



Cey-Nor Foundation Ltd

Annual Report - 2015



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CORPORATE INFORMATION

Name of the Company	: Cey-Nor Foundation Limited
Legal Form	: Limited Liability Company incorporated in Sri Lanka Under the Companies Act No:17 of 1982 and subsequently under the Companies Act No:7 of 2007 : 335, D.R.Wijewardena Mawatha,Colombo 10
Registered Office	
Board of Directors	
Mr.K.A.S.K. Perera	- Appointed as a Director on 26/02/2015 And acting Chairman on 27/08/2015
Mr. Sandun Malinda Thenuwara	- Appointed as a Director On 09/06/2015
Mr.D.W. Jayantha Danapala	- Appointed as a Director On 09/06/2015
Mr.C.R. Munawwera	- Appointed as a Director On 09/06/2015
Lawyer L.M.K. Muthukumarana	- Appointed as a Director On 09/06/2015
Company Secretary	: Ananda sirisna & company
Auditors	: Auditors General's Department No 306/72, Poldoowa Road, Baththramulla.
Bankers	: Bank of Ceylon : Hatton Natonal Bank : Peoples Bank
Factory	: Mattakkuliya Boatyard
Other Projects	: Cey- Nor Orient Seafood Restaurant (operating on a management agreement) : Automobile Workshop (operating on a management agreement)

OUR VISION

To be a market-leader in building of fishing and leisure craft and supply of fishnet / fishing gear in Sri Lanka and be an internationally recognized boat builder.

OUR MISSION

Operating as an efficient and effective government-owned company which supplies high-standard fishing craft and fishing gear to clients at competitive prices

OUR OBJECTIVES

- To become a recognized exporter of fiberglass boats**
- To become a fiberglass boat builder of international repute**
- To be an investor in foreign lands in fiberglass boat building sector**
- To be an effective contributor to the development of Fishing Industry in Sri Lanka by supplying high-quality products, namely fishing boats & fishing gear**
- To be a provider of excellent customer services**

HISTORY OF THE COMPANY

Cey-Nor Foundation Limited was incorporated as a Public Liability Company on 17 January 1990 to take over and carry on business of the Government- Owned Business Undertaking of Cey-Nor Development Foundation Limited, under the Conversion of Public Corporations or Government-Owned Business Undertaking into Public Companies Act No.23 of 1987.

Cey-Nor Development Foundation began operations in 1967 as a non-profit organization dedicated to enhancing education and welfare of the domestic fishing community.

Over the years, the organization has undergone several transformations as summarized below:

1967 - Cey-Nor Development Foundation was created and began operations, utilizing the aids received from NORGES GODTEMPLAR UNGDOMS FORBUND (NGU) - a Norwegian Non-Governmental Organization

1971 - Incorporated under the Companies Ordinance No. 51 of 1938 as a Public Company Limited by guarantee and was known as Cey-Nor Development Foundation Limited

1985 - Acquired by the Government of Sri Lanka under the Business Acquisition Act No: 38 and became the GOBU of Cey-Nor Development Foundation Limited

1990 - The GOBU of Cey-Nor Development Foundation ceased to exist with the application of the conversion of Public Corporations or GOBU Companies Act No. 23 of 1987

Cey-Nor Foundation Limited was incorporated under the Companies Act No.17 of 1982, to succeed the former GOBU of Cey-Nor Development Foundation Limited

The entire share capital of this new company (Rs. 40,000,000.00) has been allotted to the Secretary of the Government Treasury.

2011 – According to a policy decision taken by government and with the approval of the Cabinet of Ministers, two fishnet factories at Lunuwila and Weerawila which were operated under Cey-Nor Foundation Limited were handed over to Northsea Limited, which functions under Ministry of Traditional Industries and Small Enterprises Development, with effect from 1st November 2011

As per MOU signed between Cey-Nor Foundation Limited and NorthSea Limited, Cey-Nor Foundation has been vested with the authority of being the Sole Agent for sales of fishnet manufactured at Weerawila and Lunuwila Factories.

Chairman's Review

I am pleased to present the Annual Report of Cey-Nor Foundation Limited for the Financial year ended 31 December 2015 To The Cabinet of Ministers.

I have been serving as the Acting Chairman of Cey – Nor Foundation Limited since August 2015 up to the end of 2015 and the former Chairman Eng. Mr. B. V. Sarath Kumara de Silva covered the period up to August 2015.

The former Chairman has started lot of development oriented activities and the Company made remarkable profit during the last years. The new business strategies used, have been helped to reduce the heavy losses incurred by the Company up to 2012. This situation is illustrated in the Table I.

Net profit (loss) after tax	2008	2009	2010	2011	2012	2013	2014	2015
	(25.8)	(30.3)	(23.5)	(16.2)	(7.1)	0.70	89.4	61.8

With this profitable situation of the Company, the following major activities were in place in 2015 as a result of this peaceful environment;

- The Company was able to settle VAT payable to the Department of Inland Revenue amounting to Rs.27mn which was a long outstanding tax issue.*
- Settled the full payment of the excavator worth of 40mn purchased to construct the Maradana Anchorage Project.*
- Streamlined the leave procedure which was more benefitted to the employees of the Company.*
- The employees were given a bonus as per the Circular issued by the Department of Management Services.*
- Initial steps we taken to adhere to the audit requirements stipulated by the Auditor General's Department and Treasury obligations.*
- The Company was able to recruit a permanent General Manager instead of having contract appointments made during the past.*

The construction works of Maradana (Beruwala) project was about to complete in 2015, which was a Rs.192mn project. The project at Dikkowita landing site was completed in 2014 which valued Rs.70mn. All the construction works were done with the help of knowledge and experience of the staff of the Company. Further, the Company engaged in lot of buying and selling activities on fishing nets and related products.

During the year 2015, the Company was able to manufacture 711 Oru, 334 pallets, one 50 feet whale watching boats, 50 fish boxes, 84 Ice boxes, 436 outriggers, 8 number of 19 ½ boats etc. using the upgraded facilities at the Mattakkuliya Boatyard which has modern state-of-the art technology with regard to the boat manufacturing.

The initial discussions were made to re-establish the boatyard, workshop, boat repairing center and the fish processing center in Karaingar which was not used for so many years due to the complex situation in the area. The total project cost is Rs.238mn and it is expected to obtain these funds from the General Treasury through the Ministry Fisheries & Aquatic Resources Development.

Finally, with the favorable conditions affected by the Company in 2015, the Company was looking forward to take up challenges coming in future with courage and confidence with the hope of reaching to a better harvest in 2016 and beyond.

Acknowledgements

The guidance given by Hon. Minister of Fisheries & Aquatic Resources Development and the direction and assistance provided by the Secretary to line Ministry in reaching the objectives of Company during the year 2015 are deeply appreciated. And also the cooperation extended by the staff of the line Ministry and Department of Fisheries in dealing with various matters of Company throughout the year is remembered with gratitude.

Further, I am also thankful to the Board of Director and members of staff at all levels of the Company who assisted me in making the Company success towards its goals during the year 2015.

*K.A.S.S.K. Perera
Acting Chairman
Cey nor foundation limited*

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2015



1. Audited Accounts

For the year ended 31 December 2015

2. Financial Results

The net profit/(loss) for the year is revealed in the statement of comprehensive income page 29

3. State of Affairs

The state of the company is set out on page 30

4. Principal Activities

The main activities of the company, which remained unchanged since the previous financial year, are as follows:

- Build, manufacture and sell fiberglass vessels and allied products
- Sole distributor for nylon fishnet and other allied products in Sri Lanka
- Operates workshops for repairs to fishing vessels, marine engines, marine and fishing equipment

In addition, the following activities have been introduced with effect from 2012

- Designing and planning of all types of sea-going vessels
- Engaged in offshore construction activities

5. Dividends

The Directors do not recommend declaring dividends for the year 2015

6. Directors interest and proposed contracts with the Company

None of the Directors had interest in contracts with the company during the period

7. Directors Interest in the shares of the company

None of the Directors held any shares in the company during the year ended 31 December 2015

8. Substantial Share Holdings

At the Balance Sheet date, Secretary to the Treasury held 100% of the company's Issued share capital

9. Charitable Contributions

The Company did not make any contribution during the year for charitable or Political purposes.

