

National Enterprise Development Authority
Level 2, West Wing, Ceylinco House,
No 69, Janadhipathi Mawatha, Colombo 01
09-03-2012

Hon. Minister of Industry and Commerce
Ministry of Industry and Commerce
P.O.Box 570, 73/1, Galle Road
Colombo 03

Dear Sir,

Annual Report 2010

In terms of Sub Section 14(2) of the Finance Act no.38 of 1971, I Submit the following documents.

1. The Progress Report of the National Enterprise Development Authority for the year 2010
2. Balance Sheet as at 31st December 2010, Income and Expenditure Statement for the year ended 31st December 2010, and Cash Flow Statement for the year ended 31st December 2010.
3. Report of the Auditor General.

Yours Faithfully,



M.S.S.Ameer Ali
Chairman/Director General
National Enterprise Development Authority

Annual Report 2010

National Enterprise Development Authority - NEDA

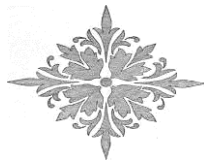
The National Enterprise Development Authority has been established under the Act no.17 of 2006 to promote, support, encourage and facilitate Enterprise Development within Sri Lanka with special emphasis to the Small and Medium Enterprise sector of the country. NEDA operates under purview of the Ministry of Enterprise Development and Investment Promotion.

Vision

Creating a dynamic and sustainable competitive
Enterprise Sector,
this will contribute to the economic,
political and social aspirations of the nation.

Mission

To facilitate and proactively support development,
growth and competitiveness of
NEDA's Enterprises
as an integral part of the national economy of Sri
Lanka.



Objective of NEDA

- ❖ Stimulate the growth, expansion and development of Sri Lanka's economy by encouraging, promoting and facilitating small and medium enterprise development within Sri Lanka.
- ❖ Stimulate and encourage the establishment and operation outside Sri Lanka of enterprises designed with view to Internationalize domestic enterprises capable of penetrating foreign markets for the fulfillment of the objectives of the act of NEDA.
- ❖ Formulate policies, plans, promotional incentives appropriately designed and effectively support and promote trade and development in industry and agriculture.
- ❖ Empowerment of people of human capital development with technical skills as an integral component of enterprise development.
- ❖ Develop infrastructure facilities required to meet the development needs
- ❖ Facilitate the access of entrepreneurs to finances required for enterprise development and operation.
- ❖ Establish a Technology Development Fund to promote research and development in connection with product development, technological enhancement and commercialization of patents.
- ❖ Facilitate regional economic development.

National Enterprise Development Authority

Progress Report – 2010

Activity 01: Corporate Plan 2011 – 2015

In year 2010, NEDA took initiatives to prepare its Corporate Plan for period of Five Years from Year 2011 – 2015. As per the Corporate Plan, NEDA envisages its strategies to cover under mentioned areas for the realization of its Vision.

- i. Policy Advocacy
- ii. Entrepreneurship & Enterprise Development
- iii. Marketing and Facilitation
- iv. Enterprise Competitiveness Improvement
- v. Productivity Improvement
- vi. Environment and Waste Management
- vii. Energy Management
- viii. Technical Services

Presently, NEDA implements activities in the areas of Policy Advocacy, Entrepreneurship & Enterprise Development, Marketing & Facilitation, Enterprise Competitiveness Improvement and Productivity Improvements. Due to human resource unavailability at NEDA the areas such as Environment and Waste Management, Energy Management and Technical Services are not activated.

Activity 02: District Enterprise Forum

As per NEDA strategy plan, it includes establishment of District Enterprise Forums (DEF) to provide business development services to the entrepreneurs. DEF forum is established at district level and it consists of governmental and nongovernmental BDS (Business Development Services) providers, Chambers and Trade or Business associations of the district.

Program objectives:

- Build up relationship among Business Development Service (BDS) Providers at district level
- Facilitate Public Private Dialog
- Strengthening Regional Chambers
- Establish proper coordination between DEF and SME associations
- Develop a system to provide business development services to entrepreneurs through DEF forum
- Collecting business issues from district level forum to National level forum



DEF in Polonnaruwa (September 2010)

NEDA is strengthening these DEF forums with support of financial and technical guidance. And also, NEDA staff will attend to forum meeting for the guidance and give financial support on the basis of progress of the DEF forum.

NEDA has involved for activities in District Enterprise Forum (DEF) in Kurunegala, Polonnaruwa, Anuradapura, Matale, Kandy, Puttalam, and Mannar districts.



DEF in Matale (December 2010)

Activity 03: Working Group on Policy and Advocacy (WGPA)

NEDA is in the process of establishing institutional hierarchy for smooth communication between entrepreneurs and decision makers. Working group on Policy and Advocacy at NEDA office receive enterprise development related policy and operational issues from the industry direct and from the District Enterprise Forums (DEF). Three meetings have been conducted during year 2010.

Issues in Incense stick industry, Issues in Dairy farming, Limitation of Electricity for enterprises, alternative uses of betel, capacity building of officers involve in Business Registration, Strengthening of Chambers through capacity building, Promotion of poultry hatcheries etc.

Activity 04: Regional SME Guide book launching program

National Enterprise Development Authority (NEDA) has completed Small & Medium Enterprise (SME) guide book for the use of SME Managers, BDS providers and for those who are self employed.

