

CEYLON FERTILIZER CO.LTD.

FINANCIAL STATEMENTS - 30TH JUNE 2024

(01ST APRIL 2024 TO 30TH JUNE 2024)



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 profit & loss of the Company for the financial year.

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

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

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

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

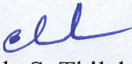
The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

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

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

Compliance Report

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


Chamila S. Thilakarathna
Company Secretary
Ceylon Fertilizer Company Ltd.

A.M. Chamila Swarnamali Thilakarathne
COMPANY SECRETARY
(SEC/1/(b)/(1) 2005/3266)
CEYLON FERTILIZER COMPANY LTD.

By Order of Board of Directors

Chairman's and Financial Manager's Responsibility Statement

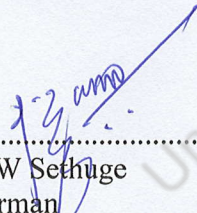
The Financial Statements of Ceylon Fertilizer Company Ltd as at 30th June 2024 are prepared and presented in compliance with the requirements of the following,


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

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

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

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


.....
T.C.W Sethuge
Chairman


.....
M.G.D Gayani
Finance Manager

CEYLON FERTILIZER COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in Sri Lankan Rupees

FOR THE PERIOD ENDED 30 JUNE 2024

Note

Revenue	3	224,306,685
Cost of Sales	4	(212,638,601)
Gross Profit		11,668,084
Other Operating Income	5	48,774,119
Administrative Expenses	6	(127,335,575)
Promotional Expenses	7	(3,625,702)
Profit from Operation		(70,519,073)
Termination Benefits	35	(521,013,394)
Finance Income	8	120,901,686
Finance Cost	8	(4,905,540)
Profit / (Loss) Before Taxation		(475,536,320)
Income Tax Expenses	9	-
Profit / (Loss) for the Period		(475,536,320)
Other Comprehensive Income		
<i>Items that will never be reclassified to profit or loss</i>		
Actuarial Gain / (Loss) on Obligation		(28,134,439)
Deferred Tax Benefits / (Expenses) on Actuarial Gain/Loss on Obligation		-
Impact from Property, Plant and Equipment Revaluation		-
Deferred Tax Benefits / (Expenses) on Revaluation Surplus		-
Total Other Comprehensive Income		(28,134,439)
Total Comprehensive Income / (Expenses) for the Period		(503,670,759)
Basic Earnings / (Loss) Per Share (EPS)	10.1	(9.46)
Dividends Per Share (DPS)	10.2	-

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 5 to 24 form an integral part of these Financial Statements.

CEYLON FERTILIZER COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION

(in Sri Lankan Rupees)

AS AT 30 JUNE 2024

Note

ASSETS**Non-Current Assets**

Property, Plant and Equipment

11 5,749,924,251

Intangible Assets

12 -

Total Non-Current Assets5,749,924,251**Current Assets**

Inventories

13 2,451,197,925

Trade and Other Receivables

14 12,634,221,594

Employees Loans and Advances

16 14,934,690

Investments in Government Securities

17 1,173,194,824

Investments in Fixed Deposits

18 2,355,063,657

Cash and Cash Equivalents

19 384,071,981

Total Current Assets19,012,684,672**Total Assets**24,762,608,923**EQUITY AND LIABILITIES****Equity**

Stated Capital

20 502,456,080

Revaluation Reserve

21 5,126,387,662

Retained Earnings

3,236,563,276**Total Equity**8,865,407,018**Non-Current Liabilities**

Retirement Benefits Obligation

22 37,795,746

Government Grants

23 7,200,000

Deferred Taxation

24 366,005,926

Interest Bearing Borrowings

26 9,343,928,342

Total Non-Current Liabilities9,754,930,014**Current Liabilities**

Trade and Other Payables

25 1,344,182,836

Interest Bearing Borrowings

26 4,437,650,724

Deposits and Advances Received

27 76,423,067

Income Tax Payables

28 15,497,503

Accrued Expenses and Provisions

29 268,517,760

Total Current Liabilities6,142,271,889**Total Equity and Liabilities**24,762,608,923**Net Asset Value Per Share**176.44

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

.....
Finance Manager

The Board of Directors is Responsible for Preparation and Presentation of these Financial Statements.

Approved and Signed for and on behalf of the Board,

.....
Chairman

T.C.W. Sethuge

Chairman

Date 28.05.2024

State Fertilizer Co. Ltd.

Colombo

Ministry of Agriculture

.....
Director

Director

State Fertilizer Company Limited
Lakpohora Swarnajayanthi Mawatha,
Hunupitiya, Wattala.

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 5 to 24 form an integral part of these Financial Statements.

CEYLON FERTILIZER COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY

(Expressed in Sri Lankan Rupees)

FOR THE PERIOD ENDED 30 JUNE 2024

	Stated Capital	Revaluation Reserve	Retained Earnings	Total
				-
Balance as at 01 April 2024	502,456,080	5,138,987,662	3,679,814,491	9,321,258,233
Comprehensive Income for the Year				
Profit for the Year	-	-	(475,536,320)	(475,536,320)
Other Comprehensive Expenses for the Year (Net of Tax)	-	-	(28,134,439)	(28,134,439)
Total Comprehensive Income for the Year	-	-	(503,670,759)	(503,670,759)
Prior Year Adjustments	-	(12,600,000)	60,419,544	47,819,544
Balance as at 31 June 2024	502,456,080	5,126,387,662	3,236,563,276	8,865,407,018

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 5 to 24 form an integral part of these Financial Statements.

CEYLON FERTILIZER COMPANY LIMITED
STATEMENT OF CASH FLOWS

(Expressed in Sri Lankan Rupees)

FOR THE PERIOD ENDED 30 JUNE 2024

	Note
Cash Flows from Operating Activities	
Profit Before Taxation	(475,536,320)
Adjustments for;	
Depreciation	24,625,384
Amortization of Intangible Assets	396,479
Amortization of Government Grant	-
Gratuity Charge for the Period	4,698,830
Interest Income	(120,901,686)
Interest Expenses	4,905,540
Prior Year Adjustments	49,807,584
Operating Loss Before Working Capital Changes	(512,004,188)
Inventories	(377,546,213)
Trade and Other Receivables	1,950,274,335
Employees Loans and Advances	23,668,047
Trade and Other Payables	(400,731,979)
Deposits and Advances Received	(54,940,642)
Accrued Expenses and Provisions	241,985,553
Cash Flow from Operations	870,704,912
Gratuity Paid	(132,449,505)
Interest Paid	(4,905,540)
Taxes Paid	(26,078,368)
Net Cash Flow from / (used in) Operating Activities	707,271,500
Cash Flows from Investing Activities	
Net Investments (With Interest Re-investment) in Treasury Bills / Fixed Deposits	717,615,998
Interest Received (Net of Taxes)	115,431,020
Net Cash Flow from / (used in) Investing Activities	833,047,019
Cash Flows from Financing Activities	
Settlements of Borrowings During the Year	(1,973,033,939)
Net Cash Flow from / (used in) Financing Activities	(1,973,033,939)
Net Changes in Cash and Cash Equivalents During the Period	(432,715,421)
Cash and Cash Equivalents at Beginning of the Period	816,787,403
Cash and Cash Equivalents at End of the Period	(Note 19) 384,071,981

Figures in brackets indicate deductions.

