ANNUAL REPORT

2017

COLOMBO COMMERCIAL FERTILIZERS LTD

Dalupitiya Road, Hunupitiya, Wattala

Tel: 011-2948102/3, 011-2941859

Fax: 011-2930252, 011-2949126

E-mail: ccffinance@yahoo.com

www.commercialpohora.com

1.1

Vision

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

Mission

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

1.2 Our Values

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

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

1.3 Milestones of our Journey

1872

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

1976

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

1989

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

1994

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

1997

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

Milestones of our Journey contd….

2005

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

2010

- Distribution of Subsidized fertilizer for Other Crops was started

2011

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

2016

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

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 2017.

Company Performance

For the financial year ended 31st March 2017, the company has recorded a net profit of Rs.56 million. 6000MT of Urea were imported during the year. 16,166MT of Neat fertilizers were distributed for Paddy Crops whilst 2,453MT of fertilizers were distributed as mixtures and other Crops which contributed for a turnover of Rs.824million.

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 68% 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.

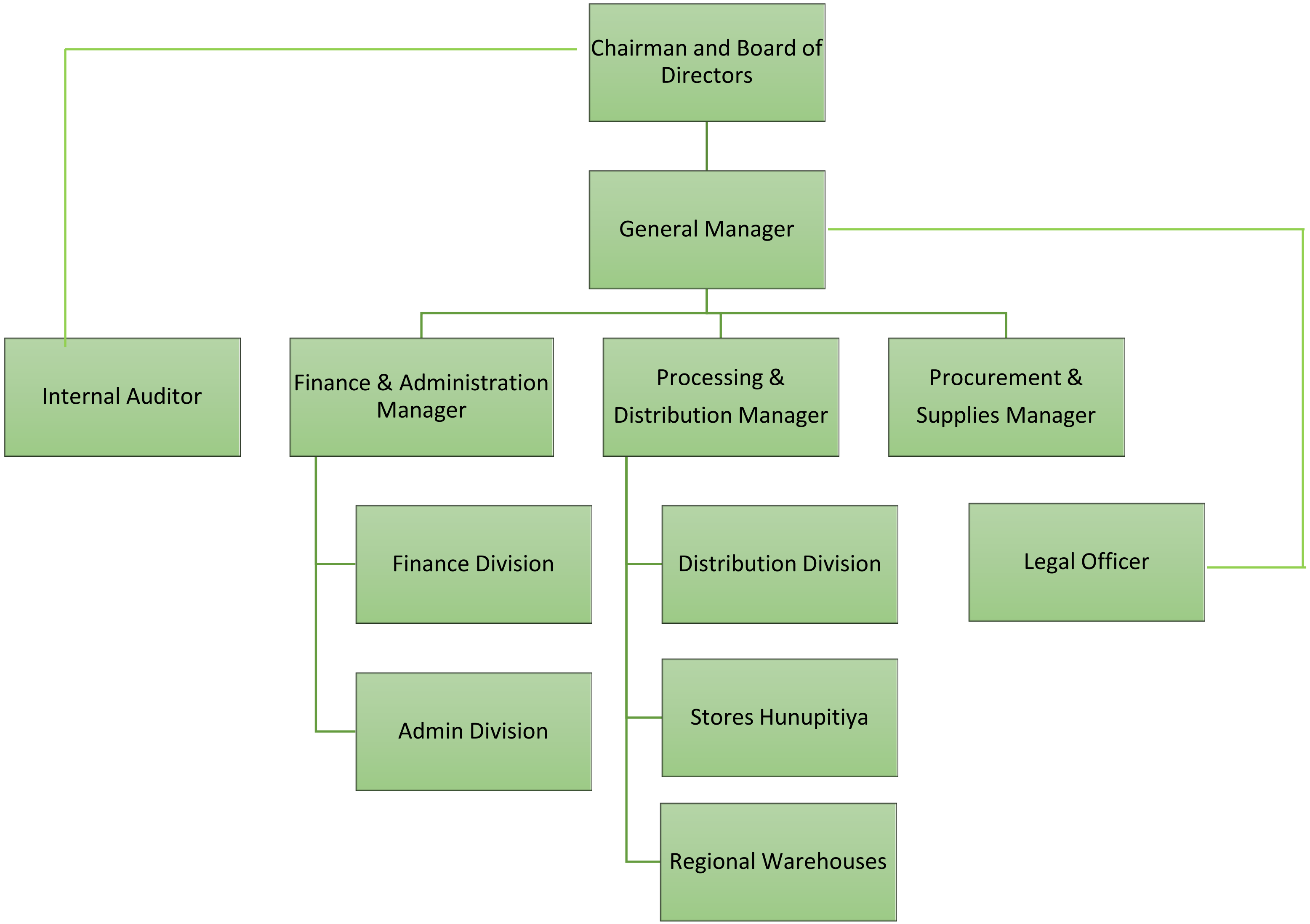
I appreciate the co-operation and the contribution extended by the Board of Directors to achieve the targets of CCF Ltd. Specially, I take this opportunity to thank the Director of National Fertilizer Secretariat and his staff for their continuous assistance and guidance.

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 and Administration Manager - Mr. S.N.J Wickremesinghe
- Procesing and Distribution Manager - Mr. J.C Wickramesinghe
- Proucrement & Supplies Manager - Mr. K.K Somasundaram
- 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.

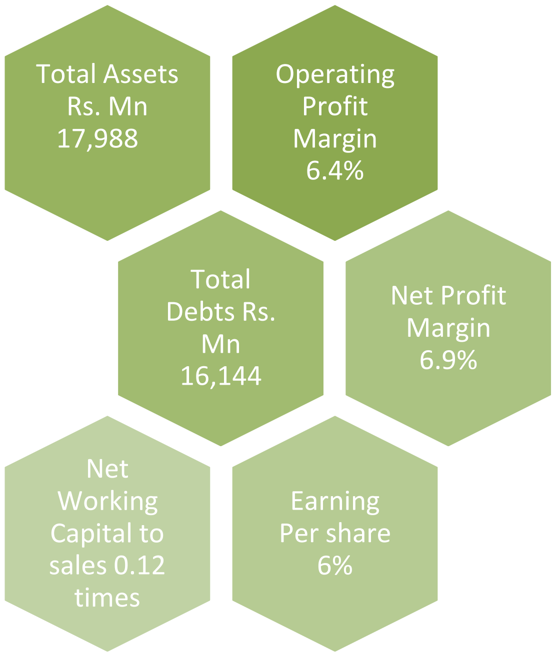
Probability	*Minor*	*Medium*	*high*	*very High*
Frequent			**2 ,9**	**5,8**
Occasional			**3,15**	**1 ,4 ,6 ,10 ,14**
Likely	**7**			
seldom		**11**	**13**	**12**

Consequences

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. However, due to the change occurred in the subsidy scheme and unfavourable weather conditions, sales of the company has drastically fallen during the year.

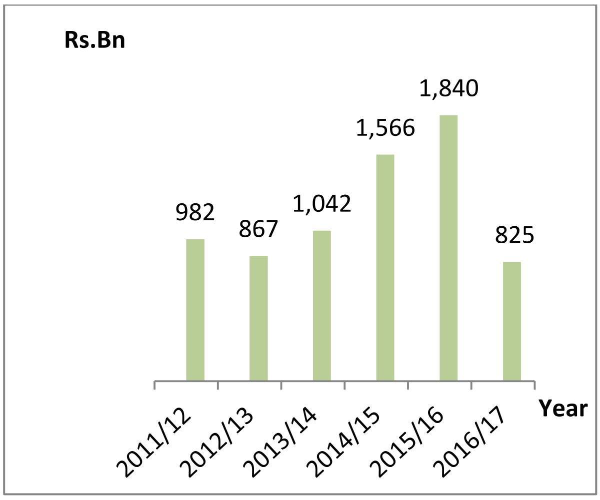


Chart No. 01. Revenue of the company (Rs. Mn)

Gross Profit

Due to the change taken place in the fertilizer subsidy scheme, company reported gross loss in 2016/2017, however, it has generated continuous profits during the past.

