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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
Registered Office	:	335, D R WijewardenaMawatha, Colombo 10
Board of Directors	:	
		Mr B V Sarath Kumara de Silva Appointed as a Director and Chairman on 20-05-2010 TO 22-12-2014
		Mr K Ujith Anuradha Appointed as a Director and Managing Director on 20-05-2010 TO 22-12-2014
		Mrs. J.C Weligamage Appointed as a Director on 21-04/2014 and Treasury Representative
		Mr G D Gunadasa Appointed as a Director on 25-08-2010
		Mr M F K Shairaz Appointed as a Director on 25-08-2010
Company Secretary	:	A & A Associates (Pvt) Limited
Auditors	:	GunasekaraRatnayake& Company Chartered Accountants 65/3Chittampalam A Gardiner Mawatha Colombo 2
Bankers	:	Bank of Ceylon Hatton National Bank Peoples Bank Pan Asia Bank
Factories	:	Mattakkuliya Boatyard Beruwala Boatyard (Proposed) Karainagar Boatyard (Proposed)
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 and
- To be a leader of offshore design and build contractor in Sri Lanka

OUR MISSION

- Operating as an efficient and effective government-owned company which supplies high-standard fishing craft and fishing gear at competitive prices
- Offering services of offshore and shore construction

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
- Construction of offshore and shore structures required for the fisheries industry

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 GODTEMPLARUNGDOMS 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 Treasury.

- 2011** – According to a policy decision taken by the Government and with the approval of the Cabinet of Ministers, two fishnet factories at Lunuwila and Weerawila which operated under Cey-Nor Foundation Limited were handed over to Northsea Limited to function 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.

- 2014 –** With the hope of being a leader of offshore design and build construction in Sri Lanka, started offering services of offshore and shore construction.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2014

1. *Audited Accounts*

for the year ended 31 December 2014

2. *Financial Results*

The Net Profit/(Loss) for the year is revealed in the Statement of Comprehensive Income on Page: **19**

3. *State of Affairs*

The state of the Company is set out on page: **20**

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 civil construction activities involved in upgrading the existing boatyard facility to bring it up to international standard
- Engaged in offshore construction activities

5. *Dividends*

The Directors do not recommend declaring dividends for the year 2014

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 2014

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: 33

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 be continued to provide them further on submission of security

12. Appointment of Auditors

Gunasekara Rathnayake & Company (Chartered Accountants) was nominated by the Auditor General and Recommended by Public Enterprises Department of General Treasury and appointed as Auditors at the 23rd Annual General Meeting of Cey-Nor Foundation Limited.

13. The Directors of the Company as at 31 December 2014:

Mr B V Sarath Kumara de Silva	- Chairman (Up to 22/12/2014)
Mr K Ujith Anuradha	- Managing Director (Up to 22/12/2014)
Ms J.C Weligamage	- Treasury Representative
Mr G D Gunadasa	- Director
Mr M F K Shairaz	- Director
Mr.W.A.T Weerasinghe	- Director

By order of the Board

Signed
Eng B V Sarath Kumara de Silva
Chairman

Signed
A & A Associates (Pvt) Ltd
Company Secretary

Chairman's Review



I am pleased to present the Annual Report of Cey-Nor Foundation Limited for the financial year ended 31 December 2014 to the Cabinet of Ministers

I have been serving as Chairman of Cey-Nor Foundation Limited since June 2010 except for a brief period of break in December 2014.

The company was incurring losses in the past and after streamlining the operations, this trend has declined remarkably in the last five years. In 2013, the company could record a marginal profit which took a steep upward sweep in 2014 to record a significant profit of Rs. 89 mn, placing it on a strong footing as shown in the table below:

Net Profit (Loss) after tax	2007	2008	2009	2010	2011	2012	2013	2014
	(24.6)	(25.8)	(30.3)	(23.5)	(16.2)	(7.1)	.070	89.4

During this period, Cey-Nor Foundation was able to settle its bank loans amounting to Rs. 30 million for which we have been paying high interest annually. A balance of short-term loans taken from Bank of Ceylon totaling Rs. 13.9 mn too has been settled in 2014. In the previous years, the company has been operating on overdrafts, whereas now we work on cash reserves. Arrears in tax that dates back to the period beyond 2010 amounting to Rs. 6.5 million have also been settled during the year.

Description	Balance as at 31.12. 2009	Balance as at 31.12..2014
Trust Receipt Loan	36,747,698.17	-
Bank Overdrafts	409,434.90	-
Cumulative Profit	(84,926,452.96)	(42,251,505.62)
Salary Arrears	6,296,663.15	-
Assets	198.72 mn	445.25 mn

What is striking about the operation of the company in 2014 is that it has been done in such an efficient manner to record a substantial profit after settling all the above mentioned dues which had taken up a large slice of revenue earned during this period. Utilizing minimum staff of essential and skilled employees has also been a contributory factor for the profitable operation of the organization.

The company could also settle salary arrears due to employees that involved a sum close to Rs. 5 mn with cash surplus made available during the year. With the achievement of high profits, the company could declare a bonus of one month salary for the entire staff in 2014.

Even if the company could emerge from the gloom of losses with which it has been shrouded all these years, it is still affected by cash flow problems stemming from deficits from the Ministry for work completed in the above projects amounting to Rs. 135 mn. Please see Financial Report on page 19.

It should also be noted that the success in year 2014 has been achieved despite losing a major income the company derived from its two fishnet factories at Lunuwila and Weerawila on a Cabinet decision vesting them in the care of Northsea Limited, another state-owned company functioning under the Ministry of Traditional Industries & Small Enterprises Development.

Yet another significant fact worth considering as far as profit-making of Cey-Nor Foundation is concerned over the period is that it was achieved in spite of the statutory increase in employee salaries that came into effect in November 2014.

