liabilities of subsidiaries, associates and joint ventures, since the Company does not have group entities.
- viii.** LKAS 32 - Compound financial instruments, since the Company does not have compound financial instruments.
- ix.** Decommissioning liabilities included in the cost of property, plant and equipment, since Company does not have a procedure to identify and to include dismantlement and restoration costs and its related liabilities.
- x.** IFRIC 12 - Service Concession Arrangements, since the Company does not have such arrangement.

11.1.3. Following mandatory exceptions are not applicable to the Company:

- i.** De-recognition of financial assets and financial liabilities.
- ii.** Hedge Accounting.

11.1.2.Mandatory exceptions from retrospective application

In preparing the first financial statements in accordance with Sri Lanka Accounting Standards (SLFRSs), the Company has elected to apply following mandatory exceptions from the retrospective application.

11.1.3. Explanation of Transition to SLFRSs

The accounting policies set out in Note 2.1 to 11.1.2 have been applied in preparing the financial statements for the reporting period ended 31 March 2013 together with comparative information for the reporting period ended 31 March 2012 and opening SLFRS statement as at 1 April 2011 which is the transition date of SLFRSs for the Company.

In preparing SLFRS financial statement of previous reporting periods, required adjustments have been made in accordance with Sri Lanka Accounting Standards (SLFRSs). The effect of the transition from SLASs to SLFRSs has been presented in the statement of reconciliation of shareholders equity, statement of comprehensive income and notes to the reconciliation.

12 New Accounting Standards issued but not yet effective

Standards issued, but not yet effective up to the date of issuance of the Group's Financial Statements are listed below. This Listing of Standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these Standards when they become effective.

SLFRS 9 - Financial instruments

SLFRS 13 - Fair value measurement

		<i>(Expressed in Sri Lankan Rupees)</i>	
13 REVENUE		2013	2012
Gross Revenue		866,809,058	982,118,071
		866,809,058	982,118,071
14 a Subsidy on Cost of Sales		8,385,934,065	9,022,943,917
	This represents the treasury grants for reimbursement of direct expenses incurred for fertilizer in respects of implementation of Mahinda Chinthena Fertilizer Subsidy Schemes excluding subsidy for institutional overheads.		
14 b Cost of Sale			
Purchases	(Note 14,b.1)	8,889,258,462	9,551,120,537
Direct Expenses	(Note 14,b.2)	142,312,403	214,869,834
Cost of Production		9,031,570,865	9,765,990,371
Finish Goods as at 01 April		144,605,717	180,490,161
Stock Shortage/Excess	(Note 14.b.3)	110,042	-
Finish Goods as at 31 March		(173,460,034)	(144,605,717)
		9,002,826,589	9,801,874,816
General Overheads		41,591,646	33,871,096
		9,044,418,235	9,835,745,912
14.b.1 Purchases			
Import of Fertilizer Value		8,977,230,681	8,704,220,755
Contact labour wages		33,707,325	38,659,789
Nation Building Tax (NBT)		8,690,949	9,819,743
Social Responsibility Levy		-	1,803,452
Transport Charges		115,585,414	86,670,403
Packing Materials		4,650,168	243,783
Exchange Loss		-	709,702,613
Exchange Gain		(250,606,076)	-
		8,889,258,462	9,551,120,537

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

	2012/13	2011/12
14.b.2 Direct Expenses		
Labour Charges		
Note 14.2.1.b	4,893,398	5,245,366
Regional Stores Expenditure	60,042,898	87,820,884
Transport Charges to District Fertilizer Stores	77,376,107	121,803,583
	<u>142,312,403</u>	<u>214,869,834</u>
14.b.2.1 Labour Charges		
Wages	2,663,220	2,813,395
Employees Provident Fund	321,995	337,607
Employees Trust Fund	80,499	84,402
Over Time & 1/20th Allowance	554,960	874,378
Unutilized Staff Leave & Incentive	14,271	13,358
Unutilized Medical Leave	196,303	230,131
Welfare & Medical	524,114	65,907
Meal Money & Combine Allowance	12,485	53,111
Uniform Allowance	-	13,272
Incentive Payment	525,552	759,805
	<u>4,893,398</u>	<u>5,245,366</u>
	At subsidy	At cost
	value	value
14.b.3 Stock Shortage/Excess		
Stock Shortage	(2,847,003)	(43,013,200)
Stock Excess	2,957,045	50,181,180
	<u>110,042</u>	<u>7,167,980</u>

Note : Cost of stock shortage/ excess revealed in 100% physical verification conducted after long period of time was valued at first in first out basis