Notes to the Financial Statements on Pages 5 to 24 form an integral part of these Financial Statements.

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

1. REPORTING ENTITY

1.1 Domicile and Legal Form

Ceylon Fertilizer Company is a fully government owned, ISO 9001:2008 Certified Company coming under purview of the Ministry of Agriculture operating for more than 50 years in Sri Lanka. Ceylon Fertilizer Company is engaged in importation of chemical fertilizer, producing quality fertilizer mixture and marketing, distributing through island wide network of warehouses and thereby catering to the fertilizer needs of Sri Lankan Farmers.

Ceylon Fertilizer Corporation was converted to Ceylon fertilizer Company Ltd in terms of the transformation of Government Corporations and Government owned business undertaking into limited liability companies under the act No. 23 of 1987.

This Conversion took legal effect from 15th September 1992. The Ceylon Fertilizer Company Ltd presently operates as a Registered Public Company in Sri Lanka under the Companies Act No. 7 of 2007. The objective of the Ceylon Fertilizer Company Ltd is to ensure carrying out the successful business undertaken by its predecessor Ceylon Fertilizer Corporation which was established under the provisions of the State Industrial Companies Act Number 49 of 1957

The issued share capital is 50,245,608 ordinary shares of rupees 10 each.

1.2 Principal Activities and Nature of Operations

The principal activity of the company is importing, producing and marketing fertilizer required for tea, coconut, rubber and agriculture crops. The Head office is situated at Lakpohora Swarna Jayanthi Mawatha, Hunupitiya, Wattala, Sri Lanka.

1.3 Number of Employees

The total number of employees as at 30th June 2024 after the Compulsory Retirement Scheme carried out is 116.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows have been prepared in accordance with the Sri Lanka Accounting Standards (LKASs and SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of Companies Act No. 7 of 2007.

The financial statements for the year ended 30th June 2024 were authorized for issue by the Directors on 30th December 2024

2.2 Basis of Measurement

The financial statements have been prepared on historical cost basis, except when adequate disclosure is made with regard to the fair value under relevant notes. Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity. No adjustments have been made for inflationary factors affecting these Financial Statements. The financial statements, except for information on cash flows have been prepared following the accrual basis of accounting.

2.3 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statement of the company continues to be prepared on a going concern basis.

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

2.4 Functional and Presentation Currency

The financial statements of the Company are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lankan Rupee has been rounded to the nearest Rupee.

2.5 Use of Estimates and Judgments

The preparation of financial statements in conformity with SLFRSs /LKASs 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. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from those estimates and judgmental decisions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements are included in the following notes;

Note 3.2.4	- Impairment of financial assets
Note 3.6	- Impairment of financial and non – financial assets
Note 3.4	- Valuation of the property, plant and equipment and useful life
Note 3.7	- Inventory
Note 3.10 & 3.13	- Provisions and contingencies
Note 3.9	- Employee benefits
Note 3.15 (a)	- Current taxation
Note 3.15 (b)	- Deferred taxation

(i) Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data. (Unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Company.

3.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currencies as of the reporting date are translated at the foreign exchange rates prevailing on the reporting date.

Non-monetary items, which are carried in terms of historical cost or fair value denominated in foreign currency, are translated using the exchange rate at the date of transaction. The resulting gains or losses on translation are recognized in the Statement of Profit or Loss.

3.2 Financial Instruments

3.2.1 Financial Assets (non-derivative)

Recognition and Initial Measurement

The Company initially recognizes receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost is comprised of trade and other receivables, amount due from related parties, cash and cash equivalents.

On initial recognition of a debt or equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Financial assets measured at FVOCI of the Company is comprised equity investments.

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Company does not have financial assets measured at FVTPL: as at the reporting date.

Financial Assets – Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities, or expected cash outflows or realising cash flows through the sale of the assets.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial Assets – Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows
- terms that may adjust the contractual coupon rate, including variable-rate features.
- prepayment and extension feature; and
- term that limits the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial Assets – Subsequent Measurement and Gains and Losses

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

De - recognition of Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

3.2.2 Financial Liabilities (Non-derivative)

Recognition and Initial Measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading at the initial recognition. Financial liabilities at FVTPL are measured at fair value and any resulting gains or losses, including any interest expense are recognized in profit or loss.

The Company classifies financial liabilities at initial recognition as other financial liabilities. At the end of the reporting period all classifications are re-evaluated to the extent that such classification is permitted and required.

All the financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Other financial liabilities mainly consist of trade and other payables, amount due to related parties and bank overdrafts.

Subsequent Measurement

Other financial liabilities are subsequently measured at amortized cost. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method minus any reduction for impairment.

De- recognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognized in profit or loss.

3.2.3 Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.2.4 Impairment - Financial Assets (non – derivative)

Financial Instruments and Contract Assets

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost; and the Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or if the no. of days past due is 365 days.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

From 1st of April 2018, Company makes impairment provision for receivables based on the simplified approach to provide for expected credit losses (ECLs), which permits the use of the life time expected loss for all trade receivables. It has not resulted in a material change in – loss allowance compared with previous policy. The allowance is provided by considering evidence of impairment of receivables at individual asset level. All individually significant receivables are individually assessed for impairment by considering objective evidence i.e. experiencing a significant financial difficulty or default in payment by a customer.

The Company assesses at the end of each reporting period whether there is objective evidence that trade receivables is 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

Presentation of Allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off based on individual assessment.

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

With respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.3 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects

3.4 Property, Plant and Equipment

Recognition and Measurement

All items of property, plant and equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed asset includes the cost of materials and direct labor, the initial estimate, when relevant of the cost of the dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of overheads. The cost of acquisition includes purchase cost together with any incidental expenses incurred in bringing the assets to its working condition for the intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted as separate items of property, plant and equipment.

Expenditure on repairs or maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets has been recognized as an expense when incurred.

