ANNUAL REPORT 2016

IDB

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Our VISION

"Development Of All Industries All Over Sri Lanka"

Our MISSION

"Provide the Strategic, Technological & Commercial Foundation

Needed to Encourage, Promote & Develop

All Industries All Over Sri Lanka"

From January to December 2016

Mr. Mahinda Jinasena	-	Chairman
Mr. T.D.S.P.Perera	-	Member of the Board
Mr. Darshan Wijesiriwardane	-	Member of the Board (Treasury Representative)
Mr. Kaleel Rahumathulla	-	Member of the Board
Mrs. Malika Samaraweera	-	Member of the Board
Mr. Nishadha Gamage	-	Member of the Board
Mr. Shamin Perera	-	Member of the Board
Mr. Roy Jayasinghe	-	Advisor to the Board

From 10th May 2016 Onwards

Mr. B.W.P.Mendis	-	Member of the Board

CHAIRMAN'S MESSAGE

I am delighted to convey my message to the Annual Report for the year 2016 of the Industrial Development Board (IDB).

For more than four decades, Industrial Development Board has been providing development assistance in diverse fields to the business community in Sri Lanka. Entrepreneurship development, capacity development, technological know-how including technology improvement, marketing support, provision of scrapped material can be cited as some of the key areas the IDB has been involved in. Today we are at the turning point of our country's economy. Government has taken several initiatives to develop the country.

In 2016, IDB has given special emphasis on developing SME sector in accordance with the national priorities by initiating development activities across the country which includes modernizing the Industrial Estates, creating employment opportunities and Developing villages under "Thousand Villages Development Programmes". The sole purpose of the programme is to uplift the traditional villages in the country. To derive benefits to the manufacturers in the foot wear sector, IDB held a Foot ware and Leather Trade fair in 2016 at the Sirimavo Bandaranayake Memorial Exhibition Center, Colombo in collaboration with the Sri Lanka Export Development Board. In addition, we organized a highly successful workshop to promote quality of milk products with the participation of Mr. Thom Richen, an expert from Netherland.

I am also very happy to add that a Centre of Excellence in Robotic Applications (CERA) was established at the premises of the IDB this year. The objective of this exercise is to introduce Robotic Technology to the small and medium scale industries. Arrangements are been made to inaugurate this center in early 2019.

This report highlights some successful development initiatives including beneficial events held by the IDB during the year 2016.

I am thankful to the Honorable Rishad Bathiudeen, the Minister of Industry and Commerce, and the Honorable Champika Premadasa, State Minister and the Secretary of the Ministry of Industries and Commerce for the cooperation they have extended and the guidance given towards the formulation of key endeavors of the IDB.

I wish to take the opportunity to express my gratitude to the members of the Board of the IDB, Heads of Division and other staff of the IDB for the corporation extended.

Mahinda Jinasena
Chairman – IDB

DIRECTOR GENERAL'S REVIEW

I take the opportunity to discuss the institutional progress with a great interest and to add that is being aligned with the ministerial and national scale development initiatives and adding notable remarks to the annual financial report.

The year 2016 began with a series of development programs in regional level. IDB has given more emphasis on local SMEs and they were registered after advertising in local newspapers with a special package of service. Also, IDB paid greater attention to streamline the operations to offer a better service to the local entrepreneurs and so Kegalle, Colombo and Gampaha district offices were awarded a special commendation conducted by the National Productivity Secretariat.

With respect to the infrastructure development and facility development drive in the Industrial Estates IDB has been able to add in various improvements in facilities in the industrial estates in a greater scale. With the allocation of additional funds from the ministry in the year the road network in industrial Estates and internal road ways and culverts were tremendously improved. Thereby greater emphasis was given to the development of infrastructure of industrial estates and accordingly access roads and culverts including the boundary walls were developed in par with the international standards. Twenty-four-hour Security and monitoring systems have been established in most of the industrial estates during the year in view of improving the conducive environment for operations of industries. This is another initiative taken in line with the motive of standardizing the industrial estates facilities whilst enhancing the potential and global competitiveness of the industries in our industrial estates.

Technical Services Division has widened their range of service packages during the year by adding long term technology transfer certificate courses. This will not only provide rather a comprehensive knowledge in the subject area but also help the entrepreneurs to understand issues in their own processes and bring in solutions.

The Rubber Products Development center has taken initiatives to bring new technologies into the sector by commissioning a modern machine to make products through the process of rubber injection molding and this will help improve rubber product quality with higher dimensional accuracy. IDB has given continued support to the sector with product testing facilities, tailor-made natural and synthetics rubber compounding facilities to a customer base of about 200 local SMEs.

Besides, aligning with the development programs of the ministry, in promoting cottage industries under the national programe for industrial village development, pottery village development program, Kithul product development program and enterprise village and women entrepreneurship development program was implemented right across the country.

Also, I take this opportunity, to express my sincere gratitude to the Hon. Minister, the secretary and the staff of the Ministry, on behalf of the staff of IDB, for the direction, encouragement and support extended to IDB and the staff in achieving annual goals for the year.

I am also grateful to the Chairman and the members of the Board, the Management and the staff for their close concern 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
Director General

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1.0 THE ORGANIZATION

1.1 Background

The Industrial Development Board of Ceylon (IDB) was initially 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. In terms of this Act the IDB is entrusted with the responsibility of development of the industrial sector in the country.

1.2 Objectives of the Board

The Objectives of the Board specified in the Industrial Development Act No. 36 of 1969 are,

- To assist in encouragement, promotion and development of industries in Sri Lanka.
- To assist in 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 Sri Lanka 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 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 services and facilities of every description required by or in connection with any industrial undertaking or industrial establishment in Sri Lanka, including the provision of capital and credit, marketing, managerial, technical facilities and legal advice.

1.3 Divisions and Services of the Board

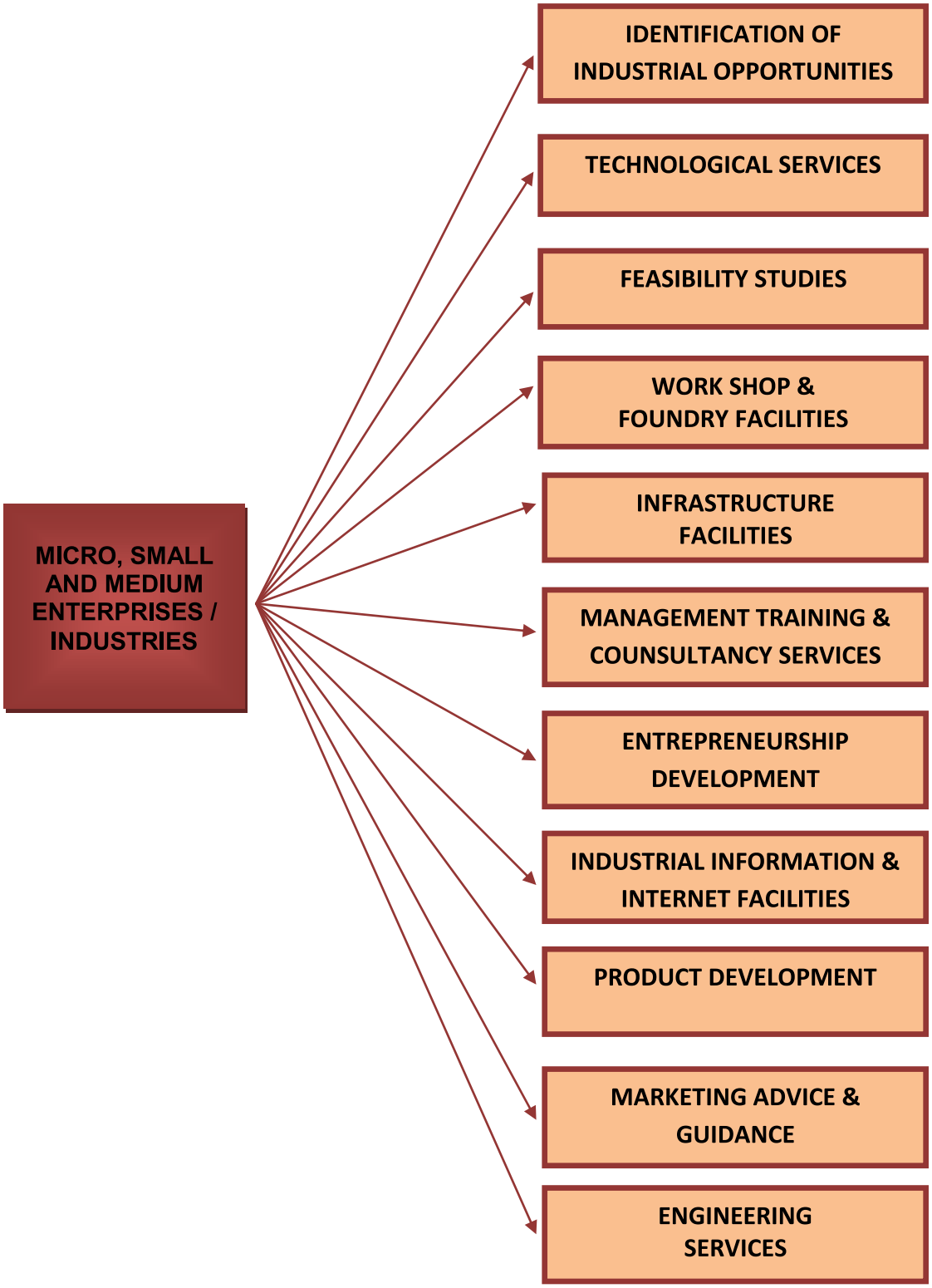
The Board consists of 10 Divisions and agencies to provide a package of services to small and medium scale industrial sectors.

1. Administration Division (AD)
2. Centre for Entrepreneurship Development & Consultancy Services (CEDACS)
3. Engineering Division (ED)
4. Industrial Estates Division (IED)
5. Marketing Division (MD)
6. Planning Division (PD)
7. Regional Development Division (RDD)
8. Technical Services Division (TSD)
9. Centre for Development of Leather Products and Footwear (CDLPF)
10. Rubber Products Development and Services Centre (RPDSC)

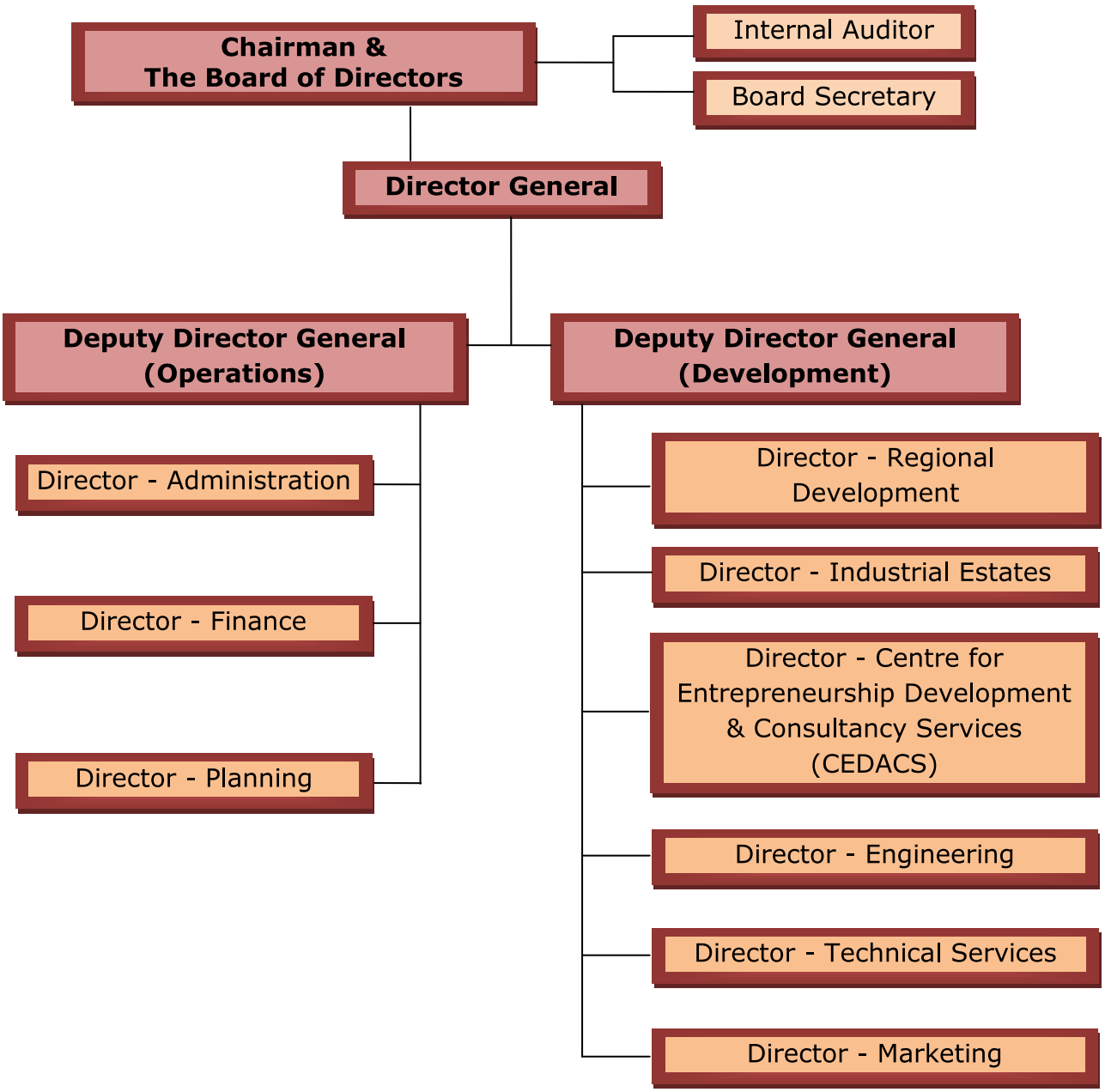
The network of 25 District Offices is functioning under the Regional Development Division and 19 Industrial Estates are functioning under the Industrial Estates Division. There are 2 Service Centers which fall under the Engineering Division. The Technical Services Division, Engineering Division, the Leather Products Development Centre, the Rubber Products Development Centre transfer technologies and other related services to facilitate local entrepreneurs.

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

1.4 Key Services and Facilities



1.5 ORGANIZATIONAL STRUCTURE

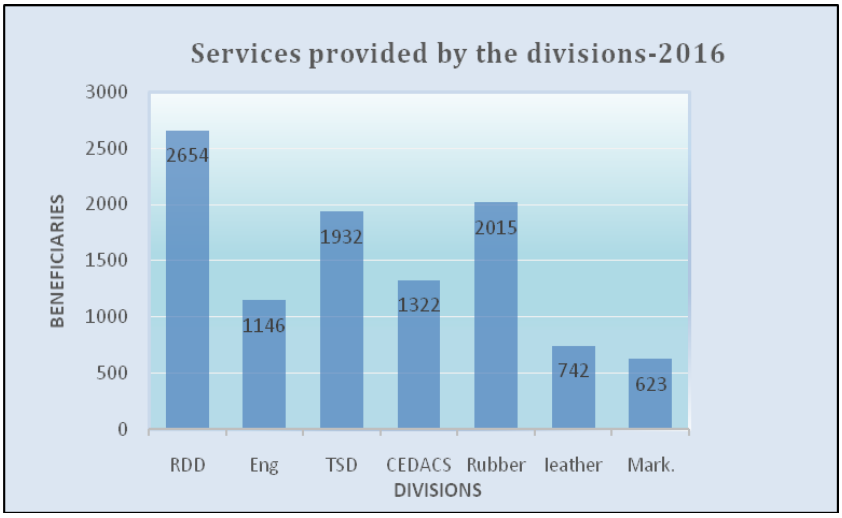


2.0 REVIEW OF PERFORMANCE

IDB carried out a range of services and activities to encourage promote and develop the MSMEs (Micro, Small and Medium Enterprises) in Sri Lanka. In addition, relevant services to promote other sector development programmes and projects initiated by the ministry were done in parallel to core activities such as Development of Enterprise Villages and women Entrepreneurship, Production village development, Development of food industries in the Western province and Development of Wood based industries.

2.1 Divisional Services

Other Services apart from the main activities carried out by each Division of IDB including providing raw materials, providing industrial related information, rubber compounding facilities etc. and related programmes during the period is as follows.



Training programs conducted by the IDB were 38 Management Programmes, 18 Entrepreneurship Development Programmes and thereby 900 no. of potential entrepreneurs were benefitted. 64 nos. of Project Feasibility reports and 83 nos. of Machinery Valuation reports were prepared for enterprises on request. 272 services provided and 117 required work orders were completed on request of potential entrepreneurs. In addition, 264 numbers machinery and equipment were manufactured and sold as per the requirement of entrepreneurs. 40 new industrialists obtained assistance for marketing facilities through sales centers IDB and 34 entrepreneurs obtained assistance for credit facilities.

2.2 Technology Transfer, Product Development and Technology Demonstrations

146 technology transfers, product development and demonstration programmes were conducted and thereby 2310 entrepreneurs were benefited. Two foreign technologies were acquired and transferred to 8 nos. of small and medium entrepreneurs.

