ANNUAL REPORT

2016

COLOMBO COMMERCIAL FERTILIZERS LTD
Dalupitiya Road, Hunupitiya, Wattala

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1.1

Vision

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

Mission

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

1.2 Our Values

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

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

1.3 Milestones of our Journey

1872

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

1976

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

1989

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

1994

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

Milestones of our Journey contd….

1997

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

2005

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

2010

- Distribution of Subsidized fertilizer for Other Crops was started

2011

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

2016

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

1.4 Chairman's Review

On behalf of the Board I am pleased to present you the Annual Report and Financial Statements of Colombo Commercial Fertilizers Ltd. For the year ended 31st March 2016.

Company Performance

For the financial year ended 31st March 2016, the company has recorded a net profit of Rs.180 million. 185,273 MT of fertilizer were imported during the year in all three varieties (Urea, TSP and MOP) and 113,067MT were distributed for Paddy Crops whilst 50,774 MT for Other Crops, which contributed for a turnover of Rs.1,840 million.

The company has played a major role in government's fertilizer subsidy program. Our business was to distribute subsidized fertilizer to the farmers from our central warehouse and 18 regional warehouses which derived us a market share of 35%.

The past year was not a satisfactory period for the agriculture industry. The sector has faced a contraction due to adverse weather patterns experienced. The production of paddy has been declined by 8.3% whilst the production of Tea, rubber and coconut has been declined by 11%,10.7% and 1.5% respectively. Further, the abrupt change taken place in fertilizer subsidy scheme at the latter part of the financial year directly affected our business resulting us to compete in the open competitive market which is packed with diversified multinational companies. The financial performance of the company has significantly dropped during the year under review. The profit after tax has been declined by 63% when comparing with the previous financial year.

Positive Outlook

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

The government has launched special programs to develop the agriculture industry in the country. A three-year national program was launched in early March 2016 under the theme "A Wholesome Agriculture - A Healthy Populace - A Toxin Free Nation." Further, it has been proposed to establish 23 Agricultural Development Mega Zones in order to make Sri Lanka's agricultural products globally competitive. Further, the Budget proposed several policy measures, including setting up granaries with state of the art technology for paddy, maize, gingelly, pepper, black gram, etc. and cold rooms for vegetables and fruits as well as the removal of import duties pertaining to agriculture machinery and equipment. Accordingly, it is certain that the agriculture industry of the country will have a bright future ahead. Our strategies are aligned harmonizing these new opportunities and we are confident about our success.

We have started to spread our wings over the areas of production and marketing of Compost Fertilizer, Growing Media and Enriched Fertilizer. The company has a recognized history of Fertilizer mixing and marketing the mixtures, especially for plantation sector. Hence, we are keen on using our experience as a competitive advantage and marketing the fertilizer mixtures targeting the plantation sector. We have a project in the pipeline, where we test the soil and supply fertilizer containing the components that are lacking in that particular sample of soil.

Acknowledgment

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

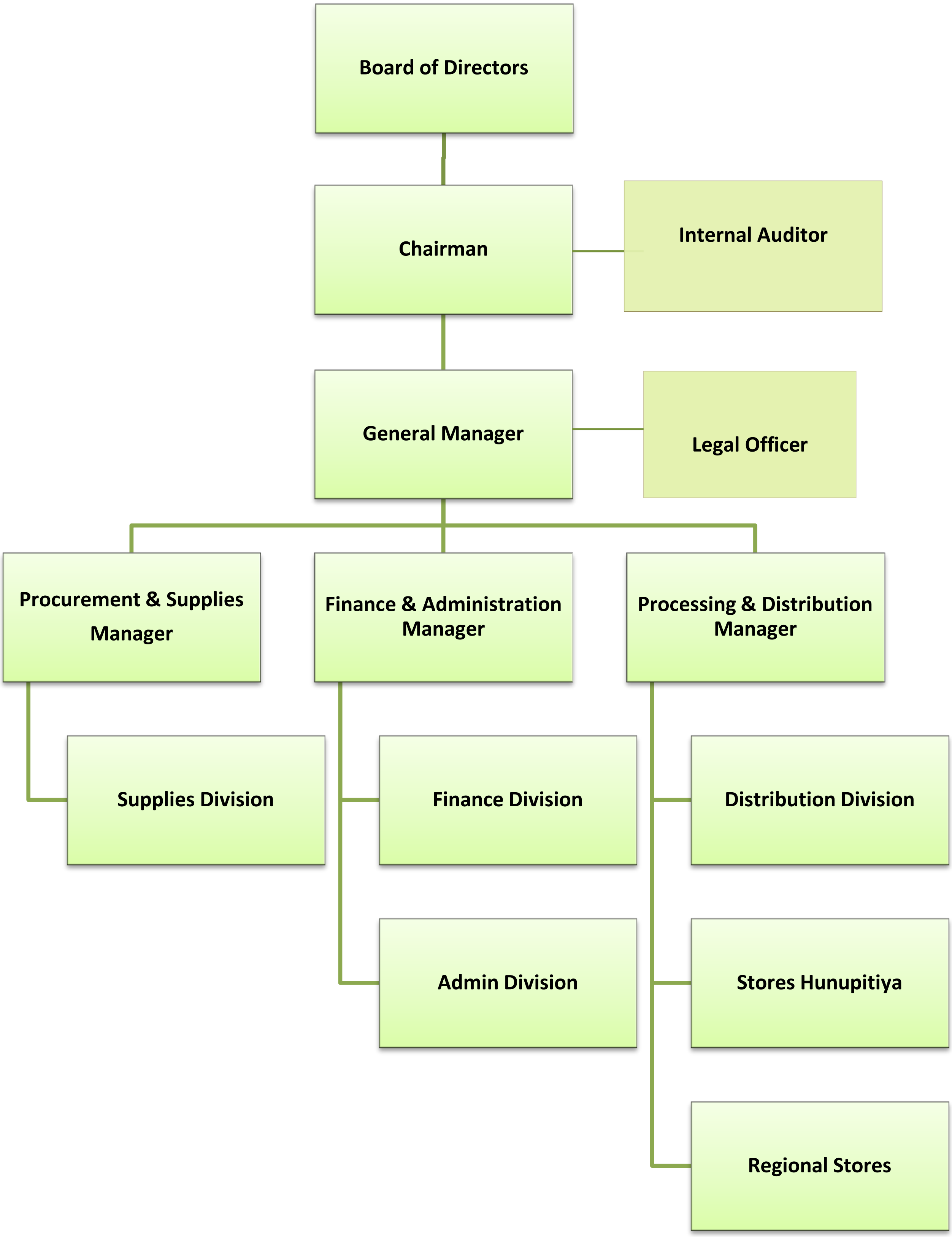
I appreciate the co-operation and the contribution extended by the Board of Directors to achieve the targets of CCF Ltd. Specially, I take this opportunity to thank the Director of National Fertilizer Secretariat and his staff for their continuous assistance and guidance.

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

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

CHAMINDA KUMARA LIYANAGE
CHAIRMAN
COLOMBO COMMERCIAL FERTILIZERS LTD.

1.5 Organizational Structure of the Company



1.6 Board of Directors and Steering Committees

•Board of Directors

•Chairman -Mr. Chaminda Kumara Liyanage

•Executive Director - Mr. Neil Nanayakkara

•Director - Mr. W.K.D.T. Waragoda

•Director - Mr.S.L. Bandusiri

•Director - Mr. T. Malith Perera

•Director - Mr. P.A.S.A. Kumara

•Director - Mr. D.H.L. Silva

•Company Secretary - Mr. S.P. Morawaka (Attorney at Law)

•Audit and Management Commitee

•Chairman - Mr. P.A.S.A. Kumara (Director General Treasury)

•Member - Mr. S.L. Bandusiri

•Member - Mr. T. Malith Perera

•Observer - Mrs. R.P. Sunanda Padmini (Audit Superintendent)

•Observer - Mr. P.L. Namasena (Cheif Internal Auditor - Miistry of Agriculture)

•Convener - Mr. H.V.A.J. Wijesiri

•Senior Management Committee

•General Manager - Dr. W.M. Jayantha Weeraratne

•Finance & Administration Manager - Mr. S.N.J. Wickremesinghe

•Procesing & Distribution Manager - Mr. J.C. Wickramesinghe

•Procurement & Supplies Manager - Mr. K.K. Somasunderam

•Internal Auditor - Mr. H.V.A.J. Wijesiri

1.7 Corporate Governance

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

Corporate Governance Framework

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

1.8 How We Maintain Corporate Governance

Board Meetings

• During the reporting year 12 Board Meetings were held

Cadre Requirements

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

Policy Decisions

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

Important Matters

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

Audit and Management Committee Meetings

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

Detailed prgrams and work plans

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

2. Risk Management

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

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

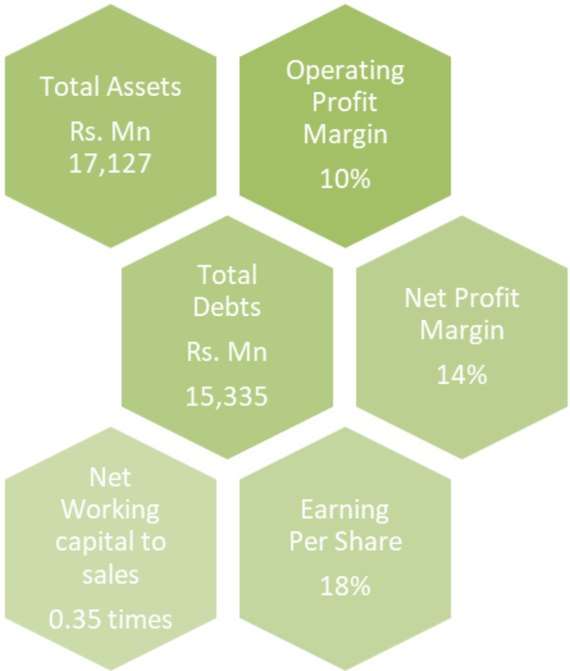
Probability				
Frequent			**2 ,9**	**5,8**
Occasional			**3,15**	**1 ,4 ,6 ,10 ,14**
Likely	**7**			
seldom		**11**	**13**	**12**
	Minor	*Medium*	*high*	*very High*

Consequences

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

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

3. Performance Highlights



Revenue

The revenue of the company increased continuously through-out the last five years. In 2015/16 company has reported the highest ever revenue of 1.8 billion from sale of fertilizer for paddy and other crops.