NEDA conduct this SME guide book launching program at regional level with the help of the selected counterpart organization. NEDA has selected Kandy, Matara, Ratnapura, Vauniya, Badulla, Trincommalee, Anuradapura and Polonnaruwa regions to conduct this program at initial stage and Chamber of Commerce Industry organize this program as counterpart organization. This programs were implemented by the National Enterprise Development Authority (NEDA) in association with Japan International Corporation Agency (JICA).

SME guide book launching program is to give publicity for the book at regional areas of the country. The Guide book provides valuable information about BDS providers and financial schemes. Further, e-version of the guide book is introduced during the sessions.

Regional guide book launching program was implemented to make aware entrepreneurs and Business Development Service (BDS) providers about the information on business development services in the country. NEDA has already completed SME guide book launching programs in Polonnaruwa, Anuradapura, Kurunegala, Kandy, Colombo and Matale district



Guide book Launching program in Polonnaruwa

Activity 05: LOCA Follow up programs in Pannala DS division

Local Competitive Advantage (LOCA) is a methodology that identifying competitive business opportunities, problems/constraints and suggestions for development of business sectors in the regions. As per NEDA Corporate strategy it has mentioned that LOCA programs are carried out to collect information on physical & human resources and economic infrastructure in a region.



LOCA programs are carried out by the LOCA team and it will represent the government and nongovernmental officers in the relevant regions. It includes workshops, interviews, meetings primary & secondary data collection with relevant institutes and entrepreneurs.

NEDA has completed LOCA programs in Pannala & Warakapola divisional secretariats. As result of LOCA program carried out in Pannala and Warakapola DS divisions.

LOCA Program in Pannala



NEDA has identified proposals to conduct business sector development programs (Follow up activities in the LOCA program).

LOCA program in Pannala has been completed and started follow-up activities. Two technical raining programs were carried out for dairy & food sector.

Technical Training for Dairy farmers

Pannala divisional secretariat office has been carried out three day business management training program for Small & Medium entrepreneurs under guidance of NEDA.



Business Management Training – Pannala



Technical Training for Dairy farmers

Food processing program was carried out for sweat food producers in divisional secretariat office. And also NEDA is involving with supporting programs for Pottery sector in Pannala Divisional secretariat division.

Pottery industry is identified as a competitive business in Pannala DS division. As per LOCA report, it has proposed that technical training is required for entrepreneurs involving with pottery industry to improve their technical knowledge.

This new technology for pottery industry is needed to increase quality of the product and produce ornamental products. NEDA has arranged training program for entrepreneurs who are involving with pottery industry.

National design centre provided this new technology and act as resource person. And also, NEDA has decided to provide electric "sakaporu" for the selected participants (15 entrepreneurs). Hence, they will able to increase their production capacity and quality of the products.



Technical Training Program for pottery industry

Dairy sector is one of competitive business in Pannala DS division and NEDA has provided cattle management training program for dairy entrepreneurs. And also NEDA has arranged technical training (Milk value added products) for dairy farmers and entrepreneurs who are involving milk value added product & sweet food producers. Pannala Divisional Secretariat office organized the program with supporting of vidatha centre in Pannala.



Technical Training Program for Food sector

Activity 06: LOCA Programs in Mannar, Baticaloa, Kandy & Kurunegala districts

NEDA has selected above four districts for carry out the LOCA programs and identified counterpart organizations for implement this LOCA programs. Counterpart organizations were stated implement LOCA studies in relevant districts and LOCA study in Kurunegala & Kandy will be completed before end of January 2011. In Mannar & Baticalo, LOCA studies will be competed before end of February 2011.

Activity 07: Business Development Service (BDS) Providers' Service Fair

As per NEDA Corporate strategy, business trade fairs and BDS providers service fairs are proposed for the purpose of SME sector development at regional level. NEDA has identified that the almost all the medium and small scale entrepreneurs are unaware about the Business Development Service (BDS) Providers available in the region and in the country as well as the functions and services provided by them thus unable to get maximum service out of them. In order to fulfil this gap between entrepreneurs and BDS providers, a strong linkages and interaction should be created. Business service trade fairs will make the bridge between small and medium scale entrepreneurs and BDS providers to utilize the services maximally from the BDS providers, thus enhancing the entrepreneurship ability of the potential entrepreneurs.

Specific Objectives;

1. Bridge the gap between BDS providers and the Medium & Small scale Entrepreneurs (MSEs)
2. Develop the infrastructures for the SME development

The easiest and most effective way of bridging the SMEs and BDS providers would be holding a BDS fair which will gather all the BDS providers in the districts and the country. The BDS service fair were implemented by the District Enterprise Forums Polonnaruwa & Anuradapura districts and one BDFS fair was carried out in Pannala as a result of Pannala LOCA program and the cost of implementing the fair were shared between National Enterprise Development Authority (NEDA) and District Enterprise Forums.



BDS Service Fair in Anuradapura

Activity 08: Chamber Capacity & Entrepreneur Development training program

As per NEDA strategy plan under chamber strengthening program, NEDA has arranged entrepreneur development training program for chamber members and chamber staff. The National Chamber of Commerce of Sri Lanka (NCCSL) organized this training program for their Small & Medium Entrepreneurs (SME) members and staff with guidance of NEDA. Fore programs were arranged in different regions.

