



2010

KEYFISH

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கடற்றொழில் நீரக வளமுலங்கள் அபிவிருத்தி அமைச்சு
MINISTRY OF FISHERIES & AQUATIC RESOURCES DEVELOPMENT



වාර්ෂික වාර්තාව
வருடாந்த அறிக்கை
ANNUAL REPORT

ලංකා ධීවර සංස්ථාව
இலங்கை கடற்றொழில் கூட்டுத்தாபனம்
Ceylon Fisheries Corporation

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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.

- The Corporation should directly or through authorized agents engage in fish production using trawlers in deep sea fishing operations.
- The Corporation should directly or through authorized agents engage in fish processing (canning, drying & processing) and in the production of fish by products.
- The Corporation should directly or through authorized engage in fish distribution and sale of fish on wholesale and retail basis.
- The construction and maintenance of fishery harbours, anchorages inclusive of cold storage rooms.
- Import and Export of fish and fishery products.
- Import and sale of fishing gear and necessary equipments to the fisheries industry.
- 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.
- The construction of boats and small ships for the fisheries industry.
- To provide facilities for the repair and maintenance of fishing boats.
- Manufacture and sale of fisheries equipments.

It should be noted that some of these functions have now been withdrawn.

Corporate Information

Name of the Corporation : Ceylon Fisheries Corporation

Legal Form : Public Corporation

Date of Incorporated : 1st October 1964

Directors

<i>Mr. Munidasa Premachandra</i>	<i>- Chairman</i>	<i>Up to 11-02- 2010.</i>
<i>Mr. Athula Nimalasiri Jayasinghe</i>	<i>- Chairman</i>	<i>from 05-03-2010 to 12-05-2010</i>
<i>Mr.N.H.Maheel. P.Seneratne</i>	<i>- Chairman</i>	<i>from 13-05-2010</i>
<i>Mr.Laxhman Hulugalla</i>	<i>- Vice Chairman</i>	<i>Up to 05-03-2010</i>
<i>Mr.D.J.U.Purasinghe</i>	<i>- Vice Chairman</i>	<i>from 14-05-2010</i>
<i>Mr.R.A.D.R.S.Siriwardana</i>	<i>- Working Director</i>	<i>Up to 05-03-2010</i>
<i>Mr.Sadaruwan Lankeshwara</i>	<i>- Managing Director</i>	<i>from 13-05-2010</i>
<i>Mrs. W.G.Chandrika</i>	<i>- Director – Treasury Representative</i>	<i>Up to 05-03-2010</i>
<i>Mr. P.M.P. Fernando</i>	<i>- Director Treasury Representative</i>	<i>from 21-06-2010</i>
<i>Mr. U.W. Sunil Pramasiri</i>	<i>- Director</i>	<i>Up to 05-03-2010</i>
<i>Mr. Dusmantha Samarasena</i>	<i>- Director</i>	<i>Up to 05-03-2010</i>
<i>Mr. Sri Weerasinge</i>	<i>- Director</i>	<i>Up to 05-03-2010</i>
<i>Mr.Filician Fernando Pulle</i>	<i>-Director</i>	<i>from 14-05-2010</i>
<i>Mr.H.Yasalal Perera</i>	<i>-Director</i>	<i>from 14-06-2010</i>
<i>Mr. Shantha Herath</i>	<i>-Director</i>	<i>from 23-06-2010</i>
<i>Mr.D.Fernando</i>	<i>-Director</i>	<i>from 01-09-2010</i>

Senior Management

<i>Mr.P.K.Mapalana</i>	<i>-Actg. General Manager</i>
<i>Mr. M.G.Somachandra</i>	<i>-Chief Manager</i>
<i>Mr.W.A.G.R.Fernando</i>	<i>-Chief Engineer</i>
<i>Mr.D.S.W.A.R.Perera</i>	<i>-Administration Manager</i>
<i>Mr.J.M.A.U.W.B.Jayasundara</i>	<i>-Finance Manager</i>
<i>Mr.T.D.Priyantha</i>	<i>-Chief Internal Auditor</i>
<i>Mrs.K.V.H.Bandaranayake</i>	<i>-Legal Office/Board Secretary</i>
<i>Registered Office</i>	<i>-No. 15 Rock House Lane, Mutwel, Colombo -15</i>
<i>Auditors</i>	<i>-Auditor General</i>
<i>Bankers</i>	<i>-Bank of Ceylon , People's Bank</i>

VISION

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

MISSION

- **To be an effective organization to contribute more to the Gross National Product**
- **To be the most significant organization responsible for marketing of fisheries production, processing and marketing.**
- **To (harness) strengthen the economic activity of fishermen and to obtain greater (achievement) development of its production capacity.**
- **Would engage in production and marketing, quality fish and value added products at a reasonable price, using modern technology.**

Letter Submitted to the Hon. Minister of Fisheries & Aquatic Resources Development

*Rock House Lane,
Mutwal,
Colombo -15.
15th June 2012*

*Dr. Rajitha Senaratne,
Hon Minister of Fisheries & Aquatic Resources Development,
Ministry of Fisheries and Aquatic Resource Development,
Maligawatte,
Colombo – 10.*

Hon Minister,

In terms of 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 31st December 2010.

- 1. Report of the Board of Directors*
- 2. Balance Sheet & Cash Flow Statement as at 31st December 2010.*
- 3. Income Statement for the year ended 31st December 2010.*
- 4. Auditor General Report for the year ended 31st December 2010.*
- 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,

*Maheel Senerathne
Chairman,
Ceylon Fisheries Corporation.*

Chairman's Review

Ceylon Fisheries Corporation (CFC) has a responsibility to enhance the economic status of Fishers and make available fish to consumers at reasonable prices to ensure fish are within the purchasing power of all groups of customers and thereby it is expected to bring down cost of living and fulfill the protein needs of the nation which is stated in the "Mahinda Chinthana way forward". In order to achieve this objective . The new management appointed in may-2010 a policy decision has taken to increase CFC retail network upto 250 by the end of 2013. During the year 2010 with the funding from Treasury loan CFC retail network has expanded from 50 to 73 by renovating 50Nos. of existed outlets and newly established 23 Nos outlets.

1. Purchase and Sale of Fish

A total quantity of 3589.86 MT of fish were purchased during the year 2010 which consists of 336.3MT of sail fish were imported and a quantity of 514.55 MT of Tuna fish were from foreign vessels. The Corporation has sold 3458.66 MT of fish. Through the retail network mobile service supply of fish to Govt. Hospitals and other govt. institutions.

2. Production & Sale of Ice

During the year Anuradhapura, Hambantota, Galle, Mutwel, Beruwela , and Codbay , ice plants were operated.

The annual sales quantity was 24288 MT. Due to the high cost of production most of these plants incurred losses except Galle and Anuradapura ice plants.

3. Foreign Fishing Vessels

191 Nos.of foreign vessels operated at Mutwel harbour. During the year 2010 the Corporation provided electricity, water and processing area facilities for foreign vessels operators.

A Policy on purchase of fish from foreign vessel company has been changed with effect from July -2010. The foreign vessels companies should obliged to supply 10% of the total unloaded quantity of fish to the Corporation at agreed price.

4. Funds from General Treasury.

General Treasury has released a loan amounting to Rs. 50Mn for expansion of the retail network of Ceylon Fisheries Corporation.

5. Services

1. Cold Storage & Processing Facilities

The Cold Room at head office Mutwel provides storage facilities, blast freezing and processing area facilities to outside parties and regional offices of the Corporation.

ii. Circuit Bungalows

Circuit Bungalows are operated at Kalametiya, Minneriya and Nuwara-Eliya. Public response were satisfactory but the income were marginal.

6. Profit and Loss

The Corporation had incurred a loss amounts to Rs.59.42Mn for the year 2010 compared with the corresponding net loss of Rs.103.89MN for the preceding year.

*Maheel .Seneratne
Chairman*

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 31.12.2010 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 was under purview of the Ministry of Fisheries and Aquatic Resources Development.

The activities carried out by the Corporation during the year 2010 could be summarized as follows.

