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கடற்றொழில் அமைச்சு

Ministry of Fisheries

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வருடாந்த அறிக்கை

ANNUAL REPORT

2017

ලංකා ධීවර සංස්ථාව

Ceylon Fisheries Corporation

இலங்கை கடற்றொழில் கூட்டுத்தாபனம்

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Legal Status and Establishment of Ceylon Fisheries Corporation

- The Ceylon Fisheries Corporation was established in 1964 under the State Industrial Corporation Act. No. 49 of 1957 and commenced its commercial operations in 1965. At the commencement the objectives of the corporation covered the entire fisheries sectors. The objectives of the Corporation were given in the Ceylon Government Extraordinary Gazette, No. 14186 of 1st October 1964 are mentioned below.

I. The Corporation should directly or through authorized agents engage in fish production using trawlers in deep sea fishing operations.

II. The Corporation should directly or through authorized agents engage in fish processing (canning, drying & processing) and in the production of fish by products.

III. The Corporation should directly or through authorized engage in fish distribution and sale of fish on wholesale and retail basis.

IV. The construction and maintenance of fishery harbours, anchorages inclusive of cold storage rooms.

V. Import and Export of fish and fishery products.

VI. Import and sale of fishing gear and necessary equipment to the fisheries industry.

VII. The Corporation should act for and on behalf of the department of fisheries or any other Government Department for the purpose of development of the fishing industry.

VIII. The construction of boats and small ships for the fisheries industry.

IX. To provide facilities for the repair and maintenance of fishing boats.

X. Manufacture and sale of fisheries equipment.

- ❖ It should be noted that some of these functions have now been withdrawn. But, under the Extraordinary Gazette Notification No. 1712/21 dated 30-06-2011, objective item wxl (v) of the above mentioned gazette was amended and substitutes the following items.

I. Engaging in fishing operation within the Exclusive Economic Zone and beyond in accordance with accepted rules of international law.

II. The processing of fish.

III. Marketing of fish at foreign and local markets

IV. Wherein appears to be so requires, to carry out such activities as are necessary for the import and export of fish and fish products.

V. To enter into joint Venture agreements with local and foreign investors for the carrying out of any of the above activities.

VI. To represent local and foreign producers and distributors.

- ❖ In addition to the above revised objectives, at present 04 primary Business activities of the Ceylon Fisheries Corporation are being carried out actively.

1. Fish trade through Corporate outlets.
2. Sale of Packeted Frozen fish.
3. Expension of Busines facilities Island wide and Increse the sale of fish.
4. Provide ice supply and Cold Room stoeage facilities.

VISION

To be the Leading Commercial Organization, Guiding and promoting fish production and trade for the benefit of the Consumer and the Producer.

MISSION

I. **To be an effective organization to contribute more to the Gross National Product.**

II. **To be the most significant organization responsible for marketing of fisheries production, processing and marketing.**

III. **To (harness) strengthen the economic activity of fishermen and to obtain greater (achievement) development of its production capacity.**

IV. **Would engage in production and marketing, quality fish and value added products at a reasonable price, using modern technology.**

V. **Work to contribute more to the consumer's protein needs.**

❖ Corporate Information

➢ Name of the Corporation	:	Ceylon Fisheries Corporation
➢ Legal Form	:	Public Corporation
➢ Date of Incorporated	:	1st October 1964 (State Industrial Corporation Act No. 49 of 1957)

❖ Directors

➢ Mr.B.K. Jagath Kumara Perera	-	Chairman
➢ Mr. P.A. Sirinimal Perera	-	Managine Director
➢ Mr. H.G. Sumanasinghe	-	Director Treasury Representative
➢ Mr. G. Ashoka Wijerathna	-	Director
➢ Mr.N.P.K. Ranaweera	-	Director
➢ Mr.Sunil Edirisooriya	-	Director

❖ **Seniar Management**

- Mr. Nilan Crishantha Mirenda - General Manager
- Mr. Dahamkith Pussella - Deputy General Manager – Finance
- Mr. Duminda Ruwan Munasinghe - Deputy General Manager – Marketing
- Mr. U. Janaka Palinda Senarathna - Deputy General Manager (Human Resource & Admin)
- Mr. D.C. Karunathilaka - Internal Audit Officer
- Mrs. K.V.H. Bandaranayaka - Legal Officer / Board secretary

- Registered Office - No. 15 Rock House Lane, Mutwal, Colombo -15
- Auditors - Auditor General
- Bankers - Bank of Ceylon
  People's Bank

Letter Submitted to the Hon. Minister of Fisheries

Rock House Lane,
Mutwal,
Colombo -15.
08th August 2023

Mr. Daglas Dewananda
Hon Minister of Fisheries,
Ministry of Fisheries,
Maligawatte,
Colombo – 10.

Hon Minister,

In terms of the Section 14(2) (c) of the Finance Act. No. 38 of 1971 and Section 30 (1) of the State Trading & Industrial Corporation Act. No. 49 of 1957. I submit the Annual Report of the Ceylon Fisheries Corporation for the year ended as at 31st December 2017.

1. *Report of the Board of Directors*

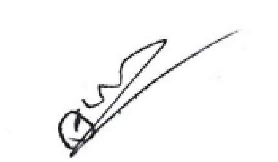
2. *Statement of Financial Position & Cash Flow Statement as at 31st December 2017.*

3. *Comprehensive Income Statement for the year ended 31st December 2017.*
   .
4. *Auditor General's Report for the year ended 31st December 2017.*

5. *Reply to the Auditor General's Report by the CFC.*

It is kindly requested that this report to be submitted to the Cabinet.