14.c Subsidy on Institutional Overheads	190,388,603	206,843,175
This also represents the part of treasury grants given on 126,926 MT @ Rs. 1,500 for FY 2012/13 and on 137,895 MT @ Rs. 1,500 for 2011/12 respectively for cost incurred in relations to the administration for effecting of Mahinda Chinthana Fertilizer Subsidy Policies		
15 Other Income		
Rent Received	1,177,400	988,194
Non Refundable Tender Deposit	335,050	493,800
Miscellaneous Income	1,056,216	4,502,115
Sale of Disposable Items	622,803	617,565
Dispatch Money Received	18,042,676	21,942,014
Sale of Fixed Assets	-	2,562,000
	<u>21,234,145</u>	<u>31,105,688</u>
16 NET FINANCE COST	<u>(1,758,422)</u>	<u>20,062,511</u>
16.a FINANCE INCOME		
Interest on Fixed Deposits	41,780,685	33,936,101
REPO Investments	13,994,533	25,512,448
Notional tax	1,554,948	-
Withholding tax	4,642,298	-
Interest from Employees Loans	538,762	371,952
	<u>62,511,226</u>	<u>59,820,500</u>

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

		2012/13	2011/12
16.b FINANCE COST			
Bank Charges		12,334,200	1,385,059
Penalty Charges		65	-
Overdraft Interest		2,224,617	351,984
Short Term Loan Interest		24,290,320	20,479,028
Long Term Loan Interest		1,650,141	(1,237,639)
Non Payment of Bill Value Interest		23,770,305	18,779,556
		<u>64,269,648</u>	<u>39,757,989</u>
17 Profit before Tax		181,928,588	314,143,499
Profit before tax is stated after charging all expenses including followings			
Deprecation on property plant & equipments (Note 20)		15,358,640	11,981,743
Auditors remuneration (Note 17.1)		300,000	548,747
Director fees and remunerations (Note 17.2)		1,661,849	1,505,150
Salaries and wages (Note 17.3)		47,938,979	45,909,262
Allowances for Impairment of debtors		511,220	1,679,187
17.1 Audit services			
Audit Fees		300,000	532,696
Audit related services		-	16,051
		300,000	548,747
17.2 Director fees and remunerations			
Directors Allowance		1,462,849	1,505,150
Directors Travelling Allowance		200,100	
		1,661,849	1,505,150
17.3 Salaries and wages			
Executive Staff Remuneration	Note 17.3.1	11,398,188	11,895,555
Clerical Staff Remuneration	Note 17.3.2	35,880,667	32,641,685
Head Office Casual / Trainees Remuneration	Note 17.3.3	660,124	1,372,022
		<u>47,938,979</u>	<u>45,909,262</u>

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

Staff salaries and enumeration for the year ended 31.03.2013

Note	17.3.1	17.3.2	17.3.3	TOTAL
	EXECUTIVE STAFF	CLERICAL & ALLIED STAFF	CASUAL / TRAINEES	
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	2,110,678	4,756,669	-	6,867,347
Total	11,398,188	35,880,667	660,124	47,938,979

Staff salaries and enumeration for the year ended 31.03.2012

Salaries	6,813,805	17,483,846	1,247,618	25,545,269
Employees Provident Fund	817,657	2,098,062	36,741	2,952,459
Employees Trust Fund	204,414	524,515	9,087	738,016
Unutilized Short Leave & Incentive	-	144,791	-	144,791
Over Time & 1/20th Allowance	1,107,208	6,107,569	78,577	7,293,353
Unutilized Medical Leave	563,896	1,170,631	-	1,734,526
Welfare & Medical	135,548	618,618	-	754,166
Combine Allowance & Meal Money	2,253,028	546,178	-	2,799,206
Incentive Payment	-	3,894,387	-	3,894,387
Uniform Allowance	-	53,088	-	53,088
Total	11,895,555	32,641,685	1,372,022	45,909,262

		2012/13	2011/12
18	Income Tax Expenses		
	Current Tax Expense	49,980,826	92,886,826
	Deferred Tax Charge	8,765,039	4,844,240
		58,745,864	97,731,067
18.1	Reconciliation Between the Current Tax Expense and the Product of Accounting Profit		
	Accounting Profit / (Loss) Before Taxation	181,928,588	314,143,499
	Interest for Fixed and repo investment	(55,775,218)	(59,820,500)
	Aggregated Disallowable Items	20,519,517	19,996,120
	Aggregated Allowable Items	(30,142,403)	(5,235,671)
	Income from Other Sources	61,972,464	62,655,217
	Profit / (Loss) from Trade or Business	178,502,949	331,738,665
	Total Statutory Income	178,502,949	331,738,665
	Assessable Income / Taxable Income	178,502,949	331,738,665
	Tax Charged at Statutory Tax Rate of 28%	49,980,826	92,886,826
	Current Tax on Ordinary Activities for the Year	49,980,826	92,886,826

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

19 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.