2.3 Divisional Progress on Action Plan – 2016

No	Activity	Unit of Measurement	Physical Progress	
			Target	Achievement
Regional Development Division				
1	Identified foreign buyers/importers/suppliers	No. of foreign buyers / importers/ suppliers	20	3
2	Identified potential SME exporters in Sri Lanka and their products	Potential SME exporters	50	72
3	Facilitated to conduct Provincial /National level forum for potential exporters	No. of forums	4	2
4	Supported to participate in the International market through trade fairs and exhibitions	No. of SMEs participated	35	9
5	Disseminated new technologies among regional SMEs	No. of new technologies	25	24
6	Facilitated to obtain suitable loans and grants to SMEs	No. of SMEs	30	8
7	Conducted training programs	No. of training programs		
	2.1.4.1 Technology		50	41
	2.1.4.2 Management		25	16
	2.1.4.4 others		10	18
8	Prepared of valuation reports	No. of valuation reports	20	3
9	Project feasibility Report	No. of SMEs	125	19
10	Supported to SMEs for resource efficiency services (Implementation of productivity methods/tools and green technology)	No. of SMEs	75	19
11	Assisted to obtain system certifications and product standards			-
	GMP	No. of SMEs	25	7
12	BHC (Business Health Certificate)	No. of certifications	25	1
13	2.4 Supported to improve the brands of SMEs products and services (labeling, packaging, intellectual property etc.)	No. of SMEs	150	23
14	Provided scrap (aluminum, copper, brass)	Quantity in MTS	600	393
15	Supplied of Kasper	No. of bottles	4,000	2,884
16	Identified of potential entrepreneurs	Potential entrepreneurs	125	92
17	Assisted to get financial support	No. of assistance	125	13

No	Activity	Unit of Measurement	Physical Progress	
			Target	Achievement
Engineering Division				
18	Provided plant and machinery Valuation Reports	No. of Reports	60	80
19	Provided Workshop Services Machining, Fabrication, Heat Treatment	No. of Jobs	60	117
20	Manufactured and distribute / sold of Machinery & Equipment	No. of Machines	40	242
21	Provided Casting services (ferrous and non ferrous)	No. of SMEs	60	68
22	Provided Electroplating services on Copper, Nickel Chromium & Hard Chromium	No. of SMEs	40	204
23	Provided suitable raw material for Industries	No. of Services	6	100
24	Provided Raw materials, Chemicals and other facilities for SME's	No. of SME's	80	305
25	Provided Consultancy/Advisory Services	No. of Services	40	6
26	Designed & Developed Machinery and other Products	No. of new / reengineered products	6	2
27	Provided Laboratory Test Reports	No. of testing Reports provided	12	7
28	Provided Training for Entrepreneurs and Professionals	No. of Persons	30	15
28	Technology Transfer (Workshop Training Programmes)	No. of programmes	3	4
29	Provide Training for Undergraduates. (In Plant trainees)	No. of Trainees	20	5
Technical Services Division				
30	Supported for process development	SMEs access to developed process	5	5
31	Conducted customized training programmes for entrepreneurs/ industrialists/Govt. & semi govt. organizations, regional level people	No. of Programs	4	4
		No. of Participants	-	-
32	Conducted training programs for industrial certificate courses	No. of Programs	2	4
		No. of Participants	-	46
33	Transferred appropriate foreign and local technology	No. of SMEs	2	8
34	Conducted technology transfer workshops	No. of workshops	72	49
35	Carry out Research & Development work on product development	No. of new products development	4	3

No	Activity	Unit of Measurement	Physical Progress	
			Target	Achievement
36	Acquired appropriate foreign and local technology	No. of foreign/local technologies acquired	3	2
Centre for Entrepreneurship Development and Consultancy Services				
37	Assisted to get system certifications of GMP, ISO, BHC (Business Health Certificate) National productivity awards etc.	No. of SMEs	5	3
38	Conducted of Productivity improvement programmes	No. of programmes	3	4
39	Identified required skills for SME sector	No. of Sectors/Subjects/Areas	10	4
40	Developed and finalized the curricular	No. of curriculums	10	7
41	Identified of potential entrepreneurs	Potential entrepreneurs	180	440
42	Prepared new project proposals	No. of project proposals	1	1
43	Dissemination of information	No. of Document	600	302
44	Published news letters	No. of news letters	4	4
45	Conducted of training programmes of Entrepreneurship Development, Marketing and Financial Management etc.	No. of programmes	9	18
46	Prepared productivity manuals, Guidance, Hand books, Process manuals etc.	No. of manual/ Report	9	12
47	Processed of Library resources	No. of publications to classify and catalogue	600	847
		No. of Publications compiled (IDB brochures, leaflets, Handbooks etc)	24	252
48	Fulfilled of customized inquiries	No. of inquiries	600	1322
Industrial Estates Division				
49	Modernized and upgraded of Existing industrial estates	No. of Estates	4	4
50	Prepared new project proposals for requesting funds for upgrading of existing Industrial Estates for the next year	No. of proposals	1	1
51	Selected industrialists for estates	No. of industrialists	30	29
52	Allocated Developed Plots /Buildings to the selected industrialists	No. of plots	20	24

No	Activity	Unit of Measurement	Physical Progress	
			Target	Achievement
53	Assisted to create new industries	No. of Industries	19	15
		No. of employment	200	344
54	Signed Lease Agreements	No. of Agreements	20	19
55	Prepared New Surveys Plans	No. of plans	1	1
56	Preparing of a Directory (Industrial Profile) for each Industrial estate and upload to IDB Web	No. of Profiles	1	1
57	Acquired closed factory buildings to the IDB	No. of buildings	8	5
58	Transferred acquired factories to new Industrialists	No. of plots acquired	8	2
Rubber Development Division				
59	Facilitated to give Sub Contractual Opportunities	No. of Job Orders	8	12
60	Assisted to Develop Rubber Products	No. of Jobs	23	15
		No. of Enterprises	11	5
61	Provided Product Quality Testing and Certification	No. of Certifications issued	69	104
		No. of Production sample	2,459	1,053
62	Developed of Rubber Products for SMEs	No. of Enterprises	20	12
63	Conducted Technology Transfer Programmes	No. of Programmes	27	23
64	Facilitated of give Technical Consultancy Services	No. of Enterprises	82	46
65	Supplied of Centrifuged Latex	Quantity in (Ltrs.)	12,330	10,938
		No. of Enterprises	694	531
66	Supplied of Rubber Compounds and other chemicals	Quantity (Kg)	54,791	29,486
		No. of Enterprises	1,232	230
67	Provided Rubber Compounds Milled	Quantity in (Kg)	32,958	15,535
		No. of Enterprises	55	31
68	Internal Manufactured of Rubber Products	No. of Jobs	3	8
Centre for the Development of leather products & footwear				
69	Conducted Quality Improvement Programmes	No. of programmes	3	5
		No. of Beneficiaries	45	62
70	Provided Processing Facilities for Footwear and Leather Products Manufactured at Witharandeniya, Imiyangoda and Head Office	No. of Industrialists	180	153
71	Organized and Implemented of Events for sustainability of livelihood	No. of events	3	3
		No. of Beneficiaries	60	60

No	Activity	Unit of Measurement	Physical Progress	
			Target	Achievement
72	Organized and held of Annual Footwear & Leather Fair	No. of events	1	1
73	Conducted Customized Training Programmes	No. of programmes	3	2
		No. Beneficiaries	45	32
74	Conducted Technology Transfer Programmes (Footwear/Leather) Katubedda	No. of programmes	9	10
		No. Beneficiaries	90	85
75	Conducted Technology Transfer Programmes (Footwear/Leather) Regional	No. of programmes	6	15
		No. Beneficiaries	90	311
76	Conducted Footwear Machineries Maintenance Training Programme	No. of programmes	2	4
		No. of Beneficiaries	20	27
77	Conducted awareness programmes for new and existing entrepreneurs	No. of programmes	8	7
		No. of Beneficiaries	100	72
Marketing Division				
78	Facilitated to conduct buyer seller meetings (export forum)	No. of meeting	3	2
		No. of Industrialists	150	35
79	Identified and provided facilitation to the Industrialists to showcase products & services of SMEs	No. of new Industrialists	50	21
		Value of sales (Rs.Mn.)	11	10.70
80	Identified and provided sub contracting facilities to industrialists	Total Value of Orders (Rs.Mn.)	15	7.86
		No. of Orders	30	30
81	Distributed of Scraps	Quantity (MT)	900	758
		Quantity (MT)	900	706
		No. of Industrialists	250	723
		Sales of Scrap metals (Rs.Mn.)	100	43.16

3.0 SPECIAL ACTIVITIES CARRIED OUT IN 2016

3.1 Food Processing Industry Development – Western Province

As a Pilot Project, Food Processing Industry Development Programme was initiated especially in the Western Province by Technical Services Division of IDB in collaboration with the Ministry of Industry Commerce. The main objective of this project was to improve the productivity in local food industries. The selected industrialists were granted a contribution of 50% of the total cost of development to purchase necessary machinery and equipment limiting to a maximum of Rs.500,000/=.

A special event in this regard for signing agreements with the selected companies and the IDB, was held on 26th July 2016 at the Ministry of Industry & Commerce. A financial package worth a total of Rs. 2.4 Mn. was provided for 05 selected industries, which were able to complete the project within the stipulated period.

Picture - 3.1.1 Signing MOUs with Industries

The following companies, which improved the process by installing machineries started production.

No.	Company	Products	Machines	Advantage
1	Green Way Asia Lanka Pvt Ltd	Cashew products	Cashew shelling machines	To increase the population and sent to the export market.
2	Hedigalla Tea Factory Pvt Ltd	Tea	Four-wheel overhead conveyor system (Monorail)	To decease the labor, the losses during manual handling and to increase the quality of the final product and food safety.
3	Foreconns Canneries, Beruwala	Fish/Meat based products	Two deep fryers, Two meat mincers and One vegetable cutter	To increase the production and share of the export market, to increase the quality of the products e.g. uniformity of cut onions, to increase labor efficiency, Improvement in hygienic conditions in the factory.
4	Kelani Valley Canneries, Hanwella	Fruit based products	Automatic Jam cup filling / sealing machine	To increase the efficiency of production process (capacity 1000 cups/hour), enhance the hygienic condition, to improve the keeping quality of the product and appearance of the finished product.

3.2 Workshop on promoting quality of milk products

A special workshop on cheese manufacturing was held on 29.02.2016 at Kingsbury Hotel, Colombo with assistance of Mr. Thom Richen, an expert of Netherland as the resource person to conduct the programme.

Picture 3.2.1 - Technology Transfer Workshop on "Cheese Technology"

3.3 Technology Transfer Workshop

One-day Technology Transfer Workshop on "Edible oil industry" was held on 09th March 2016 by IDB in collaboration with the PUM Netherland at, Kingsbury Hotel, Colombo.

Mr. Jan Ritsema, an expert from the Netherlands, conducted the workshop for selected 51 individuals engaged in the edible oil industry, focusing on financial and technical analysis of the local edible oil industry sector.

3.4 Exhibitions

Footwear & Leather Trade Fair -2016

- As a Co-Organizer Leather Division of IDB held the 8th Footwear and Leather Fair from 05 to 07 February 2016, at the Sirimavo Bandaranayake Memorial Exhibition Center, Colombo. The main objective of this event was to build the image of the Industry.
- There were 225 trade stalls, displaying footwear, leather-based products, travel goods, raw material, machinery and components. In addition, suppliers of raw materials, components and accessories from Asian region participated in the fair.
- A fashion show, a design competition and Best Stall Competition taken place as special events.

Picture 3.4.1 - Footwear & Leather Trade Fair -2016

3.5 Export Promotion Conference

Regional Development Division of the IDB, with the support of Export Development Board held export products conference, on 24th of November, 2016 at the 'Miloda' Academy of Financial Studies, Colombo 01 for the purpose of introducing global market potential for local industries, 34 export ready manufacturers at regional level took part in the event. The Export Development Board played a key role at this event and National Chamber of Exporters, Industrial Technology Institute, Coconut Development Authority, Sri Lanka Standards Institute, National Packaging Center, the Bank of Ceylon and the few reputed Sri Lankan Exporting Companies also participated.

Picture 3.5.1 – Export Promotion Conference - 2016

3.6 Way forward to win the Market - Marketing Programmes for SMIs

Number of Marketing programmes titled "**Way Forward to win the Market"** with the purpose of enhancing marketing were held in 22 districts except Vauniya, Kilinochchi, Mannar and Mulathive districts. 750 potential entrepreneurs were participated in these programmes.

- bjectives of these Programmes were to emphasize the participants in,
- Importance of "Branding" and "Customer Satisfaction".
- Importance of product development to compete with similar products.
- Cost reduction techniques.
- Way of solving financial issues.

Signing MoU with the Bank of Ceylon

The Industrial Development Board entered into a Memorandum of Understanding (MoU) on 01.12.2016 with the Bank of Ceylon (BOC) with the purpose of synergizing the efforts in the achievement of a higher growth rate in the industrial sector by promoting potential for exports, import substitution, domestic value addition and employment generation.

The MoU with BOC will strengthen and facilitate potential entrepreneurs in making investments in promising ventures and development and expansion of existing businesses.

4.0 PERFORMANCE HIGHLIGHTS

4.1 Administration Division (AD)

4.2 Regional Development Division (RDD)

4.3 Planning Division (PD)

4.4 Marketing Division (MD)

4.5 Industrial Estates Division (IED)

4.6 Rubber Products Development and Services Centre (RPD&SC)

4.7 Engineering Division (ED)

4.8 Center for Entrepreneurship Development & Consultancy Services (CEDACS)

4.9 Technical Services Division (TSD)

4.10 Centre for Development of Leather Products and Footwear (CDLPF)

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 to strengthen manpower of IDB.
- Carrying out regular recruitments, performance evaluations, promotions, retirement matters etc.
- Conducting Disciplinary Inquiries.
- Coordinating Foreign Scholarships / Trainings to fill the knowledge gap of IDB staff to match with required level.
- Arranging and Providing Local Training.
- Managing Employee Welfare and Employee Compensation Schemes.
- Grievances handling.
- Management of Internal Security Services and Security matters.
- Management of Procurement Activities of the Board.
- Management of Transport Services of the Board.
- Involvements of legal procedures and matters.

Category	No. of Staff		Total	Percentage (%)
	Male	Female		
Senior Level	05	01	6	(1.29%)
Tertiary Level	108	43	151	(31.52%)
Secondary Level	60	77	137	(28.60%)
Primary Level	179	6	185	(38.62%)
Total	**352**	**127**	**479**	**(100%)**

Table 4.1.1 - Staff Strength of IDB as at 31st December 2016

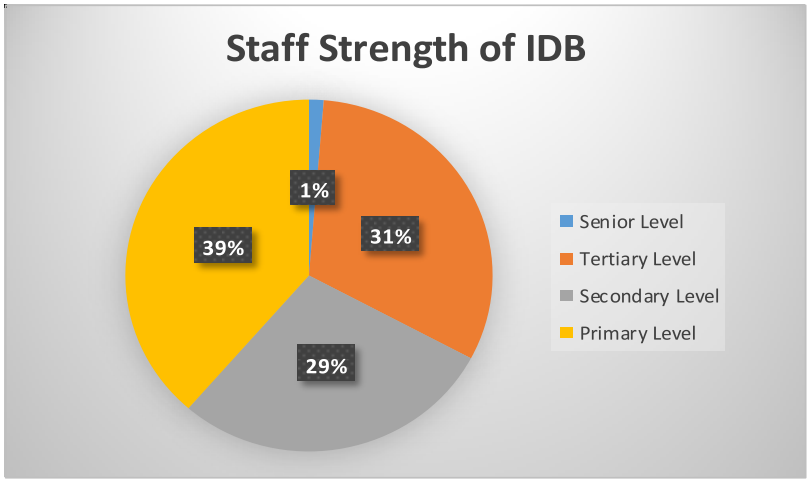


Table 4.1.2 – Performance Highlights of the Division during the financial year 2016

Objective		Activities	Nos.	Rs.
Strengthen manpower of IDB	**1.**	**Carrying out following regular HRM activities**		
	(i)	Recruitments (Staff)	23	
	(ii)	Resignations	06	
	(iii)	Retirements	17	
	(iv)	Vacation of posts	-	
Minimize Legal Issues	**2.**	**Disciplinary Management**		
	(i)	Conducting Disciplinary Inquiries	03	
	(ii)	Labor Cases attended at Commissioner of Labor	12	
Enhance Productivity	**3.**	**HRD - Training**		
	(i)	Local Training	395	
	(ii)	Foreign Training	01	
	4.	**HRM – Compensation**		
	(i)	Gratuity Payments for 22 persons 2016		10,692,520.50
	5.	**HRM – Employee Welfare**		
	(i)	Bicycle Loans	15	
	(ii)	Distress Loans	110	
	(iii)	Medical	637	
Establishment of Security System	**6**	**Security Management**		
	(i)	Security Cost		13,333,584.65
	7	**Disposal**		
	(i)	Board of Surveys Conducted	01	
	8	**General Events**		
	(i)	Events	04	
	9	**Postal and Telecommunication Charges**		
	(i)	Postal Charges		491,878.00
	(ii)	Telecommunication Charges		1,543,680.92
	10	**Transport Management**		
	(i)	Cost of Fuel		5,482,440.80
	(ii)	Cost of Maintenance of Vehicles		3,734,465.31
Implement procurement	**11**	**Procurement Management**		
	(i)	No. of Orders Placed	555	
	(ii)	Capital Purchases		36,623,697.73
	(iii)	Recurrent Purchases		77,413,601.38

4.2 Regional Development Division (RDD)

General

The Regional Development Division (RDD) of the IDB plays a phenomenal role for developing Small and Medium-sized Industrial (SMI) sector through its regional network covering the entire 25 districts of the country. 25 Deputy Directors/Asst. Directors and 62 Enterprise promotion managers assigned for duties of regional offices. A new Action Plan for the Regional Development Division has been prepared to strive towards the growth of SMIs based on four pillars of Objectives.