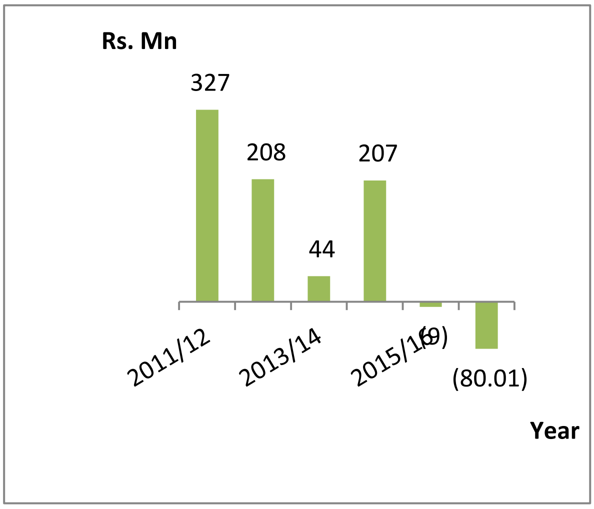


Chart No. 02. Gross Profit of the company (Rs. Mn)

Administrative Expense

The administrative expense of the company was Rs.110 Million. When comparing with the previous year it was a decrease of 4.5%.

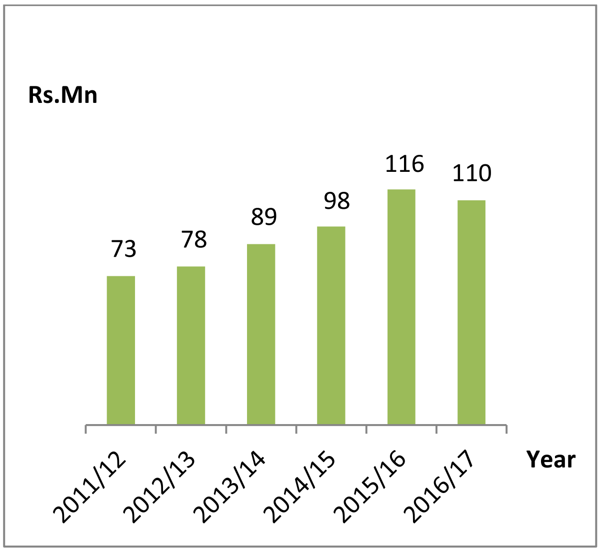


Chart No. 03. Administration Expenses of the company (Rs. Mn)

Distribution Expense

The company's distribution expenses have been decreased by 23% to Rs.31 million while there was a significant expansion in the distributor network of the company to conquer the open market due to effective and efficient management.

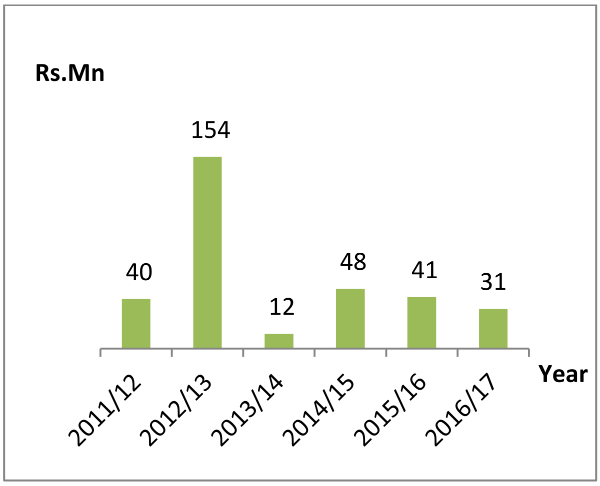


Chart No. 04. Distribution Expenses of the company (Rs Mn)

Finance Income and Expenses

Finance income of the company records 128 million for the year. Finance income includes interest income related to the prudent investment in fixed deposits and REPO investments.

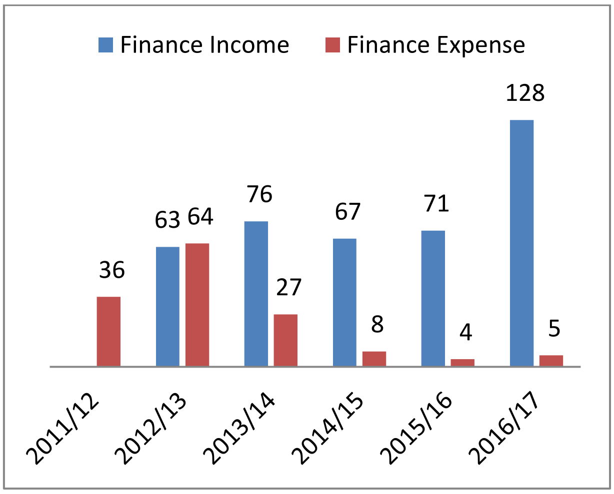


Chart No. 05. Finance Income and Expenses of the company (Rs. Mn)

Profit Before Taxation

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

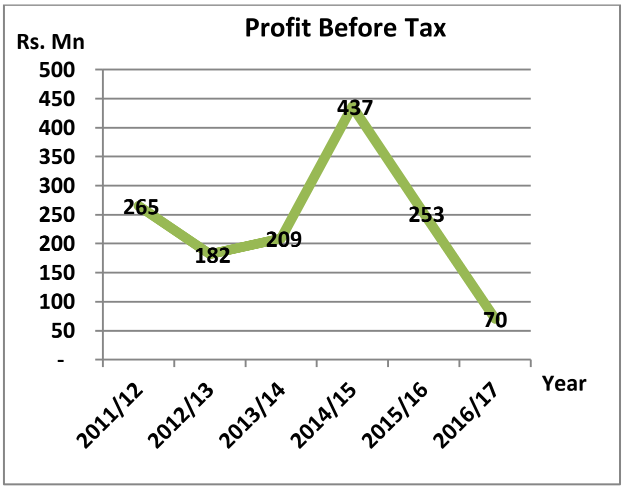


Chart No. 06. Profit before Taxation of the company (Rs. Mn)

Comparison of Financial Highlights

		2017	2016	Change %
Earnings Highlights and Ratios				
Revenue	Rs. Mn.	825.00	1,840.00	(55.00)
Profit from Operating Activities	Rs. Mn.	(53.00)	185.00	(129.00)
Profit Before Tax	Rs. Mn.	70.00	253.00	(72.00)
Profit After Tax	Rs. Mn.	56.00	181.00	(69.00)
	%	(.97)	(0.48)	
Operating Profit Margin	%	(6.4)	10.05	
Net profit Margin	%	6.9	13.75	
Earnings per Share (Basic)	%	5.68	18.10	
Financial Position Highlights and Ratios				
Total Assets	Rs. Mn.	17,988.00	17,127.00	(8.67)
Total Debts	Rs. Mn.	16,145.00	15,335.00	(10.41)
Equity Attributable for Share Holders	Rs. Mn.	1,844.00	1,792.00	9.54
Current Ratio	No. of times	1.69	1.62	
Quick Ratio	No. of times	1.48	1.57	
Net Working Capital to Sales	No. of times	0.12	0.35	

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.

Using the experience over a century as a competitive advantage the company plans on marketing the fertilizer mixtures targeting the plantation sector. Further, the company is planning to open up a fertilizer warehouse complex in Hambanthota area to effectively distribute fertilizer to the farmer community during the peak seasons.

