

ANNUAL REPORT 2013

IDB

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

VISION

“Development of all industries all over Sri Lanka”

MISSION

*“Provide strategic, technological & commercial foundation needed
to encourage, promote & develop all industries all over Sri Lanka”*

DIRECTORATE OF THE INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

From January 2013 to April 2013

Udayasri Kariyawasam - Chairman

Rohantha N.A. Athukorala - Member of the Board

Ms. R.A. Ramya Kanthi - Treasury Representative

Mrs. S. Weerakoon - Member of the Board/Ex officio

Mrs. K.N. Kumari Somaratna - Member of the Board/Ex officio

Ms. Sherine Xavier - Member of the Board – IDB

M.M. Mohamed Jameel - Member of the Board - IDB

G.C. De Silva - Member of the Board/Ex officio

S. Anandarajah - Member of the Board – IDB

From October 2013 to December 2013

Nawaz Rajabdeen - Chairman

Ms. R.A. Ramya Kanthi - Treasury Representative

Mrs. K.N. Kumari Somaratna - Member of the Board/Ex officio

M.M. Mohamed Jameel - Member of the Board - IDB

C.G. De Silva - Member of the Board/Ex officio

S. Anandarajah - Member of the Board – IDB

Epa Dayaratne - Member of the Board – IDB

H.M.V. Jayasinghe - Member of the Board – IDB

Dr. Saman Kelegama - Member of the Board – IDB

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON (IDB) ANNUAL REPORT for the year ended 31st December 2013

THE ORGANIZATION

Background

The Industrial Development Board of Ceylon (IDB) was first established in 1966 under the State Industrial Corporation Act No. 49 of 1957. The IDB in its present form was incorporated under the Industrial Development Act No. 36 of 1969. The Head Office of the IDB was situated at No. 16, Gregory's Road, Colombo 07. At present, it is at 615, Galle Road, Katubedda, Moratuwa. The main objective of the IDB is to promote and develop industries in Sri Lanka.

Objectives of the board

Objectives of the Board defined in the Industrial Development Act No. 36 of 1969 are:

- To assist in the encouragement, promotion and development of industries in Ceylon;
- To assist in the proper co-ordination and in the interrelated growth of all industrial undertakings in the private and public sectors of the economy of the country;
- To foster industrial research with the object of utilizing the natural resources of Ceylon, improving the technical processes and methods used in industries and developing appropriate technologies and equipment for local industries, and discovering processes and methods for the better utilization of waste products;
- To foster the export of local industrial products to overseas markets;
- To assist in such measures in the field of international trade and regional co-operation as are necessary or conducive to industrial development;

- To provide for services and facilities of every description required by or in connection with any industrial undertaking or industrial establishment in Ceylon, including the provision of capital, credit, marketing, managerial, technical facilities and legal advice;
- To advise on matters relating to the promotion and development of industries in Ceylon; and
- To take all such measures as may be necessary for, or conducive to the attainment of the objects specified in this section.

Duties of the board

Duties of the Board are:

- To provide services as are contemplated in the objects of the Board;
- To help in the formulation and implementation of industrial policies and work programmes of the Government;
- To advise the Minister in charge of industries, on all matters relating to the establishment, promotion and development of industries.

Activities of the board

The Board has set up various Divisions and Agencies on the basis of specialized areas of activity which reflect the functional and operational approaches in undertaking the challenging range of duties and obligations of the Board.

In 1969, IDB was affiliated to the Ministry of Industries and Scientific Affairs until 1986. Then onwards the IDB came under several ministries till 2005. At present, IDB functions under the Ministry of Traditional Industries and Small Enterprise Development.

Restructuring of the Board

The Board has launched its restructuring process with the approval from the Department of Management Services (DMS) of the Ministry of Finance and Planning

for the restructuring of its cadre, and Scheme of Promotion (SOP) and Scheme of Recruitment (SOR).

As a result the number of Divisions of the Board has been reduced from 12 to 9 Divisions and the titles of some heads of Divisions changed.

The General Manager position was replaced by that of the Director General, while two new positions, Deputy Director General (Operations) and Deputy Director General (Development) were introduced to the organizational structure. Further, the titles of Finance Manager and Chief Engineer were replaced by Director – Finance and Director – Engineering respectively.

The two Divisions, Rubber Products Development and Services Centre (RPDSC) and Centre for Development of Leather Products and Footwear (CDLPF) were merged with the Technical Services Division (TSD). The Centre for Industrial Technology and Information Services (CITIS) Division was integrated into the Centre for Entrepreneurship Development and Consultancy Services (CEDACS). As a result, CITIS is scrapped and RPDSC and CDLPF function as sub units of the TSD.

The approved total manpower of IDB is 714 nos. and it is categorized into 11 staff levels.



DIRECTOR GENERAL'S REVIEW

It gives me great pleasure to supplement a special note on the organizational achievements and the annual progress to the Annual Report of IDB for the year 2013. Falling in line with the organizational objectives and the ministerial development plans, IDB has taken explicit industry specific progressive measures in the year under consideration.

2013 has been a notable year for IDB as the institutional financial reporting system was transformed into IFRS (International Financial reporting standards) whilst streamlining the financial functions to facilitate corporate decision making. The process has given emphasis on standardizing the financial functions and improving the financial reporting system.

Being a pioneering organization in fostering the growth of local industries, IDB has prioritized its continued efforts more on the development functions of the SME sector aligning with the growing economic trend. The programs encompass vital development projects for SMEs including the assistance extended to the communities in war affected areas to uplift cottage level industries aligning with the reconciliation process.

The program for modernization and upgrading of Industrial states was continued for this year and many infrastructure development programs in Industrial Estates were carried out under the program. Special concern was given to the development work of industrial estates at Pallekale, Galigamuwa, Pussella and Panaluwa.

Also the annual award ceremony - 2013 of IDB was successfully held at BMICH and there were many industrialists showcased their products representing the 9 provinces. About 150 industrialists were screened and awarded as the best entrepreneurs for respective sectors.

Divisional performances are based on the annual action plan and the training programs, technology transfer programs, advisory services and workshops were carried out accordingly.

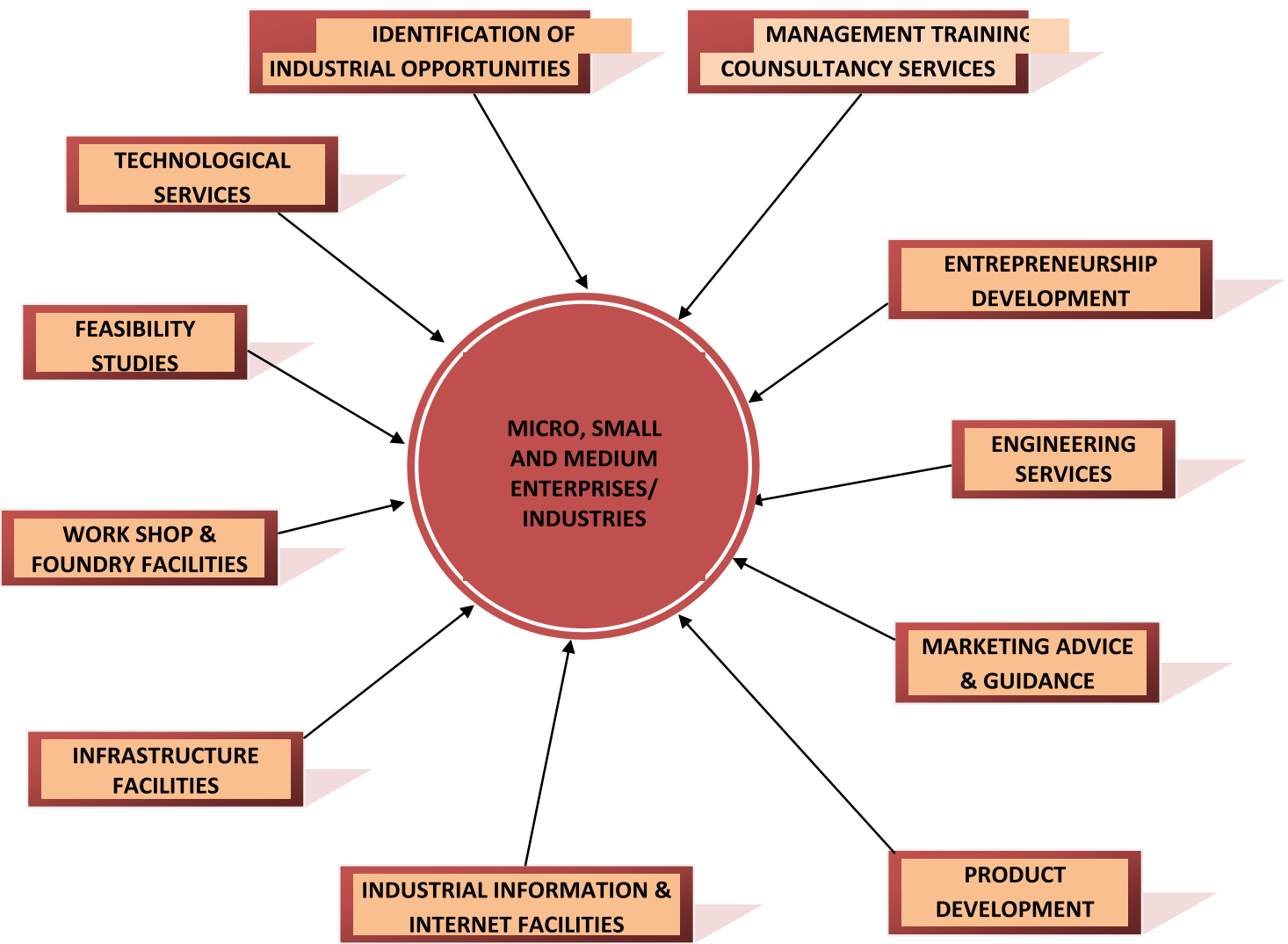
Finally, I would take this opportunity to express my sincere gratitude to Hon. Minister of Traditional Industries and Small Enterprise Development, Hon. Deputy Minister and the Secretary to the Ministry and his staff for the direction and encouragement of the Ministry of Traditional Industries and Small Enterprise Development for their guidance and generous support during that period.

I also thank the Chairman and the members of the Board, the Management and the staff for their invaluable efforts and assistance given for the success of implementation of strategic measures, new projects and programmes together with other national and international development agencies.

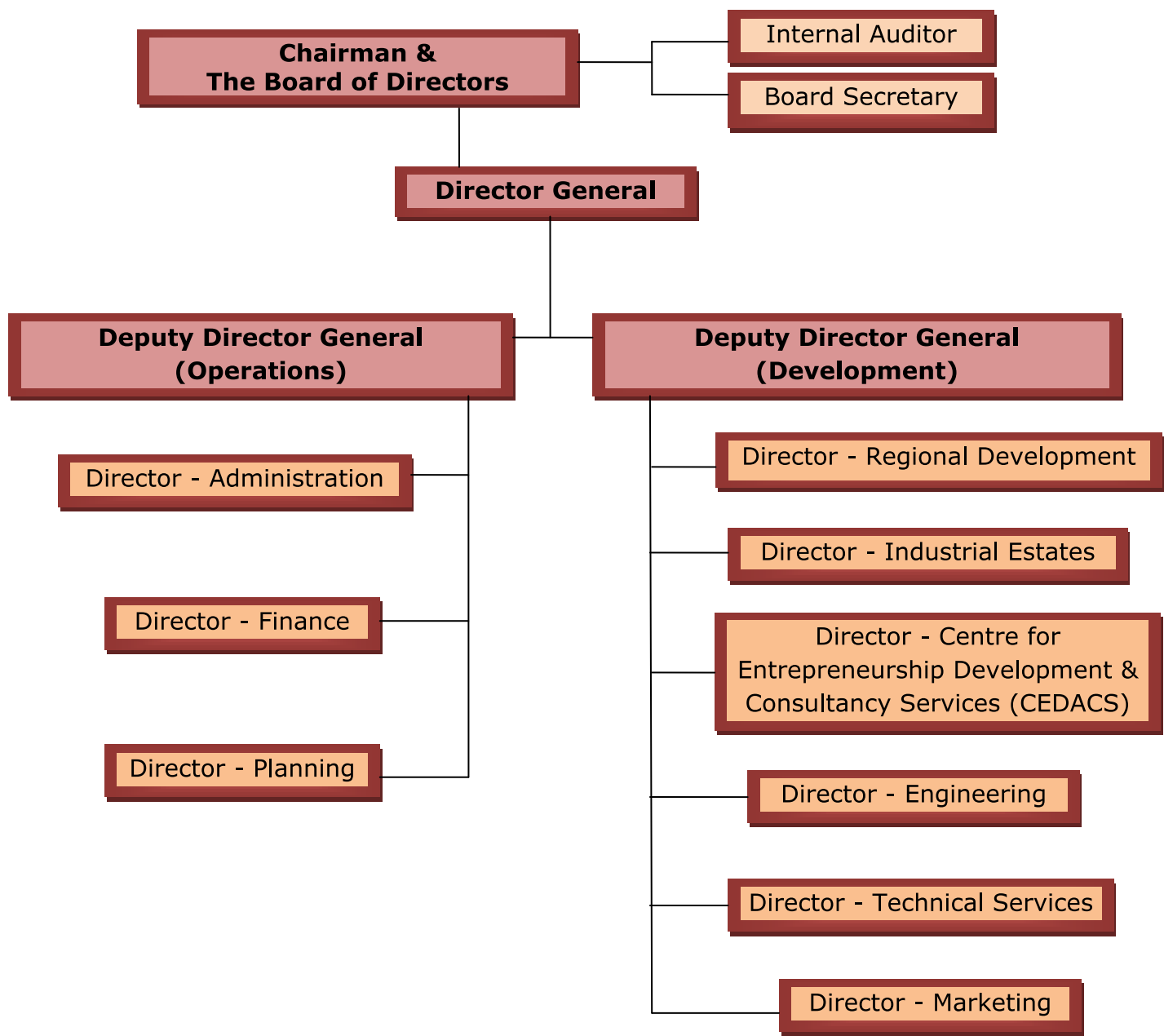
P.L.U. Rathnamalala

Actg. Director General

KEY SERVICES AND FACILITIES



ORGANIZATIONAL STRUCTURE



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REVIEW OF PERFORMANCE

REVIEW OF PERFORMANCE

During the year 2013, the following development activities were completed by the Industrial Development Board of Ceylon implemented through the respective Divisions of the Board.

Table 1.1 - Activities Performed

Activities for Achieving Corporate Goals	No of Units	Investment (Rs.)	Employment
a Create and Commission Self Employed Units	1,472	53,588,002	1,472
b Provide Technical and related assistance to set up New Industrial/ MSME Units	382	215,448,958	1,432
c Provide Technical and related assistance to improve, expand and modernize Existing Industries	671	225,438,757	1,615
Total	2,525	494,475,717	4,389

The general performance in the sphere of development activities in respect of items a, b and c in Table - 1.2 shows a decrease in performance as against the year 2012. The total investment under development activities in 2013 reflected nearly 21% decrease compared to that of the year 2012 due to lack of adequate spending of financial resources for business development services and investing of capital for industry and other economic units.

Table 1.2 - The comparable positions in 2012 & 2013

Description	2012	2013	% Increase (Decrease)
Total No. of Units (a, b, c)	2,855	2,525	(11.56)
Total Investment (Rs.)	624,832,701	494,475,717	(20.86)
Total Employment	4,555	4,389	(3.64)

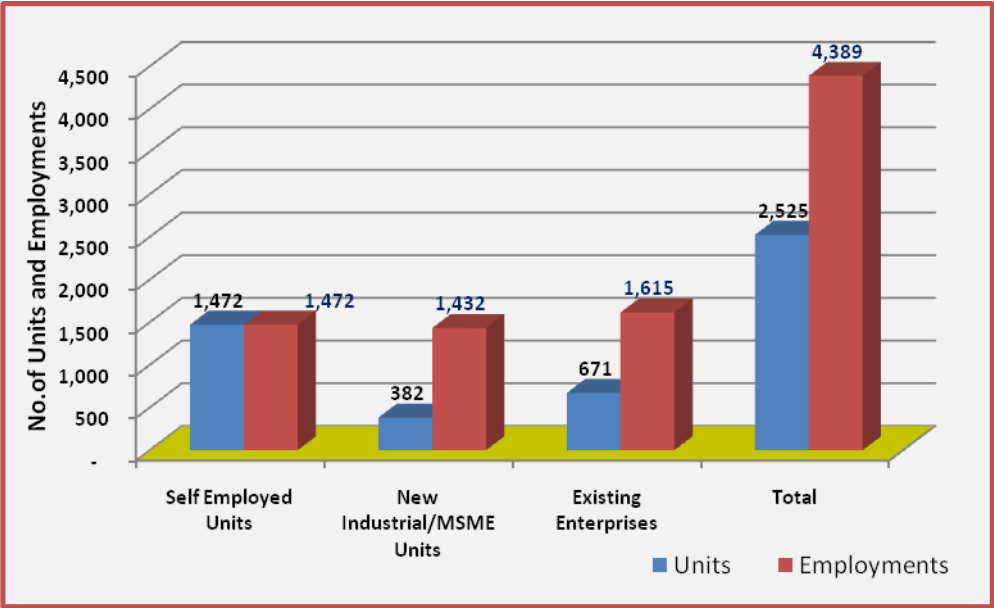
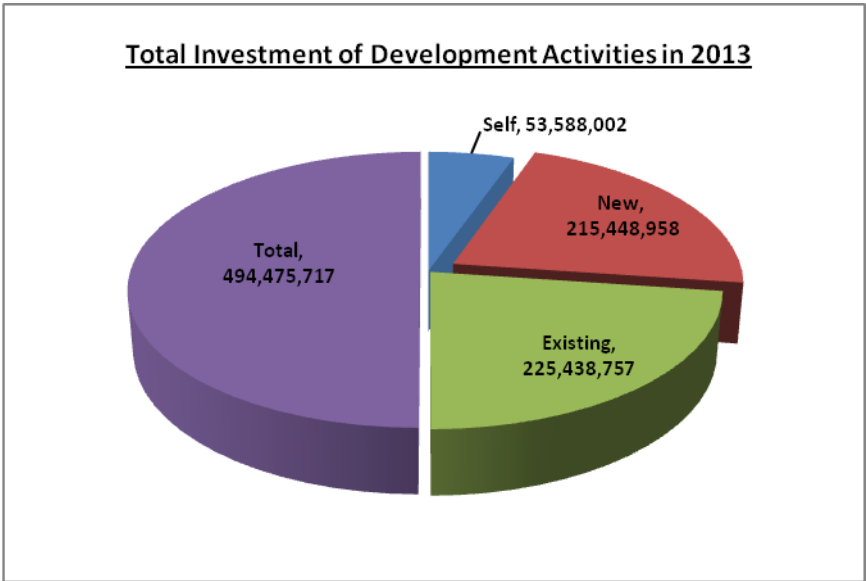


Chart 1.1 - No. of Industrial Units and Employments generated by Self Employed Units, New Industrial/MSME Units and Existing Enterprises



MAJOR ACHIEVEMENTS

- **Sector Development Reports - Leather and Footwear Industry**
- **Advanced Training on Softwood Treatment**
- **Co-organizer of International Footwear and Leather Fair 2013**
- **Member of the National Task Force on Chemical Management in Sri Lanka**
- **Business Development Training in Kilinochchi and Mullaitivu Districts**
- **Industrial Academy (IA) Certificate Courses in Product Technology**

Sector Development Reports - Leather and Footwear Industry

Under the project, "Development of Leather and Footwear Industry Competitiveness in Sri Lanka" in structured association with the Commonwealth Secretariat, the consultants of the project formulated four national level reports including two Situation Analysis Reports and two Value Chain Analysis reports for the development of Leather and footwear sectors in the country. These reports were handed over to the Government of Sri Lanka.

Advanced Training on Softwood Treatment

- Technical Services Division (TSD) together with IDB district office in Matara conducted a workshop on “Soft Wood Treatment” for a group of industrialists on 24th October, 2013. During the workshop, the industrialists were given an advanced training on softwood treatment process, drying techniques, testing methods and quality control.
- Visited Tow - Mard Company in Peliyagoda and completed consultancies on soft wood treatment
- With a view to strengthening industries, TSD extended supportive services to the SME sector: for example, the sale of Boron Treatment Solution for timber testing. The revenue from the sale of Boron treatment solution amounts to Rs. 51,000.00.

Co-organizer of International Footwear and Leather Fair 2013

As a co-organizer, Centre for Development of Leather Products and Footwear (CDLPPF) of the IDB organized the fourth International Footwear and Leather Fair 2013 with Sri Lanka Export Development Board (SLEDB) and Footwear and Leather Products Manufacturers’ Association at BMICH from 10th to 12th February 2013. More than 200 stalls were setup in this exhibition with the participation of both local and foreign businessmen..

The IDB was directly involved in organizing the following at this fair in 2013

- SME pavilion -Including 32 SME stalls
- Footwear and Leather Goods Design Competition
- Workshops
- Demonstration of handmade shoe manufacturing

- Musical Show & competition with prizes

Member of the National Task Force on Chemical Management in Sri Lanka

Central Environmental Authority (CEA) as the National Focal Point Secretariat (NFPS) of the World Health Organization's Quick Start Programme Trust Fund (QSPTF) organized a forum in March to set up a National Task Force on Chemical Management in Sri Lanka.

TSD represented the IDB in the forum as a member of the project "Industrial Production - Sector Chemicals Working Group" and has been appointed as one of the eight team leaders of the National Task Force on Chemical Management in Sri Lanka. The National Task Force is responsible for formulating national plans for "Sound Management of Chemicals" in Sri Lanka.

Business Development Training in Kilinochchi and Mullaitivu Districts

Industrial Development Board signed an agreement with the International Organization for Migration (IOM) to help facilitate three Livestock Breeders Cooperative Societies (LIBCOS) in Kilinochchi and Mullaitivu districts to set up three Dairy Processing Centres on 11th of June, 2013.

Accordingly, TSD, as the project coordinator, made arrangements to outsource external resource persons/institutes with hands on experience in dairy processing technology and marketing to carry out following key project activities:

- Preparation of Business Development Plans, Training Curricular, Supply Chain Analysis Reports, Brand Development Strategy and Business Performance Monitoring and Evaluation Tools for the three LIBCOS.
- Selection of resource persons/institutes to conduct Technology Transfer Programmes on "Dairy Processing Technology" and "Business Management and Marketing".

Industrial Academy (IA) Certificate Courses in Product Technology

TSD initiated the Industrial Academy in 2012 to provide a systematic education for entrepreneurs who are deprived of a proper quality education in their industry sectors. The Industrial Academy had its second intake in February while the Product Technology modules of the Certificate Courses of the first batch were completed in March 2013.

Among the courses offered were; Certificate Course in “Paints & Coatings Technology”, Certificate Course in “Cosmetic Technology” and Certificate Course in “Spice Processing Technology”. A total of 32 industrialists were trained on above product technologies in 2013.

