ANNUAL REPORT 2017

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"

DIRECTORATE OF THE INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

From February 2015 to December 2017

Mr. Mahinda Jinasena	-	Chairman

From January to December 2017

Ms. Sandhya Wijayabandara	-	Ex-Officio

From January to August 2017

Mr. T.D.S.P. Perera	-	Ex-Officio

From January to May 2017

Mr. Dharshana Wijesiriwardena	-	Ex-Officio

From June to December 2017

Mr. M.N.D. Gunaratne	-	Ex-officio

From January to December 2017

Mr. Roy Jayasinghe	-	Advisor in the Board

From February 2015 to December 2017

Mr. Kaleel Rahumathulla	-	Member of the Board
Mr. Shamin Perera	-	Member of the Board
Mr. Nishadha Gamage	-	Member of the Board

From January to December 2017

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

From July to December 2017

Mr. Sanjeewa Dickwella	-	Member of the Board

From January to June 2017

Ms. Malika Samaraweera	-	Member of the Board

CHAIRMAN'S MESSAGE

It is with great pleasure I present my message to the Annual Report of the Industrial Development Board (IDB) of Ceylon, for the financial year 2017.

As the Prime State Organization established in Sri Lanka for the Promotion and Development of Micro, Small and Medium scale Enterprises (MSMEs), we are proud to have provided supporting services and assistance to the industrialists for more than four decades. As a continuance of this process, with the support and guidance of the Ministry, the IDB launched many initiatives during the year 2017, to overcome the many issues pertaining to growth of the MSMEs in the country.

Steps were taken by IDB to establish an Accredited Food Laboratory over three phases, under the guidance of Ministry of Industry & Commerce with a total allocation of LKR 140 million. As an Industrial facilitator, IDB envisages that this project will benefit Micro, Small and Medium Entrepreneurs (MSMEs) and more importantly, the Economy of the country.

Action was taken to expedite the entire process of establishing the Centre for Excellence of Robotic Applications (CERA) as a Private Public Partnership project (PPP) in collaboration with the line Ministry and the Ministry of Science, Technology and Research. CERA will function as a Technology transfer organization which will design, develop and test Robotic systems and will be a vehicle for Private Sector Industrial and Governmental clients.

During the year 2017, we expanded our scope for each division and increased our service capacity for the industrialists in a sustainable manner by enhancing the quality of customer services. Further we focused on managing our operations in the most cost effective manner when utilizing the Ministry funds provided for projects in the areas of process development, product development, human capital development, supply chain development, manufacturing system development…etc. Further an institution named Intercontinental Institute of Human Resource Management (IIHRM) was assigned to implement modern day Human Resource Practices to be adopted as a criteria for promotions, incentives etc. while inculcating ethics at work place to ensure a positive ambience which leads to happy and satisfied Human Capital. In addition, the IDB accomplished many other programmes on Development of Enterprise Villages and Women Entrepreneurship, Production Village Development, development of food industries in the Western Province, development of wood based industries and modernization of existing infrastructure facilities of Industrial Estates.

Since our country's Economy had been going through a major transformation over the past few years, it had a greater transformational impact on one single year's results over the projects handled during the year. We recognize that the same factors that affected our performance at some point of time last year will continue to weigh on our margins in 2018 too. However, we are accountable to uplift the profitability during the next year and continue the ongoing expansions and cost improvement investments progressively.

Finally, I like to thank the Minister of Industry and Commerce, Honourable Rishad Bathiudeen for the wholehearted cooperation, assistance and guidance given to every key endeavour of the IDB. Further I wish to place on record my sincere appreciation to the dedicated staff for their vision and unstinted support given at all times, which undoubtedly helped to steer the Board towards the many successes it has achieved so far.

Mahinda Jinasena
Chairman

DIRECTOR GENERAL'S REVIEW

The task of documenting an annual report carries a greater responsibility with respect to the broader perspectives of organizational performance. Obviously, the annual report is not only an assessment to depict how efficiently the resources of the institution have been allocated and used, but also it is the assessment of the shortfalls taken place in implementation of plans for the year. It helps redefining strategies for the years to come and to alleviate the drawbacks. Thus, I am contented to make my remarks in the annual report 2017 to comprehend the organizational progress in physical and financial terms, keeping room to any inclusion of improvements to the organizational involvements in the development process of local industry.

2017 has been a year that the economy of the country required a speedy recovery which has to be complemented predominantly by an insightful and strategic development drive from the local industry. Micro, Small and Medium Industries (MSMIs), represents a greater portion of the local industry in numbers and therefore IDB has apprehended the importance of reinforcing the capabilities of MSMIs to uplift the local industry to desirable growth levels.

Larger Industries in the private sector, in this respect have a major role to play to expand the boundaries of their businesses to the level of international scale, giving a greater momentum to the GDP. Thus, the larger Industries can opt for opening up doors to MSMIs to take over their simpler operations by taking opportunity for larger Companies to leap into specific operations with substantial value additions and higher returns. In a system of this nature, IDB has the role of aligning MSMIs with the required manufacturing capabilities in relation to the quality, cost, quantity and norms as expected by marketplace.