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 2016 and 2017 (%)

Distribution of Neat & Mixing fertilizers during the year

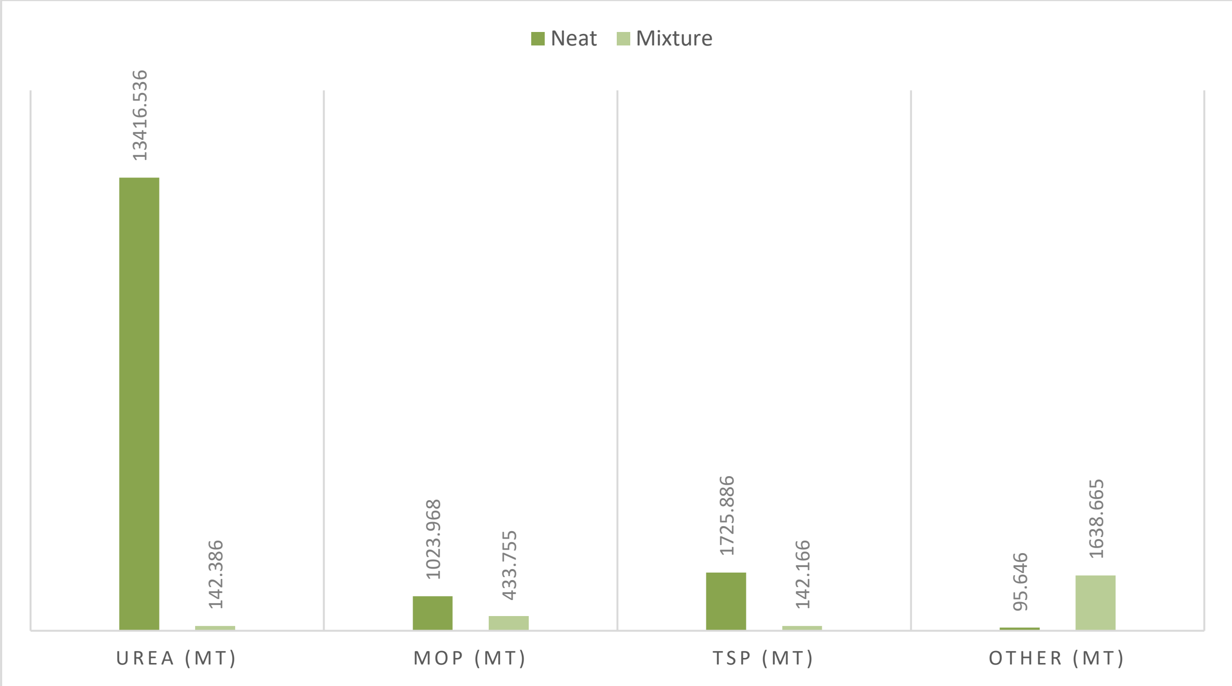


Chart No.08. Distribution of Neat & Mixtures Fertilizers during the year (MT)

Fertilizer Distribution among Districts

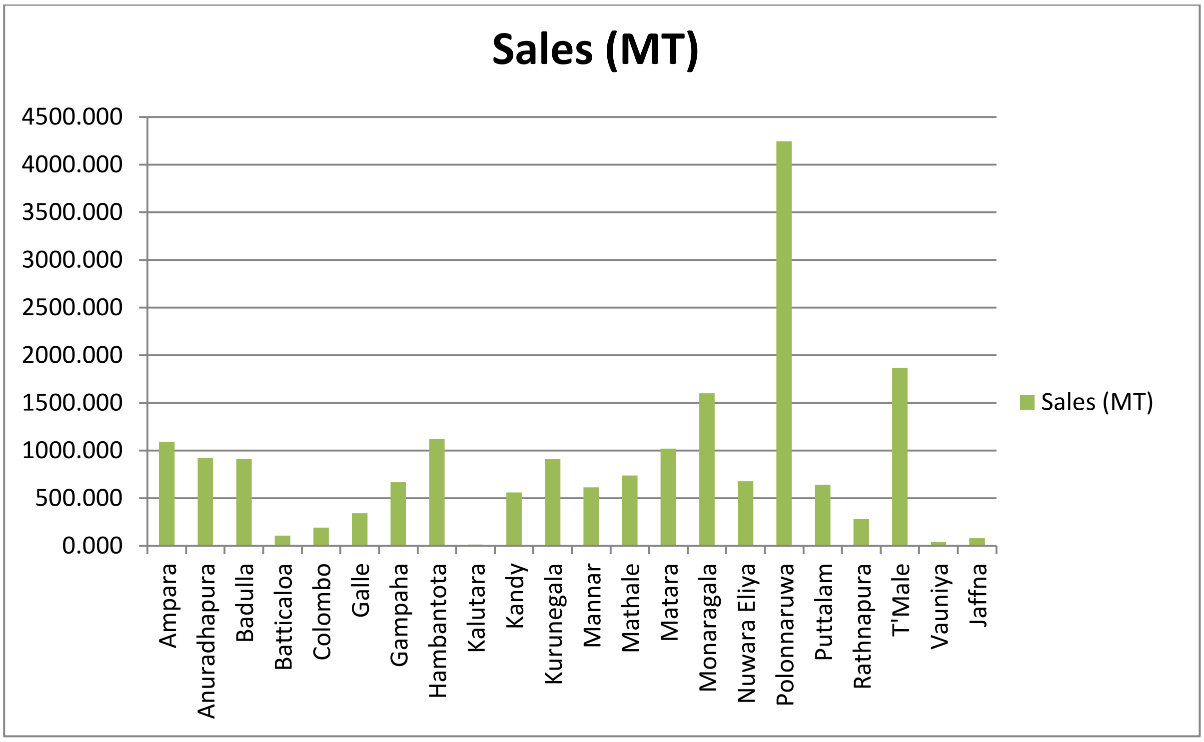
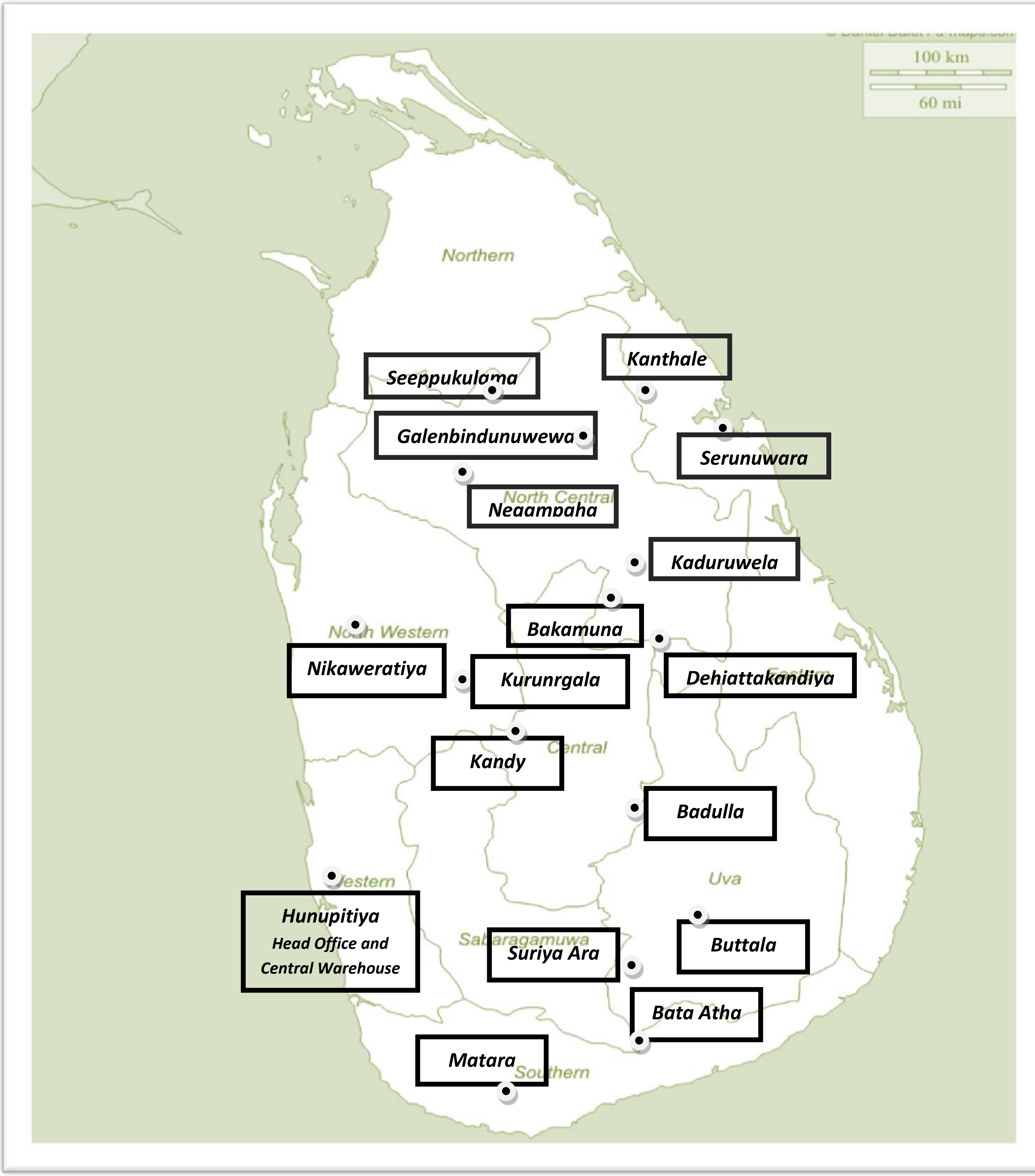