Subsequent Expenditure

Expenditure incurred to replace a component of an item of property plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the statement of profit or loss as an expense as incurred.

Depreciation

Depreciation is recognized in the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease terms and other useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease period.

The estimated useful lives for the current and comparative periods are as follows:

Description	Years
Buildings	30 years
Plant and Machinery	5 years
Motor Vehicles	4 – 5 years
Furniture and Fittings	4 – 10 years
Computers	4 years
Office Equipment	2 -10 years
Laboratory Equipment	2 – 13 years
Other Equipment	2 – 10 years
Right of Use Assets	Over the lease period

No depreciation is charged for Freehold land as it deemed to have indefinite life.

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

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 and the date that the asset is derecognized.

Capital – work – in Progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings and plant and machinery, awaiting capitalization. Capital work in progress would be transferred to the relevant asset when it is available for use.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time the assets are substantially ready for their intended use. Borrowing cost includes foreign exchange differences to the extent that such differences are regarded as in adjustment to interest cost as permitted by the accounting standards.

Revaluation

The Company applies revaluation model for all classes of property, plant & equipment. Company's policy is to value these assets in every three to five years. As a result of revaluation if the carrying amount is increased, the increased amount is credited to equity under the heading of Revaluation Reserve. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

De - recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de recognition of an item of property, plant and equipment is included in Statement of profit or loss 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. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost is derecognized. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to Retained Earnings.

3.5 Intangible Assets

a) Recognition and Measurement

Intangible assets that have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in Profit or Loss as incurred.

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

b)Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss.

The estimated useful lives of intangible assets are as follows.

Software	5 years
----------	---------

De - recognition

Intangible assets are derecognized upon disposal or when no future economic benefits are expected from its use Any gain or loss arising on derecognition of the asset, is recognized in Profit or Loss in the year the asset is derecognized.

3.6 Impairment of Non – Financial Assets

The carrying amount of all non – financial assets, other than inventories and deferred tax assets, are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The 'recoverable amount' of an assets is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, 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. The fair value less costs to sell calculation is based on available data form an active market, in an arms' length transaction of similar assets or observable market prices less incremental costs of disposing of the asset. For 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 is largely independent of the cash inflows of other assets.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in Profit or Loss. Impairment recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased 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 in respect of goodwill is not reversed. For other assets, an impairment loss reversed only to the extent that the assets' carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss recognized in prior years.

3.7 Inventories

Inventories are valued at the lower of cost and estimated net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the selling expenses.

Inventories, comprising direct and mixed fertilizers, are stated at cost minus subsidy. The cost is determined using the first-in, first-out (FIFO) method. For mixed fertilizers, the cost includes raw materials, direct labor, other direct costs, and related production overheads. Locally purchased inventories are stated at the lower of cost or net realizable value. Net realizable value is defined as the subsidized value in the ordinary course of business, less applicable selling expenses. Consumables, general Items and packing material are stated at cost or net realized whichever is lower.

3.8 Liabilities and Provisions

3.8.1 Liabilities

Liabilities classified as current liabilities on the statement of financial position are those, which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

3.8.2 Provisions

A provision is recognized in the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

3.9 Employee Benefits

a. Defined Benefit Plan – Retirement Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. As required by Sri Lanka Accounting Standard 19 - Employee Benefits, the Company has provided for gratuity liability based on the internally developed formula if actuarial valuation not carried out.

The company obligation in respect of defined benefit plan is the present value of the defined benefits obligation at the end of the reporting period. The defined benefits obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefits obligation is determined by discounting the estimated future benefit that employee have earned in return for their services in the current and prior period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The company will re-measure the define benefit obligation when the amounts recognized in the financial statements will differ materially from the amount that would be determine at the end of the reporting period. Past service costs are recognized immediately in the statement of comprehensive income.

However, according to the payment of Gratuity Act, No. 12 of 1983, the liability to an employer arises only on completion of five years of continued service.

The retirement benefits obligation is not externally funded.

Termination Benefits

Nature of the Scheme

During the year, the company implemented a Voluntary Retirement Scheme (VRS) with the approval of the Cabinet of Ministers. The scheme aims to optimize workforce efficiency and streamline operations. Eligible employees who opted for the scheme were provided with termination benefits, including severance payments and other compensations.

Accounting Policy

Termination benefits are recognized as an expense when the company is committed to the scheme and the employees accepts the offer of Voluntary Retirement. The liability is measured based on actual amounts payable under the scheme.

b. Defined Contribution Plans

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. The contributions are recognized as employee benefit expense when they are due.

Employees' provident fund

The Company and Employees' contribute 15% and 8% respectively on the salary of each employee respectively. Said provident fund is being managed by the Central Bank of Sri Lanka.

Employees' trust fund

The company contributes 3% of the salary of each employee to the Employees' Trust Fund contributions to defined contribution plans are recognized as an expense in the statement of profit or loss as incurred.

Notes to the Financial Statements Continued

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

3.10 Commitments and Contingencies

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

3.11 Events Occurring after the Reporting Date

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. Except that, to enhance operational efficiency and strategic alignment, Ceylon Fertilizer Company Limited and Colombo Commercial Fertilizer Company Limited are in the process of amalgamating as mandated by Cabinet Decisions No. 21/0118/323/005 and 22/0706/514/001, dated 01.02.2021 and 30.05.2022, respectively. This merger will lead to the formation of a new entity named State Fertilizer Company Limited. The primary goal of this strategic decision is to optimize resources, streamline operations, and improve the effectiveness of fertilizer distribution within Sri Lanka.

Management is currently assessing the financial and operational impacts of the amalgamation. It is important to note that, as of the reporting date, the financial statements do not yet reflect these developments.

3.12 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. Determining the timing of the transfer of control at a point in time or over time require judgment taking into consideration the nature of goods or services that Company offers.

Some contracts include multiple deliverables. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
Sale of goods	Customers obtain control of goods when the goods are delivered and have been accepted by customers at their premises.	Revenue is recognized when the goods are delivered/dispatched and have been accepted by customers or at their premises.

Sales are measured at the fair value of the consideration received or receivable excluding amounts collected on behalf of third parties (e.g. Sales taxes) and variable consideration (e.g. discounts and rebates). The Company estimate an amount of variable consideration by using the expected value method which is the sum of probability weighted amounts in a range of possible considerations amounts.

Gains and losses on disposal of an item of property, plant & equipment

Profit or loss is determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income" in profit and loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Gains and losses on the disposal of investments

Such gains and losses are recognized in profit and loss.

CEYLON FERTILIZER COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024

Interest Income

Interest is recognized on an accrual basis.

Other income

Other income is recognized on an accrual basis.