	2012/13	2011/12
19 a Amount used as the Numerator		
Net Profit Attributable to Ordinary Shareholders (Rs.)	123,182,723	216,412,432
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	12.32	21.64

20 Property Plant and Equipment's

Cost	Freehold Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Office Equipment	Total
Balance as at 01 April 2011	90,000,000	116,724,043	15,139,787	25,080,503	3,727,747	4,325,597	254,997,677
Additions	-	-	391,460	9,996,000	205,398	550,351	11,143,209
Disposals	-	-	-	(1,200,000)	-	-	(1,200,000)
Balance as at 31 03 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	-	-	-	-	-	-	-
Balance as at 31 03 2013	90,000,000	131,623,886	15,773,397	46,426,503	4,260,227	7,349,512	295,433,525
Depreciation							
Balance as at 01 April 2011		20,546,734	11,623,930	9,449,062	-	2,531,359	44,151,085
Charge for the Year		5,836,202	328,500	4,936,201	393,323	487,517	11,981,743
Disposals / Adjustments		-	-	-	-	-	-
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
Balance as at 31 March 2013		32,947,575	12,248,146	21,608,352	807,865	3,879,529	71,491,467
Net Carrying Values							
Land					90,000,000	90,000,000	90,000,000
Buildings			5%		98,676,311	90,341,107	96,177,309
Plant and Machinery			20%		3,525,250	3,578,817	3,515,857
Motor Vehicles			20%		24,818,151	19,491,240	15,631,441
Furniture and Fittings			20%		3,452,362	3,539,822	3,727,747
Office Equipment			10%		3,469,983	1,857,073	1,794,238
					223,942,057	208,808,059	210,846,592
					223,942,057	208,808,059	210,846,592

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

20 Property, Plant and Equipment Contd...

This represents valuation made by Valuation Department on 12, 03.2007 on the land extent to 10 A. 3 R 20 P at Hunupitiya where the head office and stores complex of CCF is situated.

Under the shares of company were re-vested to the General Treasury, under Rehabilitation of Public Enterprises Act. No. 29 of 1996, from private management on 20th January 1997, the ownership of the said land was vested to Provincial Secretary Kalaniya. The process of obtaining the tile of land which is originally belong to CCF is in progress.

Land and property situated at Hunupitiya 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.

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

	31.03.2012	31.03.2013
Plant and equipment	13,888,745	14,393,298.
Motor vehicle	9,195,500	9,195,500.
Office equipment	1,604,391.	1,869,041
	<u>24,688,636</u>	<u>25,457,839.64</u>

21 Work in progress

At Cost	As at 01 April 2011	As at 31 March 2012	Additions (Disposals)	As at 3103 2013
	413,001	12,153,192	-	29,191,969
		<u>12,153,192</u>	-	<u>29,191,969</u>

21.1 CCF has entered into a construction construct amounting to Rs. 44,4 M. to constructs its head office at same vicinity with squire Mech Engineering (Pvt) Ltd, 135/1 Old Kattuwa Road Nawinna, Maharagama.

21.2 CCF has entered into another construction construct amounting to Rs. 51.6 M. to construct a warehouse at same vicinity with Central Engineering Bureau Colombo 7.

22 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.				As At		
				2013	2012	01 April 2011
Loans and Receivables						
Trade and Other Receivables	Note	24	11,960,848,352	9,671,176,077	12,947,440,049	
Employees Loans and Advances	Note	26	11,401,972	15,017,379	582,290	
Other Financial Assets	Note	28	294,331,756	464,694,252	436,672,463	
Cash and Cash Equivalents	Note	29	335,262,627	296,093,770	515,797,182	
			<u>12,601,844,708</u>	<u>10,446,981,477</u>	<u>13,900,491,983</u>	
The loans and receivables are stated at carrying values as their carrying value approximates the fair value..						
TOTAL FINANCIAL ASSETS			<u>12,601,844,708</u>	<u>10,446,981,477</u>	<u>13,900,491,983</u>	

FINANCIAL LIABILITIES

Other Financial Liabilities

Interest Bearing Borrowings	Note	37	14,302,886,929	7,912,937,069	11,632,420,057	
Trade and Other Payables	Note	36	527,107,610	5,554,246,657	4,356,136,052	
Deposits and Advances Received	Note	38	15,602,676	21,070,351	23,576,321	
Total Financial Liabilities			<u>14,845,597,215</u>	<u>13,488,254,077</u>	<u>16,012,132,429</u>	

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

(Expressed in Sri Lankan Rupees)

As at
01.04.2011

	31.03.2013	31.03.2012	01.04.2011
23 Inventories and other consumables			
23a Inventories			
Fertilizers	173,460,034	144,605,717	180,490,161
Packing Materials	2,876,816	7,526,984	4,418,008
	<u>176,336,851</u>	<u>152,132,701</u>	<u>184,908,169</u>
23b Other consumables			
General Stores Items	7,077,899	12,180,371	10,939,019
Stationery	1,234,320	1,471,309	910,748
	<u>8,312,219</u>	<u>13,651,681</u>	<u>11,849,767</u>
	<u>184,649,069</u>	<u>165,784,382</u>	<u>196,757,936</u>