SUMMARY OF PROGRESS

- Encouragement, Promotion and Development of Industries and Micro, Small and Medium-sized Enterprises (MSMEs)
- Establish, Maintain & Carry-on Industrial Estates
- Marketing and Sales Assistance and Facilitation
- Technical, Technology and Engineering Assistance and Facilitation
- Extension and Consultancy Services for Industries and Micro, Small and Medium-sized Enterprises (MSMEs)

Table 3.1 - SUMMERY OF PROGRESS – 2013

Thrust Area	Programme/Activity	Key Performance Indicator (KPI)	Target	Achievement
Encouragement, Promotion and Development of Industries and Micro, Small and Medium-sized Enterprises (MSMEs)	Conducting awareness Programmes /Investment Promotion seminars & Workshops to identify potential entrepreneurs	No. of Programmes conducted	50	105
		No. of Participants	2,000	7,488
	Conducting Technology transfer programmes and technology demonstrations for potential entrepreneurs and existing industries	No of Programmes conducted	350	266
		No. Participants	4,135	3,300
	Conducting entrepreneurship development programmes for new and existing entrepreneurs/ enterprises	No of Entrepreneurship Development Programmes conducted	130	78
		No. of Participants	3,300	2,756
	Providing technical support, advice & consultancy services	No. of Technical Support, Advice & Consultancy Services provided	450	435
		No of Beneficiaries	450	435
	Facilitation and follow-up activities	No. of New SMLs created	370	382
		No. of Micro Industries up-graded to Small scale level	350	180
		No. of Small industries up-graded to Medium scale level	210	-
		No. of Medium industries up-graded to Large scale level	140	1
		Total No. of Beneficiaries	-	2,370

Thrust Area	Programme/Activity	Key Performance Indicator (KPI)	Target	Achievement
Establish, Maintain & Carry-on Industrial Estates	Infrastructure development of Achchuveli Industrial Estate	% of development activities carried out	100	40
	Allocation and reallocation of developed plots for new enterprises	No. of vacant blocks/factory units/developed plots allocated	20	10
		No. of commercial operations commenced in allocated factory units/developed plots	20	10
		No. of Employment generated	275	216
	Carried out follow-up activities	No. of value addition industries established	20	10
	Infrastructure development activities in the Industrial Estates, other arrangements like road construction, street lighting, security improvement, waste disposals, water supply	% of development activities carried out	100	30

Thrust Area	Programme/Activity	Key Performance Indicator (KPI)	Target	Achievement
Marketing and Sales Assistances and Facilitations	Creation of regional display & sales centers for industrial products	No. of SMIs obtained sales facilities	800	1,071
		Value of resulting Sales by SMIs (Rs.Mn.)	15	16.4
	Organizing sales promotions trade fairs/Buyer/Seller Meetings	No. of SMIs linked with the export market	30	16
		No. of Enterprises participating in local & foreign Trade Fairs	40	32
	Registration of industries under sub contractual exchanges	No. of Sub contracting and buyback opportunities created for SMIs	120	92
	Providing sub contract facilities	Total value of orders given out from Sub contracting Exchange (Rs.Mn.)	4	6.2
	Bulk purchasing and retail selling of raw material needed by buyers	No. of Enterprises that obtained raw materials (scrap metals)	1,300	811
		Amount of Scrap collected (MT)	1,700	713

		Amount of Scrap distributed (MT)	1,600	757
	Selling of Centrifuged Latex and Compounded Rubber	Amount of Centrifuged Latex processed and supplies (L)	12,000	9,813
		No. of Enterprises served	75	245
	Selling of Rubber Compounds, Raw Materials, and Chemicals	Amount supplied (kg)	60,000	38,043
		No. of Enterprises served	285	930
	Milling and Supplying of Rubber Compounds	Amount supplied (kg)	36,000	17,341
		No. of Enterprises served	50	68

Thrust Area	Programme/Activity	Key Performance Indicator (KPI)	Target	Achievement
Technical, Technology and Engineering Assistance and Facilitation	Acquisition of New Technologies	No. of Processes/Designs developed/improved	11	-
	Improvement of the Quality of Products and assisting to obtain Quality Certificates GMP, SLS, with registration	No. of Industries up-graded to GMP, SLS, ISO and other Certifications/Standards	50	119
	Developed/Fabricated Machinery and Tools	No. of New Machines/Tools developed	6	1
		No. of Enterprises benefited from machinery/tools	-	1
	Providing Engineering Services: Valuation, Foundry, Workshop Services, Electroplating and Laboratory Services	No. of Engineering Services provided	1,100	972

Thrust Area	Programme/Activity	Key Performance Indicator (KPI)	Target	Achievement
Consultancy Services for Industries and Micro, Small and Medium-sized	Project Identification, Preparing Model Project Reports and Project Feasibility Studies	No. of Enterprises obtained feasibility repots/project reports	200	119
	Valuation of Machinery	No. of Valuation Reports prepared	130	38

	Providing Product Development and Testing Services	No. of Product Development and Laboratory Testing Services provided	140	82
	Establishing Regional/District Industrial Associations	No. of Industry Association formed/strengthened at District and National Levels	25	7

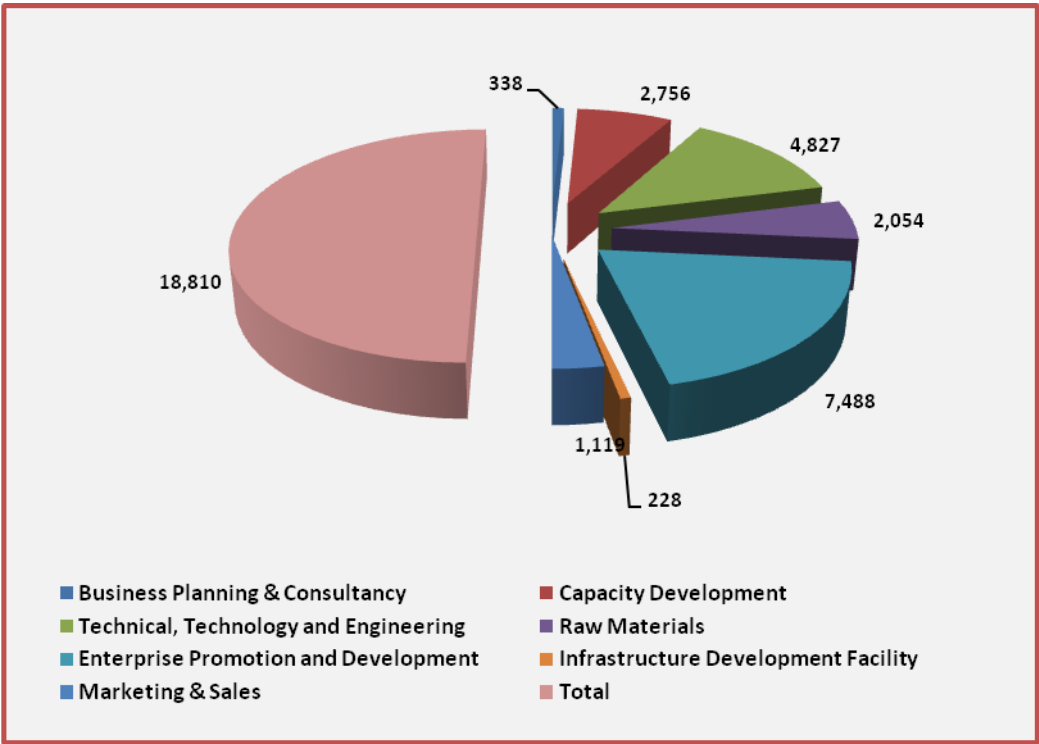


Chart 3.1 – Services Provided and Facilitated by the IDB

PERFORMANCE HIGHLIGHTS

- **Administration Division (AD)**
- **Regional Development Division (RDD)**
- **Planning Division (PD)**
- **Marketing Division (MD)**
- **Industrial Estates Division (IED)**
- **Engineering Division (ED)**
- **Centre for Entrepreneurship Development & Consultancy Services (CEDACS)**
- **Technical Services Division (TSD)**

4.1 Administration Division (AD)

The Administration Division (AD) of IDB is responsible for formulation, implementation, monitoring and evaluation of all Human Resources Management (HRM) and Human Resources Development (HRD) activities, Procurement Activities, Security and Transport Activities of the Board.

Activities assigned to the Division:

- Organizational and Restructuring Programme as per the Management Circular No. 30
- Alleviation of Salary Anomalies
- Preparation of Scheme of Recruitments (SOR) and Scheme of Promotions (SOP) as per the Management Circular No. 30
- Carrying out regular recruitments, performance evaluations, promotions, retirement matters etc.
- Conducting Disciplinary Inquiries
- Coordinating Foreign Scholarships/Trainings
- Arranging and Providing Local Training
- Managing Employee Welfare and Employee Compensation Schemes
- Management of Internal Security Services
- Management of Procurement Activities of the Board
- Management of Transport Services of the Board

Table 4.1.1 - Staff Strength of IDB as at 31st December 2013

Category	No. of Staff		Total with %
	Male	Female	
Senior Level	06	-	06 (1.29%)
Tertiary Level	68	25	93 (20.12%)
Secondary Level	117	84	201 (43.5%)
Primary Level	159	03	162 (35.06%)
Total	350 (75.75 %)	112 (24.25%)	462 (100.0%)

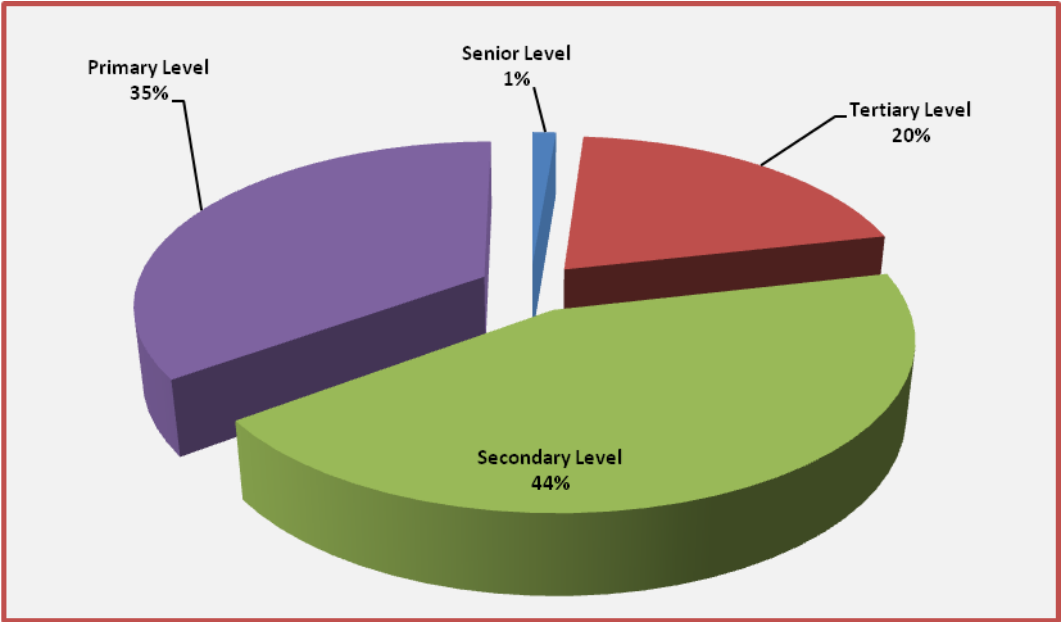


Chart 4.1.1 – Staff Strength of IDB

Table 4.1.2 - Performance Highlights of the Division during the financial year 2013

Corporate Goal		Activities for Achieving Corporate Goal	Nos.
G 13 Improve the organizational, administrative & financial efficiency of the IDB	11.	Carrying out following regular HRM activities	
	1	HRM – Recruitments	
	(i)	Recruitments (Staff)	04
	(ii)	Resignations	16
	(iii)	Retirements	22
	(iv)	Vacation of Posts	05
	2	Disciplinary Management	
	(i)	Conducting Disciplinary Inquiries	03
	(ii)	Labour Cases attended at Commissioner of Labour	32
	3	HRD – Training	
	(i)	Local Training	24
	(ii)	Foreign Training	06
	4	HRM – Compensation	
	(i)	Gratuity Payments for 62 persons (including 2011/2012)	Rs. 8,186,693.00
	5	HRM – Employee Welfare	
	(i)	Bicycle Loans	27
	(ii)	Distress Loans	125
	(iii)	Medical Scheme (Reimbursement of Medical Bills)	500
	6	Security Management	
	(i)	Security Cost	Rs.21,479,111.80
	7	Disposal	
	(i)	Board of Surveys Conducted	01
	8	General Events	
	(i)	Events	04
	9	Postal and Telecommunication Charges	
	(i)	Postal Charges	Rs.390,000.00
	(ii)	Telecommunication Charges	Rs.3,147,024.00
	10	Transport Management	
	(i)	Cost of Fuel	Rs. 4,398,227.06
	(ii)	Cost of Maintenance of Vehicles	Rs. 3,604,555.44
G 13.12 Publicize via website staff area & implement the procurement guidelines issued by Public Enterprises Department	11	Procurement Management	
	(i)	No. of Orders Placed	469
	(ii)	Capital Purchases	Rs. 12,803,036.59
	(iii)	Recurrent Purchases	Rs. 48,455,283.62

4.2 Regional Development Division (RDD)

4.2.1 General

The Regional Development Division (RDD) of the IDB includes two sub units, “Industrial Village Development” and “Divineguma” plays a phenomenal role for developing Industry/Micro, Small and Medium-sized Enterprise (MSME) sector through its regional network covering the entire 25 districts of the country, During the year 2013 special emphasis was given to entrepreneurship development. Training Programmes like skills development, capacity development were held for both prospective and existing entrepreneurs enabling them to promote existing enterprises and to startup new enterprises as well.

To carry out the tasks and related activities in this regard, 60 Enterprise Promotion Officers/Senior Enterprise Promotion Officers and 03 Development Officers were attached to the district offices and the Regional Development Division (RDD) at the Head Office under the guidance of the Director – Regional Development.

Major Activities assigned to the District Offices are Conducting Training Programmes/Seminars: Investment Promotion Seminars; Entrepreneurship Development Programmes; Capacity Development Programmes, Market Supports/Market Linkages, Transfer and Demonstration on Product and Process Technologies, Feasibility Studies, and Provision of Industrial Raw Materials at concessive rates.

Additionally, some of the strategies set in line with the “Mahinda Chintana” – Vision for the future from 2010 were, Implementing of Production Village Development Programme, National “Kitul” Development Programme, and “Divineguma” National Programme.

No.	District Office
1	Ampara
2	Anuradhapura
3	Badulla
4	Batticaloa
5	Colombo
6	Galle
7	Gampaha
8	Hambantota
9	Jaffna
10	Kalutara
11	Kandy
12	Kegalle
13	Kilinochchi
14	Kurunegala
15	Mannar
16	Matale
17	Matara
18	Monaragala
19	Mullaitivu
20	Nuwara Eliya
21	Polonnaruwa
22	Puttlam
23	Rathnapura
24	Trincomalee
25	Vavuniya

Table 4.2.1.1 - Existing Cadre of the Division

No.	District	Existing Cadre	
		Assistant Director/ Deputy Director	Enterprise Promotion Officer (EPO)/ Senior Enterprise Promotion Officer (SEPO)/ Development Officer (DO)/ Enterprise Promotion Manager (EPM)
1	Ampara	0	1
2	Anuradhapura	1	2
3	Badulla	1	1
4	Batticaloa	1	1
5	Colombo	1	3
6	Galle	0	2
7	Gampaha	1	3
8	Hambantota	1	5
9	Jaffna	1	2
10	Kalutara	1	5
11	Kandy	2	6
12	Kegalle	2	4
13	Kilinochchi	1	0
14	Kurunegala	2	4
15	Mannar	1	1
16	Matale	1	4
17	Matara	1	5
18	Moneragala	1	1
19	Mullaitivu	1	1
20	Nuwara Eliya	1	0
21	Polonnaruwa	1	0
22	Puttlam	2	4
23	Ratnapura	1	3
24	Trincomalee	1	1
25	Vavuniya	0	1
Regional Development Division (RDD) – Head Office		4	3
Total		30	63

The progress of the Regional Development Division for the year 2013 is as follows:

Table 4.2.1.2 - Progress of the Regional Development Division (RDD)

Type of Activity	No. of Units	Investment (Rs.)	Employment		
			Male	Female	Total
Establishment of New Industrial/MSME Units	368	215,448,958	546	756	1,302
Assistance to develop Existing Industries/MSMEs	632	225,438,757	896	682	1,578
Setting up of Self-employed Industrial Units	1,026	53,588,002	670	667	1,337
Total	2,026	494,475,717	2,112	2,105	4,217

Table 4.2.1.3 – Assistance to establish New Industrial/MSME Units

Province	District	No. of Units	No. of Employment	Total Investment (Rs.)
Western	Colombo	8	35	7,405,000
	Gampaha	16	64	13,680,000
	Kalutara	12	47	17,235,458
Sub Total		36	146	38,320,458
Central	Kandy	41	118	8,463,000
	Nuwara Eliya	8	25	748,000
	Matale	18	179	48,090,000
Sub Total		67	322	57,301,000
Northern	Jaffna	12	41	2,370,000
	Kilinochchi	5	10	144,000
	Mullaitivu	6	16	400,000
	Mannar	3	4	200,000
	Vavuniya	9	23	1,475,000
Sub Total		35	94	4,589,000
Eastern	Trincomalee	6	17	1,390,000
	Ampara	5	17	1,615,000
	Batticaloa	21	63	1,938,000
Sub Total		32	97	4,943,000
Southern	Galle	17	38	7,595,000
	Matara	21	74	12,100,000
	Hambantota	12	42	3,337,000
Sub Total		50	154	23,032,000
Sabaragamuwa	Ratnapura	14	43	21,810,000
	Kegalle	27	91	23,125,000
Sub Total		41	134	44,935,000
North Western	Kurunegala	33	95	5,579,000
	Puttalam	14	96	13,730,000
Sub Total		47	191	19,309,000
North Central	Anuradhapura	14	43	8,503,000
	Polonnaruwa	8	17	1,920,000

Sub Total		22	60	10,423,000
Uva	Badulla	24	70	8,867,500
	Moneragala	14	34	3,729,000
Sub Total		38	104	12,596,500
Total		368	1302	215,448,958

Table 4.2.1.4 – Assistance to setup Self-employed Industrial Projects

Province	District	No. of Units	Total No. of Direct & Indirect Employment	Total Investment (Rs.)
Western	Colombo	36	47	1,682,000
	Gampaha	33	42	1,232,500
	Kalutara	46	55	2,395,000
Sub Total		115	144	5,309,500
Central	Kandy	90	133	5,545,500
	Nuwara Eliya	18	38	1,014,500
	Matale	48	59	3,842,000
Sub Total		156	230	10,402,000
Northern	Jaffna	47	59	3,213,000
	Kilinochchi	9	9	201,500
	Mullaitivu	11	14	678,000
	Mannar	11	11	263,000
	Vavuniya	15	24	458,500
Sub Total		93	117	4,814,000
Eastern	Trincomalee	37	58	2,621,001
	Ampara	34	34	1,006,000
	Batticaloa	36	40	1,381,500
Sub Total		107	132	5,008,501
Southern	Galle	66	78	2,223,000
	Matara	137	183	5,708,501
	Hambantota	58	80	2,865,000
Sub Total		261	341	10,796,501
Sabaragamuwa	Ratnapura	27	30	1,639,500
	Kegalle	67	82	5,113,000
Sub Total		94	112	6,752,500
North Western	Kurunegala	75	102	2,601,000
	Puttalam	21	29	2,208,000
Sub Total		96	131	4,809,000

North Central	Anuradhapura	33	50	2,889,000
	Polonnaruwa	22	27	1,170,500
Sub Total		55	77	4,059,500
Uva	Badulla	36	40	1,381,500
	Moneragala	13	13	255,000
Sub Total		49	53	1,636,500
Total		1,026	1,337	53,588,002

Table 4.2.1.5 – Assistance to develop Existing Industries/MSMEs

Province	District	No. of Units	Existing Investment (Rs.)	Additional Investment (Rs.)	Total Investment (Rs.)	Existing Employment	Additional Employment	Total Employment
Western	Colombo	25	25,535,000	4,535,000	30,070,000	69	46	115
	Gampaha	28	40,375,000	4,515,000	44,890,000	185	91	276
	Kalutara	29	32,865,000	3,515,000	36,380,000	130	105	235
Sub Total		82	98,775,000	12,565,000	111,340,000	384	242	626
Central	Kandy	56	39,723,000	24,061,000	63,784,000	331	143	474
	Nuwara Eliya	16	8,767,000	945,000	9,712,000	109	23	132
	Matale	31	40,966,519	11,695,000	52,661,519	129	44	173
Sub Total		103	89,456,519	36,701,000	126,157,519	569	210	779
Northern	Jaffna	36	8,115,000	2,749,000	10,864,000	166	75	241
	Kilinochchi	5	197,000	163,000	360,000	42	45	87
	Mullaitivu	9	1,325,000	280,000	1,605,000	30	16	46
	Mannar	1	60,000	20,000	80,000	14	4	18
	Vavuniya	9	3,620,000	2,350,000	5,970,000	26	16	42
Sub Total		60	13,317,000	5,562,000	18,879,000	278	156	434
Eastern	Trincomalee	32	19,299,500	6,315,000	25,614,500	224	87	306
	Ampara	7	2,317,500	601,400	2,918,900	24	8	32
	Batticaloa	27	8,762,000	5,540,000	14,302,000	216	74	290
Sub Total		66	30,379,000	12,456,400	42,835,400	464	169	628
Southern	Galle	44	41,583,000	24,651,000	66,234,000	205	98	303
	Matara	42	61,993,000	30,202,750	92,195,750	223	81	304
	Hambantota	38	14,515,000	5,425,004	19,940,004	221	67	288
Sub Total		124	118,091,000	60,278,754	178,369,754	649	246	895
Sabaragamuwa	Ratnapura	24	38,175,000	6,855,002	45,030,002	114	42	156
	Kegalle	59	51,625,000	19,898,000	71,523,000	383	166	549
Sub Total		83	89,800,000	26,753,002	116,553,002	497	208	705
North Western	Kurunegala	31	11,320,000	20,220,000	31,540,000	201	156	357

	Puttalam	15	16,515,000	19,832,500	36,347,500	56	44	100
Sub Total		46	27,835,000	40,052,500	67,887,500	257	200	457
North Central	Anuradhapura	18	9,305,000	3,400,000	12,705,000	67	24	91
	Polonnaruwa	12	6,925,004	2,340,101	9,265,105	48	40	88
Sub Total		30	16,230,004	5,740,101	21,970,105	115	64	179
Uva	Badulla	31	103,340,000	22,825,000	126,165,000	113	66	179
	Moneragala	7	1,805,000	2,505,000	4,310,000	87	17	104
Sub Total		38	105,145,000	25,330,000	130,475,000	200	83	283
Total		632	589,028,523	225,438,757	814,467,280	3,413	1,578	4,986

4.2.2 National Programme for Industrial Village Development

In 2005 this was initiated as “Thousand Industrial Village Development Programme”. Later on it was renamed as Production Village Development Programme. For this innovative and massive programme Rs. 400 Million was allocated in the year 2005. During this 5 year programme, it was expected to complete 200 Industrial Villages per year. More attention was given to Traditional Industries like Blacksmith, Coir and Clay etc. Subsequently non-traditional industries like handmade paper, cut flower and dried fish were also introduced to this programme. Some major objectives of this programme are introduction of new machinery, production processes; enhance capabilities of beneficiaries with modern techniques, and providing marketing facilities etc. However, the duration of the programme ended in the year 2009 before completing it. From 2005 to 2012, the total fund allocation was Rs.723.03 million and the actual expenditure was Rs. 562.44 million.

During the year 2013, necessary arrangements were made to the programme to include follow up actions to reactivate certain Industrial Villages, and to refurbish three Common Service Centres at a cost of Rs. 155,793.

4.2.3 National Programme for Development of *Kithul* Products

The *kithul* palm is a very valuable tree due to its multiple uses and the flower is considered to be the most useful part of the tree. The *kitul* flowers are tapped to obtain the sap, which is used to manufacture *kithul* toddy, treacle and jaggery. It was observed that, majority of *kithul* trees are not tapped due to unawareness of its commercial value by the community. Hence a special programme to develop *Kithul* Industry was initiated by the Ministry of Traditional Industries and Small Enterprise Development.

The objective of this programme is to promote *Kithul* Industry by uplifting the social and economic status of *kithul* producers. Among the other specific objectives are: to increase the number of *kithul* tapping trees, enhance income level of beneficiaries, introduce high quality *kithul* products through technological innovation and product diversification, and enhance local as well as foreign markets for *kithul* products. By the end of December 2013, the IDB, with the guidance of the Ministry, had carried out the following development activities and the achievements are given in the Table - 4.2.3.1.

Table 4.2.3.1 - Performance of National Programme for Development of *Kithul* Products

Corporate Goal	Activities for Achieving Corporate Goal		No. of Programmes	Value (Rs.)
G1a. Encourage, promote and develop industries	(i)	Awareness Programme for Officers	17	129,649
	(ii)	Tapping Technology Training Programme	57	697,274
	(iii)	Tapping Technology Follow-up Programme	51	321,747
	(iv)	Product Quality Improvement Programme	36	480,333
	(v)	Entrepreneurship Development Programme	21	478,776
	(vi)	Master Trainers Training Programme	04	82,689
	(vii)	Advanced Technology Transfer Programme	04	75,679
	(viii)	Follow up Activity	28	131,433
	(ix)	Increasing New Tapping Trees	7,683	350
	(x)	Training of Master Trainers	78	110,323
	(xi)	Developing Small and Medium-sized enterprises	31	2,000
	(xii)	Starting of New Small-sized Industries	77	7,000
	(xiii)	Industries promoted up to GMP Status	2	2,900
	(xiv)	Registration of Tappers	636	-
	(xv)	Issuing Identity Cards to Tappers	242	1,000
	(xvi)	Distribution of Safety Kits for Tappers	1,331	3,636,918
	(xvii)	Establishing of Tappers' Organizations	5	-
	(xviii)	Planting of New Kitul Trees for 67 acres	1,590	-
	(xix)	Conducting "Kitulaka Waruna" Exhibition	4	696,480
	(xx)	Participating in Regional Level Exhibitions	6	1,000
Total				7,459,921

4.2.4 “Divineguma” National Programme

The programme was initiated by the Ministry of Economic Development with the assistance of Ministry of Traditional Industries and Small Enterprise Development; the IDB provided and facilitated necessary services to the beneficiaries in order to promote and establish sustainable home based industrial economic units.

Under this programme, the IDB identified 69 potential new entrepreneurs to set up home based industrial economic units. Conducted 13 Technical Training Programmes and trained 382 entrepreneurs. In addition conducted 07 Management Development Programmes for 491 existing entrepreneurs, and distributed machinery, tools and equipment to 821 entrepreneurs at the total value amounting to Rs. 4,683,778. During the period under review the IDB could facilitate to setup 516 home based industrial economic units island-wide.