3.13 Expenditure

All expenditure incurred in running of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the profit for the year.

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.

The profit earned by the company before taxation as shown in the statement of profit or loss is after making provision for all known liabilities and for the depreciation of property, plant and equipment.

3.14 Finance Income and Finance Expenses

Finance income comprises in interest income and foreign currency gains during the year. Interest income recognized on effective interest rates as it accrues. Financing costs comprise interest payable on borrowings and foreign currency losses during the year. Interest expense recognized on effective interest rates as it accrues.

3.15 Income Tax Expense

Income tax expenses comprise current and deferred tax. Income tax expense is recognized directly in statement of profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

a. Current Tax

The provision for current tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act. The relevant details are disclosed in respective notes to the financial statements.

b. Deferred Tax

Deferred taxation is provided based on the liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The balance in the deferred taxation account represents, the tax applicable to the difference between the written down values of the assets for tax purposes on which tax depreciation has been claimed and the net book values of such assets & land revaluation, offset by the provision for retirement benefit which is deductible for current tax purposes only upon payment.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax assets and unused tax losses can be utilized.

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 assets to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3.16 Government Grants

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.

CEYLON FERTILIZER COMPANY LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2024**

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.

3.17 Basic Earnings per Share

The financial statements voluntarily present basic earnings per share (EPS) data 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.

3.18 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 being charged.

3.19 Statement of Cash Flows

The Statement of cash flows has been prepared using the “indirect method”.

Interest paid are classified as operating cash flows and interest received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of statement of cash flows.

3.20 Comparative Information

Previous year figures and phrases have been rearranged and reclassified wherever necessary to conform to the current year's presentation.

4. CHANGES IN ACCOUNTING POLICY

Company has adopted the following amendments to standards from 1st April 2020, but they do not have material effect on these financial statements.

- Amendments to References to Conceptual Framework in SLFRS Standards; and
- Definition of Material (Amendments to LKAS 1 “Presentation of Financial Statements” and LKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

3 Revenue

Sale of Fertilizer		
Direct Fertilizer		63,377,368
Mixture		160,865,317
Organic		64,000
		<u>224,306,685</u>

4 Cost of Sales

Finished Goods as at 01 April		2,121,725,748
Purchases	4.1	584,431,136
Direct Expenses	4.2	11,579,804
		<u>2,717,736,688</u>
Finished Goods as at 31 June		<u>(2,505,098,087)</u>
		<u>212,638,601</u>

4.1 Purchases

Fertilizer Imports	443,320,463
Local Purchase	174,425,586
Sampling Charges	199,141
Letter of Credit Charges	195,457
Bank Charges	20,342
Packing Materials	4,332,824
Subsidy Claimed	(38,052,000)
	<u>584,431,136</u>

4.2 Direct Expenses

Mixing Charges	2,358,105
Handling Charges	728,101
Labour Charges	2,462,489
Transport Charges to District Fertilizer Stores	3,069,067
Fertilizer Stock Adjustment	2,962,041
	<u>11,579,804</u>

5 Other Operating Income

Circuit Bungalow Income - Polonnaruwa	564,048
Medical Insurance Claim	238,326
Sales of Polythene and WPP Bags	7,162
Non Refundable Tender Deposit Income	527,000
Laboratory Testing Income	65,500
Other Income	724,737
Net Written Bank/Off Balances and Under over Provisions	46,595,227
Earning from Farms	52,119
	<u>48,774,119</u>

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

6 Administrative Expenses	
Directors' Remuneration	685,388
Secretary Fees	20,000
Salaries - Executive	11,601,853
Salaries - Non Executive	37,881,058
Overtime	4,279,654
Travelling and Subsistence	303,504
Employees' Provident Fund	7,792,008
Employees' Trust Fund	1,558,402
Fuel Allowance for Managers	657,426
Tea and Dust Allowance	1,212,538
Annual Bonus	-
Medical Leave Payment	4,806
Employees on Contract Basis	8,500
Training and Scholarships	2,000
Weekend and Other Allowances	224,747
Medical Expenses	-
Clothing and Medical Allowance	(1,186,397)
Medical Insurance	2,684,731
Other Allowances	791,200
Staff Transport	307,850
Annual Incentive	-
Staff Welfare	47,485
Entertainment	273,461
Electricity	2,426,054
Telephone, Fax, E-mail and Internet Charges	1,243,628
Fire Insurance	279,777
License and Insurance	60,060
Cash in Transit and Cash in Safe Insurance	6,160
Postage	85,676
Printing and Stationery	1,448,085
Periodicals and Books	(76,934)
Office Equipment Maintenance	474,918
Office Expenses	720,814
Vehicle Running Expenses	5,805,062
Vehicle Maintenance	2,543,593
Water Bill	634,163
Legal Fees	14,880
Security Charges	4,353,141
Lab/Equipment Maintenance	-
Plant, Machinery and Equipment Maintenance	442,128
Building Maintenance	2,088,702
Furniture and Fittings Maintenance	3,500
Public Notice Charges	1,063,814
Computer and Accessories Maintenance	(95,749)
Rent	35,204
Charity and Donation	-
Depreciation	24,625,384
Amortization of Intangible Assets	-
Audit Fees	1,427,000
Gratuity Payment	-
Balance C / F	118,759,273

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

Balance B / F	118,759,273
Non Audit Fees	-
Audit Related Fees	-
Consultancy Fees	1,514,475
Work Shop Tools Expenditure	22,377
Sanitary Facilities	995,538
Vehicle Hiring Charges	72,165
Other Equipment Maintenance	55,565
Provision for Retirement Benefit obligation	4,698,830
Bank Charges	112,012
Insurance Claim	-
Sports Equipment Maintenance	10,250
(Over) / Under Provision of Recurrent Expenses	-
Circuit Bungalow Expenses	22,095
Gardening and Landscaping Expenses	988,019
Natural Disaster Expenses	10,000
Laboratory Expenses	1,400
Other Expenses	3,000
Registration Fees	70,576
	127,335,575
7 Promotional Expenses	
Advertising and Publicity Notices	2,768,397
Written-off of Bad Debts	-
Sales Commission	857,305
	3,625,702
8 Net Finance Income	
Interest Income	
Interest on Fixed Deposits and REPO Investments	120,574,848
Interest from Employees Loans	326,838
	120,901,686
Interest Expenses	
Interest on Overdrafts/Loans	(4,905,540)
	(4,905,540)
	115,996,147