Yours Faithfully,



D.V.Upul
Chairman
Ceylon Fisheries Corporation

Chairman's Review

As a government owned public sector entity which entered in to the Sri Lankan fish market, Ceylon Fisheries Corporation (CFC) has a responsibility to enhance the economic status of Fishermen and ensure the availability of fish to consumers at reasonable prices. This aims to guarantee fish are within the purchasing power of all groups of customers and thereby it is expected to bring down cost of living and provision of nutritious, quality fish to fulfill the protein needs of the nation..

As a government owned public sector entity, there is a huge potential to be success in long run and this is the ideal time to come up with new and expansion projects as the fisheries industry moving towards its highest capacities. Since the fisheries sector is becoming more challenging at the open market, CFC is contributing its fullest strength to face the situation by adopting Attractive Pricing strategies, Product Differentiation, Market Diversification, Promotional Campaigns, to compete in this highly competitive market.

1. ***Purchase and Sale of Fish***

Direct fish purchasing from the fishermen ensures the paying best price for their harvest. To provide effective customer service CFC trade their products at best quality and low price. In the same time the processes finally enhance the organizations viability. CFC has negotiated with many Fishermen and fishing committees at fishing villages such as Trincomalee, Pesalai, Jaffna, for buy their fish harvest in order to strengthen livelihood of fishermen. In the same time opening up of new purchasing centers also support to enhance the purchasing ability of CFC. The Corporation purchased MT 3445 of of fish during the year.

The Corporation has sold 3907 mt of fish through its sales network, mobile service network, supply of fish to Govt. Hospitals and Other govt. Institutions.

2. ***Production and Sale of Ice***

Production and sale of Ice is another income generation of CFC where the Ice Plants operated Anuradhapura,Galle, and Hambantota & Mirissa . The annual sales quantity sum up to 9843 Mt and has taken special attention to upgrade the Ice plant production and sale island wide.

3. ***Canned Fish sales***

The Ceylon Fisheries Corporation has given the Galle Ice plant Premises on long term rent basis to Happy Cook Lanka Pvt Ltd for a fish canning factory.

Services

4. **Cold Storage and Processing Facilities**

The Cold Room Complex at Mutwal, a key component of the CFC Marketing chain, which provides storage, blast freezing and processing area facilities to outside and regional offices of the Corporation. It was able to practice proper stock holding system to provide better service to all the consumers.

5. **Circuit Bungalows**

An attractive experience is given to clients by CFC circuit Bungalows situated in Kalametiya, Minneriya and Nuwara – Eliya where a good demand generated among the people.

6. ***Profit and Loss***

The CFC had incurred a profit amounting to Rs 2.21 Mn for the year 2017 compared with the corresponding net profit of Rs 247.81 Mn. for the preceding year.

D.V.Upul
Chairman
Ceylon Fisheries Corporation

Report of the Board of Directors

- ❖ The Board of Directors of the Ceylon Fisheries Corporation takes pleasure in submitting the annual report for the year ended 31.12.2017 together with the audited financial statements for this period.

- ❖ The Ceylon Fisheries Corporation was established in 1964 under the state Industrial Corporations Act No 49 of 1957.

- ❖ The CFC is coming under purview of the Ministry of Fisheries and Aquatic Resources Development.

The activities carried out by the Corporation during the year 2017 could be summarized as follows.

- Local Purchase and import of fish.
- Sale of fish on wholesale and retail basis
- Production and Sale of Ice.
- Providing Cold Storage facilities.

Review of the Business Activities

- ❖ An assessment of the corporation and its affairs is contained under the Chairman's review whichis an integral part of the report of Board of Directors.

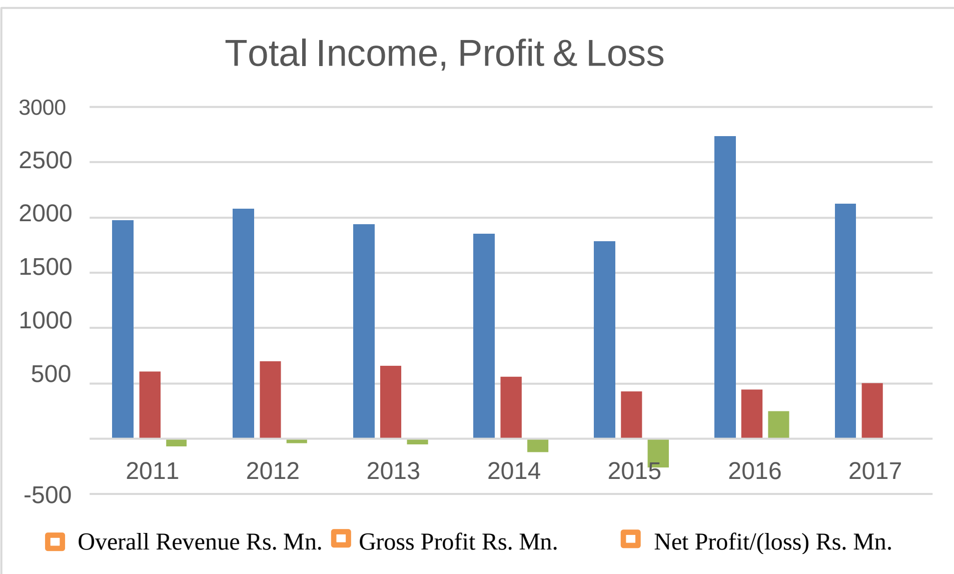
Financial Structure.