10. Change in Property, Plant & Equipment

Movement in Property, Plant & Equipment during the year is set out in Schedule on Page:

11. *Bank Facilities*

The Directors are confident that the company's Bankers who have continued to extend Bank facilities till end of the year will continue to provide them further on submission of security

12. *Appointment of Auditors*

After 19th amendment of the constitution the Cey- Nor foundation was subjected to the audit of auditor's general department.

13. *The Directors of the Company as at 31 December 2015*

Mr. K.A.S.S.K Perera	- Acting Chairman
Mr. Sadun Malinda Thenuwara	- Director
Mr. D.W. Jayantha Danapala	- Director
Mr. C.R. Munaweera	- Director
Lawyer L.M.K. Muthukumarana	- Director

By order of the Board

Signed
K.A.S.S.K Perera
Acting Chairman

Signed
Ananda Sirisena & Company
Company Secretary

ACHIEVEMENTS OF THE YEAR - 2015

Manufacture of Fiberglass Boats & Allied Products

As a growth strategy it has been used market penetration strategy, we have thrived to grow our current market by increasing uses, usage as well as users of our products. It has been highly focused on commercial fishery sector to increase fish harvest.

We have manufactured Floating restaurant highly targeted to tourism industry has been refurbished with all facilities such as tables, chairs, kitchen and o sanitary facilities. This floating restaurant can be catering for 40 number of guests for one time.



During year of 2015, we have built a 50 feet Sashimi whale watching passenger vessel to Mirissa for tourism activities, which made up of high stability with 100 passenger accommodation with cruising speed with over 10-11 knots. It has specially designed for as a Tri Marine Vessel which equipped with 3 hulls for high stability purposes.

It has been developed Fiber glass hatchery jars for stocking and larval rearing, which consisted modern techniques for water flow rate and temperature adjustment, recirculation water system, dissolved oxygen. And also well equipped with inspection door and strainer which added more value to artificial hatchery system for inland fishery industry in Sri Lanka.

It was the first time we were able to produce a marine life ring in Sri Lanka, to keep the marine life safe. It has been improved the technology to rescue 4 people from a single marine life ring.



During the year, the company manufactured a large number of canoes for the inland fishery sector. These orders were received mainly from Ministry of Fisheries & Aquatic Resources Development and various Provincial Councils island-wide. In addition, during the year, Cey-Nor manufactured quite a number of miscellaneous items such as fish boxes, ice boxes, weapon storage boxes, and security huts, etc.

- **Manufacture of Fiberglass Boats & Allied Products -2015**

Table 1

No	Type of Jobs	Qty
1	13 ft Cannoes	3
2	15ft Cannoes	13
3	15 1/2 ft Cannoes	478
4	18 1/2ft Inland Cannoes	493
5	Out-trigger 10' 6"	495
6	Out-trigger 10' 2"	385
7	13.25ft Theppam	3
8	18 1/2 Flat Bottom Boat	1
9	19 1/2ft Flat Bottom Boat with Benches	3
10	Ambulance Boat -7.25m with 02-25hp Engines	1
11	30x18x14 fish boxes with Lid & Insulations	4
12	30x18x11 Insulated fish boxes with Lid & Scale holder	11
13	54"X30"X22" Fish cutting Table	7
14	Ice Box 4'x3'x2'	21
15	Passenger Chair	53
16	Hatchery Jar with SS Crown	10
17	Life Ring	6
18	Round Table Dia- 4'	1

ISO Certification

Cey-Nor Foundation Limited has been successfully maintaining the ISO 9001: 2008 Certificate from year 2009 to date.

- **Other Projects**

1. ***Cey-Nor Orient Seafood Restaurant***

The Seafood Restaurant is operated by Orient Pearls Hotels Limited under a management agreement entered into in 1988. The investor, Orient Pearls Hotels Ltd, has converted their business strategy to generate only a marginal income. Cey-Nor Foundation is entitled to receive a monthly rental and share of profits.

2. ***Automobile Workshop - Mattumagala***

Cey-Nor foundation limited entered in to a management agreement with Frontier Automobile Limited in 2006 to conduct the business on profit sharing and monthly rental as agreed.

- **Human Resources**

Personal strength of the company was 93 employees as at 31st December 2015.

Table 2

Location	Number of Employees
Head Office	55
Mattakkuliya Boatyard	30
Retail Outlets (Galle, Matara, Tangalle,Peliyagoda)	08
Total	93

Basis of recruitment of above employees are shown below.

Table 3

Permanent staff	72
Contract employees	20
Assignment basis	01

FINANCIAL PERFORMANCE IN 2015

Cey-Nor Foundation has successfully managed the business in 2015 and earned 61 million profits after tax at the end of the financial year.

The fishing nets and other fishing gear order received from Ministry of Fisheries and Aquatic Resources Development and costal construction project conducted by Cey-Nor Foundation was immensely contributed to achieve this profit during the year 2015.

Table 3

Description	Turnover Rs.
1. Company Products	60,253,552.81
2. Other Operating Income	27,687,617.29
3. Income from Trading Activities	562,900,228.22
4. Income from Construction Works	112,626,415.06
Total Income	763,467,813.30

Table 4

Financial Highlights for the Last 5 Years

Rs. (M)

Description	2010	2011	2012	2013	2014	2015
Total Revenue	345.99	324.75	217.75	267.09	1,060.83	763.4
Gross Profit/(Loss)	34.45	51.22	57.19	73.83	170.56	112.92
Net Profit/(Loss) After Tax	(23.55)	(16.25)	(7.09)	0.27	89.35	61.8
Earnings Per Share	(5.89)	(4.06)	(1.77)	.070	22.34	15.45
Fixed Assets (Net Book Value)	338.56	274.19	287.58	309.50	346.42	323.03
Fixed Deposits	-	-	-	1.30	1.30	1.3
Current Assets	125.59	180.91	191.63	186.58	445.25	263.8
Current Liabilities	149.98	218.67	227.51	225.93	431.48	175.1
Non-Current Liabilities	95.31	71.64	28.50	46.93	41.25	30.9
Share Capital	40.00	40.00	40.00	40.00	40.00	40.00
Capital with other Reserves	232.12	178.09	231.55	231.55	320.91	382.7

In 2014 Cey-Nor Foundation Ltd had diversified in to construction industry in addition to its core business. Hence we could achieve higher profitability in 2014. However, in 2015 we have focused only on our core business. Consequently, profitability on 2015 has decreased compared to 2014.

Future Plans

- ❖ Statistic of Ministry of Fisheries and Aquatic Resources Development revealed the post harvest loss of the Sri Lankan fishing industry is almost in view of minimizing the post harvest lost Cey -Nor foundation ltd



have started to manufacture a modern fishing vessel longer than 55 feet to address this issue. Further we hope it will reduce the usage of small boats in Sri Lankan water.

- ❖ Cey -Nor Foundation has initiated to build a new boat yard at Kareinagger bear land with the support of the Ministry of Fisheries and Aquatic Resource Development instead of the old boat yard which was destroyed by the civil war in past.



- ❖ We have planned to renovate the stores complex at Mattakkuliya and rent it to a reputed company above the government valuation adhering to proper procurement procedure.
- ❖ In view strengthen the internal control procedure of the company, we have planned to introduce a procedure manual covering all management activities of the company.
- ❖ The higher management will be empowered more facilities and high caliber staff to widen the scope of our marketing division to conquer with privet sector in the competitive market, to accelerate and improve the marketing activities beyond the borders of Sri Lanka.



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No. }

FLS/B/CNFL/15/44

මගේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

02 March 2017

To the Shareholder of the
Cey-Nor Foundation Limited

Report of the Auditor General on the Financial Statements of the Cey-Nor Foundation Limited for the year ended 31 December 2015

The audit of the financial statements of the Cey - Nor Foundation Limited for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations on the above financial statements appear in this report.

1.2 Board's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

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

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

accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

1.4 **Basis for Qualified Opinion**

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

2. **Financial Statements**

Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Cey – Nor Foundation Limited as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.1.1 **Report on Other Legal and Regulatory Requirements**

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

- a. The basis of opinion and scope and limitations of the audit are as stated above.
- b. In my opinion :
 - I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Foundation.
 - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No. 07 of 2007.