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	Note	
9 Income Tax Expenses		
Current Year	9.1	-
Under Provision in Previous Years		-
Deferred Tax Charge	24	-
		<u>-</u>
9.1 Reconciliation between current tax expenses/(reversal) and the accounting profit/(loss);		
Accounting Profit / (Loss) Before Taxation		(475,536,320)
Non-Business Income		(120,901,686)
Aggregate of Disallowable Expenses		29,597,676
Aggregate of Allowable Claims		(156,260,293)
Tax Adjusted Profit		<u>(723,100,623)</u>
Income from Other Sources		120,901,686
Total Statutory Income		<u>(602,198,937)</u>
Loss Claimed previous Year		-
Loss Claimed during the Year		-
Taxable Income		<u>(602,198,937)</u>
Tax Charged at Statutory Tax Rate of 24% & 30%		-
Current Tax Provision		<u>-</u>
Current Tax on Ordinary Activities for the Year		<u>-</u>
10 Basic Earnings per Share / Dividends per Share		
10.1 Basic Earnings / (Loss) Per Share (EPS)		
Net Profit Attributable to Ordinary Shareholders (Rs.)		(475,536,320)
Weighted Average Number of Ordinary Shares in Issue		50,245,608
Basic Earnings per Share		<u><u>(9.46)</u></u>
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.		
10.2 Dividends Per Share (DPS)		
Dividends Paid / Proposed		-
Number of Ordinary Shares		50,245,608
Dividend per Share		<u><u>-</u></u>

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

11 Property, Plant and Equipment

Cost	01 April 2024	Additions	Impact from Revaluation	Disposal	30 June 2024
Land	4,044,673,000	(1,988,041)	-	-	4,042,684,959
Land - Under Leasehold Right	39,600,000	-	-	-	39,600,000
Biological Assets	3,084,100	-	-	-	3,084,100
Buildings	1,475,444,750	-	-	-	1,475,444,750
Container Office	1,350,000	-	-	-	1,350,000
Plant and Machinery	13,729,813	-	-	-	13,729,813
Motor Vehicle	74,446,000	-	-	-	74,446,000
Furniture and Fittings	66,944,875	-	-	-	66,944,875
Office Equipment	23,912,493	(5,000.00)	-	-	23,907,493
Computer Equipment	34,017,819	-	-	-	34,017,819
Other	21,476,293	-	-	-	21,476,293
Total	5,798,679,142	(1,993,041)	-	-	5,796,686,101

Depreciation	01 April 2024	Charge for the Year	Impact from Revaluation	Disposal	30 June 2024
Buildings	11,048,992	12,188,290	-	-	23,237,282
Container Office	10,110	11,250	-	-	21,360
Plant and Machinery	205,694	701,226	-	-	906,920
Motor Vehicle	2,090,607	2,326,438	-	-	4,417,044
Furniture and Fittings	3,007,934	3,347,244	-	-	6,355,178
Office Equipment	1,345,925	1,532,986	-	-	2,878,911
Computer Equipment	1,987,948	2,508,362	-	-	4,496,310
Other	2,439,256	2,009,590	-	-	4,448,846
	22,136,466	24,625,384	-	-	46,761,851

Written Down Value	2024
Land	4,042,684,959
Land - Under Leasehold Right	39,600,000
Biological Assets	3,084,100
Buildings	1,452,207,468
Container Office	1,328,640
Plant and Machinery	12,822,892
Motor Vehicle	70,028,956
Furniture and Fittings	60,589,697
Office Equipment	21,028,582
Computer Equipment	29,521,509
Other	17,027,447
	5,749,924,251
Capital Work-in-Progress	11.1
	5,749,924,251

11.1 Capital Work-in-Progress	01 April 2024	Expenditure Incurred	Amount Capitalized	30 June 2024
Kataragama Bungalow	676,730	-	(676,730)	-
	676,729	-	(676,730)	-

The Board has decided to temporarily suspend the construction of bungalow in Kataragama at the board meeting held on 26 February 2016.

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

11.2 The Company's Property, Plant & Equipment were revalued on 08 January 2024 by Mr. G.H.A.P.K Fernando (Chartered Valuation Surveyor) (Sri Lanka), incorporated valuer of The Institute of Valuers of Sri Lanka, a professionally qualified and independent valuer.

11.3 Details of land and buildings owned by the company are as follows:

Ownership Status	Location	Last Revaluation Date	Land Extend	Carrying value	
Lands				0	2024
Freehold land carried at revalued amount	Main Office and Stores - Hunupitiya	08 January 2024	10A-2R-16.17P	1,696,170,000	4,044,673,000
			06A-3R-02.00P	1,298,400,000	
			03A-2R-10.71P	741,923,000	
			00A-2R-11.12P	113,900,000	
	Matale Regional Stores	08 January 2024	00A-1R-00.00P	60,000,000	-
			00A-1R-00.00P	30,000,000	-
			00A-1R-29.93P	38,461,500	-
	Kurunegala Regional Stores	08 January 2024	00A-2R-39.67P	65,818,500	-
				4,044,673,000	4,044,673,000
	Leasehold land carried at revalued amount (Note 11.4)	Dodangoda Regional Stores	08 January 2024	00A-2R-00.00P	39,600,000
Buildings					
Freehold building carried at revalued amount	Main Office and Stores - Hunupitiya	08 January 2024		1,053,574,936	469,262,181
				15,272,766	-
				21,684,389	-
Buildings in Leasehold lands carried at revalued amount (Note 11.5)	Polonnaruwa Regional Stores	08 January 2024		312,174,616	191,902,374
	Nuwareliya Building	08 January 2024		38,519,368	30,155,573
	Matara Medaviyangoda	08 January 2024		3,698,098	1,584,171
	Dodangoda Regional Stores	08 January 2024		-	4,650,485
	Trinco	Carried at Cost		-	725,216
	Anamaduwa Building	08 January 2024		19,471,585	-
				1,464,395,758	698,280,000

11.4 The land, revalued under leasehold rights and recognized, was obtained from the Divisional Secretary of Kalutara. This asset has not been depreciated, and no lease repayments are being made to the lessor. The remaining lease period is 66 years.

11.5 The land and buildings of several district fertilizer stores located in Polonnaruwa, Anamaduwa, Hingurakgoda, Akuressa, Matale, Kurunegala, Nuwara Eliya, Kegalle, Madawachchiya, Kuruvita, Dodangoda, Mathugama, Koggala, and Weeravila, which are used for operational activities, have not been recognized under property, plant, and equipment. The ownership or leasing arrangements of these assets are currently unclear. The company is in the process of formalizing contractual arrangements to transfer the legal title of these assets.

11.6 Fair value hierarchy and valuation technique and significant unobservable inputs.

Fair value hierarchy

The fair value of the property, plant and equipment was determined by external independent property valuer having appropriate recognized professional qualifications and recent experience in the location and category of the property, plant and equipment being valued.