Chart No.09. Fertilizer Distribution among the districts during the year (MT)

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	**2016/17**	**2015/16**
Revenue per Employee (000’)	6,153	13,527
Profit per Employee (000’)	423	1,331
Cost Per Employee (000’)	590	606
Yield per Employee	0.72	2.1
No. of Employees	134	136

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

Colombo Commercial Fertilizers Limited – 2016/2017

The audit of financial statements of the Colombo Commercial Fertilizers Limited for the year ended 31 March 2017 comprising statement of financial position as at 31 March 2017 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(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My observations on the performance of the Company in the year under review which I consider should be presented to Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the 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 the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

1.4 Establishment of the Company

The Colombo Commercial Fertilizers Limited 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 Fertilizers Limited 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 State policy. It was vested again in the year 1997 under the Rehabilitation of Public Enterprises 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.

1.5 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 Limited as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.1.1 Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act, No.07 of 2007, I state the followings.

(a) The basis of opinion and scope and limitations of the audit are as stated above.
(b) In my opinion:

- I have obtained all the information and explanations that were required for the audit and as far as appears from my examination , proper accounting records have been kept by the Company.

- The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No.07 of 2007.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 02

(i) The following matters on total inventories which should be disclosed in the financial statements, had not been disclosed.

* The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity,

* The carrying amount of inventories carried at fair value less costs to sell

* The amount of inventories recognized as an expense during the period

(ii) Adjustments of impairment losses had not been made for the 695,998 metric tons of fertilizer stock valued at Rs.12,796,873 that was over 5 years and become unusable which included in the stock of Rs.2,245,769,383 shown in the financial statements.

(b) Sri Lanka Accounting Standard 16

Even though fixes assets costing Rs.38,318,368 had been fully depreciated as the useful life of non-current assets had not been reviewed annually, they were being further used. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Accounting Standard 8.

2.2.2 Accounting Policies

Even though the final stock should be measured by the First in First Out method as per Note 3.5.1 of the financial statements, the stock had been measured by the Last in First Out method.

2.2.3 Accounting Deficiencies

The following observations are made.

(a) Advances totalling Rs.441,480 paid for the purchase of property, plant and equipment during the year under review had been shown as a cash out flow for the purchase of fixed assets in the cash flow statement instead of showing under working capital movement in the cash flow statement.

(b) Even though the tax liabilities amounted to Rs.31,015,338 according to the tax computation performed by the Company in respect of the year under review , the tax liabilities of the year as per the Note 17.1 of the financial statements amounted to Rs.18,493,956. As such, the liabilities of the year under review had been understated by Rs. 12,521,382.

(c) In the computation of tax liabilities in terms of Inland Revenue Act, No.10 of 2006, instead of the loss of Rs.51,337,088 adjusted in the year , a sum of Rs.17,967,981 had been recorded, thus resulting in an overcomputation of tax liabilities. As such, the tax liabilities of the year amounted to Rs.23,430,143 after being deducted the loss and computed accurately. Accordingly, the tax liabilities shown in the financial statements had been understated by Rs.4,936,187.

2.2.4 Lack of Evidence for Audit

The following observations are made.

(a) The reports of physical stock verifications had not been made available to audit in respect of the stock of Central Stores valued at Rs.1,776,845,021 included in the stock of Rs.2,245,769,383 shown in the financial statements.

(b) A sum of Rs.13,501,929,683 had been shown in the financial statements as the capital grants receivable from the General Treasury for the payment of loans obtained from a State bank by the Company. As the reply for the letter of confirmation of the said balance, it was established that the Department of Treasury Operations does not intervene directly in loan agreements.

2.2.5 Transactions not supported by Adequate Authority

In supplying fertilizer on credit basis, fertilizers valued at Rs.4,044,135 had been supplied exceeding the credit limit in 5 instances.

2.3 Accounts Receivable and Payable

The following observations are made.

(a) The balances receivable in the financial statements included the balance totalling Rs.65,000 of the loans granted in the year 2012 to 06 employees who have left the service at present and it had not been recovered even by the end of the year under review.

(b) In selling fertilizer through cheques to the sellers not registered in the Company, the fertilizer should be issued after realizing cheques. Contrary to that, a Regional Stores Assistant had issued fertilizer to two persons in the years 2011 and 2016 before the realization of cheques whereas no action had been taken to recover a sum of Rs.724,505 recoverable from them further as at 31 March 2017.

(c) Action had not been taken to recover the loan balances totalling Rs.23,630,939 older than 23 years which included in the balances receivable.

(d) Even though a sum of Rs.81,000 had been shown as receivable from the Sri Lanka Insurance Corporation in the financial statements as the penalty for Luxury, Semi Luxury and Dual Purpose Taxes paid on 25 April 2016, there was no documentary evidence that the said amount would be paid by the Sri Lanka Insurance Corporation.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed.

	Reference to Laws, Rules and Regulations	Non-compliance
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i)	Financial Regulation 371 and Public Finance Circular No.03/2015 of 14 July 2015	• The sum of Rs.289,918 shown as unsettled advances in the financial statements of the year under review included a balance of Rs.91,215 brought forward from the year 2013, while no action had been taken to settle it. • Even though the advances should be settled immediately after the completion of the purpose for which it is granted, advances totalling Rs.105,000 granted in 05 instances in the year under review had been settled after a delay ranging from 20 days to 72 days.
(ii)	Financial Regulation 387	Even though obtaining overdrafts from State bank account is prohibited, the Company had obtained bank overdrafts totalling Rs.156,595 from a State bank account in the year under review.

(b) Public Finance Circular No.PF/PE/21 of 24 May 2002	A draft annual report had not been submitted along with the financial statements.

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 profit of Rs.56,799,264 as compared with the corresponding profit of Rs.180,971,671 for the preceding year, thus indicating a deterioration of Rs.124,172,467 in the year under review as compared with the preceding year. The decrease of income by a sum of Rs.1,015,047,494 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 the after tax profit of Rs.123,182,724 of the year 2012/2013 were fluctuating and it had decreased to Rs.56,799,204 in the year 2016/2017. However, readjusting the employees' remuneration, Government tax and depreciation on the non-current assets to the financial result, the contribution amounting to Rs.236,461,160 of the Company in the year 2012/2013 had increased continuously up to the year 2014/2015 while it had decreased to Rs.353,446,651 in the year 2015/2016 and further decreased to Rs.171,729,158 in the year under review.

4. Operating Review

4.1 Performance

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 form and act as agents and import export packers.

The following observations are made on the achievement of objectives.

(a) As the paddy cultivation is a main crop in the Agriculture Sector in Sri Lanka, opportunity had been provided to farmers for the purchase of a fertilizer bag of 50 kilograms at a concessionary rate of Rs.350 from the year 2006 to 28 February 2016 as a State policy. Further, 35 per cent of the requirement of fertilizer in respect of that subsidy programme had been fulfilled by the Colombo Commercial Fertilizers Limited.

(b) Instead of fertilizer, the financial assistance programme had been implemented from 01 March 2016. Based on that programme, even though an income of Rs.5.69 billion was targeted from the sale of direct fertilizers such as Urea, MOP and TSP and mixed fertilizers, the actual sales income had been Rs.0.82 billion. As such, the sales income earned had been at a minimum level representing 14 per cent.