Objectives focused:

1. To promote local SMIs to the global markets
2. To improve income of SMIs
3. To enhance industry focused skills development for SMI sector
4. Support to resolve regional economic imbalances

Major Activities assigned to the Regional Development Division and District Offices are entrepreneurship development, skill development, consultancy services, supporting to establish new SMIs, Feasibility Studies, and providing industry focus information.

Special Events of the Year

Special Programme for Manufacturers of Wood based Products

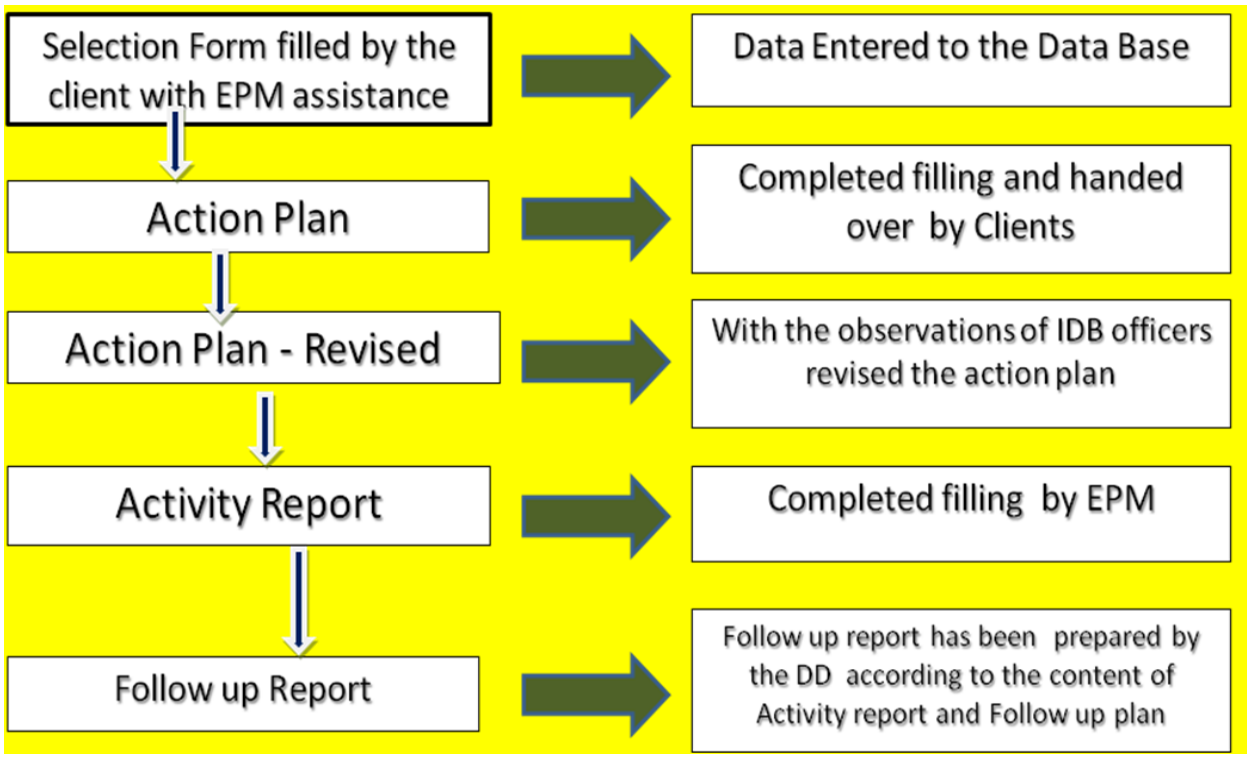
A special awareness programme for manufacturers of wood-based products was held on 2016.07.21 at Lakkam Auditorium with objectives of,

- identifying issues in furniture sector
- introducing cost reduction methods
- introducing improved machineries, equipments and tools
- introducing product development strategies
- providing Financial support through BOC

25 leading wood-based industrialists participated to this event. Officials of Bank of Ceylon and Leema Creation Pvt. Ltd participated as resource persons. New Web based Monitoring & Evaluation System for the Regional Development Division was introduced.

A web based new follow up system has been introduced to monitor and evaluate the progress of individual officers and to measure the level of accomplishing the desired goals.

Monitoring & Evaluation System of Regional Development Division



Special SME Development & Promotional Campaign at Sammanthurai, Ampara

A special SME Development programme was organized and conducted with the contribution of Ministry of Industry and Commerce from August to October 2016, at Samanthurei, Ampara, Akkareipaththu, Saindamaruthu and Dehiaththakandiya Divisional secretariat divisions in Ampara District.

More than 600 entrepreneurs were given technology transfer trainings, vocational trainings and management skill development trainings on Footwear manufacturing, Carpentry, House wiring, Masonry, Business creation, Tailoring, Leather safety glues manufacturing and a programme to identify industry issues & challenges encountered by Rice millers was held in parallel to the programme.

Picture 4.2.1 - Leather safety gloves manufacturing

National Programme for Industrial Village Development

This programme was initiated in 2005 as “Thousand Industrial Village Development Programme” with the objective of uplifting Traditional Industries like Blacksmith, Coir and Clay etc. Subsequently non-traditional industries like handmade paper, Cashew and dried fish were also introduced to this programme. Under this programme, special attention was given to introduce of new machineries and production processes; enhance capabilities of beneficiaries with modern techniques, and to provide marketing facilities etc. During the year 2016, this programme was implemented by the RDD as two separate projects as,

1. Industrial Production Village Development and
2. The Enterprise Villages and Women Entrepreneurship Development villages

Under the Village Development programme with the fund allocation of Rs. 3.02 Million, were Purchased 40 tool set and raw materials and Trained 20 no of women Under the Rush and Reed Cashew Processing village of Menikkadawara in Kegalle district and Trained 50 cashew-based industrialists and purchased cashew shelling machine and cashew grading machine and 104 entrepreneurs at Tarapuram cashew processing village in Mannar District were given training and necessary tool sets.

Under the Enterprise Villages and Women Entrepreneurship Development programme, an Advanced Technology Training programme on goldsmith sector was given to 56 goldsmiths and handed over 200 pendant Motors to Five Jewelry villages (Porathivepaththu, Munative, Kallar, Ondachchimadam, Pattapuram) in Batticaloa district. A pug mill, 25 Electric potter wheels and 170 no of roofing sheets were given to Pitawela pottery village in Kandy district.

A technology transfer program and a management training program were conducted for 20 industrialists 10 electric potter wheels were given to entrepreneurs at Pahalagama pottery village in Kurunegala district, a cashew shelling machine, cashew grading machine and 64 tool sets were given to Mullayawalai Cashew processing village in Mullathivu District. Further, a set of coir yarn machine was given to at Ilimba coir village in Kalutara District. The total fund allocation for the above programmes was Rs.8.7 million.

Special Achievements

Gampaha, Kegalle and Colombo district offices were awarded special commendations in Manufacturing and Services sector at the National Productivity awards 2016, conducted by the National Productivity Secretariat.

Staff Trainings

A Training of Trainers programme on Packaging and two Training of Trainers programmes on basic tools and techniques of productivity were organized for regional officers to improve the knowledge on the respective area.

4.3 Planning Division (PD)

General

Planning Division has a responsibility of re-designing and re-defining the strategies for the IDB to serve the SME more meaningfully, due to the competitiveness of business development services with respect to the rapid changes in the global market.

Activities Assigned to the Division

The main activities assigned to the Planning Division are planning, monitoring & evaluating the development activities strategically for each division. The Planning Division is responsible to formulate the Corporate Strategic Plan for IDB as well as monitoring and evaluation of progress as per divisional Strategic Action Plans with respect to physical and financial targets set at the beginning of every year. Further, division provides management information to the line ministry and other performance appraisers to the relevant divisions.

The following sub activities 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 when necessary.
- Prepare monthly, quarterly and annual progress report on Annual Action plan.

IDB collected information on SMIs Island-wide with the support of development officers attached to the divisional secretariat divisions. Accordingly, progress of the survey during the year 2016 is as follows.

Progress as at 2016.12.31

District	No. of SMIs under consideration	Total No. of SMIs responded	No. of SMIs entered to the Database	No. of SMIs to be Entered to the Database
Kurunegala	850	492	204	288
Kandy	800	230	202	28
Kalutara	1,000	344	194	150
Matale	500	167	155	12
Galle	690	209	139	70
Ratnapura	500	133	116	17
Kegalle	600	134	104	30
Gampaha	1,250	250	99	151
Jaffna	400	285	99	186
Colombo	1,030	205	95	110
Anuradhapura	300	96	94	2
Polonnaruwa	200	126	76	50
Trincomalee	300	99	74	25
Badulla	600	88	62	26
Matara	600	89	59	30
Moneragala	600	80	55	25
Ampara	350	52	52	-
Mullaitivu	200	100	48	52
Batticaloa	200	55	45	10
Puttalam	400	200	45	155
Nuwara Eliya	450	75	41	34
Mannar	150	33	33	0
Vavuniya	248	66	33	33
Killinochchi	150	66	31	35
Hambantota	500	51	18	33
Total	**12,868**	**3,725**	**2,173**	**1,552**

4.4 Marketing Division (MD)

Marketing Division is one of the important service arms of 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 helps local industrialists, built linkages with the potential markets while building the brand image for respective products through long-term relationship. Additionally, MD supports other divisions and IDB as a whole to promote industry focused services deliveries to local SMIs. 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

- **Lakkam Sales Centers -** The sale outlet provides 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. Objective of "Lakkam" sales center is to identify and promote marketable products of small and medium producers and provide the opportunity to market them in one place at competitive prices.
  Traditional Sri Lankan products come under "Lakkam" logo to reach local and international markets are provided its display and sales facilities with a view of uplifting its productivity.
  During last three decades, Lakkam Sales centers of Industrial Development Board have been delivering its services to local small-scale industrialists all over the country to enter into markets and establish their presence. These products are classified under following categories.
    - Food products processed under traditional recipes
    - Traditional herbal products.
    - SME Machinery
    - Handlooms and traditional garments.
    - Handicrafts and ornaments.
- **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 IDB bids on behalf of the industrialists’ / services providers to obtain orders from Government Organizations for the following items.

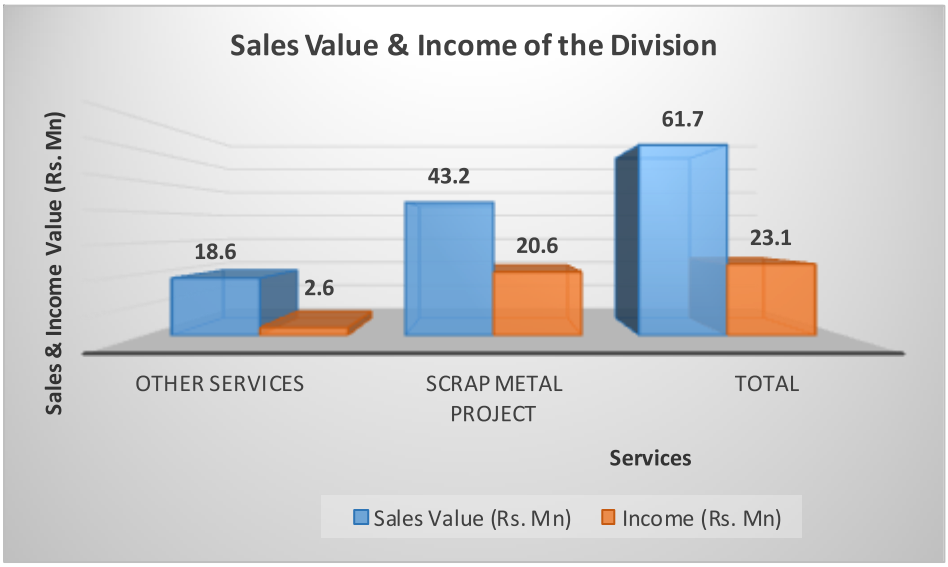
  Wood/ MDE/ Steel, Office chair and sofa, Leather Shoes, Slippers and bags, Rubber Based Spare Parts, T-shirt, caps, school bags, Stationary, Aluminum doors, name boards & partitions, Maggie boards, white boards, Brooms and brushes, Gents and lady’s umbrella, Curtains, Database to be established for special segments, Wood, Garments, Food, Ayurvedic, Machinery, Leather, Brass, Fiber, Ceramic, Bamboo Ornaments, Coconut Selves, Sea Selves etc.

- **Metal Scrap Project -** The Marketing Division purchases metal scrap such as ferrous, non-ferrous and other related items from government institutions and distribute them as raw materials to the industrialist in Light Engineering sector who are registered at IDB at concessionary prices control by a panel of offices.
- **Exhibitions -** The IDB organizes Exhibitions for Micro, Small and Medium-sized Entrepreneurs (MSMEs) at District and Provincial Level. The National Level Exhibitions & Trade Fairs are held annually after being conducted the District & Provincial Level Exhibitions to select the all island outstanding entrepreneurs in MSME Category. These Exhibitions facilitate to create employment opportunities and setting up of small industries.

The IDB also Participate in exhibitions organized by outsiders and Building links with Industrial Exhibition participations

Table 4.4.1 - Performance of the Marketing Division – 2015

Performance	Lakkam Sales Centre	Sub Contracting	Scrap Metal Project	Total (Rs. Mn)
Sales Value (Rs. Mn)	10.70	7.86	43.16	61.72
Income (Rs. Mn)	2.09	0.472	20.55	23.11
Distribution of orders		33		
Purchased (MT)			758	
Distributed (MT)			706	
Industrialists Facilitated	40	19	723	



4.5 Industrial Estates Division (IED)

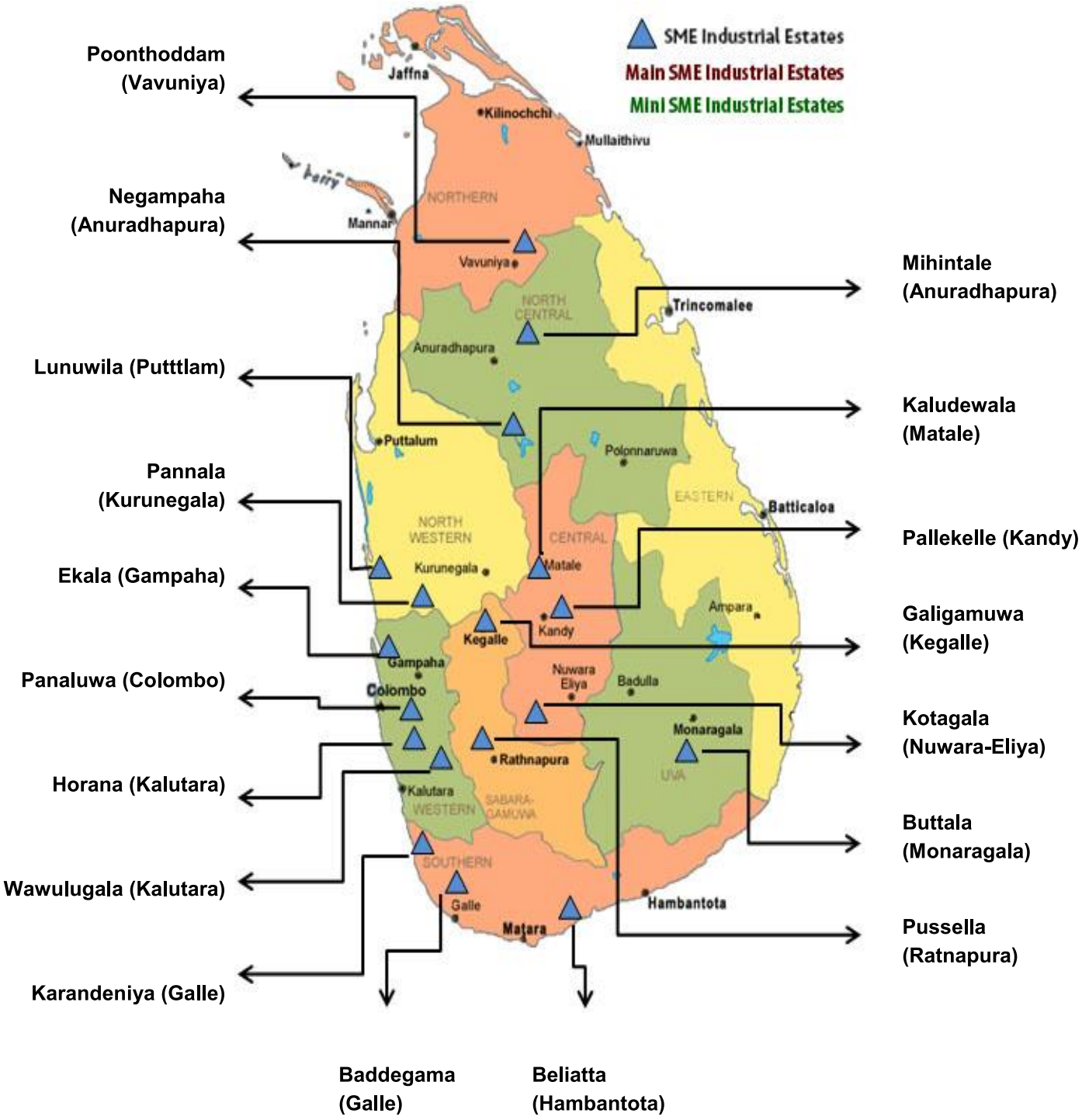
The industrial estate is a place where the required local industry facilities and readymade buildings/ land plots are provided by the Industrial Estates Division of Industrial Development Board of Ceylon [IDB] to the entrepreneurs to establish their industries on long term lease basis. The Industrial Estates, maintained by IDB have been utilized as an effective tool for the promotion and growth of local small-scale industries and it has become a great facility for them to grow and expand their industry ventures. They have also been used as an effective tool to decentralize industrial activities to promote industries and to encourage entrepreneurs in remote districts.