4.3 Planning Division (PD)

General

Planning Division is entrusted with the challenging task of formulating the new corporate strategic plan for the next three year period under ongoing restructuring process of the IDB.

Activities Assigned to the Division

The main activities assigned to the Planning Division are Planning, Monitoring & Evaluating the Development Activities in respect of each Division. In addition, the Planning Division is responsible to formulate the Corporate Strategic Plan for the IDB as well as Monitoring and Evaluation of Annual Divisional Strategic Action Plans with respect to Physical and Financial Targets set at the beginning of every year. Further, it provides such management information to the line ministry and other performance appraisers as well as the Director – Administration for the performance evaluation of the IDB staff.

The following sub activities were assigned to the Division in order to facilitate other divisional activities of the IDB:

- Formulate policy and strategy guidelines in accordance with the mandatory objectives of the IDB and the Industrial Development Act No. 36 of 1969
- Facilitate to prepare Capital and Recurrent Expenditure Requirements in accordance with the Organizational Budget and overall Action Plan
- Facilitate to conduct Enterprise/Industry Survey, update industry/economy related statistics and assist to prepare relevant Sector Development Plans
- Prepare Development Project Proposals and Concept Papers for foreign funding
- Ensure the IDB participation in existing industry related policy making committees, and prepare policy papers as and when necessary

Table 4.3.1 - Performance of the Division

Corporate Goal	Activities for Achieving Corporate Goal		Measuring Indicator	Achievement
G1a Encourage, promote and develop industries	19	Facilitated to prepare Business Profiles in association with the District Offices and other relevant Divisions at the request of the Chairman of the IDB		
	(i)	Preparation of Business Profiles	No. of Profiles	20
G1b Entrepreneur training & developing and providing consultancy	7	Provide counseling and consultancy for entrepreneurs in marketing, technology, finance, management, production etc.		
	(i)	The Division has provided information on industry policy, importation of machinery, credit facility and other incentives and facilities available in the various government and state organizations to start new industries, expand existing industries and to modernize existing industries.	No. of Industrialists	15
G2 Advise on matters relating to the promotion and development of industries	4	Formulated a Policy Paper for proper implementation of Metal Scrap Project and submitted to the Ministry of Traditional Industries and Small Enterprise Development for further and necessary action		
	(i)	Policy Paper for Metal Scrap Project	No. of Policy Papers	01
G13 Improve the organizational, administrative & financial efficiency of IDB	27	Prepare and validate Monthly & Quarterly Divisional Performance Reports	No. of Reports	16
	29	Prepare Quarterly IDB Capital Budget Progress Reports	No. of Reports	04
	30	Prepare Annual Report for the IDB Board of Directors	No. of Reports	01

Other work carried out by the Division

- I. Implemented the 2nd Stakeholders Workshop for Development of Leather and Footwear Industry Competitiveness in Sri Lanka on 19.02.2013 at the Kingsbury, Colombo with assistance of the Commonwealth Secretariat.
- II. Conducted a Publicity Programme and a Press Meeting to give awareness to the proposed policy and strategy framework for Development of Leather and Footwear Industry Competitiveness in Sri Lanka on 02.04.2013 at the Department of Government Information, Colombo 05 with the assistance of the Commonwealth Secretariat.
- III. Evaluated SME Policy guidelines prepared by the GIZ and submitted the evaluation report to the Ministry of Finance and Planning.
- IV. The Division has provided statistical data to the following government organizations:
 - Central Bank of Sri Lanka for the Annual Report
 - Department of Census and Statistics for National Account Estimates
- V. Participated as a Member of Evaluation Panel assigned to absorb staff members under MA 5-2, MA 2-1 (Technical), and MA 1-2 (Non-technical) categories and submitted the relevant report to the Director General of the IDB.
- VI. Assisted to prepare Manpower Distribution Plan under approved new cadre of the IDB at the request of the Administration Division of the IDB.
- VII. Prepared the Situational Analysis Report of the IDB at the request of the new Management for their awareness
- VIII. Prepared the Restructuring Plan to comply with the ongoing restructuring process of the IDB
- IX. Formulated a Development Proposal for Coir Sector in Sri Lanka as one of thrust industry sectors to promote FDI in the country

4.4 Marketing Division (MD)

Marketing Division is the dynamic force of the IDB, encompassing activities involved in the marketing aspects of goods manufactured by Micro, Small and Medium-sized Entrepreneurs (MSMEs)/Industrialists as well as Self-employed throughout the island. It serves the ultimate customers by establishing a long term mutually beneficial trade relationship to their entire satisfaction.

Under the restructuring process of the IDB, the Printing and Publication Unit is also attached to the Marketing Division (MD)

Activities Assigned to the Division

- Organize and Conduct Industrial Exhibitions/Participate in the National Exhibitions and Trade Fairs
- Organize National Award Ceremony for the selected Micro, Small and Medium-sized Entrepreneurs/Industrialists as well as Self-employed throughout the island
- Provide Sales Facilities at “Lakkam” and “Laknipayum” Sales Centers
- Facilitate Sub contractual Exchanges
- Provide Raw Materials/Scrap Materials to industrialists engaged in foundry, light engineering, blacksmith, and other metal casting and crafting industries at concessionary rates
- Provide Marketing Assistance and Consultancy Services for the Promotion and Development of Industries/MSMEs

Other Services and Servicing Units of the Division

Laknipayum and Lakkam Sales Centers - These sales outlets provide display and sales facilities with a view of uplifting the productivity and promoting markets for the products of Small and Medium-sized Industrialists (SMIs) and Self Employees (SEs) island- wide.

Sub Contracting Exchange (SCX) - The Sub Contracting Exchange (SCX) of the Marketing Division funded by the World Bank functions since 1982. It coordinates with the government and non-government organizations involved in the supply of goods manufactured by the SMEs.

Raw Material Bank - The Raw Material Bank integrates with the Rubber Products Development and Services Centre (RPDSC) at Peliyagoda, and supply raw materials to the local rubber industries at reasonable price.

Metal Scrap Project - The Marketing Division purchases metal scrap such as ferrous, non-ferrous and other related items from government institutions at agreed prices on behalf of the IDB. These items are sold as raw materials to the Light Engineering Industrialists who are registered with the IDB.

Exhibitions - The IDB organizes Exhibitions for Micro, Small and Medium-sized Entrepreneurs (MSMEs) on District and Provincial Levels. The Annual National Level Exhibitions & Trade Fairs are held subsequent to the District & Provincial Level Exhibitions in order to select the all island outstanding entrepreneurs in MSME Category. These Exhibitions facilitate to create employment opportunities and setting up of small industries.

Table 4.4.1 - Performance of the Marketing Division - 2013

Performance	Laknipayum Sales Centre	Lakkam Sales Centre	Sub contracting	Scrap Metal Project	Total (Rs. Mn)
Sales Value (Rs. Mn)	2.300	13.900	6.200	52.400	74.800
Income (Rs. Mn)	0.244	1.890	0.328	20.000	22.462

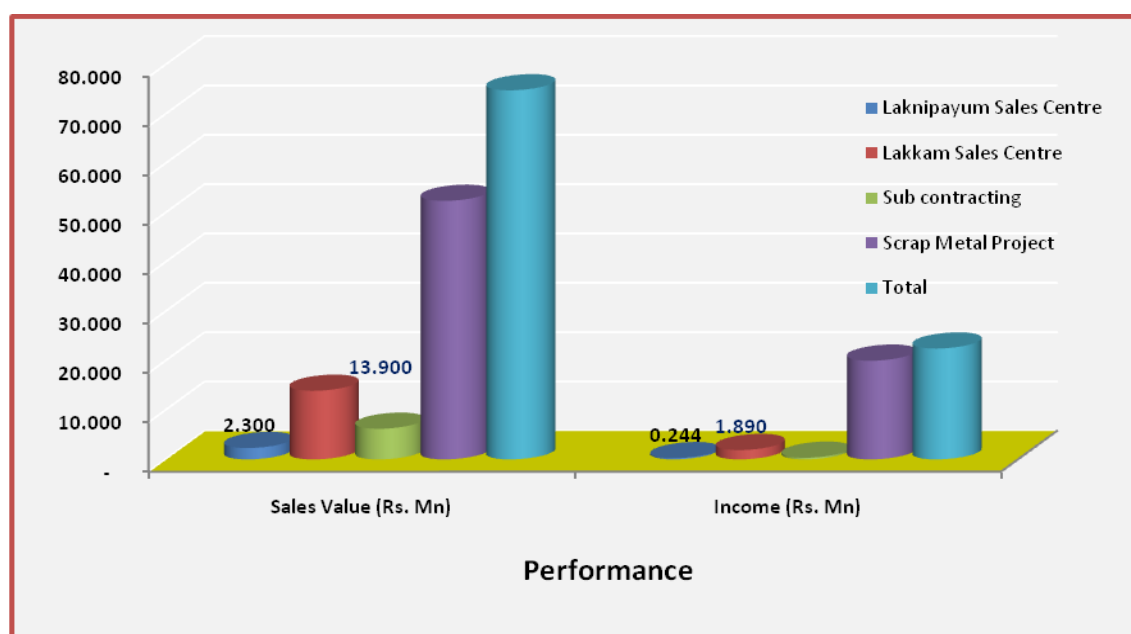


Chart 4.4.1 - Performance of the Marketing Division - 2013

Special Activities

The following special activities were undertaken by the Division during the year under review:

- Conducted the National Award Ceremony on 10th September, 2013 at BMICH.
 - Evaluated and selected 150 no. of Award Winners out of Self Employed, Micro, Small and Medium-sized Enterprises island-wide under different product sectors at Provincial Level
- Participated in “Deyata Kirula” National Exhibition held in Ampara District from 23 – 30 March, 2013.

Table 4.4.2 - Generated Income and Key Physical Performance

Corporate Goal	
G1a	Encourage, promote and develop industries
G1b	Entrepreneur training, developing and providing consultancy
G7	Engage in or co-operate with local bodies or foreign institutions or governments in the display or distribution of local industrial products
G9	Provide all services and facilities for industrial undertakings including capital, credit, marketing, managerial and technical facilities and legal advice
G10	Assist financially or otherwise any local body or person (s) in the purchase of industrial machinery

or raw materials or in provision of related facilities			
Activities for Achieving Corporate Goal		Measuring Indicator	Achievement
G1a.25	Facilitate subcontracting and promote services via email/media & website public area		
(A)	Improve Sales Volume of SMEs		
(i)	Facilitated to provide sub-contracting	Distribution of Orders	18
		Value of Orders (Rs.)	6,224,188
		No. of Industrialists facilitated to obtain sub contracting	10
		Income (Rs.)	328,625
G1b.8	Organize and conduct IDB National “Shilpa” Exhibition and awards for entrepreneurs		
(A)	Improve Market Share of SMEs		
(i)	Organized National Award Ceremony in collaboration with the Ministry	No. of National Award Ceremonies	1
		No of Enterprises Served	135
		Expenditure (Rs.)	4,600,000
(ii)	Participate in exhibitions organized by other institutions - "Deyata Kirula" National Exhibition	No. of Exhibitions	1
		No. of Enterprises participated	10
		Income (Rs.)	193,500
		Expenditure (Rs.)	600,000
G7.6	Improve display and sales facilities at “Laknipayum” Sales Centre		
(i)	Provide sales facilities through "Laknipayum" Sales Centre	No. of Industrialists obtain Sales Facilities	100
		Sales Turnover (Rs.)	2,395,375
		Income (Rs.)	244,840
		Expenditure (Rs.)	31,297
G7.7	Improve display and sales facilities at “Lakkam” Sales Centre		
(i)	Provide sales facilities through "Lakkam" Sales Centre	No. of Industrialists obtain Sales Facilities	250
		Sales Turnover (Rs.)	13,966,987
		IDB income (Rs.’000)	1,892,586
G9.12	Industrialists obtained other assistance		
(i)	Providing printing facilities	No. of Printing Jobs completed	164
		No. of Training Programmes conducted	3
		No. of Type Setting & Designing	70
		Total Income (Rs.)	784,366
		Total Expenditure (Rs.)	969,121
G10.3	Collect scrap metals to the IDB registered SMEs at concessionary price		
(i)	Providing metal scraps to SMEs through Scrap Project on concessionary price	Qty. Purchased (MT)	708
		Qty. Distributed (MT)	760
		Distribution of Scraps among the industrialists	808
		Sales Turnover (Rs.)	52,404,785

4.5 Industrial Estates Division (IED)

General

The Industrial Estate concept was introduced to Sri Lanka in the 1960s. Its main focus was to provide the Small and Medium-sized Industries (SMIs) with Lands and Buildings having sufficient infrastructure facilities in areas environmentally suitable for locating industries.

Within the period of last forty five years, the IDB setup 19 industrial estates island wide comprising a total of 744 industrial units (664 no. of Developed Lots & 80 no. of Readymade Buildings), out of that 623 nos. of industrial premises (543 no. of Developed Plots & 80 no. of Readymade Buildings) have been allocated to 395 SMIs. The said industries provide 6,500 no. of direct & indirect employment and presently contribute to enhance the Gross National Product (GNP) through export earnings also.

The section 33 (2) (a) of the Industrial Development Act provides the empowerment to IDB to establish, maintain and carry on Industrial Estates in Sri Lanka. It was the first Government Institution assigned by statute for setting up Industrial Estates in Sri Lanka.

Initially the IDB setup three Industrial Estates: Ekala in the District of Gampaha, Pallekele in the District of Kandy and Atchchuveli in the District of Jaffna. The said Industrial Estates were the firstly setup Industrial Estates in Sri Lanka. During the period in 1970s Industrial Estate Horana and Lunuwila were setup in the Districts of Kalutara and Puttlam respectively. Pannala Industrial Estate in the District of Kurunegala was set up in 1980s. In 1990s under the “Isuru Uyana” Industrial Estate Programme and Rural Industrial Estate Programme in line with “Gam Udawa” concept, Matale, Waulugala, Galigamuwa, Pussella, Karadeniya, Baddegama, Negampaha, Mihinthale, Vauniya and Buttala Industrial Estates were set up. In 1990s and 2006, the Industrial Estate Beliatta in the District of Hambanthota and the Industrial Estate Panaluwa in the District of Colombo respectively were setup.

Unfortunately, in the 1980s, during the period of ethnic conflict, the Industrial Estate Atchchuveli was totally destroyed.

Chart 4.5.1 - Industrial Estates managed by the IDB

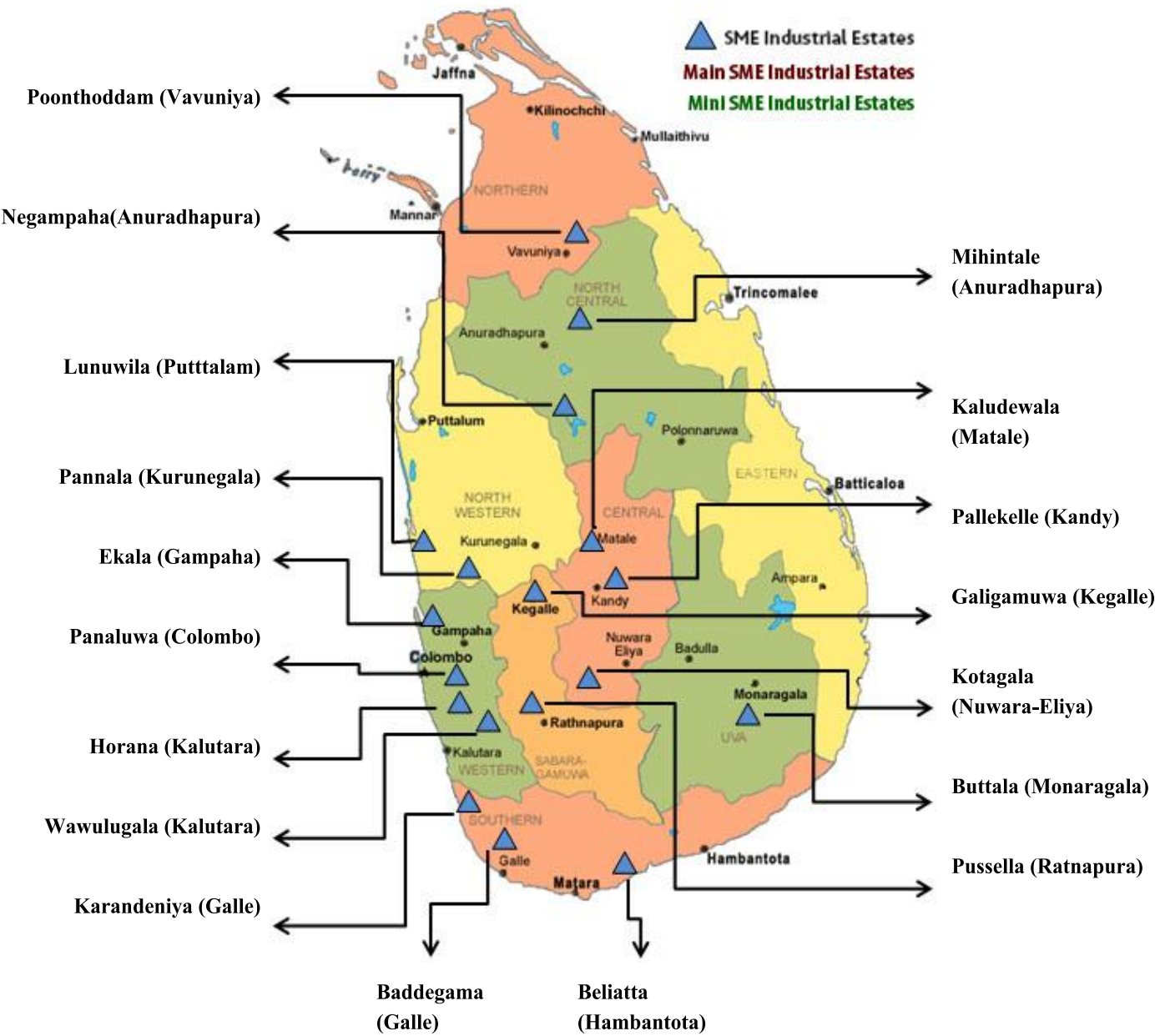


Table 4.5.1 - Industrial Estates located island-wide (Province-wise)

Ref. No.	Industrial Estates	Province
1	Ekala, Horana, Waulugala & Panaluwa.	Western
2	Pallekele, Matale & Kotagala	Central
3	Pannala & Lunuwila	North Western
4	Galigamuwa & Pussella	Sabaragamuwa
5	Karandeniya, Baddegama & Beliatta	Southern
6	Negampaha & Mihinthale	North Central
7	Vauniya & Atchchuveli	Northern
8	Buttala	Uva

There are 19 Small and Medium-sized Enterprise (SME) Industrial Estates island-wide managed by the Industrial Development Board. These industrial estates serve as industrial hubs with infrastructure facilities to house small and medium-sized value added industries that generate more employment and as such the industrial estates help to promote, attract and enhance SME investment opportunities. Action is being taken by the Industrial Development Board to strengthen and modernize the industrial estates within the next two years and any unutilized vacant plots will be made available to potential SME investors.

Selection of Entrepreneurs

Allocation of developed plots to prospective entrepreneurs is made on criteria laid down by the IDB giving attention to the proposed projects with following features:

- Employment generating enterprises
- Export oriented enterprises
- Industries which tend to use modernized processes and to enhance productivity
- Industries producing high value added items

Both manufacturing and service enterprises are eligible for allocation of land by the IED.

Conditions of Allocation of Developed Plots

Allocations of developed plots are done on the basis of a Lease Agreement duly executed between the IDB and the selected entrepreneurs. Developed plots are given lease hold rights up to 30 years and factory buildings up to 10 years. Monthly or yearly rental will be fixed on the basis of the government “Chief Valuers” valuation.

The extent of the land made available will depend on the particular industry. Industrialists are required to submit the Environment Clearance Certificate to the Board.

The activities assigned to the Industrial Estate Division.

- Preliminary surveys for identifying suitable locations for setting up of Industrial Estates
- Preparation of Project proposals for obtaining funds and approvals from relevant institutions
- Carrying out construction works of proposed or existing Industrial Estates
- Selection of New Industrialist for vacant Lands & Buildings
- Maintenance of Existing Industrial Estates
- Providing allocation letters, signing of lease agreements with tenants
- Collection of rentals, monitoring day to day maintenance work
- Initiating action against the Industrialist who breaches the conditions already agreed each other
- Providing assistance to the Industrialist in collaboration with other Divisions of the IDB, and other institutions
- Participate in annual exhibitions, competitions, workshops which are organized by other Divisions of the IDB

Reactivation of Atchchuvveli Industrial Estate

Under the phase one Development Program of Atchchuvveli Industrial Estate, construction activities of the sewer disposal unit, internal road network with storm water drains, construction of perimeter fencing and parapet wall with the security guard rooms and entrance point, water supply scheme, fire protection system, landscaping, and construction of

administration building and common service center were started during this year and the work has been partly completed.

The total cost of the said task was estimated at Rs. 270 million and out of this, Rs. 220 million was provided by the Government of India, the balance Rs. 50 million being provided by the Government of Sri Lanka.

Selection of Industrialists was done during the year and five industrialists who were eligible for setting up of Industries on food sector, light engineering, fiberglass and PVC rope & fishing net manufacture were selected.

An investor forum specially focused for the awareness of the investors, on the availability of developed plots of land in the said Industrial estates, was held in Colombo with the assistance of line Ministry, during the year.

Modernization & Upgrading of existing Industrial Estates

Under the assistance of the line Ministry, the Government treasury provided Rs. 40 millions for the modernization and upgrading of infrastructure facilities of 09 Industrial Estates. Accordingly, the following activities were completed during the year under review:

Table 4.5.2 - Upgrading of Industrial Estates located island wide (Province-wise)

Ref. No.	Industrial Estate	District	Activity	Amount (Rs.)	Target Achievement
1	Ekala	Gampaha	Fixing of street lights	1,418,526.75	100%
2	Panaluwa	Colombo	Water supply scheme, Main gate & Barrier	2,858,667.00	100%
3	Pallekele	Kandy	Construction of internal roads	10,184,304.00	90%
4	Waulugala	Kalutara	Security hut, and Culvert	1,360,474.00	100%
5	Pannala	Kurunegala	Water supply scheme	-	-
6	Pussella	Ratnapura	Security hut and water service	3,042,902.00	80%
7	Galigamuwa	Kegalle	Water service	4,630,000.00	75%
8	Poonthottam	Vauniya	Internal roads, well and Culverts	755,809.00	100%
9	Kaludewala	Matale	Acquisition of land	3,334,311.00	100%

Signing of Lease Agreements

This is a main function of the Division. It protects the conditions agreed with each other and an additional advantage provided to the tenant by giving consent for the period of tenancy as a security for collateral purpose. The agreements for the readymade buildings are signed for a period of 20 years, and the agreements for the developed plots for a period of 30 years. Accordingly, 11 lease agreements were signed with industrialists during the year 2013.

Table 4.5.3 - Allocating and Commissioning of Industries in year 2013

Ref. No.	Name of Industrial Estate	No. of Industries
1	Ekala	01
2	Pallekele	03
3	Pannalal	01
4	Kaludawala	01
5	Galigamuwa	01
6	Lunuwila	02
7	Vavunia	01
Total		10

Collection of Rental and New Scheme for Revision of Rentals

In general, the income earnings from Industrial Estates are utilized for their maintenance and development activities. The basic method of revision of rentals of Developed Plots of lands of each Industrial Estate is dependent on the annual rental value in the open market derived by Department of Valuation. It is implemented in every five year period. Considering the appeals of some tenants, a new scheme of rental was applied to the Developed Plots in each Industrial Estate instead of said existing method of revision of rental with effect from 01st of June, 2011 under the Cabinet Decision No. cp/13/0614/513/006 dated 05.07.2013. It was not implemented during the year under review, but action has been taken to implement it from the year 2014. It gives an additional benefit to the Tenants of Developed Plots of the IDB Industrial Estates.