(c) Even though the Company should prepare the advance plans to face the future business risks, action had not been taken accordingly. Action had not been taken for the promotion of sales through the strengths and weaknesses in the organizations and the external threats and opportunities analysis and giving priority.

4.2 Management Activities

A land belonging to the Mahaweli Authority had been obtained by the Company on lease basis from the year 2012 for the construction of a fertilizer stores and a sum of Rs.779,700 had been spent therefor as at the end of the year under review. Nevertheless, the construction work had not been carried out even by 30 October 2017, the date of audit.

4.3 Operating Activities

The following observations are made.

(a) In terms of the Economic Service Charge Act, in case of reaching the tax limit payable as turnover by any enterprise after 01 April 2016 (up to 31 March 2017, if the turnover of a quarter exceeds Rs.50 million) it should be registered for the Economic Service Charge. Nevertheless, the Company had not so registered , thus the Government had deprived of Economic Service Charge amounting to Rs.4,202,453 of the year 2016/2017.

(b) In terms of Item (a) (x) of Part 2 of first Schedule of the Value Added Tax (Amendment) Act, No. 14 of 2002, only the import and supply of fertilizer are exempted from the Value Added Tax. Nevertheless, rentals, sale of scrap items and sundry income totalling Rs.3,279,501 had not been considered in the computation of Value Added Tax.

4.4 Identified Losses

Taxes had not been paid on due dates in terms of Inland Revenue Act, No.10 of 2006, Nation Building Tax Act and Pay As You Earn Tax Act, thus the Company had paid fines amounting to Rs.2,588,918 during the year under review.

4.5 Staff Administration

The following observations are made.

(a) Even though the approved cadre of the Company as at the end of the year of accounts stood at 151, the actual cadre had been 135 and as such the vacancies and the excesses stood at 27 and 11 respectively. The Chairman had informed me that, out of the excess cadre, 9 posts were personal to holder basis.

(b) Even though a qualified Legal Officer from whom the service as a Secretary of Company could be obtained was serving in the institution, an external person had been recruited as a Secretary of Company on 28 February 2016 and a sum of Rs.219,050 had been paid for the year 2016/2017 in this connection.

5. Accountability and Good Governance

5.1 Budgetary Control

Variances ranging from 21 per cent to 368 per cent were observed between the budgeted and the actual income and expenditure of 53 items in the year under review, thus it was observed in audit that the budget had not been made use of as an effective instrument of management control.

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	(i) Failure to maintain accounts so as to obtain the information on credit sales, cash sales and returns made during the period.
	(ii) Failure to maintain a formal cash book and non-preparation of Bank Reconciliations in a timely manner.
(b) Sales Control	Credit sales of fertilizer had been made without checking the possibility of recovery.

(c) Stock Control	(i)	Failure to implement an internal control on receipts, issue and classification of stocks and failure in taking action to identify the slow moving, immovable and damaged stocks.
	(ii)	Non-reconciliation of the value of 52 items and closing stock balance pertaining to stationery and other stocks.
(d) Accounts Control	(i)	Failure to obtain insurance coverage for the mitigation of risks.
	(ii)	Failure to confirm the accuracy of transactions due to the complicated accounting system as a result of non-utilization of a suitable electronic accounting system.

(Expressed in Sri Lankan Rupees)

8.4 COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

THE YEAR ENDED 31 MARCH	**NOTE**	**2017**	**2016**
Revenue	10	824,609,180	1,839,656,674
Subsidy on Cost of Sales		-	8,286,176,401
Cost of Sale	11	(904,623,526)	(10,134,587,135)
Gross Profit		(80,014,346)	(8,754,060)
Treasury Grant		157,136,089	298,841,310
Other Income	12	13,125,754	52,649,633
		90,247,497	342,736,883
Administrative Expenses	13	(110,598,497)	(115,929,498)
Selling and Distribution Cost	14	(31,902,984)	(41,347,065)
Other Expenses	15	(456,175)	(111,974)
Profit (Loss) from Operation		(52,710,159)	185,348,347
Net Finance Cost	16	122,884,451	67,177,832
Finance Income	16.a	(128,737,037)	(71,027,841)
Finance Expenses	16.b	5,852,586	3,850,008
Profit (Loss) before Tax		**70,174,292**	**252,526,179**
Income Tax Expenses	17	(13,375,088)	(71,554,508)
Net Profit for the year		**56,799,204**	**180,971,671**
Basic Earnings per Share	18	5.68	18.10
Other Comprehensive Income		2,720,787	-
Total Comprehensive Income for the Year		**59,519,991**	**180,971,671**

Figures in brackets indicates deductions.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

8.5 STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2017

	NOTE	2016/2017 Rs.	2015/2016 Rs.
NON CURRENT ASSETS			
Property Plant and Equipments	19	300,964,480	321,149,853
Capital Work in Progress	20	205,425	-
		301,169,905	**321,149,853**
CURRENT ASSETS			
Inventories and other consumables	22	2,245,769,383	566,883,075
Trade and Other Debtors	23	13,778,575,143	14,778,545,989
Employees Loans and Advances	24	17,662,161	13,660,907
		3,8	
Deposits and Advances	25	82,164	21,172,542
Other Financial Assets	26	1,296,914,801	383,613,301
Cash at Bank	27	344,320,752	1,042,196,834
TOTAL CURRENT ASSETS		**17,687,124,404**	**16,806,072,649**
TOTAL ASSETS		**17,988,294,309**	**17,127,222,502**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Stated Capital	28	100,000,000	100,000,000
Capital Reserve	29	1,683,685	1,683,685
Reconstruction and Revalue Reserve	30	288,947,577	288,947,577
Retained Earnings		1,453,088,606	1,401,568,614
		1,843,719,867	**1,792,199,875**
NON CURRENT LIABILITIES			
Retirement Benefit Obligation	31	11,133,232	12,648,791
Deferred Taxation	32	44,952,391	50,071,259
Interest Bearing Borrowings	33	5,682,004,608	4,927,955,849
		5,738,090,230	**4,990,675,899**
CURRENT LIABILITIES			
Interest Bearing Borrowings	33	8,215,024,826	7,746,930,785
Trade and Other Payables	34	2,138,184,868	2,486,298,697
Dividend Payable	35	10,000,000	27,000,000
Deposits and Advances Received	36	17,712,979	17,387,986
Statutory Payable	37	8,993,678	31,005,620
Accrued Expenses	38	16,567,863	35,723,640
TOTAL CURRENT LIABILITIES		**10,406,484,212**	**10,344,346,728**
TOTAL EQUITY & LIABILITIES		**17,988,294,309**	**17,127,222,502**

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 22 to 35 from an integral part of these Financial Statements.

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

....

FINANCE MANAGER
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	**DIRECTOR**
Chaminda Kumara Liyanage	P.S.A. Athula Kumara

Dated January 05, 2018 at Colombo.

(Expressed in Sri Lankan Rupees)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

8.6 STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVE	REVALUAION RESERVE	RETAINED EARNINGS	TOTAL
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**
Net Profit/Loss for the Period	-	-	-	-	59,519,991	59,519,991
Dividend	-	-	-	-	(8,000,000)	(8,000,000)
						-
RETAINED BALANCE AT 31-03-2017	**100,000,000**	**1,683,685**	**-**	**288,947,577**	**1,453,088,606**	**1,843,719,864**