Trading and boat building activities during the year under review are depicted elsewhere in this report. In 2014, Cey-Nor Foundation completed a landing site worth Rs. 70 mn at Dikkowita, four months ahead of schedule, and another landing site at Maradana (Beruwala), the project value of which was Rs. 240 mn. This was expected to be completed in 2015 but by the end of 2014, we managed to finish all its work, again ahead of program. Knowledge and experience gained from these projects will let Cey-Nor Foundation earn recognition in shore and off-shore marine construction work where a void exists due to the scarcity of contractors in this field.

During the year 2014, Cey-Nor was able to complete the upgrading of its Mattakkuliya Boatyard by investing Rs. 275 mn which brought it on par with international standards with all its state-of-the-art equipment, some of which are tailor-made to suit specific Cey-Nor requirements for building fiberglass sea-going vessels



Cey-Nor Boatyard at Mattakkuliya – now



Cey-Nor Boatyard at Mattakkuliya – then

One of the major tasks that lies ahead of Cey-Nor Foundation for year 2015 is to establish a boatyard, workshop and a fish processing center in Karainagar. During the year 2014, we initiated this project by concentrating on establishing a workshop/repair center for boats and vessels in Karainagar on an investment of about Rs. 220 mn, and hope to commence work in 2015.

We intend to carry out construction of this all by ourselves based on the strength of successful completion of our Mattakkuliya Boatyard, making use of knowledge and experience gained in this process.

With the favorable conditions that enabled Cey-Nor Foundation Limited to look up in 2014 still in store, the company is looking forward to take up challenges in the ensuing year with courage and confidence in reaping an even better harvest in 2015.

Acknowledgements

The guidance given by Hon Minister of Fisheries & Aquatic Resources Development, and the direction and assistance provided by Secretary of the Ministry in reaching the objectives of Cey-Nor Foundation Limited during the year 2014 are deeply appreciated.

The cooperation extended by the Ministry staff in dealing with various matters of Cey-Nor Foundation Limited throughout the year is also remembered with gratitude.

We are also much grateful to Director, Department of Fisheries for benefiting Cey-Nor Foundation with many fishnet orders during the year.

I am also thankful to the Board of Directors and members of staff at all levels of Cey-Nor Foundation Limited who assisted me in successful navigation of the company towards its goals during the year under review.



Eng. B V Sarath Kumara de Silva
Chairman - Cey-Nor Foundation Limited



ACHIEVEMENTS OF THE YEAR 2014

Upgrading of Boatyard – Matkkuliya

Mattakkulya Boatyard came under a major upgrading project on an investment of Rs 275 mn, making it stand out as a most modern state facility of its kind in the island in this field. The following items were integrated in the construction process:

Gabion Wall



Cheapest engineering solutions were used for the gabion wall construction instead of concrete piling method, which is equivalent to quay wall construction. The gabion wall not only protects the land but can also be used as a jetty for tying up of boats and to repair them - 5 boats at a time at a lesser cost, without being taken on land. The gabion wall protection has made it possible for a large extent of land to be reclaimed from the places of heavy erosion.

Slipway with 25- ton winch



The slipway is a new concept in boatyard facilities in Sri Lanka which up to now has not been used by any other boatyard operators in Sri Lanka

Originally, slipway was designed to be built on piles which is much expensive and after negotiations with the consultants, it was changed for a new design which allows settlement instead of having an unsettled rigid slipway based on a concept of specially designed concreted slipper. The slipper can be easily lifted to fill the gap and replace again. Pneumatic tires were used instead of steel rail and wheels which cater to settlement of slippers.

By using this slipway, the boat launching cost and time have been reduced to a considerable extent

Humidity Control Unit

This is a chamber that controls humidity when carrying out fiberglass work required by international standards range 60% to 70%, which minimizes defects of fiberglass products to let them come up to the accepted international market quality.



Cey-Nor Boatyard consists of various sophisticated and modern equipment such as a 5-ton overhead crane, gel-coat and resin spray machine, lathe machines, tig-mig welding plant, milling machine, fork lift, plasma cutting machine, boat trailers (5-ton and 70-ton) etc.

All this made Cey-Nor Foundation confident in offering enhanced overhaul and repair facilities to its customers with the newly-acquired equipment and technologies at its Mattakkuliya Boatyard.

Construction Activities – Shore and Off-shore Marine Structures

Dikkovita Anchorage Project

Cey-Nor has successfully completed the entire work in November 2014 which was initially expected to be completed by April 2015. The value of the project is Rs. 70.2 mn.



Beruwala Maradana Anchorage

It was one of large-scale marine project awarded by Ministry of Fisheries & Aquatic Resources Development which entails two phases amounting to Rs. 118 mn and Rs.81 mn respectively. It was a highly complex task that had to face the challenge of monsoons, design and collection of amount and core- materials to expedite the process before monsoons.

90 % of the project was completed in 2014 by Cey-Nor which has proven the fact that the company is diversifying its business entity, earning recognition as a pioneer in off shore construction activities.

Manufacture of Fiberglass Boats & Allied Products

The company successfully exported two numbers of 42 feet deep sea vessels to Somalia, equipped with all facilities including fishing gear and equipment such as net holler, line holler, cold rooms, etc.



As a result of maintaining company's customer retention strategy, Cey-Nor was successful in having a firm order from a Somali customer for repairing a 45-foot trimaran deep sea fishing vessel which had been severely damaged by cyclone.

During the year 2014, Cey-Nor built a 45-foot Sashimi whale-watching passenger vessel for tourism activities in Mirissa. The vessel with cruising speed over 11 knots and high stability was capable of accommodating 100 passengers.

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, security huts, etc

Table 1 - Manufacture of Fiberglass Boats & Allied Products

Type	Achievement For 2014 (units)	Achievement for 2013 (units)
42-feet Multi-day Fishing Vessels	02	
45ft Passenger Vessels	02	02
Leisure Craft	05	02
Inland Fishery Canoes	536	436
18½-feet & 19½-feet FRP Boats	37	79
Paddle Boats		04
Ferries and Theppam	09	-
Pallets		46
Fish Box / Ice Box	128	125
Floating Pier / Floating Restaurant	02	-
Miscellaneous Products (Weapon storage Boxes, Security Huts, Long Lines Instruments, etc.)	623	1,065
Total	1,344	1,759

Source: Design Unit – Cey-Nor Foundation Ltd.