- *Local Purchase and import of fish.*
- *Sale of fish on wholesale and retail basis*
- *Purchase and sales of fisheries by products.*
- *Production and Sale of Ice.*
- *Providing Cold Storage facilities.*

Review of the Business

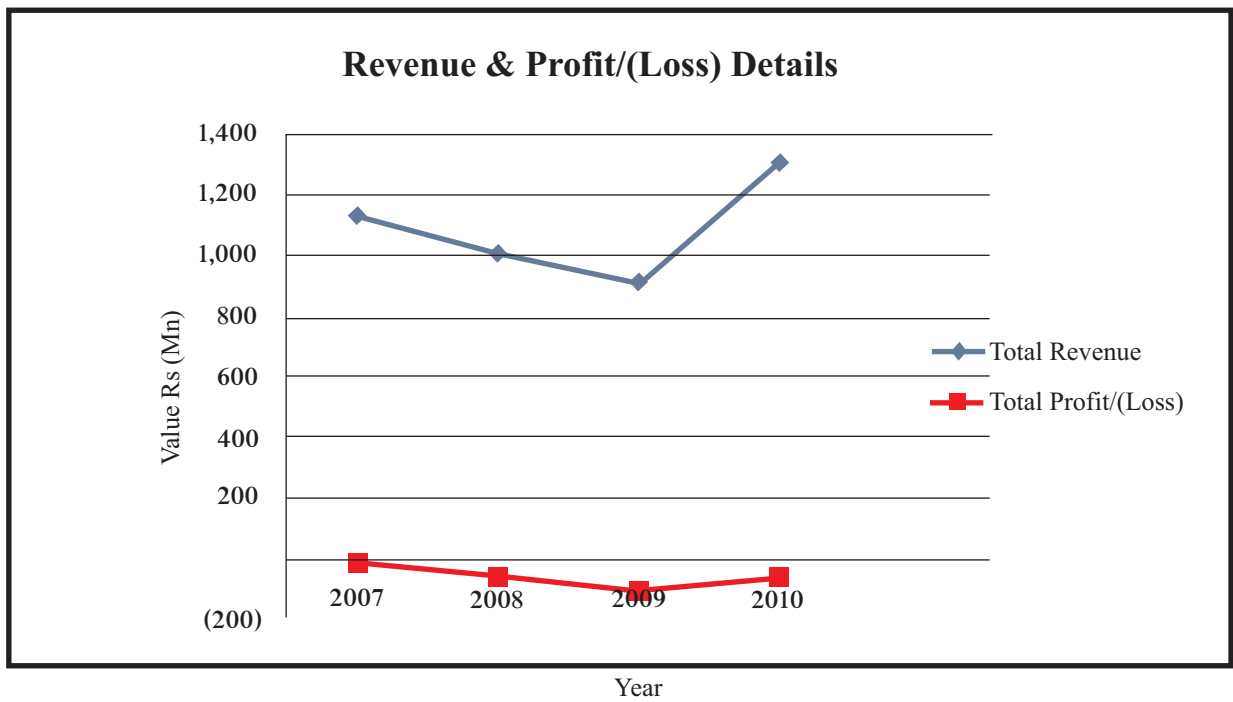
An assessment of the corporation and its affairs is contained under the Chairman's review which is an integral part of the report of Board of Directors.

Financial Structure

The Corporation's revenue which had been at Rs.1.1 billion in 2007 has been a decrease in the following two years. This has grown again to Rs. 1.3 billion in 2010 and however the gross profit has declined from 2007 to 2009 and subsequently increased in 2010 if we consider the net losses has increased from Rs. 9Mn. to Rs 104 Mn. from 2007 to 2009 and .in 2010. It is observed that a sharp decrease in losses to Rs. 59Mn.

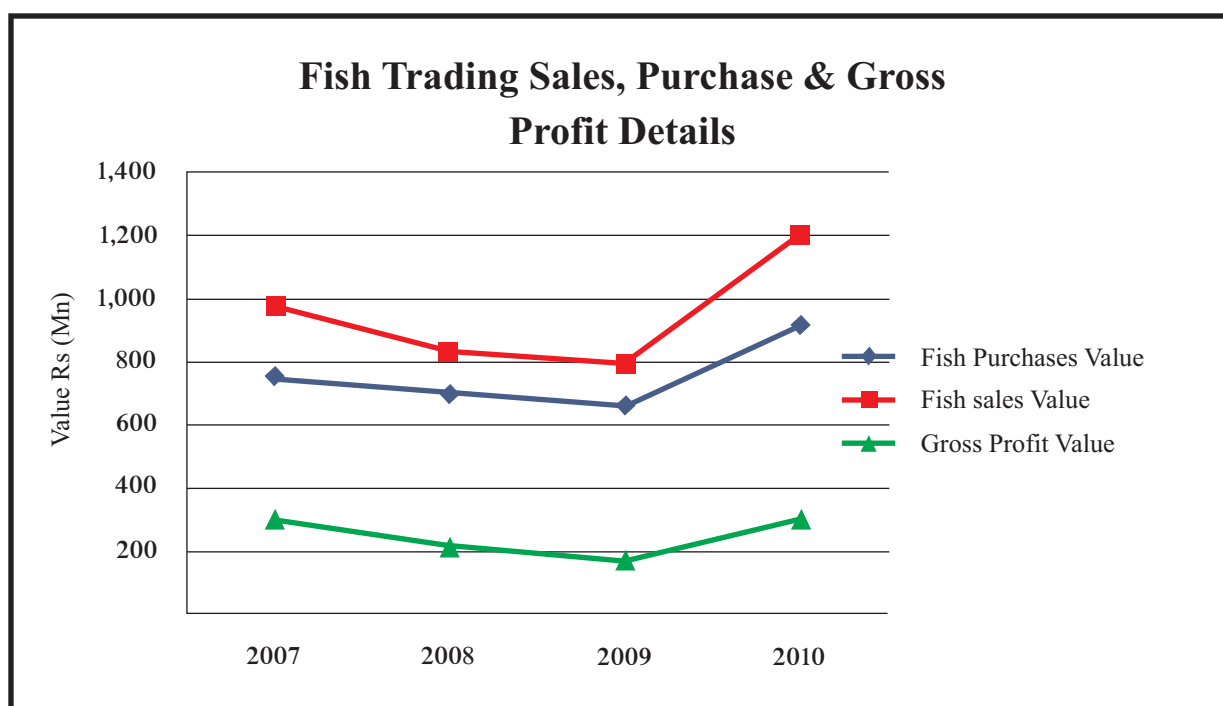
The financial performance could be summarized as follows.

<u>Year</u>	<u>Total Revenue (RS.Mn)</u>	<u>Total Profit/(Loss) (RS. Mn)</u>
2007	1,134.00	(9.10)
2008	1,009.70	(56.20)
2009	911.70	(103.90)
2010	1,308.60	(59.42)

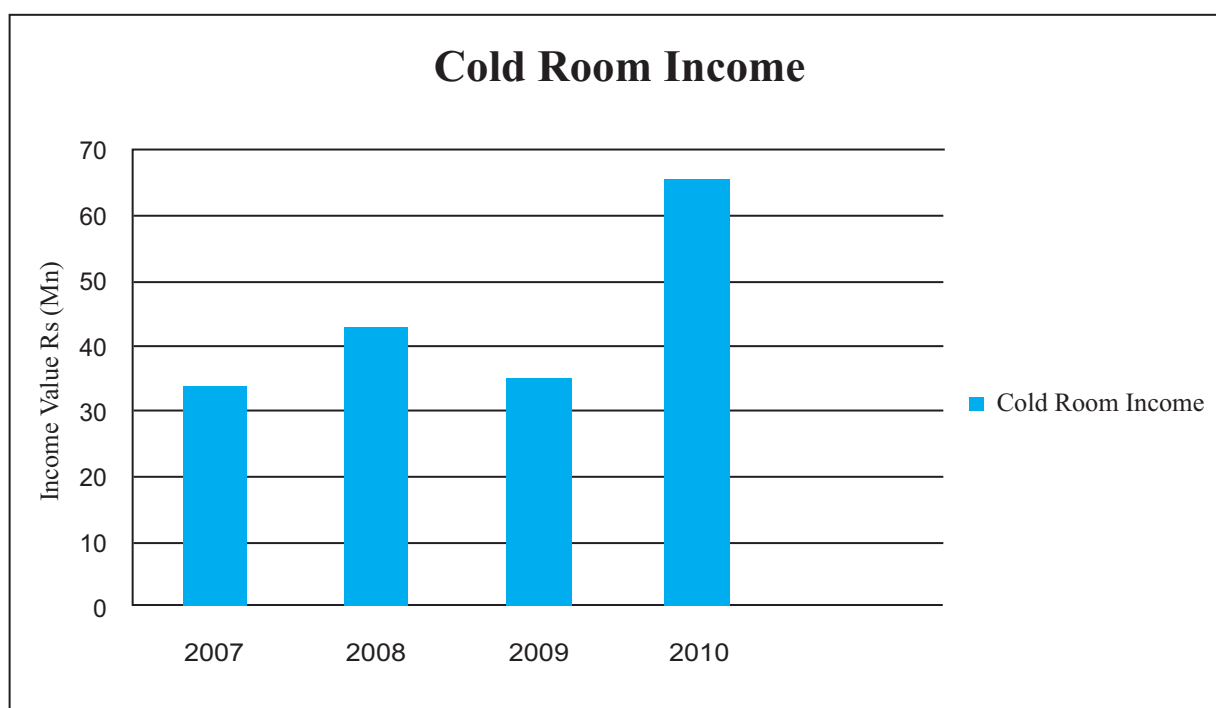


Fish Trading (Purchases, Sales & Gross Profit) - Value Rs (Mn)