Objectives of the Program:

- To develop business management skills among existing entrepreneurs with growth potential in order to enable them to expand their business.
- To assist and guide these entrepreneurs to expand and/or diversify their enterprise.
- Assist Regional and District Chambers to increase their Membership and identify the potential of members in the regions.
- Develop capacity of chamber staff

Target group:

The target groups for this program will be,

- i. Existing NCCSL SME Members
- ii. SME Members of the Provincial and District Chambers
- iii. Staff of the above

Program topics:

- How to Earn Profits (Quality and Productivity)
- Providing a Superior Customer Service
- Developing Interpersonal Skills (top down & bottom up) for Business Success -Human Resource Management
- Consumerism & Product Quality
- Marketing Strategies and goods present in creative method



ED Trainin in Ampara



ED Training in Kalmune



ED Training in Anuradapura

Activity 09: Internationalization of local business and improve access to modern technology and raw material

As per NEDA Corporate Strategy, it describes on the above service and it is proposed to organize business delegations to foreign trade fairs for giving them an exposure to international business environment and encourage Small & Medium Scale (SMEs) entrepreneurs to internationalize their businesses.

Organizing Business delegations, industrial tours abroad and facilitate business community to take part in various international fairs are some activities carried out by NEDA in association with several Chambers of Commerce and Industry at district level. It has made arrangements to take a delegation to international trade fairs in China (Canton). Malaysia, Thailand, India, Dubai etc.

NEDA has carried out business delegation to attend Canton Trade Fair (Largest Trade Fair in China). This business delegation tour has been scheduled on during from 14 to 22 October 2010. 114 Entrepreneurs participated for this business delegation.



Activity 10 : Geographical cluster Development program

NEDA is involving Geographical cluster Development program to develop competitive enterprise cluster to promote national entrepreneurs. At present NEDA has identified clusters as given bellow.

- Moratuwa wood furniture cluster development program
- Wewaldeniya Cane furniture development program
- Mannar Cashew cluster Development program
- Batticallo Handloom cluster development program
- Light engineering industries (Webada & Bandanagala, Angulmaduwa)



NEDA has identified wood base furniture cluster in Moratuwa and Cane cluster in Wewaldeniya as geographical cluster and special data base was prepared to demarcate cluster area through the selected counterpart organization. And also, NEDA has made wood furniture association by combining three existing societies related to wood cluster in Moratuwa. It is base for the build up registered company associated with National chamber of commerce and NEDA.

Under this program, NEDA has arranged that issuing NVO certificates for entrepreneurs involving with furniture production and NEDA has signed Memorandum of Understanding (MOU) with NITA respect to the Moratuwa wood cluster development program. NEDA is working with Social Security Board (SSB) to introduce pension scheme for entrepreneurs.

Activity 11: Coir Sector Development Program

The coir industry of the NWP is a one of major competitive businesses in the country. Over 45 percent of the country's coconut cultivation is in NWP and 85 percent of the country's mills operate in NWP and Western province. This coir fiber industry which extracts its basic raw material from coconut husk has become competitive position on the world market and facing some challengers such as new competitors entering to the world market, difficulties in filling export orders (low supply of coconut husk and out dated machineries), failing relationship among relevant parties and low contribution to employment.

As per NEDA strategy plan (Re. No. 1.1, 3.2 and 3.3) National Enterprise Development Authority makes effort to bring together industry stakeholders and improve coordination among them (all parties involving with export & delivery, manufacturing and raw material sourcing). And NEDA wish to support to them for minimize these barriers related to coir industry in NWP.



Coir convention program in Kurunegala

As a first step of the program, NEDA conducted coir convention program with participation of industrial stockholders (producers, buyers, coconut growers and service providers). Wayamba Chamber of commerce organized this program under supervision of NEDA. This requirement has been identified from LOCA (Local Competitive Advantage) program conducted by NEDA in Pannala Divisional Secretariat Division.

Program objectives;

- Build up relationship among all parties related coir industry
- Identifying the industry problems and minimize these problems by discussing with all parties in industry
- Identifying potential areas to be improved

12. WEB Site

NEDA developed an informative web site during the year with the guidance of ICTA.

National Enterprise Development Authority
Balance Sheet as at 31st December 2010

| | Note | 2009 | 2010 |
|-------------------------------------|------|------------------|---------------------|
| | | Rs | Rs |
| Assets | | | |
| | | | |
| Non- Current Assets | | | |
| Property Plant & Equipments | 9 | 4,270,881 | 3,133,495.28 |
| Current Assets | | | |
| Payment in Advance | | 15,000 | 15,000.00 |
| Special Advances | | - | 70,000.00 |
| Cash & Bank Balance | | 3,123,410 | 1,937,086.86 |
| Festival Advance | | 4,000 | 11,000.00 |
| | | | |
| Total Assets | | 7,413,291 | 5,166,582.14 |
| | | | |
| Equity and Liabilities | | | |
| | | | |
| Capital Contribution | 10 | 10,105,948 | 9,510,429.65 |
| Accumulated Profit/(Loss) | | (10,300,570) | (3,148,528.05) |
| Profit/(Loss) during the year | | 838,478 | (1,799,967.49) |
| | | 643,856 | 4,561,934.11 |
| | | | |
| Non-Current Liabilities | | - | |
| BOC Received for School Competition | | 128,011 | 128,010.58 |
| | | | |
| Current Liabilities | | | |
| Accrued Expenses | 11 | 6,641,425 | 476,637.45 |
| | | | |
| Total Equity and Liabilities | | 7,413,291 | 5,166,582.14 |