The fair value measurement for all of properties has been categorised as Level 03 fair value based on the input to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used:

	Valuation technique	Significant unobservable inputs
Land	Market comparable approach method	Estimated open market price per perch
	Investment Method	Estimated Annual Income
Buildings	Market comparable approach method	Estimated cost per square feet

11.7 None of the property, plant or equipment have been pledged as security as at the reporting date.

11.8 The management has assessed the potential impairment indicators of property, plant and equipment as at 31 March 2024. Based on the assessment, the management does not foresee any indications of impairment as at Company the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JUNE

12 Intangible Assets

	01 April 2024	Additions (Disposals)	30 June 2024
Cost			
Computer Software	22,910,795	-	22,910,795
	22,910,795	-	22,910,795
Amortization	01 April 2024	Charge for the Year	30 June 2024
Computer Software	22,514,316	396,479	22,910,795
	22,514,316	396,479	22,910,795
Written Down Value			30 June 2024
Computer Software			0.24

13 Inventories

Direct Fertilizer	2,505,098,087
Consumables	14,761,081
Packing Material	12,068,265
	2,531,927,434
Provision for Impairment	(80,729,509)
	2,451,197,925

14 Trade and Other Receivables

Trade Receivables	14.1	293,389,823
Provision for Impairment		(142,336,500)
		151,053,323
Other Receivables	14.2	12,483,168,271
		12,634,221,594

14.1 Trade Receivables

Government Departments	93,255,539
Debtors on Liquid Fertilizers	82,986,150
Agrarian Service Centers	61,408,774
Authorized Dealers	12,847,083
Distributors	42,892,277
	293,389,823

The ageing of the trade receivables are as follows

Up to 3 Months	-
3 to 12 Months	5,987,018
More than One (1) Year	119,277,340
Over Ten (10) Years	170,366,806
	295,631,164

Trade receivables have been reviewed for impairment. Certain trade receivables have been identified as impaired, and a provision for impairment has been made in accordance with the basis outlined in note 2.11.

14.2 Other Receivables

General Treasury - Subsidies	12,459,189,607
Road Development Authority	-
Stock Losses	(Note I) 7,933,189
Deposits	3,505,711
Advance and Prepaid Expenses	2,564,191
Cash Sortage - Stock Officer	83,883
Others	9,891,690
	12,483,168,271

Note I : During the financial year 2015/16, an aggregate amount of Rs. 9,984,313.21 was identified as a stock shortage at the Pothuwil Stores. This adjustment was incorporated into the financial statements, net of recoveries. However, a subsequent internal investigation carried out by the Internal Audit Department, corresponding to stock movements in the same store, revealed evidence suggesting fraudulent transactions may have occurred prior to the financial year 2015/16.

As a result of this investigation, it was identified that an additional amount of Rs. 7,934,279 had been misappropriated, resulting in further stock shortages/losses for the company as of the date of signing these financial statements. In response, during the financial year 2017/18, the company initiated a civil case in the District Court of Gampaha to recover the total losses incurred, amounting to Rs. 14,796,235. However, subsequent recoveries have been made, and the carrying value is reported net of these recoveries.

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

16 Employees Loans and Advances

Festival Advances	355,000
Motor Cycle Loans	-
Personal Loans	14,579,690
	<u>14,934,690</u>

Personal loans are measured at fair value using the interest rate of 4.2% instructed by the Government circular under procurement guidelines para XXIV subsection 3.8 since the company is covered under establishment code, the rate at which the loans have been granted is considered as the market interest rate for employees working at government organizations.

17 Investments in Government Securities

Treasury Bills	<u>1,173,194,824</u>
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The investments in treasury bills are the investments made by the company from the additional funds and certain claims and compensation received to the company. Though, the management maintained these investments separately in the books of accounts, none of the investments are considered to be "Planned Assets" for any Retirement Benefits commitments.

The carrying amount of the investments have been measured at amortized cost in compliance with the SLFRS 9 using Effective Interest Rate (EIR).

18 Investments in Fixed Deposits

Fixed Deposits	<u>2,355,063,657</u>
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18.1 The company has entered into a Private Public Partnership agreement for purchasing of liquid fertilizer with Baylawn (Pvt) Ltd and, as per the agreement a credit facility, amounting to Rs. 112 Mn have been arranged to Baylawn (Pvt) Ltd by pledging a company's Fixed Deposit No. 00460010010802 / Rs. 240Mn. The outstanding balance of the facility as at 03rd March 2018 was 75.98 Mn.

18.2 The carrying amount of the fixed deposits have been measured at amortized cost in compliance with the LKAS 39 using Effective Interest Rate (EIR). Further, these investments are maintaining for short term liquidity requirements of the company rather being held for their maturity, therefore, these investments have been considered as "Loans and Receivables" financial assets in the financial statements.

18.3 Fixed deposits No. 17717 & 4087, total amounting to Rs. 228.80 Mn at the reporting date have been pledged against the Overdraft Facility of Rs. 206 Mn.

18.4 Fixed deposits No.75984713,76767521,76767537,76767440,81281476,17717and 40807, total amounting to Rs. 1104.1 Mn as at the reporting date have been pledged against the LC Bond Facility

19 Cash and Cash Equivalents

Favorable Balances	
Cash in Hand	398,821
Current Accounts	175,178,429
Saving / Call Deposits (Ref: Note 18.4)	208,494,732
	<u>384,071,981</u>
Unfavorable Balances	
Bank Balance Overdraft	-
	<u>-</u>

20 Stated Capital

Number of Ordinary Shares Issued and Fully Paid	50,245,608
Ordinary Share Capital Issued and Fully Paid	<u>502,456,080</u>

21 Revaluation Reserve

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.

22 Retirement Benefits Obligation

	Note	
Balance as at 01 April		137,411,982
Expenses Recognized in Profit or Loss	22.1	4,698,830
Payments Made During the Year		(132,449,505)
Actuarial Gain/Loss on obligation		28,134,439
Balance as at 31 March		<u>37,795,746</u>
22.1 Expense Recognized in Comprehensive Income		
Current Service Cost		4,251,344
Interest Charge for the Year		14,376,378
		<u>18,627,722</u>

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

22.2 Retirement Benefits Obligation Contd...

These assumptions developed by independent actuarial consultant are based on the management's best estimates of variables used to measure the retirement benefits obligation.

The principal assumptions used are as follows.