Figures in brackets indicates deductions

8.7 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH

		2017	2016
Cash Flows from Operating Activities			
Profit Before Taxation		70,174,292	252,526,179
Adjustments for;			
Depreciation		23,128,000	24,623,279
Impairment of Property, Plant and Equipment		340,243	-
Sale of Property, Plant and Equipment		-	(2,224,305)
Gratuity Charge for the Year		2,218,513	2,882,050
Gratuity Over Provision of the Previous Year		-	-
Interest Income		(115,909,474)	(71,027,841)
Interest Expenses		-	3,850,008
Operating Profit Before Changes in Working Capital		**(20,048,426)**	**210,629,371**
Changes in Working Capital			
Inventories		(1,678,886,307)	(210,826,570)
Trade and Other Receivables		999,970,846	2,223,330,445
Deposits and Advances		17,290,378	(6,274,363)
Employees Loans and Advances		(4,001,253)	(1,788,089)
Trade and Other Payables		(348,113,830)	(1,934,311,619)
Statutory receivable		-	(2,189,871)
Statutory Payable		5,023,574	(2,059,693)
Deposits and Advances Received		324,993	(1,595,452)
Accrued Expenses and Provision		(19,155,778)	13,840,792
Cash Generated from Operations		**(1,047,595,803)**	**288,754,952**
Gratuity Paid		(1,013,286)	(2,145,929)
Interest Paid		-	(3,850,008)
Taxes Paid		(45,529,472)	(134,036,994)
Net Cash Flow from Operating Activities		**(1,094,138,560)**	**148,722,021**
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment		(3,282,870)	(7,045,051)
Proceeds from Sale of Property, Plant and Equipment		-	2,224,305
Net Investments in Other Financial Assets		(913,301,499)	(18,738,760)
Interest Received		115,909,474	71,027,841
Net Cash used in Investing Activities		**(800,880,320)**	**48,547,192**
Cash Flows from Financing Activities			
Dividends Paid During the Year		(25,000,000)	(10,000,000)
Borrowings During the Year		9,143,725,158	21,790,570,454
Settlements of Borrowings During the Year		(7,921,582,359)	(21,598,425,647)
Net Cash used in Financing Activities		**1,197,142,799**	**182,144,807**
Net Changes in Cash and Cash Equivalents During the Year		(697,876,082)	379,414,020
Cash and Cash Equivalents at Beginning of the Year		1,042,196,834	662,782,813
Cash and Cash Equivalents at End of the Year	**(Note) 27**	**344,320,752**	**1,042,196,834**

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 2017 were authorized for issue in accordance with a resolution of the Board of Directors dated July 20 2017.

1.5 Number of Employees

The number of employees of the Company

31st March 2017		31st March 2016	
• Executive Staff	25	• Executive Staff	22
• Clerical & Allied	97	• Clerical & Allied	102
• Labour	12	• Labour	12
	134		**136**

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.

3.2.7. Depreciation

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

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

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

Buildings	20 Years
Plant and Machinery	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.

3.2.8. 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.

3.6.3. Impairment of Financial Assets

Assets carried at amortized cost

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

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

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

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

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

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

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

3.7. Financial Liabilities

3.7.1. Non derivative financial liabilities

3.7.1.1Initial 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH			2017	2016
10	**REVENUE**			
	Gross Revenue		824,609,180	1,839,656,674
			824,609,180	**1,839,656,674**
11	Purchases	**(Note 11.a.1)**	371,008,007	10,084,466,920
	Direct Expenses	**(Note 11.a.2)**	44,465,679	207,748,229
	Cost of Production		415,473,685	10,292,215,149
	Finish Goods as at 01 April	**(Note 11.a.3)**	2,671,463,184	345,190,217
	Finish Goods as at 31 March		(2,233,232,160)	(558,995,144)
			853,704,710	10,078,410,221
	General Overheads	**(Note 11.a.4)**	50,918,816	56,176,914
			904,623,526	**10,134,587,135**

11.a.1 Purchases

	2017	2016
Import of Fertilizer Value	295,854,847	9,762,049,550
Contract labour wages	18,919,993	44,555,035
Transport Charges	11,724,090	167,463,124
Packing Materials	1,319,258	1,702,000
Exchange Loss	43,189,819	108,697,211
	371,008,007	10,084,466,920

11.a.2 Direct Expenses

		2017	2016
Labour Charges	(**Note 11.a.2.1)**	7,997,634	8,811,790
Regional Stores Expenditure		11,698,486	116,358,678
Transport Charges to District Fertilizer Stores		24,769,559	82,577,761
		44,465,679	207,748,229

11.a.2.1 Labour Charges

	2017	2016
Wages	4,969,457	4,225,926
Employees Provident Fund	596,335	507,111
Employees Trust Fund	149,084	126,778
Over Time & 1/20th Allowance	456,916	1,787,299
Unutilized Staff Leave & Incentive	17,118	17,380
Unutilized Medical Leave	285,485	398,614
Welfare & Medical	70,938	131,013
Meal Money & Combine Allowance	47,370	219,368
Incentive Payment	1,242,932	1,236,302
Bonus	162,000	162,000
	7,997,634	8,811,790

11.a.3 Finish Goods as at 01 April

The stocks imported under subsidy schemes of previous regime, valued at subsidy price of Rs 558,995,144 were in the stocks as at 31.03.2016,

During the year under review Company sold fertilizer at market price of Rs. 50,000 per MT not at the subsidy price of Rs. 7,000 MT to buyers including farmers based on the policy changes of the government. As a result of these policy changes the stocks revalued at lower of Cost or Net Realizable Value.

11.a.4 General Overheads

	2017	2016
Spare Parts	3,120,726	3,328,475
Factory Overheads	47,469,499	52,598,824
Laboratory Overheads	328,591	249,615
	50,918,816	56,176,914

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

	NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH			2017		2016
12	**OTHER INCOME**					
	Rent Received			348,950		1,258,182
	Non Refundable Tender Deposit			1,503,000		440,500
	Miscellaneous Income			204,799		17,133,528
	Sale of Disposable Items			9,965		1,299,878
	Dispatch Money Received			11,059,041		29,804,554
	Sale of Fixed Assets			-		2,712,990
				13,125,754		**52,649,633**
13	**ADMINISTRATION AND ESTABLISHMENT**					
	Executive Staff Remuneration	Note	13.1	19,130,969		16,630,463
	Clerical Staff Remuneration	Note	13.1	49,295,227		55,101,247
	Head Office Casual / Trainees Remuneration	Note	13.1	2,663,289		1,935,249
	Gratuity			2,218,513		2,882,050
	Building Maintenance			34,609		25,585
	Electricity			52,522		64,651
	Water Bill			137,245		140,467
	Telephone Charges			1,155,132		1,027,984
	Security Charges			13,574,173		12,837,368
	Stationery			715,064		1,333,076
	Postage & Telegram			103,153		71,489
	Legal And Professional Charges			339,108		408,713
	Motor Vehicle Maintenance			6,263,788		7,940,103
	Rent for Vehicle			676,193		-
	Rates & Taxes			326,521		109,789
	Insurance			-		229,005
	Office Equipment Maintenance			664,228		559,386
	Travelling			245,319		873,437
	Audit Fees			658,800		885,984
	Other Administrative Expenses			1,105,682		1,775,547
	Entertainment & Donation			656,319		866,820
	Building Depreciation			1,311,599		1,305,212
	Office Equipment Depreciation			1,499,076		1,124,399
	Furniture & Fittings			331,303		246,931
	Stock Verification Expenses			517,265		542,996
	Directors Allowance			2,419,550		2,298,175
	Accommodation Expenses for Out Visit			46,950		60,916
	Staff Skills Development Expenses			511,660		442,500
	Insurance for Vehicle			769,999		574,753
	Fertilizer License			23,438		40,000
	Staff Welfare			2,021,609		1,527,852
	Procurement Expenses			73,000		940,145
	Licence Fees			61,157		9,257
	Directors Travelling Allowance			377,350		399,000
	Professional charges			165,539		189,949
	Audit & Management Committee Meeting Allowance A/C			152,150		200,000
	Audit & Management Committee Meeting Travelling Allowance A/C			90,000		111,500
	Semi Luxury Vehicle Tax			211,000		217,500
				110,598,497	#	**115,929,498**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

13.1 Staff salaries and Remuneration for the year ended 31.03.2017

	EXECUTIVE STAFF	CLERICAL & ALLIED STAFF	CASUAL / TRAINEES	TOTAL
Salaries	12,021,116	28,531,857	1,823,925	42,376,898
Employees Provident Fund	1,442,534	3,423,673	216,891	5,083,098
Employees Trust Fund	360,633	855,918	54,223	1,270,774
Unutilized Short Leave & Incentive	-	158,994	-	158,994
Over Time & 1/20th Allowance	1,193,211	4,999,034	568,250	6,760,495
Unutilized Medical Leave	779,673	2,250,777	-	3,030,450
Welfare & Medical	131,015	484,754	-	615,768
Combine Allowance & Meal Money	124,090	459,131	-	583,221
Incentive Payment	2,842,447	7,247,964	-	10,090,411
Bonus	236,250	883,125	-	1,119,375
Total	**19,130,969**	**49,295,227**	**2,663,289**	**71,089,485**

13.2 Staff salaries and Remuneration for the year ended 31.03.2017

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**

14 SELLING AND DISTRIBUTION COST

Sales Promotion & Advertising	3,602,039	180,150
Rent Expenses for Stores	6,676,357	22,753,133
Impairment of debtors	5,098,858	17,214
Overriding Commissions	4,053,792	-
Notional Building Tax (NBT)	8,283,088	18,396,567
Economic Service Charges	4,188,850	-
	31,902,984	**41,347,065**

15 OTHER EXPENSES

Impairment fixed assets	340,243	-
General Expenses	115,932	111,974
	456,175	**111,974**

Figures in brackets indicates deductions.