Naval Craft Consultation Services

For the first time in its history, Cey-Nor Foundation had the opportunity of functioning as consultants in offering the required services in procuring a Mother Vessel from China for Ministry of Fisheries & Aquatic Resources Development. Cey-Nor Foundation bore the responsibility of handling the required specifications and providing recommendations that involved in this process.

Sri Bangla Boats (Pvt) Ltd - Joint Venture with Bangladesh Partners

The joint venture with Bangladesh partners completed boatyard construction and has built their first trial boat which will be launched in 2015. This was initiated by the staff of Cey-Nor employees competent in this field, and another trial boat will be manufactured in 2015.

Other Projects

1. Cey-Nor Orient Seafood Restaurant

This seafood restaurant is operated by Orient Pearls Hotels Limited under a management agreement entered into in 1998. 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 40 % share of profits from this project.

2. Automobile Workshop - Maththumagala

Under a management agreement entered into in 2006, this project is operated by Frontier Automobile Limited.

ISO Certification

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

Human Resources

A total of 102 employees were on staff as at 31 December 2014 as shown in the table 2 :

The above employees' service category is described as follows.

Permanent Staff	- 73
Contract Basis Employees	- 29
Total	- 102

Table 2 – Human Resources Profile

Location	Number of Employees
Head Office	50
Mattakkuliya Boatyard	33
Retail Outlets (Peliyagoda, Matara, Galle, Tangalle & Tangalle workshop)	08
Construction Projects	11
Total	102

Source: Human Resources
Division Cey-Nor Foundation

FINANCIAL PERFORMANCE IN 2014

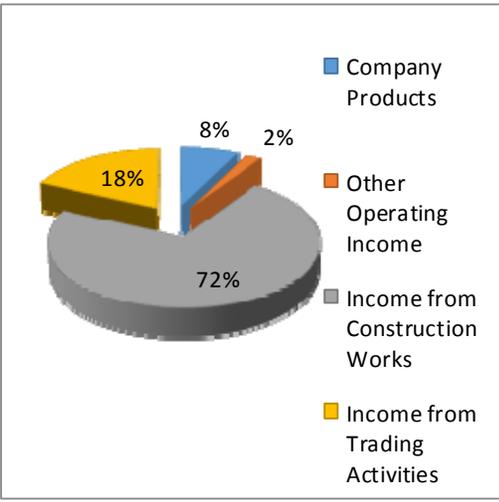
Substantial Profit of Rs 89 mn after tax

In the history of Cey-Nor Foundation, it has earned a sizable profit of Rs 89 mn after tax. This is mainly due to orders worth Rs.1216 mn received for fishnet and lifejackets from Ministry of Fisheries & Aquatic Resources Development and construction work managed by the company in an efficient manner. All this was achieved with about 100 employees in 2014. The objectives of the company for the year were mainly focused on decreasing the administration and other overhead costs, while boosting the income to a higher level. As a result, it has decreased the company's financial burden by settling the overdraft of Rs. 30 mn and settling the bank loans worth Rs 13.9 mn. These could be achieved in an appreciable manner in comparison to those of 2013 as a result of holistic approach the company has adopted.

In addition to this, the company has stepped beyond its borders and entered into Repo market for the first time in its history as a short-term investment strategy and earned an income of Rs 222,182.68 in 2014.

Table 3 – Income by Source

Description	Turnover Rs.
<i>Fiber Glass Products</i>	79,117,213.28
<i>Other Operating Income</i>	22,310,228.98
<i>Income from Trading Activities</i>	766,686,838.88
<i>Income from Construction Works</i>	192,714,326.34
Total Income	1,060,828,607.48



The pie chart illustrates the composition of the total income. The segments are: Income from Construction Works (72%), Income from Trading Activities (18%), Company Products (8%), and Other Operating Income (2%).

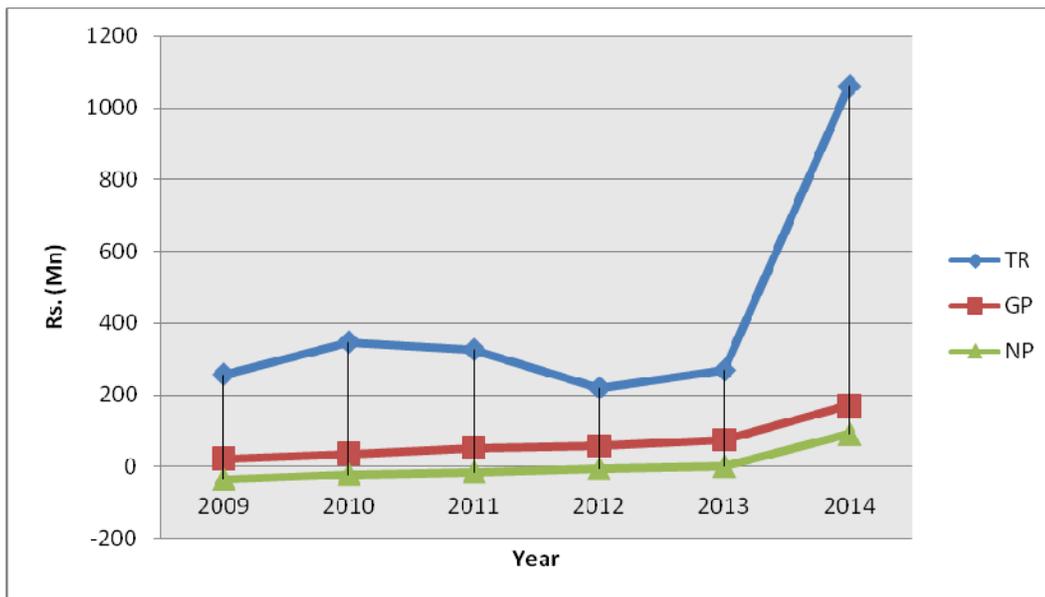
Source: Finance Division Cey-Nor Foundation

