



# Annual Report 2016



**Cey Nor Foundation Limited**

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# CORPORATE INFORMATION

## Name and Address of the company

Cey Nor Foundation Limited  
No.335, D.R.Wijewardena Mawatha, Colombo 10

## Legal Background

Incorporated company in Sri Lanka under the companies Act No.17 of 1982 and subsequently under the companies Act No.07 of 2007

## Board of Directors

Mr. B.K.Jagath Perera	-	Chairman
Mr. R.L.A.de Mens	-	Managing Director
Mr. K.A.S.S.K.Perera	-	Director (Treasury Representative)
Mr.C.R.Munaweera	-	Director
Mr.L.M.K.Muthukumar	-	Director
Mr.H.L.Thisera	-	Director

## Company Secretary

Ananda Sirisena & Company,  
No.70/2/3B 2<sup>nd</sup> Floor,  
Y.M.B.A. Building,  
D.S.Senanayaka Mawatha  
Borella.

## Auditors

Auditors General's Department  
No 306/72, Poldoowa Road,  
Baththaramulla.

## Bankers

Bank of Ceylon,  
Colombo 01.

Hatton National Bank  
City Branch,  
Colombo 01.

Peoples Bank  
Queens Branch,  
Colombo 10.

## Boatyards

Mattakkuliya Boatyard,  
No: 25,  
Handala Ferry Rd,  
Mattakkuliya,  
Colombo 15

Mattakkuliya Boatyard, (Nearby Kelani River)  
No.135, Handala Ferry Rd,  
Mattakkuliya,  
Colombo 15

Cey Nor Boatyard,  
Karainagar

## ISO Certificate

Government owned company granted the ISO 9001-2015 with regard to Boats Manufacture from 2009.

## Partnerships

Cey Nor Orient Seafood Restaurant  
No:335,  
D.R.Wijewardena Mawatha,  
Colombo 10

- Cey Nor Foundation Limited signed management agreement with Ceynor Orient Pearls Company for 20 years from 04<sup>th</sup> July 1998 to 4<sup>th</sup> July 2018 to conduct a business based on a monthly rent and profit sharing.

Automobile Workshop  
Frontier Automotive (Pvt) Ltd,  
No.31A,  
Galudapiti Road,  
Maththumagala.

- Cey Nor Foundation Limited signed management agreement with Frontier Automotive (pvt) for 15 years from 17<sup>th</sup> August 2006 to 16<sup>th</sup> August 2026 to conduct a business based on a monthly rent and Profit sharing.

## **OUR VISION**

To be a market-leader in building of fishing and leisure crafts and supply of fishnet gear in Sri Lanka and 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
- ❖ be a provider of excellent customer services
- ❖ To be an effective contributor to the development of Fishing Industry in Sri Lanka by supplying high-quality products, namely fishing boats & fishing gear

## HISTORY OF THE COMPANY

With the aim of enhancing education and welfare of the Domestic Fishing Community, Cey Nor Foundation Limited was initiated its operation in 1987 as a non-government organization in aid of a Norwegian Non-Governmental Organization. Cey Nor Development Foundation was incorporated as a “Cey Nor Foundation Limited” under the act of the Conversion of Public Corporations or Government-Owned Business Undertaking into Public Companies Act No.23 of 1987. The changes have been occurred for the time being in the organizational structure as the following.

- 1967 – Cey Nor Development Foundation was founded and commenced its operations by utilizing the aid received from NORGES GODTEMPLAR UNGDOMSFORBUND (NGU)-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 – Cey Nor Development Foundation acquired by the Government of Sri Lanka under the Business Acquisition Act No: 38 of 1938 and became the Cey-Nor Development Foundation Limited.
- 1990 – The GOBU of Cey-Nor Development Foundation, acquired by the Government of Sri Lanka under the Conversion Of Public Corporations Or Government Owned Business Undertakings Into Public Companies Act (No. 23 of 1987) , was ceased to execute and Cey-Nor Foundation Limited was incorporated under the Companies Act No.17 of 1982 on 17.01.1990 to execute as successor .
- The entire share capital of this new company (Rs. 40,000,000.00) has been allotted to the Secretary of the Government Treasury.
- 2011 – In accordance to a policy decision taken by government with the approval of the Cabinet of Ministers, two fishnet factories situated 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 and Boatyard situated in Karainagar demolished as a result of war and operated under the Northsea Limited has been vested to the Cey Nor Development Foundation.

## **CHAIRMAN'S REVIEW**

Having assumed duties on the 14<sup>th</sup> March 2016 as the chairman of the Cey-Nor Foundation Limited, I feel a great pleasure to submit the successfully concluded annual report which is related to the financial year ended at 31<sup>st</sup> December 2016 to the Cabinet of Ministers.

Two fishing net factories located at Lunuwila and Weerawila owned to the Cey-Nor Foundation Limited have been assigned to the Northsea Company which was functioned under the Ministry of Traditional Industries and Small Enterprise Development with effect from 01<sup>st</sup> November 2011 and the ways of income of Cey-Nor Foundation Limited are only limited to the products manufactured by the boatyard located at Mattakkuliya.

Having assigned the fishing net factory to the Northsea Company, administrative authority of the past has taken action to be widening the sources of income of our company through entering costal related construction field apart from the productions taken place in the boatyard. Therefore administrative authority of the past was able to do operational activities in successfully in the years 2013, 2014, and 2015 and profitably.

The Board of Directors under my chairmanship during the year 2016 has taken action to provide the infrastructure facility for the fishing industry in terms of the recommendation of the Auditor's General Department and instructions of the Hon.Mahinda Amaraweera in charge of the subject limiting the operations only for the productions of boats and Fiberglass accessories required for the Sri Lankan fishing industry which is the objective of the establishment of the company.

Cey Nor Foundation Limited has commenced to manufacture a mould of fish vessel and a prototype fish vessel with 55ft length endowed with modern freezer system to reduce post harvest from the provision given by the treasure and under the guidance of Hon.Mahinda Amaraweera , the Minister of Fisheries and Aquatic Resources Development.

Fishers of Sri Lanka have observed the fish vessel consisting with modern freezer facility and gear and they handed over to manufacture 05 numbers. Fish vessels of this type under the 50% assistance given by the government. Therefore, we had an opportunity to increase our source of income.

Action has been taken to obtain addition income to the company by the consulting of the manufacture activities of 05 numbers. multiday fishing vessels, which were manufactured by private boatyards on the 50% assistance given by the Government.

After repairing the dilapidated of comprising 25,000 ft Stores Complex owned to the Cey Nor Foundation Limited located at Mattakkuliya, It has been planned to give it on rent for the period of 5 years adhering to proper procurement procedure to the amount more than government valuation.

I am glad to express that we had to achieve a dividend of Rs.9,264,551.75 and to give intensive for all the staff by all this operational activities.

Finally, with the favorable conditions achieved by the company in 2016, the company is awaiting to take up challenges coming in future with courage and confidence with the year 2017 and beyond.

I am thankful to the Hon. Mahinda Amaraweera, the Minister of Fisheries and Aquatic Resources Development for the guidance and assistance to achieve the objects of the company in the year 2016. I am grateful to the cooperation extended by the staff of the line Ministry of Fisheries and Aquatic Resources Development in dealing with various matters of Company throughout the year. 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.

B.K.Jagath Perera  
Chairman  
Ceynor Foundation Limited

# **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2016**

## **1. Audited Accounts**

Prepared for the year ended 31 December 2016.

## **2. Financial Results**

The net profit/ (loss) for the year is revealed in the statement of comprehensive income page No: 32

## **3. State of Affairs**

The state of the company is set out on page No: 33

## **4. Principal Activities**

The main activities of the company are as follows:

- Manufacture and sell fiberglass vessels and allied products.
- Purchasing and Sole distributor for nylon fishnet and other allied products.
- Operates workshops for repairs to fishing vessels, marine engines.
- Build 59-feet multi-day fishing vessel mould.
- Manufacture prototype multi-day fishing vessel with modern freezer facility.
- Renovate the company owned store of 25000 square feet situated in Mattakkuliya.
- To commence the manufacture of 05 vessels of 59-feet long under the 50% assistance of the government.
- To Supervise the manufacture work of 05 multi-day fishing vessels of 59 feet long in the private boatyards under the 50% assistance of the government.

## **5. Dividends**

The Directors do not recommend declaring dividends for the year 2016.