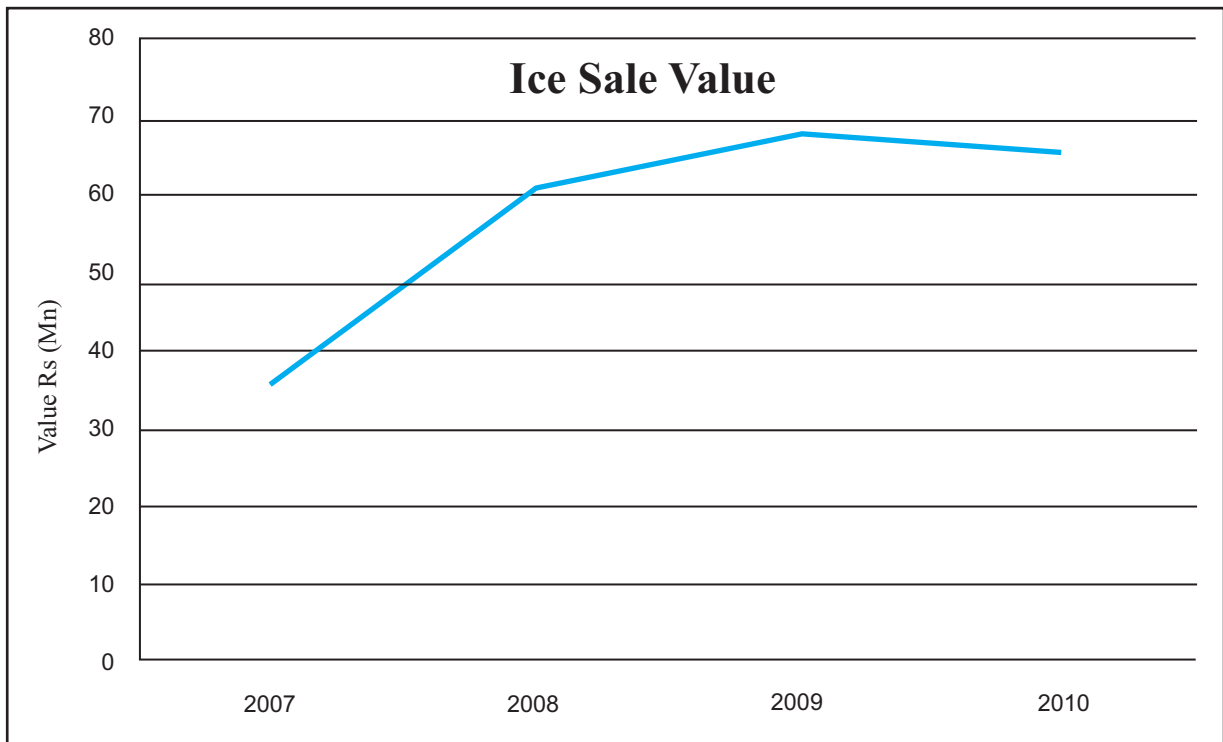
	Purchases	Sales	Gross Profit
2007	751.69	978.48	301.095
2008	701.51	834.43	212.805
2009	664.61	794.78	169.67
2010	917.96	1,206.28	300.894



Year	Cold Room Income Rs. (Mn)
2007	33.711
2008	42.834
2009	35.203
2010	35.235



Year	Qty (Mt)	Value Rs (Mn)
2007	12,776	35,641
2008	20,553	60,831
2009	22,055	67,415
2010	24,288	65,179



Staff Strength

Executives	-	58
Clerical, Tech Allied grade staff	-	210
Minor Employees	-	366
Junior staff	-	404
		1038
		===

Welfare Activities

Employees were given opportunity to purchase mobile phones and packages from Tigo Company.

Two kgs of fish were issued free of charge to all employees for Sinhala & Tamil New year

Disciplinary Inquiries

During the year 05 Nos of employees were interdicted 06Nos employees were reinstated.

Directors Interest in Contracts

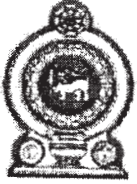
Directors have no interest in any contracts with CFC. activities.

Acknowledgement

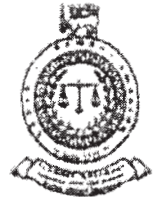
The Board of directors of the corporation expresses thanks to the Hon. Minister of Fisheries and Aquatic Resources Development for all the valuable advice, support and guidance given towards development and success of the Corporation. The Board of Directors sincerely appreciates the valuable contributions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

Our dearest asset is our employee, 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 Bank of Ceylon official for their continued support and the confidence they placed on us.



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கணக்காய்வாளர் தலைமை அறிப்பதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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Dr.
එම්.ඒ.එස්.සමරවර
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கனம் இல }
Fax No. } 2697451

INDEPENDENCE SQUARE,
COLOMBO 07, SRI LANKA
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தொலைபேசி }
+Gmail }
E-mail } oaggov@sltnet.lk



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கணக்காய்வாளர் தலைமை அறிவித் திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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My No }

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உமது இல }
Your No. }

දිනය } 10 February 2012
நீதி }
Date }

The Chairman,
Ceylon Fisheries Corporation

Report of the Auditor General on the Financial Statements of the Ceylon Fisheries Corporation for the year ended 31 December 2010 in terms of Section 14 (2) (c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Ceylon Fisheries Corporation for the year ended 31 December 2010 was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 29 of the State Industrial Corporations Act, No. 49 of 1957. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act was issued to the Chairman of the Corporation on 04 August 2011.

1:2 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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COLOMBO 07, SRI LANKA
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e-mail } oaggov@slinet.lk

1:3 Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitation of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

2. Financial Statements

2:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Ceylon Fisheries Corporation had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 2:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Ceylon Fisheries Corporation as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

2:2:1 Sri Lanka Accounting Standards (SLAS)

The financial statements had not been prepared in accordance with the format appearing in SLAS 3.

2:2:2 Accounting Deficiencies

The following observations are made.

- (a) Even though the account repayable as at the end of the year under review on the loan of Rs.50 million obtained from the Treasury for the payment of contributions to the Provident Fund and the import of fish amounted to Rs.20 million, it had been shown as Rs.10 million under the current liabilities.
- (b) Even though the amount repayable as at the end of the year under review on the loan of Rs.16 million obtained from the Treasury for the supply of fish and dried fish to Government Hospitals amounted to Rs.5 million, it had been shown as Rs.11.6 million under the current liabilities.
- (c) Contingent expenses amounting to Rs.295,920 had been shown under the administrative expenses.
- (d) The Circuit Bungalow at Kalametiya had been made available to external parties from November 2009 to the end of the year under review and the sum of Rs.306,000 receivable in that connection had not been shown in the financial statements as a receivable.

2:2:3 Unreconciled Control Accounts

The following observations are made.

- (a) A reconciliation of the balances of the fixed assets shown in the financial statements for the year under review with the balances appearing in the Register of Fixed Assets furnished revealed overstatements amounting to Rs.9,472,034 relating to 09 items and understatements amounting to Rs.1,621,267 under 04 items.
- (b) A reconciliation of the depreciation balances of the fixed assets shown in the financial statements for the year under review with the balances shown in the Registers of Provision for Depreciation revealed overstatements amounting to Rs.10,061,342 relating to 08 items and understatements amounting to Rs.17,815,935 relating to 06 items.
- (c) A difference of Rs.177,549 was observed at a comparative examination of the Creditors and Debtors Ledgers of the Chilaw and Kurunegala Regions.

2:2:4 Balances Receivable and Payable

The following observations are made.

- (a) The Galle Region had dormant creditors balances amounting to Rs.8,211,529 and dormant debit balances amounting to Rs.11,564,888 as at the end of the year under review. Out of those balances, a sum of Rs.8,180,567 represented balances payable to other Regions of the Corporation and balances recoverable from other Regions and the management had failed to settle those balances.
- (b) Even though there were long term debtors balances, no provision whatsoever for bad and doubtful debtors had been made in the year under review.