2.1.2 **Report to Parliament**

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

2.2 Comments on Financial Statements

2.2.1 Compliance with Sri Lanka Accounting Standards (LKAS)

The following observations are made.

(a) LKAS 01 – Presentation of Financial Statements:

Although, assets and liabilities shall not be offset, the Foundation had offset its credit and debit balances aggregating Rs.824,824 and Rs.16,805,846 against other receivables and payables respectively.

(b) LKAS 26 - Accounting and Reporting by Retirement Benefit

There was no proper investment plan for the retirement benefit in order to address the future retirement obligations, However, a provision for gratuity amounting to Rs.11,496,747 had been made as at 31 December 2015

(c) LKAS 40 – Investment Property

(i) Although, the Foundation had earned a sum of Rs.16,266,502 as investment income, investment property had not been disclosed separately in the financial statements.

(ii) Foundation had not determined the fair value of the investment of Rs.1,961,850 made in a private company registered in Bangladesh for boats manufacturing purposes and brought the respective value into accounts.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) Building rent amounting to Rs.294,000 payable to the Central Fish Market Complex at Peliyagoda as at the end of the year under review had not been brought to accounts.

(b) Provision for depreciation made during the year under review had been overstated by Rs.4,841,527 in the financial statements, due to erroneous postings of journal entries to the ledger accounts.

- (c) A sum of Rs.1,267,650 receivable for the year under review on properties owned to the Foundation at the Mattakkuliya Yard which leased out to an outside party for a project for processing of fish products had not been brought to the financial statements.
- (d) An amount of Rs.162,119,000 spent to upgrade the Mattakkuliya Yard, out of the grants received from the General Treasury for Dikowita Harbor Project through the Ministry of Fisheries and Aquatic Resources Development had not been brought to accounts.
- (e) It was observed that the investments amounting to Rs.325,950 made in the Sri Bangalas Boats Manufacturing Company and a sum of Rs.2,778,208 spent on transportation of molds of boats had only been shown in the financial statements. However, the cost of molds of the boats and technical supports thereon amounting Rs.2,778,208 had not been included therein.

2.2.3 Un-explained Differences

The following observations are made.

- (a) A difference of Rs.717,294 was observed between the output taxes shown in the statements of the Value Added Tax for the third and fourth quarters of the year under review and the monthly statements of tax for the respective period. Further, a difference of Rs.2,563,819 was also observed between the input taxes shown in the above mentioned statements.
- (b) According to the Value Added Tax returns, the output taxes amounted to Rs.9,312,055. However, according to the ledger account it was Rs.14,534,963. Therefore, a difference of Rs.5,222,908 was observed.
- (c) According to the Value Added Tax returns, a sum of Rs.18,897 had to be paid as at 31 December 2015. However, it was shown in the financial statements as receivable balance of Rs.15,190,312. Therefore, a difference of Rs.15,209,209 had been observed.
- (d) According to the records maintained at the Dikowita Fisheries Harbor Project, the assets valued at Rs.60,556,983 had been transferred to the Foundation during the year 2015. However, it was shown in the records of Foundation as Rs.45,854,541, thus a difference of Rs.14,702,442 was observed.

- (e) The Foundation had shown a sales income of Rs.58,195,818 in the financial statements for the year under review. However, sales Division of the Foundation had confirmed that it was Rs.62,646,446. The reasons for difference of Rs.4,405,628 had not been explained to audit.

2.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) A policy for provision for bad debt for trade debtors had not been disclosed. However, an amount equal to Rs.6,532,490 had been provided for bad debts since 2011. Although other receivables amounting to Rs.6,028,504 had remained outstanding for over a period ranging from 02 to 04 years, provision for bad debt had not been provided.
- (b) Actions had not been taken to settle the Goods and Services Levy, National Defense Tax , Turnover Tax etc. aggregating Rs.2,585,515 shown in the financial statements since 2011 as payables to the Commissioner General of Inland Revenue. Further, other dues such as Value Added Tax and Withholding Tax amounting to Rs.1,458,293 and Rs.3,368,452 respectively had remained unsettled for over 04 years. In addition to that, tax certificates for withholding tax amounting to Rs.1,119,030 shown under other receivables had not been presented for audit.
- (c) According to the financial statements of the Foundation, a sum of Rs.1,390,902 had been shown as payable to the Fisheries Harbor Corporation. However, according to the financial statement of the Corporation no Corresponding balance was shown as receivable form the Foundation.
- (d) Confirmations in respect of trade debtors, receivables and trade creditors shown in the financial statements amounting to Rs.146,151,830, Rs.9,204,498 and Rs.100,926,391 respectively had not been presented for audit. According to the age analysis, trade creditors aggregating Rs.58,366,542 representing 58 per cent of total creditors and trade debtors aggregating Rs.33,398,577 representing 23 per cent of total trade debtors had remained outstanding for over 03 months and 33 months respectively



(e) A balance of Rs.2,078,392 shown in the statement of financial position as at the end of the year under review as Ministry Grants had remained unsettled for over several years. Further, the information relating to the respective balance had not been furnished for audit.

2.2.5 Lack of Evidence for Audit

The detailed schedules on Value Added Taxes amounting to Rs.22,643,116 collected from the Department of Fisheries and Aquatic Resources were not made available for audit and as a result, the remittances of the respective taxes could not be confirmed in audit.

2.3 Non- Compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non- compliance with Laws, Rules and Regulations were observed in audit.

Reference to laws, Rules and Regulations

Non- Compliance

(a) Paragraphs 25(1) and 25(2) of the Inland Revenue Act, No.10 of 2006

The Foundation had received capital allowances of Rs.14,806,180 for the year of assessment 2014/15 and the tax concession of Rs.4,145,730 on assets valued at Rs.45,854,542 procured for Dikowita Fisheries Harbor Project. Further, at the time of handing over the assets to the Foundation, a sum of Rs.9,633,313 which identified as differed government grants had been treated as a tax exempted revenue. Therefore, it was observed that the tax concessions were obtained in 02 occasions on the same assets.

(b) Public Finance Circular No. 02/2015 of 10 July 2015

Although out of 16 vehicles in the fleet of motor vehicles 06 motor vehicles had been identified to disposed, action had not been taken to dispose those vehicles even up to 31 December 2015.

2.4 Transactions not Supported by Adequate Authority

A retired officer had been recruited on contract basis for the post of General Manager of the Foundation on 18 June 2014 without the approval of the General Treasury and contrary to the approved recruitment procedures. A monthly remuneration of Rs.100,000 had also been paid in contrary to the recruitment procedure and Section 2 (1) of the Public Administration Circular No 09/2007. Further, the interim allowances recommended by the Public Administration Circular had also been paid for this officer who are not entitle for this allowances. In addition to that, the monthly salary had been increased by Rs.25,000 with effect form 01 November 2014 without even an approval of the Board of Directors.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the foundation for the year under review had resulted in a pre-tax net profit of Rs.70,430,367 as compared with the corresponding pre-tax net profit of Rs. 100,419,522 in the previous year, thus indicating a deterioration of Rs. 29,989,155 in the financial results for the year under review. Decrease of gross profits on construction works and trading activities by Rs. 60,815,482 was the main reason attributed for this deterioration in the financial results.

3.2 Analytical Financial Review

3.2.1 Value Addition

The following observations are made.

- (a) In analyzing the financial results of previous 5 years before adjusting the depreciation for non – current assets and personnel emoluments, the value addition of the Foundation had been increased by 49 per cent since the year 2012 to 2015 and the value addition for the year under review was Rs.195,937,736

- (a) Even though there was an increase in the value addition of the previous year as compared with the year 2013 by 226 per cent, only 05 per cent of Value addition had been increased during year under review.

- (b) Forty seven per cent of value additions for the year under review had represented by the supply of fisheries boats and other fishing gear to the Line Ministry and the Department of Fisheries Aquatic Resources.
- (c) Adequate action to improve the Value Addition by way of increasing the profit had not been taken by the Foundation during the year under review.