Discount Rate [%]	12.0	10.5
Future Salary Increases [Rs.] - Executive	10.0	1,150
Future Salary Increases [Rs.] - Other	10.0	240
Staff Turnover Factor [%]	0 - 5	1 - 2
Retirement Age [Yrs]	60	60

Actuarial Gain / Loss does not arise as the company has not done an actuarial valuation of the gratuity liabilities for the previous year.

In addition to the above, demographic assumptions such as mortality, withdrawal and disability are considered for the actuarial valuation. The 2007 mortality table issued by the London Institute of Actuaries (A 1967/70 mortality table) has also been used in the

The sensitivity of the present value of retirement benefits obligation (gratuity provision at the reporting date) to changes in the weighted principle assumptions by 1% are:

The Principle Assumptions	Sensitivity [%]		Gratuity Liability Change	
	Increase in 1%	Decrease 1%	Increase in 1%	Decrease 1%
Salary Escalation Rate [%]	283.68	245.11	107,217,105	92,641,820
Discount Rate [%]	243.67	285.49	92,096,272	107,903,801

23 Government Grants**30 June 2024**

Balance as at 01 April	7,200,000
Capital Grant Received	-
Amortization of Government Grants	-
Balance as at 30 June	7,200,000

The company have decided to amortize the grant received on lab equipment within 5 years.

24 Deferred Taxation**30 June 2024**

Balance as at 01 April	366,005,926
(Originated) / Reverse for the Year Recognised in Profit or Loss	-
Deferred Tax Expenses Recognised in OCI for Revaluation Surplus	-
Balance as at 31 June	366,005,926

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

From Accelerating Depreciation and Amortization of Intangible Assets	63,408,543
From Revaluation Surpluses	402,957,965
	466,366,508

Deferred Tax Assets

From Retirement Benefits Obligation	(2,898,392)
From Retirement Benefit Plan (for Actuarial Gain / (Loss))	(8,440,332)
Deferred Tax Assets Arising accounting provisions	(66,919,803)
	(78,258,526)
	388,107,981

The deferred tax liability on revaluation gain for non-depreciable assets (land used for administrative purposes) should represent the current obligation to pay taxes in the future when the asset is sold. However, since there is no present obligation to sell the land, there is no current obligation to pay taxes. Therefore, no deferred tax liability is recognized for the revalued lands.

25 Trade and Other Payables**30 June 2024**

Trade Payables	1,671,612
Other Payables	1,306,777,052
Payable to Organic Supplier (Government Funded)	35,734,172
	1,344,182,836

25.1 Other Payables

Sundry Creditors	31,572,179
Retention Money	1,322,946
General Treasury	1,366,346,909
VAT/PAYE/Stamp Duty	(92,467,695)
Others	(275)
Payable to SLPA	2,987
	1,306,777,052

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

26	Interest Bearing Borrowings Short Term	
	<i>People's Bank</i>	
	Balance as at 01 April	15,754,613,005
	Obtained During the Year	-
	Paid During the Year	(1,973,033,939)
	Balance as at 31 June	13,781,579,066
	Non-current Portion	9,343,928,342
	Current Portion	4,437,650,724
		13,781,579,066
27	Deposits and Advances Received	
	Refundable Performance Bond	-
	Staff Security Deposits	3,894,732
	Refundable Deposits	3,085,230
	Receipt in Advance	7,663,675
	Deferred Interest Income	-
	Sundry Salary Deduction	0
	Excess on Sales	753,430
	Subsidy Payable TSH	61,026,000
		76,423,067
28	Income Tax Payables	
	Balance as at 01 April	44,532,768
	Provision for the Current Year	-
	Self Assessment Payments Made During the Year	(26,078,368)
	Withholding Tax (WHT) and notional tax Recoverable	(2,956,896)
	Balance as at 31 June	15,497,503
29	Accrued Expenses and Provisions	
	Accrued Expenses	268,517,760
		268,517,760
30	Capital and Other Commitments	
	No capital commitments were engaged during the year and outstanding as of the reporting date.	
31	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. Except that,	
	To enhance operational efficiency and strategic alignment, Ceylon Fertiliser Company Limited and Colombo Commercial Fertiliser Company Limited are in the process of amalgamating as mandated by Cabinet Decisions No. 21/0118/323/005 and 22/0706/514/001, dated 01.02.2021 and 30.05.2022, respectively. This merger will lead to the formation of a new entity named State Fertiliser Company Limited. The primary goal of this strategic decision is to optimize resources, streamline operations, and improve the effectiveness of fertiliser distribution within Sri Lanka.	
	Management is currently assessing the financial and operational impacts of the amalgamation. It is important to note that, as of the reporting date, the financial statements do not yet reflect these developments.	
32	Contingent liabilities	
	The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. Unless recognized as a provision (Note 28), management considers these claims to be unjustified and possibility of an outflow of resources for their settlement is remote. This evaluation is consistent with legal advices of the company's legal division. Accordingly, no provision has been made for such legal claims.	
	However, a court case is pending as at the reporting date filed against the company by D.S.S Construction in relation to the construction bill outstanding net of tenders deposit recovered amounting to Rs. 7,243,400/- for the Road Construction carried out in the Head Office premise. Since, the legal proceeding is in the preliminary stage provision for legal claims or the losses could not be ascertained and no adjustments relating to the transactions have been recognized in the financial statements.	

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

33 Financial Instruments and Risk Management

The accounting classification of each category of financial instruments and their carrying amounts reported in the statement of financial position are stated below.

The Carrying Values of Financial Assets and Liabilities.	
The carrying amount of the financial assets and liabilities reported in the statement of financial position are as follows,	
FINANCIAL ASSETS	
Financial Assets at Amortized Costs	1,173,194,824
Treasury Bills	
Investments are stated at amortized cost using the effective interest method	
Trade and Other Receivables	12,776,558,094
Employees Loans and Advances	14,934,690
Investments in Government Securities	1,173,194,824
Investments in Fixed Deposits	2,355,063,657
Cash and Cash Equivalents	384,071,981
	16,703,823,247
Financial assets at amortized cost are stated at amortized cost using the effective interest method	
TOTAL FINANCIAL ASSETS	17,877,018,071
FINANCIAL LIABILITIES	
Financial Liabilities measured at Amortized Costs	13,781,579,066
Interest Bearing Borrowings	
Trade and Other Payables	1,344,182,836
Deposits and Advances Received	76,423,067
Bank Overdrafts	-
Total Financial Liabilities	15,202,184,969
The financial liabilities are stated at amortized cost using the effective interest method.	

Risk Management**A. Financial Risk Factors**

The company has exposure to the following risks from its use of financial instruments.