24 TRADE DEBTORS AND OTHER RECEIVABLES

Trade Receivable	53,144,673	57,192,064	60,939,307
Less: Impairment of Trade receivable	<u>31,732,394</u>	<u>31,432,070</u>	<u>29,752,883</u>
	<u>21,412,279</u>	<u>25,759,994</u>	<u>31,186,423</u>
Net Trade Receivable	21,412,279	25,759,994	31,186,423
Other Receivables	<u>11,939,436,073</u>	<u>9,645,416,083</u>	<u>12,916,253,625</u>
	<u>11,960,848,352</u>	<u>9,671,176,077</u>	<u>12,947,440,049</u>

As at 31 March 2013, trade receivables amounts to Rs. 3,185,534 (2011/12): Rs 3,185,534- and 2010/11: Rs. 3,202,514) were past due but not impaired. These relate to a number of significant customers who are individually reviewed for impairment and for whom there is no reliable evidence for impairment in the reporting years.

The ageing of the trade receivables are as follows

Up to 3 Months	127,996	2,555,447	9,757,520
3 to 6 Months	-	-	-
6 to 12 Months	-	-	-
More than One Year	<u>53,016,677</u>	<u>54,636,617</u>	<u>51,181,787</u>
	<u>53,144,673</u>	<u>57,192,064</u>	<u>60,939,307</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 3.7

The Details of the Trade Receivables

31.03. 2013

31.03,2012

As At

01 04. 2011

Multi Purpose Corporative Society	(98,503)	-	-
Farmers Association	83,595	83,633	133,572
Agrarian Service Centers	7,505,832	11,354,334	15,622,960
Government Departments	9,285,861	9,307,546	9,324,476
Authorized Dealers	<u>36,367,889</u>	<u>36,446,551</u>	<u>35,858,300</u>
	<u>53,144,675</u>	<u>57,192,064</u>	<u>60,939,308</u>

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

	31.03. 2013	31.03,2012	As At 01 04. 2011
24.1 Other Receivables			
From General Treasury - Subsidies Paddy	11,657,075,690	9,580,671,560	12,810,345,675
From General Treasury - Interest	262,751,752	46,169,602	74,319,183
Ceylon Shipping Corporation Ltd	1,356,447	1,613,008	-
Ceylon Fertilizer Company Ltd	-	-	7,348,884
ETA Lanka (Pvt) Ltd	-	-	7,269,820
Short Delivery Claim A/C	-	16,399,006	16,399,006
Debtors HO	-	-	328,130
Rent Receivable	118,367	47,184	147,959
CCF Welfare Society - Loan	20,000	20,000	37,500
Recovery of Vehicle Accident Loss A/C	-	-	42,218
Fixed Deposit Interest Receivable	18,113,817	16,894,729	16,414,256
	11,939,436,073	9,661,815,089	12,932,652,631
Impairment of Short Claims	-	(16,399,006)	(16,399,006)
	11,939,436,073	9,645,416,083	12,916,253,625
25 Statutory Receivables			
Economic Service Charges	-	2,394,734	2,675,239
	-	2,394,734	2,675,239
Investments In Treasury Bills			
The investments in treasury bills amounts to Rs 6,421,801 (2012 -Rs. 8,996,424 , 2011 - Rs7,418,966.) are maintained separately for the gratuity commitments.			
26 Employees Loans and Advances			
Distress Loans	-	3,877,186	3,877,186
New Distress Loans	10,840,622	14,378,339	-
Festival Advance	496,350	567,040	517,290
Special Loan :-	65,000	86,200	86,200
Salary Advance	-	7,000	-
	11,401,972	18,915,765	4,480,676
Impairment of Employment Loans	-	(3,898,386)	(3,898,385.95)
	11,401,972	15,017,379	582,290
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			
27 Deposits and Advances			
Deposits	477,109	452,109	407,109
Advance and Pre Payment	7,086,937	10,997,372	19,460,053
	7,564,046	11,449,481	19,867,162
28 Other Financial Assets			
Fixed Deposits	294,331,756	464,694,252	436,672,463
	294,331,756	464,694,252	436,672,463

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

	31.03. 2013	31.03,2012	As At 01 04. 2011
29 Cash at Bank			
Favorable Balances			
Cash in Hand	22,765	22,765	21,475.00
Regional Stores Contingency Fund	950,406	1,692,848	2,187,847.55
Repo's	316,000,000	213,000,000	365,000,000
Cash at Bank	18,289,456	81,378,157	148,587,860
	<u>335,262,627</u>	<u>296,093,770</u>	<u>515,797,182</u>
	Rs.	Rs.	Rs.
People's Bank Corporate Branch A/C No 004100170211270	12,772,631	24,851,232	35,097,378.74
People's Bank Corporate Branch A/C No 004100160204816	5,418	47,898,286	(77,233.30)
People 'S Bank Wattala A/C No 222100160976544	4,512,188	5,971,257	109,322,156.92
Bank Of Ceylon - Wattala A/C No 135670	999,219	2,657,382	4,245,557.21
SUB TOTAL	<u>18,289,456</u>	<u>81,378,157</u>	<u>148,587,859.57</u>
Cash and Cash Equivalents for the Purpose of Cash Flow Statement	335,262,627	296,093,770	515,797,182