## **6. Directors interest and proposed contracts with the Company**

None of the Directors had interest in contracts with the company during the period in 2016.

## **7. Directors Interest in the shares of the company**

None of the Directors held any shares in the company during the year ended 31<sup>st</sup> December 2016.

## **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**

No contribution had been made during the year 2016 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 No: 52.

## **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 Limited was subjected to the audit of Auditor's General Department.

## **13. Human Resource**

The total staff of the Cey Nor Foundation Limited as at 31 December 2016 is as follows:

01. Senior Manager	-	01
02. Managers	-	07
03. Junior Managers	-	01
04. Management Assistants	-	34
05. Primary Technicians and non Technicians	-	43

## **14. The Directors of the Company as at 31<sup>st</sup> December 2016**

Mr. B.K.Jagath Perera	-	Chairman
Mr. R.L.A.de Mens	-	Managing Director
Mr. K.A.S.S.K.Perera	-	Director (Treasury Representative)
Mr. C.R.Munaweera	-	Director
Mr. L.M.K.Muthukumar (Attorney-at-Law)	-	Director
Mr. H.L.Thisera	-	Director

By order of the Board

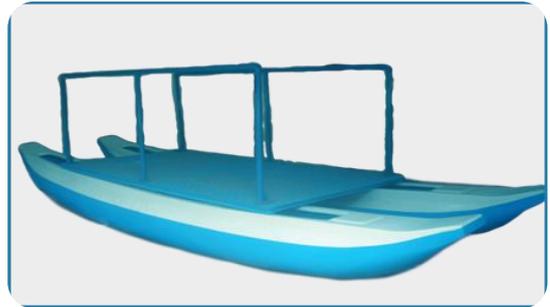
Signed  
B.K.Jagath Perera  
Chairman

Signed  
Ananda Sirisena & Company  
Company Secretary

## ACHIEVEMENTS OF THE YEAR 2016

In relation to the business and operational activities during the year 2015, in the year 2016 steps had been taken to carry out the all business activities only based on the objectives of the establishment of the company. During the year 2015, the company was able to earn an additional income by entering into the maritime construction besides the income generated through production and sale of fishing vessels and fishing gear.

The main objective of establishing the company of operational affairs in year 2016 is the production of fishing boats, leisure boats and fishing gear. Actions have been taken to manufacture fishing boats and other fishing gear with high quality and which are contributed to enhance the field of fishery by only limiting those productions. In year 2016, The Company has fulfilled to achieve the expected target.



Ministry of Fisheries and Aquatic Resources Development has planned to develop Freshwater Fishery as well as maritime Fishery and generate a great number of employments opportunities. Hence, action has been taken to provide a huge amount of canoes, out-trigger and fish packing boxes to fishermen who engage in fishing in the river related Freshwater Fishery and Steps have been taken by the National Aquaculture Development Authority of Sri Lanka to handed over all these orders to the Cey Nor Foundation Limited. In 2016, Cey Nor Foundation Limited has got a sanguine of success by producing lots of canoes, out-trigger and fish keeping boxes according to these orders.



The investigations of NARA have been revealed that the fish harvest has not been properly packed with ice therefore a large number of fish harvest lost. Therefore, in 2016, we have entered to manufacture fish keeping boxes which can be stored safely the fish harvest to minimize the post - harvest lost.



In accordance to the instructions of Hon. Mahinda Amaraweera, the Minister of Fisheries and Aquatic Resources Development, investigation activities had been commenced in 2016 to find remedies for wasting post- harvest experience for long time by the fishers engage in the maritime industry.

We have investigated that the length of fishing boats, the quantity of fish holds, freezer facility and weakness of packing the harvested fish were the major factors for wasting post - harvest.

In accordance to the proposal submitted by the Cey Nor Foundation Limited to the Cabinet of Ministers in 2016 last quarter, action has been taken to grant Rs.44 Million to the Cey Nor Foundation Limited through Department of Fisheries and Aquatic Resources Development to make mould of 55 Feet vessel and manufacture prototype vessel by using this mould for minimizing post - harvest. Action has also been taken to demonstrate it for fishers of Sri Lanka.



Under the vote of introducing new technology in line with the project, Department of Fisheries and Aquatic Resources Development has taken action to provide orders to Cey Nor Foundation Limited to manufacture five vessels using the mould manufactured by us under 50% assistance introducing by the Department of Fisheries and Aquatic Resources Development for the manufacture of vessels more than 55 Feet vessels.



In addition to manufacture vessels and other fishing gear which are necessary to fishery, we have successfully completed the manufacture activities of Shashimi type two whale watching boats which are facilitated to travel more than 100 passengers and length of 50ft manufactured by only on Cey Nor Foundation Limited and handed over to the owners. These boats have high demand in the tourism industry.



In addition to the factors above mentioned, during the year 2016, a detailed statement of all the equipments were manufactured by company is as follows.

<b>No.</b>	<b>Type of Product</b>	<b>Qty</b>
01.	Fiberglass Security Huts	3
02.	19-6 ft Boats	12
03.	18 ½ ft Canoes	692
04.	Fiber glass hatchery jars	43
05.	Fiberglass floating Jetty	45
06.	15 ½ ft Canoes	598
07.	Fiberglass mobile dress changing room	6
08.	Fiberglass mobile Stall	2
09.	Out-trigger 10'6"	561
10.	Out-trigger 10'2"	533
11.	13ft Canoes	6
12.	Paddle Boats	12
13.	50ft Whale watching Boats	2
14.	Fiberglass Fish Packing Boxes	334
15.	Ice boxes	34
16.	18 ½ bolt	1
17.	Fiberglass Mobile Passenger Chair	32
18.	15 ½ bolt	15
19.	Fish Cutting Table	175
20.	Leisure Vessel	5
21.	Floating Stage	1
<b>Total</b>		<b>3112</b>

## FINANCIAL PERFORMANCE IN 2016

Cey Nor Foundation has successfully managed the business in 2016 and earned 9.264,551.75 million profits after tax at the end of the financial year. Orders received from Ministry of Fisheries and Aquatic Resources Development and Orders received from other public and private sectors were immensely contributed to achieve this profit during the year 2016.

Serial No.	Detail	Turnover Rs.
01.	Income from company products	Rs.137,415,079.98
02.	Other operating Income	Rs.44,541,340.94
03.	Income from purchasing and selling	Rs.10,935,900.18
Total Income		Rs.192,892,321.10

Table 4  
Financial Highlights for the Last 5 years

Description	2011	2012	2013	2014	2015	2016
Total Income	324.75	217.75	267.09	1060.63	763.4	192.892
Gross Profit (Loss)	51.22	57.19	73.83	170.56	112.92	10.935
Net Profit (Loss) After Tax	(16.25)	(7.09)	0.70	89.35	61.8	9.264
Earnings per Share	(4.06)	(1.77)	0.27	22.34	15.45	2.32
Fixed Assets (Net Book Value)	274.9	287.58	309.50	346.42	323.03	321.674
Fixed Deposits	-	-	1.30	1.30	1.30	1.30
Current Assets	180.91	191.63	186.58	445.25	263.8	310.974
Current Liabilities	218.67	227.51	225.93	431.48	175.1	190.223
Non-Current Liabilities	71.64	28.50	46.93	41.25	30.9	52.398
Share capital	40.00	40.00	40.00	40.00	40.00	40.00
Capital With Other Reserves	178.09	231.55	231.55	320.91	382.7	391.998

## FUTURE PLANS

- Cey Nor Foundation has planned to fulfil manufacture and trade targets of company by publishing Multiday Fishing Boat of 59.5ft long composed with modern freezer facility in national and internationally. It has been planed to reduce in considerable amount from existing 40% of post – harvest wastage currently experience in the field of fishery by introducing the modern fishery boats to the market.



- As there is a high demand for Whale watching vessels with the length 50ft which reproduce, Cey Nor Foundation Limited has planned to make the manufacturing activities of such vessels efficient and introduce them to the market with high standard and in a novel way and thereby to increase local and foreign tourist attraction so that Cey Nor Foundation Limited can upgrade its income.



- After repairing the dilapidated of comprising 25,000ft Stores Complex owned to the Cey Nor Foundation Limited located at Mattakkuliya, It has been planned to give it on rent for the period of 5 years adhering to proper procurement procedure to the amount more than government valuation.