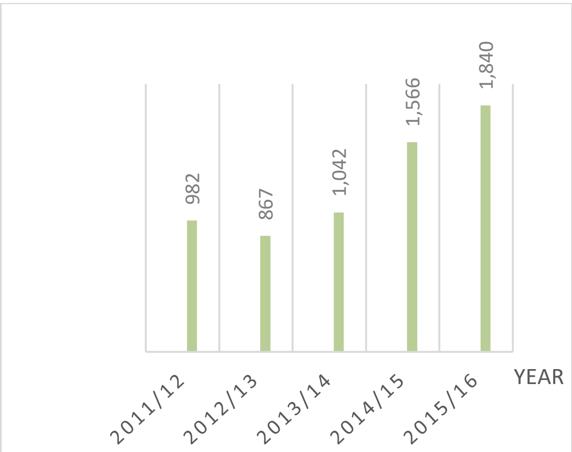


Chart No. 01. Revenue of the company (Rs. Mn)

Gross Profit

Due to the change taken place in the fertilizer subsidy scheme, company reported gross loss in 2015/2016, however, it has generated continuous profits during the past.

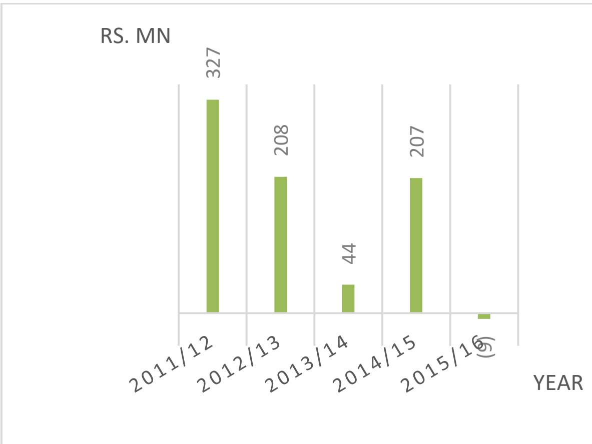


Chart No. 02. Gross Profit of the company (Rs. Mn)

Administrative Expense

The administrative expense of the company was Rs.115 Million. When comparing with the previous year it was an increase of 19%.

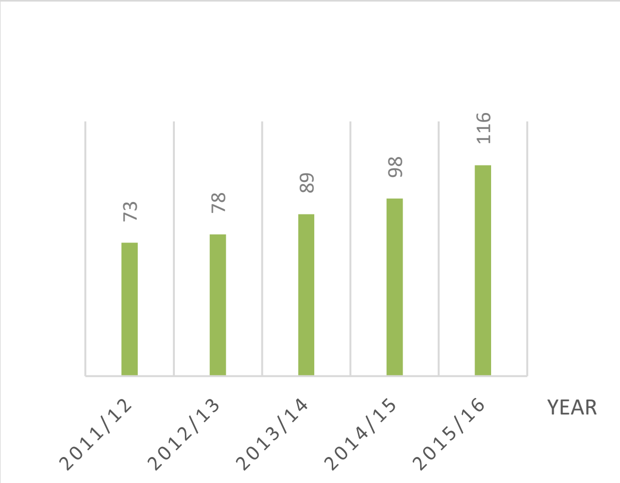


Chart No. 03. Administration Expenses of the company (Rs. Mn)

Distribution Expense

The company's distribution expenses have been decreased by 7% to Rs.41 million while there was a significant expansion in the distributor network of the company due to effective and efficient management.

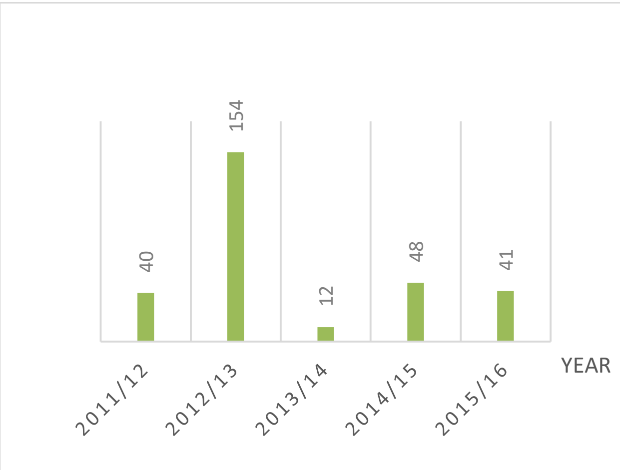


Chart No. 04. Distribution Expenses of the company (Rs Mn)

Finance Income and Expenses

Finance income of the company records 71 million for the year. Finance income includes interest income related to the prudent investment in fixed deposits and REPO investments

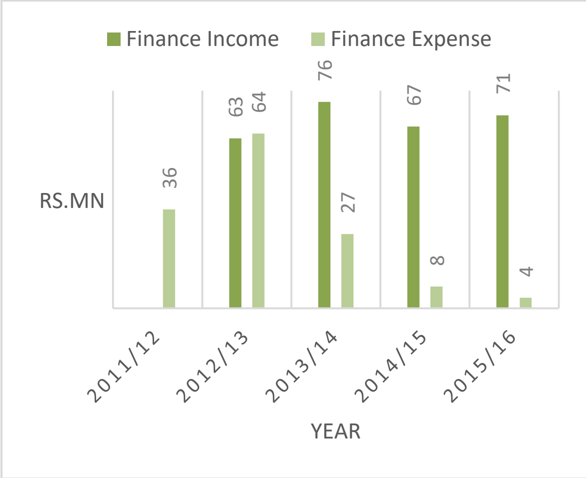


Chart No. 05. Finance Income and Expenses of the company (Rs. Mn)

Profit Before Taxation

The company has been able to maintain sustainable profits through-out the recent past. Continuous increase in interest income has contributed to the growth of net profit of the company. However, changing the Fertilizer Subsidy Scheme has massively affected the profit of the company.

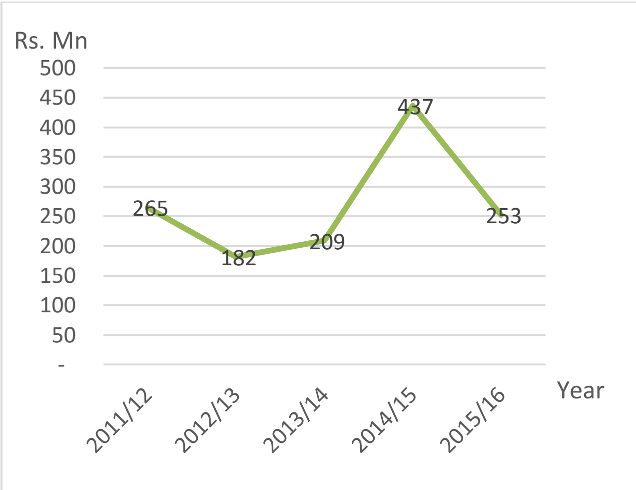


Chart No. 06. Profit before Taxation of the company (Rs. Mn)

Comparison of Financial Highlights

		2016	2015	Change %
Earnings Highlights and Ratios				
Revenue	Rs. Mn.	1,840.00	1,566.00	17.50
Profit from Operating Activities	Rs. Mn.	185.00	378.00	(51.06)
Profit Before Tax	Rs. Mn.	253.00	437.00	(42.11)
Profit After Tax	Rs. Mn.	181.00	282.00	(35.82)
Gross Profit Margin	%	(0.48)	13.19	
Operating Profit Margin	%	10.05	24.14	
Net profit Margin	%	13.75	27.91	
Earnings per Share (Basic)	%	18.10	28.16	
Financial Position Highlights and Ratios				
Total Assets	Rs. Mn.	17,127.00	18,752.00	(8.67)
Total Debts	Rs. Mn.	15,335.00	17,116.00	(10.41)
Equity Attributable for Share Holders	Rs. Mn.	1,792.00	1,636.00	9.54
Current Ratio	No. of times	1.62	1.18	
Quick Ratio	No. of times	1.57	1.16	
Net Working Capital to Sales	No. of times	0.35	1.81	

4. Planning for the Future

Being a state-owned institution the company's operation are highly depending upon government policies and practices. Under the Government Fertilizer Subsidy program, the company had a market share of 35% in the business of distributing subsidized fertilizer for 557 Agriculture Service Centres and Dealers Island wide.

However, according to the central bank report of year 2015, during the period of 2005-2014, the government expenditure on fertilizer subsidy has amounted to Rs.238.3 billion. As a percentage of total government expenditure, the annual expenditure on the fertilizer subsidy has averaged about 2 per cent. in order to overcome the same and improve the efficiency to optimize the expected social and economic benefits, the Government has changed the fertilizer subsidy scheme at the end of February 2016, challenging the sales and revenue of the company massively.

Under the existed system the company distributed 35% of the total paddy fertilizer requirement of the country and 90% of cost of sales were subsidized by the Government. Hence, effects of the market competition were insignificant to the company. Therefore, exposing to the open market is a huge challenge to the company. However, the government's undertaking to settle the import bills is a massive strength to the Company.

The company is effectively working on to convert the threats it faces, in to opportunities. New strategies are being developed, formed and experimented. The company holds resources, mainly the Human Resource which gives the ability to compete strongly in the market. It is often said that strategy is 5 percent thinking, 95 percent execution. This could be extended as strategy execution is 5 percent technical, and 90 percent people-related. And managing collective emotions is a critical success factor in strategy execution. The Board of Directors and the Senior Management along with the innovative Human Capital are working hard to pave the way towards the success of the Company.

Internal Situations	***Strategies as Solutions***
Less Experience in open market	Hiring a competent Marketing Manager and Properly training the marketing Team
Limitation to operate due to stringent procurement and financial policies imposed as a fully government owned entity	Preparation of operating guidelines specified to the company with proper approval.
Lack of Standard Operating Procedures and inefficiencies in current operating procedures.	Implementation of a proper integrated system
Limited product range in variations and sizes.	Introducing special mixtures targeting urban home gardening and plantation sector
Stock already in hand with subsidized quality in packing and texture.	Carrying out massive sales promotional activities to sell the less demanded items

5. Creating Value for Stakeholders

How we create Value……….

Input

Financial capital
Equity Rs.1792 Mn
Debt Rs.4928 Mn

Manufactured Capital
Property Plant &
Equipment Rs. 321 Mn

Human Capital
136 Employees

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

Process of Value Creation

Supply Chain Management

Financial Management

Customer Relations

Import

Mixing and Storage

Distribution

Good Governance

Efficient Process

Good Industrial relations

Value Created

For the Share Holder
Profit Rs.181 Mn
Dividends Rs. 25Mn

For Finance Providers
Rs 04 Mn

For Employees
Employee Cost Rs. 14 Mn
Bonus & Incentive
Rs. 2.2Mn

For Customers
Sales *Rs.1840Mn.*

For Suppliers
Purchases Rs.962Mn

For Regulators
Taxes Rs. 92Mn

For Community
Donations Rs 0.6Mn

Retained with the
Business *Rs.1401 Mn*

6. Fertilizer Distribution at a Glance

Market Share of the Company

During the fertilizer subsidy era the company had a defined market share of 35% for Paddy fertilizer. However, mainly with the opening of the market for the private sector as a result of the change taken place in the subsidy scheme and the granular fertilizer stocks in hand which are imported during the subsidy era and in low customer demand, the market share of the company has drastically fallen in the financial year 2016.