National Enterprise Development Authority
Income and Expenditure Statement for the Year 2010

| | Note | 2009 | 2010 |
|--|-----------|--------------------|-----------------------|
| | | Rs | Rs |
| Income | | | |
| Recurrent Grant from the General Treasury | | 12,688,000 | 8,920,000.00 |
| Other Income | | 5,778 | 5,505.72 |
| Total Income | | 12,693,778 | 8,925,505.72 |
| Less :- Operating Expenses | | | |
| Remuneration of the Staff | 1 | 3,344,787 | 6,035,129.56 |
| Administration Expenses | 2 | 7,486,047 | 2,771,751.41 |
| Traveling Expenses | 3 | 150,264 | 669,341.50 |
| Maintenance Expenses | 4 | 147,959 | 97,554.08 |
| Supplies and Consumables | 5 | 702,340 | 1,111,421.49 |
| Depreciation | 7 | 1,360,030 | |
| Total Operating Expenses | | 13,191,426 | 10,685,198.04 |
| Surplus/ (Deficit) from Operating Activities | | (497,648) | (1,759,692.32) |
| Less :-Finance Cost | 6 | 23,904 | 40,275.17 |
| Depreciation | 7 | | 1,387,942.49 |
| Development Expenses | 8 | | 8,807,575.63 |
| Add :- Differed Income Portion | 10 | 1,360,030 | 10,195,518.12 |
| Net Surplus/ (Deficit) for the Period | | 838,478 | (1,799,967.49) |
| Add :- | | | |
| Surplus/ (Deficit) for the Previous years | | (10,743,536) | (9,462,092.25) |
| Less :- Prior Year Adjustment (Accrued rent as at 31.12.2009) | | 442,966 | 6,313,564.20 |
| Net Surplus/ (Deficit) Carried Forward | | (9,462,092) | (4,948,495.54) |
| | | | |

National Enterprise Development Authority

Cash Flow Statement for the year 2010

| | Note | 2009 | 2010 |
|--|------|--------------------|-----------------------|
| | | (Rs.) | (Rs.) |
| Cash Flows From Operating Activities | | | |
| Surplus/ (Deficit) | | 838,478 | (1,799,967.49) |
| | | | |
| Non Cash Movements | | | |
| Accrued Expenses | | (2,441,681) | (6,164,787.55) |
| Prior Year Adjustments | | 442,966 | 6,313,564.20 |
| Advances | | - | (70,000.00) |
| Festival Advance | | (4,000) | (7,000.00) |
| BOC Received | | 128,011 | 0.00 |
| Net Cash Flows From Operating Activities (a) | | (1,036,227) | (1,728,190.84) |
| | | | |
| Cash Flows From Investment Activities | | | |
| Purchased Fixed Assets | | (911,854) | (250,557.16) |
| | | - | |
| Net Cash Flows From Investment Activities (b) | | (911,854) | (250,557.16) |
| | | | |
| Cash Flow from Financing Activities | | | |
| Capital Grants From Treasury | | 4,700,000 | 9,600,000.00 |
| Development expenses paid on capital grant | | | (8,807,575.63) |
| Net Cash Flows From Financing Activities (c) | | 4,700,000 | 792,424.37 |
| | | | |
| Net Increase/Decrease in Cash & Cash Equivalent (a) + (b) + © | | 2,751,920 | (1,186,323.63) |
| | | | |
| Cash & Cash Equivalents as at 1st January 2010 | | 371,491 | 3,123,410.49 |
| | | | |
| Cash & Cash Equivalents as at 31 December 2010 | | 3,123,410 | 1,937,086.86 |

Notes to the Financial Statements

Note 01

| Remuneration of the Staff | | 2009(Rs) | 2010 (Rs.) |
|----------------------------------|--|-----------------|---------------------|
| | | | |
| Salaries and Wages | | 2,539,453.84 | 4,382,861.66 |
| Overtime | | 217,140.33 | 327,944.90 |
| Cost of Living | | 332,762.50 | 784,700.00 |
| EPF 12% | | 205,521.36 | 414,898.40 |
| ETF 3% | | 49,908.67 | 103,724.60 |
| Board Members Allowances | | | 21,000.00 |
| | | | |
| | | 3,344,786.70 | 6,035,129.56 |

Note 02

| Administration Expenses | | 2009(Rs) | 2010 (Rs.) |
|---------------------------------|--|-----------------|---------------------|
| | | | |
| WTC Rent Expenses | | 4,000,000.00 | - |
| Advertisement | | 237,867.20 | 116,692.60 |
| Postage | | 26,698.00 | 78,689.00 |
| Telephone | | 225,457.46 | 481,689.76 |
| News Paper Charges | | 18,000.00 | 24,160.00 |
| Other Expenses | | 152,727.51 | 144,340.57 |
| Printing Charges | | 133,186.66 | 25,953.20 |
| Car Parking Charges | | 112,503.20 | 147,100.00 |
| Exhibition/Promotional Expenses | | | 789,476.22 |
| Vehicle Hire Charges | | 480,903.71 | 458,641.42 |
| Vehicle Allowance | | - | 360,000.00 |
| Insurance Charges | | 114,679.43 | 75,008.64 |
| Electricity & Water | | | - |
| External Audit Expences | | 70,000.00 | 70,000.00 |
| service | | 16,073.40 | - |
| Staff Training Expenses | | 41,200.00 | - |
| work shop & Seminar | | 630,195.39 | - |
| A C D Conference | | 1,000,000.00 | - |
| Website Development | | 46,555.00 | - |
| Resource Mapping Survey | | 180,000.00 | - |
| | | 7,486,046.96 | 2,771,751.41 |