4. **Operating Review**

4.1 **Performance**

The Cey- Nor Foundation Limited had been incorporated as a Public Company under the Companies Act, No.17 of 1982 and under the Conversation of Public Corporations and Government Owned Business Undertakings in to Public Companies Act, No.23 of 1987 and the objectives of the Foundation as per the Memorandum of Association are as follows.

- To carry on the business of building, manufacturing, sales and operating workshops for repair and reconditioning of trawlers boats, fishing vessels, marine motors and other marine equipment.
- To undertake the business of manufacture of ice and marine products and the processing, packaging, marketing and export of these products.
- To carry on the business of the manufacture and sell of fishing nets and allied fishing gears in Sri Lanka or abroad.
- To act as a commission agent, sales agent or manufacturer with regards to the activities of the Foundation.

The following observations are made in achievement of the above mentioned objectives.

- (a) Even though the Foundation had engaged with other activities exterior to the above mentioned objectives, and undertaking the manufacturing of ice and allied activities and manufacturing of fishing nets had been withdrawn from the original objectives of the Foundation, actions had not been taken to amend the Memorandum of Association in line with the current requirements.

- (b) The physical progress on the achievements of the targets of the Foundation for the year under review had not been presented for audit.

4.2 Management weakness

The following observations are made.

- (a) According to the provisions in the management agreement entered into with a private company to renting out the motor vehicle repair workshop located at Mattumagala for 15 years, 3 per cent of annual turnover is required to be paid subject to minimum rentals of Rs100,000 in first 05 years, Rs.150,000 in second 5 years and Rs.250,000 in third 5 years. However, the minimum fee had only been recovered by the Foundation without considering the annual turnover. Further, action had not been taken to confirm the income through audited financial statements of the relevant Company.
- (b) The Foundation had rented out 03 containers to a private company at a monthly rental of Rs.95,000. However, the values of machineries and equipment fixed in the containers had not been considered in determining the monthly rental.

4.3 Operating Inefficiencies

The following observations are made.

- (a) Out of the funds received from the General Treasury, on a decision of the Cabinet of Ministers for the implementation of the Dikowita Fisheries Harbor Project, a sum of Rs.207.9 million had been spent during the year for improvement of the boat yard at Mattakkuliya belonging to the Foundation. However, a plan for the improvement works had not been prepared and presented. Further, according to the records of the Foundation, a significant progress on productions and sales income had not been shown even at the year under review.
- (b) The Committee on Public Accounts held on 05 March 2013 relating to the Ministry of Fisheries and Aquatic Resources had made a direction to launch a scheme to repair boats at the yard and supply such boats to the fisheries community at subsidized prices in order to refund the allocation released by the General Treasury.

However, neither such a scheme had been implemented nor supply of boats to the fishermen at low costs was observed even as at 31 December 2015.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) Renting out a portion of the Boat Yard at Mattakkuliya.
 - (i) The Foundation had taken action to enter into an agreement with a foreign company registered in Sri Lanka on 29 May 2014 to lease out a part of land with extent of 19,456 square feet belonging to the Boat Yard at Mattakkuliya and buildings thereon for 30 years. However, approval of the General Treasury or Board of Investment had not been obtained for this purpose.
 - (ii) The respective land had been leased out at a rate of Rs.7.70 per square feet. However, a portion of the land had been leased out at a rate of Rs.21 per square feet in a previous occasion. Therefore, the Foundation had incurred a loss of Rs.4,654,368 by this transaction.
 - (iii) As a result of defaulted the payment of rentals and non-compliance with the provisions in the lease agreement, the properties leased out had been acquired by the Foundation. However, no action had been taken to recover the outstanding rentals during the year under review.
- (b) Investments in Sri Bangalash Boat Manufacturing Company
 - (i) The Foundation had entered into a joint venture agreement with the above mentioned company registered in Bangladesh for the purpose of manufacturing and selling of fishing boats. According to the agreement, the Foundation is required to make an investment of US\$ 80,000 or 40 per cent of the capital of the company. However, actual investment made by the Foundation was US\$ 101,265.
 - (ii) It was observed that no return on investment made in 2008 had been received to the Foundation even as at 31 December 2015 and also action had

not been taken to obtain the investment certificates and annual financial statements from the company.

(c) Handing over the Net Manufacturing Business to a Government owned Company

According to the decision taken by the Cabinet of Ministers on 18 November 2010, two fishing nets manufacturing factories belonging to the Foundation located in Lunuwila and Weerawila had been handed over to a Government owned company on 22 June 2011 through a Memorandum of Understanding between the parties. For that purpose, it was agreed to hand over a boats manufacturing factory owned to the Company located in Kareinagar to the Foundation. The following observations are made in this regard.

- I. The manufacturing of fishing nets was the main objective of the Foundation. In achieving this objective, the Foundation had able to obtain international standard certificates and earned 64 per cent of total income of the Foundation through manufacturing of fishing nets. However, the Foundation could not be able to continue the operations of manufacturing nets due to the condition in the above mentioned Memorandum of Understanding.
- II. The Foundation had not taken action to acquire the factory at Kareinagar which totally damaged during the war time and to prepare a plan to reconstruct the factory.
- III. As per the agreement, the assets valued at Rs.53,117,471 and net current assets valued at Rs.29,641,352 had been transferred to the Government owned company at Rs.26,093,191.

4.5 Un-economic Transactions

The following observations are made.

- (a) An excavator had been procured at a cost of Rs.40 million in 2014 for the use of the contract undertaken to construct Maradana Yard. Even though it was expected to be used the excavator for 7,000 hours within 02 years period, 420 hours only had been used during the period of 02 year as at 31 December 2015.

In the meantime, this excavator had been rented out to the outside parties and a sum of Rs.5,098,473 had been earned during the year under review thereon.

However, a sum of Rs.5,022,311 had been spent for this purpose and as such a profit of Rs.76,161 only had been generated. Therefore, the return on capital invested was only 0.2 per cent.

- (b) The Economic Service Charge amounting to Rs326,626 spent by the Foundation had not been deducted from the income tax paid during the year under review.

4.6 Identified Losses

Withholding tax amounting to Rs.2,630,218 had been written off in 2010 on the approval of the Board of Directors without taking action to set off against the income tax paid.

4.7 Personnel Management

Even though the staff cost incurred for production, trading and construction activities required to be represented higher percentage of total staff cost, only a sum of Rs.14,037,045 or 26 per cent of total staff cost had been spent thereon, thus indicating that staff had not been employed effectively for the main activities of the Foundation.

4.8 Market Share of the Foundation

The Foundation had not carried out a market survey to determine its market share.

5. Accountability and Good Governance

5.1 Rendition of Financial Statements

Although the draft annual report and financial statements for the year 2015 are required to be submitted for audit before 28 February of every year in terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements for the year ended 31 December 2015 had been submitted for audit only on 03 May 2016 with a delay of 64 days and a draft annual report had not been presented even up to 31 December 2016.

5.2 The Corporate Plan

The Foundation had prepared a Corporate Plan for the period from 2013 to 2017. The following observations are made in this connection.

- (a) The Corporate Plan had not been approved by the Board of Directors of the Foundation and it had not been reviewed and updated periodically.
- (b) The Corporate Plan and Budget for the year under review had not focused on achievement of the objectives such as manufacturing of marine motors and equipment, processing, promoting and export of ice which had been set out in the establishment of the Foundation.
- (c) Significant variances were observed between the targeted income set out in the Corporate Plan and the actual income. Hence, it was observed that the Corporate Plan had been prepared without carrying out a proper evaluation.

5.3 Action Plan

An annual action plan had not been prepared in order to achieve the objectives and targets included in the Corporate Plan.

5.4 Internal Audit

The following observations are made.

- (a) Even though the Cadre of Internal Audit Unit of the Foundation should be comprised with a Senior Internal Auditor and 2 Subordinate Audit Officers. The subordinate officers were not recruited even as at 31 December 2015.
- (b) In terms of Internal Auditing Standard No.1100 introduced by the Circular No. DMT/2009(3) of 01 October 2009 of the Management Audit Division of the General Treasury, the Internal Auditor should be directly responsible to the accounting officer of the Institution. However, list of duties of Internal Auditor of the Foundation had been issued by the General Manager and the directions had been given by the General Manager/Managing Director in respect of carrying out the audit works. Accordingly, the Internal Auditor had performed the assignment given by the General

Manager/Managing Director and Private Secretary to the Minister contrary to the instructions given by the above Circular.