- (c) Two sums of Rs.2,266,666 and Rs.3,480,120 had been payable by the Beruwala Region due to the purchase of fish on credit basis from the fishermen and the other Regions respectively, and no action had been taken for the settlement of those creditors balances.
- (d) In view of the inefficiency of the operations of the Regions, the debtors balances and creditors balances amounted to Rs.29,278,700 and Rs.15,990,557 respectively and action had not been taken for the recovery of the debtors balances and the settlement of creditors balances.
- (e) The tax payable for the year under review amounted to Rs.12,500,880 and the Economic Service Charge payable from the year 2007 to the year 2009 amounted to Rs.12,553,770. The files relating to the payment of taxes had not been maintained properly.
- (f) The gratuity payable as at 31 December 2010 amounted to Rs.6,197,236 and the surcharge payable to 02 employees due to the delayed payment amounted to Rs.157,774.

2:2:5 Lack of Evidence for Audit

The evidence indicated against the following items of account had not been furnished to audit.

Particulars	Value	Evidence not made available to audit
-----	-----	-----
	Rs.	
(i) Accounts Receivable	224,768,449	* Composition of Balances * Letters of Confirmation
(ii) Lands and Buildings	97,709,041	* Location, extend, Evidence in support of Title.

		* Lands and Buildings procured from External Parties or Institutions
		* Lands and Buildings supplied to External Parties.
(iii) Fuel Expenditure (Motor Vehicles)	17,486,273	* Number of kilometres run by each motor vehicle.
		* Daily Running Charts
		* Motor Vehicle Log Books
(iv) Overtime	26,754,127	Register of Overtime paid to Drivers.

	366,717,890	
	=====	

2:2:6 Non – compliance with Laws, Rules, Regulations and Management Decisions

Non – compliances with the following Laws, Rules, Regulations and Management Decisions observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions	Particulars
-----	-----
(a) Inland Revenue Act, No. 10 of 2006	The Nation Building Tax of Rs.724,756 payable in respect of the year under review had not been paid even up to the end of the year under review.

- | | |
|--|---|
| <p>(b) Value Added Tax Act, No. 14 of 2002</p> | <p>The Value Added Tax of Rs.5,947,459 payable in respect of the year under review had not been paid even up to the end of the year under review.</p> |
| <p>(c) Payment of Gratuity Act, No. 12 of 1983</p> | <p>Abnormal periods ranging from 05 to 16 months had been taken for the payment of gratuities amounting to Rs.3,630,622 made in the year under review and the gratuity payable as at the end of the year under review amounted to Rs.6,197,286.</p> |
| <p>(d) Financial Regulations</p> <p>-----</p> | |
| <p>(i) Financial Regulation 177</p> | <p>A sum of Rs.309,244 received from the "Fish Mela" activities of the Kurunegala Region had been retained by 06 employees thereof without being handed over to the Regional Office.</p> |
| <p>(ii) Financial Regulation 185</p> | <p>The cash book of the Galle Region had not been maintained in the updated manner. The travelling advances totalling Rs.5,000 obtained from the petty cash imprest had not been settled despite being lapsed for periods ranging from 45 days to 342 days by the end of the year under review.</p> |
| <p>(iii) Financial Regulation 323</p> | <p>(i) Even though the new Ice Plant of the Galle Region has a current account, the expenditure relating to the Ice Plant had been remitted in the personal name of the Accounts Clerk.</p> |

- | | |
|---|--|
| (g) Circular No. CFC/SEC/CIR/51 dated 09 July 2008 of the General Manager | The Manager of the Beruwala Region had not inspected the Sales Stalls of the Region. |
| (h) Circular dated 14 October 1983 of the Accountant | The Manager of Galle Region had utilized the income received for day to day expenses without updating the cash book. |

3. Financial and Operating Review

3:1 Financial Review

3:1:1 Financial Results

According to the financial statements presented, the operations of the Corporation for the year under review had resulted in a deficit of Rs.59,423,907 as compared with the corresponding deficit of Rs.103,889,475 for the preceding year. The improvement of Rs.44,465,568 in the financial result for the year under review had been mainly due to the increase in income from the sale of fish through the Sales Stalls constructed in the year under review.

Even though the ratio of the current assets to the current liabilities of an institution should be 2:1 the ratio of the current assets and the current liabilities of the Corporation had been 0.8:1 and as compared with the ratio of 2:1 required for an institution it was observed as an unfavourable status.

3:2 Operating Review

3:2:1 Management Inefficiencies

The following observations are made.

- (i) The following shortages and excesses of stocks of fish as at the end of the year were observed due to the deficiencies in the storage and issue of stocks of fish and the maintenance of books.

<u>Region / Sales Stall</u>	<u>Stock of Fish</u>	
	<u>Shortage</u>	<u>Excess</u>
	Kg.	Kg.
Kandy	776	518
Kurunegala	660	239
Galle	550	336
Beruwala	512	--

- (ii) Four vehicle fish sellers of the Colombo Region had been issued with 1,527 kilogrammes of fish on 13 days from January to March 2010 on which they had not reported for service.
- (iii) Even though the members of the Pricing Committee should meet for determining the purchase of fish and the prices, the Manager, Quality Control and Wholesale Market who is a member of that Committee had not participated at the meetings on certain days to determine the daily prices. In addition employees who do not belong to Pricing Committee had participated in the Committee meetings as well as in purchasing.
- (iv) Arrears of fish sales proceeds amounting to Rs.7,028,188 had been dues as at the end of the year under review from the employees of 04 Regions due to the inefficiency in the collection of fish sale proceeds.
- (v) In considering the active balances of the Galle Region during the year under review a deficit working capital position of Rs.331,033 was reflected.

- (vi) A physical inspection of the Kalametiya Holiday Resort revealed that the surrounding area was overgrown with scrub. The inside of the Holiday Resort had been very dirty and broken accessories obsolete parts were strewn all over. Lights were not working while water taps and bathroom accessories were not in working order.
- (vii) Tangalle Region had incurred a loss of Rs.3,319,000 during the period January to August of the year under review.
- (viii) The daily sales of fish of the Matara Sales Stall of the Puranawella Region had fallen from 46 kilogrammes to 19 kilogrammes from the year 2008 to the year 2010.
- (ix) The debtors balance that had arisen as at end of the year under review due to the supply of water, electricity and fuel to the Ceylon Fishery Harbours Corporation amounted to Rs.7,737,830.
- (x) Six retired officers of the Corporation had filed cases in the Labour Tribunal against the Corporation for the delay in the payment of gratuity.
- (xi) Free issues of 5,299 kilogrammes of fish costing Rs.917,806 and 45 kilogrammes of fish and 5,299 kilogrammes of dried fish, the value of which had not been indicated, had been made to external parties.
- (xii) Even though the lorries with deep freezers travel from the Head office daily to the Regions, the Puranawella Region had paid a sum of Rs.20,000 at the rate of Rs.10,000 to a private owner of lorries for the transport of 447 kilogrammes and 308 kilogrammes of fish from Head Office on 11 June and 03 July of the year under review.
- (xiii) A section of the premises of the Head Office of the Ceylon Fisheries Corporation gets inundated with rain water. Such inundation with water had resulted in the inability of the employees to leave the office building for official purposes. Despite the availability of Engineers and labourers in the Corporation it had failed to construct a drain for the flow of water.

3:2:2 Transactions of Contentious Nature

The following observations are made.

- (i) The Wadduwa Sales Stall of the Beruwala Region had sold 73 kilogrammes of mullet fish valued at Rs.30,708 which had not been supplied by the Region during the period 03 October to 15 October 2010.
- (ii) The Wadduwa Sales Stall had sold 30,420 kilogrammes of fish on 06 and 07 October 2010 at a premium price of Rs.40 per kilogramme.
- (iii) Out of the net profit generated from the Fish Mela activities from the year 2007 to the end of the year 2009 a sum equivalent to 50 per cent had been paid to a permanent employee of the Corporation. The commission paid to that employee in addition to his salary and allowances during that period amounted to Rs.2,082,442.

3:2:3 Idle and Underutilized Resources

The following observations are made

- (i) The machinery installed at the Minneriya Rasa Masun Factory remained idle over a long period without being used.
- (ii) Five single occupancy quarters and 02 family quarters in the premises of the Minneriya Region remained dilapidating without being used.
- (iii) Four three – wheelers installed with deep freezers taken off from running had been parked in the premises of the Head Office. Action had not been taken either to repair them or dispose of them.
- (iv) The two Circuit Bungalows at Trincomalee and Pesalai had not been utilized since the year 2005. Even though a sum of Rs.624,424 had been spent on the supply of electricity for the Kalametiya Circuit Bungalow in the year under review, no income had been received.