Table 4 - Financial Highlights for the Last 5 Years

Rs. (M)

Description	2009	2010	2011	2012	2013	2014
Total Revenue	255.60	345.99	324.75	217.75	267.09	1,060.83
Gross Profit/(Loss (GP)	21.34	34.45	51.22	57.19	73.83	170.56
Net Profit/(Loss) After Tax (NP)	(30.36)	(23.55)	(16.25)	(7.09)	0.27	89.35
Fixed Assets (Net Book Value)	346.97	338.56	274.19	287.58	309.50	346.42
Fixed Deposits	6.02	-	-	-	1.30	1.30
Current Assets	198.72	125.59	180.91	191.63	186.58	445.25
Current Liabilities	104.67	149.98	218.67	227.51	225.93	431.48
Non-Current Liabilities	97.96	95.31	71.64	28.50	46.93	41.25
Share Capital	40.00	40.00	40.00	40.00	40.00	40.00
Capital with other Reserves	255.67	232.12	178.09	231.55	231.55	320.91
	(7.59)	(5.89)	(4.06)	(1.77)	.070	223.39

Source: Finance Division Cey-Nor Foundation



Future Plans

- ❖ Plans have already been laid to reconstruct Karainagar boatyard by Cey-Nor Foundation. The preliminary layout is accepted and consultants will be preparing detailed design. A sum of Rs 225 mn has been allocated for the construction of the workshop. Cey- Nor will be using its past experience and knowledge to construct this boatyard.

When Karainagar boatyard is established and starts functioning, it will be turning out export-quality fishing boats, leisure boats and yachts, generating a considerable income for Cey-Nor in the future.

- ❖ Cey-Nor Foundation is expected to commence construction of an anchorage at Peraliya, for which the foundation stone was laid by the former Minister of Fisheries in September 2014. Total value of the project is Rs.400 mn which will be completed in two phases.
- ❖ Ministry of Fisheries & Aquatic Resource Development has highlighted the importance of commencing deep-sea fishing in the economic zone where only 43 % has been exploited. If the Government can offer a subsidy to fishermen for purchase of boats and fishing gear, it can be earned through foreign exchange by exporting their harvest, and the total cost can be recovered in 3 years. This will provide the company the opportunity of selling its boats and other allied products. Cey-Nor is keen on having orders for multi-day boats from the Ministry, if state patronage is found for this project.
- ❖ The higher management will be empowered with more facilities and high caliber staff to widen the scope of Marketing Division to compete with the private sector in the competitive market to accelerate and improve the marketing activities, also aiming at establishing overseas markets for company products.

R. M. GUNASEKARA
(FCA, BA, DPFM, FMAAT, ATTORNEY-AT-LAW)



M.K.N.S.GUNATHILAKA.
(ACA, B.Sc(FM)SP., SAT)

GUNASEKARA RATHNAYAKE & CO.

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CEY - NOR FOUNDATION LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Cey- Nor Foundation Ltd., which comprise the statement of financial position as at December 31, 2014, and the statement of profit or loss and other 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 set out on pages 1 to 27.

Board's Responsibility for the Financial Statement

The Board of Directors is responsible for the preparation of these financial statements that give a true and fair view 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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 risk of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

This report should be read in conjunction with our Management Letter dated 13th May 2015, which forms an essential part of this report.

In our opinion, the financial statement gives a true and fair view of the financial position of the Foundation as at December 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

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

Gunasekara Rathnayake & Co,
Chartered Accountants.
Colombo.
21 October 2015

CEY-NOR FOUNDATION LTD**STATEMENT OF COMPREHENSIVE INCOME**

For the Year Ended 31 st December		2014	2013
	Notes	Rs.	Rs.
Continuing Operations			
Revenue	3	79,117,213.28	73,392,604.99
Cost of Sales	4	(82,056,523.28)	(62,441,119.06)
Gross Profit/(Loss)		(2,939,310.00)	10,951,485.93
Gross Profit from Construction & Trading Activity	5	173,499,511.90	45,630,962.54
Other Operating Income	6	22,310,228.98	17,260,043.52
Selling and Distribution Expenses	7	(18,202,054.15)	(14,158,412.61)
Administrative Expenses	8	(66,906,629.99)	(47,299,258.69)
Other Operating Expenses	9	(2,597,356.37)	(1,098,055.49)
Operating Profit		105,164,390.37	11,286,765.20
Finance Costs	10	(5,070,580.43)	(10,727,241.55)
Finance Income	11	325,712.52	97,446.87
Profit before Tax from Continuing Operations		100,419,522.46	656,970.52
Income Tax Expenses	12	(11,064,150.46)	(379,468.28)
Profit for the Year from Continuing Operations		89,355,372.00	277,502.24
Discontinued Operations			
Profit after Tax for the Year from Discontinued Operations		-	-
Profit for the Year		89,355,372.00	277,502.24

CEY-NOR FOUNDATION LTD**STATEMENT OF FINANCIAL POSITION**

As at 31st December	Notes	2014 Rs.	2013 Rs.
Assets			
Non-Current Assets			
Property, Plant and Equipment	13	346,422,896.03	309,503,287.18
Capital-WIP		-	4,145,000.00
Investment-Sribangla Boats J/V		1,961,850.00	1,961,850.00
Investment Project-Fishing		-	2,239,404.26
		348,384,746.03	317,849,541.44
Current Assets			
Inventories	14	47,288,586.63	65,730,342.09
North Sea Ltd		14,528,796.01	38,845,840.65
Trade Debtors	15	320,899,038.78	51,898,367.73
Staff Debtors	16	4,639,690.02	1,673,599.47
Other Receivables	17	54,881,921.61	26,379,838.32
Call Deposits		1,300,000.00	1,300,000.00
Cash and Bank	18	1,708,250.09	752,925.18
		445,246,283.14	186,580,913.44
Total Assets		793,631,029.17	504,430,454.88
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)		(42,251,505.62)	(131,606,875.46)
Total Equity		320,908,972.15	231,553,602.31
Non-Current Liabilities			
Ministry Grant	19	2,078,392.40	2,078,392.40
Deferred Liabilities	20	33,687,123.01	44,425,160.73
Interest Bearing Borrowing	21	5,480,808.89	434,884.76
Tsunami Rehabilitation Program me		-	-
		41,246,324.30	46,938,437.89
Current Liabilities			
Interest Bearing Borrowing	22	1,476,304.17	322,411.11
Trade Creditors	23	168,683,199.19	49,603,067.45
Other Payables	24	241,297,311.25	81,897,545.88
Jaffna Compensation A/C		118,569.63	118,569.63
Income Tax Payables	25	7,300,126.46	(5,389,530.24)
Short Term Loans	26	10,633,248.04	63,209,065.34
Bank Overdraft	27	1,966,973.99	36,177,285.51
		431,475,732.72	225,938,414.68
Total Liabilities		472,722,057.02	272,876,852.58
Total Equity and Liabilities		793,631,029.17	504,430,454.88