- Construction activities of the Karainagar Boatyard, which was devastated during the time of Northern war owned to Cey Nor Foundation Limited, are in the last stage and it has planned to carry out operational activities by Cey Nor Foundation Limited or with the private sector after receiving the feasibility report.



## **Report of the Auditor General on the Financial Statements of the Cey-Nor Foundation Limited for the year ended 31 December 2016**

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The audit of financial statements of the Cey-Nor Foundation Limited for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My observations regarding the performance of the year under review which I consider should be presented to Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

### **1.2 Board of Directors' Responsibility for the Financial Statements**

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

### **1.3 Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material 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 management, as well as evaluating the overall presentation of financial statements.

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

#### 1.4 Basis for Qualified Opinion

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##### (a) Sri Lanka Accounting Standards

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The following non-compliances were observed.

##### (i) Sri Lanka Accounting Standard 1

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- ❖ Even though a description of the nature and purpose of each reserve within equity should be disclosed in terms of paragraph 79(b) of the Standard, it had not been so done.
- ❖ In terms of paragraph 117 of the Standard, the significant accounting policies should be disclosed for understanding of the financial statements. Nevertheless, the accounting policy relating to financial instruments had not been disclosed.

##### (ii) Sri Lanka Accounting Standard 12

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In terms of paragraphs 79, 80 and 81 of the Standard, disclosures relating to tax expenses of the year under review had not been made.

##### (iii) Sri Lanka Accounting Standard 16

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Even though the entity had identified a revaluation reserve of Rs.260,559,448 in the financial statements, in terms of paragraph 77 of the Standard, the following disclosures had not been made in the financial statements.

The effective date of the revaluation;

Whether an independent valuer was involved;

Methods and significant assumptions used in estimating fair values of assets.

##### (iv) Sri Lanka Accounting Standard 19

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In terms of paragraph 57 of the Standard, the defined benefit liability should make a reliable estimate through the projected unit credit method. However, contrary to the Accounting Standard, the entity had computed it multiplying half of the salary obtained at the end of the

month of the previous financial year by the number of years completed by each officer.

(v) **Sri Lanka Accounting Standard 24**  
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In terms of paragraph 17 of the Standard, the key management personnel benefits had not been disclosed by the entity.

(vi) **Sri Lanka Financial Reporting Standard 7**  
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The following observations are made.

In terms of paragraph 08 of the Standard, the carrying amount of financial assets and financial liabilities should be disclosed either in the statement of financial position or in the notes. Nevertheless, it had not been so disclosed.

In terms of paragraphs 31 and 33 of the Standard, information required to evaluate the nature and extent of risks arising from financial instruments, exposed at the end of the reporting period, had not been disclosed.

(b) **Accounting Policies**  
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In terms of paragraph 08 of the Sri Lanka Accounting Standard 23, the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as a part of the cost of that asset and the other borrowing costs should be recognized as an expense in the said period. However, contrary to it, an accounting policy had been identified by the Foundation that the borrowing costs are recognized as an expense of the entity.

(c) **Accounting Deficiencies**  
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The following observations are made.

- (i) The Sri Bangalas Boats Manufacturing Company, which was commenced according to an agreement entered into with an investor of Bangladesh by the Cey-Nor Foundation Limited on 14 February 2008, was running at a loss and as such, the agreement had been terminated on the decision dated 28 July 2016 of the Board of Directors. However, according to Sri Lanka Accounting Standard 36, allocations had not been made for impairment of investment of Rs.1,961,850 remained as at 31 December 2016.

- (ii) Depreciation of Rs.166,695 and Rs.1,867,241 for fully depreciated Tractor Trailers and Motor Cars respectively had been further brought to account in the year under review and as such, the net value of assets and the profit had been understated by Rs.2,033,936 as at the end of the year under review.
- (iii) Even though the debtors balance amounting to Rs.125,303,319 remained as at 31 December 2016, comprised of debtors balance totalling Rs.22,203,074 remained unrecovered from the years 2004, 2011 and 2015, only allocations of Rs.6,392,490 had been made for bad and doubtful debts and it was observed in audit that those allocations were inadequate.

**(d) Unexplained Differences**

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The following observations are made.

- (i) According to the financial statements of the Cey-Nor Foundation, sums of Rs.26,294,662 and Rs.18,294,909 had been shown as receivable and payable from and to the Northsea (Pvt) Ltd. respectively according to the financial statements of the Cey-Nor Foundation as at 31 December 2016, whilst according to the financial statements of the Northsea (Pvt) Ltd., those balances had been Rs.24,978,402 and Rs.24,846,086, thus indicating unexplained differences of Rs.1,316,260 and Rs.6,551,177 respectively.
- (ii) Even though the value of fixed assets according to the statement of financial position had been Rs.20,505,436, according to the Register of Fixed Assets, that value had been Rs.29,774,369, thus indicating a difference of Rs.9,269,203.
- (iii) According to the financial statements, the turn-over of the year under review had been Rs.205,502,518. Nevertheless, in the comparison of the turn-over used in the computation of Nation Building Tax with the turn-over used for payment of Value Added Tax, differences of Rs.1,070,507 and Rs.3,069,618 were observed respectively.

**(e) Lack of Evidence for Audit**

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The following observations are made.

- (a) Confirmation of balances for debit balance of Value Added Tax amounting to Rs.11,719,949 out of the Value Added Tax of Rs.1,458,292 shown under balances payable in the financial statements, debit balance of Economic Service Charges amounting to Rs.138,205 and for Economic Service Charges of Rs.2,466,894 paid in advance, included in other receivable balances, had not been made available.
- (b) The Cabinet Paper dated 02 November 2010 in respect of vesting of two Factories at Lunuwila and Weerawila belonging to the Cey-Nor Foundation in the Northsea (Pvt) Ltd., report on the computation of vested value of assets or the valuation report of the Government Valuer, had not been made available to Audit.

**2. Financial Statements**

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**2.1 Qualified Opinion**

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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 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**2.2 Report on other Legal and Regulatory Requirements**

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

- (a) The basis of qualified 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.

## 2.3 Accounts Receivable and Payable

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The following observations are made.

- (a) Action had not been taken even in the year under review to settle 05 other receivable balances totalling Rs.9,202,662 brought forward from many years.
- (b) Action had not been taken to identify and settle the sales advances of Rs.113,123,958 included in the other payable balance of Rs.138,912,830 remained as at 31 December 2016.
- (c) A negative balance of Rs.230,012 in favour of the Sri Lanka Cricket Board included in the debtors balance indicated in the financial statement, over a period of 03 months and action had not been taken to settle that balance.
- (d) Action had not been taken to settle advances of Rs.6,477,608 older than a period of one year as at 31 December 2016.

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the financial result of the Foundation for the year under review had been a net profit of Rs.9,264,551 as compared with the corresponding net profit of Rs.61,814,529 for the preceding year, thus indicating a decline of Rs.52,549,978 in the financial result of the year under review as compared with the preceding year. The increase in the sales cost by Rs.54,192,681 had been the main reason for the said decline.

## 4. Operating Review

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### 4.1 Performance

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In terms of the Memorandum of Association, the main objectives of the Cey-Nor Foundation which is governed by the Companies Act, No.07 of 2007, were as follows.

- (a) To carry on the business of building, manufacturing, sales and operating workshops for repair and reconditioning of trawlers, fishing vessels, marine motors and other marine equipment.
- (b) To undertake the business of manufacture of ice and marine products and the processing, packaging, marketing and export of these products.

- (c) To carry on the business of the manufacture and sell of fishing nets and allied fishing gears in Sri Lanka or abroad.
- (d) To act as a commission agent, sales agent or manufacturer with regards to the activities of the Foundation.

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

- (i) Even though the manufacturing of ice and performing allied activities and manufacturing of fishing nets indicated under main objectives of the Foundation had been withdrawn from the said objectives at present, action had not been taken by the Foundation to amend the Memorandum of Association accordingly.
- (ii) Even though it had been planned by the Corporate Plan of the year 2016 to establish 300 retail shops for expanding the function of the Foundation as a trade agent, that function had not been performed and it was observed that operating activities of all retail shops had been discontinued by November 2017.

## 4.2 Management Activities

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The following observations are made.