- (c) Internal audit reports had been referred to the Divisional Heads through the General Manager instead of directly forwarding to the Chairman.
- (d) The General Manager had approved an additional allowance of Rs.3,000 for Internal Auditor in attending the project activities and it had been increased up to Rs.10,000 since 17 March 2015. Therefore, the status of independency of the Internal Auditor was questionable in audit.
- (e) Same subject areas had been covered in preparing the Internal Audit Programme for the four years from 2013 to 2016. Further, the areas planned to be covered through the Internal Audit Programme of the year under review had not been covered.

5.5 **Budgetary Control**

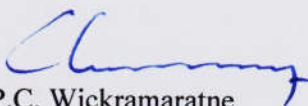
The following observations are made.

- (a) The budget of the Foundation had not been prepared in rational manner and reviewed periodically.
- (b) Although 5 retail sales outlet had been established at the end of the year under review, no information relating to the operations of the sales outlet had been included in the annual budget of the Foundation.
- (c) The budget of the Foundation had not been forwarded to the relevant parties before the specified period in terms of Section 5.2.4, 5.1.3 and 5.2.5 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and it had been prepared exterior to the standard format as per Section 5.2.1 of the above Circular.
- (d) Significant variances were observed between the budgeted and actual figures of the Foundation, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Control

Weakness observed in systems and controls in audit were brought to the notice of the Chairman of the Foundation in time to time. Special attention is needed in respect of the following areas of control.

Area -----	Observations -----
(a) Procurements	<ul style="list-style-type: none">i. Handing the purchasing by Sales Division exterior of the Supply Divisionii. Procurement of goods and services in contrary to the Procurement Guidelines.iii. Procurement of similar items by placing several orders to keep within the financial authority limit of the Sales Manager.
(b) Procurement minor product material	<ul style="list-style-type: none">i. The petty cash imprest had to be reimbursed in 161 instances during the year under review due to using the petty cash imprest for purchase of minor production material worth Rs.1,732,266.ii. The Federation had failed to introduced a proper mechanism for purchase of minor product materials


W.P.C. Wickramaratne
Auditor General (Acting)

CEY-NOR FOUNDATION LTD
STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 st December	Notes	2015 Rs.	2014 Rs.
Continuing Operations			
Revenue	3	60,253,552.81	79,117,213.28
Cost of Sales	4	(60,025,034.86)	(82,056,523.28)
Gross Profit/(Loss)		228,517.95	(2,939,310.00)
Gross Profit from Construction & Trading Activity	5	112,684,030.50	173,499,511.90
Other Operating Income	6	27,687,617.29	22,310,228.98
Selling and Distribution Expenses	7	(7,382,517.90)	(18,202,054.15)
Administrative Expenses	8	(62,208,420.12)	(66,906,629.99)
Other Operating Expenses	9	(843,004.82)	(2,597,356.37)
Operating Profit		70,166,222.90	105,164,390.37
Finance Costs	10	-	(5,070,580.43)
Finance Income	11	264,143.93	325,712.52
Profit before Tax from Continuing Operations		70,430,366.83	100,419,522.46
Income Tax Expenses	12	(8,615,837.14)	(11,064,150.46)
Profit for the Year from Continuing Operations		61,814,529.69	89,355,372.00
Discontinued Operations			
Profit after Tax for the Year from Discontinued Operations		-	-
Profit for the Year		61,814,529.69	89,355,372.00

CEY-NOR FOUNDATION LTD
STATEMENT OF FINANCIAL POSITION

As at 31st December	Notes	2015 Rs.	2014 Rs.
Assets			
Non-Current Assets			
Property, Plant and Equipment	13	323,039,516.30	346,422,896.03
Capital-WIP		-	-
Investment-Sribangla Boats J/V		1,961,850.00	1,961,850.00
		325,001,366.30	348,384,746.03
Current Assets			
Inventories	14	45,872,387.62	47,288,586.63
North Sea Ltd		9,204,498.31	14,528,796.01
Trade Debtors	15	139,759,340.34	320,899,038.78
Staff Debtors	16	5,518,685.02	4,639,690.02
Other Receivables	17	42,924,860.26	54,881,891.93
Call Deposits		1,300,000.00	1,300,000.00
Cash and Bank	18	19,249,798.96	1,708,250.09
		263,829,570.51	445,246,253.46
Total Assets		588,830,936.81	793,630,999.49
Equity and Liabilities			
Equity			
Stated Capital		40,000,000.00	40,000,000.00
Revenue Reserves		260,559,447.73	260,559,447.73
Capital Reserve		62,601,030.04	62,601,030.04
Retained Profit/(Loss)		19,563,024.07	(42,251,505.62)
Total Equity		382,723,501.84	320,908,972.15
Non-Current Liabilities			
Ministry Grant	19	2,078,392.40	2,078,392.40
Deferred Liabilities	20	24,698,106.79	33,687,123.01
Interest Bearing Borrowing	21	4,192,855.07	5,480,808.89
		30,969,354.26	41,246,324.30
Current Liabilities			
Interest Bearing Borrowing	22	1,287,955.98	1,476,304.16
Trade Creditors	23	100,926,391.50	168,683,199.19
Other Payables	24	64,189,325.96	241,297,311.25
Jaffna Compensation A/C		118,569.63	118,569.63
Income Tax Payables	25	8,615,837.60	7,300,126.46
Short Term Loans	26	0.04	10,633,248.04
Bank Overdraft	27	-	1,966,944.31
		175,138,080.71	431,475,703.04
Total Liabilities		206,107,434.97	472,722,027.34
Total Equity and Liabilities		588,830,936.81	793,630,999.49

CEY-NOR FOUNDATION LTD
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2015

	Share Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Accumulated profit/(Loss) Rs.	Total Equity Rs.
Balance as at 01st of January 2014	40,000,000.00	62,601,030.04	260,559,447.73	(131,606,877.62)	231,553,600.15
Net Loss for the Year	-	-	-	89,355,372.00	89,355,372.00
Balance as at 31st of December 2014	40,000,000.00	62,601,030.04	260,559,447.73	(42,251,505.62)	320,908,972.15
Net Loss for the Year	-	-	-	61,814,529.69	61,814,529.69
Balance as at 31st of December 2015	40,000,000.00	62,601,030.04	260,559,447.73	19,563,024.07	382,723,501.84

CEY-NOR FOUNDATION LTD**CASH FLOW STATEMENT**

For the year ended 31st December 2015

(All Figures In Rupees)

	2015	2014
Cash Flows from Operating Activities		
Profit Before Taxation	70,430,366.83	100,419,522.46
Add: Depreciation	24,430,318.28	14,714,513.71
Provision for Gratuity	1,314,207.00	1,904,135.60
Interest Payment	-	5,070,580.43
Operating Profit before Working Capital Changes	96,174,892.11	122,108,752.20
(Increase)/Decrease in Inventories	1,416,199.01	18,441,755.46
(Increase)/Decrease in Trade and Other Receivables	197,542,032.81	(274,526,296.17)
Increase/(Decrease) in Trade and Other Payables	(244,864,792.98)	278,479,897.11
Increase/(Decrease) in Deferred Income	(9,633,213.22)	(9,633,213.22)
Cash Generated from Operating Activities	40,635,117.73	134,870,895.38
Less: Investment Income	(264,143.93)	(325,712.52)
Interest Paid	-	(5,070,580.43)
Tax Paid	(7,300,126.00)	-
Gratuity Paid	(670,010.00)	(3,008,960.10)
Net Cash Generated from Operating Activities	32,400,837.80	126,465,642.33
Cash Flows from Investing Activities		
Sale/Purchase of Property, Plant & Equipment	(1,046,938.55)	(44,762,693.56)
Capital W.I.P.	-	4,145,000.00
Investment Income	264,143.93	325,712.52
Investment in Sri Bangla Boats (Pvt) Ltd.	-	2,239,404.26
Short-Term Loans	(10,633,248.00)	(52,575,817.30)
Net Cash Used in Investing Activities	(11,416,042.62)	(90,628,394.08)
Cash Flows from Financing Activities		
Payment to Lease Creditors	(1,476,302.00)	(671,611.81)
Net Cash Used in Financing Activities	(1,476,302.00)	(671,611.81)
Net Increase in Cash and Cash Equivalents	19,508,493.18	35,165,636.43
Cash and Cash Equivalent at the Beginning of the Period Note A	1,041,305.78	(34,124,360.33)
Cash and Cash Equivalents at the End of the Period Note B	20,549,798.96	1,041,276.10
	Note A	Note B
People's Bank-Queen Br.87847	(373,543.80)	600,552.52
H N B-16031	113,108.69	3,440,827.62
H N B-10002143	26,823.58	26,823.58
PanAsia Bank-135670117	2,941.80	2,941.80
Petty Cash Imprest A/C	187,000.00	167,000.00
Fuel Imprest	116,000.00	50,000.00
Call Deposits	1,300,000.00	1,300,000.00
BOC-72322913	1,262,376.02	12,601,106.17
BOC-Co.Br-1450	(1,593,400.51)	2,360,547.27
	1,041,305.78	20,549,798.96