The Concept of Industrial Estate was introduced to Sri Lanka in the decade of 1960s and it was mainly focused on aligning the small and medium scale industries with the national industry needs IDB has been providing lands and ready-built buildings having sufficient infrastructure facilities in the areas, specially located in sound industrial environment locations. Hence, the IDB envisages in promoting regional industrialization further and to disperse the industrial development activities throughout the country, as there is a gap of inadequate industrial infrastructure facilities among remote Districts and Colombo & suburbs.

All these Industrial Estates are comprised of a group of factories, establish in areas with high economic potential and at present located in suitable sites such as Ekala, Pallekelle, Horana, Pannala, Panaluwa etc., with facilities of internal roadways, telecommunication, water supply, storm water drains, three phase electricity, street lighting, security and a post office etc.

IDB has taken further initiative during 2015/2016, to upgrade the infrastructure facilities in the existing Industrial Estates and to encourage and attract private sector to set up more new industries and to facilitate existing industries to expand their industry ventures.

Distribution of Industrial Estates



The activities assigned to the Industrial Estates Division

- Preliminary survey 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 industrialists for vacant land and 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 industrialists who breach the conditions already agreed each other.
- Assisting the industrialists in collaboration with other divisions of IDB and other institutions.
- Organizing and annual exhibitions, competitions, workshops which are organized by other IDB Divisions.

During the year of 2016, the Industrial Estates Division has spent more than Rs. 60 million which was obtained from the Government Treasury through the line Ministry, for modernizing and upgrading of existing infrastructure facilities such as construction of internal roads, fence and storm water drains in Pallekele, Panaluwa, Galigamuwa and Pussella Industrial Estates out of 18 Industrial Estates of IDB.

In addition, the Ministry of Industry and Commerce has granted Rs. 250 Mn. to the Industrial Estates Division of Industrial Development Board of Ceylon in view of modernizing maintaining and upgrading infrastructure of industrial estates under the ***'Accelerated Development Programme – 2016'***. Assistant for the Construction work was obtained mostly from state construction organizations and majority of the Projects have been completed successfully.

Development work in the industrial Estates - 2016

S. No:	Activity	Name of the Industrial Estate	Amount (Rs.)
01	Construction of internal roads and drains	Kaludewala	39,000,000.00
02	• Installing Transformer • Development of 2nd Stage	Pannala	2,750,000.00 76,670,000.00
03	Carpeting of internal roads and construction of roads	Horana	110,000.00
04	Carpeting of internal roads and fencing	Pallekelle	35,710,000.00
05	Construction of internal roads. Toilet and repairing of main gate	Kotagala	4,000,000.00
06	Construction of internal roads and drains.	Pussella	5,750,000.00
07	Construction of internal roads.	Poonthottam	12,000,000.00
08	• Carpeting of internal roads • Construction of balance part of sewage line	Ekala	31,000,000.00 4,600,000.00
09	• Installing Transformer • Development of 2nd Stage	Mihinthale	2,760,000.00 7,600,000.00
10	Clearing the land and construction of fence	Negampaha	5,130,000.00
11	Construction of internal roads, drains and fencing	Buttala	22,130,000.00
	TOTAL		**249,210,000.00**

Selection of Industrialists for the Industrial Units

The potential entrepreneurs who intend to startup new businesses and the Industrialists who are running industries at present in Industrial Estates of IDB planning to expand their industries are encouraged to obtain land plots vacant in the Industrial Estates. The applicants are accordingly, evaluated by a panel of officers and the selection done during the year is summarized below.

Allocated Factory units with Proposed Investment and Proposed Employment-in Year 2016

No.	Industrial Estate	Manufacturing Products of the Industry	Proposed Investment (Rs./Mn.)	Proposed Employment (Nos.)
1	Kaludewala	Wooden Furniture	10	33
2		Mca Powdering	12	13
3	Pannala	Light Engineering	2	10
4		Box of Matches	22.2	50
5		Packaging Material	14	10
6		Coconut Oil	8.8	21
7		Coir Based Products	15	18
8		Radiator	60	15
9		Steel Based Products	119	16
10	Ekala	Textile	38	25
11	Pallekelle	Assembling of vehicle bodies	90.8	28
12		Roofing Sheets	34	47
13		Plastic Based Products	35	20
14		Plastic Based Products	90.8	28
15		Milk Based Products	25	25
16		Agriculture Equipment	7.7	20
17	Vavuniya	Tyre re-built	3	15
18	Panaluwa	Expandable Polythene	4	18
19		Rubber Based Products	2.9	20
20		Rubber Based Products	7.3	12
21	Horana	Detergent Products	4	10
22	Mihinthale	Quartz Based Products	14.1	20
23	Pussella	Tea Picketing Industries	18	10
24	Lunuwila	Coir Based Products	7	10
TOTAL			**644.6**	**494**

Commencement of Enterprises in Estates with their Investment, Employment and Products in Year 2016

S/No.	Industrial Estate	Manufacturing Products	Employment (Nos.)	Investment (Rs. Mn.)
1	Kaludewala	Wooden Furniture	5	4.7
2	Pannala	Light Engineering	10	2
3	Ekala	Packaging Materials	20	10.1
4		Packaging Materials	15	12
5	Pallekelle	Briquettes fuel	29	10
6		Roofing Sheets	10	22
7		Plastic Based Products	22	3.9
8		Plastic Based Products	12	32.2
9		Box of Matches	80	66.8
10		Food Based Products	11	2.5
11		Plastic Based Products	24	11
12	Vavuniya	Tyre re-built	7	1.5
13	Panaluwa	Packaging Materials	31	25
14		Expandable Polythene	15	4
15	Horana	Plastic & Rubber Products	75	150
Total			**366**	**357.7**

Signing of Lease Agreements

Upon the granting the initiate allocation of land/ plots the industry. Performance Scrutinized by IDB and accordingly Lease Agreements is signed for 30 years. In addition, Lease Agreements is renewed by reviewing business function of an existing industry for another period of 30 years. 19 Lease Agreements were signed with the respective industrialists during the year 2016 and was able to generate Rs. 0.25 million.

Collection of Rental Income

Monthly/annual rentals, water charges, arrears collection and transferring income for the leased-out lands and buildings were collected during the year 2016 is Rs. 65.7 million, which is nearly 90% out of the total invoiced income, from the tenants. The revolving fund, which is maintained on behalf of the collections, recovered as three-year refundable deposits from the lessees. Hence, the accumulated amount of the revolving fund is Rs. 7.6 million at the end 2016.

4.6 RUBBER PRODUCTS DEVELOPMENY AND SERVICES CENTER

The rubber products development and services center (RPD & SC) was set up at Peliyagoda, under the World Bank assistance in 1980 to assist to rubber-based industries in Sri Lanka. Nearly 200 rubber-based industrialists are longstanding regular customers who make use of our services such as product development and testing facilities, Extension and Consultancy Services, Custom Compounding of Natural and Synthetic Rubber and retail sales of chemical and other processing agents.

The performance of the Center for the year 2016 is as follows.

Services provided by the center

	Services	Measuring Indicator	Nos.
a)	Transfer of technology	No. of Clients	23
b)	Testing facilities (This includes testing facilities to industrialists manufacturing rubber products for export market)	No. of Jobs	131
c)	Sub contract opportunities	No. of Jobs	12
d)	Product Development and Diversification	No. of Jobs	26
e)	Technical consultancy	Nos.	46

Project Proposal to up – grade the Centre:

The Centre prepared a project proposal for development and up – gradation of rubber products development facility (Tensile testing machine for quality testing).

Injection moulding machine was installed in the centre to promote modern Technologies to local industries.

Development Activities:

The centre also reported the completion of the following Designing & Development Compounds, Quality Improvements and product development work during the year 2016.

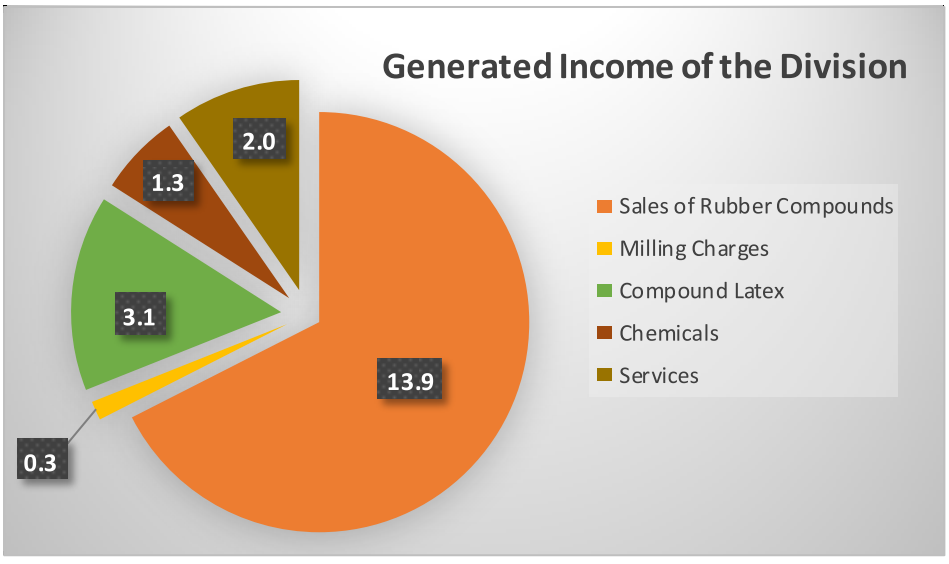
a)	**Designing & Development of Compounds**		
	Products of Special jobs carried out	**Quantity**	**Value (Rs.)**
i	Diffusers	2 Nos.	1,100,000.00
ii	Vacuum Brake Hose	200 Nos.	
iii	Brake Cylinder Boot	50 Nos.	
iv	Mounting Shoes for Onan Cummins Generator	16 Nos.	
v	Tyre Tread	80 Kg.	
vi	Pressure Switch Diaphragms	100 Nos.	
vii	Gear Box Coupling	8 Nos.	
viii	Sealing ring for Drainage Lines Kadawatha.	60 Kgs.	
ix	Rubber Beading for Ramp Door	200 ft.	
x	Bush for Tire Rod End	200 Nos.	
b)	**Quality Improvement for SMEs**		
	Special Products	**Numbers**	
i	Tire Trade manufacturing	70	
ii	Solid Tyres	05	
iii	Rubber Beadings Fenders	03	
iv	Oil resistant safely shoes	10	
v	Exercises Rubber band	01	
vi	Rubber mount	07	
vii	Latex Gloves	06	
c)	**Process Development done for SMEs**		
i	Neoprene Rubber Seal		
ii	Rubber "o" Ring		
iii	Cheesy Mount		
iv	Rubber Sucker		
v	EPDM Seal		
vi	Rubber Hose		
vii	Rubber Ring for Gasket		
viii	Weighing Scale Mount		
ix	Air Seal Knob		
x	Vibration Rubber Clip		
xi	Reclaim Rubber Compound		
xii	Head Cap Seal of Bowser		

The Centre has conducted 23 technology demonstrations on dry rubber and latex based products to promote new entrepreneurs and up–grade the quality of products manufactured by the existing entrepreneurs. In addition, the center conducted laboratory practical classes for students of the diploma course in rubber technology with the assistance of Plastics & Rubber Institute of Sri Lanka. The center has progressed well towards its goal of becoming a self-financing unit during the year. The income generated from the technical and commercial operations is amounting to Rs. 20.5 million without Vat & NBT.

The production and sales figures are given in the following table.

Production and sales of items – 2016

Production	Qty. in	Sales Value in (Rs.)	Total in (Rs.)
Sales of Rubber Compounds - kg	29,802.46	13,931,715.68	
Milling charges including re-milling-kg	15,789.10	304,205.19	
Compounded Latex (L3) - Gallons	2,069.07	2,492,306.98	
Centrifuged Latex (C.Latex) - Gallons	565.00	568,896.74	
Chemicals -kg	2,127.19	600,630.73	
Chemlock -ltrs	28.15	311,853.85	
Polythene -kg	300.15	101,931.30	
Dispersion-kg	596.30	256,012.70	
			18,512,039.90
Services			
i. Extension & Consultancy		1,104,214.91	
ii. Quality Control & Lab Testing		808,763.06	
iii. Product Development		90,153.10	1,986,585.47
Total			**20,498,625.37**
NBT 2%			433,871.14
Vat 15%			2,286,141.49
Total with tax			**23,218,638.00**



4.6 Engineering Division (ED)

The units and service centers, falling under the purview of the engineering division, are as follows:

a) Head Office at Katubedda – This includes Engineering Workshop, Foundry, and Testing laboratory, and Engineering Office (for Technical Information & Consultations, Valuation Reports etc.), Civil Engineering and Electrical Engineering
b) Electroplating Centre (E.P.C.) - Peliyagoda.
c) Appropriate Technology Research & Development Centre (A.T.R.D.C.) -Pannala.
d) Common Services Centre (C.S.C.)-Matara.
e) Brassware Services Centre – Pamunuwa.

Activities of the Division

a) Provide existing and new / potential industrialists with assistance in the selection of raw materials and machinery, design / development and technology / process know-how.

b) Provide fabrication, casting and metal finishing services to industrialists on request.

c) Provide internal repairs, maintenance / renovations and construction planning & supervisory support to the Board in Civil and Electrical Engineering fields and technical and Technical support for Board's vehicle management requirement.

d) Provide Civil and Electrical Engineering support services for the exhibitions and projects of the Ministry of Industry Commerce.

e) Other activities included Providing Machinery, Valuation Reports, Laboratory Testing Services for Foundry sector as well as the Fabrication and engineering workshop services being done on request.

f) Develop cost effective and appropriate machinery prototypes for industries.

Performance in 2016

(i) Revenue from jobs services, valuations, foundry / electroplating laboratory services, sale of implements & sundry items.

The revenue from external services by different sections and centers earned during the year 2016 are listed below.

Table 4.6.1: External Revenue for Completed Services in 2016

	Section	Gross Revenue (Rs.) (Excluding VAT & NBT)
1.	Engineering Workshop, Head Office, Katubedda, ATRDC, CSC and Brassware Centre	1,239,833
2.	Foundry, Head Office	6,771,443
3.	Valuation reports - Head Office	2,726,931
4.	Manufacture and Distribute/Sold machinery & equipment	15,326,874
5.	E.P.C. Peliyagoda	1,927,791
6.	Provided suitable raw materials for industries	77,329
7.	Provided raw materials chemicals etc.	409,614
8.	Provided consultancy/ Advisory Services	32,617
9.	Provided Laboratory Test Reports	11,200
10.	Provided Training for Entrepreneurs and professionals	15,900
11.	Technology Transfer Programmes	29,000
TOTAL		**28,568,532**

(ii) Internal services

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

	Section	Value of Completed Internal Services (Rs.)
1.	Workshop – Head Office	9,481
2.	Foundry – Head Office	1,093045
3.	Civil Engineering Services – Head Office	3,049,861
4.	Electrical Engineering Services – Head Office	216,660
	Total of Internal Services	**4,369,047**

(iii) Consultancy / Extension services:

Advisory services:

21 Nos. of advisory services providing technical/ process information and consultations on design & fabrication were provided to industrialists in 2016.

(iv) Machinery / Equipment / Process development

In 2016, the Compost Palatizer was newly developed and fabricated at ATRDC Pannala. More than 264 no of Electronics potters wheels were fabricated for Divineguma and Divisional secretariats.