- ❖ In the last few years, the total income of the Corporation was worth more than two billion rupees. But compared to the year 2016, in the year 2017, this income was Rs. 608.3 Million and other non-operational income is a decrease from 665.8 million. This was due to the inactivity of the cold storage complex and processing unit at the head office and the shortage of fish in the year review.

- ❖ Considering the total net profit the year 2013,2014,2015,2016 and 2017 show a net profit of 54.45,119.19,259.9, 247 billion rupees respectively and the year under review (2017) shows a net profit of 2.2 million.

Total Income, Profit & Loss Details

	Total Income	Gross Profit Rs. Mn	Net Profit/loss
2011	1977	605.17	-68.97
2012	2079	701.19	-41.76
2013	1940	657.36	-54.45
2014	1855	563.26	-119.18
2015	1783	428.97	-259.90
2016	2736	445.13	247.80
2017	2127	503.16	2



- **Staff Strength**

Executive	-	42
Clerical , Tech Allied grade staff	-	211
Technical Officers	-	138
Junior Staff	-	321
		712

Disciplinary Action

Number of reinstatements	-	04
Suspensions	-	06

Recurited for Executie Positions

Deputy General Manager (HR & Administration)	-	01
Deputy General Manager (Marketing)	-	01
Mechanical Engineer	-	01
Technical Officer	-	01

Resignations in Executive position

No

Directors Interest in Contracts

Directors have been interest in any contracts with CFC activities.

Acknowledgement

The Board of directors of the corporation expresses thanks to the Hon. Minister of Fisheries and Aquatic Resources Development for all the valuable advice, support and guidance given towards development and success of the Corporation. The Board of Directors sincerely appreciates the valuable contributions made by the Secretary and the officials of the Ministry of Fisheries and Aquatic Resources. We thank secretary to the Treasury and all officials of the Ministry of Finance and the General Treasury for cooperation extended to us during the year.

Our dearest asset is our employees, we thank all employees of the Corporation for their service and cooperation during the year.

The Board of Director also thanks our valued customers, state institutions, and special thanks for official of Bank of Ceylon People’s Bank for their continued support and the confidence they placed on us.

CFC/FD/AUD/2017
2023.07.24

Auditor General
Nationl Audit ffice
National Aquaculture Development Authority of Sri Lanka,
No. 41/1, New Parlimant Road,
Pelawatta,
Baththaramulla.

Dear Sir,

<u>Report of The Auditor General on the Financial Statement of Ceylon Fisheries Corporation for the year ended 31st December 2017 in term of section 14(2) (c) of the finance At no. 38 of 1971.</u>

Reference to you letter no FLS/A/CFC/1/FA/2021/11 and dated on 20.07.2022.We enclosed here with and forwarded to our explanations and observations on the above draft audit report.

Thank you
Your Faith Fully

Signed by
Chairman Ceylon Fisheries Corporation

2.2.1 Sri Lanka Accounting Standards

(i) In the year2014,the corporation had made assets revaluation.The accounts have been placed on this method since the year, since the same year,the account have been placed in this technique.steps have been taken to conduct matters relevant to 2019 accounts.

(ii) Have been exposed.It has been revealed in notes no.22 and Accounting Policies.

2.2.2 Accounting Policies.

(i) As it was difficult to explain the accounting error, as the next year,the relevant adjustments will be added to further matches.

(ii) Agree arraignments have been made to perform adjustments for future financial statements.

2.2.3 Accounting Deficiencies

(i) Due to the 2017 years of 2017, action will be taken to address the 2019 certificates to the 2019 accounts if accountant is available in the year 2017.

(ii) It is accepting that the value of the vehicle should be removed from the financial statement of rs.600,000.00 is to agree on the financial statement than rs.360,000.00 is to agree on the financial statement that have been made in the preparation of financial statement in 2019.

(iii) The **KA-7699** jeep of the Food and Agriculture Organization has been owned by the Food and Agriculture Organization, which is given to the Ceylon Fisheries Corporation. Accordingly motor vehicles depreciation is Rs.1100,000.00 match meats cannot be performed in financial statements.So the profit of the year is not more than that amount.

(iv) Many stalls, acquired on leasehold basis and incurs considerable expenditure to develop it as an outlet. Accordingly, adjusting the total expenditure amount to the profit of the same year will affect the operational activities of the executive, so the initial expenditure has been adjusted to the profit in a few year.

(v) Adjustments have been made in this manner in the final accounts submitted for audit in previous year but no audit query has been submitted for this till now. And will make the necessary corrections in the accounts for the year 2019.

(vi) Disagree A review of the value of four fork lifts valued as Rs 3,725,000.00 during the audit in the year 2014 has been shown under fixed assets in the financial statements.

(vii) During the year under review there is a difference of Rs.845,319.00 between executives for purchase and sale of fish but no such difference is shown in our financial statements. According to the financial statement the sale value between the regions is Rs 703,596.342.00 (fish and dried fish) The actual purchase value is Rs 703,264342.00. The balance between these purchases and sales of Rs 332,315.00 is purchase value of dried fish among the region.
Accordingly no distinction is made between region sales and purchases.