**CEY-NOR FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2015**

1. Corporate Information

Domicile and Legal Form

Cey-Nor Foundation Limited is a limited liability Company incorporated and domiciled in Sri Lanka. The Registered Office of the Company is located at No. 335, D.R.Wijewardana Mawatha, Colombo-10. and the principal places of businesses are situated at Mattakkuliya, & sales outlets at Mathara, Galle, Tangalle and Peliyagoda.

Principal Activities and Nature of Operations

During the year, the principal activities of the Company were sale of imported and locally purchased fishing nets and sale of manufactured fishing boats and other fiber glass products.

1.3. Parent Enterprise

A 100% Government owned Company.

Number of Employees

The number of employees of the Company at the end of the year was 93

2. Summary of Significant Accounting Policies

General Policies Basis of Preparation

The Statement of Financial Position, Statement of Comprehensive Income, Changes in equity and cash flows, together with accounting policies and notes (“financial statements”) of the Company as at 31st December 2015 and for the year then ended, comply with the Sri Lanka Accounting Standards.

These financial statements presented in Sri Lanka rupees have been prepared on a historical cost basis. No adjustment is made for inflationary factors affecting these financial statements.

2.1.2 Changes in Accounting Policies and Adoption of new and Revised Sri Lanka Accounting Standards during the year.

The accounting policies adopted are consistent with those of the previous financial year.

2.1.3 Comparative Information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. Previous year figures and phrases have been rearranged wherever necessary to confirm to the current presentation.

2.1.4 Foreign Currency Transactions

All foreign exchange transactions are converted to Sri Lanka rupee, which is the reporting currency, at the rate of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are re-measured to Sri Lanka Rupee equivalents using year-end spot foreign exchange rates. The resulting gains and losses, if any, are accounted for in the income statement.

2.1.5 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 at the current rate applicable to this company

2.1.6 Events after the Balance Sheet Date

All material events after the balance sheet date have been considered and where necessary adjustments have been made in the financial statements.

2.1.7 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

2.2 Valuation of Assets and Their Measurement Bases

2.2.1 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae:

Raw Materials	- At actual cost on first – in first – out basis
Manufactured Finished Goods	- At actual cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity
Work-in-Progress	- At actual cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on percentage completed.
Finished Goods Purchased	- At actual cost on first – in first – out basis
Other Stocks	- At actual cost on first – in first – out basis

2.2.2. Trade and Other Receivables

Trade and other receivables are stated at the amounts they are estimated to realize net of provisions for bad and doubtful debts.

Other receivables are stated at the amounts they are estimated to realize net of provision for bad and doubtful debts.

2.2.3. 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 amounts of cash and without subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts, investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

Cash flow statement is reported based on indirect method.

2.2.4. Property, Plant and Equipment

a) Cost of Valuation

All items of property, plant and equipment are initially at cost. The cost of property, plant and equipment is the cost of purchase or construction together with incidental expenses thereon.

Where items of property, plant and equipment are subsequently revalued, the entire class of such asset is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair value at the balance sheet date. Subsequent to the initial recognition as an asset at cost, revalued property, plant and equipment are carried at the revalued amounts less any subsequent depreciation thereon. All other property, plant and equipment are stated at historical cost less depreciation.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down. When an assets carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expenses unless it reverses a previous increment relating to that asset, in which case it is changed against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of the same asset. Any balance remaining in the revaluation surplus in respect of the asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

b) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognized as expense when incurred.

c) Depreciation

The provision for depreciation is calculated on cost for all property, plant and equipment in order to write off such amounts over the estimated useful lives. The depreciation rates used for Boat Yard and Lunuwila Factory differ as stated below:

Buildings	20 Years
Plant and machinery	10 Years
Furniture and fittings	05 Years
Tools and equipments	05 Years
Office equipments	05 Years
Motor vehicles	04 Years
Computers	04 Years
Software	05 Years
Boat moulds	05 Years
Factory equipments	08 Years
Leasehold Motor vehicles	04 Years

d) Impairment of Assets

The company assesses at each operating date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell it and its value is so determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in the income statement except that impairment losses in respect of property and equipment are recognized against the revaluation reserve to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. Previously recognized impairment losses other than in respect of goodwill are reversed only if there has been an increase in the recoverable amount of the asset. Such increase is recognized to the extent of the carrying amount had no impairment losses been recognized previously.

2.3. Liabilities and Provisions

2.3.1. Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

Gratuity is a Defined Benefit plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the Balance Sheet, equivalent to an amount calculated based on a half month's salary of the last month of the financial year of all employees for each completed year of service, from the date of commencement of service. The resulting difference between brought forward provision at the beginning of the year and the carried forward provision at the end of the year is dealt with in the income statement.

However, as per the payment of Gratuity Act No. 12 of 1983, this liability only arises upon completion of five (05) years of continued service. The gratuity liability is not funded nor actuarially valued. This item is grouped under Deferred Liabilities in the balance sheet.

b) Defined Contribution Plans – Employees’ Provident Fund and Employees’ Trust Fund

All employees who are eligible for Employees’ Provident Fund Contribution and Employees’ Trust Fund Contribution are covered by relevant contribution funds in line with respective statutes and regulations.

2.3.2 Capital Commitments and Contingencies

Capital commitments and contingent liabilities as at the balance sheet date are disclosed in the notes to the financial statements.

2.3.3 Provisions

Provisions are recognized in the balance sheet when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

2.4. Income Statements

2.4.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

a) Sale of Goods

Revenue from sale of goods is recognized when the significant risk and rewards of ownership of the goods have passed to buyer with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

b) Interest

Interest income is recognized on an accrual basis.

c) Rental Income

Rental income is recognized on an accrual basis.

d) Other Income

Other income is recognized on an accrual basis.

e) Gains and Losses

Net gains and losses of a revenue nature on the disposal of property, plant and equipment are accounted for in the income statement, after deducting from proceeds on disposal, the carrying amount of the assets and related selling expenses on disposal of relevant property, plant and equipment. The amount remaining in the revaluation reserve relating to that asset is transferred directly to accumulated profits.

2.4.2 Expenditure Recognition

- a) Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income statement in arriving at the profit for the year.

For the purpose of presentation of the income statement the company has adopted the function of expenses method, on the basis that it presents fairly the elements of the company's performance.