16 NET FINANACE COST

16.a FINANACE INCOME

Interest on Fixed Deposits	52,719,710	19,708,837
REPO Investments	62,728,361	43,903,536
Notional tax	6,969,818	4,878,171
Withholding tax	5,857,746	2,189,871
Interest from Employees Loans	461,402	347,427
	128,737,037	**71,027,841**

16.b FINANACE COST

Bank Charges	3,344,668	3,850,008
Penalty Charges	2,507,918	-
	5,852,586	**3,850,008**
	(122,884,451)	**(67,177,832)**

17 Income Tax Expenses

Current Tax Expense	18,493,956	74,184,743
Deferred Tax Charge	(5,118,868)	(2,630,236)
	13,375,088	**71,554,508**

17. 1 Reconciliation Between the Current Tax Expense and the Product of Accounting Profit

Accounting Profit / (Loss) Before Taxation	70,174,292	252,526,179
Interest for Fixed and repo investment	(115,448,071)	(63,612,372)
Aggregated Disallowable Items	31,487,748	28,858,992
Aggregated Allowable Items	(30,498,424)	(30,863,746)
Income from Other Sources	128,275,635	70,680,414
Profit / (Loss) from Trade or Business	**83,991,180**	**257,589,467**
Total Statutory Income	**83,991,180**	**257,589,467**
Tax Losses Utilized	-	-
Assessable Income / Taxable Income	**83,991,180**	**257,589,467**
Tax Charged at Statutory Tax Rate of 28%	23,517,530	72,125,051
Under/ (Over) Provision of Income Tax	(5,023,574)	2,059,693
Current Tax on Ordinary Activities for the Year	**18,493,956**	**74,184,743**

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.

		2017	2016
18	***Amount used as the Numerator***		
	Net Profit Attributable to Ordinary Shareholders (Rs.)	59,519,991	180,971,671
	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	**5.95**	**18.10**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

19 ***Property Plant and Equipments***

Cost	Freehold Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Office Equipment	Total
Balance as at 31 March 2015	**90,000,000**	**258,482,258**	**22,803,921**	**60,636,503**	**5,283,086.10**	**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**
Additions	-	-	121,216	-	709,391	2,452,263	3,282,870
Disposals	-	-	-	-	-	-	-
Balance as at 31 March 2017	**90,000,000**	**262,319,765**	**22,612,775**	**59,662,198**	**6,481,063**	**13,021,259**	**454,097,060**
Depreciation							
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**
Charge for the Year	-	13,115,988	2,694,632	5,487,000	331,303	1,499,076	23,128,000
Disposals	-	-	-	-	-	-	-
Balance as at 31 March 2017	-	**81,136,378**	**13,327,862**	**47,581,087**	**2,699,461**	**7,865,320**	**152,610,109**

Net Carrying Values		**2017**	**2016**
Land		90,000,000	90,000,000
Buildings	5%	181,183,387	194,299,375
Plant and Machinery	20%	9,284,913	11,858,329
Motor Vehicles	20%	12,081,111	17,568,111
Furniture and Fittings	20%	3,781,602	3,403,514
Office Equipment	10%	5,155,938	4,202,752
		301,486,951	**321,332,081**
Provisan for Impairment of Fixed Assets		(522,471)	(182,228)
		300,964,480	**321,149,853**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

19.1 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.

19 Property, Plant and Equipment Contd…

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

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

	As at 31 March 2017	**As at 31 March 2016**
Plant and equipment	9,405,009.54	8,817,687.12
Motor vehicle	32,227,198.16	22,231,198.16
Office equipments	4,875,867.21	3,495,906.21
Furniture and fittings	2,943,967.00	2,943,967.00
	49,452,041.91	37,488,758.49

20 Work in progress

At Cost	**As at 31 March 2016**	**Additions**	**(Disposals)**	**As at 31 March 2017**
	-	205,425	-	205,425
	-	**205,425**	**-**	**205,425**

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

The Carrying Values of Financial Assets and Liabilities.

			2017	**2016**
Loans and Receivables				
Trade and Other Receivables	**Note**	**23**	13,778,575,143	14,778,545,989
Employees Loans and Advances	**Note**	**24**	17,662,161	13,660,907
Other Financial Assets	**Note**	**26**	1,296,914,801	383,613,301
Cash and Cash Equivalents	**Note**	**27**	344,320,752	1,042,196,834
			15,437,472,857	**16,218,017,032**

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

TOTAL FINANCIAL ASSETS			**15,437,472,857**	**16,218,017,032**

FINANCIAL LIABILITIES

Other Financial Liabilities				
Interest Bearing Borrowings	**Note**	**33**	13,897,029,433	12,674,886,634
Trade and Other Payables	**Note**	**34**	2,138,184,868	2,486,298,697
Deposits and Advances Received	**Note**	**36**	17,712,979	17,387,986
Total Financial Liabilities			**16,052,927,280**	**15,178,573,317**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED		31.03.2017	31.03.2016
21	**Inventories and other consumables**		
21 A	Inventories		
	Fertilizers	2,233,232,160	558,995,144
	Packing Materials	3,671,770	1,657,982
		2,236,903,930	560,653,126
21 B	**Other consumables**		
	General Stores Items	6,761,969	5,130,099
	Stationery	2,103,484	1,099,850
		8,865,453	6,229,949
		2,245,769,383	**566,883,075**

22	**TRADE DEBTORS AND OTHER REVEIVABLES**			
	Trade Receivable		99,684,951	47,171,247
	Less: Impairment of Trade receivable		30,877,135	25,778,276
			68,807,816	21,392,970
	Net Trade Receivable		68,807,816	21,392,970
	Other Receivables	**(Note 23.1)**	13,709,767,328	14,757,153,019
			13,778,575,143	**14,778,545,989**

The ageing of the trade receivables are as follows

0 - 30 Days	15,649,340	-
31 - 60 Days	25,919,105	-
61 - 90 Days	2,576,340	-
More than 91 Days	55,540,166	47,171,247
	99,684,951	**47,171,247**

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

Multi Purpose Corporative Society	905,960	1,031,873
Farmers Association	253,273	83,595
Agrarian Service Centers	6,714,023	5,088,503
State institution	5,026,174	5,026,174
Authorized Dealers	86,785,522	35,941,102
	99,684,951	**47,171,247**

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

22.1 Other Receivables

Treasury Grant	13,501,429,683	14,569,465,219
From General Treasury - Interest	158,548,035	158,340,954
Ceylon Shipping Corporation Ltd	252,120	834,698
CCF Welfare Society - Loan	20,000	20,000
Fixed Deposit Interest Receivable	44,140,059	23,309,870
A Bour & Co. (Pvt) Ltd.	240	240
Receivable from Sri Lanka Insuarance	81,000	-
Sundry Debtors	5,047,893	5,047,893
Ceylon Fertilizer Company Ltd	-	93,109
Welfare society & Death Donation	247,797	40,537
Salary Advance	500	500
	13,709,767,328	**14,757,153,019**