(viii) Tn calculating the cash flow statement, non-financial payment that are not related to the relevant year should be matched with the financial profit of the relevant year. Accordingly Rs. 175,550,923.00 is an adjustment applicable to previous years. Through this the amount generated on operational activities is Rs.315,101,846.00 has not been indicated less than.

(ix) Appropriate, adjustment in this regard will be made correctly in future financial statements

(x) In 2017, the purchase of real estate equipment is Rs 18,226,001.00. In the statement of cash flow, shown as property, plant and equipment under investing activities, Rs. 16,483,815.00 is calculated based on the purchase value of the year, the assets disposal value of the year, the asset disposal value of the year, the asset disposal value of the year is Rs. 4,800,000.00 and the profit from asset disposal is Rs. 3,057,850.00 by adjustment and again adjusted to profit ou sale of asset under investing activities.

(xi) 2017 lease premium payment schedule Rs.2,998,008.00 is shown as payment in the year under review. This also includes the interest amount for the lease loan related to the year.285,099 stated in the audit query is the interest amount which is adjusted to the profit as an adjustment in the cash flow statement

(xii) The income from sale of vehicles and scrap vehicles in the year under review is Rs.5930,777 ane Rs. 3,057,850.00 shown under investing activities in the cash flow statement is the net profit from the sale of vehicles and scraps.

(xiii) In the year under review, methodical deprecation has been calculated based on the life of the identifiable asset related to the capital items. As it was observed that there are changes in the balances and schedule balances for the asset related to the capital asset received by the institution in the previous years, as if the depreciation calculations were done and the account entries were adjusted, a document was prepared on the manner of the changes in 2017 and so on.Adjustments have been made for the resulting difference balances to be apportioned over five years from 2017 onwards. The audit queries have indicated that the said Rs.28,553,054.00 have been accounted for less than the amortization income and it information is given on how the balance has been prepared, facts can be presented about it.

(xiv) Agreed. And have taken the necessary instructions to make the relevant adjustments in the financial statements of the year 2019.

(xv) Board of directors meeting resolution No. 1020. to pay all arrears of salaries retired employees on volunteer executives from the treasury fund for volunteer compensation in the year 2016 after payment to officers retired under volunteer compensation scheme of the year under review was done.Accordingly in the year 2017, the state's main income has been increased to Rs 20,582,127.00 . It has been stated that the main revenue of the state has not been overestimated at Rs.11,511,870.00

(xvi) According to the current account reconciliation statement between the regions a difference of 21,557,771.00 Rs was observed on 31.12.2017, but according to the financial statement it was recorded as Rs.21,547,770.00. The difference between these region current accounts has been corrected in the final accounts for the year 2018.Further more I inform that the change between these current accounts has been included in the unsuspected account balance of Rs. 34,886,249.00. Also these current account balances are shown separately in the financial statements.

(xvii) It is not possible to make these payment due to the company's financial condition not being in a good condition and these payments will be made as soon as the financial condition is in good condition.

2.2.4 Accounts Receivable and Payable.

(i) Audit Queries are being referred for legal proceedings for recovery of old debtor balances of ten to five years and more than three years. Also the balance of Rs. 939,938.00 which was stated as other loan under public supply sector has not been identified and it is the amount that has been received for the replacement supplies to the hospitals.

(ii) The management has taken steps to take legal action for the excess of the value shown as the credit balance exceeding five years in the credit balance of 63,382,714 in other receivables as per the financial statement as on 31.12.1017. below are some of the organizations that have taken legal action.

Colombo Marine debtors	-RS. 3,800,000
R & R Export	-RS. 2,125,000
Batticaloa Ice Plant debtors	-Rs. 5,958,840

(iii) Disagree To the audit query review the value of Rs. 12,338,059.00 stated as employee guarantee deposit in the value shown in the financial statements as more that five years has been prepared as monthly financial of the employees who are engaged in the duties related the financial and banking affairs of the corporation.It is the sum of the value deducted from the salary and deposited in a savings account under their name.Also stated as stall deposit are the values deposited by the confrontational to external parties for the outlets acquired on rent basis and as these balances will not recovered until all these are closed and completed since these balances will continue to be carried forward, the parties who are not those balances it is difficult to recover.

(iv) Agreed and the necessary adjustments have been made in the coming years.

(v) Due to the financial crisis in the company due to the delay in payment to the creditors, a long-term dept balance is formed, It is hoped that the necessary payments will be made when the financial situation improves in the future.

(vi) Tn the financial statement of the year under review the primary reason for the higher value being value Reflected as various creditor balance is the severe financial crisis of the institution, due to which the relevant payments could not be paid to the external parties on the due date the balance of the accounts showed that same payments are currently being paid in installments. And the constitution has expected to make the remaining balances as soon as possible when the original conditions are good.

(vii) Agreed and hope to make this payment as soon as possible when the current condition is good.

2.2.5. Absence of written evidence for audit.

Ceylon Fisheries corporation's ledgers have been updated for many years through a main journal.Journal entries for all items recorded in the ledger are to that main journal.It has been stated that the audit may produce the necessary documents for checking its correctness whenever required. It has been mentioned that from the year 2020,journal vouchers will be drawn as indicated by us,and the audit queries have not been submitted for the compensation account of Rs. 143,403,352.00. It has been stated that, but since this account has been shown in the final accounting reports prepared by the corporation even be fore year 1995, the documents requested by you in this regard are failed to be submitted.