CEY-NOR FOUNDATION LTD
NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 st December	2015	2014
	Rs.	Rs.
Note 03 - Revenue		
Sale of Crafts - Local	58,195,817.95	76,748,798.13
Others	2,057,734.86	2,368,415.15
	60,253,552.81	79,117,213.28
Note 04 - Cost of Sale		
Opening Stock -Raw Materials	6,067,617.91	11,223,008.55
Opening Stock - WIP	3,837,716.39	13,009,484.51
Opening Stock -FG	6,176,031.29	4,379,958.16
	16,081,365.59	28,612,451.22
Add: Purchase of Raw Materials	26,850,395.39	32,488,577.02
Other Materials	6,601,224.61	15,362,838.31
	49,532,985.59	76,463,866.55
Closing Stock - Raw Materials	(5,740,971.42)	(6,067,617.91)
Closing Stock - WIP	(7,307,069.77)	(3,837,716.39)
Closing Stock - FG	(2,540,086.64)	(6,176,031.29)
Cost of Material Consumed	33,944,857.76	60,382,500.96
Add: Direct Expenses		
Salaries & Wages	4,922,688.47	5,689,479.47
Allowance-DIR	3,244,302.96	2,266,364.94
Overtime-DIR	204,845.73	590,109.47
E.P.F-DIR	588,121.05	682,737.52
E.T.F-DIR	208,374.24	170,684.40
Gratuity-DIR	659,647.50	338,206.50
Sub Contract Charges	4,520,137.50	5,765,608.65
Prime Cost	48,292,975.21	75,885,691.91
Add: Production Overhead		
Salaries & Wages	1,767,870.34	1,810,481.25
Allowance	1,050,653.59	548,838.45
Overtime	4,535,646.82	102,019.71
E.P.F.	24,430,318.28	212,144.44
E.T.F.	19588791	53,036.11
Depreciation	4,841,527.28	6,942,393.95
Electricity		878,910.31
Maintenance of Tools & Equipment		11,515.00
Maintenance of Plant & Machinery		263,270.00
Maintenance of Engine		-
Fuel & Lubricant		300,985.00
Water		149,261.20
Cost of Production	60,025,034.86	82,056,523.28

CEY-NOR FOUNDATION LTD
NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 st December	2015	2014
	Rs.	Rs.
Note 05 - Gross Profit from Construction & Trading Activity		
Sales	562,900,228.22	766,686,838.88
Less: Cost of Sales	<u>(467,800,824.40)</u>	<u>(628,331,929.87)</u>
Gross Profit on Trading Activity	95,099,403.82	138,354,909.01
Revenue on Construction Work	112,626,415.06	192,714,326.34
Construction Cost	<u>(95,041,788.38)</u>	<u>(157,569,723.45)</u>
	<u>17,584,626.68</u>	<u>35,144,602.89</u>
	<u>112,684,030.50</u>	<u>173,499,511.90</u>

- A Construction Revenue and expenses include construction projects name as of upgrading project - Mattakkuliya, Maradana Anchorage and Dikkovita Anchorage.
- B Revenue from fixed priced construction contract is recognized on percentage of completion method measured by BOQ reference
- C The stage of completion of contract is determined by completion of a physical proportion of the contract work

Note 06 - Other Operating Income

Rent Income	16,266,501.89	11,510,274.51
Sundry Income	136,500.98	10,000.00
Government Grants	9,633,213.22	9,633,213.22
Profit Margin on Restaurant	629,647.60	451,203.11
Exchange Gain	-	705,538.14
Commission on Handling Procurement	1,021,753.60	-
	<u>27,687,617.29</u>	<u>22,310,228.98</u>

Note 07 -Selling and Distribution Expenses

Transport & Handling	320,346.84	300,666.00
Vehicle Repair & Maintainance	2,153,345.41	3,887,483.54
Sales Promotion	219,520.00	1,496,694.00
Sales Commission	803,821.11	1,411,119.47
Entertainment	37,902.00	286,786.00
Gift & Donation	396,500.00	1,753,640.00
Fuel & Lubricants	2,257,120.50	5,433,342.87
Tender Document Charges	65,900.00	106,700.00
Stamp Duty	16,025.00	96,764.99
Vehicle Rent	583,000.00	1,062,500.00
Loading & Unloading Charges	351,695.00	530,813.00
Selling Expenses/Bleaching & Paking Cost	175,092.04	447,138.95
Exhibition Expenses	2,250.00	220,630.00
Advertisements	-	1,167,775.33
	<u>7,382,517.90</u>	<u>18,202,054.15</u>

CEY-NOR FOUNDATION LTD
NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	2015	2014
	Rs.	Rs.
Note 08 - Administrative Expenses		
Salaries & Wages	20,097,787.00	26,390,230.89
Overtime	1,413,360.19	2,234,198.26
Allowances	11,595,686.53	7,341,588.56
E.P.F. Expense	2,357,005.95	2,662,339.43
E.T.F. Expenses	589,251.49	665,584.89
Bonus & Incentives	1,107,750.00	2,925,464.19
Gratuity	654,559.50	1,565,929.10
Telephone Charges	968,453.26	1,152,331.05
Welfare Charges	1,202,151.32	1,588,703.01
Postage Charges	36,189.50	57,195.00
Courier Charges	198.00	4,375.64
Building Maintenance	576,918.03	1,561,994.81
Computer Maintenance	159,023.00	266,870.50
Office Equipment Maintenance	187,410.75	360,013.00
Water	305,575.84	250,278.12
Electricity	1,408,158.30	1,901,955.11
Printing & Stationery	1,134,327.65	1,624,118.50
Advertisements	485,782.50	-
Depreciation	8,416,630.69	1,175,346.91
Legal Fees	76,587.14	668,947.34
Insurance	604,062.65	1,433,546.30
Security Charges	3,672,456.98	4,132,544.84
Internet & E-mail Charges	116,933.48	145,667.42
Rates & Taxes	1,159,219.80	145,993.11
Cleaning & Sanitary	564,208.04	657,367.00
Rent Charges	838,760.00	1,286,548.00
License & Registration	84,116.44	154,834.57
Auditors Remuneration	150,000.00	152,000.00
Director Remuneration	1,144,616.66	1,262,043.59
Medical Expenses	60,229.29	72,772.10
Training & seminars	163,500.00	213,145.00
Traveling,,,,, Traning & Seminas-(Foreign)	-	776,994.00
Meals & Lodging	70,497.00	501,477.00
Surcharges/Penalty A/C	-	200.89
Ceremony/Function Exp	7,140.00	15,572.00
Book & Periodicals	1,179.10	4,000.00
General Expenses	83,950.00	2,000.00
I.S.O Expenses	93,276.04	55,243.00
Secretarial Fee	155,507.00	153,246.00
Consultancy Charges	156,500.00	683,100.00
Traveling & Sub-(Local)	309,461.00	660,870.86
	62,208,420.12	66,906,629.99

CEY-NOR FOUNDATION LTD
NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	2015	2014
	Rs.	Rs.
Note 09 - Other Expenses		
Bank Charges & Commission	218,658.82	172,848.09
Lease Interest	624,346.00	185,104.02
Loss on Investment	-	2,239,404.26
	843,004.82	2,597,356.37
Note 10- Finance Costs		
OD Interest	-	2,351,871.78
Overdue Interest	-	2,718,708.65
	-	5,070,580.43
Note 11 - Finance Income		
Interest Income	264,143.93	325,712.52
	264,143.93	325,712.52
Note 12 Income Tax Expenses		
Tax on Taxable Income	8,615,837.14	11,064,150.46
	8,615,837.14	11,064,150.46