STATEMENT OF FINANCIAL POSITION**STATEMENT OF CHANGES IN EQUITY****For the year ended 31st December 2014**

	Share Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Accumulated profit/(Loss) Rs.	Total Equity Rs.
Balance as at 01st of January 2013	40,000,000.00	62,601,030.04	260,559,447.73	(131,884,379.86)	170,998,057.00
Net Loss for the Year	-	-	-	277,502.24	277,502.24
Balance as at 31st of December 2013	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

CEY-NOR FOUNDATION LTD

CASH FLOW STATEMENT

For the year ended 31st December 2014

(All Figures In Rupees)

	2014	2013
Cash Flows from Operating Activities		
Profit Before Taxation	100,419,522.46	656,970.52
Add: Depreciation	14,714,513.71	12,924,336.02
Provision for Gratuity	1,904,135.60	1,659,184.64
Interest Payment	5,070,580.43	10,449,152.19
Less: Profit on Sale of Fixed Assets	-	-
Prior Year Adjustments	-	(279,459.38)
Operating Profit before Working Capital Changes	122,108,752.20	25,410,183.99
(Increase)/Decrease in Inventories	18,441,755.46	16,453,195.86
(Increase)/Decrease in Trade and Other Receivables	(274,526,296.17)	(20,760,983.59)
Increase/(Decrease) in Trade and Other Payables	278,479,897.11	5,002,245.33
Increase/(Decrease) in Diferred Income	(9,633,213.22)	18,867,642.25
Cash Generated from Operating Activities	134,870,895.38	44,972,283.84
Less: Investment Income	(325,712.52)	(97,446.87)
Interest Paid	(5,070,580.43)	(10,449,152.19)
Tax Paid	-	-
Gratuity Paid	(3,008,960.10)	(1,491,427.64)
Net Cash Generated from Operating Activities	126,465,642.33	32,934,257.14
Cash Flows from Investing Activities		
Sale/Purchase of Property, Plant & Equipment	(44,762,693.56)	(34,843,179.50)
Capital W.I.P.	4,145,000.00	-
Investment Income	325,712.52	97,446.87
Investment in Sri Bangla Boats (Pvt) Ltd.	2,239,404.26	-
Short-Term Loans	(52,575,817.30)	8,678,227.00
Net Cash Used in Investing Activities	(90,628,394.08)	(26,067,505.63)
Cash Flows from Financing Activities		
Government Grants	-	-
Payment to Lease Creditors	(671,611.81)	(275,938.58)
Net Cash Used in Financing Activities	(671,611.81)	(275,938.58)
Net Increase in Cash and Cash Equivalents	35,165,636.43	6,590,812.93
Cash and Cash Equivalent at the Beginning of the Period	Note A (34,124,360.33)	(40,715,173.26)
Cash and Cash Equivalents at the End of the Period	Note B 1,041,276.10	(34,124,360.33)
	Note A	Note B
People's Bank-Queen Br.87847	322,135.76	(373,543.80)
H N B-16031	146,020.44	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	160,000.00	187,000.00
Contra Entry A/C	3.60	(29.68)
Fuel Imprest	95,000.00	116,000.00
Call Deposits	1,300,000.00	1,300,000.00
BOC-72322913	(685,567.48)	1,262,376.02
BOC-Co.Br-1450	(35,491,718.03)	(1,593,400.51)
	(34,124,360.33)	1,041,276.10

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2014**

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

Fully Government owned Company.

Number of Employees

The number of employees of the Company at the end of the year was 91

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 2013 and for the year that 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 Basis

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 recognized as an expense. In these circumstances the increase is recognized 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 recognized 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

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	2014	2013
	Rs.	Rs.
Note 03 - Revenue		
Sale of Crafts - Local	76,748,798.13	57,016,974.36
Sale of Fishing Gears	-	63,667.06
Others	2,368,415.15	16,316,000.93
	79,117,213.28	73,396,642.35
Less: Sales Discounts	-	(4,037.36)
	79,117,213.28	73,392,604.99
Note 04 - Cost of Sale		
Opening Stock -Raw Materials	11,223,008.55	4,193,702.57
Opening Stock - WIP	13,009,484.51	24,373,784.58
Opening Stock -FG	4,379,958.16	4,987,968.16
	28,612,451.22	33,555,455.31
Add: Purchase of Raw Materials	32,488,577.02	36,231,527.02
Other Materials	15,362,838.31	694,456.83
	76,463,866.55	70,481,439.16
Add: Finish Goods Purchased - Direct	-	5,621,785.72
Finish Goods Internal Transfers	-	78,797.48
	76,463,866.55	76,182,022.36
Closing Stock - Raw Materials	(6,067,617.91)	(11,223,008.55)
Closing Stock - WIP	(3,837,716.39)	(13,009,484.51)
Closing Stock - FG	(6,176,031.29)	(4,379,958.16)
Cost of Material Consumed	60,382,500.96	47,575,755.01
Add: Direct Expenses		
Salaries & Wages	5,689,479.47	3,502,663.02
Allowance-DIR	2,266,364.94	1,504,055.55
Overtime-DIR	590,109.47	625,662.50
E.P.F-DIR	682,737.52	617,314.38
E.T.F-DIR	170,684.40	222,603.92
Gratuity-DIR	338,206.50	168,551.00
Sub Contract Charges	5,765,608.65	2,338,247.20
Prime Cost	75,885,691.91	56,554,852.58
Add: Production Overhead		
Salaries & Wages	1,810,481.25	1,879,670.00
Allowance	548,838.45	504,501.52
Overtime	222,835.88	253,020.38
E.P.F.	217,257.75	225,560.40
E.T.F.	54,314.44	56,390.10
Depreciation	2,559,079.42	2,313,443.94
Electricity	528,999.00	376,964.64
Maintenance of Building	-	32,978.00
Maintenance of Tools & Equipment	27,750.00	3,360.00
Maintenance of Plant & Machinery	49,282.00	-
Maintenance of Engine	27,211.92	-
Water	124,781.26	240,377.50
Cost of Production	82,056,523.28	62,441,119.06