30 Issued and fully paid			
Number of Ordinary Shares	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Value (Rs.)	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

31 Capital Reserve	31.03.2013	31.03. 2012	As At 01 04 2011
	1,683,685	1,683,685	1,683,685

32 Reconstruction And Revaluation Reserve			
Capital Reserve	32.1	122,262,785	122,262,785
Revaluation Reserve 2007	32.2	106,893,272	106,893,272
Revenue Reserve	32.3	59,841,519	61,016,519
		<u>288,997,576</u>	<u>288,947,576</u>
		<u>288,947,576</u>	<u>290,172,576</u>

32.1 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

32.2 Revaluation Reserve 2007 Rs. 106.893,272

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

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

32.3 Revenue Reserve 1997 Rs. 59,841,519 - 2013 (Rs 61,016,519 - 2012)

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.

33 Retirement Benefits Obligation	31.03.2013	31.03.2012	As At 01 04.2011
Balance as at 01 April	8,996,424	7,418,966	12,729,278
Expenses Recognized in Comprehensive Income (Note 35.1)	517,835	1,645,143	2,697,585
Payments made during the year	(3,092,458)	(67,685)	(835,166)
Adjustments in Retained Earning at the Date of Transition to SLFRSs	-	-	(7,172,731)
Balance as at 31 March	6,421,801	8,996,424	7,418,966

33.1 Expense Recognized in Comprehensive Income

Current Service Cost	438,605	504,529	2,697,585
Interest Charge for the Year	989,607	816,086	-
(Gain) / Loss Arising From Changes in the Assumptions	(910,377)	324,528	-
	517,835	1,645,143	2,697,585

Assumptions on Expense Recognized in Comprehensive Income

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.

	31.03.2013	31.03.2012	01.04.2011
Mortality	67/70	67/70	67/70
Discount Rate [%]	11	11	11
Future Salary escalation rate [%]	2	2	2
COLA rate [%]	Fixed	Fixed	Fixed
SPA rate [%]	15	15	15
Staff Turnover Factor [%] - up to 50 yrs	1	1	1
- over 50 yrs	0	0	0
Retirement age [Yrs]	60	57	57

34 Deferred Taxation

Balance as at 01 April	11,620,485	6,776,244	-
(Charge) / Reverse for the Year	8,765,039	4,844,240	-
Adjustments in Retained Earning at the Date of Transition to SLFRSs		-	6,776,244
Balance as at 31 March	20,385,523	11,620,485	6,776,244

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupee)s

34.1 The Analysis of Deferred Tax Assets and Liabilities

	31.03.2013	31.03.2012	01.04.2011
Deferred Tax Liability			
From Accelerating Depreciation	<u>31,068,698</u>	<u>25,770,458</u>	<u>19,786,392</u>
	<u>31,068,698</u>	<u>25,770,458</u>	<u>19,786,392</u>
Deferred Tax Assets			
From Retirement Benefits Obligation	1,798,104	3,148,748	2,596,638
From Impairment Provisions - Trade Debtors	<u>8,885,070</u>	<u>11,001,224</u>	<u>10,413,509</u>
	<u>10,683,175</u>	<u>14,149,973</u>	<u>13,010,147</u>
	20,385,523	11,620,485	6,776,244

Deferred Tax Liability

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

The net deferred tax assets arising from the adjustment made at the date of transition to SLFRSs in relating to initial recognition of deferred taxation is adjusted to retained earnings.

35	Interest Bearing Borrowings Settlement Fall Due More than One Year	31.03.2013	31.03.2012	01.04.2011
	People's Bank	-	<u>3,586,937,069</u>	<u>7,912,937,069</u>
		<u>-</u>	<u>3,586,937,069</u>	<u>7,912,937,069</u>
	Settlement Fall Due Within One Year			
	People's Bank	10,715,949,860	4,326,000,000	3,244,500,000
		3,586,937,069	-	474,982,988
		<u>14,302,886,929</u>	<u>4,326,000,000</u>	<u>3,719,482,988</u>
		<u>14,302,886,929</u>	<u>7,912,937,069</u>	<u>11,632,420,057</u>
35.1 Movement of the Loan				
	Balance as at 01 January	3,586,937,069	7,912,937,069	11,632,420,057
	Obtained During the Year	10,715,949,860	-	-
	Settlements Made During the Year	(3,586,937,069)	<u>(4,326,000,000)</u>	<u>(3,719,482,988)</u>
	Balance as at 31 December	<u>10,715,949,860</u>	<u>3,586,937,069</u>	<u>7,912,937,069</u>
36 Trade and Other Payables				
	Trade Payables	Note 36.1 332,706,351	5,505,817,493	4,276,893,630
	Other Payables	Note 36..2 <u>194,401,259</u>	<u>48,429,163</u>	<u>79,242,422</u>
		<u>527,107,610</u>	<u>5,554,246,657</u>	<u>4,356,136,052</u>
36.1 Trade Payables				
	Bills Payable on L/C	332,706,351	5,505,817,493	4,275,660,232
	Import of Fertilizer	-	-	731,460
	Refundable Cash on Cash Sale	<u>-</u>	<u>-</u>	<u>501,938</u>
		<u>332,706,351</u>	<u>5,505,817,493</u>	<u>4,276,893,630</u>