- 01 Credit Risk
- 02 Liquidity Risk
- 03 Market Risk (Currency Risk and Interest Rate Risk)

The financial instruments of the company comprise of investments in term deposits and government securities, bank deposits, and short-term bank borrowings. The company also has trade receivables and payables and subsidy receivables arising from its core business activities. The main purpose of investment in short- term deposits and short-term borrowings are to raise and maintain liquidity for the operations.

- 01 Credit Risk**
Credit risk is the risk of financial loss to the company if counterparty fails to meet its contractual obligations. Credit risk arises principally from deposits held with banks and financial institutions, cash and cash equivalents (excluding cash in hand), receivables from customers and subsidy receivables from the Treasury.

The maximum risk exposures of financial assets that are subject to credit risk are equal to their carrying amounts.

Following table depicts the maximum risk exposure of financial assets reported at the reporting date.

Risk Exposure to Financial	
Cash and Cash Equivalents	383,673,161
Investments in Government Securities	1,173,194,824
Investments in Government Securities	2,355,063,657
Trade and Other Receivables	12,634,221,594

CEYLON FERTILIZER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

B. Financial Risk Factors Contd...**Trade and Other Receivables**

The company trades mainly with agrarian service centers, government institutions and authorized dealers. The management assesses the credit quality of authorized dealers based on the past experience and other factors such as financial guarantees from them. In addition, outstanding balances are monitored on an ongoing basis by the management and the Board.

The age analysis of the company's trade receivables is given in Note 14.

The company establishes policy for provision for impairment (Refer note 2.7 to the financial statements) that represents the estimate of incurred losses in respect of trade receivables. According to the impairment policy established, customers are reviewed individually to measure the impairment loss. Please refer note 15 to the financial statements relating to trade receivables and details of provision for impairment losses.

Subsidy Receivables

The receivables represent fertilizer subsidies to be received from the Treasury to compensate for import costs already incurred. The subsidy receivable is expected to recover within a period of 180-270 days. The company's exposure to credit risk arises from default in meeting contractual obligation of the Treasury, with a maximum exposure equal to the carrying amount of the receivables.

Other Financial Assets

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

02 Liquidity Risk

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

Company monitor financial assets and liabilities and prepares variance report quarterly by comparing with the annual budget. The management monitors the daily bank balances and liquidity requirements to ensure that the company has sufficient cash to meet operational needs.

The following table depicts the company's financial assets and liabilities maturity analysis as at 31 March 2024 based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial Assets and Liabilities	Carrying Amount	6 Month or Less	6 - 12 Months	More than 1 Years
Financial Assets				
Investments in Government Securities	1,173,194,824	-	1,173,194,824	-
Investments in Government	2,355,063,657	2,024,518,727	330,544,930	-
Cash and Cash Equivalents	384,071,981	384,071,981	-	-
Trade and Other Receivables	12,634,221,594	12,634,221,594	-	-
Employees Loans and Advances	14,934,690	14,934,690	-	-
Total Undiscounted Financial Assets	16,561,486,747	15,057,746,993	1,503,739,754	-
Financial Liabilities				
Interest Bearing Borrowings	13,781,579,066	-	4,437,650,724	9,343,928,342
Trade and Other Payables	1,344,182,836	5,636,893,295	3,906,516.96	-
Deposits and Advances Received	76,423,067	76,423,067	-	-
Bank Overdrafts	-	-	-	-
Total Undiscounted Financial Liabilities	15,202,184,969	5,713,316,362	4,441,557,241	9,343,928,342
Net Undiscounted Financial Assets / (Liabilities)	1,359,301,778	9,344,430,631	(2,937,817,487)	(9,343,928,342)

03 Market Risk (Currency Risk and Interest Rate Risk)

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates which will affect the company's income or the carrying value of holdings of financial instruments.

Currency Risk

The company's exposure to currency risk arising from fluctuations in the value of US Dollar (USD) against the Sri Lankan Rupee after Central Bank of Sri Lanka allowed the Sri Lanka Rupees to freely float against USD during the reporting period. The company's functional currency in respect of imports fertilizers is USD however settlements of imports are made through rupee accounts. revenue is USD in which most of the transactions are denominated. Certain bank balances are denominated in USD.

Interest Rate Risk

The company's exposure to interest risk is the changes in market interest rates relate to the interest bearing borrowings with a fixed interest rate Rs 78,487,061/- of the company's interest bearing loans and borrowings carried interest at fixed rates. The company has bank balances including term deposits placed with state banks. The company monitors interest rate risk by actively monitoring interest rate movements. However, interest are paid by Government's treasury.

Figures in brackets indicate deductions

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

34 Related Party Disclosures

The Company's related parties includes Government of Sri Lanka, State-Owned Enterprises, Other 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 and the General Manager have been classified as Key Management Personnel.

Transactions with Key Management Personnel are given below.

Remuneration and Other Short - Term Employee Benefits	2,325,374
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Related Party Transactions

Details of significant related party transactions that company carries out are as follows:

Name of the Related Party	Nature of Transactions	Transaction Value (Rs.)	Balance (Due to)/Due from
Government of Sri Lanka	Capital Grants		
	Subsidies Received out of the claims made amounts to	38,052,000	
	Sales of Goods	64,000	
	Recoveries of Trade Receivables	5,088,400	
State-Owned Enterprises	Short-term Loans borrowed	-	
	Settlements of Loans	(1,973,033,939)	
	Investments In Treasury Bills and Repo's		
	Proceeds from Maturity of Investment		
	Interest Received	120,574,848.30	
	Investments In Fixed Deposits		
	Investment during the year		
	Interest Received	-	
	Call Deposits and Saving Deposits	194,759,402.19	
	Current Accounts	384,071,981.49	
Other Government Related Entities	Current Accounts - Overdraft	-	
	Recoveries of Trade Receivables	68,805,790.00	

35 Termination Benefits**Nature of the Scheme**

During the year, the company implemented a Voluntary Retirement Scheme (VRS) with the approval of the Cabinet of Ministers. The scheme aims to optimize workforce efficiency and streamline operations. Eligible employees who opted for the scheme were provided with termination benefits, including severance payments and other compensations.

Accounting Policy

Termination benefits are recognized as an expense when the company is committed to the scheme and the employees accept the offer of voluntary retirement. The liability is measured based on the actual amounts payable under the scheme.

Financial Impact

The total cost of termination benefits recognized in the financial statements is as follows:

Description	Amount (in LKR)
Total expense recognized	521,013,394
Grauity Payments	132,449,505

Cabinet Approval

The scheme was implemented in accordance with the approval granted by the Cabinet of Ministers and complies with all relevant regulatory and statutory requirements.

Future Obligations

As of the reporting date, no further liabilities are anticipated under the scheme, as the implementation process has been completed.