4.6 Engineering Division (ED)

General

The sections and the centres, which fall under the purview of the Division, are as follows:

- Head Office at Katubedda - The Sections of Engineering Workshop, Foundry, Engineering Office (for Technical Information & Consultations, Valuation Reports), Civil Engineering and Electrical Engineering
- At Peliyagoda - Electro Plating Centre (EPC)
- At Pannala - Appropriate Technology Research & Development Centre (ATRDC)
- At Matara – Common Services Centre (CSC)
- At Pamunuwa - Brassware Services Centre (BSC)

Activities of the Division

In year 2013, the activities of the Engineering Division were geared to:

- Provide existing and new/potential industrialists with assistance in the selection of raw materials and machinery, design/development and technology/process know-how
- Provide fabrication, casting and metal finishing services to industrialists on jobbing orders
- Provide internal maintenance, repairs/renovations and construction planning & supervisory support to the Board in Civil and Electrical Engineering fields and technical and supervisory support for Board's vehicle maintenance needs
- Provide Civil and Electrical Engineering support services for the projects of the Ministry of Rural Industries and Self Employment Generation
- Other activities included Providing Machinery Valuation Reports, Laboratory Testing Services for Foundry sector as well as the Sale of Machinery, and Implements which were fabricated by the Division

Performance in 2013

■ Revenue from Jobbing Services, Valuations, Foundry/Electroplating Laboratory Services, Sale of Implements & Sundry Items

The revenue from external services by different sections and centres completed in the year 2013 are listed in the following table. The data are as at end of 2013 and excluding VAT and NBT levies

Table 4.6.1 - External Revenue for Completed services in 2013

Ref. No.	Section/Task	Gross Revenue excluding VAT & NBT (Rs.)
1	Engineering Workshop - Head Office, Katubedda	3,758,557
2	Foundry - Head Office	1,735,820
3	Valuation Reports - Head Office	1,062,240
4	Civil Engineering Services - Head Office	41,458
5	ATRDC, Pannala	1,648,767
6	EPC Peliyagoda	2,733,955
7	CSC, Matara	2,483,602
8	BSC, Pamunuwa	516,460
Total		13,980,859

■ Internal Services




The value (cost of services basis) of internal engineering service jobs completed by different sections are as follows:

Table 4.6.2 - Values of Internal Completed services in 2013

Ref. No.	Section	Value of Completed Internal Services (Rs.)
1	Workshop - Head Office	178,466
2	Foundry - Head Office	98,554
3	Civil Engineering Services - Head Office	1,771,460
4	Electrical Engineering Services - Head Office	1,433,484
5	ATRDC, Pannala	97,620
Total		3,579,584

▪ **Consultancy/Extension Services**

139 Nos. advisory services providing technical/process information and consultations on design & fabrication were provided to industrialists in 2013. The breakdown between sections is as follows:

 ATRDC, Pannala	: 20
 Electroplating Centre	: 20
 Head Office (Workshop and Engineering office)	: 99

▪ **Technology Transfer Workshops, Training Programmes**

The Foundry at Head Office had conducted training programmes on Foundry Technology 3 times during 2013 for a total of 19 persons:

- In January-February 2013 – for 05 persons from the Navy on a 10 day programme
- In June 2013 – for 07 participants from private industries and the Government Factory, on a 10 day programme
- In June 2013 – for 05 from Aviation School, Ratmalana on a 05 day programme

ATRDC, Pannala conducted the following two technology programmes:

- In April 2013, a 05 day Training workshop programme on “Coconut Oil Extraction” funded by Japan International Cooperation Agency (JICA) Colombo, for 09 participants
- In October 2013, a 02 day Training workshop programme on “Blacksmithy” for Mahaweli Authority of Sri Lanka, for 09 participants

4.7 Centre for Entrepreneurship Development and Consultancy Services (CEDACS)

Centre for Entrepreneurship Development and Consultancy Services (CEDACS) was established by a cabinet paper in December 15, 1989 by the Ministry of Textiles & Rural Industrial Development, as a special training division under the Industrial Development Board. CEDACS provides training on management skills and entrepreneur development on an island wide basis.

Under restructuring of the IDB, Centre for Industrial Technology Information Services (CITIS) was merged with the Centre for Entrepreneurship Development and Consultancy Services (CEDACS). Therefore, CITIS is no more functioning as a main Division of the IDB.

The main role of the CITIS is to offer industrial information in order to enhance, promote and develop micro, small and medium-sized industries in Sri Lanka. It bridged the gap between the entrepreneurs and the industrial technology information. CITIS comprised of the Library, Industrial Information Unit, Information Cell, Printing and Publication Unit, and Information Technology Unit as sub unit for the provision of those services. Under restructuring process of CITIS and CEDACS, the Information Cell and Information Technology Unit were attached to the Technical Services Division (TSD), and the Printing and Publication Unit was attached to the Marketing Division (MD).

The key sections which fall under the purview of the Centre for Entrepreneurship Development and Consultancy Services (CEDACS) are **Entrepreneurship Development and Consultancy, the Library and Industrial Information Unit.**

Objectives of the division, the CEDACS

- Create a new entrepreneurial culture
- Accelerate industrial development in rural areas
- Introduce new managerial strategies to expand existing industries
- Training of trainees (Entrepreneurship Development and Management Consultancy)
- Provide technical know-how and business experience to local industrialists
- Create awareness among SME and potential entrepreneurs on currently important business and industry topics
- Offer basic counseling services and industrial information

Activities assigned to the CEDACS

- Conduct Entrepreneurship Development Programmes
- Conduct Business Creation Programmes
- Conduct Productivity Improvement Programmes
- Conduct Managerial Skills Development Programmes
- Conduct Awareness Programmes/Seminars
- Provide Commercial & Business Training for Entrepreneurs
- Set up a panel of IDB & non IDB consultants for serving entrepreneur needs
- 5 S implementation programmes within IDB
- Provide Internet and E-mail facilities
- Selling of Publications
- Development of Library Collection (Sinhala, Tamil and English)
- Processing Library Materials
- Organization of Industrial Information
- Providing Basic Counseling Services
- Registration of IDB Clients in Online Database
- Provide Details of Online Registered Clients to Regional Offices
- Dissemination of Industrial Information to Industrialists, Clients and IDB Staff
- Distribute information on New Arrivals to the Library
- Maintenance and Updating of Databases on Bibliographic data, Local Machinery and product Manufacturers, Reports, Sri Lanka Standards, Supporting Institutions, Collection of Acts, “Karmantha” magazine articles with full text
- Provide Local and Foreign Machinery Information
- Preparation of IDB News Letter
- Compilation and Update Publication such as Hand Books, Packages, Leaflets, Indexes and Pamphlets etc.
- Inquiry and Answer Service
- Referral Service
- Organizing Workshops
- Sale of Publications
- Provide Photocopy Services
- Promote Clients for the Display of their Machinery and Products in our Showroom and Industrial Exhibitions
- Participate in Exhibitions, Forums, Workshops and acquire latest information for Updating Library Collection

Table 4.7.1 - Performance Highlights

Ref. No.	Activities for Achieving Corporate Goal	Measuring Indicator	Achievement	Income (Rs.)
G1a.11	Training programs on Entrepreneurship Development & Productivity Improvement	No. of Programmes	10	701,246
		No. of Participants	210	
Gib.1	Awareness Programmes	No. of Programmes	4	20,000
		No. of Participants	120	
Gib.2	Development of Curricular	No. of Curricular	3	-
Gib.3	Provide Commercial & Technical Training	No. of Programmes	7	182,500
		No. of Participants	105	
Gib.7	Counseling & Consultancy	No. of Services provided	71	-
G13.21	Implementation of Quality Improvement Programme Within the IDB	No. of Programmes	1	-
G11	Library Collection Development	No. Library Material	993	
	Maintenance of Data Bases	No. of Clients	2,482	
	Online Registered Clients			
	Building Material 109			
	Food and Beverages 1261			
	Oil and Fiber 205			
	Chemical 907			
	Local Machinery and Product Manufacturers	No. of Records	2,613	
	Bibliographic Data	No. of Records	19,359	
	Lotus Smart Suite Approach	No. of Records	19,842	
	Reports	No. of Reports	4,474	
	Supporting Institution	No. of Institutions	317	
	Sri Lanka Standards	No. of Publications	1,315	
	Acts	No. of Records	690	
	HS Code	No. of Records	307	
	"Karmantha" Articles with full text	No. of Articles	3,153	
	Journal Articles with full text	No. of Articles	222	

Ref. No.	Activities for Achieving Corporate Goal	Measuring Indicator	Achievement	Income (Rs.)
G11	Dissemination of Industrial Information			
	Inquiry and Answer Service	No. of Queries	917	92,769
	Preparation of Publications			220,025
	Sinhala Pamphlets		15	
	Tamil Pamphlets		15	
	New Arrivals		12	
	Food Additives Publication translation to Tamil		01	
	How to Start Industry translated to Tamil		01	
	Translated Yoghurt Leaflet to Tamil		01	
	Preparation of Indexes of IDB Publications		01	
	Updated Product Leaflets			
	Yoghurt		01	
	Noodles		01	
	Jam		01	
	Cordial	No. of Programmes	01	
	Papadam		01	
	Vinegar		01	
	Implementation of Library 5S Programme	No. of Programmes	01	
	Organizing Awareness Programme for University Students		01	
Total				1,216,540

4.8 Technical Services Division (TSD)

General

The Technical Services Division (TSD) is one of the main Divisions of the IDB, which caters to the technological needs of the industrial community in Sri Lanka. The primary objective of TSD is provision of technological assistance to entrepreneurs from conception through formulation to implementation and to existing industries for expansion, modernization, diversification and quality and productivity improvement. The services of the TSD are provided through 5 sub sectors; namely Food, Chemical, Oil and Fibre, Building Material and Computer Technology. Provision of technological assistance is mainly done through one –day technology transfer workshops with a strong practical component. In addition, the recently established Industrial Academy offers a series of Certificate Courses covering the above mentioned areas.

Under restructuring of the IDB, Centre for Development of Leather Products and Footwear (CDLPPF) and Rubber Products Development and Services Centre (RPDSC) were merged with the Technical Services Division (TSD).

Therefore, the key technological sections and the centres which fall under the purview of the Technical Services Division (TSD) are as follows:

Technological Sections: Food, Chemical, Oil and Fibre, Building Material, Computer Technology, Rubber Products, Footwear and Leather Products

Division with Centres: Head Office at Katubedda including the Information Cell and Information Technology Unit, Centre for Development of Leather Products (CDLPPF) in Katubedda and Rubber Products Development and Services Centre (RPDSC) in Peliyagoda

Performance Highlights

The TSD has taken in to consideration the Corporate Plan of 2011 in performing its activities and has tailored the key activities to meet the specific needs of the prospective entrepreneurs and also to uplift the standard of the IDB.

Table 4.8.1 - The Revenue for Services Facilitated and Provided in 2013

Technological Section and Centre		Gross Revenue (Rs.)
1	Head Office - Technical Services Division (TSD)	4,756,348.79
2	Rubber Products Development and Services Centre (RPDSC)	26,993,006.00
3	Centre for Development of Leather Products and Footwear (CDLPF)	5,432,747.00
Total		36,182,101.79

The activities carried out by the TSD in 2013 were:

G1a.12 Technical training programs and technology demonstrations & workshops conducted.

▪ **One day Technology Transfer Workshops (Tech 4 SMEs)**

Together with industry experts, academia and IDB officers, TSD conducted 46 workshops under food, chemical, oil & fibre and building material sub-sectors at the Technical Services Division and overall 423 industrialists were trained and supported through these workshops by earning Rs.1, 326,000.00 in revenue. These prospective industrialists were directed via the on-line registration system hosted in the IDB website, a new SME development tool introduced by TSD in 2012 and it had received 2,665 hits in 2013.

▪ **Technology Transfer Programmes for Department of Prisons**

A series of technology transfer programmes were conducted for the officers of the Correction Centre for Youthful Offenders of Department of Prisons in Negombo during September to October 2013. Among the scheduled programmes were; processing of Rubberized Coir Mattresses, Candles, Joss Ticks and Laundry Soaps. These programmes were attended by 42 individuals and the revenue earned was Rs. 69, 200.00.

▪ **Technology Transfer Programme for Department of Social Services**

A Technology Transfer Programme on “Candles” was conducted for 02 Vocational Trainers of the Department of Social Services at the Vocational Training Institute, Seeduwa in October and earned Rs. 19,750.00 as revenue.

Table 4.8.2 - Summary of Workshops conducted by Technological Sectors - Head Office

Name of the Workshop		No. Trained
01	Food Sector	
	Instant fruit drinks & Cordials	17
	Yoghurt	25
	Confectionery	12
	Ice cream	5
	Snacks	6
	Spice processing	2
	Papadam	4
	Yoghurt drink & Curd	8
	Cordial	2
	Cordial (Nelli /Grape)	4
	No. of Programmes	10
	No. of Participants	85
02	Chemical Sector	
	Bottled drinking water	47
	Detergent technology	25
	Candles	37
	Laundry soap	13
	Joss sticks	14
	No. of Programmes	05
	No. of Participants	136
03	Oil & Fibre Sector	
	Handmade paper	2
	Exercise books & Envelope making	24
	No. of Programmes	02
	No. of Participants	26
04	Building Material Sector	
	Cement blocks & Paving blocks	188
	Fibre glass technology	20
	Soft wood treatment	5
	Dolomite fertilizer	1
	Cement stabilized soil blocks	1
	Cement flower pots	5
	No. of Programmes	06
	No. of Participants	220
	Total No. of Programmes	23
	Total No. of Participants	467

Overall, 467 individuals were trained and supported through one day Technology Transfer Programmes conducted in and outside of the TSD earning Rs. 1,414,950.00 as revenue in the year 2013.

G1a.13 Technical support, advice & consultancy services provided

Sale of Boron Treatment Solution

With a view to strengthening the industries, TSD also extended supportive services to the SME sector such as the sale of Boron Treatment Solution for timber testing. The revenue from the sale of Boron treatment solution amounted to Rs. 51,000.00.

Member of the National Task Force on Chemical Management in Sri Lanka

Central Environmental Authority (CEA) as the National Focal Point Secretariat (NFPS) of the World Health Organization's Quick Start Programme Trust Fund (QSPTF) organized a forum in March to set up a National Task Force on Chemical Management in Sri Lanka. TSD represented the IDB in the forum as a member of the "Industrial Production - Sector Chemicals Working Group" of this project and has been appointed as one of the eight team leaders of the National Task Force on Chemical Management in Sri Lanka. The National Task Force is responsible for formulating national plans for "Sound Management of Chemicals" in Sri Lanka.

Participation in exhibitions

- IDB was among the IT giants in Sri Lanka in "InFoTEL 2013" exhibition held at SLECC from 24 -27th October, 2013. This event provided IDB a platform to showcase its "SME Development Services" which can be accessed via IDB website, Industrial Academy- Face Book Page and as You Tube videos.

Industrial Academy (IA) Certificate Courses in Information Technology

The final exams of the 14th batch of Computer Hardware Course and the 2nd batch of Computer Networking & Security Course were completed in January while the 15th batch of

Computer Hardware Course commenced in February with six students and the revenue was Rs. 126,000.00.

Table 4.8.3 - Summary of Industrial Academy Courses conducted in 2013

Name of the Course		2013 intake	No. of Students completed
01	Certificate Course in Paints & Coatings Technology	12	10
02	Certificate Course in Cosmetic Technology	06	06
03	Certificate Course in Spice Processing Technology	05	05
04	Certificate Course Computer Hardware & Entrepreneurship	06	02
Total		29	23

G12.5 Post on member's area of IDB web site suitably re-edited & reformatted past surveys, market & technical reports, information etc.

The IDB website hosts a member area containing business-related content articles of industrialists with over 80 entries. The income generated from the renewal of registration of industries was Rs. 11,000.00

Table 4.8.4 - Summary of Income -2013

Ref. No.	Activity	Income (Rs.)
G1a.9	Start new and commission new enterprises by providing technological and related assistance: Banana Fibre Project & LIBCOS Dairy Project	1,613,631.98
G 1a.10	Technological & related assistance to improve/ expand/modernize existing enterprises provided	3,000.00
G1a.12	Technical training programmes, technology transfer demonstrations and workshops conducted	1,414,950.00
G 1a.13	Technical support ,advice & consultancy services provided Sale of Boron treatment Solution & Selling of technology packages	52,500.00
G 1a.23	Assist entrepreneurs to get certifications: SWITCH Asia Project	1,132,266.81
G 1b.3	Commercial & technical training for entrepreneurs provided Computer Hardware Course Industrial Academy Certificate Courses	126,000.00 403,000.00
G 12.5	Post on members area of IDB web site Collection of information of industrialists to publish in IDB web site	11,000.00
Total Income		4,756,348.79

Rubber Products Development and Services Centre (RPDSC)

The Rubber Products Development and Services Centre (RPD&SC) was set up in 1980 at Peliyagoda under the directions and financial assistance of the World Bank to assist the local rubber-based industries, the SMIs in particular. Since then the Centre has been providing services to the local rubber products manufacturers. They are approximately 200 longstanding rubber-based industrialists who are regular customers who make use of our services such as:

- Technical consultancy and extension services
- Product and Process Development
- Testing and Quality Certification
- Provision of Semi Commercial Services
- Orientation to new market requirements
- Serve as a link between the Academic and R & D Institutions and the industry in general

According to the new Corporate Plan (2011-2013) implemented from year 2011, the performance of the Division in the year 2013 was as follows:

Table 4.8.5 – Performance of the RPDSC

Corporate Goal	Activities for Achieving Corporate Goal		Measuring Indicator	Performance
G1a. Encourage promote & develop industries	8	Self-employment units created and commissioned	No. of Units	16
	9	New Industries/MSMEs setup and commissioned	No. of Units	2
	10	Provided assistance to improve existing industries/MSMEs	No. of Units	29
	12/14	Conduct technical training and technology transfer programmes, demonstrations and workshops; promote service via email/media and website public area		
	(i)	Technology Transfer Programmes	No. of Programmes	24
	(ii)	Conduct customized Training Programmes	No. of Programmes	01
G1b. Entrepreneur training, developing & providing consultancy	7.	Providing counseling & consultancy for entrepreneurs in: marketing, technology, finance, management, production etc.		
	(i)	Technical assistance and consultancy	No. of Entrepreneurs	95
G9. Provide all services & facilities for industrial undertakings	4.	Provide rubber product and compound development facilities		
	(i)	Product and process Development	No. of Jobs	53
			No of Industries	45
	(ii)	Facilitation of Sub contractual Orders	No. of Job Orders	7

including capital, credit, marketing, managerial & technical facilities, and legal advice	(iii)	Providing Quality Testing and Certifications	No. of Certifications	89
			No. of Samples tested	2,129
			No. of Industries served	10
	13.4	Undertaking of Production Job Orders	No. of Production Job Orders	18

The revenue earned from all income generating activities of the RPDSC is given in the Table given below:

Table 4.8.6 – Income of the RPDSC

Corporate Goal	Generation of Income: Processing and Supplying of Raw Materials, and Testing and Certification of Samples, Semi-finished and Finished Products etc.		Quantity	Income (Rs.)
G1a.12, 14, 25, G9.4, 9.5, and G.13.2, 13.3, 13.4 Provide all services & facilities for industrial undertakings including capital, credit, marketing, managerial & technical facilities, and legal advice	(i)	Natural and Synthetic Rubber Compounds and Chemicals	38,921 Kg	21,220,078
	(ii)	Milling of Rubber Compound	17,341 Kg	336,607
	(iii)	Centrifuged Latex & Compound	11,147 litres	3,758,666
	(iv)	Sub contracting	07 nos.	923,209
	(v)	Quality Control & Laboratory Testing:		
		Issuing of certificates	89 nos.	455,996
		Testing product samples	2,129 nos.	
	(vi)	Product Development Services	53 nos.	44,685
	(vii)	Delivering of Customized Training Facility	01 no.	11,600
	(viii)	Undertaking of Production Job Orders	18 nos.	47,483
	(ix)	Technology Transfer Programmes	24 nos.	194,682
Total				26,993,006

Centre for Development of Leather Products and Footwear (CDLPF)

Centre for Development of Leather Products and Footwear (CDLPF) was established in 1998 for the development of leather products and footwear production sector in Sri Lanka. The centre conducts short term and long term courses, supply skilled workers, suitable technical

information and provides facilities to produce footwear and leather goods etc. The main centre is at Katubedda, Moratuwa and two regional units are situated at Wariyapola and Vitharandeniya.

The services provided by the centre are as follows:

- Conduct Technology Transfer Workshops on Footwear
- Conduct Technology Transfer Workshops on Leather Goods
- Footwear Design And Pattern Making
- Innovative Ideas And Information on New Product And Product Development
- Provide Trade And Machinery Information
- Provide Incubator Facilities
- Provide Skilled Labour for Industries
- Conduct Training and Skills Development Programmes:
 - Design And Pattern Making
 - Shoe Upper Closing
 - Leather Clicking
 - Manufacturing Ladies Footwear
 - Manufacturing Gents Footwear
 - Manufacturing Leather Goods

Following facilities are available at the centre.

- Clicking Machine
- Splitting Machine
- Strap Cutting Machine
- Skiving Machine
- Compressor And Spray Booth
- Buffing And Finishing Machine
- Sole Press Machine
- Re-activator Machine

Table 4.8.7 – Performance of the CDLPF

Corporate Goal	Activities for Achieving Corporate Goal		Measuring Indicator	Performance
G1a Encourage promote & develop our industries	8.	Create and Commission Home-based Industrial Economic Units		
	(i)	Commission of home-based economic units	No. of units	70
	9.	Provide technological & related assistance to start new enterprises, and commission new enterprises		
	(i)	Services were provided directly to establish new Footwear and Leather Goods manufacturing units	No. of Units	12
	10.	Provide technological & related assistance to improve/expand /modernize existing industries		
	(i)	Technological and related assistance were provided to improve/expand/ modernize existing industries	No. of Industries	10
	(ii)	Providing processing facilities for new designs for promoting footwear industrialists	No. of Industrialists	173
	12.	Conduct technical training programmes and technology transfer demonstration, programmes & Workshops		
	(i)	18 Technology Transfer Programmes were conducted in Hambantota, Ampara, Polonnaruwa, Badulla, Jaffna, Galle, Colombo and Kurunegala Districts for 208 entrepreneurs to enable them to find jobs in the private sector and commence self-employment projects under the funds from government and non-governmental organizations.	No. of Programmes	18
			No of Participants	208
	13.	Provide technical support, advice & Consultancy Services		
	(i)	In order to improve the quality of products, small as well as large scale footwear and leather sector industries were provided with technical know-how, advice and consultancy.	No. of Services Provided	51
	14.	Conduct customized training programmes		
	(i)	Customized Programmes were conducted on Footwear Designing & Pattern Making for the development of the footwear sector.	No. of Entrepreneurs	70
			No. of Programmes	04
	25.	Facilitate Sub-contracting (Footwear)		
	(i)	SMI sector (leather) industrialists were provided sub-contracting facilities and machineries on concessionary rate	No. of Job Orders	63

Corporate Goal	Activities for Achieving Corporate Goal		Measuring Indicator	Performance
G1b Entrepreneur training & developing and providing consultancy	1.	Select prospective entrepreneurs via awareness programmes by analyzing their interests, suitability and needs		
	(i)	Conducted Awareness Programmes to identify people who want to start an industrial business or job opportunity in Footwear sector (school leavers, graduates, vocationally trained etc.)	No. of Programmes	08
			No of Participants	106
G6 Foster the export of our industrial products	8.	Help manufacturers to improve product quality to export standards; Publicize this service via media, and post on general website area		
	(i)	Established linkage with Korean Buyers and Sri Lankan Medium-sized Footwear Manufacturers and Four companies, Kavin Polymers, The Cobbler, Sinidu Enterprises, and Model Shoe were promoted to obtain export orders to Korea.	No. of Manufacturers	04
G7 Engage in or cooperate with local bodies or foreign institutions or governments in the display or distribution of our industrial products	2.	Participate in local trade fairs for industry and post on website		
	(i)	Organized SME pavilion, Footwear & Leather Goods Design Competition and Workshops at the International Footwear and Leather Fair 2013	No. of Trade Fairs	01
			No. of Manufacturers	32
G9 Provide all services & facilities for industrial undertakings including capital, credit, marketing, managerial & technical facilities and legal advice	6.	Provide processing facilities for footwear; promote service via e-mail to members and post details on website		
	(i)	Small scale footwear and leather manufacturers were provided with machinery facilities at IDB Leather Centre, Katubedda	No. of Jobs	173

By achieving over 50% of its scheduled activities the center could gain Rs 5,432,747 amount of earnings during the period under review.

Special Activities performed by the centre

- In addition to the existing Footwear & Leather Products Villages in Hambantota/ Muthiammagama, Galle/Ampawila, Anuradhapura/ Devanampiyatissapura, Jaffna/Karawedi, Nuwara Eliya/Walapane, Rathnapura/ Pallegedara and Gampaha/Negombo a new Footwear Manufacturing Village was established at Anthiran in Jaffna district. This project was launched to uplift livelihoods of 20 families and generate 20 no. of direct and indirect employment opportunities.
- With assistance from the Commonwealth Secretariat capacity development programmes in Leather Processing, Productivity Improvement and Pattern Making were conducted by the international consultants during the year under review.