- (a) The following observations were made in respect of leasing out the motor vehicle repair workshop located at Mattumagala, belonging to the Cey-Nor Foundation Limited to a private company for a period of 15 years from 02 August 2016.
  - (i) According to the said lease agreement, 3 per cent of annual turnover is required to be paid to the Foundation by the lessee, subject to minimum rentals of Rs.100,000 in first 05 years, Rs.150,000 in second 5 years and Rs.250,000 in third 5 years. A fee amounting to Rs.1,800,000 at a rate of Rs.150,000 per month had been recovered for the first year and the Foundation had not examined the audited financial statements of the lessee company for the confirmation of accuracy of the income so recovered.
  - (ii) Title deeds or any evidence whatsoever required for the confirmation of legal ownership of the land on which the motor vehicle repair workshop is located at Mattumagala, had not been made available to Audit.

- (iii) In terms of Clause 2(d) and (c) of the said lease agreement, it had been cited that the employees who were deployed in the service of that workshop are absorbed to the lessee company at the instance of leasing out and the salaries paid to those employees should be reimbursed by the said company to the Cey-Nor Foundation. However, according to Board of Directors Paper dated 22 July 2016, it was revealed that those employees had not been absorbed into the company.
- (iv) Even though the lessee company had changed its business name, action had not been taken to revise the lease agreement accordingly.
- (b) The land of 2 roods 18.24 perches in extent located at D.R.Wijewardana Mawatha, Colombo 10, belonging to the Foundation had been leased out to a private company (Cey-Nor Orient Sea Food Restaurant) on 04 July 1998 at a rate of Rs.40,000 per month for 20 years and the following matters were observed in that connection.
- (i) In addition to the said lease amount, a share of 40 per cent of the net profit of the said Business should be paid to the Cey-Nor Foundation without charging depreciation in respect of the buildings in terms of the lease agreement. However, that portion had not been received from the year 1998 to the year 2011 and the Cey-Nor Foundation had not even examined the audited accounts of the relevant company.
- (ii) In case, the net profit earned from the said business is not reasonably adequate during any consequent period of 5 years, the lessor has the right to terminate this lease agreement without the consent of the lessee in terms of Clause 11 of the agreement. Nevertheless, action had not been taken to terminate the agreement on non-receipt of share of profit receivable according to the agreement.
- (iii) In terms of Clause 12 of the Agreement, it had been agreed to pay a sum of Rs.250,000 by the lessor to the lessee per each year or part thereof of the remaining period after termination of the agreement. Further, at the instance of entering into the agreement, the Management had neglected that disadvantageous Clause made contrary to the terms of the Clause 11.
- (iv) The period of the said lease agreement had terminated on 04 July 2018 and the Board of Directors of the Foundation had decided to lease out again to the present lessee for a period of 30 years from that date under the approval of the Department of Public Enterprises, Cabinet of

Ministers and Attorney General's Department. Accordingly, the value of annual assessed lease rental obtained from the Valuation Department on 20 September 2016 had been Rs.39,300,000 and the present lessee did not agree to obtain the said land for that value. As such, the value of lease rental of the land for a period of 30 years had been reassessed as Rs.604,000,000 on 29 November 2016. According to the assessed value obtained at the second time, the annual lease rental of the land had been Rs.20,133,333 and reasons for decrease in the second assessed value by Rs.19,166,667 than the first value had been questionable in Audit.

### 4.3 Operating Activities

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The following observations are made.

- (a) Two mobile workshops and 105 unvalued tools and other items of equipment belonging to the Cey-Nor Foundation Limited had been leased out to a private company on 17 August 2006. The following observations are made in that connection.
  - (i) In terms of Clause 6(c) of the lease agreement, an insurance coverage to the value of Rs.2.5 million should be obtained by the lessee for losses sustained in every mobile workshop. Nevertheless, action had not been taken to obtain such insurance coverage and attention of the Management as well had been paid thereon.
  - (ii) In the vesting of workshops to the lessee company, 105 units of tools and other equipment had been handed over. However, a physical verification had not been carried out in that connection.

### 4.4 Transactions of Contentious Nature

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#### (a) Investment in Sri Bangalash Boat Manufacturing Company

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According to the Cabinet Decision No. අමප/07/0198/351/001 dated 22 February 2007, the Cey-Nor Foundation Limited had entered into an agreement on 18 February 2008 with the Elite Agro Industries (Pvt) Ltd. in Bangladesh to commence a joint venture for the purpose of manufacturing of fishing boats. The following observations are made in this connection.

- (i) Even though a bank security in respect of the joint partner of the venture should be obtained in terms of the Agreement, action had not been so taken.

- (ii) Even though the investment of the Foundation had been US\$.80,000 according to the agreement, the Foundation had invested a sum of US\$ 101,265 and as such, a sum of US\$ 21,265 had been overinvested. However, no benefits whatsoever from the investment had been received to the Cey-Nor Foundation up to the year 2017.
- (iii) Even though the approval had been granted by the Board of Directors Paper No.310 dated 28 July 2016 to complete the project, action had not been taken to terminate the project even by the date of this report and a value of Rs.1,961,850 had been indicated in this connection under investments in the statement of financial position of the year under review.

**(b) Vesting of Fishnet Factories in a Public Company**

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According to the Cabinet Decision No. අමප/10/2658/418/015 dated 18 November 2010, two Fishnet Factories at Lunuwila and Weerawila, belonging to the Cey-Nor Foundation Limited had been vested in the Northsea (Pvt) Ltd. The following observations are made in that connection.

- (i) Before making recommendations to the Cabinet of Ministers on vesting and taking over of Factories, a market survey on a scientific basis, an evaluation of investments or a feasibility study had not been carried out thereon by the Ministry of Finance and Planning.
- (ii) The Cey-Nor Foundation Limited, being the sole agent with the International Standard Certification (ISO 9001,2000) for the manufacture of Nylon fishnets in Sri Lanka, had manufactured 148,186 kg of fishnets through these two Factories and an income of Rs.215.6 million had been earned from the sale of fishnets. It was 64 per cent of the entire income of the Foundation and orders for supply of 66,560.69 kg of fishnets had been undertaken by the Foundation by the instance of vesting of those Factories. Despite the fact, it was observed in audit that the vesting of those two Factories in another institution has adversely affected the Fisheries Sector and the Foundation.
- (iii) Even though the Foundation had handed over the raw materials valued at Rs.14,676,642 to the Northsea Limited by the instance of vesting of those two Factories with the Northsea Limited, the value of stocks of

these raw materials had not been taken into account the purchase consideration at the time of vesting of those stocks.

- (iv) According to the financial statements of the year 2011, a sum of Rs.37,488,524 had been deducted as the revaluation loss in the vesting of fixed assets with the book value of Rs.51,688,575 and leased assets with the book value of Rs.18,137,565, belonging to the Cey-Nor Foundation Limited. According to the report referred to the Secretary to the Ministry on 11 March 2011 by the Chairman, it had been indicated that the market value of assets vested, had been Rs.77,800,000. According to the audited financial statements of the year 2011, the market value of assets with the net book value of Rs.69,826,140 had been indicated as Rs.77,800,000 and as such, the identification of a revaluation loss of Rs.37,488,524 was questionable in audit. However, assets belonging to the Foundation had not been properly valued and vested.

#### 4.5 Uneconomic Transactions

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##### (a) Hiring out the Excavator owned by the Foundation

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The following observations are made.

- (i) A contract agreement had been entered into for hiring out the excavator owned by the Foundation to the Fishery Harbours Corporation on the basis of payment of a sum of Rs.11,000 per hour of a working day and at a minimum sum of Rs.44,000 per day for a period of 06 months from 10 September 2016 to 11 March 2017. However, the Foundation had not taken action to recover any money whatsoever recoverable from that Corporation.
- (ii) This machine had been hired out on lease basis by the Fishery Harbours Corporation to an external institution from 08 November 2016 and it had been agreed to pay a sum of Rs.3,500 per working hour, Rs.50,000 per month for lubricant oil and maintenance activities and Rs.500,000 as security deposits to the Corporation. Nevertheless, according to the agreement entered into with the Cey-Nor Foundation by the Fishery Harbours Corporation, provisions had not been made for sub-letting.

- (iii) This machine, purchased at a cost of Rs.40 million on 27 October 2014, had been sold for Rs.28 million to the Fishery Harbours Corporation without assessing the value within a period not exceeding even three years.