Picture 4.6.2 - Compost Palatizer

4.8 Centre for Entrepreneurship Development and Consultancy Services (CEDACS)

Centre for Entrepreneurship Development and Consultancy Services (CEDACS) was established in December 15, 1989 by the Ministry of Textiles & Rural Industrial Development, as a special training division. This division consists of four units as Training, Library facilities, information cell, Information Technology and Printing.

The main role of training unit is to provide various training enhance management skills and entrepreneur development throughout the country. The library and information unit offers library facilities and industrial information in order to enhance, promote and develop SMEs. The Information Technology unit of the division provides network and information facilities within IDB and update and develop the web site. The printing unit undertakes printing of all documents, including reports, handbooks, leaflet etc.

Objectives of the division

- To create a new entrepreneurial culture.
- To introduce new managerial strategies to expand existing industries.
- To Training of trainees (Entrepreneurship Development and Management Consultancy).
- To provide technical know-how and business experience to local industrialists.
- To create awareness among SMEs and potential entrepreneurs on currently important business and industry topics.
- To Offer counseling services and industrial information.

Progress on Action Plan - 2016

Activities for Achieving Corporate Goal	Measuring Indicator	Achievement	Income (Rs.)
Training programs on Entrepreneurship Development & Productivity Improvement	No. of Programmes	07	394,500
	No. of Participants	170	
Development of Curricular	No. of Curricular	07	-
Provide Commercial & Technical Training	No. of Programmes	15	1,047,340
	No. of Participants	300	
Counseling & Consultancy	No. of Services provided	50	-
Library Collection Development	No. Library Materials	1077	
Maintenance of Data Bases (Online/Machinery/Bibliography)	No. of records	3121	
Online Registered Clients	No. of Clients	2700	
Dissemination of Industrial Information			**352,624**
customized Inquiries Fulfilled	No. of Clients	1322	
Compilation of Publications			
New Arrivals	No. of New Arrivals	12	
News letters	No. of Newsletters	4	
Current Contents	No. of Contents	12	
New Product Files	No. products Files	12	
E - Publicity through IDB Web for Industrial Information			
Newsletters	No. of Newsletter	04	
New Arrivals	No. New Arrival	12	
Current Contents	No. of Contents	12	
Create and Update Web pages			
New web pages	No. of Content pages	64	
Update web pages	No. of Documents	130	

4.9 Technical Services Division (TSD)

The Technical Services Division is one of the important divisions of the IDB, which caters to the technological needs of the industrial community in Sri Lanka. The primary objective of TSD is providing technological assistance to entrepreneur. Additionally, its helps 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 Fiber, Building material and Computer technology. Provision of technological assistance is primarily done through technology transfers workshops combined with a strong practical component.

- **Customized training programmes conducted**

  Awareness Session for the National Green Reporting System

  Technical Services Division of Industrial Development Board of Ceylon (IDB) in collaboration with the Ministry of Mahaweli Development and Environment of the successfully conducted workshops on "Registration and Awareness session for the National Green Reporting System" for industrialists in the manufacturing sector on 31st August 2016 at the Central Bank of Sri Lanka, Rajagiriya.

  The IDB is one of the external agencies that could verify and measure the green reports submitted by industries. Forty-five industrialists participated in the programme and twenty-eight companies registered to proceed the National Green Reporting System. Further awareness was also given to the officers from IDB regional offices during the programme.

  Opportunities of adopting a Sustainable Consumption & Production (SCP) approach, the role of the private sector for SCP approach, zero waste concepts, the importance of the EPL (Environmental Protection License) and guidelines for National Green Reporting were covered during the session.

- **Training programme for school teachers**

  This training programme was held for a group of 32 school teachers in Piliyandala sectorial division on 28th November, 2016.

- **Training programmes for industrial certificate courses**

  Certificate Course on "Computer Hardware & Networking"

  There have been Three (03) Certificate Courses on "Computer Hardware & Networking" for young entrepreneurs were completed in 2016.

Picture 4.9.1 - Computer Hardware Lab

- **Certificate Course on "Hand-made paper Technology"**

  A Certificate Course on "Hand – made Paper Technology" was conducted for the workers in a Hand- made paper factory in Yatiyana as per the request made by the Office of the Assistant Director of the ministry, Matara from 20th June -24th June, 2016 and from 27th June -01st July, 2016.

- **Research & development work on product development**

  Lab trials were carried out for the development of Herbal mosquito repellent, Jelly crystals with natural sugar substitutes and Gotukola powder.

- **Technology transfer workshops & demonstrations Conducted**

  Workshops:

  87 Technology workshops under food, chemical, oil & fiber and building materials sub-sectors were done, and 1914 entrepreneurs attended in the programmes.

Picture 4.9.2 – Technology Transfer Workshops

Demonstrations:

There were five Technology Transfer Demonstrations were conducted for groups of 15 entrepreneurs.

Special Consultancy:

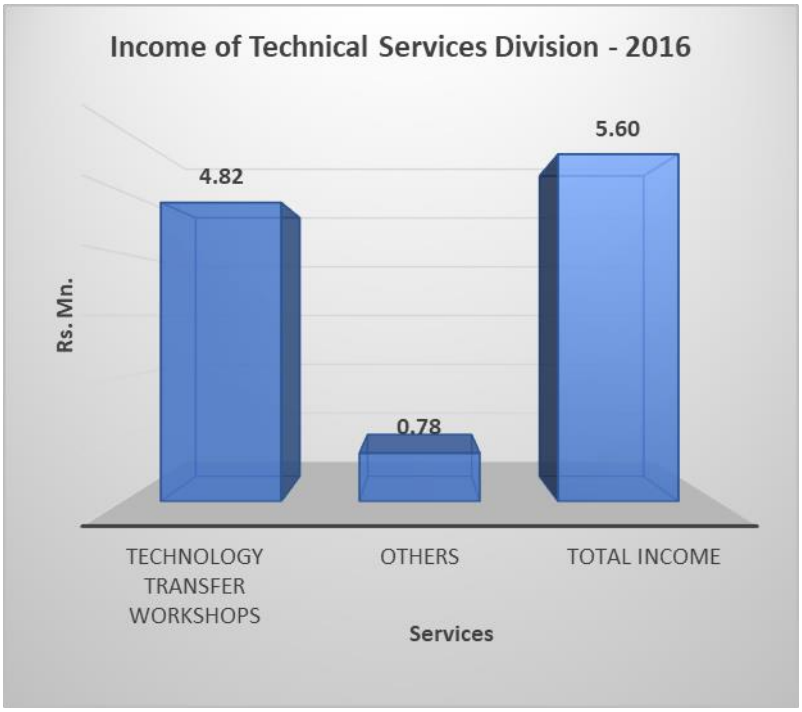
Special consultancy services were provided for individual entrepreneurs during the year.

In addition, following one-day Technology Transfer Workshops conducted by an industry expert.

- Instant cake mixture
- Instant Those and Wade mixture
- Instant Hopper Mixture

Income Earned by the Division in 2016

No.	Activity	Income (Rs.)
01	Technology transfer workshops	4,815,585.00
02	Product demonstrations	33,500.00
03	Special consultancy	5,500.00
04	Certificate Courses	708,600.00
05	Sale of Boron treatment solution	33,250.00
06	Green report verification	6,000.00
Total Income		**5,602,435.00**



4.10 Centre for Development of Leather Products and Footwear (CDLPF)

Centre for Development of Leather Products and Footwear (CDLPF) 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, train skilled of workers, provide suitable technical information and facilities to produce footwear and leather goods etc. at (CDLPF) Katubedda, Moratuwa and two regional units 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 Labor 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

Special activities carried out by the division

Technology transfer programmes on footwear leather goods manufacturing were conducted in following districts under the funds of government & nongovernment organization; Ampara, Anuradhapura, Badulla, Galle, Hambantota, Jaffna, Matara, Batticoloa, Polonnaruwa, Vavuniya districts. Most of these trainings were conducted under the coordination of regional development division.

1. Under the financial assistance from government & nongovernment organizations, 15 Programs were conducted for 311 entrepreneurs throughout the country for enhancing skill of employs and commence self-employment projects and earned Rs. 2,184,638 from them.

2. 07 demand-driven training programs were conducted on footwear designing and pattern making, Product quality enhancement program etc for 94 persons working in the footwear sector. Through this activity, we have provided 32 highly skilled designers to the footwear-manufacturing sector enriched with modern pattern making & footwear designing techniques and earned Rs. 539,000.10 training programs on Foot ware and Leather Technology were carried out for 85 industrialists in leather sector upgrade their knowledge.

3. Participated & contributed to policy formation process in various committees in association with the Ministry of Industry & Commerce, National committee on Economic Development (NCED), Sri Lanka Export Development Board, National Apprentice & Industrial Training Authority (NAITA), and Sri Lanka Standards Institution. Suggestions were made by these advisory committees to develop the footwear & leather-manufacturing sector in the country.

4. Participated technical evaluation committees of various government institutes to buy their footwear & leather goods requirements.

5. Assistance were given to process of the national program of school shoe donating program conducted by Ministry of Education in the field of technical aspects.
6. Provided facilitation to the university students those who are doing fashion designing in University of Visual Arts & Performing Arts and University of Moratuwa as their practical projects with industrial exposure. This helped attract young graduate to the sector.

7. Provided incubator facilities to those who were trained under IDB and keen to start footwear industries. This supported them to reduce the risk of their initial investment and develop products to sell.

8. Maintain a database of footwear and leather goods manufacturers and training institutes in Sri Lanka.

9. Under the financial assistance of Divisional Secretariat of Vengalocheddikulom, Palmyra and natural leather mixed bags manufacturing training program were done for women of Vavuniya & Mannar districts. Key objective of this training was to create attractive products for tourists and enhance their quality.

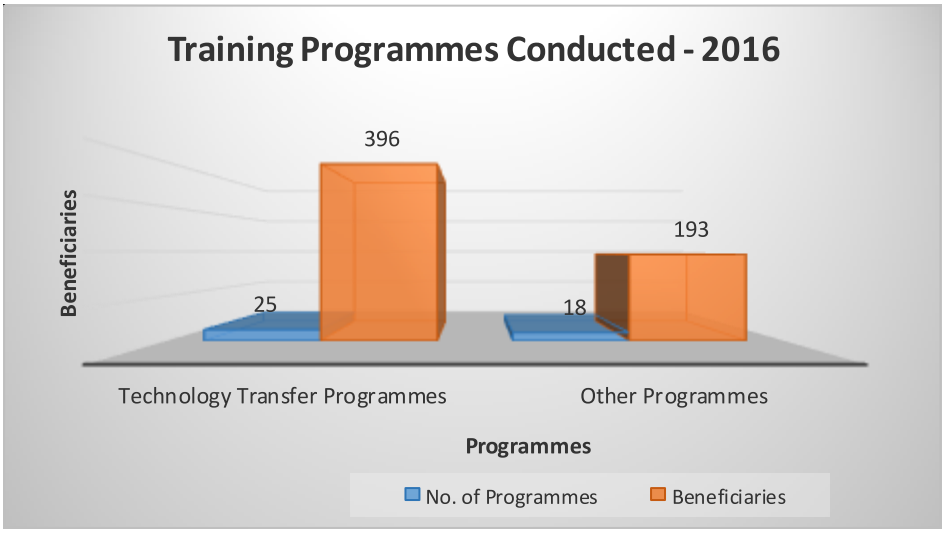
10. Workshop & field visits were arranged for the Sri Lankan Army soldiers who were about to get the retirement from the service. Target of this activity was to,
    (a) Improve their vocational skills
    (b) Supply job opportunities in footwear & leather goods manufacturing industry (c) Enhance their monthly revenue
    (d) Encourage for their own business ventures.

11. Programmes were conducted to develop the skills of Vathiri footwear villagers under the funds of government agent –Jaffna, facilitate to conduct fields visits for students of vocational training authority of Vavuniya.

12. Footwear manufacturing training were conducted for the special aided civilians of Ampara district. Through this program, it was targeted to uplift their social status.

13. Assisted to launch a Gloves Manufacturing project named Abia Group of Company in Ampara District investing Rs.5 Mn. Under this project 117 beneficiaries were trained and plan to hand over the 117 sewing machineries to start subcontracting unit in their homes under the funds of IDB.

14. Total income of the center was Rs. 5,259,810 for the year of 2016.



FINANCIAL STATEMENTS

- **Comprehensive Statement of Financial Position**
- **Comprehensive Statement of Income**
- **Statement of Changers in Equity**
- **Statement of Cash Flow**
- **Significant Accounting Policies and Other Explanatory Information**

INDUSTRIAL DEVELOPMENT BOARDOF CEYLON

Comprehensive Statement of Financial Position as at 31st December 2016

(all amounts in LKR)

	Note	2016	2015
ASSETS			
Non Current Assets			
Property Plant & Equipment	14	1,350,056,061	1,297,336,805
Capital Work-in-Progress		19,280,725	18,321,826
Fixed Deposits	15	54,003,793	25,000
		1,423,340,579	1,315,683,630
Current Assets			
Inventories (Stocks & work-in-progress)	16	30,900,030	34,375,687
Trade & Other Receivables (Debtors)	17	26,035,847	33,568,714
Other Current Assets	18	77,333,136	84,877,704
Pre-Payments	19	8,860,797	16,272,206
Special Projects	20	-	36,509,324
Cash & Cash Equivalents	21	194,895,214	95,662,065
		338,025,024	301,265,699
Total Assets		1,761,365,603	1,616,949,329
EQUITY AND LIABILITIES			
Capital and Reserves			
Net Government Contribution	22	282,787,422	277,910,082
Capital Reserves		6,243,013	6,243,013
Value of Assets Transferred	23	13,447,061	13,447,061
Surplus on Revaluation of Fixed Assets	24	961,817,782	999,334,417
Other Government Grants	25	357,657,514	165,498,934
		1,621,952,792	1,462,433,506
Government Grants		1,930,291,117	1,930,291,117
Accumulated Losses	26	(2,154,331,321)	(2,175,923,391)
		(224,040,204)	(245,632,274)
Total Equity		1,397,912,588	1,216,801,232
Non Current Liabilities			
Provision for Gratuity	27	137,072,925	155,623,529
Grants for Special Projects	28	20,863,915	71,715,838
Dues to Corporation	29	12,939,579	32,348,955
		170,876,419	259,688,322
Current Liabilities			
Dues to Government	30	83,814	80,114
Dues to Corporation	31	27,097,701	26,130,935
Bank Credit Balances	21	42,376,612	1,146,939
Provisions and Accrued Expenses	32	123,018,469	113,101,787
		192,576,596	140,459,775
		1,761,365,603	1,616,949,329

Director Finance.....

A.W.G.Guruge

A. W. G. GURUGE
Director Finance
Industrial Development Board

"The Accounting policies on pages 05 to 12 and Notes on 13 to 22 from an integral part of these Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements."