FINANCIAL STATEMENTS

- Balance Sheet as at 31st December 2013
- Notes to Balance Sheet
- Property, Plant & Depreciation as at 31st December 2013
- Accumulated Deficit
- Income & Expenditure Statement for the period from 2012-2013
- Income Statement for the year ended 31st December 2013
- Staff Cost
- Other Operating Expenses

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Statement of financial position

(all amounts in LKR)

	Note	2013	2012	2011	2010
ASSETS					
Non Current Assets					
Property Plant & Equipment	16	243,201,773	225,813,091	221,931,550	207,754,966
Capital Work-in-Progress		23,763,937			
Fixed Deposits		28,125	25,000	25,000	25,000
		<u>266,993,834</u>	<u>225,838,091</u>	<u>221,956,550</u>	<u>207,779,966</u>
Current Assets					
Inventories (Stocks & work-in-progress)	19	37,483,282	33,318,002	39,096,778	34,239,674
Trade & Other Receivables (Debtors)	20	25,082,909	20,660,544	15,799,296	19,457,363
Other Current Assets	21	40,130,291	36,657,711	66,426,243	59,835,113
Pre-payments	22	64,537,904	133,032,788	88,976,958	66,041,286
Special Projects	13	9,925,434			
Cash & Cash Equivalents	23	33,464,340	45,647,418	85,709,016	78,636,376
		<u>210,624,159</u>	<u>269,316,463</u>	<u>296,008,291</u>	<u>258,209,812</u>
		<u>477,617,994</u>	<u>495,154,553</u>	<u>517,964,841</u>	<u>465,989,779</u>
Total Assets					
EQUITY AND LIABILITIES					
Capital and Reserves					
Net Government Contribution	10	274,328,482	273,382,457	266,529,439	260,855,038
Capital Reserves		6,243,013	6,243,013	6,243,013	6,243,013
Value of Assets Transferred		13,447,061	13,447,061	13,447,061	13,447,061
Surplus on revaluation of motor vehicles		14,820,829	14,820,830	13,137,353	16,502,696
Other Government Grants	11	76,047,332	64,971,123	46,462,906	43,498,863
		<u>384,886,716</u>	<u>372,864,484</u>	<u>345,819,772</u>	<u>340,546,671</u>
Government grants		1,930,291,117	1,930,291,117	1,930,291,117	1,930,291,117
Accumulated Losses		(2,146,388,663)	(2,012,883,987)	(1,986,168,212)	(2,012,389,969)
		<u>(216,097,546)</u>	<u>(82,592,870)</u>	<u>(55,877,095)</u>	<u>(82,098,852)</u>
Non Current Liabilities					
Provision for Gratuity	24	115,063,783	102,883,737	97,312,291	111,182,684
Current Liabilities					
Dues to Government	14	66,604	59,519	56,249	50,554
Dues to Corporation	15	3,752,890	3,286,883	2,777,121	3,247,085
Bank Credit balances		3,571,507	2,635,744	2,184,355	1,613,884
Grants for Special Projects	13	44,237,239	38,200,322	68,457,137	34,577,843
Provisions and Accrued Expenses	16	142,136,801	57,816,739	57,235,015	56,869,910
		<u>193,765,041</u>	<u>101,999,207</u>	<u>130,709,877</u>	<u>96,359,276</u>
		<u>477,617,994</u>	<u>495,154,557</u>	<u>517,964,845</u>	<u>465,989,779</u>
Total Equity & Liabilities					

Prepared by:- D.J.M.Kusumawathie Acting Director Finance *Jan 2*

"The Accounting policies on pages and Notes on 06 to 27 form an integral part of these Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf,"

[Signature]
Nawaz Rajabdeen
Chairman

[Signature]
S. Anandaramah
Director to the Board

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Comprehensive Income statement

(all amounts in LKR)

	Notes	2013	2012	2011
Sales & Services	6 a	167,506,534	141,211,877	143,810,657
Cost of sales & Services	8 a	(82,574,878)	(57,085,086)	(32,549,856)
Gross profit		84,931,655	84,126,791	111,260,801
Other income	6 b	36,529,795	16,214,816	15,620,234
Government Recurrent Grant	7	231,000,000	227,360,000	228,000,000
Administrative expenses	8	(436,784,998)	(350,435,921)	(359,504,244)
Results from operating activities		(84,323,547)	(22,734,314)	(4,623,210)
Finance costs		(405,179.95)	(347,150)	(445,211)
Net finance income / (cost)		(405,180)	(347,150)	(445,211)
Profit before tax		(84,728,727)	(23,081,464)	(5,068,421)
Loss / Profit for the year		(84,728,727)	(23,081,464)	(5,068,421)
Other comprehensive income				
Actuarial gains on retirement benefit obligations	23	(10,320,017)	1,247,846	28,906,361
Total comprehensive loss/income for the year		(95,048,744)	(21,833,618)	23,837,941

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Statement of changes in equity

(all amounts in LKR)

	Capital & Reserves	Government grant	Accumulated Excess/ deficit	Total
Balance as at 31 December 2010	340,741,279	1,930,291,117	(2,012,389,969)	258,642,427
Previous Year Adjustment		-	2,383,815	2,383,815
Profit for the year			23,837,941	23,837,941
Government Grants	6,954,967			6,954,967
Balance as at 31 December 2011	347,696,246	1,930,291,117	(1,986,168,213)	291,819,150
Balance as at 01st January 2012	347,696,246	1,930,291,117	(1,986,168,213)	291,819,150
Restatement of Scrap sales			(4,882,157)	(4,882,157)
Loss for the year		-	(21,833,618)	(21,833,618)
Government Grants	27,044,712			27,044,712
Balance as at 31 December 2012	374,740,958	1,930,291,117	(2,012,883,988)	292,148,087
Balance as at 01 January 2013	374,740,958	1,930,291,117	(2,012,883,988)	292,148,087
Previous Year Adjustment			(38,455,931)	(38,455,931)
Loss for the year		-	(95,048,744)	(95,048,744)
Government Grants	10,145,758			10,145,758
Balance as at 31 December 2013	384,886,716	1,930,291,117	(2,146,388,664)	168,789,169

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Statement of cashflow

(all amounts in LKR)

	2013	2012	2011
Cash flows from operating activities			
Cash (used in) / generated from operations	57,212,458	(26,573,902)	41,983,597
Finance cost paid	(405,180)	(347,150)	(445,211)
Retirement benefit obligations paid	(14,793,910)	(8,446,067)	(3,447,820)
Net cash (used in) / generated from operating activities	42,013,368	(35,367,119)	38,090,566
Cash flows from investing activities			
Grants received from government	946,024	6,853,018	5,674,401
Other Government Grants	11,076,209	18,508,217	2,964,043
Purchase of property, plant and equipment	(67,151,318)	(30,507,103.00)	(41,255,153)
Increase of Fixed Deposits	(3,125)		
Proceed from disposals of property, plant and equipment		-	1,028,311
Net cash (used in) / generated from investing activities	(55,132,210)	(5,145,868)	(31,588,398)
Net (decrease) / increase in cash and cash equivalents	(13,118,842)	(40,512,986)	6,502,168
Cash and cash equivalents at beginning of year	43,011,674	83,524,660	77,022,492
Cash and cash equivalents at end of year	29,892,833	43,011,674	83,524,660

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Significant accounting policies and notes to the financial statements

1 General information

Industrial Development Board of Ceylon is a Statutory Board incorporated under the Industrial Development Board of Ceylon Act No. 36, 1969. The Head Office of the Board is situated at 615, Galle Road, Katubedda, Sri Lanka.

Principal activity of the IDB is to assist in the encouragement, promotion and development of industries in Sri Lanka.

2 Summary of significant accounting policies

This is the first set of financial statements prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and adoption of Sri Lanka Financial Reporting Standards

IDB prepares its financial statements in accordance with Sri Lanka Accounting Standards - 2011 (SLFRSs) / (LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. Sri Lanka Accounting Standards (SLASs) were revised to incorporate International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board, which requires all entities to apply these standards effective for years beginning on or after 1 January 2012.

Subject to certain transition exemptions and exceptions disclosed in Note 5, the IDB have consistently applied the accounting policies in the preparation of its opening statement of financial position at 1 January 2011 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to SLFRSs on the IDB's reported financial position and financial performance, including the nature and effect of significant changes in accounting policies from those used in the IDB's financial statements for the year ended 31 December 2012 prepared under previous Sri Lanka Accounting Standards (SLAS).

These financial statements have been prepared under the historical cost convention, as modified by the revaluation and fair valuation of the financial assets and liabilities. Preparation of financial statements in conformity with SLFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the IDB's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the IDB's financial statements are disclosed in Note 4.

An explanation of how the transition to SLFRSs has affected the reported financial position and financial performance of the IDB is provided in Note 5.4.

2.2 Changes in accounting policy and disclosures

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted.

SLFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLFRSs. The management is yet to assess the full impact of this standard.

SLFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. SLFRS 9 replaces the parts of LKAS 39 that relate to the classification and measurement of financial instruments. SLFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the LKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The IDB is yet to assess SLFRS 9's full impact and intends to adopt SLFRS 9 no later than the accounting period beginning on or after 1 January 2015.

There are no other Standards, amendments and interpretations that are not yet effective that would be expected to have a material impact on the IDB.

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

2.3 Property, plant and equipment

All property, plant and equipment is initially recorded at cost and stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefit associated with the item will flow to the IDB and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance costs are charged to income statement during the financial period in which they are incurred.

(b) Depreciation

Depreciation begins when an item of property, plant and equipment is available for use and will continue until it is derecognised, even if during that period the item is idle. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

1	Land Improvement	2.50%
2	Building	2.50%
3	Plant & Machinery	10%
4	Printing Machinery	10%
5	Office Equipment	10%
6	Lab Equipment	10%
7	Tools	25%
8	books	25%
9	travelling bags	25%
10	Computer Softwares	7%
11	Computer	20%
12	Motor Vehicles	20%
13	Furniture & Fittings	10%
14	Bicycle	10%
15	Sundry Assets	10%
16	Utility Services	10%
17	PABX Services	10%
18	Other assets	10%
19	Other assets	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.4 Financial assets

2.4.1 Classification

IDB classifies its financial assets under loans and receivables, based on purpose for which the financial assets were acquired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as trade and other receivables except for maturities greater than 12 months after the balance sheet date.

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

2.4.2 Recognition of financial asset

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using effective interest method.

2.4.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.4.4 Impairment of financial assets

(a) Assets carried at amortised cost (Loans and receivables)

IDB assesses at the end of each reporting period whether there is objective evidence that a financial asset or IDB of financial assets is impaired. A financial asset or a IDB of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or IDB of financial assets that can be reliably estimated.

IDB first assesses whether objective evidence of impairment exists.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Impairment testing of trade receivables is described in Note 2.10.

2.5 Financial liabilities

IDB's financial liabilities include trade and other payables and borrowings. All financial liabilities except are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable 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 are accounted as follows.

Raw Materials---At actual cost on first in first out basis

Finished Goods--At Cost

Work-In-Progress--At the cost of direct materials, direct labour And an appropriate proportion of production overheads based on normal operating capacity

2.7 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

2.7 Trade receivables (Contd)

A provision for impairment of trade receivables is established when there is objective evidence that IDB will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Provision Calculated as follows. Over 5 Years 100% Provisioned and others 10%.

2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.9 Provisions

Provisions are recognised when IDB has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.10 Trade and other payables

Liabilities classified as other payables in the balance sheet are those which fall due for payment on demand or within one year from the balance sheet date. Items classified as non-current liabilities are those which fall due for payment beyond a period of one year from the balance sheet date.

2.11 Defined benefit plan

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation. The defined benefit plan comprises the gratuity provided under the Act, No 12 of 1983.

The defined benefit obligation is calculated annually by using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the statement of comprehensive income, unless the changes to the plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

2.12 Defined contribution plan

All permanent and contract employees of IDB are members of the Employees' Provident Fund and Employees' Trust Fund, to which the IDB contributes 12% and 3% respectively, of such employees' basic wage or salary, cost of living allowances.

2.13 Investments

Investments are carried at the cost determined on the basis of individual investment.

2.14 Government grants

Grants from the government are recognised at their fair value here there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in noncurrent liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets.

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

2.15 Donation

Donations are generally non-reciprocal transfers. However there may be instances where nominal consideration is provided by IDB to the donors. For such donations, where the consideration provided to the donors is significantly lower than that of the donations received, such that it results in an unfair exchange transaction, they should be recognised as donations received.

2.16 Revenue recognition

(a) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised on a time-proportion basis.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of IDB's activities. Revenue is shown net of Value Added Tax, returns, rebates and discounts.

2.17 Expenditure recognition

(a) Operating expenses

The expenses are recognised on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property, plant and equipment in a state of efficiency is charged against income in arriving at the profit for the period.

(b) Net financing costs

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested, and foreign exchange gains and losses that are recognised in the income statement.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs.

3 Financial risk management

3.1 Financial risk factors

The principal financial instruments of IDB comprise of bank loans, short term deposits and cash. The main purpose of these finance instruments is to raise and maintain liquidity for IDB's operations, and maximise returns on IDB's financial reserves. IDB has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

IDB is exposed to a variety of financial risks. These include foreign exchange risks, credit risks, interest rate risks and liquidity risks. Based on our economic outlook and IDB's exposure to these risks, the Board of IDB approves various risk management strategies from time to time.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. IDB exposure to the risk of changes in market interest rates relates to primarily to IDB's long-term debt obligations with floating rates. IDB manages its interest rate risk by daily monitoring and managing cash flows, keeping borrowings to a minimum, negotiating favorable rates on borrowings and deposits. IDB is not exposed to interest rate risk as at 31 December 2012, as IDB does not have any borrowing at variable rates of interest.

(ii) Credit risk

The credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to foreign customers, including outstanding receivables and committed transactions.

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

3 Financial risk management (Contd)

3.1 Financial risk factors (Contd)

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table show the maximum risk positions, (as at 31.12.2012)

	Trade and other receivables	Amounts due from related parties	Cash and cash equivalents	Total
Risk exposure				
Trade and other receivables	20,660,544			20,660,544
Cash and cash equivalents			45,647,418	45,647,418
	20,660,544	-	45,647,418	66,307,962

3.2 Capital management

IDB's objectives when managing capital are to safeguard IDB's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, IDB monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings including non-current and current borrowings as shown in the statements of financial position. Total equity is calculated as 'Total equity' in the statements of financial position.

The gearing ratio at 31 December 2012 was as follows:

	2013	2012	2011
Total borrowings		-	-
Total equity	(216,097,546)	(82,592,870)	(55,877,095)
Gearing ratio	0%	0%	0%

The decrease in the gearing ratio during 2013 resulted from decrease in borrowings during the year.

4 First time adoption of SLFRS / LKAS

These are IDB's first set of financial statements prepared in accordance with Sri Lanka Accounting Standard (SLFRS / LKAS). The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2012 together with comparative information for the year ended 31 December 2011 and opening SLFRS statement of financial position as at 1 January 2011 being the transition date of IDB.

In preparing SLFRS statement of financial position for previously reported financial periods, required adjustments have been made in accordance with respective SLFRSs. The effect of the transition from Sri Lanka Accounting Standards (SLASs) to SLFRSs has been illustrated in the reconciliation statements and acIDBing notes to the reconciliations.

Set out below are the applicable exemptions and exceptions under SLFRS 1 applied by IDB in transition to SLFRSs.

INDUSTRIAL DEVELOPMENT BOARD

Notes to the financial statements (Contd)

4 First time adoption of SLFRS / LKAS (Contd)

4.2 Reconciliations of SLAS to SLFRS

4.2.2 Reconciliations of equity

	2012			2011			2010		
	Under SLAS	Transitional adjustments	Under IFRS	Under SLAS	Transitional adjustments	Under IFRS	Under SLAS	Transitional adjustments	Under IFRS
Non Current Assets									
Property Plant & Equipment	251,505,943	(25,692,852)	225,813,091	255,967,827	(34,036,277)	221,931,550	238,489,761	(30,734,795)	207,754,966
Investment in Subsidiaries	5,299,990	(5,299,990)	-	5,299,990	(5,299,990)	-	5,299,990	(5,299,990)	-
Fixed Deposits	25,000		25,000	25,000		25,000	25,000		25,000
	256,830,933	(30,992,842)	225,838,091	261,292,817	(39,336,267)	221,956,550	243,814,751	(36,034,785)	207,779,966
Current Assets									
Inventories (Stocks & work-in-progress)	52,133,687	(18,815,685)	33,318,002	57,191,017	(18,094,239)	39,096,778	52,095,013	(17,855,339)	34,239,674
Trade & Other Receivables (Debtors)	52,868,863	(32,208,319)	20,660,544	47,996,488	(32,197,192)	15,799,296	51,650,923	(32,193,560)	19,457,363
Other Current Assets	78,044,943	(13,137,490)	64,907,454	79,563,732	(13,137,490)	66,426,243	72,972,603	(13,137,490)	59,835,113
Pre-payments	114,030,553	(9,247,507)	104,783,045	98,232,472	(9,255,514)	88,976,958	75,296,800	(9,255,514)	66,041,286
Grants for Special Projects									
Cash & Cash Equivalents	45,715,235	(67,817)	45,647,418	85,776,833	(67,817)	85,709,016	78,704,193	(67,817)	78,636,376
	342,793,281	(73,476,819)	269,316,463	368,760,543	(72,752,252)	296,008,291	330,719,532	(72,509,720)	258,209,812
Total Assets	599,624,214	(104,469,661)	495,154,553	630,053,360	(112,088,519)	517,964,841	574,534,283	(108,544,504)	465,989,779
EQUITY AND LIABILITIES									
Capital and Reserves									
Net Government Contribution	496,165,932	(222,783,475)	273,382,457	481,278,716	(214,749,277)	266,529,439	455,391,500	(194,536,462)	260,855,038
Capital Reserves	6,243,013		6,243,013	6,243,013	-	6,243,013	6,243,013	-	6,243,013
Surplus on revaluation of motor vehicles	16,697,304	(1,876,474)	14,820,830	15,013,827	(1,876,474)	13,137,353	16,697,304	(194,608)	16,502,696
Value of Assets Transferred	13,447,061		13,447,061	13,447,061	-	13,447,061	13,447,061		13,447,061
Foreign Grants	6,653,153	(6,653,153)	-	6,653,153	(6,653,153)	-	6,653,153	(6,653,153)	(0)
Other Government Grants	143,755,207	(78,784,084)	64,971,123	122,427,848	(75,964,942)	46,462,906	116,927,848	(73,428,985)	43,498,863
BOI Compensation	4,945,000	(4,945,000)	-	4,945,000	(4,945,000)	-	4,945,000	(4,945,000)	-
Grant from Government Agencies	20,943,421	(20,943,421)	-	20,943,421	(20,943,421)	-	20,943,421	(20,943,421)	-
	708,850,091	(335,985,607)	372,864,484	670,952,040	(325,132,268)	345,819,772	641,248,300	(300,701,630)	340,546,670
Accumulated Losses	(367,268,434)	284,675,563	(82,592,870)	(332,207,606)	276,330,511	(55,877,095)	(327,833,962)	245,735,110	(82,098,852)
	341,581,657	(51,310,043)	290,271,614	338,744,434	(48,801,757)	289,942,677	313,414,338	(54,966,519)	258,447,819
Non Current Liabilities									
Provision for Gratuity	100,990,758	1,892,979	102,883,737	106,579,533	(9,267,242)	97,312,291	111,182,684	-	111,182,684
Current Liabilities									
Dues to Government	59,519		59,519	56,249		56,249	50,554		50,554
Dues to Corporation	3,286,883		3,286,883	2,777,121	-	2,777,121	3,247,085		3,247,085
Bank Credit Balances	2,635,744		2,635,744	2,184,355		2,184,355	1,613,884		1,613,884
Grants for Special Projects	38,200,322		38,200,322	68,457,137		68,457,137	34,577,843		34,577,843
Provisions and Accrued Expenses	112,869,336	(55,052,596)	57,816,739	111,254,535	(54,019,520)	57,235,015	110,447,895	(53,577,985)	56,869,910
	157,051,803	(55,052,596)	101,999,207	184,729,397.17	(54,019,520)	130,709,877	149,937,261	(53,577,985)	96,359,276
Total Equity & Liabilities	599,624,218	(104,469,661)	495,154,557	630,053,364	(112,088,519)	517,964,845	574,534,283	(108,544,504)	465,989,779

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

4 First time adoption of SLFRS / LKAS (contd)

4.1 SLFRS Optional exemptions

The following exemptions do not apply to the IDB.

4.1.1 LKAS 23 - Borrowing cost, as the policy adopted under previous GAAP (SLASs) was inline with LKAS 23.

4.1.2 SLFRS 2 - Share-based payments, as such scheme was not vested as at the date of transition to SLFRSs.

4.1.3 SLFRS 4 - Insurance contracts, as this is not relevant to the IDB's operations.

4.1.4 LKAS 21 - Foreign operations, as IDB does not have any foreign operations as defined in LKAS 21

4.1.5 IFRIC 4 - Arrangements contains a lease, IFRIC 18 - Transfers of assets from customers, as IDB has not entered into these types of arrangements at the date of transition.

4.1.6 LKAS 19 - Employee benefits, as the policy adopted under previous GAAP (SLASs) was inline with LKAS 19.

4.1.7 LKAS 27 - Investments in subsidiaries, jointly controlled entities and associates, as IDB does not have such investments.

4.1.8 Designation of previously recognized financial instruments under LKAS 39 as available-for-sale or fair value through profit or loss before the IDB's and the Group's transition date, as IDB has not designated any financial instrument either as available-for-sale or fair value through profit or loss before the transition date

4.1.9 IFRIC 1 - Decommissioning liabilities included in the cost of property, plant and equipment, as the accounting treatment applied by IDB for changes in existing decommissioning liabilities are aligned with IFRIC 1

4.1.10 IFRIC 12 - Service Concession Arrangements, as IDB has not entered into agreement within the scope of IFRIC 12.

4.1.11 IFRIC 19 - Extinguishing financial liabilities with equity instruments, IDB do not have these types of financial instruments as at the date of transition.

4.1.12 LKAS 29 - Financial reporting in hyperinflationary economies, as IDB does not operate in a hyperinflationary economy.

4.1.13 IFRS 1 - Deemed cost, IDB opt to apply the exemption as the policy on historical cost remained unchanged.

4.1.14 LKAS 32 - Compound Instruments - IDB does not have any compound instruments as at the date of transition.

4.1.15 IFRIC 18 - Transfers of assets from customers, this is not applicable to IDB.

SLFRS mandatory exceptions

Set out below are the applicable mandatory exceptions in SLFRS 1 applied in the conversion from SLAS to SLFRS.

Exception for estimates

SLFRS estimates as at 1 April 2011 are consistent with the estimates as at the same date made in conformity with Sri Lanka Accounting Standards.

The other compulsory exceptions of SLFRS 1 have not been applied as these are not relevant to IDB.

- Derecognition of financial assets and financial liabilities
- Non - controlling interests
- Hedge accounting

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

4 First time adoption of SLFRS / LKAS (Contd)

4.2 Reconciliations of SLAS to SLFRS

Sri Lanka Accounting Standards (SLFRS / LKAS) requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. IDB's first-time adoption did not have an impact on the total operating, investing or financing cash flows. The Notes 4.3.1 and 4.3.2 represent the reconciliations from SLAS to SLFRS / LKAS for the respective periods noted for equity, earnings and comprehensive income.

In preparing these financial statements in accordance with the SLFRS / LKAS, all the mandatory exceptions and the optional exemptions from full retrospective application of the SLFRS / LKAS are not applicable to IDB.

4.2.1 Reconciliation of comprehensive income for the year ended 2011 & 2012

2011	Note	Under SLAS	Transitional adjustments	Under SLFRS
Sales		143,810,657		143,810,657
Cost of sales	4.2.1.1 A	(57,179,497)	24,629,641	(32,549,856)
Gross profit		86,631,160	24,629,641	111,260,801
Other income (Other Income with Rec. Grant)		243,620,234	-	243,620,234
Administrative expenses	4.2.1.2 A	(336,563,642)	(22,940,601)	(359,504,244)
Results from operating activities		(6,312,249)	1,689,039	(4,623,210)
Finance costs		(445,211)	-	(445,211)
Net finance income / (cost)		(445,211)	-	(445,211)
Profit before tax		(6,757,460)	1,689,039	(5,068,421)
Profit for the year		(6,757,460)	1,689,039	(5,068,421)
Other comprehensive income				
Actuarial gains on retirement benefit obligations	4.2.1.2	-	28,906,361	28,906,361
Total other comprehensive income for the year				
Total comprehensive loss/income for the year		(6,757,460)	30,595,400	23,837,941
Note (a)				
Depreciation				3,301,482
Gratuity Charge				19,639,119.31
				22,940,601.44
Note (b)				
Sundry Debtors				238,900
Inventory				3,632
Trade & other Receivables				
Prepayments				
Revaluation of Motor Vehicle				(1,681,866)
Other Current Assets				
Other Government Grants - Revenue Grants				(2,535,957)
Amortization of Government Grants				(20,212,815)
Trade and other payable				(441,534.74)
				(24,629,641)
Note (b)				
Actuarial Gain				(28,906,361)
				(30,595,400)

2012	Note	Under SLAS	Transitional adjustments	Under SLFRS
Sales		141,211,877		141,211,877
Cost of sales	4.2.1.1 A	(68,246,935)	11,161,849	(57,085,086)
Gross profit		72,964,942	11,161,849	84,126,791
Other income (Other Income with Rec. Grant)		243,574,816	-	243,574,816
Administrative expenses	4.2.1.2 A	(346,371,279)	(4,064,642)	(350,435,921)
Results from operating activities		(29,831,521)	7,097,207	(22,734,314)
Finance costs		(347,150)	-	(347,150)
Net finance income / (cost)		(347,150)	-	(347,150)
Profit before tax		(30,178,671)	7,097,207	(23,081,464)
Profit for the year		(30,178,671)	7,097,207	(23,081,464)
Other comprehensive income				
Actuarial gains on retirement benefit obligations	4.2.1.2	-	1,247,846	1,247,846
Total other comprehensive income for the year				
Total comprehensive loss/income for the year		(30,178,671)	8,345,053	(21,833,618)
Note (a)				
Depreciation				(8,343,425)
Gratuity Charge				12,408,066.62
				4,064,641.70
Note (b)				
Sundry Debtors				721,446
Inventory				11,127
Trade & other Receivables				(8,007)
Prepayments				-
Other Current Assets				(2,819,141)
Other Government Grants - Revenue Grants				(8,034,198)
Amortization of Government Grants				-
Trade and other payable				(1,033,076.55)
				(11,161,849)
Note (b)				
Actuarial Gain				(1,247,846)
				(8,345,053)

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

5 Information about key sources of estimation uncertainty and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

IDB makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are disclosed below.