#### 4.6 Identified Losses

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An Ambulance Boat had been manufactured by the Cey-Nor Foundation by spending a sum of Rs.4,515,923 without entering into a written agreement on an order placed by the Northern Provincial Ministry of Health Services in the year 2015. A boat engine valued at Rs.1,130,000 had been purchased and fixed to the said boat without confirming by a Technical Evaluation Committee that it is in compliance with specified specifications and the purchaser had rejected the purchase of the said boat due to overheat of the engine. As such, a total sum of Rs.4,515,923 spent for the boat and the engine had become a loss to the Foundation.

#### 4.7 Staff Administration

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The following observations are made.

- (a) The approved cadre as at 31 December 2016 stood at 135 whilst the actual cadre stood at 86 and as such, 50 vacancies and 01 excess cadre existed.
- (b) Action had not been taken even up to the date of the report to fill the posts of the Assistant Manager (Operations) and the Human Resources Manager, vacant from 26 April 2012 to 01 December 2016.
- (c) Even though the post of Workshop Manager existed in the approved cadre, a workshop was unavailable in the Foundation, as the Workshop at Mattumagala owned by the company, had been leased out to another institution. As such, that officer had been assigned the duties the Transport Manager, despite the unavailability of a post of Transport Manager in the approved cadre.

### 5. Accountability and Good Governance

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#### 5.1 Presentation of Financial Statements

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In terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the draft Annual Report and the financial statements should be presented to the Auditor General within 60 days after closure of the financial year. Nevertheless, the financial statements for the year under review had been presented to Audit on 08 September 2017 after a delay of 06 months.

## 5.2 Corporate Plan

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The following observations are made.

- (a) Action had not been taken to review and update the Corporate Plan timely, prepared by the Foundation relating to the period from 2013 to 2017.
- (b) Even though a sum of Rs.87 million had been planned to be earned from manufacture of engine spare parts and fishing gear and from repair of boats in the year under review, no such activities whatsoever had been carried out.

## 5.3 Action Plan

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The following observations are made.

- (a) The Action Plan of the Foundation had not been prepared in compliance with the objectives of the Corporate Plan.
- (b) In terms of the Public Enterprises Circular No.PED/12 of 02 June 2003, a copy of the Action Plan approved for the ensuing year should be presented to the Auditor General by the Board of Directors, 15 days before the commencement of the financial year. Nevertheless, the Action Plan for the year 2016 had been presented to Audit by the Board of Directors only on 19 October 2016.

## 5.4 Internal Audit

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The following observations are made.

- (a) An adequate staff had not been approved for the Internal Audit Unit and that Unit consisted only of the Divisional Head and another officer, thus resulting in a hindrance to achieve the expected performance of the Internal Audit Unit and main objectives of the establishment of that Unit.
- (b) In terms of the Management Audit Circular No.DMA/2009 (I) dated 09 June 2009, the Internal Audit Programme approved for the year under review had not been presented to the Auditor General.
- (c) Even though action should be taken in terms of Financial Regulation 134 to submit the internal audit reports to the Auditor General, the internal audit reports for the year 2016 had not been presented to Audit even by the date of this report.

## 5.5 Procurement Process

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In terms of Guideline 4.3.1(a) of the Procurement Guidelines, a total cost estimate should be prepared for every purchase. However, a cost estimate had not been prepared in the purchase of raw materials valued at Rs.8,256,101 and C.C.T.V. cameras valued at Rs.1,376,413 in the year under review. Moreover, a proper contract agreement as well had not been entered into in terms of Guideline 8.9.1(b) of the Procurement Guidelines.

## 5.6 Budgetary Control

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The following observations are made.

- (a) In terms of Section 5.2.4 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the draft budget of an institution should be placed before the Board of Directors for approval, 03 months before the commencement of the financial year. However, the budget of the Cey-Nor Foundation for the year 2016 had been approved at the 315<sup>th</sup> meeting of the Board of Directors held on 27 December 2016.
- (b) In terms of Section 5.2.5 of the said Circular, copies of the annual budget approved by the Board, should be forwarded to the line Ministry, the Department of Public Enterprises, General Treasury and the Auditor General not later than 15 days before the commencement of the financial year. However, action had not been taken accordingly.
- (c) In terms of Section 5.2.1 of the said Circular, the annual budget should be prepared in accordance with the format in which the Annual Accounts are presented. However, statement of budgeted financial position and the statement including budgeted capital expenditure had not been included in the annual budget presented by the Foundation.

## 6. Systems and Controls

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

**Areas of Systems and  
Controls**

**Observations**

- | <b>Areas of Systems and<br/>Controls</b> | <b>Observations</b>                                                                                      |
|------------------------------------------|----------------------------------------------------------------------------------------------------------|
| (a) Procurement Process                  | Non-compliance with certain Procurement Guidelines.                                                      |
| (b) Operating Control                    | Failure in taking action for proper recovery lease rental income.                                        |
| (c) Action Plan                          | Failure in taking action to achieve the objectives mentioned in the Action Plan.                         |
| (d) Operating Activities                 | Failure in carrying out operating activities properly.                                                   |
| (e) Management Activities                | In entering into lease agreements, concurrence with sections which are not beneficial to the Foundation. |

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31<sup>st</sup> December

	Notes	2016 (Rs.)	2015 (Rs.)
<b>Continuing Operations</b>			
Revenue	3	137,415,079.98	60,253,552.81
Cost of Sales	4	(114,217,715.72)	(60,025,034.86)
<b>Gross Profit/ (Loss)</b>		<b>23,197,364.26</b>	<b>228,517.95</b>
Gross Profit from Trading Activity	5	10,935,900.18	112,684,030.50
Other Operating Income	6	44,541,340.94	27,687,617.29
Selling and Distribution Expenses	7	(6,154,368.15)	(7,382,517.90)
Administrative Expenses	8	(62,355,475.25)	(62,208,420.12)
Other Operating Expenses	9	(648,209.75)	(843,004.82)
<b>Operating Profit</b>		<b>9,516,552.23</b>	<b>70,166,222.90</b>
Finance Income	10	50,265.52	264,143.93
<b>Profit before Tax from Continuing Operations</b>		<b>9,566,817.75</b>	<b>70,430,366.83</b>
Income Tax Expenses	11	(302,266.00)	(8,615,837.14)
<b>Profit after Tax from Continuing Operations</b>		<b>9,264,551.75</b>	<b>61,814,529.69</b>
<b>Discontinued Operations</b>			
Profit after Tax for the Year from Discontinued Operations		-	-
<b>Profit After Tax for the Year</b>		<b>9,264,551.75</b>	<b>61,814,529.69</b>

## STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> December

	Notes	2016 (RS.)	2015 (Rs.)
<b>Assets</b>			
<b>Non – Current Assets</b>			
Property, Plant and Equipment	12	321,674,585.98	323,039,516.30
Investment – Sribangla Boats J/V		1,961,850.00	1,961,850.00
		<b>323,636,435.98</b>	<b>325,001,366.30</b>
<b>Current Assets</b>			
Inventories	13	41,809,722.00	45,872,387.62
North Sea Limited		9,204,498.31	9,204,498.31
Trade Debtors	14	125,303,319.45	139,759,340.34
Staff Debtors	15	8,311,895.66	5,518,685.02
Other Receivables	16	30,667,318.97	42,924,860.26
Call Deposits		1,300,000.00	1,300,000.00
Cash and Bank	17	94,377,710.14	19,249,798.96
		<b>310,974,464.53</b>	<b>263,829,570.51</b>
<b>Total Assets</b>		<b>634,610,900.51</b>	<b>588,830,936.81</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Stated Capital		40,000,000.00	40,000,000.00
Revaluation Reserves		260,559,447.73	260,559,447.73
Capital Reserves		62,601,030.04	62,601,030.04
Retained Profit/ (Loss)		28,827,575.82	19,563,024.07
<b>Total Equity</b>		<b>391,988,053.59</b>	<b>382,723,501.84</b>
<b>Non – Current Liabilities</b>			
Ministry Gram	18	2,078,392.40	2,078,392.40
Deferred Liabilities	19	47,475,968.67	24,698,106.79
Interest Bearing Borrowing	20	2,844,518.16	4,192,885.07
		<b>52,398,879.23</b>	<b>30,969,354.26</b>