Note 03

| Traveling Expenses | | 2009(Rs) | 2010 (Rs.) |
|---------------------------|--|-----------------|--------------------|
| | | | |
| Domestic | | 150,263.84 | 267,276.00 |
| Foreign | | | 402,065.50 |
| | | 150,263.84 | 669,341.50 |

Note 04

| Maintenance Expenses | | 2009(Rs) | 2010 (Rs.) |
|------------------------------|--|-----------------|--------------------|
| | | | |
| Vehicle Maintenance | | 74,615.06 | 82,580.08 |
| Office Equipment Maintenance | | 73,344.00 | 14,974.00 |
| | | 147,959.06 | 97,554.08 |

Note 05

| Supplies and Consumables | | 2009(Rs) | 2010 (Rs.) |
|---------------------------------|--|-----------------|---------------------|
| | | | |
| Refreshment | | 64,580.75 | 85,382.00 |
| Stationery & Office Requisites | | 261,419.05 | 271,023.50 |
| Fuel | | 376,339.83 | 755,015.99 |
| | | 702,339.63 | 1,111,421.49 |

Note 06

| Finance Cost | | 2009(Rs) | 2010 (Rs.) |
|---------------------|--|-----------------|--------------------|
| | | | |
| Bank Charges | | 23,904.41 | 40,275.17 |
| | | 23,904.41 | 40,275.17 |

***Note 07**

| Depreciation | | 2009(Rs) | 2010 (Rs.) |
|-------------------------------------|--|-----------------|---------------------|
| | | | |
| Depreciation -Motor Vehicles | | 770,000.00 | 770,000.00 |
| Depreciation-Office Equipments | | 100,967.43 | 115,250.05 |
| Depreciation-Furniture | | 36,072.57 | 49,702.19 |
| Depreciation-Library Books | | 2,450.50 | 2,450.50 |
| Depreciation-Computer & Accessories | | 450,539.75 | 450,539.75 |
| | | 1,360,030.25 | 1,387,942.49 |

***Note 08**

| Expenses on Development Activities | | | 2010 (Rs.) |
|---|--|--|---------------------|
| | | | |
| Work Shops and Seminar Expenses | | | 315,429.50 |
| Staff Training Expenses | | | 196,237.60 |
| Economic Zone | | | 215,458.00 |
| Website Development | | | 531,364.50 |
| Technical Dev. Service Centers (TDSC) | | | 5,150,268.50 |
| Promote Import/Export Orientation | | | 2,208,817.53 |
| Resource Mapping Survey | | | 190,000.00 |
| | | | 8,807,575.63 |

**Expenditure incurred from the capital budget have been presented separately in the income statement to match them with the related differed income portion for the year.

Note 09**Property Plant & Equipments**

| Category | Opening Balance(Rs) | Addition | Disposal | Closing Balance(Rs) |
|------------------------|--------------------------------|-------------------|-----------------|--------------------------------|
| | | | | |
| Office Equipment | 807,739.43 | 114,261.00 | | 922,000.43 |
| Office Furniture | 360,725.72 | 136,296.16 | | 497,021.88 |
| Computer & Accessories | 1,802,159.00 | - | | 1,802,159.00 |
| Library Books | 24,505.00 | - | | 24,505.00 |
| Motor Vehicles | 3,850,000.00 | | | 3,850,000.00 |
| | | | | |
| Total | 6,845,129.15 | 250,557.16 | - | 7,095,686.31 |

Accumulated Depreciation

| Category | Opening Balance(Rs) | Depreciation for the year | | Closing Balance(Rs) |
|------------------------|--------------------------------|----------------------------------|----------|--------------------------------|
| | | | | |
| Office Equipment | 171,173.59 | 115,250.05 | - | 286,423.64 |
| Office Furniture | 64,151.70 | 49,702.19 | - | 113,853.89 |
| Computer & Accessories | 757,662.25 | 450,539.75 | - | 1,208,202.00 |
| Library Books | 4,901.00 | 2,450.50 | - | 7,351.50 |
| Motor Vehicles | 1,576,360.00 | 770,000.00 | - | 2,346,360.00 |
| | | | | |
| Total | 2,574,248.54 | 1,387,942.49 | - | 3,962,191.03 |
| | 4,270,880.61 | | | 3,133,495.28 |

Net Book Value as at 31.12.2010**Rs****3,133,495.28**

Note

10

| Capital Contribution | | 2009(Rs.) | 2010(Rs.) |
|---------------------------------------|---------------------|----------------------|----------------------|
| | | | |
| 2010.01.01 Opening balance | | 6,765,978.02 | 10,105,947.77 |
| | | | |
| Capital Grants Received For the Year | | <u>4,700,000.00</u> | <u>9,600,000.00</u> |
| | | 11,465,978.02 | 19,705,947.77 |
| | | | |
| Less:- Differed Income Portion | | 1,360,030.25 | 10,195,518.12 |
| Depreciation | 1,387,942.49 | | |
| Development Expenses | <u>8,807,575.63</u> | | |
| | 10,195,518.12 | | |
| | | <u>10,105,947.77</u> | <u>9,510,429.65</u> |