3.2.4 Identified Losses

- (i) An inspection of the stock of fish at the Kandy Region carried out on 26 May 2010 revealed a stock of 1,564 kilogrammes of fish which had reached the stage of converting to dried fish and that stock represented 49 per cent of the stock of fish in the store. The financial loss caused due to the fish reaching the stage of converting to dried fish amounted to Rs.243,282.
- (ii) Out of the income of the sales stalls functioning under the Wholesale Market Region for the year under review, a sum of Rs.900,184 had not been recovered.
- (iii) Five employees who had left the sales activities of the sales stalls of the Wholesale Marketing Region had defaulted the payment of arrears of fish sales proceeds amounting to Rs.1,635,045. Out of them, a employee who should pay a sum of Rs.390,440 had vacated post.
- (iv) The physical verification of the stocks of fish at the Beruwala Region carried out on 10 June 2010 revealed a shortage of 329 kilogrammes of fish. Action had not been taken for the recovery of the value of the shortage.
- (v) The physical verification of the stocks of fish at the Kurunegala Region carried out on 04 June 2010 revealed a shortage of 660 kilogrammes of fish.
- (vi) The quality of fish had deteriorated due to the weaknesses of maintenance of stocks of fish by the Kurunegala Region and as such a loss of Rs.178,003 had been incurred.
- (vii) A stock of 770 kilogrammes of fish had reached the stage of converting to dried fish due to the inefficiency of the sale and storage of fish by the Galle Region.
- (viii) A cash shortage of Rs.78,536 was revealed at the verification of cash as at 21 June 2010 according to the cash book and the petty cash book of the Minneriya Region.
- (ix) Out of the 50 three wheelers received by the Corporation in the year 2006 as a Treasury grant, 26 had been given to external parties contrary to the conditions stipulated by the Ministry of Fisheries and Aquatic Resources without any hire income or entering into agreements. Out of that 18 three wheelers had been given to an external institution while 08 three-wheelers had been given to 08 persons in Ja – Ela area. The value of those 26 three wheelers amounted to Rs.12,355,950.

4. Systems and Controls

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

- (a) Purchase and Sale of Fish
- (b) Payment of Taxes
- (c) Payment of Gratuity
- (d) Collection of Income
- (e) Accounting
- (f) Accounts Receivable
- (g) Accounts Payable
- (h) Fixed Assets
- (i) Fuel
- (j) Advances
- (k) Banking of Cash

H.A.S. Samaraweera
Auditor General.

31/.

Your Ref: AF/B/CFC/FA/2010

Our Ref: CFC/FD/AUD/2010

21-10- 2011

Auditor General,
Auditor General's Department,
Independence Square,
Colombo -07.

Dear Sir,

Report of the Auditor General on the Financial Statements of the Ceylon Fisheries Corporation for the year ended 31st December 2010 in terms of section 14(2) (C) of the Finance Act. No. 38 of 1971

Reference to your letter No. AF/B/CFC/FA/2010

We enclosed herewith & forwarded to our explanations & observations on the above draft Audit report.

Thanking you.

Yours faithfully,



Maheel Senaratne,
CHAIRMAN
CEYLON FISHERIES CORPORATION

2. ACCOUNTS

2:1. Opinion

2:2. Comments on Financial Statements.

2:2:1 Sri Lanka Accounting Standard (SLAS)

Financial Statements have been prepared in accordance with the format given in SLAS 3 where as some of the variations of same were subsequently observed and arrangements have been made to rectify same in 2011.

2:2:2. Accounting Deficiencies

- a) We agree on the comments Necessary action will be taken to correct present in 2011.
- b) Balance shown in the Financial Statements is accurate. Out of the total, Loan value of Rs.16 Mn, amounting to Rs.4.4Mn had been repaid during the year, therefore the payable balance amounts to Rs. 11.6Mn.
- c) Contingent expense shown under Administrative expenses is in relation to the provision made for pending legal cases.
- d) Accommodation has been given for free of charges the to Fisheries Ministry officials and resource personnel engaged in official duties, therefore it has not been accounted for as a receivable.

2.2.3. Un Reconciled Control Accounts

- (a)&(b) There is a difference between fixed Assets register balance and the ledger balance figures and due to not properly maintain the fixed assets register for over 30 year from the inception of the Corporation .

In order to identify the difference a committee appointed for conduct revaluation of all fixed assets it is expected to complete this process within the first six month of year 2012.

- c) We accept the comments. Actions have been taken to reconcile the regional debtor/ Creditors ledgers

2.2.4. Balance Receivable and Payable

- a) Decentralize system for operation Finance and Accounting were existed up to 31-12-2010. It was observed that the huge differences reported between regional debtor/Creditor control accounts due to non reconciled the control accounts properly. The management has taken into this matter and with effect from 01-01-2011 centralize system for fish operation, Finance and Accounting has been implemented.
- b) We accept the comment. Provision for Bad & Doubtful debts will be made for 2011.
- c) Ceylon Fisheries Corporation purchases fish on credit basis through its regions from fishermen, fishermen's Societies and registered suppliers Due to the prevailing financial crises it was unable to settle creditors over two months period.
- d) With the implementation of centralize system, Debts collecting division was established under the supervision of an Accountant, Debts collecting is in operation with successfully.
- e) Even though the Turnover tax, Value added Tax, N.B.T. and PAYE tax have been accurately paid on monthly basis and due to non availability of income tax liability as continuously losses reported and prevailing financial crises It was unable to settled Economic Service charge.
- f) Due to the financial crises reported it was unable to settle retiring gratuity in accordance with, conditions laid down in Gratuity Act for whom retired from corporation service.

However, all the gratuity areas were completely settled with the surcharge as per directive of Labour commissioner.

2.2.5. Lack of Evidence for Audit

1. Accounts Receivable

This amount consists of trade and non trade debtors and receivable from Ceylon Fishery Harbour Corporation & Others. Confirmation for all receivable balance shown in the Balance sheet have been called for.

11. **Land & Buildings.**

Actions have been taken to clear the ownership of buildings and other disputes.

111. **Fuel Expenditure (Motor Vehicles)**

Instructions have been given to maintain running charts & log books pertaining to the all vehicles belongs to the corporation whereas it has not been properly done. Therefore, the managements has given strick instructions, again to adhere the above requirements.

iv. **Overtime**

Overtime payment register has been maintained by the transport division.

2.2.6. **Non - Compliance with Laws, Rules Regulations and Management Decisions.**

- (a) The Nation Building tax (NBT) payable in respect of the year under review has been fully settled in 2011.
- (b) The value added taxes for first six months in 2010 have not been paid due to the financial difficulties and expect to settle these amount in part payment basis.
- (c) Due to the financial difficulties employee retiring gratuity had not been paid in prescribe time period mentioned in the Gratuities Act. However all the gratuity payable as at 31-12-2010 has been fully settled upto now.
- (d) Financial Regulations
 - (i) F.R. 177 - Total receivable amount on fishmela sales at kurunegala region has been fully recovered in 2011.
 - (ii) F.R. -185 - Action has been taken to repetition again.
 - (iii) F.R -323 - Fund transferred to meet the expenditure of Galle Ice plant has been remitted thought the current Account at BOC Galle Branch.

This fish sales cash shortage amount has been fully settled and Disciplinary action has also been taken against the employee concern.

- (iv) F.R-371 - All the advances given in this connection had been fully settled and explanations called for and warned those who delayed to settle advance obtaining for various purposes.
- (v) F.R. 445 - A register of Internal circulars has been maintained since the year 2011.
- (e) Instructions have been given to Regional Managers to maintain and supervision the employee movement register in properly and orderly manner.
- (f) In order to increase sale of fish state supplies Division sales fish to private Hospital and schools at available prices. Without incurring losses to the corporation.
- (g) In this connections relevant instructions have been given to Regional Manager.
- (h) Discipline action has been taken against, the manager concerned.

3.1. **Financial Review**

- 3.1.1. It is impossible to maintain current Asset Ratio on accepted manner due to financial difficulties occurred, coursing non receipt of Government budgetary provision to meet recurrent expenditure, maintain lower margin in order to supply of fish at lower price to general public and unable to obtain required margin to cover overhead.

3.2.2. **Management inefficient**

- 1. The variety wise fish shortage and excesses reported owing to exchange of stock book entries and related issue of fish of equal varieties. Eg. Sail fish and seer/Marlin fish.
- 11. Instructions had been issued to correct the stock book entries pertaining to the Van sales Debtors and maintain close supervision in this regard by the Manager concern.
- 111. Even though the Wholesale market Manager and Quality Control officer should include to the pricing committee to determine the fish price and purchasing of quality fish, mostly we one of who is compete handling of fish compiles represented the Manager concern.
- iv. Soon after establish Debt collection unit actions have been taken to recover fish sales proceeds and Disciplinary or legal actions taken against. those who were unable to settle as per our instructions.