CEY-NOR FOUNDATION LTD**NOTES TO THE STATEMENT OF FINANCIAL POSITION**

For the year ended 31st December	2015	2014
	Rs.	Rs.
Note 14 Inventories		
Stocks-Raw Materials	5,740,971.42	6,067,617.91
Stock-Work In Progress	7,307,069.77	3,837,716.39
Stock-FG Fishing Crafts	2,540,086.64	6,176,031.29
Stock-FG Net & Fishing Gear	30,284,259.79	31,207,221.04
	45,872,387.62	47,288,586.63
Note 15 Trade Receivables		
Trade Debtors	146,151,830.46	327,291,528.90
Less: Provision for Bad Debtors	(6,392,490.12)	(6,392,490.12)
	139,759,340.34	320,899,038.78
Note 16 Staff Debtors		
Festival Advance	55,100.00	90,100.00
Staff Debtors	5,463,585.02	4,549,590.02
	5,518,685.02	4,639,690.02
Note -17 -Other Receivable		
Advance Material	115,463.35	115,462.59
Advance - Other	7,438,334.91	31,985,311.54
Pre Paid LC Charges	-	-
Other Receivable A/C	2,176,284.39	1,877,662.37
Pre paid ESC Tax	2,466,894.26	2,466,894.26
Sub Contract	4,909,775.05	4,909,775.05
Refundable Deposits	591,500.00	521,500.00
Retention-Dikkovita Project	5,574,536.36	4,429,435.11
Retention-Mardana Package 01	10,491,913.70	4,797,851.50
Retention- Dikkowita L/S	(740,010.02)	3,514,115.00
With Holding Tax	1,119,029.73	1,119,029.73
CEY-NOR Restaurant Receivable	1,172,524.76	542,877.16
Pending Litigation	14,902.63	14,902.63
Bank Gurantee	7,670,102.90	-
Anchorage Project-A/C	(84,814.30)	(84,814.30)
Dikkovita Project-A/C	-	(1,328,081.03)
Contra Entry A/C	8,422.54	(29.68)
	42,924,860.26	54,881,891.93
Note 18 Cash and Bank		
BOC 1450	2,360,547.27	-
People's Bank-Queen Br. 033-100-14-1790965	600,552.52	-
H N B-16031	3,440,827.62	113,108.69
H N B-10002143	26,823.58	26,823.58
PanAsia Bank-135670117	2,941.80	2,941.80
Petty Cash Imprest A/C	167,000.00	187,000.00
BOC-72322913	12,601,106.17	1,262,376.02
Fuel Imprest	50,000.00	116,000.00
	19,249,798.96	1,708,250.09

CEY-NOR FOUNDATION LTD

NOTES TO THE STATEMENT OF FINANCIAL POSITION

For the year ended 31st December	2015	2014
	Rs.	Rs.
<u>Non Current Liabilities</u>		
Note 19 - Ministry Grant		
Boat Mould Advance-55 Feet	20,000,000.00	20,000,000.00
Less: Suspense - 55 feet Boat Mould	(17,921,607.60)	(17,921,607.60)
	2,078,392.40	2,078,392.40
Note 20- Other Non - Deferred Liabilities		
Balance at the Beginning of the Year	10,852,550.50	11,957,375.00
Add: Provision for the Year		
Gratuity-DIR	851,807.50	338,206.50
Gratuity-ADM	462,399.50	1,565,929.10
	12,166,757.50	13,861,510.60
Less: Payment during the year	(670,010.00)	(3,008,960.10)
Gratuity Provision A/C	11,496,747.50	10,852,550.50
Differed Income	13,201,359.29	22,834,572.51
	24,698,106.79	33,687,123.01
Note 21 -Interest Bearing Borrowing		
Lease Creditor	4,824,362.00	6,593,400.00
Less -Interest In suspense	631,506.93	(1,112,591.11)
	4,192,855.07	5,480,808.89
Current Liabilities		
Note 22 - Lease Creditor		
Lease Creditor	1,769,040.16	2,100,650.16
Less-Interest In Suspense	481,084.18	(624,346.00)
	1,287,955.98	1,476,304.16
Note 23 - Trade Creditors		
	100,926,391.50	168,683,199.19
	100,926,391.50	168,683,199.19
Note 24 - Other Pavables		
EPF 20%	413,684.05	498,310.93
ETF 03%	58,646.61	71,340.60
GST A/C	650,625.86	650,625.86
Deposits	2,303,000.00	2,306,000.00
Stamp Duty	5,775.00	6,500.00
NSL A/C	1,691,290.75	1,691,290.75
Security C.F.H.C	1,144,306.45	1,144,306.45
WHT	3,368,451.75	3,368,451.75
Turnover Tax	243,597.89	243,597.89
VAT WHT	1,458,292.91	1,458,292.91
VAT	(15,190,312.10)	18,214,723.44
NBT	10,732,825.36	12,099,200.56
Bank Loan	850.00	130,126.32
Sales Advance	50,037,838.39	162,380,382.50
Retention A/C	6,319,371.36	2,892,913.56
Welfare Society	118,297.59	88,325.74
Trade Unions A/C	1,850.00	6,375.00
Welfare Fund	181,086.50	172,821.50
Mobilization Advance - Dikkovita	128,364.38	128,364.38
Mobilization Advance - Maradana	(1,596,568.80)	30,411,772.00
Salaries Control A/C	1,768,864.01	2,764,939.58
Interest In Suspense-Staff Loan	-	244,148.93
Unclaimed Salaries & Wages	189,673.22	153,009.82
Payee A/C	(18,964.90)	(6,988.90)
Other Creditors	68,479.68	68,479.68
Auditors Remuneration	110,000.00	110,000.00
	64,189,325.96	241,297,311.25

CEY-NOR FOUNDATION LTD**NOTES TO THE STATEMENT OF FINANCIAL POSITION**

For the year ended 31st December	2015 Rs.	2014 Rs.
Note 25 Income Tax Payable		
Balance as at 1st January	0.46	-
Income Tax for the Year	8,615,837.14	11,064,150.46
	<u>8,615,837.60</u>	<u>11,064,150.46</u>
Less: Tax Credits		
ESC Paid		
2010/11	-	(2,404,943.00)
2011/12	-	(810,327.00)
2012/13	-	(338,333.00)
2013/14	-	(210,420.52)
2014/15	-	-
Income Tax Payable	<u><u>8,615,837.60</u></u>	<u><u>7,300,126.94</u></u>
Note 26 Short Term Loan		
Short Term Loans A/C	0.04	10,633,248.04
	<u><u>0.04</u></u>	<u><u>10,633,248.04</u></u>
Note 27 Bank Overdraft		
People's Bank-Queen Br.87847	-	373,543.80
BOC-Co.Br-1450	-	1,593,400.51
	<u><u>-</u></u>	<u><u>1,966,944.31</u></u>

Note 28 Income from Investment Properties

Company has used Cost Model to measure Investment Property. Since it is not possible to be reliably determined the Fair Value due to absence of alternative reliable Rental Income from Investment Property for Year 2015 is as follows: estimates of the Fair Value company used the Cost Method.

Place /Item	Amount (Rs)
Four Numbers of Mobile Work Shop Units	1,190,882.40
Mattakkuliya Land	2,080,659.25
D.R. Wijewardena Mw-Office Premises	3,750,000.00
Escavator	5,098,473.77
D.R. Wijewardena Mw-Land	2,346,486.47
Maththumagala- Land	1,800,000.00
Total	16,266,501.89

Note 29 Government Grants

- a) Government Grants has recognized in profit or loss over the periods and in the proportions in which depreciation those assets is recognized.
- b) The government grant has received from Dikkovita Project which was under Ministry of Fisheries & Aquatic Resources Development to upgrade the Mattakkuliya Boat yard. It was received as form of equipment and vehicles worth of Rs 45,854,542 which were used to manufacture boats and fiber allied products. It has been recognized as income from. Government grants were Rs 9,633,213 in year 2015.

Note 30 Related Party Disclosures

1. Cey- Nor Foundation has earned Rs 542,600,363 in year 2015 from Ministry of Fisheries & and Aquatic Resources Development, which considered as government related entity as the company is functioning under that ministry .It was consisted from the sale of fishing nets and fishing allied products to the ministry which is considered as related party transaction.
2. The company has earned Rs 112,626,415 and Rs 1,021,744 as construction income and commission income respectively in year 2015, as a result of related party transactions which was awarded by Project Implementation and monitoring Unit (PIMU) functioned under Ministry of Fisheries and Aquatic Resources Development which is considered as government related party since Cey-Nor Foundation Limited is also under Ministry of Fisheries.

Further Project Director of the above mentioned Project Implementation and Monitoring Unit who is considered as a Key Management Personnel is the same personnel who worked as the chairman of Cey- Nor Foundation Limited for the period of year 2010 to year 2014.

3. Company has entered to a joint venture agreement on 14th day of February 2008 named as Sribangla Boats (Pvt) Limited, a company located at Bangladesh , with the investment of Rs 1,961,850 for the main purpose of building fiber glass boats which was considered as a related party which the Board of directors has to be constituted with two members, one from each party.

Note 31 Provisions and Contingent Liabilities

In year 2015, the company has given warranty certificates for a one year period for fiber glass products which is a contingent liability to the company. Nevertheless since the customer has never claimed the warranty, the possibility of an outflow of resources embodying economic benefit is remote.