.....
Mahinda Jinasena
Chairman

.....
Member of the board

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Comprehensive Income Statement for the year ended 31st December 2016

(all amounts in LKR)

	Notes	2016	2015
Sales & Services	05	166,992,951	211,713,216
Cost of Sales & Services	06	(120,381,596)	(125,953,022)
Gross Profit		**46,611,355**	**85,760,194**
Other Income	07	102,363,963	66,149,632
Government Recurrent Grant	08	286,000,000	296,750,000
Administrative Expenses	09	(455,084,820)	(425,139,797)
Sales Distribution Expenses	10	(7,701,369)	4,128,236
Results from Operating Activities		**(27,810,871)**	**27,648,266**
Finance Costs	11	(2,218,712)	(389,155)
Net Finance Income / (Cost)		(2,218,712)	(389,155)
Net Income Before Tax		(30,029,583)	27,259,111
Deficit / Surplus for the year		**(30,029,583)**	**27,259,111**
Other Comprehensive Income	12	28,873,913	(2,894,499)
Total Comprehensive loss/Income Before Extra Ordinary Items		**(1,155,669)**	**24,364,612**
Extra Ordinary Items	13	(510,690)	-
Total Comprehensive loss/Income After Extra Ordinary Items		**(1,666,359)**	**24,364,612**

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Statement of changes in equity

(all amounts in LKR)

	Net Government Contribution	Capital & Reserve	Value of Asset Transferred	Revaluation Surplus	Other Government Grant	Government Grant	Accumulated Excess/Defecit	Total
Balance as at 01 January 2015	278,694,719	6,243,013	13,447,061	953,015,969	125,933,740	1,930,291,117	(2,136,683,923)	**1,170,941,701**
Previous Year Adjustment	-	-	-	-	(163,157)	-	(17,407,674)	**(17,570,831)**
Profit for the year	-	-	-	-	-	-	27,259,111	**27,259,111**
Revaluation Surplus	-	-	-	46,318,448	-	-	-	**46,318,448**
Retirement Benefit Obligation	-	-	-	-	-	-	(49,090,907)	**(49,090,907)**
Government Grants	45,000,000	-	-	-	48,624,461		-	**93,624,461**
Amotization of the Grants	(45,784,637)	-	-	-	(8,896,113)	-	-	**(54,680,750)**
Balance as at 31 December 2015	**277,910,082**	**6,243,013**	**13,447,061**	**999,334,417**	**165,498,930**	**1,930,291,117**	**(2,175,923,392)**	**1,216,801,232**
Balance as at 01 January 2016	277,910,082	6,243,013	13,447,061	999,334,417	165,498,930	1,930,291,117	(2,175,923,392)	**1,216,801,232**
Previous Year Adjustment	-	-	-	-	-	-	23,258,430	**23,258,430**
Profit for the year	-	-	-	-	-	-	(30,029,583)	**(30,029,583)**
Adjustment for Revaluation Surplus	-	-	-	(37,516,635)	-	-	-	**(37,516,635)**
Retirement Benefit Obligation	-	-	-	-	-	-	28,873,913	**28,873,913**
Flood Loss-RD&S-Paliyagoda							(510,690)	**(510,690)**
Government Grants	45,000,000	-	-	-	202,192,297	-	-	**247,192,297**
Amotization of the Grants(prior-year)	-	-	-	-	(39,034)	-	-	**(39,034)**
Amotization of the Grants	(40,122,661)	-	-	-	(9,994,678)	-	-	**(50,117,339)**
Balance as at 31 December 2016	**282,787,422**	**6,243,013**	**13,447,061**	**961,817,783**	**357,657,514**	**1,930,291,117**	**(2,154,331,322)**	**1,397,912,592**

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Statement of Cash Flow for the year ended 31st December 2016

(all amounts in LKR)

Net Income for the year		(30,029,583)
Adjustment for Non Cash Items		
Depreciation	24,429,696	
Amortisation of the Capital Grants	(50,117,342)	
Refundable deposits	(2,767,278)	
Gain from sale of Fixed asstes	(387)	
Bad & doubtful debts	7,701,369	
Provision for Labour Disputes	341,018	
Retirement Benefit Obligation	18,844,059	(1,568,865)
		(31,598,447)
Retirement Benefit Obligation Paid		(8,520,751)
		(40,119,198)
CHANGES IN WORKING CAPITAL		
(Increase)/Decrease in inventories	3,475,657	
(Increase)/Decrease in Debtors & Receivables	(168,502)	
(Increase)/Decrease in Other Current Assets	(6,167,344)	
(Increase)/Decrease in Prepayments	3,680,249	
(Increase)/Decrease in Special Projects	-	
(Increase)/Decrease in Creditors & Accrued Charges	(5,491,299)	(4,671,239)
CASH GENARATED FROM OPERATIONS		**(44,790,436)**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Investment in Fixed deposits	(53,978,793)	
Proceeds from sale of assets	294,103	
Acquisition/construction of Property ,Plant & Equipment	(100,316,452)	(154,001,142)
		(198,791,578)
CASH FLOWS FROM FINANCING ACTIVITIES		
Insurance Claim Received on flood loss	398,806	
Grants Received from the Government	244,361,855	
Investment in Special Projects	12,034,394	256,795,055
		58,003,477
Add: Cash and Cash Equivalents as at 01.01.2016		**94,515,126**
Cash and Cash Equivalents as at 31.12.2016		**152,518,603**

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 Act No. 36. 1969 The Head Office of the Board is situated at 615, Galle Road, Katubedda, Sri Lanka.

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistantly 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 (SLAS) / (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 consistantly applied the accounting policies in the preparation of its opening statement of financial position at 1 Januaryl 2011 and throughout all periods presented, as if these policies had always been in effect.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 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.

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

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.

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.

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 and Building	2.5%
2	Computer Softwares	7.0%
3	Plant & Machinery,Printing Machinery,Office Equipment,Lab Equipment,Furniture & Fittings,Bicycle,Sundry Assets,Utility Services,PABX	10.0%
4	Computer and Motor Vehicles	20.0%
5	Tools, Books and Travelling	25.0%

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.

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

2.3.1 Since legal ownership of the following lands not transferred to the IDB.But those lands presently IDB is utilizing.

No	District of the land situated	Area			Objective of the using	When possession taken place	Reason do not acquiring	Action taken for acquire
		Acre	Rood	Perch				
1	Anuradhapura		1	20	Regional Office	From 1971	Government land	Ownership vested by a lease agreement
					Common service center		Government land	Possession given but ownership not transferred
2	Polonnaruwa		3	26.6	Regional Office & circuit bungalow	From 1992	Government land	For the purpose of using, possession given to the board by a letter.
3	Mathara	1	1	6.2	Regional Office & Common service center			Possession transferred to the board by Additional register of land-Mathara by a letter
4	Hambanthota				Regional Office	From 2006	Approval given to develop the land	
					Leather Center-Vitharandeniya			Request made to Divisional Secretariat to acquire the land
5	Monaragala			48	Regional Office		Government land	For the purpose of using, possession given to the board by a letter.
6	Badulla			80	"Gam uda" center-Mahiyanganaya	From 1997		Possession transferred to the board by a letter given by Samurdhi bank,Mahiyanganaya
7	Colombo	1.2953 Hec			Head office		Ownership dept. of Small Industries	Requested by a letter to respective institutions to acquire
					Nawabima Center			
8	Colombo	0.4046 Hec			Rubber development center	From 1980	on 99 years lease	
9	Ampara				Regional Office		Government land	Transferred by a letter
10	Colombo	13	2	6	Industrial Estate-Panaluwa	From 2006		For the purpose of acquisition survey is being done
11	Baddegama	1	2	0.5	Industrial Estate	From 1992		Under 2016 action plan it is decided to re-transfer to LRC
12	Beliaththa	10	0	29.2	Industrial Estate	From 1995		Under 2016 action plan it is decided to re-transfer to LRC

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.

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

The 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

(a) 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 it's 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

(b) There was a fire at scrap yard "Nawabima" on 21st March 2016.According to the report submitted by the Internal Auditors of the IDB to the Board of Directors there is no damage to the

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.

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 and there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

2.14 Government grants (contd)

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.

A grant of Rs.9,517,366.00 was received form the general treasury to purchase Injection Moulding Machine for rubber division in Paliyagoda.However due to various reason this machine could not be commissioned for commercial use.As a result depreciation have not been provided for.Accordingly the grant received not recognized and deferred until effective use is commenced.

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.

3.1 Financial risk factors (Contd)

(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 2016, 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.

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 31.12.2016)

	Trade and other receivables	Amounts due from related parties	Cash and cash equivalents	Total
Risk exposure				
Trade and other receivables	26,035,847		-	26,035,847
Cash and cash equivalents	-		194,895,214	194,895,214
	26,035,847	**-**	**194,895,214**	**220,931,061**

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 2016 was as follows:

	2016	2015
Total borrowings	363,453,015	400,148,097
Total equity	1,397,912,588	1,216,801,232
Gearing ratio	**26.00%**	**32.89%**

No long term borrowings were obtained.However overdraft facility of Rs.45.0 million have been arranged against the security of Rs.50.0 million,Fixed deposits at 2.5% additional interest.This facilitated us to earn an extra income by way of interest on investment of excess funds.

4 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

4.1 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.

4.1 Critical accounting estimates and assumptions (contd)

(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 26.

(b) Useful lives of property, plant and equipment

IDB reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation charge and decrease the property, plant and equipment.

4.2 Contingent Liabilities

(a) No provision have been made for liability of Rs.2,911,406.00 accruing due to non payment of Employees' Trust Fund on Cost of Living allowance as the liability has not yet intimated to the board.

(b) As at the end of the financial year there were 07 court cases outstanding against the organization.However according to the legal division there were no possibility of payment of any compensation as a result of these cases.Hence no liability has arisen to make any provision thereon an employee was interdicted and domestic inquiry was held.As per the final settlement it was estimated that Rs.341,018.24 have to be paid as compensation which have been provided in

(c) Vehicle Number WP PD 6022 met with an accident on 12/12/2016 and seriously damaged.In order to repair quotations were called from the agents and we were informed that it take considerable period of time to import the necessary parts.In the mean time decision was taken to find an alternative ways to repair the vehicle. Estimated cost of repair arround Rs.4.9million .However since a final decision has not yet been taken we have not made any provision in this regard.

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

05	Revenue	2016	2015
5 a	**Sales**	45,426,556	29,241,401
	Sales (Non Ferrous Project)	43,044,099	103,970,263
	Sales of Income Casper	2,367,605	2,101,575
	Sales of Publications	370,538	402,040
		91,208,797	**135,715,279**
5 b	**Services**		
	Rent - Ind Estates	47,464,835	41,985,200
	Water Charges	8,249,446	7,441,537
	Surcharges	1,441,306	1,533,423
	Training Programme	15,009,485	17,449,627
	Project Reports	749,305	3,179,144
	Service Charges	2,869,778	4,409,007
		75,784,154	75,997,937
		166,992,951	**211,713,216**
06	**Cost of sales & services**		
	Cost of Sales - Direct Materials	21,128,543	23,722,894
	Cost of Sales - Purchasing - Non Ferrous Scrap Project	39,547,446	73,950,390
	Cost of Sales - Direct Labour	4,166,340	2,954,694
*	Cost of Sales - Indirect Materials	4,532,258	4,308,755
*	Factory Over Head	(1,978,163)	(1,517,652)
*	Amount Recovered by way of Genarai Over Heads	(2,715,184)	(2,701,869)
	Consumable Engineering Raw Materials	20,175	106,306
	Consumable - Foundry Raw Materials	-	54,637
	Maintanance of Plant & Mechinery	829,268	535,069
	Power	3,773,047	3,600,318
	Depreciation of Plant & Mechinery	1,488,166	912,995
	Non Ferrous Scrap Collection Commision	-	16,400
	Charges Of Engineering Works	7,000	48,664
	Marketing Expenses	276,892	154,028
	Sub Contract Charges	1,012,363	877,100
	Maintenance of Industrial Estates	1,636,570	1,254,680
	Maintenance of Lab Equipment	79,890	800
	Maintenance of Printing Machinery	-	300
	Maintenance of Tools & Spares	99,585	-
	Transport Charges	1,461,914	529,806
	NBT Expenses - Lakkam	209,886	189,361
	Training Programmes	13,690,206	16,955,344
	Expenses for Special Projects	31,115,394	-
	Total	**120,381,596**	**125,953,022**

* *This is arrisen due to accounting of cost of item manufactured as part of cost of sales.*

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

07 Other Income	2016	2015
Capital Grant Transfered	50,117,342	54,680,750
Grants for Special Projects	31,115,394	-
Fixed & Short term Deposits Interest	8,840,975	-
Sundry Income	5,112,657	3,319,944
Commissiton (Sub- contracting Exchange)	454,974	592,935
Commissions - Lakkam Center	2,096,776	1,990,777
Registraion of Suppliers	1,180,025	752,400
Non-Refundable Tender Deposits	42,900	16,400
Lakkam Hall Charges	15,000	32,000
Notarial Fees	239,400	212,320
Penalties	53,152	76,356
Web Publishing Income	4,500	-
Visiting Bangalow Charges	185,045	172,386
Sales of Fixed Assets	294,491	187,200
Savings Interest	164,493	1,699,789
Service Charges For Lab Test	582,151	842,286
Staff Loan Interest	1,469,935	1,574,088
Exhibtion Income	394,754	-
Total	**102,363,963**	**66,149,632**

08 Grants	2016	2015
Revenue grants	286,000,000	296,750,000
	286,000,000	**296,750,000**

09 Administrative Expenses	2016	2015
Basic Salaries	148,549,534	120,452,632
Chairman's Remuneration	900,000	716,071
Executive Directors' Allowance	-	292,857
Special Allowance 5%	60,895,032	75,636,336
C. O. L. Allowance	47,431,632	46,171,006
Other Allowance	7,314,780	4,739,482
EPF (Contribution)	24,027,982	20,326,548
ETF (Contribution)	6,006,998	5,080,517
Bonus for Board Employees	890,000	6,132,375
Gratuity	18,844,059	16,536,613
Training Allowances	1,001,525	872,025
Daily paid & care taker allowances	4,426,052	954,154
Unutilized Medical Leave Encashment	12,469,739	10,655,041
Overtime	9,535,239	8,674,760
Holiday Pay	868,338	741,709
Travelling (Local)	6,110,539	5,472,333
Travelling (Foreign)	378,790	1,810,359
Lodging Expenses	148,500	200,185
Stationary & Office Requisites	3,255,518	2,703,208
Fuel Expenses	5,459,909	3,763,667
Uniforms	1,953,230	1,591,278
Workmen compensation	495,000	-
Maintenance of Land	534,935	244,944
Maintenance of Building	2,472,568	774,188
Maintenance of Plant & Machinery	494,984	732,235
Maintenance of Computers & Accessories	588,798	551,904
Maintenance of Motor Vehicle	4,018,726	3,452,808
Maintenance of Office Equipment	1,720,051	742,384
Maintenance of Furniture , Fittings & Office Equipment	355,314	141,041

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

Administrative Expenses (contd)		
Maintenace of Bicycles	15,390	-
Maintenance of PABX Services	3,020	-
Maintenance of Sundry Assets	23,633	20,801
Maintenance of Water Supply	4,785	43,888
Maintenance of Web	289,500	-
Electricity	8,356,459	8,798,008
Telephone Charges	5,131,864	5,623,813
Payment of Security Services	21,159,414	20,359,707
Postage & Telegrams	941,030	785,427
Water Charges	5,294,480	6,056,540
Rent ,Rates & Taxes	3,713,841	3,693,590
Insurance	1,513,777	1,557,541
Newspapers & Journals	807,151	746,459
Directors' Fees	719,600	259,200
Contribution to Medical Aid Scheme	782,500	286,235
Audit Fees	1,242,000	600,000
Medical Examination Fees	277,500	21,000
Welfare	1,837,887	1,287,859
Entertainment	825,541	381,721
Advertisement	4,445,885	913,035
Legal Charges	208,223	93,554
Fees for Trade Tests, Interview etc.	221,230	19,762
Local Training for Board Employees	1,058,800	273,944
Membership Fees of Professional Bodies (Local & Foreign)	33,103	9,768
Licence Fee	226,605	217,880
Promotional Expenses	35,670	-
Exhibition Expenses	216,644	223,910
Research & Development	93,000	170,177
Valuation & servey expenses	456,120	59,024
Feasibility Studies	75,200	191,215
Publications	91,642	20,000
Photos	34,228	6,300
Provision for labour case	341,018	-
Miscellaneous Expenses	392,205	341,418
Registration fees	100,452	56,940
Surcharge	26,119	-
Depreciation Of - Land Improvement	3,967,742	577,667
Depreciation of - Buildings	5,188,500	11,396,473
Depreciation of - Plant & Machinery	938,921	2,792,194
Depreciation of - Computer Accessories	3,912,971	3,845,927
Depreciation of - Lab Equipments	816,319	275,328
Depreciation of - Printing Machinery	191,737	249,437
Depreciation of - Motor Vehicles	2,440,000	7,910,000
Depreciation of - Office Equipments	2,459,037	1,694,709
Depreciation of - Travelling Bags	24,660	20,781
Depreciation of - Furniture & Fittings	1,217,424	1,124,472
Depreciation of - Bicycles	9,724	10,762
Depreciation of - Tools & Spares	562,065	177,272
Depreciation of - Library Books	290,072	820,223
Depreciation of - PABX Services	271,109	279,484
Depreciation of - Utility Services	356,875	327,848
Depreciation of - Sundry Assets	216,307	355,843
Depreciation of - Computer softwares	78,066	-
	455,084,820	**425,139,797**

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

		2016	2015
10	**Sales & Destribution Cost**		
	Provision for Bad & doubtful debts	(7,701,369)	4,128,236
		(7,701,369)	**4,128,236**

		2016	2015
11	**Finance Cost**		
	Bank Charges	405,362	378,655
	OD Interest	1,813,350	10,500
		2,218,712	**389,155**

		2016	2015
12	**Other Comprehensive Income**		
	Actuarial Gain (loss) for the year	28,873,913	(49,090,907)
	Revaluation Surplus	-	46,196,408
		28,873,913	**(2,894,499)**

	13 Extra Ordinery Items	2016	2015
	Flood Loss-Rubber Product Development & Service Center-Paliyagoda		
	Insurance Received	398,806	-
	Cost of Damage	(909,496)	-
	Net profit/(loss)	**(510,690)**	-
	Average number of employees employed during the year		
	Permanent	**473**	**485**

(all amounts in LKR)