- v. Negative working capital situation arise owing to Regional operated as separate units under the decentralize system since the centralized system introduced with effect from 01-01-2011 this type of situation will not be reported .
- vi. We agree on the comments. Due to the financial difficulties it was unable to reserve additional funds for repair work of kalametiya circuit bungalow. However the new management has paid special attention to this situation and the circuit bungalow has completely renovated.
- Vii Considerable losses reported due to the higher amount of administrative cost and under the decentralize system operation of Tangalle region has become very low level. However with the introduction of centralized system it was reported satisfactory progress on operation and maintain the monthly losses with minimum level.
- Viii. The daily sales of Matara retail fish outlet has drastically dropped owing to temporary change the location as the public market premises were closed for renovations.
- ix. At present CFC has not provide any services to Ceylon Fishery Harbour Corporation . Rent Electricity and water Bill amounts payable on account of regional officers and ice plant located at CFHC premises has been set-off against the amount receivable from CFHC.
- X. Due to the financial difficulties it was unable settle retiring gratuity for those who retired from Corporation service as per provision of the Gratuities payment Act.
- Xi. As a sales promotion and other special situation fish or dried fish issued free of charge with the approval of the Board of Directors.
- Xii. In these days fish purchased by the Puranawella Regional has been transferred to Head office cold room by way of using rented out lorries from outside parties and again Tuna purchased from Foreign vessels has transported by same vehicles which is a normal practice, Freezer trucks belongs to the Corporation are not adequate for transport requirement therefore we compel to rent-out vehicles from outside parties.
- Xiii. A section of the CFC head office premises inundated due to insufficient of the drainage system. In this connection CFC has informed to do the necessary repair to drainage system to the Colombo Municipal Council since the CFC is not permitted to do so.

3.2.2. Transactions of contentious Nature

- (i), (ii) Disciplinary actions had been taken against the responsible employee Concerned.
- (iii) The fishmela sales promotion project implemented with formed approval given by the then management.

3.2.3. Idle and Underutilized Resources

- (i) Under the Japanese Aid scheme small scale few no. of machinery of which can be used for production of sausages as a testing purpose were received whereas It was revealed later that it these Assets cannot be utilized for commercial purpose.
- (ii) During the year 2011 all the dilapidated premises have been completely renovated.
- (iii) Out of six two no. of three-wheelers were repaired and remaining others were disposed in accordance with tender guideline.
- (iv) Two circuit bungalows were abundant due to war-situation prevailed in North & East Kalamatiya circuit is also renovated and the income is received.

3.2.4. Identified Losses

- (i) Fish prices are determining on daily fish supply to the market. When the fish prices decreased continuously and fish stocks were retained in cold room rather than moving may became unsuitable for human consumptions That is all FFC fish would have to sell at lower prices for production of dry fish in this connection it cannot overcome incurring losses.

It is stated in this para that the FFC stocks of 1564 kg were identified in the annual physical verification. Which represent the 49% of total fish stocks . However it is accurate since this percentage should be calculated considering total stock purchase up to 26 May 2010. It is further noted that fish shortage should be calculated variety vice fish purchase.

- (ii) Stalls sales income of wholesale Market region had been fully recovered during the year 2011.
- (iii) Shortage of Collection on fish Sales reported from sales employees wholesales Market region who had left the sales activities have been partly settled in sum cases and legal actions were initiated for others.
- (iv)(v) Deficits raised due to normal shrinkage and driage of fish stored in cold rooms. Calculation of the percentage based reported quantity and the total purchase quantity. decision has been taken to recover if any asses shortage reported.
- (vi)
- (vii) Quality of the fish has been decreased due to technical defects in temperature control in Cold Rooms. Excess quantity of fish has to be purchased & stored to meet expected consumer demand . Under this situation quality of the fish may be decreased up to some extend should be acceptable.
- (viii) In this regard we perused all the details & action had been taken to recovered to shortage from responsible officer.
- (ix) Then management had been decided as a policy decision to give 26 Nos. of Three-wheelers given to third party to distribute for lower income recipient who were engaged in fish trading as a self employment in keeping with ownership of their assets to CFC. Whereas the corporation had not been any programme for utilization of these three wheeler for maximum capacity.

(4) **System & Control**

Every possible steps have been taken by the present Management in order to ensure achieving better internal control and check systems in the overall management of CFC.

Balance Sheet

As at 31st December 2010

	<u>31.12.2010</u>	<u>31.12.2009</u>
	<u>Rs.000</u>	<u>Rs.000</u>
<u>Assets</u>		
Non Current Assets	691,840	827,885
Capital Work in Progress	5,040	5,185
Investments	110,577	110,577
	807,457	943,647
Receivable from CFHC	50,099	50,099
	50,099	50,099
<u>Current Assets</u>		
Inventories	76,249	40,172
Trade & Other Receivable	174,670	219,402
Regional Current A/c		
Suspense & unreconciled A/c	(54)	(172)
Deposits and Prepayments.	16,158	15,040
Stall Establishment Cost	17,214	
Cash & Bank Balance	32,836	14,387
	317,073	288,828
Total Assets	1,174,629	1,282,574

Equity & Liabilities

	<u>31.12.2010</u>	<u>31.12.2009</u>
	<u>Rs.000</u>	<u>Rs.000</u>
Capital Contributed by the Govt. Of Sri Lanka	376,710	376,710
Capital Reserve	24,258	24,258
Equity & Liabilities	108,042	108,042
Retained Profit	(527,498)	(475,842)
	(18,488)	33,168
<u>Grants</u>		
Ministry & Southern Development	632,254	772,455
Rehabilitation Fund		-
<u>Non Current Liabilities</u>		
Provision for Gratuity	65,276	70,624
Long Term Loan	94,346	82,876
	791,876	925,956
<u>Current Liabilities</u>		
Trade & Other Payables	369,032	305,198
Refundable Deposits	24,417	15,306
Bank Overdraft	7,793	2,947
	401,241	323,450
Total Equity & Liabilities	1,174,629	1,282,574

Income Statement

For the year ended 31st December 2010

	<u>31.12.2010</u>		<u>31.12.2009</u>	
	<u>Rs.000</u>	<u>Rs.000</u>	<u>Rs.000</u>	<u>Rs.000</u>
Revenue- Outside	1,308,606		911,698	
- Region Transfer	<u>609,413</u>		<u>303,603</u>	
Total Revenue		1,918,019		1,215,301
Turnover Tax		<u>(13,254)</u>		<u>(27,174)</u>
Net Revenue		1,904,765		1,188,127
<u>Cost of Sales</u>				
Opening Stock	34,040		41,473	
(+)Purchase - Outside	939,270		618,633	
- Region Transfer	616,784		303,578	
(-) Closing Stock	<u>(69,487)</u>		<u>(34,040)</u>	
Cost of Sales		1,520,607		929,644
Gross Profit		384,158		258,483
Administration & Establishment Expenses		400,678		359,822
Selling & Distribution Expenses		49,586		18,097
Finance & Others		12,173		14,672
Profit / (Loss) on Operating Activities		(78,279)		(134,108)
Other Income		18,855		30,219
Net Profit / (Loss) for the year.		(59,424)		(103,889)

CEYLON FISHERIES CORPORATION

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.12.2010

	Rs.	Rs.
<u>Cash Flow From Operating Activities</u>		
Net (Loss) for the Year	(59,423,908)	
<u>Adjustments for</u>	-	
Depreciation	137,422,884	
Amortization of Depreciation	(138,989,711)	
Foreign Exchange(Gain)	14,275	
Provision for Retirement Benefit Cost	3,603,572	
Investment Income	(114,351)	
Interest Expenses	5,636,279	
Fixed Assets Disposal Profit	(3,779,458)	
Prior Year Adjustment	9,258,879	
Operational Profit before Working Capital Adjustment(Loss)	(46,371,538)	
Decrease in Trade and other Receivable	26,282,662	
Increase in Inventories	(36,076,694)	
Decrease in Trade Payable	(17,616,539)	
Net Cash Used for Operations	(73,782,108)	
Gratuity Paid	(3,897,443)	
Interest Paid	(5,636,279)	
Net Cash Used for Operating Activities		(83,315,831)
<u>Cash Flow from Investing Activities</u>		
Purchase of Property Plant & Equipments	(11,039,569)	
Proceed from Sale of Assets	5,684,169	
Increase of Capital Work in Progress	145,110	
Foreign Exchange Gain	(14,275)	
Interest received	114,351	
Net Cash Used in Investment Activities		(5,110,214)
<u>Cash Flow from Financing Activities</u>		
Proceeds from long term borrowing- Treasury	45,600,000	
Ministry Loan Received	10,000,000	
Long Term Loan from BOC	48,000,000	
Payment of finance lease liabilities	(1,570,260)	
Net Cash From Financing Activities		102,029,740
Net Increase in Cash and Cash Equivalents		13,603,695
Cash and Cash Equivalent at the beginning of the Year		11,440,066
Cash and Cash Equivalent at the end of the Year		25,043,761