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

For the year ended 31 st December	2014	2013
	Rs.	Rs.
Note 05 - Gross Profit from Construction & Trading Activity		
Sales	766,686,838.88	113,045,648.74
Less: Cost of Sales	(628,331,929.87)	(85,540,761.13)
Gross Profit Activity	138,354,909.01	27,504,887.61
Revenue on Construction Work	192,714,326.34	63,398,845.65
Construction Cost	(157,569,723.45)	(45,272,770.72)
	35,144,602.89	18,126,074.93
	173,499,511.90	45,630,962.54

- 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

- D Amount of advance received for the year 2014 were as follows,

	Rs.
Mradana Anchorage	237,489,380.00
Dikkovita Anchorage	11,382,624.00
	248,872,004.00

- E Amount of retention as at 31/12/2014 as follows

Mattakkuliya Upgrading	4,429,435.11
Maradana Anchorage	4,797,851.00
Dikkovita Anchorage	3,514,115.00

Note 06 - Other Operating Income

Rent Income	11,510,274.51	6,493,917.63
Sundry Income	10,000.00	1,132,912.67
Government Grants	9,633,213.22	9,633,213.22
Profit Margin on Restaurant	451,203.11	-
Exchange gain	705,538.14	-
	22,310,228.98	17,260,043.52

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

For the year ended 31 st December	2014	2013
	Rs.	Rs.
Note 07 -Selling and Distribution Expenses		
Depreciation	-	
Transport & Handling	300,666.00	713,689.37
Vehicle Repair & Maintained Cost	3,887,483.54	3,128,357.39
Sales Promotion	1,496,694.00	29,348.00
Sales Commission	1,411,119.47	2,477,744.13
Entertainment	286,786.00	267,906.98
Gift & Donation	1,753,640.00	1,011,276.29
Fuel & Lubricants	5,433,342.87	4,245,069.95
Tender Document Charges	106,700.00	65,957.00
Stamp Duty	96,764.99	36,849.50
Vehicle Rent	1,062,500.00	480,334.00
External Hire Charges	-	607,590.00
Loading & Unloading Charges	530,813.00	800.00
Selling Expenses/Bleaching & Paking Cost	447,138.95	-
Exhibition Expenses	220,630.00	-
Export Expenses A/C	-	30,000.00
Advertisements	1,167,775.33	1,063,490.00
	18,202,054.15	14,158,412.61

Note 08 - Administrative Expenses

Salaries & Wages	26,390,230.89	19,184,743.61
Overtime	2,234,198.26	1,519,501.13
Allowances	7,341,588.56	4,020,461.57
E.P.F. Expense	2,662,339.43	2,292,982.27
E.T.F. Expenses	665,584.89	573,245.56
Bonus & Incentives	2,925,464.19	1,677.27
Gratuity	1,565,929.10	1,490,633.64
Telephone Charges	1,152,331.05	989,081.01
Casual Wages		6,592.36
Welfare Charges	1,588,703.01	1,061,699.61
Postage Charges	57,195.00	58,081.17
Courier Charges	4,375.64	-
Building Maintenance	1,561,994.81	298,544.98
Computer Maintenance	266,870.50	110,835.00
Office Equipment Maintenance	360,013.00	177,255.00
Water	250,278.12	454,959.67
Electricity	1,901,955.11	1,908,825.56
Printing & Stationery	1,624,118.50	1,725,192.75
Depreciation	1,175,346.91	1,279,414.44
Legal Fees	668,947.34	329,510.58
Insurance	1,433,546.30	821,999.08
Security Charges	4,132,544.84	3,522,192.60
Internet & E-mail Charges	145,667.42	127,217.58
Rates & Taxes	145,993.11	137,209.96
Cleaning & Sanitary	657,367.00	288,788.00
Rent Charges	1,286,548.00	699,000.00
License & Registration	154,834.57	1,500,801.59

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

For the year ended 31 st December	2014	2013
	Rs.	Rs.
Auditors Remuneration	152,000.00	290,000.00
Director Remuneration	1,262,043.59	1,236,000.00
Medical Expenses	72,772.10	56,023.65
Training & seminars	213,145.00	20,500.00
Traveling,,,,, Traning & Seminas-(Forei	776,994.00	108,180.00
Meals & Lodging	501,477.00	356,882.00
Surcharges/Penalty A/C	200.89	57,528.06
Ceremony/Function Exp	15,572.00	-
Book & Periodicals	4,000.00	-
Maintenance of Furniture & Fittings	2,000.00	-
I.S.O Expenses	55,243.00	-
Secretarial Fee	153,246.00	-
Consultancy Charges	683,100.00	643,881.95
Traveling & Sub-(Local)	660,870.86	567,159.18
	66,906,629.99	47,916,600.83

Note 09 - Other Expenses

Bank Charges & Commission	172,848.09	976,060.20
Lease Interest	185,104.02	121,995.29
Loss on Investment	2,239,404.26	-
	2,597,356.37	1,098,055.49