Figures in brackets indicates deductions

Expressed in Sri Lankan Rupees)

	31.03.2013	31.03.2012	04.01.2011
36.2 Other Payable			
Lanka Salt Ltd	174,082	591,880	1,009,677
Audit Fees	303,629	300,000	50,000
Ceylon Fertilizer Company Ltd	352,220	352,220	-
Interest Payable -Treasury	192,748,302	46,169,602	74,319,183
Back wages	-	1,015,461	3,863,561
Others	823,026	-	-
	<u>194,401,259</u>	<u>48,429,163</u>	<u>79,242,422</u>
37 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			
38 Deposits and Advances Received			
	765,000	685,000	-
Refundable Deposits	4,383,314	9,750,956	5,891,050
Customer Deposits & Over Received	10,454,362	10,634,395	17,685,271
	<u>15,602,676</u>	<u>21,070,351</u>	<u>23,576,321</u>
39 Statutory Payables			
Current Taxation (Note 42.1)	268,418,195	287,841,054	395,238,841
NTB	-	29,965	662,084
NTB	4,660,432	241,209	-
PAYE	4,626	17,750	-
	<u>273,083,253</u>	<u>288,129,977</u>	<u>395,900,925</u>
39.1 Current Tax			
Balance at 01 April	287,841,054	395,238,841	297,762,059
Charge for the Year	49,980,826	92,886,826	120,230,111
SLRS	-	-	1,803,452
Payments Made - Self Assessment	-	(74,903,933)	(6,150,114)
Payments Made - to Settle the Previous Liability	(60,811,704)	(125,380,680)	(10,000,000)
Set-off Against the Tax Credits - ESC	(2,394,734)	-	(8,406,667)
Set-off Against the Tax Credits - WHT	(4,642,298)	-	-
- Notional tax	(1,554,948)	-	-
Balance at 31 March	<u>268,418,195</u>	<u>287,841,054</u>	<u>395,238,841</u>

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

40	Accrued Expenses			
	Accrued Expenses	18,691,544	18,475,147	20,817,599
	Payable for Work in Progress	-	3,328,357	-
		<u>18,691,544</u>	<u>21,803,504</u>	<u>20,817,599</u>

41 Capital and Other Commitments

CCF has entered into a construction contracts with two construction contractors for construction of Rs. 49 M to construct a office building for CCF head office and a ware house for Rs. 57 M. The work certified and paid Rs. 25 M for office building as at 31.03.2013.

42 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.

43 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.

44 Contingent assets

The Company has contingent assets in respect of legal claims made in the matters arising in conducting its ordinary course of business. Management is of the opinion that these claim. Amounting to Rs . 16.4 M can be deiced in favour of the company however company has not recognized in the financial statements

45 Related Party Disclosures

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity. The Company's related parties include 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.	2012 / 13	2011 / 12
Directors allowances	<u>1,462,849</u>	<u>1,505,150</u>

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

Name of the Related Party	Nature of Transactions	Transaction Value (Rs.)	Balance(Due to)/Due from
		2012 / 13	2011 / 12
Government of Sri Lanka	Subsidies Received out of paddy and other crops	8,576,322,668	11,657,075,690
	Sales of Goods	866,809,058	
	Recoveries of Trade Receivables	..	
State-Owned Enterprises	Short-term Loans borrowed	10,715,949,860	10,715,949,860
	Settlements of Loans	(3,586,937,069)	
	Investments In Fixed Deposits		
	Investment during the year	(170,362,495)	294,331,756
	Interest Received	55,775,218	
	Current Accounts		335,262,627
Other Government Related Entities	Recoveries of Trade Receivables		1,356,447

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Figures in brackets indicates deductions

46 Transition to SLFRS

As stated in Note 2.1, these are the company's first Financial Statements prepared in accordance with the new Sri Lank Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to SIAS), promulgated by the Institute of Chartered Accountants of Sri Lanka (CASL). The accounting policies set out in Note 3 -12 have been applied in preparing the Financial Statements for the year ended 31st March 2013, the comparative information presented in these Financial Statements for the year ended 31st March 2012 and in the preparation of an opening Statement of Financial Position as at 1st April 2011. In preparing its opening SLFRS Statement of Financial Position, the Company has adjusted amounts reported previously in Financial Statements prepared in accordance with previous SLAS. An explanation of how the transition from previous SLAS has affected the Company's financial position and financial performance are set out in the following tables and notes that accompanying the tables.