(a) 'Defined benefit plan - Gratuity

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit obligations include the discount rate, future salary increment rate, mortality level, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using appropriate interest rates by the actuarial valuer.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 20.

(b) 'Useful lives of property, plant and equipment

IDB reviews annually the

6 Revenue

6 a Sales

	2013	2012	2011
Sales	46,982,182.40	44,428,779.91	44,735,234.20
Sales (Non Ferrous Project)	53,087,770.73	31,197,445.66	39,275,635.06
Sales of Income Casper	2,234,935.00	2,155,940.00	2,209,562.25
Work performed by the enterprise & Capitalised	926,911.77	492,389.36	322,288.87
Sales of Publications	339,626.54	435,420.00	546,897.69
Rent - Ind Estates	32,172,840.36	36,303,909.44	33,533,926.55
Water Charges	6,906,752.83	6,388,089.28	6,931,962.51
Infrastructure Facilities	1,982,325.99	1,798,983.33	1,243,543.77
Surcharges	2,564,815.41	388,755.95	242,286.50
Insurance Premium	94,997.95	2,912.75	-
Training Programme	17,573,284.02	14,873,304.77	10,815,086.70
Project Reports	737,333.49	1,122,215.30	1,562,493.48
Service Charges for Industrial Estates	709,774.89	627,451.00	2,391,739.55
Service Charges	1,192,982.27	996,280.07	

6 b Other Income

	2013	2012	2011
Commissions - Laknipaum	250,017.50	190.00	11,940.00
Commissiton (Sub- contracting Exchange)	332,613.35	117,542.95	453,168.78
Commissions - Lakkam Center	1,767,588.76	1,691,097.65	3,104,027.49
kithul Marketing	-	241,320.37	101,608.36
Registraion of Suppliers	169,812.09	875,729.31	1,077,404.42
Non-Refundable Tender Deposits	45,920.00	29,000.00	-
Lakkam Hall Charges	-	91,000.00	147,500.00
Notarial Fees	198,060.00	257,286.00	381,584.00
Panalties	182,410.75	223,854.02	104,119.69
Web Publishing Income	1,500.00	4,000.00	
	2,947,922	3,531,020	5,381,353

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

6 b Revenue (Contd)

Other Income (Contd)			
Visiting Bangalow Charges	268,604.73	182,161.60	174,948.45
Write off Bad Debts		199,450.49	467,585.19
Sales of Fixed Assets	-	-	2,853,252.00
Sundry Income	3,676,554.84	6,985,727.32	1,111,929.13
Savings Interest	965,638.29	1,055,769.54	1,182,370.41
Service Charges For Lab Test	307,777.93	95,851.19	241,283.11
Staff Loan Interest	1,378,217.07	1,052,052.05	968,251.30
Sales Commission	-	-	126,477.40
Capital Grant Transferred	26,985,079.82	3,112,783.98	3,112,783.98
	36,529,795.13	16,214,816.47	15,620,233.71

7 Grants

	2013	2012	2011
Revenue grants	231,000,000	227,360,000	228,000,000
	231,000,000	227,360,000	228,000,000

8 Expenses by nature

8 a Cost of Sales

	2013	2012	2011
Cost of Sales - Direct Materials	32,004,726.96	40,998,032.78	25,458,439.95
Cost of sales - Clay Pots	-	-	74,482.00
Cost of Sales - Purchasing - Non Ferrous Scrap Project	23,589,813.42	5,828,596.47	8,033,390.49
Cost of Sales - Direct Labour	3,104,284.20	5,486,389.37	1,243,431.00
Cost of Sales - Indirect Materials	5,566,542.53	4,978,289.79	7,969,944.60
Consumable Engineering Raw Materials	-	178,669.70	5,934.00
Consumable - Foundry Raw Materials	121,318.65	393,496.34	120,490.00
Maintenance of Printing Machinery		70,462.50	114,143.70
Maintanance of Plant & Mechninery	1,047,607.17	706,727.72	1,243,904.69
Maintenance of Tools & Spares	3,272.07	1,241.36	
Power	3,884,438.83	3,714,480.13	3,074,359.80
Depreciation of Plant & Mechninery	2,292,013.75	2,931,787.93	3,945,327.83
Depreciation of Tools	51,248.89	3,427.23	1,704.50
Depreciation of Printing Machinery		394,207.90	394,207.90
Non Ferrous Scrap Collection Commision	-	-	74,625.40
Charges Of Engineering Works	136,267.39	445,703.40	567,216.41
Marketing Expenses	188,942.19	101,649.58	180,689.28
Sub Contract Charges	847,118.34	165,000.00	655,024.00
Factory Over Head	(1,643,632.59)	(2,161,703.31)	(1,810,406.94)
Amount Recovered by way of Genarai Over Heads	(2,751,135.40)	(3,416,171.17)	(2,377,793.72)
General Overhead	(681,583.61)	(599,807.51)	(808,980.00)
Machine Overhead	(1,291,046.51)	(1,060,810.46)	(1,629,394.56)
Maintenance of Industrial Estates	2,074,350.22	1,518,819.41	2,158,346.82
Maintenance of Lab Equipment	1,264,000.00	19,771.65	8,066.36
Maintenance of Printing Machinery	250,447.96	27,911.50	-
Transport Charges	1,279,113.50	827,198.30	611,520.85
Training Programmes	11,236,770.33	6,693,564.12	7,870,822.71
Total	82,574,878.29	68,246,934.73	57,179,497.07

8 b Administrative Expenses

Basic Salaries	127,597,485.45	130,166,827.54	138,082,571.72
Chairman's Remuneration	345,154.99	600,000.00	540,000.00
Payment/Allowance for Contract Employees	-	-	28,700.00
Professional Allowance	1,200.00	-	-
Special Allowance 5%	22,102,451.03	18,310,300.68	6,823,190.70
C. O. L. Allowance	39,757,840.66	37,583,043.33	40,407,756.23
Other Allowance	5,019,307.49	5,632,803.73	5,422,340.38
EPF (Contribution)	78,813,481.32	17,983,922.92	17,142,208.90
ETF (Contribution)	13,275,370.50	4,495,931.30	4,285,527.28
Bonus for Board Employees	491,000.00	1,026,000.00	542,000.00
Gratuity Charge for the year	17,623,618.61	7,625,948.43	9,577,787.00
Training Allowences	1,663,788.39	1,719,575.79	599,348.12

Daily paid & care taker allowences	2,045,726.71	1,181,172.30	737,393.82
Unutilized Medical Leave Encashment	8,348,314.64	8,104,582.50	8,371,081.50
Overtime	9,730,205.26	10,021,637.25	9,202,007.62
Holiday Pay	691,053.88	874,456.71	742,574.51
Travelling (Local)	6,093,941.82	5,440,282.02	6,228,744.02
Travelling (Foreign)	605,053.13	1,445,854.00	533,663.10
Lodging Expenses	182,443.96	156,362.00	233,917.00
Stationary & Office Requisites	2,595,675.95	4,328,905.34	2,136,414.14
Supplier Registration Fees	-	-	400.00
Fuel Expenses	4,388,227.06	4,102,167.77	3,895,283.45
Uniforms	1,278,422.56	1,566,834.14	1,361,332.61
Maintenance of Land	207,175.89	153,489.11	117,467.75
Maintenance of Building	1,490,604.94	2,548,689.89	2,128,472.06
Maintenance of Plant & Machinery	227,606.06	715,434.25	346,888.67
Maintenance of Computers & Accessories	739,021.04	465,016.21	591,078.04
Maintenance of Motor Vehicle	3,604,555.48	3,178,180.02	3,561,709.65
Maintenance of Office Equipment	908,084.90	532,976.84	793,249.21
Maintenance of Furniture , Fittings & Office Equipment	411,679.80	693,415.57	801,243.25
Maintenace of Bicycles	1,755.00	1,760.00	2,125.00
Maintenance of Tools & Spares	-	2,395.00	-
Maintenance of PABX Services	89,556.06	43,837.64	15,550.25
Maintenance of Sundry Assets	77,513.65	650.00	7,927.00
Maintenance of Water Supply	649,228.34	613,157.12	542,588.94
Maintenance Of Land	15,281.00	59,078.90	72,690.00
Electricity	9,268,119.85	9,423,706.30	7,737,430.77
Telephone Charges	5,061,703.78	4,507,449.47	5,446,063.15
Payment of Security Services	21,479,111.80	18,060,705.51	15,957,955.77
Postage & Telegrams	804,323.97	871,509.80	857,616.06
Water Charges	4,774,775.46	4,850,697.86	4,175,846.38
Rent ,Rates & Taxes	3,311,973.94	2,681,149.06	3,848,409.94
Insurance	1,423,421.52	1,473,479.76	1,007,186.54
Newspapers & Journals	677,367.00	761,291.60	624,595.00
Corporate Plan	673,850.84	673,850.83	673,850.83
Capacity Building	2,591,956.02	2,438,933.15	2,438,933.15
Directors' Fees	334,200.00	489,000.00	117,000.00
Rent - Vehicle PB 7539	-	-	3,750.00
Consultancy Fees	1,000.00	-	-
Contribution to Medical Aid Scheme	550,200.00	1,695,157.00	1,071,593.00
Payment of Workmen Compensation	-	-	200.00
Audit Fees	600,000.00	600,000.00	600,000.00
Medical Examination Fees	74,180.00	6,500.00	31,130.00
Welfare	1,470,891.70	1,475,449.54	1,186,761.65
Entertainment	315,861.27	277,288.50	612,909.40
Advertisement	1,496,237.87	2,343,492.31	3,135,818.53
Legal Charges	429,558.00	581,059.25	780,783.80
Fees for Trade Tests, Interview etc.	13,366.00	4,500.00	11,000.00
Local Training for Board Employees	439,330.00	596,850.00	199,386.00
Membership Fees of Professional Bodies (Local & Foreign)	800.00	12,400.00	55,513.07
Licence Fee	224,865.00	143,875.00	149,325.00
Promotional Expenses	173,000.00	-	4,739.00
Exhibition Expenses	1,234,718.18	321,700.91	411,008.06
Research & Development	118,811.43	263,466.08	238,162.75
Valuation and Survey Expenses	-	-	126,834.83
Feasibility Studies	-	10,000.00	-
Publications	201,658.00	79,125.00	60,280.00
Photos	691.00	950.00	10,557.00
Restatement of Government Grant	-	-	15,430.78
Bad Debts - Write Off	-	703,075.33	-
Miscellaneous Expenses	51,311.00	154,971.00	156,013.09
Registration fees	34,395.71	54,226.00	65,815.76
Write-off A/c	-	-	808,978.82
Provision as per Labour Cases	4,406,388.54	-	-
Provision as per Obsolite Stock	155,066.00	-	-
Depreciation Of - Land Improvement	1,410,559.24	-	-
Depreciation of - Buildings	4,011,701.69	3,758,383.68	3,759,847.00
Depreciation of - Plant & Machinery	1,901,809.40	1,201,709.08	1,312,494.11
Depreciation of - Computer Accessories	2,998,032.66	4,356,705.00	3,330,131.33
Depreciation of - Lab Equipments	95,869.69	95,999.09	95,879.09
Depreciation of - Printing Machinery	516,154.70	-	-
Depreciation of - Motor Vehicles	7,768,492.61	5,732,233.61	5,635,098.80

Depreciation of - Office Equipments	1,916,950.56	1,845,870.92	1,527,249.24
Depreciation of - Travelling Bags	28,989.00	26,514.00	55,143.25
Depreciation of - Furniture & Fittings	1,048,869.08	954,741.90	897,021.00
Depreciation of - Bicycles	8,245.78	6,469.00	4,594.00
Depreciation of - Tools & Spares	5,118.00	19,305.86	61,998.00
Depreciation of - Library Books	230,509.15	197,785.38	116,362.71
Depreciation of - PABX Services	268,863.46	271,659.46	256,420.95
Depreciation of - Utility Services	358,201.69	396,235.79	413,665.89
Depreciation of - Sundry Assets	459,490.68	426,059.03	388,880.00
Depreciation of - JICA Equipment	151,059.50	151,060.00	212,747.00
Depreciation of - Computer Software	141,121.43		
	23,320,038		
	2,343,263		
Finance Cost	436,784,997.77	346,371,279.36	336,563,642.42
8 c Bank Charges	405,179.95	347,149.73	445,210.67
	405,179.95	347,149.73	445,210.67
8 D Actuarial Gain (loss) for the year	(10,320,017.14)		
	(10,320,017.14)		
Average number of employees employed during the year			
Permanent	484	546	576

INDUSTRIAL DEVELOPMENT BOARD

Notes to the financial statements (contd)

10 Net government contribution

	2013	2012	2011	2010
Government Capital Grants as at 1st January 2013	249,328,482	243,182,457	237,529,439	200,255,038
Government Capital Grants Received during the year 2013	25,000,000	30,200,000	29,000,000	60,600,000
Net Government Contribution	274,328,482	273,382,457	266,529,439	260,855,038

11 Other government grants

	2013	2012	2011	2010
Grants - Leather Machilnes	-	100,000	200,000	300,000
Grant for foreign aid	-	25,415	25,415	25,415
R E A P Project - Asset Grant	-	(0)	90,591	181,182
Grant From U N D P	2,020,000	3,030,000	4,040,000	5,050,000
Grant Pug Mill Machine	87,750	117,000	146,250	175,500
Cess Fund	10,500,000	10,500,000	10,500,000	5,000,000
Sirap Fund - Building	27,930,717	28,777,984	29,625,250	30,472,516
Srap Fund - Machinery	917,700	1,376,550	1,835,400	2,294,250
Ministry Funds Achchuveli	16,691,560	11,044,174	-	-
Ministry Funds Industrial Estates	7,899,604	-	-	-
Non Ferrous	10,000,000	10,000,000	-	-
Other Government Grants	76,047,332	64,971,123	46,462,906	43,498,863

13 Grants for Special Project

	2013	2012	2011	2010
T Sunami	1,540,899	1,540,899	1,540,899	1,540,899
Village Development Projects	36,022,280	29,359,240	31,630,317	33,036,944
Kithul Development Project	-	3,373,073	19,509,630	-
Ministry Funds Divinaguma	6,674,059	3,927,110	3,746,709	-
Divinaguma Project	-	-	12,029,583	-
Grants for Special Projects	44,237,239	38,200,322	68,457,137	34,577,843
Less				
Construction Of Common Service				
Service Centre and Goods in Stock for Distribution				
Tsunami Stocks distributed				
Casper Project - Ministry	9,925,434			
Divineguma Project - Cottage Industries				
Expenses for Special Projects	9,925,434	-	-	-
Grants for Special Projects	34,311,805	38,200,322	68,457,137	34,577,843

INDUSTRIAL DEVELOPMENT BOARD
Notes to the financial statements (Contd)
17 Property, plant and equipment

	Land	Land Improvement	Building	Plant, machinery & equipment installation	Printing Machinery	JICA Project assets	Office equipment	Lab Equipment	Travelling Bags	Furniture & Fittings
At 31 December 2010										
Cost	51,438,931		144,132,191	100,714,630	5,862,955	228,842,382	31,169,124	8,832,128	1,140,204	10,382,072
Adjustments	(48,417,980)	48,417,980								
Accumulated depreciation	-	(4,311,842)	(49,999,856)	(81,159,617)	(4,338,024)	(228,176,454)	(22,994,224)	(8,200,320)	(1,063,064)	(5,650,567)
Net book amount	3,020,951	44,106,138	94,132,335	19,555,013	1,524,931	665,928	8,174,900	631,808	77,140	4,731,505
Year ended 31 December 2011										
Opening net book value	3,020,951	44,106,138	94,132,335	19,555,013	1,524,931	665,928	8,174,900	631,808	77,140	4,731,505
Adjustments	(3,082,904)	3,082,904								
Additions during the period	3,082,904		15,872,958	6,979,431			1,318,765		27,800	1,729,560
Disposals - cost									(1,300)	
- accumulated depreciation										
Depreciation charge (Note 8)		(1,286,498)	(3,759,847)	(5,736,700)	(394,207)	(212,749)	(1,576,374)	(95,959)	(55,143)	(904,502)
Closing net book amount	3,020,951	45,902,544	106,245,446	20,797,744	1,130,724	453,179	7,917,290	535,849	48,497	5,556,563
At 31 December 2011										
Cost	3,020,951	51,500,884	160,005,149	107,694,061	5,862,955	228,842,382	32,487,889	8,832,128	1,166,704	12,111,632
Accumulated depreciation	-	(5,598,340)	(53,759,703)	(86,896,317)	(4,732,231)	(228,389,203)	(24,570,599)	(8,296,279)	(1,118,207)	(6,555,069)
Net book amount	3,020,951	45,902,544	106,245,446	20,797,744	1,130,724	453,179	7,917,290	535,849	48,497	5,556,563
Year ended 31 December 2012										
Opening net book value	3,020,951	45,902,544	106,245,446	20,797,744	1,130,724	453,179	7,917,290	535,849	48,497	5,556,563
Additions during the period	3,948,478		3,103,447	2,535,293			3,205,266	1,200	20,301	875,022
Adjustments	(3,948,478)	3,948,478		(1,750,000)	1,750,000				(1,170)	
Depreciation charge (Note 8)		(1,385,578)	(3,760,255)	(4,028,898)	(506,559)	(151,062)	(1,846,160)	(99,271)	(28,729)	(952,527)
Adjustment				175,000	(175,000)					
Closing net book amount	3,020,951	48,465,444	105,588,638	17,554,139	2,374,165	302,117	9,276,397	437,777	38,899	5,479,058
At 31 December 2012										
Cost	3,020,951	55,449,362	163,108,596	110,229,354	5,862,955	228,842,382	35,693,155	8,833,328	1,187,005	12,986,654
Accumulated depreciation	-	(6,983,918)	(57,519,958)	(90,750,215)	(5,413,790)	(228,540,265)	(26,416,758)	(8,395,551)	(1,148,106)	(7,507,596)
Net book amount	3,020,951	48,465,444	105,588,638	19,479,139	449,165	302,117	9,276,397	437,777	38,899	5,479,058
Year ended 31 December 2013										
Opening net book value	3,020,951	48,465,444	105,588,638	19,479,139	449,165	302,117	9,276,397	437,777	38,899	5,479,058
Additions during the period	3,564,311	3,120,350	21,002,711	2,216,172			2,201,244	6,070	29,000	1,569,909
Adjustments		(26,240)	44,108							
Depreciation charge (Note 8)		(1,410,559)	(4,011,702)	(4,193,823)	(516,155)	(151,060)	(1,916,951)	(95,870)	(28,989)	(1,048,869)
Adjustments		(31,765)	(308,851)	(175,000)	175,000					
Closing net book amount	6,585,262	50,117,230	122,314,905	17,501,488	(66,990)	151,058	9,560,690	347,978	38,910	6,000,098
At 31 December 2013										
Cost	6,585,262	58,511,708	184,155,415	110,695,526	7,612,955	228,842,382	37,894,399	8,839,398	1,216,005	14,556,563
Accumulated depreciation		(8,394,477)	(61,840,510)	(94,944,038)	(5,929,945)	(228,691,324)	(28,333,709)	(8,491,420)	(1,177,095)	(8,556,465)
Net book amount	6,585,262	50,117,230	122,314,905	15,751,488	1,683,010	151,058	9,560,690	347,978	38,910	6,000,098

INDUSTRIAL DEVELOPMENT BOARD
Notes to the financial statements (Contd)
17 Property, plant and equipment

	Bicycle Cost	Tools & Spares	Library Books	PABX Services	Utility Services	Sundry Assets	Computer & communication equipment	Computer Software	Motor vehicles	Total
At 31 December 2010										
Cost	130,495	10,138,407	9,318,997	3,108,646	14,543,665	8,059,389	30,879,599		32,469,786	691,163,601
Adjustments										(0)
Accumulated depreciation	(108,701)	(10,047,426)	(8,981,065)	(2,098,785)	(12,976,543)	(5,291,712)	(23,586,872)		(13,228,441)	(482,213,515)
Net book amount	21,794	90,981	337,932	1,009,861	1,567,122	2,767,677	7,292,727		19,241,345	208,950,085
Year ended 31 December 2011										
Opening net book value	21,794	90,981	337,932	1,009,861	1,567,122	2,767,677	7,292,727		19,241,345	208,950,085
Adjustments										-
Additions during the period	11,200	4,365	89,628	1,026,465	1,318,346	340,439	5,289,704		4,163,588	41,255,153
Disposals - cost									(1,840,240)	(1,841,540)
- accumulated depreciation									813,229	813,229
Depreciation charge (Note 8)	(5,011)	(81,093)	(188,545)	(258,668)	(427,770)	(755,592)	(3,724,820)		(6,586,779)	(26,050,256)
Closing net book amount	27,983	14,253	239,015	1,777,658	2,457,698	2,352,524	8,857,612		15,791,143	223,126,671
At 31 December 2011										
Cost	141,695	10,142,772	9,408,625	4,135,111	15,862,011	8,399,828	36,169,303		34,793,134	730,577,214
Accumulated depreciation	(113,712)	(10,128,519)	(9,169,610)	(2,357,453)	(13,404,313)	(6,047,304)	(27,311,691)		(19,001,991)	(507,450,542)
Net book amount	27,983	14,253	239,015	1,777,658	2,457,698	2,352,524	8,857,612		15,791,143	223,126,671
Year ended 31 December 2012										
Opening net book value	27,983	14,253	239,015	1,777,658	2,457,698	2,352,524	8,857,612		15,791,143	223,126,671
Additions during the period	18,750	82,395	328,050	66,140	2,000	506,750	3,253,256		12,561,925	30,508,273
Adjustments										(1,170)
Depreciation charge (Note 8)	(6,469)	(28,114)	(197,785)	(272,274)	(396,237)	(432,245)	(4,356,705)		(8,172,234)	(26,621,102)
Adjustment										-
Closing net book amount	40,264	68,534	369,280	1,571,524	2,063,460	2,427,029	7,754,163		20,180,834	227,012,672
At 31 December 2012										
Cost	160,445	10,225,167	9,736,675	4,201,251	15,864,011	8,906,578	39,422,559		47,355,059	761,085,487
Accumulated depreciation	(120,181)	(10,156,633)	(9,367,395)	(2,629,727)	(13,800,551)	(6,479,549)	(31,668,396)		(27,174,225)	(534,072,814)
Net book amount	40,264	68,534	369,280	1,571,524	2,063,460	2,427,029	7,754,163		20,180,834	227,012,672
Year ended 31 December 2013										
Opening net book value	40,264	68,534	369,280	1,571,524	2,063,460	2,427,029	7,754,163		20,180,834	227,012,672
Additions during the period	38,393	305,759	524,039	1,860		1,469,195	7,338,368			43,387,381
Adjustments			(166,438)				(987,850)	987,850	165,239	16,670
Depreciation charge (Note 8)	(8,246)	(56,367)	(230,509)	(268,947)	(358,202)	(459,491)	(2,998,033)	(141,121)	(7,768,493)	(25,663,385)
Adjustments							(846,729)		(359,849)	(1,547,194)
Closing net book amount	70,411	317,926	496,373	1,304,436	1,705,259	3,436,733	11,106,648	(0)	12,217,731	243,206,145
At 31 December 2013										
Cost	198,838	10,530,926	10,094,277	4,203,111	15,864,011	10,375,773	45,773,077	987,850	47,520,298	804,457,772
Accumulated depreciation	(128,427)	(10,213,000)	(9,597,904)	(2,898,675)	(14,158,752)	(6,939,040)	(34,666,429)	(987,850)	(35,302,567)	(561,251,628)
Net book amount	70,411	317,926	496,373	1,304,436	1,705,259	3,436,733	11,106,648	(0)	12,217,731	243,206,145