Ceylon Fisheries Corporation

Statement of Changes in Equity

For the Year Ended 31st Dec 2010

	Capital Contributed by the Government of Sri Lanka Rs	Revaluation Reserve Rs	Grants Rs	Retained Profit / (Loss) Rs	Total Rs
Balance as at 1st Jan 2010	376,709,648	108,042,330	772,455,476	(475,842,378)	805,623,317
Net Profit for the year	-	-	-	(59,423,908)	-
Adjustment in respect of Previous year	-	-	-	7,768,034	7,768,034
Balance as at 31st Dec 2010	376,709,648	108,042,330	772,455,476	(527,498,252)	753,967,443

VALUE OF FIXED ASSETS NET OF DEPRECIATION

	Cost as At 01.01.2009	Additions The Period 01.01.09 - 31.12.09	Disposals During The Period 01.01.09 - 31.03.09	Total Cost As At 31.12.2009	Provision for Depreciation 01.01.2009	Depreciation for the Period 01.01.09-31.12.09	Disposal for the Period of 01.01.09-31.03.09	Provision for Depreciation As At 31.12.2009	W.D.V. As At 31.12.2009
LAND	273,681.73			273,681.73					273,681.73
LEASE HOLD LAND	7,457.35			7,457.35					7,457.35
LEASE HOLD BUILDING	1,368,350.86			1,368,350.86	229,323.67	27,367.02		256,559.89	1,111,600.17
BUILDING & OTHER CONSTRUCTION	96,339,733.82	1,095,626.25		97,435,360.07	30,538,631.11	1,935,619.06		32,574,250.17	64,861,109.70
PLANT & MACHINERY	944,836,759.07	393,837.00		945,230,596.07	344,018,494.51	77,570,316.45		421,598,810.96	523,641,785.11
BOATS & TRAWLERS	70,351,792.36			70,351,792.36	30,274,164.34	13,346,302.24		43,629,467.58	26,731,324.78
MOTOR VEHICLES / LEASE MOTOR VEHICLE	273,347,939.40	653,150.00	9,563,010.00	284,437,649.40	169,800,384.04	50,032,067.93	8,643,213.40	211,269,338.57	53,148,610.83
RADIO TRANSMITTERS	1,749,516.82			1,749,516.82	1,306,581.71	39,100.00		1,345,681.71	403,935.11
FURNITURE & FITTINGS	5,494,524.28	881,127.50		6,385,651.78	5,031,217.74	192,051.87		5,223,289.91	1,142,382.17
OFFICE EQUIPMENT	7,683,436.55	2,111,377.48		9,794,814.03	4,689,630.35	499,512.07		5,198,142.42	4,575,671.61
DEEP FREEZERS	15,750,691.88	3,467,816.20		19,218,508.08	8,494,006.18	1,357,873.59		9,851,879.77	9,366,628.31
OTHER EQUIPMENT	9,267,246.24	927,980.00		10,195,226.24	8,788,512.37	323,712.80		9,112,225.17	1,083,001.07
BICYCLE	135,659.60			135,659.60	95,184.13	2,792.00		97,976.13	37,683.47
FISH BOXES	870,745.76			870,745.76	866,373.36			866,373.36	4,372.40
COMPUTERS									
OTHER FIXED ASSETS	2,866,799.91	169,760.00		3,036,559.91	1,130,437.88	218,769.31		1,349,287.19	1,687,292.72
WEIGHING SCALES	6,264,081.73	1,338,885.00		7,602,966.73	3,220,239.11	520,612.26		3,740,851.37	3,862,115.36
TOTAL Rs.	1,436,589,277.16	11,029,589.43	9,563,010.00	1,455,046,596.59	898,883,240.58	146,866,887.88	8,643,213.40	746,196,124.78	691,938,711.89
FIXED ASSETS AT COST (Rs)	1,438,044,836.59								
LESS: DEPRECIATION PROVISION (Rs)	746,106,124.70								
NET FIXED ASSETS (Rs)	691,938,711.89								

Notes to the Accounts
For the year Ended 31st December 2010

	31.12.2010						31.12.2009						31.12.2008					
	Rs'000			Rs'000			Rs'000			Rs'000			Rs'000			Rs'000		
	Fish	Ice	Cold Room	Others	Total		Fish	Ice	Cold Room	Others	Total		Fish	Ice	Cold Room	Others	Total	
1 Revenue	1,797,559	70,985	35,235	976	1,904,765		1,083,987	69,103	32,706	2,330	1,188,127		1,339,606	60,924	47,436	15,206	1,463,172	
Segmental Analysis of Major Income																		
2 Cost of Sales	1,496,665	19,184	1,209	3,550	1,520,608		914,317	15,911		(584)	929,844		1,126,801	5,369	287	15,708	1,148,165	
Gross Profit	300,894	51,811	34,026	(2,574)	384,157		169,670	53,191	32,706	2,915	258,483		212,805	55,555	47,149	(502)	315,007	
Less :- Expenses																		
Administration & Establishment	180,285	60,975	37,122	122,296	400,678		149,324	60,688	37,251	112,560	359,822		157,381	64,841	39,132	99,915	361,269	
Selling & Distribution	48,404	84	52	1,044	49,584		17,550	127	23	398	18,097		30,383	304	56	986	31,729	
Finance & Others	2,731	1,877	676	6,889	12,173		1,093	1,433	615	11,531	14,672		1,272	194	43	8,651	10,160	
Total	231,420	62,936	37,850	130,228	462,435		167,967	62,247	37,889	124,488	392,591		189,036	65,339	39,231	109,552	403,158	
Profit/(Loss) From Operating Activities (A - B) C	69,474	(11,125)	(3,824)	(132,803)	(78,278)		1,704	(9,056)	(5,183)	(121,573)	(134,109)		23,769	(9,784)	7,918	(110,054)	(88,151)	
Extra Ordinary Loss from Tsunami																		
D Other Income	5,035	4,135	38	9,647	18,855		9,844	3,854	6,387	10,133	30,219		20,513	3,503		7,960	31,976	
E																		
Net Profit / (Loss) For the Year	74,509	(6,990)	(3,786)	(123,157)	(59,424)		11,548	(5,202)	1,205	(111,440)	(103,889)		44,282	(6,281)	7,918	(102,094)	(56,175)	
44																		

NOTE NO 04**Investments**

	As at 31.12.2010	31.12.2009
	Rs. , 000	Rs. , 000
Investment on Lanhuwa (pvt) Ltd	377	377
Investment on Union Fish Products Ltd.	110,000	110,000
Investment on Fixed Deposit	200	200
	110,577	110,577

NOTE NO 05**Inventories**

	As at 31.12.2010	31.12.2009
	Rs. , 000	Rs. , 000
Fish	67,339	28,694
Packeted Fish		127
Ice	14	299
Fuel & Oil	970	881
Others	1,164	4,025
Non Trading Stocks	7,003	6,145
Total	76,490	40,172

NOTE NO 06**Trade & Other Receivables**

	As at 31.12.2010 Rs. , 000	31.12.2009 Rs. , 000
Trade Debtors	94,866	118,192
Sundry Debtors	45,681	36,290
Staff Debtors	16,804	18,413
Foreign Companies	17,319	46,522
	174,670	219,417

*As per***NOTE NO 08****Trade & Other Payables**

	As at 31.12.2010 Rs. , 000	31.12.2009 Rs. , 000
Trade Creditors	59,791	49,809
Foreign Companies	49,791	109,316
Accrued Expenses	14,214	20,019
Sundry Creditors	128,139	99,328
Staff Creditors	14,135	15,201
	266,070	293,673

***Significant Accounting Policies & Disclosures for the year ended 31st
December 2010***

1) Summary of Significant Accounting Policies

1.1.) General

1.1.1. Basis of Preparation

The balance sheet and the related statements of income, changes in equity, cash flow and Accounting Policies and notes to the accounts of Ceylon Fisheries Corporation have been prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

These financial Statements have been prepared in accordance with the historical cost convention.

1.1.2. Comparative Information

The Accounting Policies have been consistently applied by the Corporation with these used in the previous year, Previous years figures and phrases have been rearranged wherever necessary to conform to the current year presentation.

1.1.3. Events Occurring after the Balance Sheet Date

All material post balance sheet events have been considered and where appropriate adjustments or disclosures have been made in the financial statements.