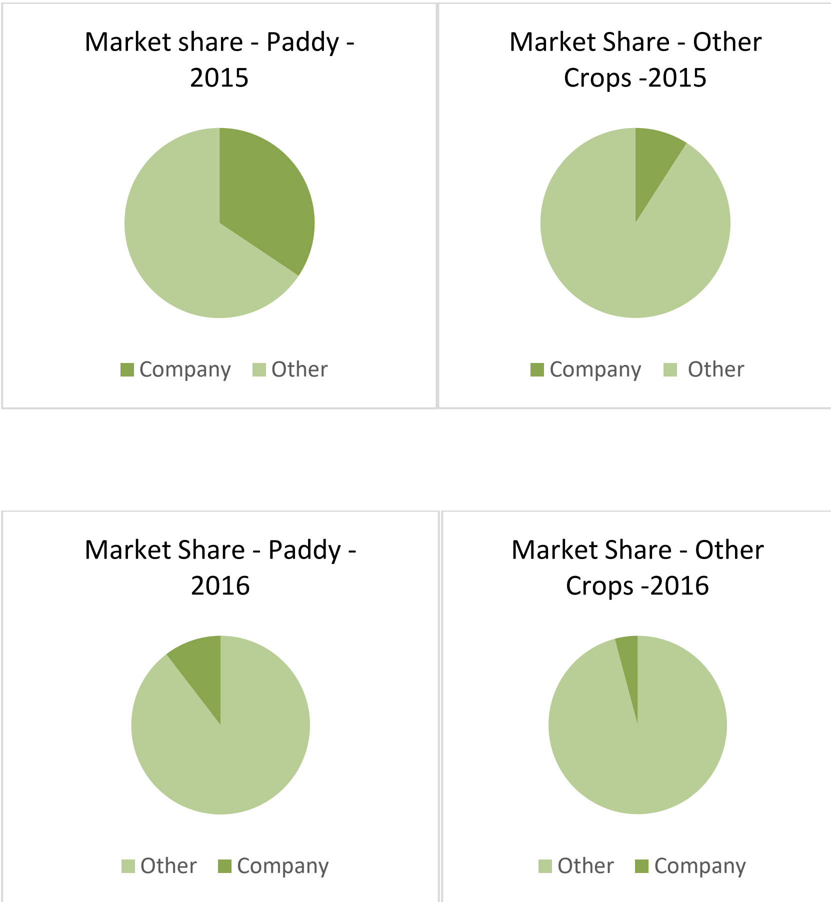


Chart No.07. Market Share of the company year 2015 and 2016 (%)

Distribution of Paddy and Other Crops fertilizers during the year

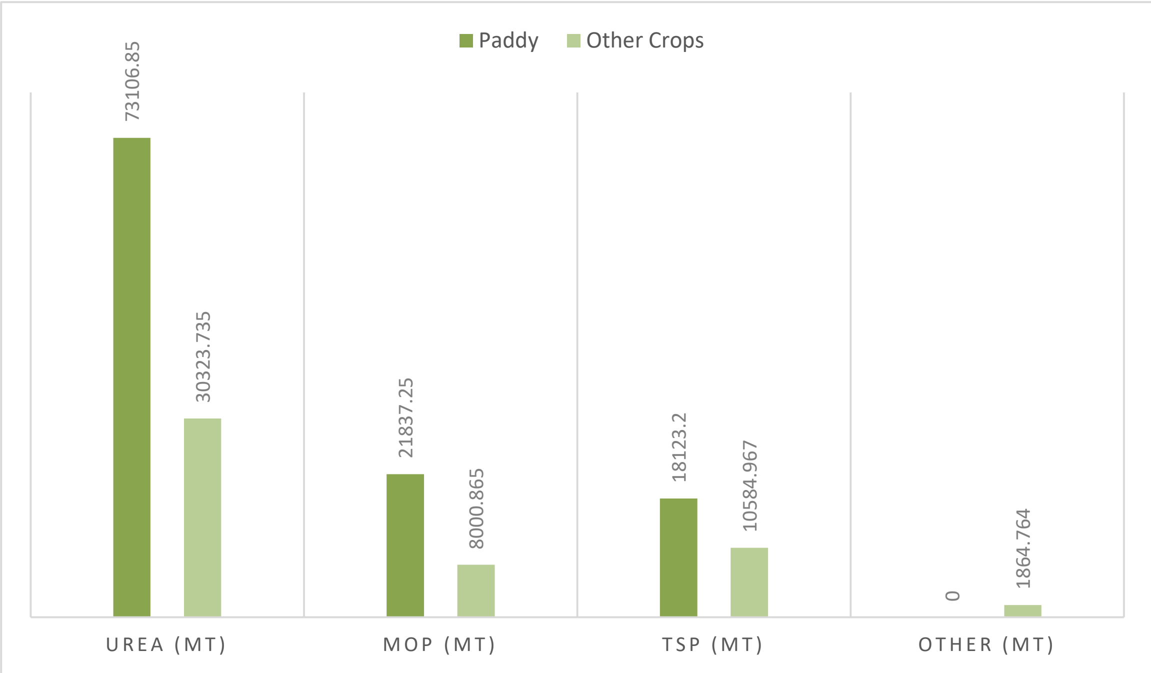


Chart No.08. Distribution of Paddy and Other Crops' Fertilizers during the year (MT)

Fertilizer Distribution among Districts

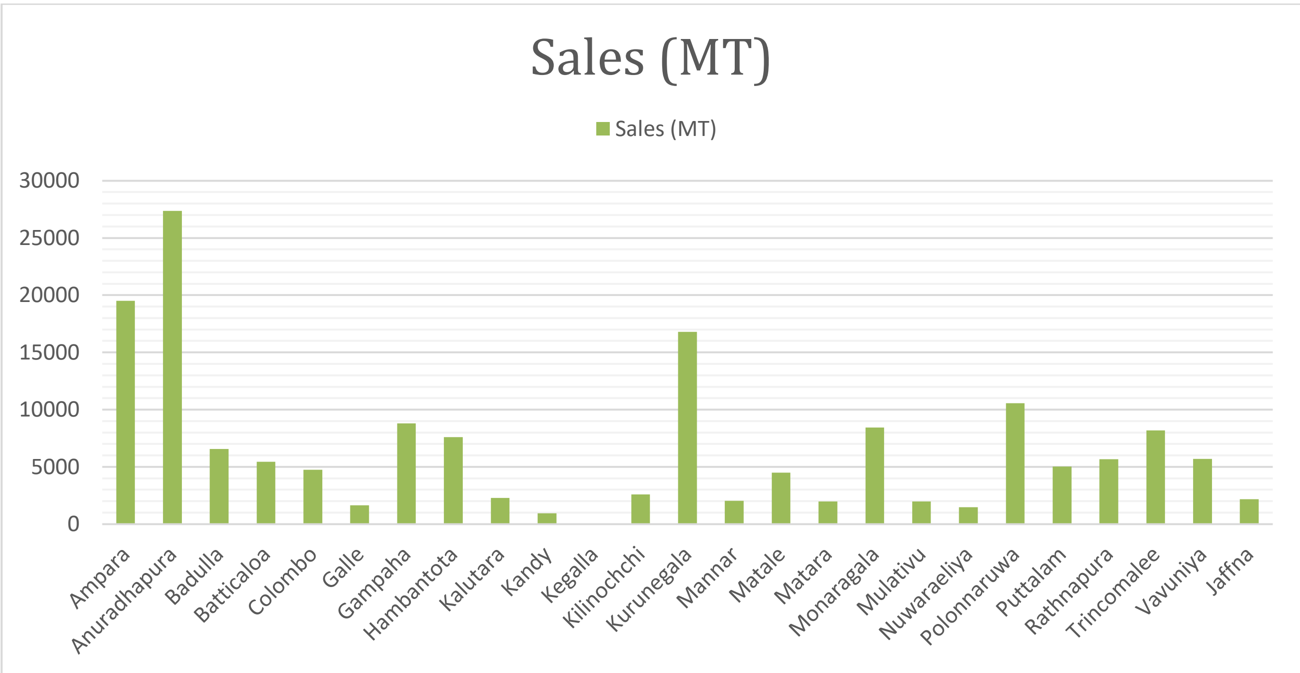
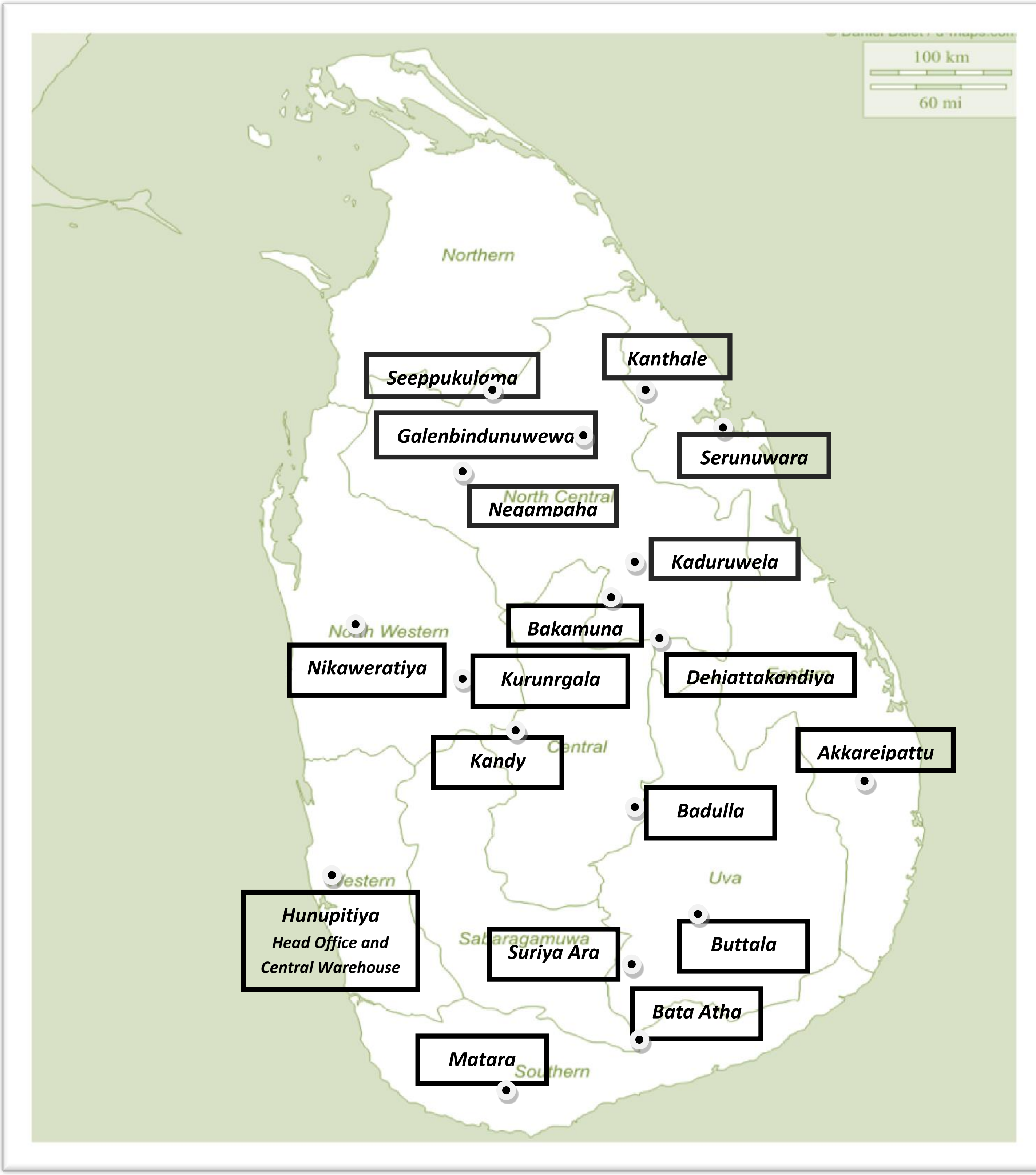