Note 10- Finance Costs

Bank Charges & Commission		-
OD Interest	2,351,871.78	6,712,586.62
Overdue Interest	2,718,708.65	3,736,565.57
Bank Charges & Commission	-	278,089.36
	5,070,580.43	10,727,241.55

Note 11 - Finance Income

Interest Income	325,712.52	97,446.87
	325,712.52	97,446.87

Note 12 Income Tax Expenses

Tax on Taxable Income	11,064,150.46	379,468.28
Tax on Distributable Profits	-	-
	11,064,150.46	379,468.28

CEY-NOR FOUNDATION LTD

NOTES TO THE FINANCIAL POSITION

For the year ended 31st December 2014

Notes 13 - Property, Plant & Equipments

Cost /Revaluation	Balance As At 1st January 2014	Addition	Disposal	Balance As At 31st December 2014
Freehold Assets				
Land	250,000,000.00	-	-	250,000,000.00
Building	17,500,000.00	-	-	17,500,000.00
Machinery	3,145,000.00	41,964,912.00	-	45,109,912.00
Factory Equipments	2,653,571.75	-	-	2,653,571.75
Office Equipments	1,688,493.49	910,471.95	-	2,598,965.44
Computer	1,770,145.00	780,673.00	-	2,550,818.00
Furniture & Fittings	2,269,933.75	338,636.61	-	2,608,570.36
Tools & Equipment	34,267,141.62	643,000.00	-	34,910,141.62
Computer Software	264,500.00	125,000.00	-	389,500.00
Tractors & Trailers	2,790,000.00	-	-	2,790,000.00
Boat Mouldles/Fishing vessels	9,650,948.51	-	-	9,650,948.51
Motor Vehicle	15,546,100.00	-	-	15,546,100.00
Leasehold Property				
Motor Vehicle	1,227,678.57	6,871,429.00	-	8,099,107.57
Tractors & Trailers	1,300,000.00	-	-	1,300,000.00
	344,073,512.69	51,634,122.56	-	395,707,635.25

Depreciation	Balance as at 1st January 2014	Dep. Charge for the Year	Disposal	Balance as at 31st December 2014
Freehold Assets				
Building	4,374,999.70	874,999.93	-	5,249,999.63
Machinery	131,041.65	1,095,786.50	-	1,226,828.15
Factory Equipments	1,544,051.43	339,196.56	-	1,883,247.99
Office Equipments	1,138,855.92	378,731.71	-	1,517,587.63
Computer	1,233,631.29	381,162.62	-	1,614,793.91
Computers Software	260,091.78	6,250.00	-	266,341.78
Tools & Equipment	6,375,009.64	6,959,071.69	-	13,334,081.33
Furniture & Fitting	2,078,938.85	179,314.74	-	2,258,253.59
Boat Mould	3,810,011.51	1,657,383.02	-	5,467,394.53
Tractors & Trailers	869,453.35	624,999.96	-	1,494,453.31
Motor Vehicle	10,891,454.42	1,767,542.57	-	12,658,996.99
Leasehold Property				
Motor Vehicle	562,686.01	450,074.41	-	1,012,760.42
Tractors & Trailers	1,299,999.96	-	-	1,299,999.96
	34,570,225.51	14,714,513.71	-	49,284,739.22
Net Book Value	309,503,287.18			346,422,896.03

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

For the year ended 31st December	2014	2013
	Rs.	Rs.
Note 14 Inventories		
Stocks-Raw Materials	6,067,617.91	11,241,424.65
Stock-Work In Progress	3,837,716.39	19,444,218.51
Stock-FG Fishing Crafts	6,176,031.29	4,379,958.16
Stock-FG Net & Fishing Gear	31,207,221.04	30,664,740.77
	47,288,586.63	65,730,342.09
Note 15 Trade Receivables		
Trade Debtors	327,291,528.90	58,290,857.85
Less: Provision for Bad Debtors	(6,392,490.12)	(6,392,490.12)
	320,899,038.78	51,898,367.73
Note 16 Staff Debtors		
Festival Advance	90,100.00	105,100.00
Book Loan	-	30,000.00
Telephone to Employees	-	7,500.00
Staff Debtors	4,549,590.02	1,530,999.47
	4,639,690.02	1,673,599.47
Note -17 -Other Receivable		
Advance Material	115,462.59	1,571,133.96
Advance - Other	31,985,311.54	4,137,784.29
Pre Paid LC Charges	-	2,845,571.27
Other Receivable A/C	1,877,662.37	2,007,097.75
Pre paid ESC Tax	2,466,894.26	841,388.02
Sub Contract	4,909,775.05	4,909,775.05
Refundable Deposits	521,500.00	539,000.00
Retention-Dikkovita Project	4,429,435.11	5,909,683.09
Retention-Mardana Package 01	4,797,851.50	-
Retention- Dikkowita L/S	3,514,115.00	-
With Holding Tax	1,119,029.73	1,119,029.73
CEY-NOR Restaurant Receivable	542,877.16	542,877.16
Pending Litigation	14,902.63	-
Bank Gurantee	-	2,351,825.00
Anchorage Project-A/C	(84,814.30)	(395,327.00)
Dikkovita Project-A/C	(1,328,081.03)	-
	54,881,921.61	26,379,838.32

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

For the year ended 31st December	2014	2013
	Rs.	Rs.
Note 18 Cash and Bank		
People's Bank-Queen Br.87847	-	322,135.76
H N B-16031	113,108.69	146,020.44
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	160,000.00
BOC-72322913	1,262,376.02	-
Contra Entry A/C	-	3.60
Fuel Imprest	116,000.00	95,000.00
	1,708,250.09	752,925.18
<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
<u>Note 20- Other Non - Deferred Liabilities</u>		
Balance at the Beginning of the Year	11,957,375.00	11,789,618.00
Add: Provision for the Year		
Gratuity-DIR	338,206.50	168,551.00
Gratuity-ADM	1,565,929.10	1,490,633.64
	13,861,510.60	13,448,802.64
Less: Payment during the year	(3,008,960.10)	(1,491,427.64)
Gratuity Provision A/C	10,852,550.50	11,957,375.00
Differed Income	22,834,572.51	32,467,785.73
	33,687,123.01	44,425,160.73
<u>Note21 -Interest Bearing Borrowing</u>		
Lease Creditor	6,593,400.00	464,254.00
Less -Interest In suspense	(1,112,591.11)	(29,369.24)
	5,480,808.89	434,884.76