1.1.4. Taxation

Current Taxes

The provision for income 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 No 10 of 2006.

During the year Corporation has not paid Economic Service Charges for the last year turnover.

Deferred Taxation

The Corporation has a carried forward loss of Rs. 527 mn as at 31-12-2010..

Taxable loss reported for the year 2009/2010 amounting to Rs 93Mn therefore no provision has been made.

1.2.

Valuation of Assets

1.2.1. Trading Stocks

Trading Stocks namely fish and dry fish and ice stocks are valued using weighted average cost formula. Non trading stocks are valued at its cost.

Head office closing stocks included trading diesel stocks as well as non trading oil stock of cold room & Stationery, Spare Parts, Other General Items of Head office. Necessary adjustments had been made through the respective accounts.

1.2.2. Trade and Other Receivables

Trade and Other Receivables are shown at the book value and the detailed schedules available are according to the statements prepared by the relevant Regional Managers.

1.2.3. 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 as amounts of cash and subject to in significant risk of changes in value.

For the purpose of cash flow statements Cash and Cash equivalents consist of cash in hand and deposits at Bank net of outstanding Bank overdraft.

Interest paid and interest income are classified as operating cash flows. The cash flow statement is reported based on the indirect method.

1.2.4. Property Plant and Equipments

a) Cost / Valuation

Property Plant and Equipments are recorded at cost or valuation less accumulated depreciation.

Expenditure incurred on repair and maintenance of property, plant and equipment in order to restore or maintain the future economic benefits which was originally assessed is recognized as an expense as and when they are incurred.

b) Depreciation / Amortization

Depreciation is calculated according to the revised standard. The provision for depreciation is calculated on the cost of asset utilization. The depreciation rates for Corporation assets are as follows.

	<i>Depreciation Rate</i>
<i>Buildings</i>	<i>2%</i>
<i>Plants & Machinery, Furniture, Deep Freezer and Weighing Scales</i>	<i>10%</i>
<i>Motor Vehicles</i>	<i>20%</i>
<i>Office Equipments and Others</i>	<i>8.5%</i>

No provision has been made for land.

The assets which are received as grants are being amortized in accordance with depreciation rates.

1.25. Projects completed with the aid received from the Japanese Government after the Tsunami disaster in December 2004.

The cold room complex was handed over to the Corporation in August 2008. Ice production commenced in November 2007.

Installation and commissioning of blocks ice plants (50MT) per day, 300 MT cold room complex with EU/HACCP standard processing plant.

<i>Total estimated cost</i>	<i>:</i>	<i>Rs. 317.66 Mn</i>
<i>Place</i>	<i>:</i>	<i>Galle Fishery Harbour.</i>

It was introduced two 50ft offshore fishing boats (Multi day boats) with long line technology. Total estimated cost of the above Rs 64.12. Mn.

1.2.5. Investment

The Ceylon Fisheries Corporation had entered into a joint venture with Union Fish Products Ltd by transferring a land as an investment. However, the Corporation has decided to cease the joint-venture and re-vest the Land. The legal process is being continued.

1.3. New Investments

Projects Under the Mahinda Chinthna

- 1.3.1** *Proposed processing and canning factory at Galle (Kaduruduwatte) as a joint venture project with the Company from New Zealand. Total estimated cost of this project is Rs 6000 Mn.*

MOU has been signed with the New Zealand party for the fish processing and canning factory. The CFC has signed an network another MOU with the Southern Development Authority to lease out the land for this project. All the necessary documents have been submitted to the Central Environmental Authority and awaiting for the approval to commence the filling work of the land.

- 1.3.2. Projects implemented with the Corporation funds**

Establishment of retail fish outlets.

Under the CFC network retail expansion project 23 Nos of modernized retail fish outlets were established inlandwide and renovated existed outlets.

- 1.3.3. Mobile Fish Sales**

This project has been implemented successfully in Colombo and suburbs by utilizing 17Nos of freezer trucks.

- 1.3.4. Packeted Frozen fish sales project**

In order to obtain fish at lower price to the Customers Ceylon Fisheries Corporation and Lanka Sathosa join project of sale of packeted frozen fish through Lak Sathosa outlets has been successfully operated during the year 2010.

Under this project a quantity of 254.43 MT of packeted frozen fish sold through 150 nos of Lak Sathosa outlets.

1.4. Liabilities & Provisions

- 1.4.1. Terminal benefits to employees.**

The retirement benefit plan adopted is as required under the payment of gratuity Act No -12 of 1983. This item is grouped under retirement benefit obligations in the Balance Sheet.

The Corporation continues in business as a going concern. Therefore liability is not completely externally funded.

CEYLON FISHERIES CORPORATION
FINANCIAL SUMMARY

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
				Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
TRADING RESULTS										
TURNOVER	1,308,606	911,698	100,974	1,136,312	736,946	433,151	341,176	360,661	541,388	419,743
OPERATING PROFIT (LOSS)	(59,424)	(134,108)	(96,103)	(32,789)	(74,334)	(122,426)	(98,200)	(86,940)	(29,106)	(46,727)
EXTRA ORDINARY LOSS(TSUNAMI)	-	-	-	-	-	-	(10,218)	-	-	-
OTHER INCOME	-	30,219	39,928	23,667	46,715	88,111	72,072	91,714	48,231	25,470
NET PROFIT(LOSS)	(59,424)	(103,889)	(56,175)	(9,122)	(27,619)	(34,315)	(36,346)	4,774	19,125	(21,257)
BALANCE SHEET										
CAPITAL EMPLOYED	(18,488)	33,168	141,253	(573,235)	213,528	310,271	304,908	419,361	314,493	297,511
LONG TERM LOANS	94,344	82,876	29,868	66,144	55,514	50,680	51,175	36,495	29,056	27,162
RETIRING GRATUITY	65,276	70,624	68,770	718,494	697,730	6,872	6,872	7,026	7,635	6,872
GRANTS	632,254	772,455	902,479	211,403	966,772	367,823	362,955	462,882	357,184	331,545
	773,386	959,123	1,142,370							
ASSETS EMPLOYED										
NON CURRENT ASSETS	696,438	833,070	978,297		762,669	116,195	118,645	133,931	144,301	156,869
INVESTMENTS	110,576	110,577	173,055	165,532	161,058	164,978	172,298	172,318	65,943	62,418
CFHC RECEIVABLE & OTHERS	50,099	50,099	50,100	50,100	50,099	50,099	50,099	59,381	50,099	50,099
CURRENT ASSETS	317,515	288,828	200,437	172,312	181,374	143,396	109,540	174,890	143,419	133,899
CURRENT LIABILITIES	(401,242)	(323,450)	(259,519)	(176,541)	(188,428)	(106,845)	(87,627)	(77,638)	(46,578)	(71,740)
	773,386	959,124	1,142,370	211,403	966,772	367,823	362,955	462,882	357,184	331,545
CURRENT RATIO	1:1.26	1:1.12	1:1.29	1:1.02	.96:1	1.34:1	1.25:1	2.25:1	3.08:1	1.86:1
RATE OF RETURN %	(4.54)	(11.75)	(5.72)	(0.80)	(3.75)	(7.92)	(10.65)	1.32	3.53	(5.06)
NUMBER OF EMPLOYEES	1,038	652	718	763	725	611	658	697	680	670

RATIO ANALYSIS

	2010	2009	2008	2007
CURRENT RATIO				
	<u>317,514,504.86</u>	<u>288,828,759.38</u>	<u>200,457,564.94</u>	<u>172,311,846.42</u>
	401,241,785.06	323,450,964.05	259,538,782.39	176,541,020.09
	1:1.26	1:1.12	1:1.29	1:1.02
QUICK ASSETS RATIO				
	<u>241,286,058.17</u>	<u>248,657,006.92</u>	<u>152,834,595.78</u>	<u>119,026,738.38</u>
	401,241,785.06	323,450,964.05	259,538,782.39	176,541,020.09
	1:1.66	1:1.30	1:1.70	1:1.48
SALES RETURNS (%)				
	<u>(59,423,907.55) x100</u>	<u>(103,889,474.95) x100</u>	<u>(56,175,497.44) x100</u>	<u>(9,121,212.79) x100</u>
	1,904,765,517.35	884,523,559.30	982,466,562.02	1111034392
	(0.03)	(11.75)	(5.72)	(0.82)

OUR HUMAN RESOURCE

	2005	2006	2007	2008	2009	2010
TOTAL NUMBER OF EMPLOYEES	611	725	763	718	652	1038
EXECUTIVE (INCLUDING TRAINEES)	65	66	66	58	49	58
CLERICAL AND TECHNICAL	326	318	301	290	289	210
MINOR EMPLOYEES	220	341	396	370	314	770