<b>Current Liabilities</b>			
Interest Bearing Borrowing	21	1,348,339.08	1,287,955.98
Trade Creditors	22	42,846,961.38	100,926,391.50
Other Payables	23	138,912,829.63	64,307,895.59
Income Tax Payables	24	7,115,837.60	8,615,837.60
Short Term Loans	25	-	0.04
		<b>190,223,967.69</b>	<b>175,138,080.71</b>
<b>Total Liabilities</b>		<b>242,622,846.91</b>	<b>206,107,434.97</b>
<b>Total Equity and Liabilities</b>		<b>634,610,900.51</b>	<b>588,830,936.81</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31<sup>st</sup> December 2016

	Share Capital (Rs.)	Capital Reserve (Rs.)	Revaluation Reserve (Rs.)	Accumulated Profit/ (Loss) (Rs.)	Total Equity (Rs.)
Balance as at 01 <sup>st</sup> of January 2015	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 31 <sup>st</sup> of December 2015	<b>40,000,000.00</b>	<b>62,601,030.04</b>	<b>260,559,447.73</b>	<b>19,563,024.07</b>	<b>382,723,501.84</b>
Net Loss for the Year	-	-	-	9,264,551.75	9,264,551.75
Balance as at 31 <sup>st</sup> of December 2016	<b>40,000,000.00</b>	<b>62,601,030.04</b>	<b>260,559,447.73</b>	<b>28,827,575.82</b>	<b>391,988,053.59</b>

## CASH FLOW STATEMENT

For the year ended 31<sup>st</sup> December 2016

(All Figures in Rupees)	2016	2015
<b><u>Cash Flows from Operating Activities</u></b>		
Profit Before Taxation	9,566,817.75	70,430,366.83
<b><u>Add:</u></b>		
Depreciation	18,241,569.90	24,430,318.28
Provision for Gratuity	2,040,416.50	1,314,207.00
<b>Operating Profit before Working Capital Changes</b>	<b>29,848,804.15</b>	<b>96,174,892.11</b>
(Increase)/ Decrease in Inventories	4,062,665.62	1,416,199.01
(Increase)/ Decrease in Trade and Other Receivables	23,920,351.54	197,542,032.81
Increase/ (Decrease) in Trade and Other Payables	16,525,503.92	(244,864,792.98)
Increase/ (Decrease) in Deferred Income	21,673,555.38	(9,633,213.22)
<b>Cash Generated from Operating Activities</b>	<b>96,030,880.61</b>	<b>40,635,117.73</b>
<b><u>Less:</u></b>		
Investment Income	(50,265.52)	(264,143.93)
Tax Paid	(1,802,266.00)	(7,300,126.00)
Gratuity Paid	(936,110.00)	(670,010.00)
<b>Net Cash Generated from Operating Activities</b>	<b>93,242,239.09</b>	<b>32,400.837.80</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Sale/ Purchase of Property, Plant & Equipment	(16,876,639.58)	(1,046,938.55)
Investment Income	50,265.52	264,143.93
Short-Term Loans	(0.04)	(10,633,248.00)
<b>Net Cash Used in Investing Activities</b>	<b>(16,826,374.10)</b>	<b>(11,416,042.62)</b>
<b><u>Cash Flows from Financing Activities</u></b>		
Payment of Lease Creditors	(1,287,953.82)	(1,476,302.00)
<b>Net Cash Used in Financing Activities</b>	<b>(1,287,953.82)</b>	<b>(1,476,302.00)</b>

<b>Net Increase in Cash and Cash Equivalents</b>	<b>75,127,911.18</b>	<b>19,508,493.18</b>
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**Note A**

Cash and Cash Equivalent at the Beginning of the Period	20,549,798.96	1,041,305.78
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**Note B**

<b>Cash and Cash Equivalents at the End of the Period</b>	<b>95,677,710.14</b>	<b>20,549,798.96</b>
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	<u><b>Note A</b></u>	<u><b>Note B</b></u>
People's Bank-Queen Br.87847	600,552.52	1,024,156.65
H N B - 16031	3,440,827.62	967,680.16
H N B - 10002143	26,823.58	26,823.58
Pan Asia Bank - 135670117	2,941.80	2,941.80
Petty Cash Imprest A/C	167,000.00	162,000.00
Fuel Imprest	50,000.00	50,000.00
Call Deposits	1,300,000.00	1,300,000.00
BOC - 72322913	12,601,106.17	87,919,851.48
BOC-CO.Br - 1450	2,360,547.27	4,224,256.47
	<b>20,549,798.96</b>	<b>95,677,710.14</b>

# **NOTES TO THE FINANCIAL STATEMENTS**

## **YEAR ENDED 31<sup>ST</sup> DECEMBER 2016**

### **1. Corporate Information**

#### **1.1 Domicile and Legal Form**

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

#### **1.2 Principal Activities and Nature of Operations**

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

#### **1.3 Parent Enterprise**

A 100% Government owned Company.

Number of Employees

The number of employees of the Company at te end of the year was 86

### **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 31<sup>st</sup> December 2016 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 cot basis. No adjusment 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
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 asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating to that asset, in which case it is charged 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 recognised 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 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's Provident Fund and Employee's Trust Fund**

All Employees who are eligible for Employee's Provident Fund Contribution and Employee's Trust Fund Contribution are covered by relevant contribution funds in line with respective statutes 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 Statement**

### **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 company does not retain significant risk of ownership even though warranties are provided for its' manufactured items, since that warranty covers only the manufacturing defects which covered under normal warranty provisions. 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 actual 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.

**f) Government Grants**

The grant is recognized when there is reasonable assurance that company will comply with the conditions attached and that government grant will be received. Grants related to assets, recognized as deferred income that is recognized in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognized.

**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.

## NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 <sup>st</sup> December	2016 (Rs.)	2015 (Rs.)
<b><u>Note 03 - Revenue</u></b>		
Sale of Crafts – (Local)	134,222,416.74	58,195,817.95
Others	3,192,663.24	2,057,734.86
	<b>137,415,079.98</b>	<b>60,253,552.81</b>
<b><u>Note 04 – Cost of Sale</u></b>		
Opening Stock – Raw Materials	5,740,971.42	6,067,617.91
Opening Stock – WIP	7,307,069.77	3,837,716.39
Opening Stock – FG	2,540,086.64	6,176,031.29
	<b>15,588,127.83</b>	<b>16,081,365.59</b>
<b><u>Add:</u></b>		
Purchase of Raw Materials	49,756,601.48	26,850,395.39
Other Materials	14,757,507.12	6,601,224.61
Engine	5,930,000.00	-
	<b>86,032,236.43</b>	<b>49,532,985.59</b>
Closing Stock – Raw Materials	(4,499,882.74)	(5,740,971.42)
Closing Stock – WIP	(14,800,626.01)	(7,307,069.77)
Closing Stock – FG	(3,399,096.45)	(2,540,086.64)
Cost of Material Consumed	<b>63,332,631.23</b>	<b>33,944,857.76</b>
<b><u>Add: Direct Expenses</u></b>		
Salaries and Wages	6,414,585.50	4,922,688.47
Allowance – DIR	4,643,971.39	3,244,302.96
Overtime – DIR	703,913.30	204,845.73
E.P.F. – DIR	769,750.26	588,121.05
E.T.F. – DIR	192,437.58	208,374.24
Gratuity – DIR	707,091.50	659,647.50
Sub Contract Charges	21,178,981.68	4,520,137.50
Testing & Quality Control	33,272.51	-
Prime Cost	<b>97,976,634.95</b>	<b>48,292,975.21</b>

**Add: Production Overhead**

Salaries & Wages	1,835,844.50	1,767,870.34
Allowance	967,227.83	1,050,653.59
Overtime	185,659.52	102,019.71
E. P. F.	220,301.34	212,144.44
E. T. F.	55,075.34	53,036.11
Depreciation	10,185,994.22	6,942,393.95
Electricity	741,321.11	878,910.31
Maintenance of Tools & Equipment	42,648.00	11,515.00
Maintenance of Plant & Machinery	749,107.27	263,270.00
Maintenance of Yard Vehicles	71,695.88	-
Hire Charges – Tools & Equipment	38,500.00	-
Yard Cleaning	359,928.00	-
Fuel & Lubricant	299,635.00	300,985.00
Water	422,192.76	149,261.20
Other Yard Expenses	65,950.00	-
<b>Cost of Production</b>	<b>114,217,715.72</b>	<b>60,025,034.86</b>

## NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

**For the Year ended 31<sup>st</sup> December                      2016 (Rs.)                      2015 (Rs.)**

### **Note 05 – Gross profit from Trading Activity**

Sales	59,537,125.67	562,900,228.22
Less: Cost of Sales	(48,601,225.49)	(467,800,824.40)
Gross profit on Trading Activity	<b>10,935,900.18</b>	<b>95,099,403.82</b>
Revenue on Construction Work	-	112,626,415.06
Construction Cost	-	(95,041,788.38)
	-	17,584,626.68
	<b>10,935,900.18</b>	<b>112,684,030.50</b>

### **Note 06 – Other Operating Income**

Rent Income	5,251,279.85	16,266,501.89
Sundry Income	-	136,500.98
Profit Margin on Restaurant	399,939.60	629,647.60
Transport & Handling	1,130,142.87	-
Government Grants	35,991,028.62	9,633,213.22
Commission on Handling Procumbent	-	1,021,753.60
Gain on Disposal of Assets	1,768,950.00	-
	<b>44,541,340.94</b>	<b>27,687,617.29</b>

### **Note 07 – Selling and Distribution Expenses**

Transport & Handling	405,336.91	320,346.84
Vehicle Repair & Maintenance	2,060,212.92	2,153,345.41
Sales Promotion	262,220.00	219,520.00
Sales Commission	541,326.72	803,821.11
Entertainment	36,685.00	37,902.00
Gift & Donation	87,500.00	396,500.00
Fuel & Lubricants	2,024,022.60	2,257,120.50
Tender Document Charges	124,819.00	65,900.00

Stamp Duty	10,100.00	16,025.00
Vehicle Rent	-	583,000.00
Outlet Rent Charges	558,000.00	-
Loading & Unloading Charges	21,200.00	351,695.00
Selling Expenses/ Bleaching & Packing Cost	7,060.00	175,092.04
Exhibition Expenses	15,885.00	2,250.00
	<b>6,154,368.15</b>	<b>7,382,517.90</b>

## NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 <sup>st</sup> December	2016 (Rs.)	2015 (Rs.)
<b><u>Note 08 – Administrative Expenses</u></b>		
Salaries and Wages	20,617,225.77	20,097,787.00
Overtime	1,190,906.71	1,413,360.19
Allowances	8,647,915.70	11,595,686.53
E. P. F. Expense	2,474,067.09	2,357,005.95
E. T. F. Expenses	618,516.78	589,251.49
Bonus and Incentives	1,003,725.00	1,107,750.00
Gratuity	1,333,325.00	654,559.50
Telephone Charges	1,047,540.33	968,453.26
Welfare Charges	1,553,882.70	1,202,151.32
Postage Charges	48,886.52	36,189.50
Courier Charges	3,910.00	198.00
Building Maintenance	544,089.33	576,918.03
Computer Maintenance	69,185.00	159,023.00
Furniture Maintenance	1,220.00	-
Office Equipment Maintenance	308,153.04	187,410.75
Water	66,764.48	305,575.84
Electricity	1,669,294.47	1,408,158.30
Printing & Stationery	855,967.99	1,134,327.65
Advertisement	1,031,364.19	485,782.50
Depreciation	9,855,575.69	8,416,630.69
Legal Fees	224,060.00	76,587.14
Insurance	476,498.53	604,062.65
Security Charges	2,150,697.36	3,672,456.98
Internet & E-mail Charges	101,329.40	116,933.48
Rates & Taxes	151,357.00	1,159,219.80
Cleaning & Sanitary	574,182.32	564,208.04
Vehicle Rent	274,000.00	838,760.00
License & Registration	124,973.16	84,116.44
Auditors Remuneration	110,000.00	150,000.00
Director Remuneration	505,183.90	1,144,616.66
Medical Expenses	52,630.33	60,229.29
Training & Seminars	170,720.00	163,500.00

Travelling, Training & Seminars-(Foreign)	-	-
Meals & Lodging	78,764.00	70,497.00
Surcharges/ Penalty	9,583.63	-
Ceremony/ Function Expense	232,931.00	7,140.00
Book & Periodicals	860.00	1,179.10
Attendance Allowances - AMC	144,900.00	-
General Expenses	-	83,950.00
ISO Expenses	136,000.00	93,276.04
Secretarial Fee	127,641.00	155,507.00
Consultancy/ Professional Charges	3,126,672.33	156,500.00
Travelling & Sub – (Local)	640,975.50	309,461.00
	<b>62,355,475.25</b>	<b>62,208,420.12</b>

**Note 09 – Other Expenses**

Bank Charges & Commission	167,125.57	218,658.82
Lease Interest	481,084.18	624,346.00
	<b>648,209.75</b>	<b>843,004.82</b>

**Note 10 – Finance Income**

Interest Income	50,265.52	264,143.93
	<b>50,265.52</b>	<b>264,143.93</b>

**Note 11 – Income Tax Expenses**

Tax on Taxable Income	302,266.00	8,615,837.14
	<b>302,266.00</b>	<b>8,615,837.14</b>

## NOTES TO THE FINANCIAL POSTION

### For the Year ended 31<sup>st</sup> December 2016

#### Notes 12 – Property, Plant & Equipment

Cost/ Revaluation	Balance As At 1 <sup>st</sup> January 2016	Addition	Disposal	Balance As At 31 <sup>st</sup> December 2016
<b>Freehold Assets</b>				
Land	250,000,000.00	-	-	250,000,000.00
Building	17,500,000.00	7,983,393.75	-	25,483,393.75
Machinery	45,109,912.00	-	-	45,109,912.00
Factory Equipment	2,712,017.50	114,353.45		2,826,370.95
Office Equipment	2,759,433.41	3,950.00	-	2,763,383.41
Computer	2,619,918.00	228,300.00	-	2,848,218.00
Furniture & Fittings	3,307,645.19	15,628.38	-	3,323,273.57
Tools & Equipment	34,923,741.62	-	-	34,923,741.62
Computer Software	429,500.00	9,664,584.00	-	10,094,084.00
Tractor & Trailers	2,790,000.00	-	-	2,790,000.00
Boat Molds/ Fishing Vessels	9,650,948.51	-	-	9,650,948.51
Motor Vehicle	15,552,350.00	(1,133,570.00)		14,418,780.00
<b>Leasehold Property</b>				
Motor Vehicle	8,099,107.57	-	-	8,099,107.57
Tractors & Trailers	1,300,000.00	-	-	1,300,000.00
	<b>396,754,573.80</b>	<b>16,876,639.58</b>	-	<b>413,631,213.38</b>

Depreciation	Balance as at 1 <sup>st</sup> January 2016	Dep. Charge for the Year	Disposal	Balance as at 31 <sup>st</sup> December 2016
<b>Freehold Assets</b>				
Building	6,343,749.57	908,264.05	-	7,252,013.62
Machinery	6,865,567.12	4,510,991.16	-	11,376,558.28
Factory Equipment	2,310,157.48	347,541.88	-	2,657,699.36

Office Equipment	2,010,571.31	302,070.68	-	2,312,641.99
Computer	2,052,717.81	291,070.37	-	2,343,788.18
Computers	317,387.04	1,809,990.38	-	2,127,377.42
Software				
Tools & Equipment	22,072,356.76	6,984,748.34	-	29,057,105.10
Furniture & Fitting	2,559,128.45	205,130.16	-	2,764,258.61
Boat Mould	7,137,877.00	1,152,745.52	-	8,290,622.52
Tractors & Trailers	2,331,695.60	624,999.97	-	2,956,695.56
Motor Vehicle	16,951,014.57	(664,993.12)	-	16,286,021.45
<b>Leasehold Property</b>				
Motor Vehicle	1,462,834.84	1,769,010.52	-	3,231,845.36
Tractors & Trailers	1,299,999.96	-	-	1,299,999.96
	<b>73,715,057.50</b>	<b>18,241,569.90</b>	-	<b>91,956,627.40</b>
<b>Net Book Value</b>	<b>323,039,516.30</b>			<b>321,674,585.98</b>