8 ACCUMULATED DEFICIT

	2013	2012	2011	2010
Government Recurrent Grants as at 01.01	1,930,291,117	1,930,291,117	1,930,291,117	1,930,291,117
Less excess of expenditure over Income up	(2,012,883,987)	(2,262,498,723)	(2,258,125,079)	(2,526,992,404)
Previous Year Adjustment	(38,455,931)	-	2,383,815	(7,632,609)
Restatement of Government Grants		-	-	257,820,640
Restatement of Scrap sales		(4,882,157)	-	37,429,819
Gov. Recurrent Grant Received During the	231,000,000	227,360,000	228,000,000	221,250,000
Deficit carried forward	(326,048,744)	(257,538,671)	(234,757,459)	(240,000,525)
IFRS Ajustment		284,675,563	276,330,511	245,735,110
Depreciation		-	-	-
	(2,146,388,663)	(2,012,883,987)	(1,986,168,212)	(2,012,389,969)
Add / Less Excess / Deficit for the ye	(216,097,546)	(39,430,683)	(12,714,908)	(37,254,798)

14 Dues to Government

	2013	2012	2011	2010
Commissioner of Inland Revenue	28,879	28,879	28,879	28,879
Commissioner of Inland Revenue Stamp D	37,725	30,640	27,370	21,675
Dues to Government	66,604.00	59,519.00	56,249.00	50,554.00

15 Dues to boards & corporation

	2013	2012	2011	2010
Central Bank of Ceylon E.P.F.	3,301,455.73	2,893,715.93	2,443,579.69	2,857,435.00
Employee Trust Fund	451,434.68	393,167.20	333,541.51	389,650.00
Dues to Boards & Corporations	3,752,890.41	3,286,883.13	2,777,121.20	3,247,085.00

INDUSTRIAL DEVELOPMENT BOARD

Notes to the financial statements (contd)

16 Trade & other creditors, provisions and accrued expenses

	2013	2012	2011	2010
Lunuwila Estate Deposits	1,458,835	1,458,835	1,458,835	1,458,835
Employees Donation	8,695	-	90,979	(920)
B T T Control A/C	-	-	0	(63,097)
Nation Building Tax`3%	1,705,112	1,248,606	1,291,633	1,082,041
Stamp Duty	-	7,690	150	75
Staff Deduction Payable	31,336	17,157	-	-
Payee Tax Payable	16,961	37,467	16,506	5,278
Miscellaneous Creditors	3,357,488	3,324,511	2,677,306	2,677,306
Sundry Creditors - Head Office	5,562,741	4,962,741	4,362,741	3,762,741
Sundry Creditors -Non Ferrous	1,001,108	-	-	-
EDB Village	813,501	813,501	-	288,224
Salaries Payable	1,991	1,991	-	-
Laknipaum Sales & Display Centre - Credit	83,898	(0)	(0)	127,279
Advance on Jobs	2,144,799	1,126,021	0	(228,387)
Refundable Tender Deposits	937,239	902,239	902,239	902,239
Security Deposits	207,651	197,552	176,492	156,198
Refundable Deposits	31,635,854	29,092,175	22,925,850	20,425,045
Buddhist Association Control A/C - Head O	3,300	2,454	1,777	1,357
Welfare Society Control Account	193,883	-	675	-
Thrift Society Control Account	40,970	33,334	21,960	-
Other Department Control A/C	44,511	14,404	2,732	732
Payable Cents Control A/C - Head Office	2,049	2,052	2,024	2,017
Housing Loan Controll A/C	-	-	(0)	(0)
Trade Union Control A/C	3,879	1,879	3,899	3,094
Insurance Control Account	398,386	-	-	(0)
Casper Project - Ministry	-	-	-	84,085
Customer Over Payment	-	-	464,891	7,027,265
Medical Scheme	3,564,691	4,485,621	4,063,571	4,105,071
Provision for Labour Cases	4,406,389	-	-	-
Sub Contract Agro Equipment	1,864,778	1,333,218	874,089	-
Training Programmes	-	108,500	-	-
Non-Ferrous Metal Scrap Programme	-	-	9,257,065	9,257,065
Engineering Control A/C	-	-	124	-
Accrued Expenses	80,949,809	8,544,186	8,530,942	5,817,105
With Holding Vat	-	100,331	100,331	(20,738)
Receivable from Election Commisioner	-	-	8,007	-
SlindeX Exhibition 2013	1,696,949	-	-	-
Non Ferrous- Sub Contract	-	276	197	-
Trade & other creditors, provisor	142,136,801	57,816,739	57,235,015	56,869,910

19 Stock & work-in-progress

	2013	2012	2011	2010
Engineering Raw Materials - (H/O)	1,200,811	459,641	1,196,744	1,298,775
Printing Raw Materials	189,099	279,139	470,236	172,885
Stationary	1,240,183	1,404,750	1,043,223	683,993
Other Raw Materials	2,392,674	3,844,524	1,828,056	1,581,585
Stock Of Village Development Project	11,829,995	9,184,341	10,572,119	12,097,147
Sub Stores - Foundry	2,655,998	1,970,295	3,048,963	911,639
Sub Stores - Rubber	5,490,227	6,162,234	8,919,115	7,048,322
Sub Stores - Leather	193,100	188,954	219,600	187,592
Sub Stores - C S C - Matara	297,836	110,695	124,064	148,577
Sub Stores - C S C - A'pura	-	-	-	26,583
Sub Stores - Electroplating Centre	1,097,909	944,810	1,062,599	1,029,461
Sub Stores - A T R D C - Pannala	833,289	742,973	562,341	433,205
Sub Stores - Divinaguma	4,072,172	-	166,000	-
Sub Stores - Kithul Development Programn	2,511,625	4,224,258	5,937,660	-
Brass Centre - Pilimathalawa	312,283	97,526	59,046	655,193
Work-in-progress - Direct materials (H/O)	522,907	1,444,602	0	-
Work-in-progress - Direct Labour	246,182	99,827	325,028	33,342
Work-in-progress - General Overheads	142,339	91,115	91,547	-
Work-in-progress - Factory Overhead	81,171	56,821	(0)	-
Non-Ferrous Metal Scrap	5,222,037	5,060,052	6,518,994	10,979,932

Provision for Impairment of Non Moving Sto	(1,584,236)	(1,584,236)	(1,584,236)	(1,584,236)
Provision for Impairment of Obsolite Stock	(1,464,321)	(1,464,321)	(1,464,321)	(1,464,321)
Inventory	37,483,282	33,318,002	39,096,778	34,239,674

20 Debtors

	2013	2012	2011	2010
Sundry Debtors - Head Office	61,704,896	264,713	264,713	264,714
Sundry Debtors - Leather	-	282,410	283,347	244,022
Sundry Debtors - Leather Vitharandeniya	-	140,005	140,005	140,005
Sundry Debtors - Engineering	-	229,751	229,751	229,752
Sundry Debtors - Engineering - Workshop)	-	14,114,433	14,527,566	16,592,345
Sundry Debtors - Rubber Division	-	1,425,660	884,343	763,673
Sundry Debtors - A T R D C - Pannala	-	1,739,465	1,739,465	1,677,691
Sundry Debtors - Printing	-	374,061	374,061	374,061
Sundry Debtors - Electrical	-	701,826	701,826	701,826
Sundry Debtors - Foundry	-	5,722,575	6,168,263	5,859,960
Sundry Debtors - Civil	-	2,056,559	2,056,559	2,427,171
Sundry Debtors - Laknipaum	-	42,120	42,120	42,120
Sundry Debtors - C S C - Matara	-	30,317	30,317	30,317
Sundry Debtors - C S C - A'pura	-	15,025	15,025	15,025
Debtors - Returned Cheques	209,398	209,398	209,398	209,397
Tenant Debtors	-	30,143,612	24,394,043	25,439,845
Miscellaneous Debtors	406,707	406,707	406,707	406,707
Lakkam Sales Centre	-	-	66,255	1,240,785
Non ferrous Debtors - Village	-	-	-	-
Non ferrous Debtors - Yugadekma	-	-	-	-
	62,321,001	57,898,636	52,533,763	56,659,416
Less:- Provision for Impairment of Bad & Doubtful debts	37,238,092	37,238,092	36,734,467	37,202,053
Trade and other recievables	25,082,909	20,660,544	15,799,296	19,457,363

INDUSTRIAL DEVELOPMENT BOARD

Notes to the financial statements (contd)

21 Deposits & prepayments

	2013	2012	2011	2010
Security Deposits	207,651	197,552	179,242	156,198
Prepayments	32,690,572	108,469,451	93,117,377	70,138,263
Provision for Imf. Of Pre Payments	(7,226,319)		(7,226,319)	(7,226,319)
Prepayments Advance - Head Office)	192,206	192,206	192,206	192,206
Advance to Staff - Head Office	735,792	1,098,268	1,260,807	1,279,441
Provision for Imf. Of Per. Advances	(560,073)	(560,073)	(560,073)	(560,073)
Advance to Staff for Fuel - Head Office	238,492	348,135	362,392	474,132
Provision for Imf. Of Per. Advances	(235,612)	(235,612)	(235,612)	(235,612)
Receivable From Election Commissioner		(0)	-	-
Advances on Import - Head Office		-	-	(0)
Other Deposits Receivable	2,499,438	3,062,238	2,449,738	2,385,850
Travelling Advance (Foreign)		-	-	0
Receivable From Foreign Training		-	-	-
Deposits & prepayments	28,542,146	112,572,164	89,539,758	66,604,086

22 Other current assets

	2013	2012	2011	2010
Festival Advance	629,800	693,300	711,800	742,500
Motor Bicycle Loan	2,042,680	2,720,541	440,690	608,979
Bicycle Advance	217,204	307,728	471,398	502,942
Distress Loan	37,466,720	28,149,471	22,002,920	21,399,340
Special Advance Book	14,900	13,900	13,900	8,650
Receivable from Other Departmen	421,933	421,933	421,933	2,042,564
Welfare Society Control Account		1,485	-	-
Receivable from Election Committe	47,709		-	-
Sub Contract Exchange	837,418	837,418	837,418	863,057
Shilpa - 2004 Exhibition	1,556,352	-	382,511	(244,610)
Withholding Tax	1,679,834	1,679,594	1,679,594	1,557,819
Good & Services Tax (G S T)	1,424,654	1,424,654	1,424,654	1,424,654
VAT Receivable	17,168,660	12,895,522	12,860,357	13,919,431
Payee Tax Payable		22,931	4,778	-
Non Ferrous-Vat	10,741,854	10,741,854	10,741,854	10,741,854
Other Exhibition		-	-	(184,017)
Capacity Building		2,442,933	4,881,866	5,265,150
Training Programme		-	-	110,451
Preparation For Corporate Plan		673,851	1,347,702	1,076,350
Salary Control A/C		-	14,864	-
Foreign Travelling - Local	190,620	103,690	-	-
Casper Project - Ministry		-	7,342,561	-
Mispostings Account	6,525	6,525	21,267	-
Kithul - Marketing	281,675	281,675	2,203	-
Non Ferrous Control Account	742,661	742,661	-	-
Lakkam Craditors	483,978	425,891	502,078	-
			-	
Economic Service Charges	170,872	170,872	170,872	-
Camachchi Ambal Village		149,023	149,023	-
Lak Nipaum Sale Centre		0	0	-
Training Programme Tsunami Project		(0)	(0)	-
Other Current Assets	76,126,049	64,907,452	66,426,241	59,835,114

INDUSTRIAL DEVELOPMENT BOARD

Notes to the financial statements (contd)

23 Cash & bank balances

	2013	2012	2011	2010
Bank Account - Laknipayum - Polonn	11,605	11,605	11,605	11,605
I R D P Bank Account-Do not Use		10,000	10,000	10,000
Current Account - Kurunegala		34,071	34,071	34,071
Divineguma Project - Cottege Industri	(822,742)	3,666,096	19,742,719	-
Current Account - Puttlam		-	-	237,797
Current Account - Gampaha		-	-	124,926
Current Account - Kalutara		-	-	432,453
Current Account - Rathnapura		-	-	393,748
Current Account - Colombo		-	-	1,028,632
Current Account - Kurunegala		-	26,667	349,902
Current Account - Anuradhapura		-	-	93,318
Current Account - Anuradhapura (Old Balance)		14,779	14,779	14,779
Current Account - IRDP - Matara	2,076	2,076	2,076	2,076
Current Account - Anuradhapura (Old Balance)		5,000	5,000	5,000
Current Account - Sub contract - Marketing		854,376	(159,835)	(1,613,270)
Current Account - Monaragala	17,005	17,005	17,005	17,005
Current Account - Distress Loan	54,038	5,331	1,396,423	6,394
Current Account - Idama - Moratuwa	(1,435,168)	(2,610,793)	(2,024,206)	36,308,130
Current Account - E P C		-	-	1,109,838
Current Account - Polonnaruwa		-	-	5,623
Current Account - Peliyagoda - RPD	780,287	7,646,625	7,422,856	8,969,297
Current Account - Leather Centre		-	-	1,207,052
Current Account - Capital Grant Ban	1,462,027	(24,776)	267,279	206,929
Current Account - Matara		-	-	54,678
Current Account - Marketing	1,250,634	-	-	29,066
Current Account - Galle		-	-	102,824
Current Account - Hambanthota		-	-	200,204
Bank Balance - Engineering Division	5,524,731	3,624,366	7,524,453	7,271,932
Bank Balance - REAP	28,197	40,697	40,697	40,697
Bank Balance - Village Development	(62,374)	3,462,688	313,467	37,206
Bank Balance - CEDACS		-	-	141,241
Bank Balance - TSD		-	-	1,235,369
Bank Balance - CITIS		-	-	454,684
Bank Balance - Regional office, Kandy		-	-	31,998
Bank Balance - Regional office, Matale		-	-	703,210
Bank Balance - Regional office, Kegalle		-	-	69,978
Bank Balance - Regional office, N'Eliya		-	-	91,050
Bank Balance - I Estate		(175)	(175)	(175)
Bank Balance - Monaragala		-	-	40,834
Bank Balance - Badulla		-	-	63,330
Bank Balance - Non Ferrous	49,567	21,714	7,946,328	3,305,967
Bank Balance - Regional Division	534,365	688,758	407,364	1,227,082
BOC - "Idama" Scrap Project Savings	166,084	2,240,174	2,415,274	6,732,488
Current Account TSunami	10,000	-	3,086	16,326
Current Account - Ampara		-	-	52,171
Current Account - Trincomalee		-	-	287,617
Bank Balance - I Estate		-	(139)	(439)
Current Account - Lakkam Sales Co	437,277	1,956,422	2,496,506	2,122,575
Current Account - Debit Tax Exempt	(431,544)	1,397,937	1,141,917	3,389,904
District Office - Bank Account	(819,679)	-	-	-
Fixed Deposit Account - BOC - Ida	28,125	25,000	25,000	25,000
Savings Account - CESS Fund	10,854,503	10,714,864	10,891,029	299,483
Savings Account - Capital Funds	1,698,351	239,667	19,870,081	-
Savings Account - Estate Deposits	10,512,599	8,928,877	3,649,108	-
Imprest Accounts	10,385	3,683	(1,381)	5,278
Special Imprest - Cashier	23,379	23,379	23,379	23,379
Cash-in-Transit	24,690	24,690	24,690	24,690
Cash-in-Transit Metal Scrap Project	12,540	12,540	12,540	12,540
Cash and Cash Equivalents	29,920,958	43,036,674	83,549,660	77,047,492
Fixed Deposit	28,125	25,000	25,000	25,000
Debit Balances	33,464,340	45,647,418	85,709,016	78,636,376
Credit Balances	(3,571,507)	(2,635,744)	(2,184,355)	(1,613,884)
Cash and Cash Equivalents	29,920,958	43,036,674	83,549,660	77,047,492

INDUSTRIAL DEVELOPMENT BOARD

Notes to the financial statements (contd)

24 Retirement benefit obligations

The amounts recognised in the statement of financial position are determined as follows:

	2013	2012	2011
Present value of unfunded obligation	115,063,783	102,883,737	97,312,291
Liability in the statement of financial position	115,063,783	102,883,737	97,312,291

The movement in the defined benefit obligation over the year is as follows:

	2013	2012	2011
At 1 January	102,883,736.83	97,312,291	111,182,684
Current service cost	4,511,322.50	4,014,297	5,538,437
Interest cost	12,142,615.89	11,251,062	12,945,351
Actuarial loss / (gain) on post employment benefit obligation	10,320,017.14	(1,247,846)	(28,906,361)
Benefits paid	(14,793,910.00)	(8,446,068)	(3,447,820)
At 31 March	115,063,782	102,883,737	97,312,291

The principal actuarial assumptions used were as follows.

	2013	2012	2011
Discount rate			
Future salary increases	10%	10%	10%
Staff turnover rate	13%	13%	12%
Retiring age	55	55	55

25 (a) Financial instrument by category

	Loans and receivables			
	2013	2012	2011	2010
Assets as per statement of financial position				
Trade and other receivable excluding pre- p	101,208,958	85,567,997	82,225,539	79,292,477
Cash an cash equivalent	33,464,340	45,647,418	85,709,016	78,636,376
Total	134,673,298	131,215,415	167,934,554	157,928,853

Other financial liabilities at amortised cost

	2013	2012	2011	2010
Liabilities as per statement of financial position				
Trade and other payables				
excluding non financial liabilities	193,765,041	101,999,207	130,709,877	96,359,276
Total	193,765,041	101,999,207	130,709,877	96,359,276

26 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2013	2012	2011
Loss before tax	(95,048,744)	(21,833,618)	23,837,941
Adjustments for:			
Depreciation	25,663,385	26,621,102	26,050,256
(Revaluation) / Devaluation of motorvehicles		1,683,477	(3,365,343)
Finance costs	405,180	347,150	445,211
Changes in working capital:			
- inventories	(4,165,280)	5,778,777	(4,857,104)
- trade and other receivables	12,553,891	(24,026,243)	(23,484,921)
- trade and other payables	90,830,071	(29,162,059)	33,780,130
Retirement benefit obligations	26,973,956	14,017,513	(10,422,573)
Cash generated from operations	57,212,458	(26,573,902)	41,983,597

**AUDITOR GENERAL'S REPORT
FOR
COMMENTS OF THE BOARD**



විගණකාධිපති දෙපාර්තමේන්තුව

கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்

AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

LS/H/IDB/1/13/41

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

20 July 2015

The Chairman

Industrial Development Board of Ceylon

Report of the Auditor General on the Financial Statements of the Industrial Development Board of Ceylon for the year ended 31 December 2013 in terms of Section 14(2) (c) of the Finance Act. No. 38 of 1971.

The audit of financial statements of the Industrial Development Board of Ceylon for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 38 (1) of the Industrial Development Board Act, No.36 of 1969. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed Report in terms of Section 13(7)(a) of the Finance Act was furnished to the Chairman of the Board on 23 December 2014.

1:2 Management's Responsibility for the Financial Statements

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

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI-1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the extent of the audit.

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

1:4 Basis for Qualified Opinion

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

2. Financial Statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Industrial Development Board of Ceylon as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements.

2.2.1 Going Concern of the Board.

As a result of the continuous losses sustained by the Board, the net assets amounting to Rs. 289,942,677 as at 31 December 2012 had diminished up to Rs.168,789,170 as at 31 December of the year under review. Nevertheless, due to the effect of the revaluation of the property and plants carried out on 31 December 2014, the total assets and the net assets had increased by Rs. 941,908,020.

2:2:2 Sri Lanka Accounting Standards

The non-compliances with the following Sri Lanka Accounting Standards were observed during the course of audit.

Reference to Sri Lanka Accounting Standards

Non-compliance

Sri Lanka Accounting Standard No. 01

In the preparation of the statement of changes in equity, the items such as Government Grants received in each year and the annual amortization which attribute to the changes in the opening balances of the equity items had not been separately made available.

Sri Lanka Accounting Standard No. 02

The valuation of stock should be carried out at the cost or the net realizable value, whichever is lower. Nevertheless, such a fair valuation had not been carried out in respect of the stock amounting to Rs. 37,483,282.

Sri Lanka Accounting Standard No.16

Since property and plants the carrying value of which was Rs.243,201,773 had not been revalued, a fair value on the property and plants had not been depicted in the financial statements as at 31 December of the year under review.

- Sri Lanka Accounting Standard No. 18 The income of the Lakkam Sales Centre had been recognized at the time of settlement of dues to the supplier, but not at the time of generating the income. Accordingly, income amounting to Rs.1,767,589 had been recognized contrary to the standard.
- Sri Lanka Accounting Standard No. 36 If reasonable Impairment Indicators exist on the assets, a sufficient accounting measures should be adopted to impair and disclose such assets at a fair value in the financial statements. Nevertheless, action had not been taken according to the standard with regard to the property, plant and equipment, closing stocks and long term debtors balances totalling Rs. 298,144,587.
- Sri Lanka Accounting Standard No. 39 According to the Note No.2.4.2, it was stated that action would be taken on loans and advances in terms of the accounting standard, but action in terms of the Sri Lanka Accounting Standard No. 36 and 39 had not been taken on the loans and advances amounting to Rs. 40,356,406 and it had not been disclosed at a fair value.

2:2:3 Accounting Policies

The following observations are made.

- (a) If any accounting policy is introduced, it should be transparent and reasonable to disclose a fair financial position and capable of being consistently applied. However, a 100 per cent provision for doubtful debts in respect of debtors older than 5 years and 10 per cent provision for all the debtors less than 05 years had been made.

- (b) Without formulating an appropriate accounting policy with regard to the capitalization of assets by the Management, immaterial and lesser valued items had been capitalized.

2:2:4 Accounting Deficiencies

Since a sum of Rs.3,191,492 spent on the purchase of assets and expenses incurred during the year under review had been retained in the Pre-payment Account, assets had been under stated and due to un-identification of expenses, the profit had been over stated.

2.2.5 Contingent Liabilities

Even though provisions of Rs.4,406,388 for contingent liabilities had been made in respect of 20 cases filed against the Board by employees and industrialists, it had not been done on the basis of a proper professional judgement.

2.2.6 Accounts Receivable and Payable

Out of the debtors balances of Rs.61,704,896 as at 31 December of the year under review, a sum of Rs.47,265,947 had represented the balances older than one year, out of which a sum of Rs.34,091,170 represented the balances exceeding 05 years. However, the Board had not made reasonable effort for the recovery of these balances.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Board for the year under review had resulted in a deficit of Rs.95,048,744 as compared with the corresponding deficit of Rs.21,833,618 for the preceding year, thus indicating a deterioration of Rs.73,215,126 in the financial result. Further, the Working Capital of the Board as at 31 December 2013 amounted to Rs.110,896,947 and as compared with the preceding year, a corresponding deterioration of Rs.138,109,179 was observed.

3:2 Inordinate Increase in the Expenditure.

The administrative expenditure of the year under review amounted to Rs. 481 million and it was Rs.355 million in the preceding year. Increase in the provisions for the Employees Provident Fund and Employees Trust Fund, provisions for bad debts and increase in the exhibition and training expenditure had been the main reasons for the increase in those expenses.

4. Operating Review

4:1 Performance

The matters observed in the examination of the progress achieved in each Division are as follows.

- (a) There was no evidence to examine the progress of 3 projects and 06 activities relating to the Regional Development Division. Further, the progress of the other activities had ranged from 60 per cent to 29 per cent.
- (b) Seven activities of the Rubber Division had been carried out in any way during the year and the progress of the activities carried out had ranged from 13 per cent to 148 per cent.
- (c) Fifty one activities of the Marketing Division had not been carried out during the year.
- (d) The progress reports of the Planning Division had been prepared up to May 2013 only and as such the progress could not be checked.
- (e) As the progress reports of the Financial and Administrative Divisions had not been prepared, the progress thereof could not be examined and the progress of the Technical Services Division could not be examined as its progress had not been quantified. Three activities of the Industrial Estate Division had not been implemented during the year and in the examination of certain activities carried out it was observed that the targets given were not realistic.

4.2 Management Inefficiencies

(a) Scrap Division

The following Observations are made

- (i) Even though the funds of the Scrap Material Project cannot be transfer to other activities, a sum of Rs. 416,641 for travelling and over time expenses for the duties of the Deyatakirula Exhibition, a sum of Rs.7,000,000 for the payment of salaries of the casual employees , á sum of Rs.50,000 for the payment of incentives and a sum of Rs. 60,000 for the Welfare Association had been granted from the funds of the project.
- (ii) Although the objective of the Scrap Material Project is to sale of scrap materials purchased from various public institutions to small and middle scale industrialists at a concessionary price, 20 per cent of the sales amounting to Rs.18,404,967 made from January to May 2013 only to two buyers. It was, therefore, observed that objective of the project for the uplifting small scale industrialists had not been achieved.
- (iii) Thirteen items at a cost of Rs.2,800,922 which had not been verified had been included in the closing stock. Further, shortages and excesses of stocks had been identified in the physical stock verification , but any recommendation thereon had not been made by the Board of Survey.

4.3 Operating Inefficiencies

- (a) The following deficiencies were observed in the cost calculation of the various activities accomplished by the Board to the external parties.
 - (i) Non-utilization of costing manuals.
 - (ii) The basis adopted for the cost elements had become obsolete.
 - (iii) In the computation of cost, certain kinds of costs had not been taken into account as the relevant costs despite they were related.
 - (iv) In the estimation of cost, normal losses had not been identified.