Note

11

| Accrued Expenses | | 2009(Rs.) | 2010(Rs.) |
|---------------------------------------|--|---------------------|-------------------|
| | | | |
| Rent Payable | | 6,313,564.20 | 0.00 |
| EPF Payable | | 49,428.60 | 66,116.40 |
| ETF Payable | | 7,414.29 | 9,917.46 |
| Telephone Expenses Payable | | 23,786.86 | 45,507.26 |
| Salary Payable | | 85,250.55 | 77,500.00 |
| Overtime Payable | | 10,412.50 | 24,245.89 |
| Audit Fee (External-Provision) | | 23,393.00 | 140,000.00 |
| Stamp Duty Payable | | 70,000.00 | 300.00 |
| Electricity & Water Payable | | 475.00 | 0.00 |
| Payable on web development Activities | | - | 46,750.00 |
| Vehicle Hire Charges Payable | | 16,940.00 | 39,200.00 |
| Printing Expenses Payable | | 37,520.00 | 0.00 |
| Other Expenses Payable | | - | 27,100.44 |
| News Paper Charges Payable | | 3,240.00 | 0.00 |
| | | <u>6,641,425.00</u> | <u>476,637.45</u> |

Financial Statement for the Year ended 31.12.2010

Accounting Policies

01. General

- a) The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards and Generally Accepted Accounting Policies. The accounting policies are consistent with those used in the previous year and the changes of the policies are appropriately disclosed.
- b) Figures related to previous year have been shown wherever necessary to facilitate comparison with previous year.
- c) Grants received from Treasury have been identified as Capital & Recurrent and accounted accordingly. Capital Grant is received for the Development Expenses & acquisition of fixed asset.

02. Property, Plant & Equipments

Tangible Assets are shown at cost less accumulated depreciation. Provisions for the depreciation of the Fixed Assets have been made considering the value and life time of the assets based on the Straight- Line method.

Fully depreciation is charged in the year of purchase and no depreciation charged in the year of disposal.

The rate of the depreciation is follows.

| | |
|------------------------|-------|
| Office Equipments | 12.5% |
| Furniture & Fittings | 10% |
| Computer & Accessories | 25% |
| Motor Vehicles | 20% |
| Library Books | 10% |

03. Cash and Cash Equivalents

Cash & cash equivalent include the Bank balance as at 31 December 2010.

04. Liabilities

Current liabilities are those, which fall due for payment on demand or within one year from the Balance Sheet date. Non – Current Liabilities will fall due for payment one year or more than one year after the Balance Sheet date.

05. Provision/Obligation

a) Retirement Benefit Obligation

No Gratuity had been charged in the year 2010 since there is no permanent employee more than 5 years service completed.

b) Employees' Provident Fund & employee Trust Fund

Employees are eligible for EPF contribution and ETF Contributions in line with respective regulations. The Authority Contributes 12% and 3% of Basic salary of Employees' to EPF and ETF respectively.

06. Income and expenditure

- Income and expenditure are recognized on accrual basis.
- Recurrent Grant received for the year is recognized in the income statement.
- Equivalent amount to the Depreciation for the year is differed to the income statement from the capital grant.
- Equivalent amount to the Development expenses which not capitalized relating to the year, has been differed to the income statement from the capital grant commencing from year 2010.
- All expenditure incurred in running of the business and maintaining the capital asset has been charged to the income statement.

Expenses incurred for Enterprise Development activities from the capital grant

For the year which is not capitalized, is charged to the income statement.

07. Government Grant

Grants received from Treasury have been identified as Capital & Recurrent and accounted accordingly.

- Recurrent Grant is recognized to the income Statement.

- Capital grants received from the treasury is credited to the “Capital Contribution Account” and Capital Grant is recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Accordingly, the differed portion relating to depreciation and development Expenses for the year have been credited to the Income and Expenditure Account.

08. Taxation-Income Tax

As per the public enterprise guide line, no provision has been made in the accounts as the Authority is a statutory board that receive grant from the treasury and as there is no taxable income for the current year.

09. Contingent Liabilities

No provisions for liabilities are made in the Accounts since there is no identified such liability against the Authority.

General Disclosures

I. Building Rent Account

The accrued building rent amounting to Rs.6, 313,564.20 as at 31.12.2009 has been written off from the books of accounts on the approval of the Ministry of Enterprise Development and Investment promotion.

Due to the change of the ministry in charge a decision was taken to move from the existing place at the beginning of the year but it was due for some time and new premises was selected in end December.

In 2010, there is no rent expense due to no such legal engagement on rent and building rent for the space occupied by the authority is paid by the small & medium enterprise sector development Programme (SMESDP) under the Ministry of Industry & Commerce.

II. Transactions with related Parties

Small & Medium Entrepreneurs in Sri Lanka

a.) District enterprise Forums (DEF) is introduced to have better dialog between regional entrepreneurs and decision makers at higher level. Districts chamber of commerce is the channel that NEDA use to reach the regional entrepreneurs community to conduct DEF. being the organizer of the DEF, Chamber of commerce require the organizing fee and the cost of organizing is shared among chamber & Authority.