Chart No.09. Fertilizer Distribution among the districts during the year (MT)

Regional Stores Network of the Company



7. Employee Overview of the Company

Employees are the most important priority of the company. Currently there are 136 members in the Colombo Commercial Fertilizer family. The strength of the company lies on the hard work of our employees, especially during the peak seasons. The company constantly considers the well-being of its employees and appreciates them in numerous ways and strictly adheres in to all labour laws of the country.

- Employee Recognition of the Company

- Staff Strength of the Company

Chart. Staff composition of the company over five years

- Financial Review Over Human Capital

Year	2015/16	2014/15
Revenue per Employee (000')	13,527	11,547
Profit per Employee (000')	1,331	2,056
Cost Per Employee (000')	606	501
Yield per Employee	2.1	4.1
No. of Employees	136	137

8. Financial Reporting

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

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

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka 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 Company and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities. As required by Section 56 (2) of the Companies Act, the Board of Directors has authorised distribution of the dividend now proposed, being satisfied based on information available to it that the Company would satisfy the solvency test after such distribution in accordance with Section 57 of the Companies Act, and have sought in respect of the dividend now proposed, a certificate of solvency from the Auditors.

The report of the Auditors, shown on page 19 on words sets out their responsibilities in relation to the Financial Statements.

Compliance Report

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

S.P. Morawaka
By Order of the Board
Colombo Commercial Fertilizers Ltd.
Secretaries

8.2 Chairman's and Financial Manager's Responsibility Statement

The Financial Statements of Colombo Commercial Fertilizers Ltd., as at 31st March 2016, 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.

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Chaminda Kumara Liyanage
Chairman

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S. N.J. Wickremasinghe
Finance & Administration Manager

8.3 Auditor General's Report

The Chairman,

Colombo Commercial Fertilizer Company Ltd.

Report of the Auditor General on the Financial Statements of the Colombo Commercial Fertilizer Company Ltd for the year ended 31 March 2016

The audit of financial statements of the Colombo Commercial Fertilizer Company Ltd for the year ended 31 December 2016 comprising statement of financial position as at 31 March 2016 and the statement of comprehensive income, statement of changes in equity / and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations which I consider should be published with the Annual Report of the Company appear in this report. A detailed report was furnished to the Chairman of the Company due on 27 October 2016.

March

4(1)

1.2 Establishment of the Company

The Colombo Commercial Fertilizer Company Ltd., was registered as a Company in the year 1872 and was controlled by the Great Britain for over a century from the year 1872 to 1976. The Company was acquired by the Government in year 1976 under the Business Undertakings (Acquision) Act, No. 35 of 1971 and the business activities had been run under the name of the Colombo Commercial Fertilizer Company under a Competent Authority.

The Company was registered as a State Company in accordance with the conversion of Government Owned Business Undertakings into Public Companies Act, No. 23 of 1987 and was privatized in the year 1994 according to the policy of the Government. It was vested again in the year 1997 under the Government Owned Business Undertakings (Rehabilitation) Act, No. 29 of 1996 and is under the Control of the Line Ministry. The Company has been registered at present as a company under the Companies Act, No. 07 of 2007.

1.3 Management's Responsibility for the Financial Statements

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

1.4 Auditor's Responsibility

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

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

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

1.5 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of matters described in paragraph 2.2. of this report the financial statements give a true and fair view of the financial position of Colombo Commercial Fertilizer Company Ltd. as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Even though any actuarial profits or losses should be included in the Comprehensive Income Statement in terms of Sri Lanka Accounting Standard 1 , the Company had not shown the actuarial profits or losses amounting to Rs.108,697,211 in the Comprehensive Income Statement.

(b) In view of the failure to revise the effective life of the non-current assets annually in terms of the Sri Lanka Accounting Standard 16, assets costing Rs.38,318,368 had been in further use, though fully depreciated. Action in terms of the Sri Lanka Accounting Standard 8 had not been for the revision of the estimated error.

2.2.2 Accounting Deficiencies

Advances of Rs.200,000 granted for providing transport for fertilizer had been shown as advances despite obtaining the services whilst the accrued transport expenses relating to the year under review amounting to Rs.273,473 had not been brought to account. As such the transport expenditure had been understated by a sum of Rs.473,473.

2.2.3 Unexplained Differences

The following observations are made.

(a) A difference of Rs.1,478,741 was observed in the comparison of the debtors balance according to the financial statements for the year under review with schedule presented for audit.

(b) The accuracy of the book balance of the stock as at 31 December of the year under review amounting to Rs.557,757,172 due to the failure to make adjustments for the damage and losses of fertilizer in the preceding years and the failure to carry out a physical stock verification for the year under review.

2.2.4 Accounts Receivable and Payable

The following observations are made.

(a) A sum of Rs.286,620 only had been recovered during the year under review from the trade debtors balance amounting to Rs.47,254,730 that existed prior to the year 2010. Accordingly, the recovery of debtor balances older than 05 years had been at a very weak level.

(b) Even though transactions with 4 Agrarian Service Centres had been executed during the year under review, action had not been taken for the settlement of the deposits of the customers for the purchase of fertilizer as at 31 March 2015 and the overpayments made amounting to Rs.13,360,483.

(c) The debtors balances of 06 Agrarian Services Centres amounting to Rs.1,738,244 that existed as at 31 March 2015 had not been recovered even by 31 August 2016.

3. **Financial Review**

3.1 **Financial Results**

According to the financial statements presented, the financial result of the Company for the year under review amounted to a surplus of Rs.180,971,671 as compared with the corresponding surplus of Rs.281,645,038 for the preceding year, thus indicating a deterioration of Rs.100,673,367 in the year under review as compared with the preceding year. The increase of the overhead costs of the fertilizer subsidy by a sum of Rs.71,168,475 and the decrease of the other income by a sum of Rs.21,723,061 had been the main reason for the above deterioration.

An analysis of the financial results of the year under review and the 4 preceding years indicated that despite the decrease of the financial surplus of the year 2011/2012 amounting to Rs.167,128,785 that had indicated decreases in the years 2012/2013 and 2013/2014, and an improvement was shown in the year 2014/2015. But that had decreased again to Rs.180,971,671 in the year 2015/2016. The Value addition of Rs.322,750,857 after the adjustment of the employees remuneration, the Government Taxes and the depreciation on non-current assets in the year 2011/2012 , had indicated decreases in the years 2012/2013 and 2013/2014 , that had increased in the year 2014/2015 and decreased again to Rs.350,816,416 in the year 2015/2016.

4. **Operating Review**

According to the Memorandum of Association of the Company the primary objects of the Company are to carry on the business of agents, importers, manufacturers, distributors of and dealers in fertilizers, chemicals, minerals and other natural and synthetic substances whether in finished or unfinished form, re-export them in any fom and act as agents and import export packers.

The following matters were observed in the audit examination of the achievement of the above objectives.

The Treasury grants received by the Company under the Subsidy Scheme had been removed with effect from 29 February 2016, the Company should have prepared the advance plans to face the future business risks. But that had not been done. The strengths and weaknesses in the organisations and the external threats and opportunities analysis and the planning for promotion of sales through prioritised categories of fertilizer and action had not been taken for the promotion of sales through inducing the use of carbonic fertilizer instead of the chemical fertilizer had not been done while the advance business plan for the sales promotion had not been prepared.

4.2 Operating Activities

Even though the Company gives the samples of fertilizer imported to the National Fertilizer Secretariat after the imported fertilizer reaches this country is transported by the transport companies / agents to the stores at Hunupitiya and the other Stores and fertilizer cannot be sold until the receipt of the Marketing Letter on the samples. According to a sample checked, there had been delays ranging from 01 month to 07 months in the receipt of the Marketing Letter relating to fertilizer categories such as the UREA, MOP and TSP. As such the additional cost has to be incurred for the maintenance of stocks.

4.3 Management Activities

The following observations are made.

(a) Four quotations had been received in connection with the disposal of a Mitsubishi Pajero Jeep and the maximum and the second quotations had been Rs.1,635,950 and Rs.1,430,000 respectively. The person who offered the highest quotation had informed by letter dated 07 May 2015 that the purchase will be made at that price only if the original registration of the vehicle is received and if a duplicate is given he will not purchase the vehicle. As action had not been taken to obtain an original of the Certificate of Registration from the Department of Motor Traffic, it had to be sold at the next price of Rs.1,430,000. As such the company had been deprived of a sum of Rs.205,950 from the sale of the motor vehicle.

(b) Even though decision had been taken under item 421 of the Minutes of the meeting of the Board of Directors No. 49 held on 19 June 2015 to handover the recovery of the irrecoverable debts amounting to Rs.16,177,108 out of the debtors balances of the year 1994, to a Finance Company, steps had not been taken in that connection up to date.

(c) The land at Hunupitiya on which the Head Office and the stores complex are situated is a State land comprising two sections of 4.832 hectares and 1.176 hectares. Action had not been taken up to date to get the ownership of the lands vested in the company.