(i) Due to the old balances existing for a long time, there is a difficulty in obtaining the relevant details, So there is a difficulty in presenting information about this.

2.2.6 Non-Compliance with rules and regulations and management decisions

(i) The bank reconciliations statement dated 31.12.2017 admits that these checks are due to omission And it is stated that the correction has been made through the April 2018 cash book.

(ii) The relevant answers in this regard are given in these audit queries in no.3 management inefficiencies.

(iii) In the financial statement presented in previous years including the year 2017, the nation building Tax calculated on sales in this way has been presented as an expense so for no audit queries has been submitted for that section 3(1) of the Nation Building Tax Act. No.9 of 2009 does not specify that this Nation Building Tax should be levied on consumers.

(iv) Overdraft facilities up to 99 million rupees have been obtained for working capital need in the year under review two main overdraft facility are account no 1846 and 1257. The overdraft facility has been given for several years and the approval of the board of directors has been obtained to use it for the necessary financial purposes. It has been staled that on overdraft facility is temporarily obtained on the basis of trust built up.

(v) Due to the financial crisis in the Ceylon Fisheries corporation,it was nos possible to pay the service gratuity within 30 days to retirement and according to the labour act, if the payment is not made within the relevant period, a surcharge must be paid to the employee concerned. It was possible to resolve the financial crisis during the relevant period and in 2018, the payment was made through the financial all cations received by the treasury.

(vi) Due to the financial difficulties of the corporation, it was not possible to remit the value added tax to the inland revenue department on the due date and arrangement will be made to do this as soon as the financial situation improves.

3) Management Inefficiencies.

(i) Necessary activates are being done for this.

(ii) For the period from 2006 to may 2016, the arrears of cost of living expenses allowance of Rs.176,216,101.00 have to be paid as a surcharge as per the decision of the case imposed by the labour tribunal monthly in installments of Rs. 500,000.00 are made. As on 25.04.2022, the above amount of Rs.8,000,000.00 has been paid on the respective trial dates.

(iii) Rs.15,420,275 as arrears of living expenses allowance to employees Trust Fund from 2006 to may 2016 and Rs.7,710,137.00 as surcharge is payable and it has been decided to make the payments as soon as the financial allocation is made.

(iv) Form June 2017 to February 2017 an amount of 58,696,113.18 rupees is included in the employee provident fund including surcharge and as ordered by the labor tribunal case no. 25302/05/20 monthly installments of Rs. 200,000.00 must be paid. Accordingly an amount of Rs.3,000,000.00 has been paid to the labour courts by the date 25.04.2022.

Monthly installments are currently being paid on the relevant court dated.

Chairman
Ceylon Fisheries Corporation

CEYLON FISHERIES CORPORATION
(INCORPORATED IN 1957 ACT 49 STATE INDUSTRIAL CORPORATION)
STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER	31/12/2017 Rs	31/12/2016 Rs
ASSETS		
Non current asset		
Property plant and equipment	1,425,393,530	1,466,362,217
Investment property	72,129,800	73,048,350
Investment in joint venture	110,000,000	110,000,000
Fixed deposit	200,000	6,200,000
Distress loan	2,807,293	1,137,668
Total non-current assets	1,610,530,623	1,656,748,235
Current asset		
Inventories	57,314,772	32,382,454
Trade and other receivables	358,447,283	345,522,973
Distress loan	1,855,555	-
Cash and cash equivalents	25,024,012	49,372,175
Total current asset	442,641,622	427,277,602
Total assets	2,053,172,245	2,084,025,837
EQUITY AND LIABILITIES		
Equity		
Capital contribute by Goverment	326,609,805	326,609,805
Capital reserve	24,258,241	24,258,241
Revaluation reserve	1,216,341,016	1,261,669,644
Accumulated losses	(1,041,875,104)	(868,531,659)
Total equity	525,333,957	744,006,032
Non-Current Liabilities		
Loans and borrowings	142,922,000	142,922,000
Differred Income - Government grant & assistants	489,389,173	551,166,949
Retirment gratuity liability	36,884,879	78,633,291
Lease creditor	1,518,803	2,839,343
Total-non current liabilities	670,714,855	775,561,583
Current liabilities		
Lease creditor	1,320,540	2,712,909
Trade and other payables	741,814,493	469,810,861
Amounts due to related parties	14,800,509	17,804,078
Bank overdraft	99,187,891	74,130,373
Total current liabilities	857,123,433	564,458,221
Total liabilities	1,527,838,288	1,340,019,805
Total equity and liabilities	2,053,172,245	2,084,025,837

CEYLON FISHERIES CORPORATION
(INCORPORATED IN 1957 ACT 49 STATE INDUSTRIAL CORPORATION)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR/ PERIOD ENDED 31ST DECEMBER	Schedule no	Note	2017 Rs	2016 Rs
Revenue		15	2,127,438,604	2,735,721,733
Cost of sales			(1,624,276,384)	(2,290,586,164)
Gross profit			503,162,220	445,135,569
Other income		16	268,306,623	934,064,735
Administrative expenses			(648,911,436)	(1,033,348,547)
Sales & distribution cost			(108,411,691)	(85,413,253)
Results from operating activities			14,145,716	260,438,505
Finance costs		17	(11,938,239)	(12,609,568)
Profit/(loss) before tax			2,207,477	247,828,937
Tax expense			-	-
Profit/(loss) for the year			2,207,477	247,828,937
Other comprehencive income			-	
Acturial gain/loss on pensionplans			38,750,253	55,121,381
Total comprehensive income			40,957,730	302,950,318