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

For the year ended 31st December	2014	2013
	Rs.	Rs.
<u>Current Liabilities</u>		
<u>Note 22 - Lease Creditor</u>		
Lease Creditor	2,100,650.16	397,932.00
Less-Interest In Suspense	(624,346.00)	(75,520.89)
	<u>1,476,304.17</u>	<u>322,411.11</u>
<u>Note 23 - Trade Creditors</u>	<u>168,683,199.19</u>	<u>49,603,067.45</u>
<u>Note 24 - Other Payables</u>		
Accrued Expenses	-	3,016,546.47
EPF 20%	498,310.93	426,701.97
ETF 03%	71,340.60	64,005.28
GST A/C	650,625.86	650,625.86
Deposits	2,306,000.00	2,346,840.00
Stamp Duty	6,500.00	5,325.00
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	18,214,723.44	26,726,055.04
NBT	12,099,200.56	1,370,503.95
Bank Loan	130,126.32	(3,900.00)
Sales Advance	162,380,382.50	30,648,646.25
Receipt In Advance	-	131,764.71
Retention A/C	2,892,913.56	2,986,093.18
Retention From Northsea	-	1,379,837.56
Welfare Society	88,325.74	64,622.74
Trade Unions A/C	6,375.00	1,600.00
Welfare Fund	172,821.50	159,281.50
Mobilization Advance - Dikkovita	128,364.38	1,628,495.30
Mobilization Advance - Maradana	30,411,772.00	
Salaries Control A/C	2,764,939.58	2,075,580.98
Interest In Suspense-Staff Loan	244,148.93	-
Unclaimed Salaries & Wages	153,009.82	138,930.56
Payee A/C	(6,988.90)	(4,429.90)
Other Creditors	68,479.68	68,479.68
Auditors Remuneration	110,000.00	110,000.00
	<u>241,297,311.25</u>	<u>81,897,545.88</u>

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

For the year ended 31st December	2014 Rs.	2013 Rs.
Note 25 Income Tax Payable		
Balance as at 1st January	-	2,546,806.64
Income Tax for the Year	11,064,150.46	379,468.28
	11,064,150.46	2,926,274.92
Less: 2012 Tax Set off against ESC	-	(2,546,806.64)
Less: ESC Paid		
2009/10	-	(2,004,975.00)
2010/11	(2,404,943.00)	(2,404,943.00)
2011/12	(810,327.00)	(810,327.00)
2012/13	(338,333.00)	(338,333.00)
2013/14	(210,421.00)	(210,420.52)
2014/15	-	-
Income Tax Payable	7,300,126.46	(5,389,530.24)
Note 26 Short Term Loan		
Short Term Loans A/C	10,633,248.04	44,875,733.34
Term Loan-BOC	-	18,333,332.00
	10,633,248.04	63,209,065.34
Note 27 Bank Overdraft		
BOC-72322913	-	685,567.48
People's Bank-Queen Br.87847	373,543.80	-
BOC-Co.Br-1450	1,593,400.51	35,491,718.03
Contra Entry A/C	29.68	-
	1,966,973.99	36,177,285.51

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 2014 is as follows: estimates of the Fair Value company used the Cost Method.

Place /Item	Amount (Rs)
Four Numbers of Mobile Work Shop Units	1,170,392.15
Mattakkuliya Land	2,869,882.36
D.R. Wijewardena Mw-Office Premises	4,500,000.00
D.R. Wijewardena Mw-Land	1,170,000.00
Maththumagala- Land	1,800,000.00
Total	11,510,274.51

Comments on Auditors' Management Letter of Cey- Nor Foundation Limited

AUDITORS ACCOUNTS OF CEY- NOR FOUNDATION LIMITED FOR THE YEAR ENDED 31ST DECEMBER 2014

The management has reviewed the observations made by you with regard to the audit of accounts for the pertinent year and our comments are as follows.

1). Increase in Cost of Administration

- I. The management incurred that expenditure with the objective of boosting the corporate image while attending to Corporate Social Responsibility initiatives. When making this type of expenses in future, the company will place emphasis in incurring expenses in business related objectives.
- II. Employees who are recruited beyond the approved cadre are on contract basis. As we have already explained, since our company is growing and diversifying into various business portfolios within the fisheries industry, it is imperative to recruit competent personnel to face various challenges and other requirements. Therefore it is not always possible to recruit such personnel within the approved salary scale of the government sector. Further Board of Director's approval has been obtained for all such recruitments.
- III. We will also make necessary arrangements in order to obtain required approval to amend our salary scale to cater the requirements.
- IV. In year 2014 we received 1,266 Million worth net and life jackets orders from the Ministry of Fisheries, it has helped immensely to change the strategic direction of the company by recording Rs 89 Million profit after tax in 2014. Since we are a government owned company and the substantial portion of our revenue has been generated from Ministry of Fisheries and other various government institutions, the management has committed those expenses as a part of our marketing strategy which has enabled us to attract and retain those government institutions to achieve our revenue objectives.

2). Non Compliance with Statutory Provisions

The agreement entered in this regard in 1998 July with M/S Orient Pearl Hotels Ltd is bound to expire in 2018. As per the agreement we can increase the rental by 50% at every 5 years period. As a result we get Rs 135,000(Without VAT) per month .And also we can claim 40% of their profit for the year. As we are legally bound by the agreement till 2018, we will get legal opinion from a lawyer to see whether we can terminate our contract before 2018, so that the land could be invested for a project of better return.

Further, disclosure requirement has being fulfilled according to LKAS 40.

We hope the above provides explanations for the queries made in your letter.

Signed-Engineer B V Sarath Kumara de Silva

Chairman-Cey-Nor Foundation Limited