4.4 <u>Procurement and Contract Process</u>

The following observations are made.

(a) An estimate of Rs.3,704,000 had been prepared for the repairs of the Neboda Fertilizer Store and a sum of Rs.3,551,207 had been spent thereon. The following observations are made in this connection.

(i) Deviating from the Procurement Process, repair work had been awarded to the Department of Buildings.

(ii) Even though the contract agreement did not contain provision for sub-contracting, the Department of Buildings had awarded the repair work to a private Company without the approval of the employer.

(iii) According to the bill of quantities of the estimate, payments exceeding the estimated amounts had been made for 09 items and the activities of 10 items had not been executed. As such, it was not possible to be satisfied in regard to the accuracy of the preparation of estimates.

(b) A sum of Rs.10,384,040 had been paid in the year under review to a private institution for the security services of the year under review. The procurement had been awarded again with effect from 15 August 2015 to the same company supplying security service. The following observations are made in this connection.

(i) The Assistant Administration Manager had reported on several occasions in writing that the services of the security service provider are not satisfactory. According to the decision of the Board of Directors made at the meeting held on 10 November 2015, the institution was informed by letter dated 01 December 2015 that their services will be suspended. Nevertheless, the services of that institution had been obtained by extending the period in 04 occasions deviating from the Procurement Process.

(ii) Even though all work had been organized to obtain Security Officers from the Department of Civil Security in accordance with the letter No. CSD/1/12/6(298) of 18 July 2015 on "the deployment of the members of the Department of Civil Security of the Director General of Civil Security on Security and Project Duties in accordance with the Cabinet Memorandum", the security officers of the above institution had been deployed throughout by suspending the recruitment of Security Officers from that Department due of the failure of the Department to produce a performance Bond for 10 per cent of the contract value.

4.5 Identified Losses

The following observations are made.

(a) The preliminary inquiry on the financial fraud of Rs.105,000 of the Neboda Fertilizer Store committed in February 2008 had not been held, whilst the preliminary inquiry on the stock shortage of Rs.1,688,000 of the Regional Store Badulla that had occurred in February 2006 had also not been held. As such action had not been taken even by 30 June 2016 to identify the parties responsible and recover the losses.

(b) Legal action was being taken for the recovery of the loss caused to the Company due to the misappropriation of Rs.1,903,555 by the Storekeeper of the Regional Store, Dehiattakandiya in the year 2012. As action on the loss and damage had not been taken, it was observed in audit that the possibility of recovery may be deprived of due to the intervention of time-bar.

4.6 Staff Administration

According to the Scheme of Recruitment, the promotion of officers in the Staff Grades should be made with the approval of the appointing authority, that is, the Board of Directors. Contrary to that, a Management Assistant Officer had been promoted on the approval of the Chairman.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements should be presented for audit within 60 days after the close of the year of accounts in terms of the Public Finance Circular No. PF/PE/21 of 24 May 2002, the financial statement of the Company had been presented after a delay of 58 days. Since the issue of the draft Audit Report, the amended financial statements had been presented after a delay of 36 days.

5.2 Corporate Plan

Even though paragraph 05 of the Public Finance Circular No. 01/2014 of 17 February 2014, required that in view of the need for the management of the business affairs with a short term and long term view a Corporate Plan at least for a period of three years should be prepared and forwarded with the approval of the Board of Directors for the approval of the relevant Secretary, the Company had not prepared such Corporate Plan.

6. Systems and Controls

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

Areas of Systems and Controls	Observations
(a) Financial Control	- A formal cash book had not been maintained for all receipts and payments. - A formal methodology for the storage and sale of fertilizer at the Regional Stores had not been formulated and a methodology had not been followed for the recovery of recoverable debtors balances.
(b) Stores Control	Receipt and issue of goods had not been done in the updated manner and properly.
(c) Motor Vehicles Control	Log Books containing all basic information of each motor vehicle had not been maintained.
(d) Contract Administration	The provisions in the Procurement Guidelines and Circulars had not been complied with.

H.M.Gamini Wijesinghe
Auditor General

8.4 *(Expressed in Sri Lankan Rupees)*

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

THE YEAR ENDED 31 MARCH	Note	2016	2015
Revenue	10	1,839,656,674	1,581,875,275
Subsidy on Cost of Sales	10 a	8,286,176,401	6,072,507,580
Cost of Sale	10 b	(10,134,587,135)	(7,432,268,472)
Gross Profit		(8,754,060)	222,114,384
Subsidy on Institutional Overheads	10 c	298,841,310	227,672,835
Other Income	11	52,649,633	74,372,694
		342,736,883	524,159,913
Administrative Expenses	12	(115,929,498)	(97,718,759)
Selling and Distribution Cost	13	(41,347,065)	(48,113,353)
Other Expenses	14	(111,974)	(607,163)
Profit from Operation		185,348,347	377,720,637
Net Finance Cost	15	67,177,832	58,808,532
Finance Income	15.a	(71,027,841)	(66,803,684)
Finance Expenses	15.b	3,850,008	7,995,152
Profit (Loss) before Tax		**252,526,179**	**436,529,170**
Income Tax Expenses	16	(71,554,508)	(154,884,132)
Net Profit for the year		**180,971,671**	**281,645,038**
Basic Earnings per Share	17	18.10	28.16
Other Comprehensive Income			
Total Comprehensive Income for the Year		**180,971,671**	**281,645,038**

Figures in brackets indicates deductions.

8.5 STATEMENT OF INANCIAL POSITION

	NOTE	2015/2016	2014/2015
		Rs.	Rs.
NON CURRENT ASSETS			
Property Plant and Equipments	18	321,149,853	338,728,081
Capital Work in Progress	19	-	1,078,857
		321,149,853	**339,806,938**
CURRENT ASSETS			
Inventories and other consumables	21	566,883,075	356,056,506
Trade and Other Debtors	22	14,778,545,989	17,001,876,435
Employees Loans and Advances	23	13,660,907	11,872,818
Deposits and Advances	24	21,172,542	14,898,179
Other Financial Assets	25	383,613,301	364,874,542
Cash at Bank	26	1,042,196,834	662,782,813
TOTAL CURRENT ASSETS		**16,806,072,649**	**18,412,361,292**
TOTAL ASSETS		**17,127,222,502**	**18,752,168,230**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Stated Capital	27	100,000,000	100,000,000
Capital Reserve	28	1,683,685	1,683,685
Reconstruction and Revalue Reserve	29	288,947,576	288,947,576
Retained Earnings		1,401,568,614	1,245,596,942
		1,792,199,875	**1,636,228,203**
NON CURRENT LIABILITIES			
Retirement Benefit Obligation	30	12,648,791	11,912,670
Deferred Taxation	31	50,071,259	52,701,495
Interest Bearing Borrowings	32	4,927,955,849	1,472,280,899
		4,990,675,899	**1,536,895,064**
CURRENT LIABILITIES			
Interest Bearing Borrowings	32	7,746,930,785	11,010,460,928
Trade and Other Payables	33	2,486,298,697	4,420,610,316
Dividend Payable	34	27,000,000	12,000,000
Deposits and Advances Received	35	17,387,986	18,983,437
Statutory Payable	36	31,005,620	95,107,433
Accrued Expenses	37	35,723,640	21,882,848
TOTAL CURRENT LIABILITIES		**10,344,346,728**	**15,579,044,963**
TOTAL EQUITY & LIABILITIES		**17,127,222,502**	**18,752,168,230**

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 7 to 35from 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 & ADMINISTRATION MANAGER
S.N.J. Wickremesinghe

The Board of Directors is responsible for preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board.

....

CHAIRMAN — Chaminda Kumara Liyanage

DIRECTOR — P.A.S.A Kumara

(Expressed in Sri Lankan Rupees)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2016

8.6 STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVE	REVALUAION RESERVE	RETAINED EARNINGS	TOTAL
RETAINED BALANCE AT 31-03-2014	**100,000,000**	**1,683,685**	**-**	**288,947,577**	**977,951,904**	**1,368,583,163**
Net Profit/Loss for the Period	-	-	-	-	281,645,038	281,645,038
Dividend	-	-	-	-	(14,000,000)	(14,000,000)
RETAINED BALANCE AT 31-03-2015	**100,000,000**	**1,683,685**	**-**	**288,947,577**	**1,245,596,943**	**1,636,228,202**
Net Profit/Loss for the Period	-	-	-	-	180,971,671	180,971,671
Dividend	-	-	-	-	(25,000,000)	(25,000,000)
RETAINED BALANCE AT 31-03-2016	**100,000,000**	**1,683,685**	**-**	**288,947,577**	**1,401,568,614**	**1,792,199,873**

Figures in brackets indicates deductions

8.7 CASH FLOW STATEMENT

		2016	2015
Cash Flows from Operating Activities			
Profit Before Taxation		252,526,179	436,529,169
Adjustments for;			
Depreciation		24,623,279	23,520,969
Impairment of Property, Plant and Equipment		-	182,228
Sale of Property, Plant and Equipment		(2,224,305)	(1,736,230)
Gratuity Charge for the Year		2,882,050	2,882,050
Interest Income		(71,027,841)	(66,803,684)
Interest Expenses		3,850,008	7,995,152
Operating Profit Before Changes in Working Capital		**210,629,371**	**402,569,654**
Changes in Working Capital			
Inventories		(210,826,570)	(217,712,817)
Trade and Other Receivables		2,223,330,445	(2,586,574,277)
Deposits and Advances		(6,274,363)	(10,632,147)
Employees Loans and Advances		(1,788,089)	(2,330,571)
Trade and Other Payables		(1,934,311,619)	(338,069,305)
Statutory receivable		(2,189,871)	(3,200,285)
Statutory Payable		(2,059,693)	(29,534,085)
Deposits and Advances Received		(1,595,452)	(1,498,887)
Accrued Expenses and Provision		13,840,792	(15,410,941)
Cash Generated from Operations		**288,754,952**	**(2,802,393,660)**
Gratuity Paid		(2,145,929)	(148,983)
Interest Paid		(3,850,008)	(7,995,152)
Taxes Paid		(134,036,994)	(289,766,710)
Net Cash Flow from Operating Activities		**148,722,021**	**(3,100,304,504)**
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment		(7,045,051)	(34,485,975)
Proceeds from Sale of Property, Plant and Equipment		2,224,305	1,736,230
Net Investments in Other Financial Assets		(18,738,760)	(31,858,426)
Interest Received		71,027,841	66,803,684
Net Cash used in Investing Activities		**48,547,192**	**2,195,513**
Cash Flows from Financing Activities			
Dividends Paid During the Year		(10,000,000)	(12,000,000)
Borrowings During the Year		21,790,570,454	6,771,039,645
Settlements of Borrowings During the Year		(21,595,653,252)	(3,588,197,559)
Net Cash used in Financing Activities		**184,917,202**	**3,170,842,085**
Net Changes in Cash and Cash Equivalents During the Year		382,186,415	72,733,095
Cash and Cash Equivalents at Beginning of the Year		662,782,813	590,049,717
Cash and Cash Equivalents at End of the Year	**(Note) 26**	**1,044,969,229**	**662,782,813**

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 1982and reregistered on 15.07.2011 under the companies Act No. 7 of 2007, and domiciled in Sri Lanka and is fully owned by the Government of Sri Lanka.