14 Property, plant and equipment as at 31/12/2016

	Land	Land Improvement	Building	Plant, Machinery & Equipment Installation	Printing Mechinery	JICA Project Assets
Year ended 31 December 2015						
Opening net book value	676,552,750	19,796,913	403,635,131	12,358,453	1,347,474	(3)
Prior- year adjustment	-	-	2,586,362	-	-	-
Opening net book value after Prior- year adjustment	676,552,750	19,796,913	406,221,494	12,358,453	1,347,474	(3)
Additions	67,595,691	-	15,897,195	2,319,957	-	-
Disposal	-	-	-	-	-	-
Depreciation charge (Note 9)	(577,667)	-	(11,396,473)	(3,705,189)	(249,437)	-
Net book value transfer to Asset Revaluation a/c	-	-	-	(10,973,222)	(1,098,038)	
Acc.Depreciation for disposed assets	-	-	-	-	-	-
Revaluation	-	-	-	45,671,000	1,213,500	-
Closing net book amount	**743,570,774**	**19,796,913**	**410,722,216**	**45,671,000**	**1,213,500**	**(3)**
At 31 December 2015						
Cost	767,716,095	-	457,488,060	(0)	-	228,842,382
Revaluation	-	-	-	45,671,000	1,213,500	-
Accumulated depreciation	(4,348,408)	-	(46,765,844)	-	-	(228,842,385)
Net book amount	**763,367,687**	**-**	**410,722,216**	**45,671,000**	**1,213,500**	**(3)**
Year ended 31 December 2016						
Opening net book value/Revalued amount	763,367,687	-	410,722,216	45,671,000	1,213,500	(3)
Prior- year adjustment (cost)	-	-	7,751,162	(592,480)	-	-
Prior- year adjustment (Acc.Depreciation)	-	(4,835,176)	(105,649)	-	-	-
Opening net book value after Prior- year adjustment	763,367,687	(4,835,176)	418,367,728	45,078,520	1,213,500	(3)
Additions	-	50,850,394	1,008,999	9,922,229	-	-
Disposal	-	-	-	-	-	-
Depreciation charge (Note 9)	-	(3,967,742)	(5,188,500)	(2,427,088)	(191,737)	-
Depreciaton on Revaluation	-	(2,287,500)	(6,444,924)	-	-	-
Acc.Depreciation for disposed assets	-	-		-	-	-
Closing net book amount	**763,367,687**	**39,759,977**	**407,743,302**	**52,573,661**	**1,021,763**	**(3)**
At 31 December 2016						
Cost	767,716,095	50,850,394	466,248,221	55,000,749	1,213,500	228,842,382
Accumulated depreciation	(4,348,408)	(11,090,418)	(58,504,918)	(2,427,088)	(191,737)	(228,842,385)
Net book amount	**763,367,687**	**39,759,977**	**407,743,302**	**52,573,661**	**1,021,763**	**(3)**

INDUSTRIAL DEVELOPMENT BOARD

Notes to the financial statements (Contd)

(all amounts in LKR)

14 Property, plant and equipment as at 31/12/2016

	Office Equipment	Lab Equipment	Travelling Bags	Funiture & Fittings	Bicycle Cost	Tools & Spares	Library Books
Year ended 31 December 2015							
Opening net book value	8,784,250	259,285	37,094	4,902,969	60,103	219,796	1,695,231
Prior- year adjustment	34,000	-	-	-	-	-	(500,369)
Opening net book value after Prior- year adjustment	8,818,250	259,285	37,094	4,902,969	60,103	219,796	1,194,862
Additions	1,029,643	2,706,555	36,200	1,482,326	13,063	761,173	168,463
Disposal	(3,587,762)	-	-	-	(17,425)	-	-
Depreciation charge (Note 9)	(1,694,709)	(275,328)	(20,781)	(1,124,472)	(10,762)	(177,272)	(820,223)
Net book value transfer to Asset Revaluation a/c	(8,153,183)	(2,690,512)	-	(5,260,823)	(62,404)	(803,698)	-
Acc.Depreciation for disposed assets	3,587,762	-	-	-	17,425	-	-
Revaluation	5,657,000	-	-	5,456,750	250,000	-	-
Closing net book amount	**5,657,000**	**-**	**52,513**	**5,456,750**	**250,000**	**-**	**543,102**
At 31 December 2015		-					
Cost	0	-	1,271,005	(0)	-	-	12,196,081
Revaluation	5,657,000	-	-	5,456,750	250,000	-	-
Accumulated depreciation	-	-	(1,218,492)	-	-	-	(11,652,979)
Net book amount	**5,657,000**	**-**	**52,513**	**5,456,750**	**250,000**	**-**	**543,102**
Year ended 31 December 2016							
Opening net book value/Revalued amount	5,657,000	-	52,513	5,456,750	250,000	-	543,102
Prior- year adjustment (cost)	717,994	-	-	-	-	-	3,500
Prior- year adjustment (Acc.Depreciation)	(2,560)	-	-	-	-	929,373	(875)
Opening net book value after Prior- year adjustment	6,372,434	-	52,513	5,456,750	250,000	929,373	545,727
Additions	6,536,106	6,055,545	22,800	2,407,130	-	876,769	697,667
Disposal	(22,568)		(2,400)	(274,700)	-	-	-
Depreciation charge (Note 9)	(2,459,037)	(816,319)	(24,660)	(1,217,424)	(9,724)	(562,065)	(290,072)
Depreciaton on Revaluation	-	-	-	-	-	-	-
Acc.Depreciation for disposed assets	2,257	-	993	-	-	-	-
Closing net book amount	**10,429,191**	**5,239,226**	**49,246**	**6,371,756**	**240,276**	**1,244,077**	**953,322**
At 31 December 2016							
Cost	12,888,531	6,055,545	1,291,405	7,589,180	250,000	1,806,142	12,897,248
Accumulated depreciation	(2,459,340)	(816,319)	(1,242,159)	(1,217,424)	(9,724)	(562,065)	(11,943,926)
Net book amount	**10,429,191**	**5,239,226**	**49,246**	**6,371,756**	**240,276**	**1,244,077**	**953,322**

14 Property, plant and equipment as at 31/12/2016

	PABX Services	Utility Services	Sundry Assets	Computer & Communication Equipment	Computer Software	Motor Vehicles	Total
Year ended 31 December 2015							
Opening net book value	1,043,960	1,364,795	1,743,674	9,796,306	(0)	39,550,000	**1,183,148,184**
Prior- year adjustment	2,000	-	10,524	(3,210)	-	-	**2,129,307**
Opening net book value after Prior- year adjustment	1,045,960	1,364,795	1,754,198	9,793,096	(0)	39,550,000	**1,185,277,491**
Additions	94,000	-	1,542,646	4,987,409	-	-	**98,634,320**
Disposal	-	-	-	(7,088,832)	-	-	**(10,694,019)**
Depreciation charge (Note 9)	(279,484)	(327,848)	(355,843)	(3,845,927)	-	(7,910,000)	**(32,771,415)**
Net book value transfer to Asset Revaluation a/c	-	-	(2,941,001)	(10,934,577)	0	(20,324,000)	**(63,241,457)**
Acc.Depreciation for disposed assets	-	-	-	7,088,832	-	-	**10,694,019**
Revaluation	-	-	1,702,205	7,487,409	-	42,000,000	**109,437,864**
Closing net book amount	**860,476**	**1,036,947**	**1,702,205**	**7,487,409**	**-**	**53,316,000**	**1,297,336,805**
At 31 December 2015							
Cost	4,308,731	15,864,011	(0)	(0)	987,850	14,154,501	**1,502,828,716**
Revaluation	-	-	1,702,205	7,487,409	-	42,000,000	**109,437,864**
Accumulated depreciation	(3,448,255)	(14,827,064)	-	(0)	(987,850)	(2,838,500)	**(314,929,777)**
Net book amount	**860,476**	**1,036,947**	**1,702,205**	**7,487,409**	**-**	**53,316,001**	**1,297,336,805**
Year ended 31 December 2016							
Opening net book value/Revalued amount	860,476	1,036,947	1,702,205	7,487,409	-	53,316,001	**1,297,336,805**
Prior- year adjustment (cost)	-	91,367	(1,134,974)	-	-	-	**6,836,568**
Prior- year adjustment (Acc.Depreciation)	2,000	(9,821)	-	(62,489)	-	(13,920,000)	**(18,005,196)**
Opening net book value after Prior- year adjustment	862,476	1,118,493	567,231	7,424,920	-	39,396,001	**1,286,168,174**
Additions	-	5,845,151	335,460	11,779,375	1,008,801	-	**97,346,425**
Disposal	-	-	-	-	-	-	**(299,668)**
Depreciation charge (Note 9)	(271,109)	(356,875)	(216,307)	(3,912,971)	(78,066)	(2,440,000)	**(24,429,696)**
Depreciaton on Revaluation	-	-	-	-	-	-	**(8,732,424)**
Acc.Depreciation for disposed assets	-	-	-	-	-	-	**3,249**
Closing net book amount	**591,367**	**6,606,768**	**686,384**	**15,291,324**	**930,735**	**36,956,001**	**1,350,056,060**
At 31 December 2016							
Cost	4,308,731	21,800,528	902,691	19,179,534	1,996,651	56,154,501	**1,716,992,028**
Accumulated depreciation	(3,717,364)	(15,193,760)	(216,307)	(3,888,210)	(1,065,916)	(19,198,500)	**(366,935,968)**
Net book amount	**591,367**	**6,606,768**	**686,384**	**15,291,324**	**930,735**	**36,956,001**	**1,350,056,060**

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

15 Fixed Deposits

	2016	2015
Bank Of Ceylon -Idama Branch	50,025,000	25,000
Fixed Deposit Interest Receivable	3,978,793	-
	54,003,793	**25,000**

16 Stock & work-in-progress

	2016	2015
Engineering Raw Materials - (H/O)	868,765	1,054,434
Printing Raw Materials	171,729	140,668
Stationary	2,036,129	1,890,847
Other Raw Materials	2,281,915	2,233,136
Stock Of Village Development Project	11,278,520	7,621,843
Sub Stores - Foundry	3,870,395	2,329,633
Sub Stores - Rubber	4,218,673	4,843,280
Sub Stores - Leather	352,323	144,616
Sub Stores - C SC - Matara	158,009	107,580
Sub Stores - Electroplating Centre	1,258,138	947,855
Sub Stores - A T R D C - Pannala	892,962	1,052,936
Sub Stores - Divinaguma	17,000	138,555
Sub Stores - Kithul Development Programme	272,527	5,837,942
Brass Centre - Pilimathalawa	129,582	178,367
Work-in-progress - Direct materials (H/O)	1,411,614	335,496
Work-in-progress - Direct Labour	383,379	63,636
Work-in-progress - General Overheads	285,120	30,418
Work-in-progress - Factory Overhead	198,652	14,387
Non-Ferrous Metal Scrap	3,863,155	8,458,614
Provision for Impairment of Non Moving Stock	(1,584,236)	(1,584,236)
Provision for Impairment of Obsolite Stock	(1,464,321)	(1,464,321)
	30,900,030	**34,375,687**

17 Trade & Other Receivables

	2016	2015
Sundry Debtors - Head Office	264,713	264,713
Sundry Debtors - Leather	18,270	18,270
Sundry Debtors - Engineering	604,611	604,611
Sundry Debtors - Engineering - Workshop	19,881,863	18,327,913
Sundry Debtors - Rubber Division	1,612,460	1,919,979
Sundry Debtors - A T R D C - Pannala	1,843,934	2,147,128
Sundry Debtors - E P C	73,272	73,272
Sundry Debtors - Printing	374,061	374,061
Sundry Debtors - Electrical	701,826	701,826
Sundry Debtors - Foundry	4,739,535	4,399,365
Sundry Debtors - Civil	2,155,803	2,155,803
Sundry Debtors - Laknipaum	42,120	42,120
Sundry Debtors - C S C - Matara	346,492	346,492
Sundry Debtors - C S C - A'pura	15,025	15,025
Debtors - Returned Cheques	209,398	209,398
Tenant Debtors	33,227,904	34,342,809
Miscellaneous Debtors	406,707	406,707
	66,517,993	66,349,491
Less:- Provision for Impairment of Bad & Doubtful debts	(40,482,147)	(32,780,778)
	26,035,847	**33,568,714**

18 Other current assets

	2016	2015
Festival Advance	364,800	376,600
Motor Bicycle Loan	333,748	803,735
Bicycle Advance	129,254	225,254
Distress Loan	39,320,914	38,759,161
Less : Deffered Staff Cost	(37,226,305)	(37,226,305)
Prepaid Staff Cost(IFRs Adjustment)	37,226,305	37,226,305
Special Advance Book	11,500	12,700
Receivable from Other Department	421,933	454,978
Sub Contract Exchange	863,057	863,057
Capacity Building	-	1,456,826
Withholding Tax	2,016,777	1,679,828
Good & Services Tax (G S T)	-	1,424,654
VAT Receivable	28,944,779	25,476,691
Non Ferrous-Vat	-	10,741,854
Kithul - Marketing	281,675	281,675
Non Ferrous Control Account	742,661	742,661
Lakkam Craditors	-	1,407,159
Economic Service Charges	170,872	170,872
Receivable from Line Ministry	3,731,167	-
	77,333,136	**84,877,704**

19 Deposits & prepayments

	2016	2015
Security Deposits	241,132	229,428
Prepayments	13,293,753	19,211,842
Provision for Imp. Of Pre Payments	(7,226,319)	(7,226,319)
Prepayments Advance - Head Office	192,206	192,206
Advance to Staff - Head Office	871,275	1,203,306
Provision for Imp. Of Per. Advances	(560,073)	(560,073)
Advance to Staff for Fuel - Head Offioce	292,312	261,882
Provision for Imp. Of Per. Advances	(235,612)	(235,612)
Other Deposits Receivable	1,576,503	3,004,926
Travelling Advance (Foreign)	190,620	190,620
Rent paid in advance	225,000	-
	8,860,797	**16,272,206**

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

20 Grants for Special Project	2016	2015
Service Centre and Goods in Stock for Distribution	-	15,540,765
Casper Project - Ministry	-	16,872,541
Divineguma Project - Cottage Industries	-	4,096,018
Expenses for Special Projects	**-**	**36,509,324**

21 Cash & bank balances

A/c code		Account No.	2016	2015
	Bank Account - Laknipayum - Polonnaruwa		11,605	11,605
185065	Divineguma Project - Cottege Industries	71889197	-	(24,863)
185200	Current Account - IRDP - Matara	00022667-9	2,076	2,076
185080	Current Account - Sub contract - Marketing	683133	-	2,015,143
185040	Current Account - Distress Loan	683218	-	596,657
185010	Current Account - Idama - Moratuwa	682974	(40,960,624)	2,112,336
185110	Current Account - Peliyagoda - RPD&SC	4064199	967,295	4,349,059
185020	Current Account - Capital Grant Bank Account	683231	(1,415,987)	(1,122,076)
185030	Bank Balance - Engineering Division	683144	516,176	5,638,052
185050	Bank Balance - REAP	1118722801	-	15,697
185180	Bank Balance - Village Development Project	4204245	5,248,932	218,749
185070	Bank Balance - Non Ferrous	682519	321,639	20,069,523
185060	Bank Balance - Regional Division (Kithul)	683237	32,971,946	1,490,134
185412	BOC - "Idama" Scrap Project Savings Account	7271240	187,240	179,891
185090	Current Account - Peoples Bank	100153657035	48,610,950	10,000
185415	Current Account - Lakkam Sales Centre	7153282	1,127,322	487,938
185015	Current Account - Debit Tax Exempted	70034730	2,368,416	609,643
185125	District Office - Bank Account (Reginal)	74791255	307,717	1,195,770
185413	Savings Account - CESS Fund	9123868	1,525,279	11,528,630
185025	Savings Account - Capital Funds	71648764	-	29,178,407
185135	Savings Account - Estate Deposits	71582414	-	4,771,419
	Short Term Deposits		100,013,581	11,104,111
	Short Term Deposits Interest Receivable		646,305	-
	Imprest Accounts		4,669	15,524
	Special Imprest - Cashier		23,379	23,379
	Cash-in-Transit		28,148	25,783
	Cash-in-Transit Metal Scrap Project		12,540	12,540
			152,518,603	**94,515,126**
	Debit Balances		194,895,214	95,662,065
	Credit Balances		(42,376,612)	(1,146,939)
	Cash and Cash Equivalents		**152,518,603**	**94,515,126**

22 Net government contribution	2016	2015
Government Capital Grants as at	277,910,082	278,694,719
Grants Received during the year	45,000,000	45,000,000
Capital Grant Transfered	(40,122,661)	(45,784,637)
	282,787,422	**277,910,082**

23 Value of Asset Transferred	2016	2015
IDB Prior to 1969	4,403,441	4,403,441
Industrial Estate Coorporation	9,043,620	9,043,620
	13,447,061	**13,447,061**

24 Surplus On Revaluation Of Fixed Assets	2016	2015
Balance b/f	999,334,417	953,138,009
Revaluation Surplus	(37,516,635)	46,196,408
	961,817,782	**999,334,417**

(all amounts in LKR)

25 Other government grants

	2016	2015
Grant Pug Mill Machine	-	29,250
Cess Fund	10,500,000	10,500,000
Sirap Fund - Building	25,388,919	26,236,185
Grant-Injection Moulding Machine for RD&SC-Paliyagoda	9,318,027	-
Ministry Funds Achchuweli	22,834,039	16,932,430
Ministry Funds Industrial Estates	260,126,686	101,801,068
Non Ferrous	10,000,000	10,000,000
Ministry Funds-T.S.D Lab	4,489,843	-
Ministry Funds-Robot Arm	15,000,000	-
	357,657,514	**165,498,934**

26 Governmet Grants

	2016	2015
Balance	1,930,291,117	1,930,291,117
Accumulated Losses	(2,175,923,391)	(2,136,683,921)
Adjustment	23,258,430	(17,407,674)
Deficit Carried forward	(1,666,359)	(21,831,796)
Accumulated Losses	**(2,154,331,321)**	**(2,175,923,391)**
	(224,040,204)	**(245,632,274)**

27 Retirement benefit obligations

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

	2016	2015
Present value of unfunded obligation	137,072,925	155,623,529
Liability in the statement of financial position	**137,072,925**	**155,623,529**

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

	2016	2015
As at 1st January	155,623,529	100,395,508
Current service cost	8,045,317	9,896,983
Interest cost	10,798,742	6,639,630
Actuarial loss / (gain) on post employment benefit obligation	(28,873,913)	49,090,907
	145,593,675	**166,023,028**
Benefits paid	(8,520,751)	(10,399,498)
At 31 December	**137,072,925**	**155,623,529**

The principal actuarial assumptions used were as follows.