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

For the Year ended 31 <sup>st</sup> December	2016 (Rs).	2015 (Rs).
<b><u>Note 13 – Inventories</u></b>		
Stocks – Raw Materials	4,499,882.74	5,740,971.42
Stock – Work In Progress	14,800,626.01	7,307,069.77
Stock – FG Fishing Crafts	3,399,096.45	2,540,086.64
Stock – FG Net & Fishing Gear	19,110,116.80	30,284,259.79
	<b>41,809,722.00</b>	<b>45,872,387.62</b>
<b><u>Note 14 – Trade Receivables</u></b>		
Trade Debtors	131,695,809.57	146,151,830.46
Less: Provision for Bad Debtors	(6,392,490.12)	(6,392,490.12)
	<b>125,303,319.45</b>	<b>139,759,340.34</b>
<b><u>Note 15 – Staff Debtors</u></b>		
Festival Advance	65,251.20	55,100.00
Staff Debtors	8,246,644.46	5,463,585.02
	<b>8,311,895.66</b>	<b>5,518,685.02</b>
<b><u>Note 16 – Other Receivable</u></b>		
Advance Material	115,463.35	115,463.35
Advance – Other	10,612,936.57	7,438,334.91
Other Receivable A/C	2,116,284.39	2,176,284.39
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	591,500.00
Retention – Dikkovita Project	4,670,766.18	5,574,536.36
Retention – Maradana Package 01	-	10,491,913.70
Retention – Dikkovita L/S	1,757,057.50	(740,010.02)
With Holding Tax	1,119,029.73	1,119,029.73
Telephone to Employees	4,519.60	-
Cey-Nor Restaurant Receivable	706,798.11	1,172,524.76
Pending Litigation	14,902.63	14,902.63
Bank Guarantee	1,581,391.60	7,670,102.90
Anchorage Project – A/C	-	(84,814.30)
Contra Entry A/C	-	8,422.54
	<b>30,667,318.97</b>	<b>42,924,860.26</b>

**Note 17 – Cash and Bank**

BOC 1450	4,224,256.47	2,360,547.27
People’s Bank – Queen Br. 033-100-14-1790965	1,024,156.65	600,552.52
HNB – 16031	967,680.16	3,440,827.62
HNB – 10002143	26,823.58	26,823.58
Pan Asia Bank – 135670117	2,941.80	2,941.80
BOC – 72322913	87,919,851.48	12,601,106.17
Petty Cash Imprest A/C	162,000.00	167,000.00
Fuel Imprest	50,000.00	50,000.00
	<b>94,377,710.14</b>	<b>19,249,798.96</b>

**Non-Current Liabilities****Note 18 – Ministry Grant**

Boat Mould Advance – 55feet	20,000,000.00	20,000,000.00
Less: Suspense – 55 feet Boat Mould	(17,921,607.60)	(17,921,607.60)
	<b>2,078,392.40</b>	<b>2,078,392.40</b>

**Note 19 – Other Non – Deferred Liabilities**

Balance at the Beginning of the Year	11,496,747.50	10,852,550.50
Add: Provision for the Year		
Gratuity – DIR	707,091.50	851,807.50
Gratuity – ADM	1,333,325.00	462,399.50
	<b>13,537,164.00</b>	<b>12,166,757.50</b>
Less: Payment during the Year	(936,110.00)	(670,010.00)
Gratuity Provision A/C	12,601,054.00	11,496,747.50
Differed Income	34,874,914.67	13,201,359.29
	<b>47,475,968.67</b>	<b>24,698,106.79</b>

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

For the Year ended 31 <sup>st</sup> December	2016 (Rs).	2015 (Rs).
<b><u>Note 20 – Interest Bearing Borrowing</u></b>		
Lease Creditor	3,121,648.16	4,824,362.00
Less-Interest In Suspense	277,130.01	(631,506.93)
	<b>2,844,518.16</b>	<b>4,192,855.07</b>
<b><u>Current Liabilities</u></b>		
<b><u>Note 21 – Lease Creditor</u></b>		
Lease Creditor	1,702,716.00	1,769,040.16
Less-Interest In Suspense	354,376.92	(481,084.18)
	<b>1,348,339.08</b>	<b>1,287,955.98</b>
<b><u>Note 22 – Trade Creditors</u></b>	42,846,961.38	100,926,391.50
	<b>42,846,961.38</b>	<b>100,926,391.50</b>
<b><u>Note 23 – Other Payables</u></b>		
EPF 20%	457,043.50	413,684.05
ETF 03%	68,556.58	58,646.61
GST A/C	650,625.86	650,625.86
Deposits	3,011,316.95	2,303,000.00
Stamp Duty	7,875.00	5,775.00
NSL A/C	1,691,290.75	1,691,290.75
Security CFHC	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	(11,719,949.93)	(15,190,312.10)
NBT	11,543,669.75	10,732,825.36
ESC	(138,204.81)	-

Bank Loan	19,619.32	850.00
Sales Advance	113,123,957.54	50,037,838.39
Retention A/C	6,459,051.45	6,319,371.36
Welfare Society	54,680.33	118,297.59
Trade Unions A/C	50.00	1,850.00
Jaffna Compensation A/C	118,569.63	118,569.63
Welfare Fund	-	181,086.50
Payable to Subcontractors – BPP	5,626,487.94	-
Mobilization Advance – Dikkovita	-	128,364.38
Mobilization Advance – Maradana	-	(1,596,568.80)
Salaries Control A/C	793,798.27	1,768,864.01
Unclaimed Salaries & Wages	222,983.82	189,673.22
Unclaimed Gratuity	412,620.00	-
Payee A/C	5,659.00	(18,964.90)
Other Creditors	68,479.68	68,479.68
Auditors Remuneration	220,000.00	110,000.00
	<b>138,912,829.63</b>	<b>64,307,895.59</b>

**Note 24 – Income Tax Payable**

Balance as at 1 <sup>st</sup> January	8,615,837.14	0.46
Less: Payment During the Year	(1,500,000.00)	-

Income Tax for the Year	302,266.00	8,615,837.14
	<u>7,418,103.60</u>	<u>8,615,837.60</u>

**Less: Tax Creditors**

ESC Paid		
2011/ 12	-	-
2012/ 13	-	-
2013/ 14	-	-
2015/ 16	(302,266.00)	-
Income Tax Payable	<b>7,115,837.60</b>	<b>8,615,837.60</b>

**Note 25 – Short Term Loan**

Short Term Loans A/C	-	0.04
	-	<b>0.04</b>

## **NOTES TO THE STATEMENT OF FINANCIAL POSITION**

### **Note 26 – Government Grant**

- A. Government Grant relating to assets has recognized in profit or loss over the useful life of the assets. This grant received from Project Implementing and Monitoring Unit which Functioned under the Ministry of Fisheries and Aquatic Resources Development to upgrade the Mattakkuliya Boat Yard and it was received form of Tools, Equipment, Vehicle and Computer Software worth of Rs. 55,519,125.08 which is used to manufacture boats and allied products Rs. 22,000,000.00 through the Department of Fisheries and Aquatic Resources Development for make a mould for proposed new 55 feet high sea vessel. It has been recognized Rs. 9,991,028.62 as income from government grant relating to assets for 2016.
- B. Government Grant relating to income has recognized as Rs. 26,000,000 which was received through Department of Fisheries and Aquatic Resources Development for make a new prototype 55 feet long Fishing vessel for 2016.

### **Note 27 – Related Party Disclosure**

- A. Cey Nor Foundation has earned Rs. 89,217,039.99 in year 2016 from Ministry of Fisheries and Aquatic Resources Development and the other institutions pertaining to the ministry, which considered as government related entities as the company is functioning under the same ministry.
- B. Chairman of the Cey Nor Foundation Ltd, who is considered as a Key Management Personnel is the same personnel who worked as the Chairman of the Ceylon Fisheries Corporation and represent as a member of the Board of Directors of the National Aquaculture Development Authority which are functioning under the same ministry.
- C. Company has entered to a joint venture agreement on 14<sup>th</sup> day of February 2008 named Sribanglas Boats (Pvt) Limited, a company located at Bangladesh, with the investment of Rs. 1,961,850 with 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 28 – Provision and Contingent Liabilities**

In Year 2016, the company has given warranty certificates for a one year period for fiber glass products which is a contingent liability to the company. Nevertheless customers has never claimed the warranty, the possibility of an outflow of resources embodying economic benefit is remote.

### **Note 29 – 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 estimates of the fair value company used the cost method. Rental income from investment property for year 2016 is as follows:

<b>Place/ Item</b>	<b>Amount (Rs)</b>
Mobile Work Shop Units	1,208,823.57
Mattakkuliya Land	397,456.28
D. R. Wijewardena Mw-Land	1,620,000.00
Maththumagala Land	2,025,000.00
<b>Total</b>	<b>5,251,279.85</b>