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

1.2 Company

The company primarily involved in importing, blending and marketing fertilizer required for paddy, tea, coconut, rubber and other crops.

1.3 Financial year

The Company's financial reporting period ends on 31st March.

1.4 Date of Authorization for Issue

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements. The financial statements of the Company for the year ended 31 March 2016 were authorized for issue in accordance with a resolution of the Board of Directors dated July 20 2016.

1.5 Number of Employees

The number of employees of the Company

31st March 2016		31st March 2015	
• Executive Staff	22	• Executive Staff	19
• Clerical & Allied	102	• Clerical & Allied	106
• Labour	12	• Labour	12
	136		**137**

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 (ICASL) and the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995

2.2 Basis of Measurement

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

- Land and buildings stated at valuation done on12.03.2007
- Financial instrument at fair value through profit and loss are measured at fair value
- Defined benefit obligation is measured after actuarially valuing 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 18.

2.4.2 Impairment of Non-Financial Assets

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

2.4.3 Retirement Benefits

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

2.4.4 Fair Value of Financial Instruments

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

3. Summary of Significant Accounting Policies

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

3.1. Foreign Currency

3.1.1 Foreign Currency Transactions and balances

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

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

3.2. Property, Plant and Equipment

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

Items of Property, plant and equipment are measured at cost accumulated depreciation and accumulated impairment losses, if any, whilst land is measured at fair value.

3.2.1 Basis of Recognition

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

3.2.2. Initial Recognition and Measurement

Property, plant and equipment are initially recognized at cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended.

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

3.2.3 Subsequent Costs

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

3.2.4 Revaluation Model

The Company applies the revaluation model to the entire class of freehold land and buildings. Property plant and equipment were carried at fare valued amount, being their fair value at 12.03.2007 the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

3.2.5 Election of Cost Model

The Company has elected revalued amount of property, plant and equipment except land and buildings as deemed cost at12.03.2007 the date of the revaluation. Accordingly, the property, plant and equipment except land and buildings are stated at deemed cost less accumulated depreciation and any accumulated impairment losses.

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

3.2.6. Derecognition

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

3.2.8. Depreciation

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

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

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

Buildings	20 Years
Plant and Machinery	05 Years
Motor Vehicles	05 Years
Office Equipment	05 Years
Office Furniture	10Years
Workshop Tools	05 Years
Lab Equipment	05 Years
Computer Accessories	05 Years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3.2.9. Impairment of Non-Financial Assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

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

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

3.5.1 Inventories - Direct and Mixed Fertilizers

Inventories (Direct and Mixed Fertilizers) are stated at cost minus subsidy amount. Cost is determined using the first-in, first-out (FIFO) method. The cost of mixed fertilizer comprises raw materials, direct labour, other direct costs and related production overheads. Inventories purchased locally are stated at cost. Net realizable value is the subsidized value in the ordinary course of business, less applicable selling expenses.

Packing material and Consumable items are stated at cost

3.6. Financial Instruments

3.6.1 Non Derivative Financial Assets

Initial recognition and measurement

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

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

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

c. At fair value through profit or loss.
d. Available- for- sale

3.6.1.1 Held-to- Maturity Investment (HTM)

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the positive intent and ability to hold them until maturity and which were not designated as at fair value through profit or loss or as available-for-sale. HTM investments are record under current assets.

3.6.1.2 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Company does not intend to sell immediately or in the near term. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise subsidy receivables, trade and other receivables; repurchase government securities, fixed deposits, prepayments, advances, and deposits, loans to employees and cash and cash equivalents in end of the reporting period.

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

3.6.2. Subsequent Measurement

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

3.6.2.1. Held-to- Maturity Investment (HTM)

HTM investments are measured subsequently at amortized cost using the effective interest method. Amortized cost is computed taking into account the discount or premium on acquisition and transaction costs.

3.6.2.2. Loans and receivables

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

3.6.2.3. De-recognition

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

All the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for 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 derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

3.6.2 Impairment of Financial Assets

Assets carried at amortized cost

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

A financial asset is impaired and impairment losses are incurred only if there is objective evidence that an impairment loss has been incurred, as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

For loans and receivables and held-to-maturity investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income

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

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

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

3.7 Financial Liabilities

3.7.1. Non derivative financial liabilities

3.7.1.1Initial recognition and measurement

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

3.7.2 Offsetting

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

3.8 Trade Receivables

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

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

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

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

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

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

3.9 Cash and Cash Equivalents

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

3.10 Stated Capital

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

3.11 Trade and Other Payables

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

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

3.12 Borrowings

3.12.1. Initial recognition

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

3.12.2. Subsequent measurement and recognition

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

3.13 Borrowing Cost

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

3.14 Government Grants and subsidy

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Fertilizer subsidies relating to import costs are recognized in the statement of comprehensive income to match them with the costs that they are intended to compensate. Fertilizer subsidies to compensate for import costs already incurred are recognized as subsidy receivable where there is a reasonable assurance that the subsidy will be received.

Government grants relating to property, plant and equipment are included in noncurrent liabilities as deferred government grants and are recognized in the statement of comprehensive income on a straight- line basis over the expected lives of the related assets.

3.15 Corporate tax and differed Taxes

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

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income statement, except to the extent that it relates to items recognized or items recognized directly in equity or in other comprehensive income. In this case, the tax is also recognized in other comprehensive income.

3.15.1 Current

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

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

3.15.2 Deferred Tax

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

(a). the initial recognition of goodwill; or

(b). the initial recognition of an asset or liability in a transaction which:

i. is not a business combination: and

ii. at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates that have been enacted at the reporting period end date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

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

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

3.16 Employee Benefits

The Company has both defined contribution plans and defined benefit plan

3.16.1 Defined Contribution plan

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the income statement in the periods during which services are rendered by employees

3.16.2 Employees' Provident Fund

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

3.16.3. Employees' Trust Fund

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

3.16.4 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company is liable to pay retirement benefits under the Payment of Gratuity Act, No 12 of 1983. The liability recognized in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated 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.

3.16.5. Short-term employee benefit

Short-term employee benefits obligations are measured on an undiscounted amount expected to be paid for related services provided by the employee.

3.17 Provisions and Contingent Liabilities

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

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

3.18 Capital Commitments & Contingencies

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

3.19 Events after the balance sheet date

The materiality of the events after the balance sheet date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

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

4. Cash Flow Statement

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

5. Revenue Recognition

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

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

5.1 Sale of Fertilizer

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

5.2 Interest Income

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

5.3 Rent Income

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

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

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

5.5 Other Income

Other income is recognized on accrual basis.

6. Expenditure

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

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

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

7. Withholding Tax on Dividends (WHT)

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

8 Basic Earnings Per Share (EPS)

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

9. Related Party Transactions

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

9.1 New Accounting Standards Issued but Not Yet Adopted

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

9.2 SLFRS 13-Fair Value Measurement

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

9.3 SLFRS 9- Financial instruments

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

(Expressed in Sri Lankan Rupees)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

				2016	2015
10	**REVENUE**				
	Gross Revenue			1,839,656,674	1,581,875,275
				1,839,656,674	**1,581,875,275**
10 a	**Subsidy on Cost of Sales**			**8,286,176,401**	**6,072,507,580**

This represents the part of treasury grants for reimbursement of direct expenses incurred in respect of implementation of fertilizer subsidy schemes.

				2016	2015
10 b	Purchases	**(Note 10.b.1)**		10,084,466,920	7,445,280,640
	Direct Expenses	**(Note 10.b.2)**		207,748,229	170,308,660
	Cost of Production			10,292,215,149	7,615,589,300
	Finish Goods as at 01 April			345,190,217	128,571,342
	Stock Shortage/Excess			-	(16,497,988)
	Stock of Fertilizer Donate			-	(951,434)
	Finish Goods as at 31 March			(558,995,144)	(345,190,217)
				10,078,410,221	7,381,521,003
	General Overheads	**(Note 10.b.3)**		56,176,914	50,747,469
				10,134,587,135	**7,432,268,472**
	10.b.1 Purchases				
	Import of Fertilizer Value			9,762,049,550	7,227,791,252
	Contact labour wages			44,555,035	36,740,642
	Transport Charges			167,463,124	131,825,995
	Packing Materials			1,702,000	2,452,586
	Exchange Loss			108,697,211	60,441,409
	Exchange Gain			-	(13,971,244)
				10,084,466,920	7,445,280,640
	10.b.2 Direct Expenses				
	Labour Charges		**Note 10.b.2.1**	8,811,790	7,122,151
	Regional Stores Expenditure			116,358,678	83,903,294
	Transport Charges to District Fertilizer Stores			82,577,761	79,283,214
				207,748,229	170,308,660
	10.b.2.1 Labour Charges				
	Wages			4,225,926	3,490,521
	Employees Provident Fund			507,111	418,863
	Employees Trust Fund			126,778	104,716
	Over Time & 1/20th Allowance			1,787,299	1,562,172
	Unutilized Staff Leave & Incentive			17,380	18,827
	Unutilized Medical Leave			398,614	248,524
	Welfare & Medical			131,013	137,877
	Meal Money & Combine Allowance			219,368	132,630
	Incentive Payment			1,236,302	850,522
	Bonus			162,000	157,500
				8,811,790	7,122,151
	10.b.3 General Overheads				
	Spare Parts			3,328,475	4,403,977
	Factory Overheads			52,598,824	45,835,952
	Laboratory Overheads			249,615	507,540
				56,176,914	50,747,469
10 c	**Subsidy on Institutional Overheads**			**298,841,310**	**227,672,835**

This also represents the part of treasury grants given on 132,908 MT @ Rs. 1,500 (Paddy) and 55,267 MT @ Rs. 1,800 (Other Crops) for 2015/16 and on 78,572 MT @ Rs. 1,500 (Paddy) and 61,008 MT @ Rs. 1,800 (Other Crops) for 2014/15 respectively for cost incurred in relations to the administration for effecting of fertilizer subsidy schemes.

Figures in brackets indicate deductions.