- (v) Costs variations had not been identified between the estimated costs and the actual costs, after being compared.
- (vi) Costs accounting had not been carried out.
- (vii) Machine hours had been illegibly included in the time sheets used by the Board.

4.4 Underutilization of Funds

There were balances aggregating to Rs.10,155,405 in 07 current accounts and the balances aggregating to Rs.23,065,453 in 03 savings accounts as at 31 December of the year under review. Those balances had not been utilized in an effective investment.

4.5 Idle and Underutilized Assets

The following observations are made

- (a) Five printing machines costing Rs.4,454,473 remained idle during the year under review.
- (b) The Techno-Mobile bus purchased at a cost of Rs.7,950,000 in the year 2009 had been at the underutilized level during the past several years and it had not been utilized during the year under review.
- (c) The building the construction of which was commenced in December 2010 and completed in August 2012 at a cost of Rs.18.7 million for the enhancement of the laboratory facilities of the Technical Services Division had remained idle up to the date of reporting.

4.6 Resources of the Board given to other Government Institution

A driver belongs to the staff of the Board had been employed in the Ministry and a sum of Rs.349,440 had been spent in respect of his salaries and allowances during the year under review.

4.7 Personnel Administration

It was observed that 10 posts of management level, 100 posts of executive level and 160 posts of non-executive level had been in vacant position as at 31 December of the year under review and it had adversely affected the operations and administrative affairs of the Board.

4.8 Vehicle Utilization

The following observations are made.

- (a) The utilization of 21 vehicles in use had been at a low level and as compared with the maintenance cost, it was observed that a benefit had not been received as compared with the cost.
- (b) A maintenance cost amounting to Rs.275,926 had been incurred on 05 vehicles which had not been utilized for running and the cost incurred thereon was observed as a fruitless expenditure.
- (c) Maintenance and repair cost amounting to Rs.173,354 had been incurred in respect of two vehicles not owned by the Board and action had not been taken to transfer the vehicle properly.

5. Accountability and Good Governance

5:1 Presentation of Financial Statements

In terms of the Section 6:5:1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003 the drafts annual reports and accounts relating to every State Corporation should be furnished to the Auditor General within 60 days after close of the financial year. Nevertheless, the financial statements for the year 2013 had been furnished on 20 November 2014.

5.2 Internal Audit

Even though an Internal Audit Division had been in operation within the Board, audit reports had not been furnished in accordance with the Internal Audit Plan.

5.3 Budgetary Control

Out of estimated provisions relating to the capital expenditure, only 87.6 per cent had been utilized during the year under review and it was observed that the recurrent expenditure had exceeded the estimated limits ranging from 12 per cent to 12,540 per cent.

5.4 Tabling Annual Reports

The Annual Report of the year 2012 had not been tabled up to the date of audit.

5.5 Unsettled Audit Paragraphs

The following observations are made

- (a) The directives of the Committee on Public Enterprises of Parliament on which adequate attention had not been paid.

Item	Directive of the Committee on Public Enterprises	Date of Meeting of the Committee on Public Enterprises	Current Status / Observations
(i)	Vacancy in the Post of Finance Manager	Examine the Scheme of Recruitment for all posts and fill all vacancies	09 December 2010 Two hundred and sixty posts including the post of Finance Manager had been vacant.
(ii)	Sixty Eight defective manual pottery wheels and shortage of 79 manual pottery wheels.	Directed to conduct investigations on the stock shortage of 79 manual pottery wheels	16 November 2012 Investigations had not been finalized.

- (iii) Products showroom at Directed to take steps 16 November Even though the Badulla valued at to utilise for the 2012 construction of the Rs.1,412,100 expected purposes. showroom had been completed, it had not been utilize for the intended purpose up to the date of this report.
- (a) Three machines purchased on 03 February 2006 for Rs.295,500 at the rate of Rs.98,500 per machine, for the Gonapura Food Project had been lying in the stores and their useful life period is lapsing.
- (b) The building of 1400 square feet with water and electricity situated on an 80 perch land called Mahiyangana, Miyanugana , Dimbulawatta and the land had not been used for any purpose over a period exceeding 15 years.
- (c) The hostel of the Appropriate Technology Research Centre at Pannala with the accommodation for about 25 person had remained closed down since the year 2004.
- (d) Some parts of the mushroom drier purchased at a cost of Rs.1,180,000 for a Mushroom Project had been misplaced and the machine remained idle in the Board Premises.
- (e) The billing printing machine and the software system purchased at a cost of Rs.306,750 in the year 2008 for the Lakkam Sales Centre remained idle even during the year under review.

6. Systems and Controls

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

- (a) Accounting
- (b) Sale of Scrap Materials
- (c) Fixed Assets Control
- (d) Motor Vehicle Utilisation and Maintenance of Registers
- (e) Granting and Settlement of Advances
- (f) Control of Debtors and Creditors
- (g) Management level vacancies
- (h) Stocks Control
- (i) Budgetary Control

W.P.C. Wickamaratne

Acting Auditor General.

2013

Auditor General's Report as per section 14 (2) (c)

Solutions for paragraphs on which the audit opinion was based and current situation

2.2 Comments on financial statements

- 2.2.1 Recurrent and capital provisions are allocated by the Treasury to maintain the Sri Lanka Industrial Development Board.

Year	Recurrent	Capital
2010	221,250,000	60,600,000
2011	228,000,000	29,000,000
2012	227,360,000	30,200,000
2013	231,000,000	25,000,000
2014	251,000,000	35,000,000
2015	263,000,000	45,000,000

The above provisions are sufficient for salaries, gratuity and settlement of capital expenditure and other expenses can be settled with the income of the Board. Further as per Act No. 36 of 1969 under which the Industrial Development Board was established ours is a service providing entity.

2.2.2 Sri Lanka Accounting Standards

- (a) As per Sri Lanka Accounting Standard No.1 on the preparation and presentation of financial statements, 'the accounting unit' was corrected as 'Sri Lanka Industrial Development Board'.
- (b) As per Sri Lanka Accounting Standard No.1 on the preparation and presentation of financial statements, statement on changes of equity was corrected by including all equity items.

- (c) As per Sri Lanka Accounting Standard No. 2, inventory shall be measured at the lower of the cost and net realizable value. Similarly, an impairment test was conducted for slow moving inventories, and allocation journal entries were made for such quantities.
- | | | |
|-----|---------------------|----------------|
| i. | Stationary | Rs. 439,999.59 |
| ii. | Other raw materials | Rs. 55,085.68 |
- (d) As per Sri Lanka Accounting Standard 16, when revalued vehicles were sold, journal entries were made in order to remove the profit in respect of such vehicles from the revaluation reserve. Sage data entry numbers are 88226 and 88227.
- (e) In order to reflect assets with reasonable impairment indices as per Sri Lanka Accounting Standard 36 in financial statements in preparing financial statements in accordance with the international financial reporting standards for the year ended 31 December 2013 having made adjustments from 31 December 2010, impairment allocations were made. Remaining adjustments will be made in the accounts of 2014.
- (f) Action will be taken to conduct a revaluation to take into books the current market value of property and plant as per the international financial reporting standards. Accordingly instructions were given to proceed with the necessary activities. Having appointed a committee to remove assets with impairment indices from the financial statements, action was taken to submit them to take appropriate action and to take decisions in this regard at the meeting of the Audit and Management Committee and the meeting of the Board of Directors.
- (g) Since the depreciation should be calculated at the time of the asset is ready for use as per Sri Lanka Accounting Standards 16, journal entries were made for the necessary corrections. Corrections have been entered from Sage 87949 to 88202.
- (h) Under furniture and fixture items, 09 types of assets with different depreciation percentages had been submitted and the set of financial statements were prepared by correcting it.
- (i) Though the balance of Rs. 17,459,532.00 should be settled from the other current assets except for advances and loans, journal entries were made to correct the accounting errors thereof and impairment allocations were entered to reflect at the fair value. The remaining adjustments will be made in the accounts of 2014.
- (j) Allocations were included in order to reflect at the fair value the loans and advances amounting to Rs. 40,356,404/- given to the staff indicated under other current assets. The remaining adjustments will be made in the accounts of 2014.
- (k) In preparing the financial statements of Industrial Development Board as per the international accounting standards as at 31.12.2012, the investment of Rs 5,299,990/- with clear impairment indices regarding investment according to the Sri Lanka Accounting Standard 36 was corrected using those investments. Sage 88253,88254, 2014.

- (l) Money is paid monthly for the sold items of the industrialists of 'Lakkam' Centre and the income of the Board at the time is indicated separately. However as it contravened Accounting Standard 18 as pointed out in the audit, instructions were given to calculate the income of the board daily from 15 January and refer it to the Finance Division.
- (m) Since assets with different lifetimes should be classified separately as per Sri Lanka Accounting Standard 16, (i),(ii), (iv) were corrected in preparing the financial statements.
- (iii) Since security systems and other accessories fixed to vehicles is treated as one item, they are classified together when a vehicle is sold or revalued.

2.2.3 Accounting Policies

- (a) if any accounting policy is introduced, such policy should be able to be applied consistently so as to enable the transparent and fair financial positions and as such impairment allocations were made. The remaining adjustments will be made in the accounts of 2014.
- (b) Shortcomings occasioned by the capitalization of assets had been done without any basis, revaluation of assets, determination of financial limits of capitalization and writing off of disposable assets will be done in the 2014 accounting year.

2.2.4 Accounting shortcomings

- (a) In the valuation of the final inventories, slow moving stocks and non selling stocks were identified and necessary journal entries for allocations were made.

i.	Pannala ATRDC sub store	- Rs. 207,980.98
ii.	Foundry division	-Rs. 62,140.50
iii.	General service centre	- Rs.65,686.12
iv.	Various raw materials in the main warehouse	- Rs 378,992.82
v.	Raw material stocks in the main warehouse	- Rs 869,259.11

Journal entries were made for allocations.

- (b) Software system indicated under machinery and plant (computers) was separately accounted.
- (c) The expenditure of Rs. 2,254,254/- indicated under utilization services was correctly accounted by making journal entries. Sage 8824 to 88250.
- (d) From the very outset, the Lakkam Sales Centre issued a sales invoice for the items sold.. Instructions were given to issue a money receipt for sales from January 2015.
- (e) Since the electricity bill of auditorium of the Lakkam Sales Centre too is included, action will be taken to fix a separate electricity meter to compute the additionally consumed units in using the auditorium.
- (f) Allocation journal entries were made for Rs. 135,000.

2.2.5 Contingent Liabilities

Journal entries were made for Rs 4,406,388.54.

2.2.6 Unexplained differences

Bank balances indicated in financial statements are correct. Notes for changes in the accounts of 2013 have been made in February 2014. Correct bank reconciliations were submitted for the audit.

2.2.7 Receivable and payable accounts

- i. }
iii. } Corrected by making journal entries for impairment allocation for debtors as per the
iv. } debtor age analysis
v }
- ii. Required correction notes were made for prepayments for expenses amounting to Rs. 3,191,492/- and the purchase of assts during the year under review.
- vi, vii The Inland Revenue Department has not submitted estimates for Rs 184,768 shown as turnover tax and action has been taken to treat the surplus tax liability as per the books of the Board as an accounting error and correct same.

The Inland Revenue Department has also not submitted estimates for the credit balance of Rs. 367,220 shown as withholding tax on the value addition and following journal entries were made to correct same treating it as an accounting error over past few years.

The Inland Revenue Department has not submitted payable estimates for Rs. 652,228 (credit) indicated as National Defence Levy. Similarly, the Board has also not made payments systematically for this category of taxes. Therefore balances to be paid or recovered are no longer observed. Hence this too was treated as an accounting error and journal entries were made accordingly.

3. Financial Review

3.1 Financial outcome and financial position

- (a) Financial outcome
Attention was paid to pursuing necessary action required for the future enhancement of the financial position.
- (b) Necessary instructions for the improvement of the working capital too were given.

3.2 Analytical financial review

Noted for future reference.

3.3 Legal action against the institution and initiated by the institution

For instances where allocations could be made for 09 cases filed by the institution and were pending as at 31.12.2013 and 11 cases filed against the institution and were pending, allocations were made through sage 88251 and 88252.

3.4 Abnormal increase in expenditure

The Employees Trust Fund and the Employees Provident Fund have not been taken into account for the cost of living allowance from the year 2006. A 'C' report has been prepared in this connection and submitted to the Department of Labour seeking approval to make payments in installments and additional provisions have also been sought from the Treasury for making payments.

Instead of bad debt, an impairment allocation has been made in the accounts. Necessary adjustments will be made in submitting financial statements for the year 2014.

Exhibition duties and trainings are major functions of the Department and charges are levied and provisions are allocated by the Ministry to carry out these functions.

- 4.1** Following information is submitted in respect of matters raised after examining the progress of each section. It is observed that the shortcomings of the functions discharged by each section listed from (a) to (h) under the performance are due to the deficiencies in drafting sectoral action and plans and lack of proper evaluation mechanism. Further, the gap between the process for restructuring the institution launched in the year 2012 and plans and administrative apparatus too is a contributory factor. The resultant absence of proper human resources management and human resources development and the scarcity of the appropriate human resources made it difficult to apply the relevant factors in drafting the relevant development action plans. Therefore arrangements have been made to draw up plans from the year 2015 on the basis of criteria arising from the restructuring and in compliance with the result based performance. Further, action is being taken to motivate the staff through a result based appraisal enabling sound human resource management and human resources development and to recruit appropriate human resources. In addition, all information on development will be gathered and evaluated through a computer based information and management system.

4.2 Management inefficiencies

(a) Scrap Division

- (i) The funds of the scrap material project had to be channeled to meet these expenses as sufficient funds were not received from the Ministry for the 'Deyata Kirula' exhibition despite a request to that effect. The profit of that fund has been used for incentives and the welfare association with the formal approval of the Chairman.

- (ii) As per the objective of the scrap material project, items have been sold to 558 industrialists registered in 2013 and 392 tons of iron have been sold to 49 industrialists who have been registered for purchasing iron.

(b) Kitul Project

- (i) The distribution of these ovens to the beneficiaries of this project has been completed.
 - (ii) The distribution of remaining helmets, raincoats and safety belts of this project among Kitul industrialists has now been completed.
 - (iii) An impairment allocation was made for helmets and raincoats purchased for the Kitul project and were in a state of decay.
- (c) Out of the value shown in other current assets, impairment allocation was made for Rs. 15,041,721/-.
- (d) The cess fund established in 2009 with the objective of creating a revolving fund to supply the required funds for industrialists to procure raw materials was used in 2014 for the purchase of raw materials of the scrap material project.
- (e) Rs 10 million of deposits of industrialists of industrial zones deposited in savings accounts was invested in a fixed deposit account in the year 2014. Funds in other savings accounts have been retained as they are required for regular use.
- (f) The Inland Revenue Department made inquiries about the relevant balances of the Goods and Services Tax on 28.11.2013 and 06.03.2014 and made a request for a full report prepared on quarterly basis in respect of all taxes paid and levied by the Board for items purchased and sold over the past few years. Accordingly, a 03 month report has been prepared and will be submitted for the observation of the Inland Revenue Department and if it is approved as correct, action will be taken to prepare similar reports for other months, too.
- (g) Action has been taken to pay only the remainder of the Nation Building Tax (NBT) after deducting the amount of NBT paid at the source for the goods and services obtained by the Board out of the total NBT levied by the Board to the Inland Revenue Department. Accordingly, measures have been taken to check the veracity of the tax amounting to Rs. 1,726,967 pointed out as per accounts reports as at 31.12.2013.
- (h) The formal certification of photocopies of the relevant certificates related to qualifications to be fulfilled as per the recruitment procedure relevant to each post has been commenced and action has also been initiated to have the qualifications confirmed from the relevant institution in confirming the officers subsequent to the expiry of the probationary period.

(i) Inventory verification

i,ii Since the space in the warehouse where scrap materials are stored is limited, some stocks were maintained outside. However as a case was filed in the courts for allowing dengue mosquito breeding grounds, action was taken to remove and sell all unsafe scrap material stocks. This was done before the survey on scrap materials held on 26.09.2013. Under the practical circumstances that prevailed, all stocks could not be verified. Further, the following practical problems were also encountered during the verification.

- (a) Non availability of weigh bridges for weighing scrap stocks.
 - (b) Lack of space in the warehouse premises.
 - (c) Shortage of staff to be employed for this purpose.
- However arrangements have been made for a complete verification of inventory in the year 2014.

4.3 Operational inefficiencies

- (a) The management has paid its attention to properly include cost adjustments from the year 2015.
- (b) Refunds have to be made for the gingelly grinding machine as it takes long to manufacture this machine and since it was informed in writing that the machine was unnecessary.

4.4 Underutilization of funds

- (a) Unidentified deposits and the time take for the realization of cheques deposited have been reasons for balances existing as overdrafts in bank accounts as at 31.12.2013. But in bank accounts, overdrafts are not shown. Similarly, in circumstances where a bank accounts opened for a particular purpose cannot be used for other purposes, such instances do occur. However instructions were given appropriate action so as not to create bank overdrafts in the future.
- (b) Out of Rs 138,810.74 which was the sum total of the imprest account, special imprest and money in transit, the amount settled in the year 2014 was Rs. 10,385.10 and upon the inspection of books, the other amounts were identified as accounting errors. Action was taken to make the relevant corrections in this regard and remove from the financial statements.
- (c) The following measures were taken in gainfully investing the balances of savings accounts. The balance of the capital account was used for purchases in the year 2014. Cess fund was used for the purchase of raw materials of the scrap material project and Rs. 10,000,000 of the deposits of industrialists was invested in a fixed deposit account.

- (d) Bank accounts that do not derive any benefits have been opened for various purposes and as they could only be used for the intended purpose, this situation has come into being. The management has focused its attention on investing the gainfully.

4.5 Non-moving and underutilized assets

- (a) Printing machines.
- i. The price of the machine produced in India (Vijitha) found in the printing section is indicated in books as Rs 1,806,178.
 - ii. The management has paid its attention to revalue and formally dispose of these machines and purchase new machines.
- (b) The mobile technical bus bearing No. NA-7086 purchased at Rs 7,950,000 in the year 2009 was underutilized due to high costs. Therefore the management has paid its attention to submit a board paper to take decision in this regard.
- (c) The building constructed with the objective of expanding the laboratory facilities for the tests of food sector of the technical service division is used since 2015.

4.6 Resources of the Board given to other public sector institutions.

A sum of Rs. 349,440/- relevant to the driver of the ministerial staff has been requested by the line ministry.

4.7 Staff administration

The total number of vacancies as at 31.12.2013 was 262 and action was taken in the year 2014 to call applications internally and externally applicants and recruit applicants with required qualifications. Owing to the approval for the new recruitment and promotion procedure drafted as per management services circular 30 of 2006 being granted approval only in February 2013 and since the errors subsequently identified in the recruitment and promotion procedure have to be corrected, the filling of some vacancies has been delayed.

Further, the interviews for vacancies in upper management, central management and the posts of management assistants for which applications have been called through newspapers have been arranged but temporarily suspended owing to the election.

4.8 Utilization of vehicles

- (a) The number of vehicles identified as underutilized is 21. Of them ;
- | | | |
|----|---|---|
| 14 | - | have been deployed at regional offices, |
| 05 | - | are petrol vehicles in the head office, and |
| 02 | - | are lorries. |

Vehicles of regional offices have been run within the 5000 rupee fuel limit. Petrol vehicles have been used for short distance travel taking into account the fuel cost. Lorries have been run when required and therefore this might have seemed as underutilization.

- (b) In entering the expenses incurred on vehicles in vehicle log books, no spaces are allocated to make all the details other than entering the particulars on the maintenance, services and accessories. On account of this, a difference has occurred when compared with the ledgers of the Board. Instructions were given minimize this deficiency in future.
- (c) The expenditure for vehicle 64-3941 shown as a futile expenditure among the five vehicles which have been shown as not run at all is not a correctly accounted expenditure. It was corrected. The remaining four vehicles were sent for repairs during the early part of 2013 and have now been put to operation after the repairs.
- (d) These are vehicles received in response to a request made for the release of non-running vehicles in the district secretaries' vehicle pools for the running requirements of the regional offices as they do not have sufficient number of vehicles. Since they are now been used for duty related purposes, the above expenditure has been incurred as maintenance expenses. Action is being pursued to acquire them in future.

5. Accountability and Good Governance

- i. The delay in submitting audit reports to the Audit General's Department can be attributed to several factors. These delays were caused as formal approvals had to be obtained for the correction of errors in old accounts and also due to the preparation of accounts as per international accounting standards. Instructions were given to submit the 2014 financial statement on time.

ii. **Internal audit**

The internal audit unit of the Board was instructed to submit audit plans according to an audit plan.

5.3 Budget documentary control

(a) Capital expenditure

- i. }
ii. } This situation has arisen as a result of making purchases on requirement and
iii. } Rendering services. Instructions were given to prevent recurrence of same in
future
- iv As a period of more than two months is taken and an additional cost is incurred for purchases done by calling tenders, a new brand has been purchased at the old price with no changes in specifications. It was explained to the audit that this was favourable to the Board. Further, since the reordering is carried out only when applications for the purchase of goods and services are not received on time, instructions were given to take action to overcome these shortcomings during this year.
- V Some institutions supplying capital goods only maintain small stocks and when an order is received they order and supply the relevant item from a foreign country. HP Pro Book 450 Note Book Laptop Computers regarding which the audit query had been made were purchased as per the decision of the tender board without any changes in the prices and specifications and subject to the decisions of the Technical Evaluation Committees.

(b) Recurrent Expenditure

- i. }
ii. } The accounting errors had been corrected and instructions were given to pay
iii. } more attention to the preparation of expenditure estimates.

5.4 Tabling Annual Reports

Copies of the annual report of 2012 have been referred to the line Ministry to be forwarded to the approval of the Cabinet.

5.5 Unresolved audit paragraphs

- i. Preliminary arrangements have been finalized to make recruitments to all major posts remaining vacant including that of Financial Manager.
- ii. The Board conducted preliminary inquiry into the purchase of generator at Rs. 7.7 million and on its recommendations, a disciplinary inquiry was conducted against Chief Engineer B.S.N. Fernando, Electrical Engineer D.N. Pathmathilake and Accountant (acting supplies manager at the time) S.G. Wijeratne. Having studied the

report of the Disciplinary Officer, the Chairman and the Board of Directors had decided to exonerate those officers.

The Board of Directors has decided to call for tenders to sell this generator which does not meet the requirements of the Board. Accordingly, tenders have been called adopting the proper procedure and the maximum received therein was Rs. 3,627,560/-. However since that price was less than 50% of the value of the generator, the Board of Directors decided to explore the possibility of selling it back to Hayley s Industrial Solutions from who it was purchased.

Since the response from them was not satisfactory, the Board of Directors authorized the then Chairman to pursue a suitable course action for the sale of the generator. Accordingly, the Chairman took action to sell it at Rs 4,350,000/- (Rs 4,000,000 for the generator and Rs 350,000 for the cables) quoted by Daintee Limited with the covering approval of the tender board and since that price was higher than the maximum price received at the tender invitation, he has taken measures to minimize the loss incurred by the Board.

- iii. Initial measures have been taken to investigate into the shortage of defective 68 potters' wheels and 79 manual potters' wheels.
- iv. The building for the exhibition of goods at Badulla valued at Rs. 1.412,100/- was inspected by the National Building Research Organization and in their report submitted in English, it had been stated that the structure was not sturdy enough and therefore inhabitable. The report also instructed that it should not be repaired using new raw materials or by any other means. Therefore this report will be submitted to the meeting of the Board of Directors scheduled in January 2015 to decide the future course of action.
- v. The loss of Rs. 5.3 million incurred as a result of the investment of Industrial Services Limited was impaired and removed from financial statements.

Matters for which sufficient attention was not paid though highlighted in previous audits

- i. Approval of the Board of Directors has been received to sell these 3 machines purchased for the Gonapura Food Project in the open market. The sale will be finalized before the end of February 2015.
- ii. Attention has been focused on to maintain the Dimbulwatta land at Miyugunagama, Mahiyanganaya as a holiday resort or an exhibition centre of the Small and Medium Scale Industrialists Association.
- iii. The line Ministry has informed that on a request made by the Water Supply and Drainage Board, the cabinet approval has been received to transfer the land on which the hostel of the Appropriate Technology Research and Development Centre, Pannala is located for the

construction of the water treatment plant of the Pannala, Makandura, Kuliyaipitiya Water Supply Project.

- iv. This machine purchased for Mushroom Project has been handed over to the Technical Service Division. Action is being taken to submit a board paper to the meeting of the Board of Directors slated for January 2015 to take a decision regarding this machine.
- v. For the operation of the bill printing machine purchased in the year 2008 at a cost of Rs. 306,750/- for the Lakkam Sales Centre, a discussion was held with Auro Solutions (Pvt) Limited in the year 2013 and it was informed that the machine could not be operated since a number of years have elapsed. Action is being taken in this regard too to submit a board paper to the meeting of the Board of Directors slated for January 2015 to take a decision.

6. Systems and Controls

Attention of the management has been paid execute these activities without shortcomings using the accounting system planned as of now and these activities will be finalized in the year 2015.