CEYLON FISHERIES CORPORATION
(INCORPORATED IN 1957 ACT 49 STATE INDUSTRIAL CORPORATION)
STATEMENT OF CASH FLOWS

FOR THE YEAR/ PERIOD ENDED 31ST DECEMBER	Note	31/12/2017 Rs	31/12/2016 Rs
Cash flows from operating activities			
Profit/(loss) before tax		**2,207,477**	**247,828,937**
Adjustments for:			
Interest expenses		11,938,239	12,609,568
Depreciation		77,238,935	77,930,509
Amortization		(159,277,776)	(24,644,759)
Revaluation surpluse		(45,328,629)	(45,328,629)
Gratuity provision		12,424,758	55,121,381
Other non cash expenses		(175,550,923)	3,965,865
Operating loss before working capital changes		**(276,347,919)**	**327,482,872**
Working capital changes			
Change in inventories		(24,932,318)	25,768,571
Change in trade and other receivables		(16,449,490)	27,124,345
Change in trade and other payables		272,003,632	(143,691,006)
Change in amounts due to related parties		(3,003,570)	13,570,592
Cash used in operating activities		(48,729,664)	250,255,375
Gratuity paid		(54,173,170)	(56,762,445)
Interest paid		(11,938,239)	(12,609,568)
Net cash used in operating activities		**(114,841,073)**	**180,883,362**
Cash flows from investment activities			
Acquisition and construction of property, plant and equipment		(16,483,851)	(32,137,188)
Increase in Stall Eshtablishment cost & working progress		(21,925,697)	10,670,403
Grant Received for processing plant		97,500,000	-
Disposal income		3,057,850	6,132,232
Fixed deposit withdrawal		6,000,000	-
Net cash used in investing activities		**68,148,301**	**(15,334,553)**
Cash flows from financing activities			
Repayment of interest bearing loan		-	(113,582,457)
Repayment of lease rent		(2,712,909)	(2,757,424)
Net cash from financing activities		**(2,712,909)**	**(116,339,881)**
Net increase / (decrease) in cash and cash equivalents		(49,405,681)	49,208,927
Cash and cash equivalents at beginning of the year		(24,758,199)	(73,967,126)
Cash and cash equivalents at end of the year		**(74,163,880)**	**(24,758,199)**

CEYLON FISHERIES CORPORATION
(INCORPORATED IN 1957 ACT 49 STATE INDUSTRIAL CORPORATION)
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR/ PERIOD ENDED 31ST DECEMBER 2017

	Capital Con. By Gov.of Sri Lanka	Capital Reserve Rs	Revaluation Reserve Rs	Accumulated Losses Rs	Total Rs
As at 1st January 2016	326,609,805	24,258,241	1,306,998,274	(1,113,014,605)	544,851,715
Adjustment			(45,328,629)	(3,345,991)	(48,674,620)
Net profit/(loss) for the year				247,828,937	247,828,937
As at 31st December 2016	326,609,805	24,258,241	1,261,669,645	(868,531,659)	744,006,032
As at 1st January 2017	326,609,805	24,258,241	1,261,669,645	(868,531,659)	744,006,032
Adjustments		-	(45,328,629)	(175,550,923)	(220,879,552)
Profit/(loss) for the year		-	-	2,207,477	2,207,477
As at 31st December 2017	326,609,805	24,258,241	1,216,341,016	(1,041,875,104)	525,333,957

CEYLON FISHERIES CORPORATION
(INCORPORATED IN 1957 ACT 49 STATE INDUSTRIAL CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR/PERIOD ENDED 31ST DECEMBER 2017

2 PROPERTY, PLANT AND EQUIPMENT

	Land	Motor Vehicle	Buildings	Equipment	Ice Plant and Cold Room	Furniture and Fittings	Computer Hardwere	Computer Softwere	Total 2017	Total 2016
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cost										
As at the beginning of the year	822,700,950	159,300,000	373,497,980	52,913,632	333,656,848	10,572,654	3,617,501	100,000	1,756,359,566	1,795,153,895
Additions during the year				16,388,853		1,605,949	231,200		18,226,002	32,137,188
Disposal during the year		(4,800,000)							(4,800,000)	(70,931,516)
As at the end of the year/period	822,700,950	154,500,000	373,497,980	69,302,485	333,656,848	12,178,603	3,848,701	100,000	1,769,785,568	1,756,359,567
Accumulated depreciation										
As at 1st January		91,583,333	22,384,063	12,394,842	96,795,352	3,035,137	2,337,395	100,000	228,630,122	219,111,110
Charge for the year		30,760,000	7,469,960	6,284,792	33,365,685	1,116,148	942,350		79,938,935	77,930,509
Depreciation on disposal		(2,700,000)							(2,700,000)	(68,411,497)
As at the end of the year/period	-	119,643,333	29,854,022	18,679,634	130,161,037	4,151,285	3,279,746	100,000	305,869,057	228,630,122
Net carrying value										
As at 31st December 2017	822,700,950	34,856,667	343,643,958	50,622,851	203,495,811	8,027,318	568,956	-	1,463,916,510	
As at 31st December 2016	822,700,950	67,716,667	351,113,918	40,518,790	236,861,496	7,537,517	1,280,106	-		1,527,729,444
Stall establishment cost									8,309,094	9,726,470
Working progress									23,343,073	-
Jaffna stall									1,954,653	1,954,653
			Schedule No.						1,497,523,330	1,539,410,567
2 INVESTMENT PROPERTY			2.1						(72,129,800)	(73,048,350)
									1,425,393,530	1,466,362,217