	2016	2015
Discount rate	7.00%	5.00%
Future salary increases	5.00%	7.00%
Staff turnover rate	4.06%	4.91%
Retiring age	60	60

28 Grants for Special Project

	2016	2015
T Sunami	-	1,540,899
Village Development Projects	20,726,052	52,800,966
Kithul Development Project	-	10,536,151
Ministry Funds Divinaguma	-	6,699,960
Gingerly Purchasing-Jaffna	137,863	137,863
	20,863,915	**71,715,838**

29 Dues to boards & corporation

	2016	2015
E.P.F.Arrears Payable	12,939,579	32,348,955
	12,939,579	**32,348,955**

30 Dues to Government

	2016	2015
Commissioner of Inland Revenue	28,879	28,879
Commissioner of Inland Revenue Stamp Duty	54,935	51,235
	83,814	**80,114**

31 Dues to boards & corporation

		2016	2015
Central Bank of Ceylon E.P.F.		3,988,778	3,138,778
E.P.F.Arrears Payable	19,409,376		
2 instalments paid in advance	(3,234,896)	16,174,480	16,174,480
E.T.F.Arrears Payable		6,389,567	6,389,567
Employee Trust Fund		544,877	428,110
		27,097,701	**26,130,935**

32 Trade & other creditors, provisions and accrued expenses

	2016	2015
Lunuwila Estate Deposits	1,458,835	1,458,835
Employees Donation	8,695	8,695
Sub Contract Exchange	25,639	25,639
Nation Building Tax`2%	3,338,717	3,165,169
Staff Deduction Payable	11,207	(1,203)
Payee Tax Payable	106,779	79,307
Election Commssioner	54,446	54,446
Miscellaneous Creditors	3,072,949	3,072,949
Other Creditors	40,883	-
Sundry Creditors - Head Office	1,925,374	6,762,741
Sundry Creditors -Non Ferrous	124,787	641,048
Deposits Pending Settlement	1,093,683	1,113,704
Salaries Payable	(12,590)	1,991
Laknipaum Sales & Display Centre - Creditors	89,753	92,398
Advance on Jobs	3,614,812	1,863,108
Refundable Tender Deposits	32,320	937,239
Security Deposits	241,132	229,428
Refundable Deposits	49,272,098	42,123,248
Buddhist Association Control A/C - Head Office	4,230	4,230
Thrift Society Control Account	36,510	36,510
Other Department Control A/C	69,221	61,061
Payable Cents Control A/C - Head Office	2,376	2,379
Trade Union Control A/C	4,979	4,529
Insurance Control Account	1,178,882	994,798
Customer Over Payment	2,734,019	2,077,120
Medical Scheme	2,816,609	608,491
Provision for Labour Cases	4,747,407	4,406,389
Sub Contract Agro Equipment	2,202,546	2,421,515
Accrued Expenses	39,261,285	38,925,438
Lakkam Craditors	3,433,936	1,930,587
Payable -Incom exhibition	2,026,951	-
	123,018,469	**113,101,787**

AUDITOR GENERAL'S REPORT

FOR

COMMENTS OF THE BOARD

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය எனது இல. My No. } IMU/A/IDB/1/16/39 ඔබේ අංකය உமது இல. Your No. } දිනය திகதி Date } 11 April 2018

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 2016 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 2016 comprising the statement of financial position as at 31 December 2016 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 13(7) (a) of the Finance Act was issued to the Chairman of the Board on 02 November 2017.

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.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, . - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
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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 Auditing 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 judgement, 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 powers 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 2016 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 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 02

(i) Action had not been taken to compute the value of 1,500 kg of stocks of scrap, stored in the "Nawabima Store Premises" (Yard) and to adjust them in the financial statements.

(ii) Provisions of Rs.3,048,557 made for slow moving and outdated stocks had been brought forward without being reviewed since the year 2013.

(b) Sri Lanka Accounting Standard 11

The entire amount of Rs.15,617,194 granted as advances to five construction projects had been brought to account as work-in-progress.

(c) Sri Lanka Accounting Standard 20

Out of capital grants of Rs.45,000,000 received in the year 2016, only expenditure on recurrent nature amounting to Rs.2,486,663 should be brought to account as income and as well adjustments for amortization be made for capital expenditure of Rs.37,635,995. However, the total capital expenditure of Rs.40,122,660 had been brought to account as income. Action had not been

taken to make adjustments for amortization based on annual depreciation of assets, generated from the balance of capital grants of Rs.277,910,082 brought forward from preceding years.

2.2.2 Accounting Policies

In introducing an Accounting Policy, it should enable the representation of the financial position in a transparent and fair manner. However, in the allocation of doubtful debts for debtors, a policy on allocating 10 per cent for debtors less than 05 years and 100 per cent for debtors older than 05 years in every year had been adhered to. As such, an additional doubtful debt amounting to Rs.3,573,133 had been allocated in the year under review as compared with the preceding year.

2.2.3 Accounting Deficiencies

The following observations are made.

(a) Action had not been taken to compute the value of stock items of which the value was not mentioned, received as grants from many years and to account them.

(b) Despite having brought to account 07 fixed assets valued at Rs.67,437,864 to the revalued amount, the annual depreciation had been computed on the cost, thus indicating an overstatement in the depreciation of the year by Rs.1,333,284.

(c) The ownership of total lands of 37 Acres in extent, on which the Head Office, District Offices and Centres are located, had not been legally vested and the value thereof had not been assessed and brought to account.

(d) Expenditure on revenue of Rs.2,032,627 of the preceding year had been brought to account under other current assets instead of writing off against the profit of that year. As such, the current assets had been overstated by the same amount.

2.2.4 Unexplained Differences

The following observations are made.

(a) In the comparison of the total outstanding balances recoverable from industrialists as at 31 December 2016 with reports and financial statements of the Industrial Estate Sector, a difference of Rs.16,268,718 was observed.

(b) Even though the balances of Ledger Accounts on Lands and Lands Development as at 31 December of the year under review amounted to Rs.676,552,750 and Rs.141,320,244 respectively, according to financial statements, those balances had been Rs.767,367,687 and Rs.50,156,899, thus indicating non-reconciliations of Rs.90,814,937 and Rs.91,163,345 respectively.

2.2.5 Lack of Evidence for Audit

The following observations are made.

(a) The revaluation of the assets of the Board had been carried out in the years 2014 and 2015 by an officer employed in the Board, who is professionally qualified in the valuation of property. However, the Schedule of the revalued assets and information on assessed value of each asset revalued as at 31 December 2016, had not been made available to Audit even by 30 October 2017.

(b) A detailed schedule on the balance of Rs.3,072,949 included in the sundry creditors balance older than 05 years, had not been made available to Audit.

2.3 Accounts Receivable and Payable

The following observations are made.

(a) Trade and other receivable balances as at the end of the year under review totalled Rs.66,517,993 and out of that, the debtors balance amounting to Rs.39,436,868 older than 05 years, had not been recovered. Moreover, the creditors balance older than 05 years amounted to Rs.28,955,811 and action had not been taken to settle them.

(b) The employees' loan balance that remained unrecovered since the year 2014 amounted to Rs.743,533.

(c) Out of the balance amounting to Rs.14,457,340 of prepayments and advances granted to employees, the balance of Rs.8,022,004 had been deducted and shown as an allocation since the year 2014.

(d) Advances of Rs.4,317,934 paid to suppliers in the purchase of scrap iron from the year 2009 to the year 2015 had not been settled even up to 31 December 2017.

(e) A sum of Rs.16,058,303 was recoverable as at 31 December 2016 as lease rentals from 228 industrialists who had established industries in 12 Industrial Estates.

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

The following non-compliances with laws, rules and regulations were observed.

	Reference to Laws, Rules, Regulations etc.	Non-compliance
	Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(a)	Financial Regulation 571(2)	Action in terms of Financial Regulations had not been taken on refundable deposit balances of Rs.2,767,275 older than 02 years.
(b)	Financial Regulation 757	Action in terms of Financial Regulations had not been taken on surpluses and deficits amounting to Rs.395,754 and Rs.332,028 respectively revealed according to the Boards of Survey carried out for the year 2016.
(c)	Financial Regulation 770	Action in terms of Financial Regulations had not been taken on 38 items of Goods which were condemned as unserviceable articles in the Annual Boards of Survey in the year 2015.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Board had been a deficit of Rs.30,029,583 as against the surplus of Rs.27,259,111 for the preceding year, thus indicating a deterioration of Rs.57,288,694 in the financial result of the year under review as compared with the preceding year. The decrease in recurrent grants by Rs.10,750,000 and income from sales and services by Rs.44,720,265 and the increase in the administrative expenditure by Rs.29,945,023 as compared with the preceding year, had been the main reason for the above deterioration.

An analysis of financial results of the year under review and 3 preceding years revealed that the deficit of Rs.84,728,727 of the year 2013 had become a surplus in the year 2014 and it had increased to Rs.27,259,111 in the year 2015. However, it had deteriorated to a deficit of Rs.30,029,583 in the year under review. However, after readjusting employees' remuneration and depreciation for non-current assets to the financial result, the contribution which was Rs.68,532,050 in the year 2013 had continuously improved and become Rs.142,949,647 in the year 2016.

4. Operating Review

4.1 Performance

The main objective of the Industrial Development Board of Ceylon incorporated under the Industrial Development Board Act, No.36 of 1969 is encouragement, promotion and development of industries and comprises of sections such as engineering technical services, marketing, rubber development and leather goods development including 19 industrial estates and 25 District offices. The following observations are made in respect of the performance of the Board.

(a) Marketing Division

Scrap materials project, obtaining sub-contracts, organization of exhibitions, providing marketing facilities for Lakkam and Lak Nipayum centres and conducting commercial and technical programmes for entrepreneurs etc. were the functions of the Marketing Division.

(i) Even though the income from sale of scrap materials had been the main income source of the Marketing Division, the income which was Rs.103,970,263 in the year 2015 had decreased to Rs.43,044,099 by Rs.60,926,164 representing 59 per cent in the year 2016.

(ii) No arrangement for the development of the Lak Nipayum Sales Centre had been included in the Action Plan. As such, the income from commission received for the year 2016 of the Lak Nipayum Centre amounted only to Rs.1,206 and the Lak Nipayum Sales Centre had been closed down since April 2017.

(b) Regional Development Division

Forty seven activities had been planned by this Division with a view to encouraging, promoting and uplifting the micro, small and medium scale businesses and industries and directing to the overseas market. However, there was no progress in 06 out of those activities and the progress of another 25 activities ranged in a low level between 2 per cent and 25 per cent.

4.2 Management Activities

The following observations are made.

(a) Action had not been taken even by 04 December 2017 to distribute stocks valued at Rs.7,417,960 and Rs.774,416 purchased in the years 2007 and 2008 and in the year under review respectively with a view to distributing them to the entrepreneurs under the Villages Development Programmes.

(b) Industrial Estates

(i) Action had not been taken to industrialize 59 plots of lands due to unauthorized occupants in 05 Estates since the years 1996 and 2000 and further action had not been taken to develop and hand over 71 plots of lands to industrialists in 07 Estates.

(ii) The land on which the Baddegama Industrial Estate is located, belongs to the Land Reform Commission and an advance of Rs.500,000 had been paid in the year 2007 for vesting the said land and a sum of Rs.15,576 had been paid for surveying and preparing plans on 05 October 2007. However, that land had not been vested in the Board. Moreover, the non-vested Baddegama and Beliatta Industrial Estates of 1 Acre 2 Roods 0.5 Perches and 10 Acres 29.2 Perches in extent respectively had not been utilized for the intended purpose and as such, those lands have been colonized by now.

(iii) Industrialists had resided on the land of 2 Acres 01 Rood 11.6 perches in extent, of the Karandeniya Industrial Estate, Galle owned by the Board, instead of carrying out their industries therein. Further, action had been taken to vest that land with the Divisional Secretary, Karandeniya on 29 August 2017 on the decision of the Board of Directors without proper authority.

4.3 Utilization of Funds

The sum of Rs.25 million received from the Ministry in September 2016 for the acquisition of lands to the Panaluwa Industrial Estate, had been invested in a fixed deposit without being used for the intended purpose up to September 2017.

4.4 Identified Losses

The following observations are made.

(a) The Cost of Living Allowance included in the employees' remuneration had not been considered in the computation of contributions for the Employees' Provident Fund and the Employees' Trust Fund from the year 2006 to the year 2012. As such, the Board had paid a sum of Rs.6,469,791 as surcharges relating to that period.

(b) A sum of Rs.43,257 had been paid as surcharges due to failure in making payments relating to annual motor vehicle license fees, gratuity and rates (assessment tax) on due date.

4.5 Idle Assets

The following observations are made.

(a) The building located at Miyunugama, Mahiyanganaya owned by the Board, had remained idle without being made use of for any purpose and a sum of Rs.714,248 had been spent in the year under review for obtaining the security service therefor.

(b) Machinery and equipment had been purchased by spending Rs.1,283,500 from the Board, that was required to manufacture fruits allied products in the Nagahamada Neelawabedda building constructed by the Ministry for the implementation of Enterprises Villages Development Programme under the Ministry of Traditional Industries and Small Enterprise Development and peoplized on 06 March 2012. However, those equipment had remained idle without being made use of for any effective purpose from the said date up to the date mentioned in the report.

4.6 Procurement Process

Purchase of Rubber Injection Moulding Machine valued at Rs.9,318,026 had been cancelled due to high quotations submitted in the first bidding. According to Guidelines 7.8 and 7.8.4 of the Procurement Guidelines, non-submission of a bid security should be considered as a major deviation. However, in the second bidding, the supplier who had submitted a photocopy of a cheque valued at Rs.182,520 which was written in favour of the Board for bid security, had been accepted as the successful bidder and the contract had been awarded to him.

4.7 Staff Administration

The following observations are made.

(a) Out of 725 approved cadre of the Board, 232 posts had been vacant as at 31 December of the year under review and out of those posts, 106 and 126 posts were executive and non-executive posts respectively.

(b) Contrary to the Scheme of Recruitment, eight Business Promotion Officers and three Management Assistants had been recruited on contract basis from 01 December 2015. Even though their contract period had expired on 31 May 2016 according to the relevant agreement, the service period had been extended until further notice without terminating the service.

(c) An officer to a post of Coordinator and three consultants not included in the approved cadre had been recruited from 20 January 2016 and a sum of Rs.83,069 and Rs.168,800 including monthly fuel allowance, salaries of drivers and telephone allowance had been paid to them respectively.

(d) Thirteen officers had been appointed on acting basis and a sum of Rs.830,546 had been paid as acting salaries in the year 2016 due to failure in appointing officers for the vacant posts of the approved cadre. The acting period of these officers ranged between 02 years and 10 years.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the Draft Annual Report along with the accounts should be presented to the Auditor General within 60 days of closure of the financial year in terms of Section 6.5.1 of Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements for the year under review had been presented on 25 September 2017.

5.2 Procurement Plan

Even though a Procurement Plan had been prepared in the year under review only for the provisions granted by the Ministry and the General Treasury, procurements made from income of the Board had not been included in that Procurement Plan.

5.3 Budgetary Control

A budget for the year under review had not been prepared in terms of Sections 5.2.3 and 5.2.4 of Public Enterprises Circular No. PED/12 of 02 June 2003.

5.4 Tabling of Annual Reports

Action had not been taken to table the Annual Reports for the years 2013, 2014 and 2015 in Parliament in terms of Section 6.5.3 of Public Enterprises Circular No.PED/12 of 02 June 2003.

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.

Areas of Systems and Controls	Observations
(a) Financial Control	(i) Long delays in preparation of bank reconciliation statements.
	(ii) Efficient non-collection of documents by the Accounts Division relevant to financial transactions of different Divisions.
	(iii) Granting additional advances than the required amount for purposes.

	(iv) Receipt of cash after office hours and failure to deposit money in the safe in a duly manner at the shroff.
(b) Lease out of Lands	Failure in signing lease agreements legally for 31 buildings and 57 plots of lands relating to 09 Industrial Estates.
(c) Stock Control	(i) Maintenance of inventories for items of stocks without balances. (ii) Failure in taking action to eliminate damaged stocks from accounts. (iii) Differences between the balances of Ledger Cards and Bin Cards in respect of certain items of stocks.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini wijesinghe
Auditor General