46.1 Reconciliations - Statements of Comprehensive Income Statement

for the Year Ended 31 March	2012 Under SLAS	Effect on Transition to SLFRSs	2012 Under SLFRS
Revenue	982,118,071	-	982,118,071
Cost of Sale	(655,542,628)	49,583,809	(605,958,819)
Gross Profit	326,575,442	49,583,809	376,159,251
Other Income	89,726,189	(58,620,500)	31,105,688
	-		
	416,301,631	(9,036,691)	407,264,940
Administrative Expenses	(73,359,044)	-	(73,359,044)
Distribution Cost	(36,387,233)	(1,500,162)	(37,887,395)
Other Expenses	(1,937,512)	-	(1,937,512)
Profit from operation	304,617,841	10,536,854	294,080,988
Net Finance Income	(39,757,989)	(59,820,500)	20,062,511
Profit (Loss) Before Tax	264,859,852	(49,283,646)	314,143,499
Income Tax Expenses	(104,076,773)	(6,345,706)	(97,731,067)
Net Profit for the year	160,783,079	(55,629,353)	216,412,432

Figures in brackets indicates deductions.

(expressed in Sri Lankan Rupees)

Notes to the Financial Statements for the year ended 31 March 2013

46 Explanation of Transition to SLFRSs Contd...

Reconciliation of Equity	As At 31 March 2012 Under SLAS	Effect on Transition to SLFRSs	As At 31 March 2012 Under SLFRS	As At 01 April 2011 Under SLAS	Effect on Transition to SLFRSs	As At 01 April 2011 Under SLFRS
NON CURRENT ASSETS						
PPE	208,807,360	700	208,808,059	209,886,592	-	209,886,592
Capital WIP	12,153,192	-	12,153,192	413,001	-	413,001
	220,960,552	700	220,961,251	210,299,594	-	210,299,594
CURRENT ASSETS						
Inventories	3,618,217,941	(3,452,433,559)	165,784,382	2,724,807,244	(2,528,049,308)	196,757,936
Trade Debtors	57,192,064	(9,269,655)	9,671,176,077	60,939,307	(65,629,958)	12,947,440,049
Other Debtors	9,623,253,668	-	-	12,952,130,700	-	-
Statutory Receivables	2,394,734	(0)	2,394,734	2,675,239	-	2,675,239
Emp: Loans and Advances	18,908,765	(3,891,386)	15,017,379	4,480,676	(3,898,386)	582,290
Deposits and advances	452,109	10,997,372	11,449,481	407,109	19,460,053	19,867,162
Other financial assets	677,694,252	(213,000,000)	464,694,252	801,672,463	(365,000,000)	436,672,463
Cash at Bank	83,093,770	213,000,000	296,093,770	150,797,182	365,000,000	515,797,182
TOTAL CURRENT ASSETS	14,081,207,302	(3,454,597,228)	10,626,610,074	16,697,909,919	(2,578,117,599)	14,119,792,320
TOTAL ASSETS	14,302,167,854	(3,454,596,528)	10,847,571,325	16,908,209,512	(2,578,117,599)	14,330,091,914
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES						
Capital -	100,000,000	-	100,000,000	100,000,000	-	100,000,000
Capital Reserve	1,683,685	-	1,683,685	1,683,685	-	1,683,685
Revenue Reserve	30,691,298	(30,691,298)	-	30,691,298	(30,691,298)	-
Reconstruction And Revalue Reserve	290,172,577	(1,225,000)	288,947,577	290,172,577	(25,000)	290,147,577
Retained Earnings	922,772,774	33,362,823	956,135,597	768,443,422	(28,728,932)	739,714,490
TOTAL NON- CURRENT LIABILITIES	1,345,320,333	1,446,525	1,346,766,858	1,190,990,981	(59,445,229)	1,131,545,752
NON CURRENT LIABILITIES						
Retirement Benefits Obligation	-	8,996,424	8,996,424	-	7,418,966	7,418,966
Deferred Taxation	-	11,620,485	11,620,485	-	6,776,244	6,776,244
Interest Bearing Borrowings	-	-	-	3,586,937,069	-	3,586,937,069
	-	20,616,909	20,616,909	3,586,937,069	14,195,210	3,601,132,279
Balance Carried down	1,345,320,333	22,063,434	1,367,383,767	4,777,928,050	-45,250,019	4,732,678,031

Figures in brackets indicates deductions.