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31.12.2017

01. CORPORATE INFORMATION

Reporting Entity

Ceylon Fisheries Corporation formerly known as CFC (the "Corporation") is a Corporation domiciled in Sri Lanka. The Corporation was incorporated an Industrial Act. In 1957 no 49 and commencement of operation since 1964. The registered office of the Corporation is Rock House Lane,Colombo 15.

The principal activity of the Corporation during the financial year was the sale of Fish harvest throughout the country and sale of Ice production to the fisherman.

SUMMERY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

Statement of compliance

The financial statements of the Corporation have been prepared in accordance with Sri Lanka Accounting Standards (LKAS) and Sri Lanka Financial Reporting Standards (SLFRS) adopted by the Institute of Chartered Accountants in Sri Lanka and the requirements of the Public accounting standards.

The financial statements were authorized for issue by the directors on 22nd October 2019

Basis of measurement

The financial statements have been prepared on the historical cost basis except where stated.

Functional currency

The financial statements have been prepared in Sri Lankan Rupees ("LKR") which is the Corporation's functional currency.

Comparative Information

The accounting policies have been consistently applied by the Corporation and previous year figures have been re arrange wherever necessary to confirm the current year presentation.

Event After the Reporting Period

All the favorable and unfavorable material event after the reporting period have been considered and where appropriate adjustments or disclosures have been made in the financial statement.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount 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 estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts rec

Note 2 - Property, plant and equipment

Note 5 - Trade receivables

Note 4 - Inventories

The accounting policies set out below have been applied consistently to all periods presented in this financial statements.

Financial instruments

<u>Financial assets</u>

Trade and other receivables

Trade receivables are measured at the undiscounted amount of cash expected to be received (net of impairment) unless the arrangement constitutes a financing transaction. Sales are made on normal credit terms and trade receivables do not bear interest.When there is objective evidence that the carrying amounts of receivables are not recoverable, an impairment loss is recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. For the purpose of the statement of cash flow, cash and cash equivalents consist of cash in hand, investment in fixed deposits and deposits in banks net of outstanding bank overdrafts that are repayable on demand and form an integral part of the corporation's cash management.

De-recognition

Financial assets are de-recognized only when,

a) The contractual rights to the cash flow from the financial assets expire or are settled, or
b) All of the risks and rewards of ownership are transferred to another party substantially.

Impairment of financial assets

At the end of the reporting period, all financial assets are assessed to ascertain whether there is any objective evidence of impairment. If there is objective evidence of impairment, impairment loss is recognized in the statement of comprehensive income immediately.

Financial Liabilities

The corporation's financial liabilities include trade, other payables and borrowings. Financial liabilities are recognized initially at transaction price. After initial recognition, they are measured at amortized cost using the effective interest rate method. Trade Payables are measured at the undiscounted amount of cash expected to be paid unless the arrangement constitutes a financing transaction.

3.2 Provisions

Provisions are recognized when the corporation has a present obligation (legal and constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Initially a provision is measured at the best estimate of the amount required to settle the obligation at the reporting date.

When the provision involves a large population of items, the estimate of the amount reflects the weighting of all possible outcomes by their associated probabilities.

When the provision arises from a single obligation, the best estimate may be the most likely outcome.

When the effect of the time value is material, provisions are measured at present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation.

In subsequent measurement, a provision is charged only against those expenditure for which the provision was originally recognized.

Non-Financial Assets

The carrying amounts of the Corporation's non-financial assets, 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, then the asset's recoverable amount is estimated.

3.3 Property, Plant and Equipment

The Corporation applies the requirements of LKAS 16 on "Property Plant and Equipment" in accounting for its owned assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

Basis of Recognition.

Property Plant and Equipment is recognized if it is probable that future economic benefit associated with the assets will flow to the Corporation and cost of the asset can be reliably measured.

Measurement

Items of Property, Plant & Equipment are measured at cost (or at fair value in the case of land) less accumulated depreciation and accumulated impairment losses, if any.

3.3.1 Current Versus Non-Current Classification

The Corporation presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

- All other assets are classified as non-current.

- A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Corporation classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.3.3 Owned Assets

The cost of property, plant & equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long terms construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labor, any other cost 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.
Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.
When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Statement of Profit and Loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

3.3.4 Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale are capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with the in LKAS 23 - Borrowing Costs'.

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalized as a part of the cost of the relevant immature plantation. The capitalization will cease when the crops are ready for commercial harvest.

The amount so capitalized and the capitalization rates are disclosed in Notes to the Financial Statements.

3.3.5 Depreciation

Depreciation is recognized in Income Statement on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the CFC will have ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

	No. of Years	Rate (%)
Buildings	50	2.00
Plant & Machinery	10	10.00
Motor Vehicles	5	20.00
Equipment	10	10.00
Furniture & Fittings	10	10.00
Computer Accessories	4	25.00
Locally developed software	1	100.00

- Stall Establishment cost depreciate over the 5 years.
- Locally manufactured Computer Software depreciate over one year which is 100% charge to profit & Loss account in the year of purchase.
- The assets which are received as grant are being amortized in accordance with depreciation rate.