Notes to the Financial Statements Continued

(Expressed in Sri Lankan Rupees)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH			2016	2015
11 OTHER INCOME				
Rent Received			1,258,182	637,118
Non Refundable Tender Deposit			440,500	741,500
Miscellaneous Income			17,133,528	33,098,733
Sale of Disposable Items			1,299,878	1,025,528
Dispatch Money Received			29,804,554	37,133,586
Sale of Fixed Assets			2,712,990	1,736,230
			52,649,633	**74,372,694**
12 ADMINISTRATION AND ESTABLISHMENT				
Executive Staff Remuneration	Note	12.1	16,630,463	13,237,660
Clerical Staff Remuneration	Note	12.2	55,101,247	47,115,013
Head Office Casual / Trainees Remuneration	Note	12.3	1,935,249	1,215,260
Gratuity			2,882,050	2,882,050
Building Maintenance			25,585	20,022
Electricity			64,651	69,897
Water Bill			140,467	157,293
Telephone Charges			1,027,984	929,719
Security Charges			12,837,368	3,839,528
Stationery			1,333,076	2,306,879
Postage & Telegram			71,489	79,077
Legal And Professional Charges			408,713	548,047
Motor Vehicle Maintenance			7,940,103	7,768,022
Rent for Vehicle			-	187,017
Rates & Taxes			109,789	-
Insurance			229,005	22,959
Office Equipment Maintenance			559,386	973,173
Travelling			873,437	673,889
Audit Fees			885,984	300,000
Other Administrative Expenses			1,775,547	1,430,676
Entertainment & Donation			866,820	4,328,023
Building Depreciation			1,305,212	1,267,959
Office Equipment Depreciation			1,124,399	931,650
Furniture & Fittings			246,931	470,441
Stock Verification Expenses			542,996	333,158
Directors Allowance			2,298,175	1,551,275
Accommodation Expenses for Out Visit			60,916	88,060
Staff Skills Development Expenses			442,500	202,500
Insurance for Vehicle			574,753	881,517
Fertilizer License			40,000	-
Staff Welfare			1,527,852	1,961,300
Procurement Expenses			940,145	961,750
DeyataKirula			-	4,400
Licence Fees			9,257	58,590
Directors Travelling Allowance			399,000	207,500
Professional charges			189,949	543,957
Audit & Management Committee Meeting Allowance A/C			200,000	108,000
Audit & Management Committee Meeting Travelling Allowance A/C			111,500	62,500
Semi Luxury Vehicle Tax			217,500	
			115,929,498	**97,718,759**

Figures in brackets indicates deductions.

12.1 Staff salaries and Remuneration for the year ended 31.03.2016

	EXECUTIVE STAFF	CLERICAL & ALLIED STAFF	CASUAL / TRAINEES	TOTAL
Salaries	9,254,333	26,682,374	1,283,225	37,219,933
Employees Provident Fund	1,110,520	3,201,885	154,496	4,466,901
Employees Trust Fund	277,630	800,471	39,582	1,117,684
Unutilized Short Leave & Incentive	-	170,261	-	170,261
Over Time & 1/20th Allowance	2,158,938	11,841,936	457,945	14,458,819
Unutilized Medical Leave	883,674	2,438,499	-	3,322,172
Welfare & Medical	134,642	477,368	-	612,010
Combine Allowance & Meal Money	195,040	691,506	-	886,546
Incentive Payment	2,359,185	7,887,723	-	10,246,908
Bonus	256,500	909,225	-	1,165,725
Total	**16,630,463**	**55,101,247**	**1,935,249**	**73,666,958**

12.2 Staff salaries and Remuneration for the year ended 31.03.2015

	EXECUTIVE STAFF	CLERICAL & ALLIED STAFF	CASUAL / TRAINEES	TOTAL
Salaries	7,782,513	23,054,927	854,250	31,691,690
Employees Provident Fund	933,902	2,766,591	102,510	3,803,003
Employees Trust Fund	233,475	691,648	25,628	950,751
Unutilized Short Leave & Incentive	-	172,852	-	172,852
Over Time & 1/20th Allowance	1,200,500	10,237,305	232,872	11,670,678
Unutilized Medical Leave	614,477	1,752,683	-	2,367,160
Welfare & Medical	132,946	751,125	-	884,071
Combine Allowance & Meal Money	47,110	903,914	-	951,024
Incentive Payment	2,090,237	5,766,968	-	7,857,205
Bonus	202,500	1,017,000	-	1,219,500
Total	**13,237,660**	**47,115,013**	**1,215,260**	**61,567,933**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

(Expressed in Sri Lankan Rupees)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH		2016	2015
13	**SELLING AND DISTRIBUTION COST**		
	Sales Promotion	180,150	-
	Rent Expenses for Stores	22,753,133	18,124,001
	Impairment of debtors	17,214	1,984,243
	Stock of Fertilizer Donate	-	951,434
	Stock Losses	-	11,450,095
	Notional Building Tax (NBT)	18,396,567	15,603,579
		41,347,065	**48,113,353**
14	**OTHER EXPENSES**		
	Impairment fixed assets	-	182,228
	General Expenses	111,974	424,935
		111,974	**607,163**
15	**NET FINANACE COST**		
15.a	**FINANACE INCOME**		
	Interest on Fixed Deposits	19,708,837	28,802,561
	REPO Investments	43,903,536	30,748,409
	Notional tax	4,878,171	3,416,490
	Withholding tax	2,189,871	3,200,285
	Interest from Employees Loans	347,427	635,940
		71,027,841	**66,803,684**
15.b	**FINANACE COST**		
	Bank Charges	3,850,008	7,078,031
	Penalty Charges	-	36,831
	Overdraft Interest	-	781,413
	Non Payment of Bill Value Interest	-	98,876
		3,850,008	**7,995,152**
		- **67,177,832**	- **58,808,532**
16	**Income Tax Expenses**		
	Current Tax Expense	74,184,743	155,210,954
	Deferred Tax Charge	(2,630,236)	(326,822)
		71,554,508	**154,884,132**

Figures in brackets indicates deductions.
Notes to the Financial Statements Continued

(Expressed in Sri Lankan Rupees)

16. 1 Reconciliation Between the Current Tax Expense and the Product of Accounting Profit

Accounting Profit / (Loss) Before Taxation	252,526,179	436,529,170
Interest for Fixed and repo investment	(63,612,372)	(59,550,970)
Aggregated Disallowable Items	28,858,992	33,351,392
Aggregated Allowable Items	(30,863,746)	(27,651,377)
Income from Other Sources	70,680,414	66,167,744
Profit / (Loss) from Trade or Business	**257,589,467**	**448,845,959**
Total Statutory Income	**257,589,467**	**448,845,959**
Tax Losses Utilized	-	-
Assessable Income / Taxable Income	**257,589,467**	**448,845,959**
Tax Charged at Statutory Tax Rate of 28%	72,125,051	125,676,869
Under Provision of Income Tax	2,059,693	29,534,085
Current Tax on Ordinary Activities for the Year	**74,184,743**	**155,210,954**

Tax Losses

Loss Brought Forward

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.

		2016	**2015**
17	***Amount used as the Numerator***		
	Net Profit Attributable to Ordinary Shareholders (Rs.)	180,971,671	281,645,038
	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	**18.10**	**28.16**

18 Property, plant and Equipment

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

Figures in brackets indicates deductions.

18 ***Property Plant and Equipments***

Freehold Cost	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Office Equipment	Total
Balance as at 31 March 2014	**90,000,000**	**252,390,520**	**16,444,818**	**46,426,503**	**4,390,336.16**	**7,736,791**	**417,388,969**
Additions	-	6,091,738	11,565,602	14,885,000	892,750	1,050,885	34,485,975
Disposals	-	-	(5,206,500)	(675,000)	-	-	(5,881,500)
Adjustments	-	-	-	-	-	-	-
Balance as at 31 March 2015	**90,000,000**	**258,482,258**	**22,803,921**	**60,636,503**	**5,283,086**	**8,787,676**	**445,993,444**
Additions	-	3,837,507	937,638	-	488,586	1,781,320	7,045,051
Disposals	-	-	(1,250,000)	(974,305)	-	-	(2,224,305)
Balance as at 31 March 2016	**90,000,000**	**262,319,765**	**22,491,559**	**59,662,198**	**5,771,672**	**10,568,996**	**450,814,190**
Depreciation							
Balance as at 31 March 2014	-	**42,288,674**	**12,611,782**	**28,582,228**	**1,650,786**	**4,310,196**	**89,443,666**
Charge for the Year	-	12,679,593	1,764,321	7,674,964	470,441	931,650	23,520,969
Disposals	-	-	(5,206,500)	(675,000)	-	-	(5,881,500)
Balance as at 31 March 2015	-	**54,968,267**	**9,169,603**	**35,582,192**	**2,121,227**	**5,241,846**	**107,083,135**
Charge for the Year	-	13,052,122	2,713,627	7,486,200	246,931	1,124,399	24,623,279
Disposals	-	-	(1,250,000)	(974,305)	-	-	(2,224,305)
Balance as at 31 March 2016	-	**68,020,389**	**10,633,230**	**42,094,087**	**2,368,158**	**6,366,245**	**129,482,109**

Net Carrying Values		**2016**	**2015**
Land		90,000,000	90,000,000
Buildings	5%	203,513,991	203,513,991
Plant and Machinery	20%	11,858,329	13,634,318
Motor Vehicles	20%	17,568,111	25,054,311
Furniture and Fittings	20%	3,403,514	3,161,860
Office Equipment	10%	4,202,752	3,545,830
Computer Equipment		-	-
Others		-	-
		321,332,081	**338,910,309**
Provision for Impairment of Fixed Assets		(182,228)	(182,228)
		321,149,853	**338,728,081**

18.1 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 Kelaniya. The process of obtaining the tile of land which is originally belong to CCF is in progress.