Monthly Authority pays actual expenses subject to an Rs.10, 000/-per event & six events per year.

b) SMEs and other entrepreneurs capable of establishing international business linkage towards marketing, technical knowledge factors are facilitated to explore the international business environment. NEDA organized international business fairs participation on cost share ring basis up to 10%.

c) NEDA conducted program (LOCA) to identify competitive business sectors & business at district level by deploying professionally qualified resource person selected through competitive bids. Upon the completion of study it results competitive business sectors and businesses on district basis. These issues are channel to DEF. competitive business sectors are developed by providing business development services & competitive businesses identified are promoted among entrepreneurs.

d.) Authority has organized a competition on “Entrepreneurial ideas for new business” in year 2008/2009 and it was sponsored by the Bank of Ceylon.



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 Date

24 June 2011

24 June 2011

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

The audit of financial statements of the National Enterprise Development Authority for the year ended 31 December 2010 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 20(2) of the National Enterprise Development Authority Act, No.17 of 2006. My comments and observations which I consider should be published with the annual report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. In addition a detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Authority on 09 May 2011.

1.2 Responsibility of the Management for the Financial Statements

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

1.3 Scope of Audit and Basis of Opinion

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

2. Financial Statements

2.1 Opinion

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

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

Although prior years adjustments totalling Rs.442,966 of year 2009 should be adjusted to the income and expenditure accounts of the year under review in terms of Sri Lanka Accounting Standard No. 10, it had been shown in the prior year adjustments account and adjusted to the accumulated balance of the profit and loss account of the preceding year. This had not been rectified even as at 31 December 2010.

2.2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed during the course of audit.

| Reference to Laws, Rules, Regulations, etc., | Non-compliance |
|--|---|
| (a) National Enterprises Development Authority Act, No. 17 of 2006 - Section 19(3) | Even though the relevant provision required the authority to establish a Technical Development Fund and all money allocated or received for technical development should be credited to such Fund, action had not been taken in compliance with such provision. |
| (b) Public Enterprises Circular No. PED/12 of 02 June 2003 Section 5.1.3 | Even though the updated Corporate Plan and an Annual Budget approved by the Board of Directors of the Authority should be prepared and presented to the Auditor General 15 days prior to the |

commencement of each year of accounts, action had not been taken in compliance with such provision.

(c) Government Financial Regulations

Financial Regulation 133(1)(a)

An internal audit of the Authority had not been carried out in terms of the provisions.

3. Financial and Operating Review

3.1 Financial Review

3.1.1 Financial Results

According to the financial statements presented, the operations of the Authority for the year ended 31 December 2010 had resulted in a deficit of Rs.1,799,967 as against the surplus of Rs.838,478 for the preceding year. The decrease of recurrent grants by Rs.3,768,000 and the increase of total expenditure by Rs.7,705,660 had contribute for the deterioration of financial results by Rs.2,638,445 during the year under review, as compared with the preceding year.

3.1.2 Financial Position

The equity of the Authority had been increased by Rs.3,918,079. The increase of working capital by Rs.5,183,476 and the decrease of opening accumulated loss by Rs.7,152,042 had contributed for the above improvement.

3.2 Operating Review

3.2.1 Performance

Although the overall total expenditure of the year under review had been increased by Rs.7,705,660 including the increase of staff expenses by Rs.2,690,343 and the traveling expenses by Rs.519,078 as compared with the preceding year, the management had failed to ensure the manner in which the resources were employed to achieve the following performance goals laid down by the National Enterprise Development Act, No. 17 of 2006.

- (a) Ensure the economic enhancement and development of Sri Lanka through providing facilities for enterprise development, encouragement and promotion.
- (b) Penetrating international markets.
- (c) Effectively assist for development of industrial and agricultural trade.
- (d) Empowerment of people through human capital development with technological skills.
- (e) Provide infrastructure facilities for development needs.
- (f) Provide access for facilities needed for enterprise development and operations.
- (g) Establishment of a Technology Development Fund for promoting development and research activities.

3.2.2 Building Rent

The accrued building rent amounting to Rs.6,313,564 as at 31 December 2009 had been written-off on the approval of the Ministry of Enterprise Development and Investment Promotion.

3.2.3 Budgetary Control

Significant variances were observed between the actual expenditure and the budgeted expenditure for the year 2010, therefore, the management had failed to make use the budget as an effective instrument of control.

4. Systems and Controls

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

- (a) Internal Control
- (b) Fixed Assets
- (c) Accounting

H.A.S.Samaraweera

Acting Auditor General.



Mr. Kanchana Ratwatte
Chairman / Director General



Mr. B.H.M. Ratnasiri
Secretary - Ministry of Enterprise Development & Investment Promotion

Mr. B.H.M. Ratnasiri, Secretary, Ministry of Enterprise Development & Investment Promotion is former Additional Secretary of Ministry of Urban Development & Sacred Area Development and has held several key positions in several Ministries and Government Institutions more than three decades. He is also working as a Visiting Lecture in Technical Colleges and Advanced Technical Institutes in the fields of Management, Accountancy, Economics, and Quantitative Techniques.