(expressed in Sri Lankan Rupees)

46 Explanation of Transition to SLFRSs Contd...

Reconciliation of Equity	As At 31 March 2012 Under SLAS	Effect on Transition to SLFRSs	As At 31 March 2012 Under SLFRS	As At 01 April 2011 Under SLAS	Effect on Transition to SLFRSs	As At 01 April 2011 Under SLFRS
Balance carried forward	1,345,320,333	22,063,434	1,367,383,767	4,777,928,050	(45,250,019)	4,732,678,031
Current Liabilities						
Interest Bearing Borrowings	3,586,937,069	-	3,586,937,069	4,326,000,000	474,982,988	4,800,982,988
Provisions	3,481,592,566	(3,481,592,566)	-	2,543,546,413	(2,543,546,413)	-
Trade and Other Payables	5,553,231,195	1,015,461	5,554,246,656	4,826,474,019	(470,337,967)	4,356,136,052
Other current liabilities	-	-	-	-	-	-
Dividend Payable	-	8,000,000	8,000,000	-	-	-
Deposits and Advances Received	10,634,395	685,000	21,070,351	17,685,271	(0)	23,576,321
Refundable deposits	9,750,956	-	-	5,891,050	-	-
Income tax liabilities	290,908,448	-	-	384,560,007	-	-
Statutory other Payables	1,958,922	(4,737,392)	288,129,977	3,879,127	7,461,791	395,900,924
Accrued Expenses	21,833,969	(30,465)	21,803,504	22,245,577	(1,427,978)	20,817,599
TOTAL CURRENT LIABILITIES	12,956,847,520	(3,476,659,962)	9,480,187,558	12,130,281,464	(2,532,867,580)	9,597,413,884
Total Equity & Liabilities	14,302,167,853	(3,454,596,528)	10,847,571,325	16,908,209,513	(2,578,117,599)	14,330,091,914

Impairment and un collectability of financial assets - trade receivable

Impairment of trade receivables have been done on a case by case basis for individually significant customers. Allowances for impairment have be made individually and collectively as guided by the LKASs

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects	to Equity		to comprehensive income for year ended 31.03.2011
	As at 31 March 2012	As at 01 April 2011	
Recognition of Impairment to Trade Receivables and allocation		29,752,883	1,500,162

Retirement Benefits Obligation

Under SLAS, the company has determined retirement benefits obligation on the basis of half month salary multiplied by the number of years' service completed. In compliance with SLFRS, the Company has changed its basis used to measure the retirement obligation to project unit credit method using a qualified actuarial consultant. As a result of changing the accounting policy to measure the obligation, the adjustments have been made retrospectively in the reporting periods 2010/11 and 2011/12.

Figures in brackets indicates deductions.

(expressed in Sri Lankan Rupees)

46 Explanation of Transition to SLFRSs Contd...

The impact arising from the above changes are summarized below:

Nature of the SLFRS Adjustments / Effects		to Equity		to comprehensive income for year ended 31.03.2011 and 31.03.2012
		As at 31 March 2012	As at 01 April 2011	
Re-classification from	Re-classification to	Description		2011/12
Provision for Gratuity		17,240,904	14,591,697	
	Retirement Benefit Obligation			
Adjustments on Changes in Measurement 01,04.12				7,172,731
Balance 03.31			7,418,966	
Adjustments on Changes in Measurement 01,04.12		7,172,731		
Adjustments on Changes in Measurement		1,071,749		1,071,749
Balance 03.31		8,996,424		

Reclassification within the Comprehensive Income

Due to the application of SLFRS, the following have been reclassified within the statement of comprehensive income.

47. Financial Instruments

47.1 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.

47.2 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 summarized below:

47.2.1. 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	31/03/2013	31/03/2012	01/04/2011
Trade and Other Receivables	26,340,779	29,716,207	47,238,413
Subsidy receivables from the General Treasury	11,875,974,632	9,577,257,353	12,884,664,858
Deposits held with Banks	294,331,756	464,694,252	436,672,463
Cash and cash equivalents	335,262,627	296,093,770	515,797,182
	12,531,909,795	10,367,761,582	13,884,372,916

47.2.1.1 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 31.03.2013	As at 31.03.2012	As at 31.03.2012
Up to 3 Months	127,996	2,555,447	9,757,520
3 to 6 Months			
6 to 12 Months			
More than One Year	7,176,795	54,636,617	51,181,787
	7,304,791	57,192,064	60,939,307

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.

47.2.1.1.2 Subsidy Receivables

Under the Mahindachithna 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.

47.2.1.1.3 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.

47.2.2. 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.

47.2.2.1. 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 31.03.2013	
Exchange Loss Rs.		103,676,072	192,697,280
Exchange Gain Rs		250,606,076	

The following significant exchange rates were applied during the year:

Year	Average Rate			Reporting Date - Spot Rate		
	2013	2012	2011	2013	2012	2011
1 USD = LKR	130.00	129.58	112.60		125.30	129.60

47.2.2.2 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 31.03.2013- was Rs. 10,715,949,860 (31.03.2012 – Rs. 3,586,937,069 and 31.03.2011 Rs. 8,387,920,056.) 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

47.2.3. Liquidity Risk

Liquidity risk is the risk of not having sufficient funds to meet its financial commitments in a timely 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.

47.2.3.1 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