18.2 Cost of fully depreciated property, plant and equipment which are still in use as follows

	As at 31 March 2016	**As at 31 March 2015**
Plant and equipment	8,817,687.12	9,321,198.43
Motor vehicle	22,231,198.16	8,520,500.00
Office Equipments	3,495,906.21	3,495,906.21
Furniture and Fittings	2,943,967.00	-
	37,488,758.49	21,337,604.64

19 Work in Progress

As at 31 March 2015	**Additions**	**(Disposals)**	**As at 31 March 2016**
1,078,857	-	1,078,857	-
1,078,857	-	1,078,857	-

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED		31.03.2016	31.03.2015
21	**Inventories and other consumables**		
21 A	Inventories		
	Fertilizers	558,995,144	345,190,217
	Packing Materials	1,657,982	3,359,982
		560,653,126	348,550,198
21B	**Other consumables**		
	General Stores Items	5,130,099	5,864,409
	Stationery	1,099,850	1,641,898
		6,229,949	7,506,307
		566,883,075	**356,056,506**
22	**TRADE DEBTORS AND OTHER REVEIVABLES**		
	Trade Receivable	47,171,247	56,347,863
	Less: Impairment of Trade receivable	25,778,276	25,761,062
		21,392,970	30,586,801
	Net Trade Receivable	21,392,970	30,586,801
	Other Receivables **(Note 22.1)**	14,757,153,019	16,971,289,634
		14,778,545,989	**17,001,876,435**

The ageing of the trade receivables are as follows

	31.03.2016	31.03.2015
Up to 3 Months	-	6,425,759
3 to 6 Months	-	39,664
6 to 12 Months	-	-
More than One Year	47,171,247	49,882,440
	47,171,247	**56,347,863**

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

The Details of the Trade Receivables

	31.03.2016	31.03.2015
Multi Purpose Corporative Society	1,031,873	1,085,341
Farmers Association	83,595	911,685
Agrarian Service Centers	5,088,503	11,791,091
State institution	5,026,174	8,076,017
Authorized Dealers	35,941,102	34,483,728
	47,171,247	**56,347,862**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

22.1 Other Receivables

	- Subsidies Paddy	12,485,559,959	13,690,435,225
From General Treasury -	- Other crops	2,083,905,260	3,054,320,647
		14,569,465,219	16,744,755,872
	From General Treasury - Interest	158,340,954	158,413,236
	Ceylon Shipping Corporation Ltd	834,698	2,582,823
	Rent Receivable	-	599,918
	CCF Welfare Society - Loan	20,000	20,000
	Fixed Deposit Interest Receivable	23,309,870	10,397,478
	A Bour& Co. (Pvt) Ltd.	240	240
	Third Party Deduction	-	8,800
	Sundry Debtors	5,047,893	5,047,893
	Medical Insurance Cover	-	971,273
	Ceylon Fertilizer Company Ltd	93,109	93,109
	Welfare society & Death Donation	40,537	37,217
	Security Deposits for Import of Fertilizer A/C	-	48,361,775
	Salary Advance	500	-
		14,757,153,019	**16,971,289,634**

		31.03.2016	**31.03.2015**

23 Employees Loans and Advances

Distress Loans	12,692,657	11,330,118
Festival Advance	903,250	477,700
Special Loan :-	65,000	65,000
	13,660,907	11,872,818
	13,660,907	**11,872,818**

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.

24 Deposits and Advances

Deposits	1,918,538	918,538
Advance and Pre Payment	19,254,004	13,979,641
	21,172,542	**14,898,179**

25 Other Financial Assets

Fixed Deposits	383,613,301	364,874,542
	383,613,301	**364,874,542**

Figures in brackets indicates deductions.
Notes to the Financial Statements Continued

26 CASH AT BANK

Favorable Balances

Cash in Hand	22,765	22,765
Regional Stores Contingency Fund	1,873,176	2,279,468
Repo's	924,000,000	602,000,000
Cash at Bank	116,300,892	58,480,580
	1,042,196,834	**662,782,813**

People's Bank Corporate Branch A/C No 004100170211270	37,146,308	46,476,017
People's Bank Corporate Branch A/C No 004100160204816	495,993	486,649
People 'S Bank Wattala A/C No 222100160976544	66,329,327	682,006
Bank Of Ceylon - Wattala A/C No 135670	12,329,264	10,835,908
	116,300,892	**58,480,580**
Cash and Cash Equivalents for the Purpose of Cash Flow Statement	**1,042,196,834**	**662,782,813**

Investments In Treasury Bills

The investments in treasury bills amounts to Rs 12,646,494/- (2015.Rs 11,912,670/-) are maintained separately for the gratuity commitments.

		31.03.2016	**31.03.2015**
27	**Issued and fully paid**		
	Number of Ordinary Shares	**10,000,000**	**10,000,000**
	Value (Rs.)	**100,000,000**	**100,000,000**
28	**Capital Reserve**	**1,683,685**	**1,683,685**

29	Reconstruction And Revaluation Reserve			
	Capital Reserve	29.1	122,262,785	122,262,785
	Revaluation Reserve 2007	29.2	105,668,272	105,668,272
	Revenue Reserve	29.3	61,016,519	61,016,519
			288,947,576	**288,947,576**

29.1 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

29.2 Revaluation Reserve 2007 Rs. 105,668,272

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

Figures in brackets indicates deductions.
Notes to the Financial Statements Continued

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

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

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

30 Retirement Benefits Obligation

Balance as at 01 April		**11,912,670**	**9,179,603**
Expenses Recognized in Comprehensive Income	**(Note 30.1)**	2,882,050	2,882,050
Payments made during the year		(2,145,929)	(148,983)
Adjustments in Retained Earning at the Date of Transition to SLFRSs		-	-
Balance as at 31 March		**12,648,791**	**11,912,670**

30.1 Expense Recognized in Comprehensive Income

Current Service Cost	590,559	590,559
Interest Charge for the Year	706,359	706,359
(Gain) / Loss Arising From Changes in the Assumptions	1,585,132	1,585,132
	2,882,050	**2,882,050**

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.

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

Figures in brackets indicates deductions.
Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

	31.03.2016	31.03.2015
31 Deferred Taxation		
Balance as at 01 April	**52,701,495**	**53,028,316**
(Charge) / Reverse for the Year	(2,630,236)	(326,822)
Adjustments in Retained Earning at the Date of Transition to SLFRSs	-	-
Balance as at 31 March	**50,071,259**	**52,701,495**

31.1 The Analysis of Deferred Tax Assets and Liabilities

	31.03.2016	31.03.2015
Deferred Tax Liability		
From Accelerating Depreciation	60,830,838	63,250,140
	60,830,838	**63,250,140**
Deferred Tax Assets		
From Retirement Benefits Obligation	3,541,662	3,335,548
From Brought Forward Tax Losses	-	-
From Impairment Provisions - Trade Debtors	7,217,917	7,213,097
	10,759,579	**10,548,645**
	50,071,259	**52,701,495**

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.

32 Interest Bearing Borrowings	**2016**	**2015**
Settlement Fall Due More than One Year		
Long Term Loan	4,927,955,849	1,472,280,899
	4,927,955,849	**1,472,280,899**
Settlement Fall Due Within One Year		
Short Term Loan	3,522,930,785	7,477,780,928
Long Term Loan	4,224,000,000	3,532,680,000
	7,746,930,785	**11,010,460,928**
	12,674,886,634	**12,482,741,827**

32.1 Movement of the Loan

	2016	2015
Balance as at 01 April	**12,482,741,827**	**9,299,899,742**
Obtained During the Year	21,790,570,454	6,771,039,645
Settlements Made During the Year	(21,595,653,252)	(3,588,197,559)
Balance as at 31 March	**12,677,659,029**	**12,482,741,827**

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

			31.03.2016	31.03.2015
33	**Trade and Other Payable**			
	Trade Payable	Note 33.1	2,485,358,506	4,419,000,444
	Other Payable	Note 33.2	940,191	1,609,873
			2,486,298,697	**4,420,610,316**
	33.1 Trade Payables			
	Bills Payable on L/C		2,485,358,506	4,419,000,444
			2,485,358,506	**4,419,000,444**
	33.2 Other Payable			
	Audit Fees		366,689	632,679
	Interest Payable -Treasury		438,546	-
	E.P.F. Payable		58,093	856,012
	E.T.F. Payable		8,641	116,729
	Stamp fees payable		(5,300)	(2,500)
	Union Fees Payable		8,440	(60)
	Third Party Deduction		44,923	-
	Medical Insurance Claim		3,382	7,014
	Salaries Payable		16,776	-
			940,191	**1,609,873**

34 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

			31.03.2016	31.03.2015
35	**Deposits and Advances Received**			
	Employee Security Deposit		840,000	840,000
	Refundable Deposits		3,187,493	5,704,121
	Customer Deposits & Over Received		13,360,493	12,439,316
			17,387,986	**18,983,437**
36	**Statutory Payable**			
	Current Taxation	**(Note 36.1)**	29,177,206	94,060,094
	NTB		2,018,381	1,104,416
	PAYE		(189,968)	(57,077)
			31,005,620	**95,107,433**
	36.1 Current Tax			
	Balance at 01 April		**94,060,094**	**251,421,644**
	Charge for the Year		72,125,051	125,676,869
	Payments Made - Self Assessment		(40,000,000)	(25,000,000)
	Payments Made - to Settle the Previous Liability		(91,999,590)	(280,955,729)
	Set-off Against the Tax Credits - ESC		-	-
	Set-off Against the Tax Credits - WHT		(2,189,871)	(3,200,285)
		- Notional tax	(4,878,171)	(3,416,490)
	Under Provision of Income Tax		2,059,693	29,534,085
	Balance at 31 March		**29,177,206**	**94,060,094**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

37 Accrued Expenses

Accrued Expenses	35,723,640	21,882,848
	35,723,640	**21,882,848**

38 Capital and Other Commitments

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

39 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.

40 Contingent liabilities

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

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

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

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

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

41 Contingent assets

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

42 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.	2015 / 16	2014 / 15
Directors allowances	2,298,175	1,551,275

Name of the Related Party	Nature of Transactions		
Government of Sri Lanka	Subsidies Received out of	-	-
State-Owned Enterprises	Sales of Goods	1,839,656,674	1,581,875,275
	Loans borrowed	21,790,570,454	6,771,039,645
	Settlements of Loans	(21,595,653,252)	(3,588,197,559)
	Investments In Fixed Deposits		
	Investment during the year	-	-
	Interest Received	63,612,372	59,550,970
	Current Accounts	116,300,892	58,480,580
Other Government Related Entities	Recoveries of Trade Receivables	834,698	2,582,823

CORPORATE INFORMATION

• Name of the Company	Colombo Commercial Fertilizers Ltd.
• Legal Form	The Colombo commercial Fertilizers Ltd is a Limited Liability company incorporated on 04.10.1989 under the companies act of No.17 of 1982 and reregistered on 15.07.2011 under the Companies Act No.07 of 2007, and domiciled in Sri Lanka and downed by the Government of Sri Lanka.
• Company Registration No.	PB1631
• Income Tax Identification No.	294000194
• VAT Registration No.	2940001941947000
• Registered Office and Warehouse Complex	Dalupitiya Road, Hunupitiya, Wattala
• Telephone	0 11-2948102/03 011-2941859
• Fax	011-2930252 011-2949126
• Bankers	1. Peoples' Bank – Corporate Branch 2. Peoples' Bank – Wattala 3. Bank of Ceylon – Wattala
• Company Secretary	Mr. S.P. Morawaka
• Auditors	Auditor General's Department