23

	31.03.2017	31.03.2016
Employees Loans and Advances		
Distress Loans	16,719,261	12,692,657
Festival Advance	877,900	903,250
Special Loan :-	65,000	65,000
	17,662,161	13,660,907
	17,662,161	**13,660,907**

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	2,016,271	1,918,538
Payment in Advance	289,918	-
Post Master General	52,035	-
Pre Payment A/C	1,523,940	19,254,004
	3,882,164	**21,172,542**

25 Other Financial Assets

Fixed Deposits	1,296,914,801	383,613,301
	1,296,914,801	**383,613,301**

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

26 CASH AT BANK

Favorable Balances		
Cash in Hand	26,946	22,765
Regional Stores Contingency Fund	170,178	1,873,176
Repo's	207,412,025	924,000,000
Cash at Bank	136,711,604	116,300,892
	344,320,752	**1,042,196,834**
People's Bank Corporate Branch A/C No 004100170211270	11,306,822	37,146,308
People's Bank Corporate Branch A/C No 004100160204816	(156,596)	495,993
People 'S Bank Wattala A/C No 222100160976544	7,745,846	66,329,327
Bank Of Ceylon - Wattala A/C No 135670	117,815,532	12,329,264
	136,711,604	**116,300,892**
Cash and Cash Equivalents for the Purpose of Cash Flow Statement	**344,320,752**	**1,042,196,834**

Investments In Treasury Bills

The investments in Fixed deposit - 004-60-01-00001570-0 amounts to Rs 11,133,232/- (2016.Rs12,648,791/-) are maintained separately for the gratuity commitments.

27	**Issued and fully paid**			
	Number of Ordinary Shares		**10,000,000.00**	**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. 106.893,272

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

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		**12,648,791**	**11,912,670**
Expenses Recognized in Comprehensive Income	**(Note 30.1)**	2,218,513	2,882,050
Payments made during the year		(1,013,286)	(2,145,929)
Over Provision of the Previous Year		(2,720,787)	-
Balance as at 31 March		**11,133,232**	**12,648,791**

30.1 Expense Recognized in Comprehensive Income

Gratuity Charge	574,170	-
Current Service Cost	-	590,559
Interest Charge for the Year	1,644,343	706,359
(Gain) / Loss Arising From Changes in the Assumptions	-	1,585,132
	2,218,513	**2,882,050**

The company has adopted the projected Unit Credit Method to calculate the Retirement Benefit Obligation and the Gratuity Formula (Appendix E) is used for the same. Assumptions used for the calculations are based on the management's best estimates.

The principal assumptions used are as follows.

Morality	-	67/70
Discount Rate [%]	13	11
Future Salary escalation rate [%]	2	2
Staff Turnover Factor [%]	1	1
Retirement age [Yrs]	60	60

Sensitivity Analysis

A sensitivity analysis has been conducted to illustrate the significance of the Interest Rate and Salary escalation rate assumed in the calculation as at 31.03.2017.

The results are as follows.

Discount Rate	**Gratuity Provision**	**Gratuity Charge**
1% Less	11,972,290	636,177
1% More	10,398,768	521,352
Salary Increment Rate	**Gratuity Provision**	**Gratuity Charge**
1% Less	10,317,639	515,608
1% More	12,060,048	642,758

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED		31.03.2017	31.03.2016
31	**Deferred Taxation**		
	Balance as at 01 April	**50,071,259**	**52,701,495**
	(Charge) / Reverse for the Year	(5,118,868)	(2,630,236)
	Adjustments in Retained Earning at the Date of Transition to SLFRSs	-	-
	Balance as at 31 March	**44,952,391**	**50,071,259**

31.1	**The Analysis of Deferred Tax Assets and Liabilities**		
	Deferred Tax Liability		
	From Accelerating Depreciation	56,715,293	60,830,838
		56,715,293	**60,830,838**
	Deferred Tax Assets		
	From Retirement Benefits Obligation	3,117,305	3,541,662
	From Brought Forward Tax Losses	-	-
	From Impairment Provisions - Trade Debtors	8,645,598	7,217,917
		11,762,903	**10,759,579**
		44,952,391	**50,071,259**

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**	**2017**	**2016**
	Settlement Fall Due More than One Year		
	Long Term Loan	5,682,004,608	4,927,955,849
		5,682,004,608	**4,927,955,849**
	Settlement Fall Due Within One Year		
	Short Term Loan	6,209,611,226	3,522,930,785
	Long Term Loan	2,005,413,600	4,224,000,000
		8,215,024,826	**7,746,930,785**
		13,897,029,433	**12,674,886,634**

32.1	**Movement of the Loan**		
	Balance as at 01 April	**12,674,886,634**	**12,482,741,827**
	Obtained During the Year	9,143,725,158	21,790,570,454
	Settlements Made During the Year	(7,921,582,359)	(21,598,425,647)
	Balance as at 31 March	**13,897,029,433**	**12,674,886,634**

Figures in brackets indicates deductions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

			31.03.2017	**31.03.2016**
33	**Trade and Other Payable**			
	Trade Payable	Note 33.1	20,866,447	2,485,358,506
	Other Payable	Note 33.2	2,117,318,421	940,191
			2,138,184,868	**2,486,298,697**
	33.1 Trade Payables			
	Bills Payable on L/C		20,866,447	2,485,358,506
			20,866,447	**2,485,358,506**
	33.2 Other Payable			
	Audit Fees		356,189	366,689
	Interest Payable -Treasury		-	438,546
	Treasury Payable		2,112,468,040	-
	E.P.F. Payable		4,942	58,093
	E.T.F. Payable		1,394	8,641
	Stamp fees payable		7,150	(5,300)
	Union Fees Payable		8,640	8,440
	Third Party Deduction		15,159	44,923
	Medical Insurance Claim		3,383	3,382
	Salaries Payable		264,675	16,776
	Economic Service Charges Payable		4,188,850	-
			2,117,318,421	**940,191**

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.

35	**Deposits and Advances Received**			
	Employee Security Deposit		840,000	840,000
	Refundable Deposits		3,512,486	3,187,493
	Customer Deposits & Over Received		13,360,493	13,360,493
			17,712,979	**17,387,986**
36	**Statutory Payable**			
	Current Taxation	**(Note 36.1)**	8,689,966	29,177,206
	NBT		257,228	2,018,381
	PAYE		46,484	(189,968)
			8,993,678	**31,005,620**
	36.1 Current Tax			
	Balance at 01 April		**29,177,206**	**94,060,094**
	Charge for the Year		23,517,530	72,125,051
	Payments Made - Self Assessment		(2,000,000)	(40,000,000)
	Payments Made - to Settle the Previous Liability		(24,153,633)	(91,999,590)
	Set-off Against the Tax Credits - ESC		-	-
	Set-off Against the Tax Credits - WHT		(5,857,746)	(2,189,871)
	- Notional tax		(6,969,818)	(4,878,171)
	Under/ (Over) Provision of Income Tax		(5,023,574)	2,059,693
	Balance at 31 March		**8,689,966**	**29,177,206**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

37 Accrued Expenses

Accrued Expenses	16,567,863	35,723,640
	16,567,863	**35,723,640**

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 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.

c 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.

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 includes Government of Sri Lanka, State-Owned Enterprises, their related entities and key management personnel.

Transactions with Key Management Personnel

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Transactions with Key Management Personnel are given below.	2016 / 17	2015 / 16
Directors allowances	2,419,550	2,298,175

Name of the Related Party	Nature of Transactions	2016 / 17	2015 / 16
Government of **Sri** Lanka	Subsidies Received out of	-	
	Sales of Goods	824,609,180	1,839,656,674
State-Owned Enterprises	Loans borrowed	9,143,725,158	21,790,570,454
	Settlements of Loans	(7,921,582,359)	(21,595,653,252)
	Investments In Fixed Deposits		
	Investment during the year	885,500,000	-
	Interest Received	115,448,071	63,612,372
	Current Accounts	136,711,604	116,300,892
Other Government Related Entities	Recoveries of Trade Receivables	252,120	834,698

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

CORPORATE INFORMATION

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