He is a member of Sri Lanka Administrative Service (SLAS), Association of Accounting Technicians of Sri Lanka (AAT) and a member of Institute of Public Finance and Development Accountancy (IPFDA).

Mr. Ratnasiri qualified in Master of Business Administration (MBA) from Central Queensland University, Australia (1992 -1994) and qualified with a second class honor's B.Sc.(Business Administration - Special) from University of Sri Jayewardenepura, Sri Lanka.

He was a co - author for the Publication of " Business Statistics" published in Sri Lanka(1997) and was a co- author for "Business Management Approached" published in Sri Lanka



Dr. A. Damitha N. De Zoysa

Board of Director

Dr. A. Damitha N. De Zoysa, B.A. (Peradeniya), M.S. (Canberra), M.A. (Ohio), PhD (Ohio), Member of AAEA has held a number of key positions in the Ministry of Finance and Planning for nearly three decades. She was the Director General, Fiscal Policy Department from 2005-6. She had been a Graduate Teaching Associate at the Department of Agricultural Economics, Ohio University. She has contributed significantly for research publications in economics. Currently, she is the Director General, Development Finance Department of the Ministry of Finance and Planning.



Dr. Saman Kelegama

Board of Director

Dr. Saman Kelegama, D.Phil. in Economics from University of Oxford, U.K., is the Executive Director of the Institute of Policy Studies of Sri Lanka (IPS). He is a fellow of the National Academy of Sciences of Sri Lanka and was the President of the Sri Lanka Economic Association (SLEA) during 1999-2003.

Dr. Kelegama has published extensively on Sri Lankan and regional economic issues in both local and international journals. He serves and has served in a number of government and private sector Boards as an independent member. He is a member of the National Economic Council under the President of Sri Lanka.



Dr.C.N.A. Nonis

Board of Director

Dr. C.N.A. Nonis, B.Sc. (Hons), M.R.C.P.(UK) is Chairman of the Mackwoods Group of Companies, including Agalawatte Plantations PLC. He qualified with a First Class Honors' BSc from Imperial College of Science, Technology and Medicine; M.B.B.S. From Royal Free Hospital Medical School, University of London, having spent his electives at Massachusetts General Hospital, Harvard Medical School, and his postgraduate training at Royal Brompton, Hammersmith, and Addenbrookes, Cambridge.

He is a Committee member of the Sri Lanka – China Business Council; Sri Lanka – Malaysia Business Council; ICT Steering Committee of the Ceylon Chamber of Commerce; the E-Society Focus Group of ICTA THE Country Coordinating Mechanism for Sri Lanka of the Global Fund; Steering Committee on Spices & Allied Products of the EDB.

Internationally; he is a Trustee and Councilor of the Royal Commonwealth Society, London; a member of the Institute of Directors, London; President of the India Life Sciences Institute-Sri Lanka Committee; a Member of the Royal College of Physicians, UK; has been an advisor to the World Health Organization, Geneva, and is a Fellow of the Royal Society of Medicine, London.



Mr. Rohan Nissanka Wijerathne

Board of Director

Rohan N. Wijeratne was appointed to the Board of the National Enterprise Development Authority in April 2008 and serves as the Chairman of its Audit Committee.

Rohan N. Wijeratne was appointed to the Board of the National Enterprise Development Authority in April 2008 and serves as the Chairman of its Audit Committee. He received his primary and secondary education at St. Thomas's College, Mount Lavinia, and earned his BSc and MSc in Technology of Management from The American University, Washington DC, USA,. After his initial degree he worked for over 10 years at the World Bank at its Washington DC Headquarters and was involved in Organizational Development and Development projects, in relation to IT in countries such as Egypt, Jordan and Yemen.

In 1993 he returned to Sri Lanka as the IT Advisor to the Prime Minister and Minister of Industries, Science & Technology and subsequently to the Ministry of Science and Technology. At the same time he was Chairman of the Council for Information Technology (CINTEC), the predecessor to the ICT Agency of Sri Lanka (ICTA). In 1996 he moved into the private sector where he was a founder Shareholder/Director and Chief Operating Officer of Millennium IT.

Since 2001 he has functioned as a Director of the Board of Imperial Institute of Higher Education and was it's CEO for almost four years. He has served on the Boards of Sri Lanka Telecom Ltd, The Arthur C Clarke Centre for Modern Technology, The Institute of Computer Technology of the University of Colombo, and Infotel Lanka Ltd.

In April 2008 he joined the Board of KBSL Information Technologies Ltd (formerly Keells Business Systems Ltd), one of the oldest IT companies in Sri Lanka and currently functions as Executive Director.

Mr. Roshantha Kariyapperuma

Board of Director

Mr. Kariyapperuma is a leading businessman in Sri Lanka. He is the Chairman of Siyatha FM and a Director of the Kings Group of companies.

Mr. M.S.S. Ameer Ali
Chairman Director General (06-2011)

Mr. M.A. Thajudeen
Board of Director
Representing the Secretary of MOIC

Mr. T.N. Oshan
Board of Director
Representing the Secretary of Treasury

Rev. Elpitiye Sugunakiththi Thero
Board of Director

Mr.A.L. Mohomad Halik
Board of Director

Mr. N.M. Shaheed
Board of Director

Mr. S. Herath
Board of Director

Mr. S. Lukman
Board of Director

Mr. M.A.C.M. Ameen
Board of Director