3.3.6 Investment Property

Investment properties including freehold and leasehold properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are held at cost. Rental income from investment properties is accounted for as described in accounting policy

An external, independent property valuer, having an appropriate recognized professional qualification and recent experience in the location and category of property being valued, is hired to carry out the valuation on a five yearly basis. Increments and/or decrements to these property valuations are recognized in profit or loss.

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

3.4 Inventories

Inventories were consisting of two main segments such as Trading and General Stocks. Trading inventories include fish, dry fish and ice stocks and it has been valued at cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses and non-trading stocks are valued at cost. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.6 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash at bank and cash on hand. Bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.7 Equity Capital

Equity

Capital represents the amount of Funds contributed by Government to commence the Corporation operation from the beginning of establishment.

Reserve

The amount consists in the reserve balance coming from the beginning of the Corporation, which has no indication of reason of provide the reserve or way of utilize the reserve.

3.8 Trade, Other Payable and Provisions

Trade and other payable are not interest-bearing and are stated at cost. A provision is recognized in the statement of financial position when the corporation 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.

Capital Work-In-Progress

Capital work-in-progress represents the accumulated cost of materials and other cost directly related to the construction of an asset.

Capital work-in-progress is transferred to the respective asset accounts at the time of the first utilization of the asset.

Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the corporation receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Income Statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional Government grant.

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the corporation and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, taking into account the contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria must also be met before revenue is recognized:

a) Sale of goods
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

b) Interest income
Interest income is recognized on an effective interest method.

c) Other income
Other income is recognized on an actual basis.

Foreign Currency Transaction

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. The resulting gains or losses are accounted for in the statement of comprehensive income.

Contingent Assets and Liabilities

Provision for Contingent assets are not recognize in financial statement since this may result in the recognition of income that may never be realized.
Contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. A contingent liability is recorded in the accounting records if the contingency is likely and the amount of the liability can be reasonably estimated. However Contingent liability has not been provided since CFC Legal Division did not provide any estimation.

Define Contribution Plan

Ceylon Fisheries Corporation contributes 15% and 3% from the Employee’s salary to the Employee’s Provident fund and Employee’s Trust Fund Define respectively. This statutory expenses has been recognized in the Statement of Comprehensive Income.

3.9 Other Disclosures

Voluntary Retirement Scheme has been implemented by the Corporation in line with the cabinet decision to reduce the excess staff by considerable amount and further advised to restructure the corporation by way of public Private Partnership (PPP).

4. New accountings standards issued but not yet effective

The following SLFRS issued by the Institute of Chartered Accountants of Sri Lanka, not effective for a financial year commencing on the 1st January 2016 unless early adopted, have not been applied in preparing these Financial Statements.

a) SLFRS 9, issued in 2014, replaces LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 01st January 2018.

b) SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

   SLFRS 15 introduce a five-step model to determine when to recognize revenue and at what amount. The model specified that revenue recognized when or as an entity transfers control of goods and services to a consumer at the amount to which entity expects to be entitled.

   It replaces existing revenue recognition guidance, LKAS 18 on “Revenue”, LKAS 11 on “Construction Contracts”.

   SLFRS 15 is effective for annual reporting periods beginning on or after 01st January 2018.

RATIO ANALYSIS

	2017		2016		2015		2014		2013		2012		2011	
CURRENT RATIO	442,641,622.00		353,147,228.00		358,068,208.00		543,097,889.00		488,531,057.00		434,550,735.93		460,371,620.06	
	857,123,433.00		495,366,134.00		773,392,616.00		728,141,127.00		768,654,822.00		661,261,994.96		536,446,231.13	
	0.52	:1	0.71	:1	0.46	:1	0.75	:1	0.64	:1	0.66	:1	0.86	:1
QUICK ASSETS RATIO	385,326,850.00		320,764,774.00		302,475,213.00		433,208,648.00		405,310,021.00		331,140,489.47		351,107,455.10	
	857,123,433.00		495,366,134.00		773,392,616.00		728,141,127.00		768,654,822.00		661,261,994.96		536,446,231.13	
	0.45	: 1	0.65	: 1	0.39	: 1	0.59	: 1	0.53	: 1	0.50	:1	0.65	:1
NET PROFIT RATIO	(2,207,477.00)		247,828,937.00	x 100	(259,917,474.00)	x 100	(119,187,719.00)	x 100	(54,446,218.00)	x 100	(41,763,563)	x 100	(68,969,869)	x 100
	2,127,438,604.00		2,735,721,733.00		2,479,196,333.00		2,822,779,492.00		1,969,485,805.00		2,078,840,744		1,977,444,527	
	(0.10)	%	9.06	%	(10.48)	%	(4.22)	%	(2.76)	%	(2.01)	%	(3.49)	%

Our Human Resources

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Number of Employees	763	718	652	1038	1315	1325	1275	1228	1120	754	712
Executive (Including Trainees)	66	58	49	58	80	78	76	68	66	43	42
Clerical Technical	301	290	289	210	756	751	733	695	641	432	349
Minor Employees	396	370	314	770	479	496	466	465	413	279	321