IDB, in this year has taken measures to support and promote MSMIs by way of transferring knowledge, building linkages, process development and uplifting skills of human capital, in order to enhance competencies in the areas of financial, marketing, technology, human resources and operations management. Furthermore, IDB has carried out a successful process improvement programs covering industries in the food sector across the island. The financial assistance offered to these industries to upgrade the process capability is indeed stimulus to local industry in enhancing productivity. Concurrently measures to upgrade the institutional facility base covering all the service delivery units including industrial Estates of IDB is underway to offer a better service. Also, initiatives have been taken to establish the Center of Excellence for Robotic Applications (CERA), Laboratory facility for testing food products and related chemicals and to provide modern machinery and testing equipment to Rubber Product Development and Services Centre and Engineering Foundry. Besides the management has given serious concern on the audit findings ensuring compliance to pertinent guidelines and regulations in all the institutional involvements.

Also, I take this opportunity to express my sincere gratitude to the Hon. Minister, Hon. Deputy Minister the secretary, senior officers and staff of the Ministry of Industry and commerce, on behalf of IDB, for the encouragement, necessary endorsement and support extended to us in making our efforts a success during the year.

I am also grateful to the Chairman, the members of the Board and the audit and management committee for the guidance, advice and direction in achieving the expectations as planned. Finally, I would like to extend my sincere gratitude to the directors and all the staff of IDB for the team effort and the commitment in all the endeavors in 2017.

P.L.U. Rathnamalala
Director General

CONTENTS

1.0 THE ORGANIZATION 01-04

1.1 Background
1.2 Objectives of the Board
1.3 Divisions and Services of the Board
1.4 Key Services and Facilities provided for Micro, Small, and Medium Enterprises / Industries
1.5 Organizational Structure

2.0 PROJECTS, PROGRAMMES AND ACTIVITY BASED PERFORMANCE IN 2017 05-13

2.1 Overview
2.2 Review of Performance
2.3 Technology Transfer, Customized Training Programmes and Product Development
2.4 Divisional Summary of Progress of Action Plan – 2017

3.0 SPECIAL PROJECTS / PROGRAMMES & EXHIBITIONS 2017 14-16

3.1 Financial Assistance to Uplift Small Scale Food Industries in Sri Lanka
3.2 Footwear and Leather Fair 2017
3.3 Derana SME Club with IDB Branding Programme for SMEs
3.4 MoU with PUM Netherlands Senior Experts
3.5 Facilitation of SMEs in Food Sector through Packaging - 2017
3.6 Recycling of Waste Plastics
3.7 Recycling of Waste Paper and Manufacture of Handmade Paper

4.0 DIVISION WISE MAJOR HIGHLIGHTED EVENTS 17

- Administration Division (AD) 18
- Regional Development Division (RDD) 19-22
- Planning Division (PD) 23
- Marketing Division (MD) 24-25
- Industrial Estates Division (IED) 26-31
- Engineering Division (ED) 32-33
- Centre for Entrepreneurship Development and Consultancy Services (CEDACS) 34-35
- Technical Services Division (TSD) 36-39
- Centre for Development of Leather Products and Footwear (CDLPF) 40-41
- Rubber Products Development and Services Centre (RPD & SC) 42-44

5.0 FINANCIAL STATEMENTS 45

- Comprehensive Statement of Financial Position 46
- Comprehensive Statement of Income 47
- Statement of Changes in Equity 48
- Statement of Cash Flow 49
- Significant Accounting Policies and Other Explanatory Information 50-68

6.0 AUDITOR GENERAL'S REPORT FOR COMMENTS OF THE BOARD 69-81

List of Acronyms

AAT	-	Association of Accounting Techniques
AD	-	Administration Division
ATRDC	-	Appropriate Technology Research & Development Centre
BHC	-	Business Health Certificate
CDLPF	-	Centre for Development of Leather Products and Footwear
CEDACS	-	Centre for Entrepreneurship Development & Consultancy Services
CP	-	Cleaner Production
CSC	-	Common Services Centre
ED	-	Engineering Division
EMS	-	Environment Management Systems
EPC	-	Electroplating Centre
EPL	-	Environmental Protection License
EPM	-	Enterprise Promotion Manager
GP	-	Green Productivity
HRD	-	Human Resource Development
HRM	-	Human Resource Management
ICT	-	Information and Communication Technology
IDB	-	Industrial Development Board
IED	-	Industrial Estates Division
IEs	-	Industrial Estates
ISO	-	International Standards Organization
GMP	-	Good Manufacturing Practice
HM	-	Higher Management
HMI	-	Human Machine Interface
MD	-	Marketing Division
MM	-	Medium Management
MOU	-	Memorandum of Understanding
MOIC	-	Ministry of Industry and Commerce
MSMEs	-	Micro, Small and Medium Enterprises
MT	-	Metric Tons
NCPC	-	National Cleaner Production Centre
NGRS	-	National Green Reporting System
OHSAS	-	Occupational Health and Safety Management System
PD	-	Planning Division
PLC	-	Public Limited Company
PVC	-	Polymerizing Vinyl Chloride
RDD	-	Regional Development Division
RM	-	Raw Materials
RPD & SC	-	Rubber Products Development and Services Centre
SCP	-	Sustainable Consumption and Production
SCX	-	Sub Contracting Exchange
SME	-	Small and Medium Enterprises
SMI	-	Small and Medium Institutions
SLIIT	-	Sri Lanka Institute of Information Technology
SLIM	-	Sri Lanka Institute of Marketing
SOP	-	Scheme of Promotions
SOR	-	Scheme of Recruitments
TSD	-	Technical Services Division
TOT	-	Training of Trainers
UNOPS	-	United Nations Office for Project Services

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON (IDB)
ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2017

1. 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 the encouragement, promotion and development of industries in Sri Lanka;
- To assist in the proper co-ordination and in the interrelated growth of all industrial undertakings in the private and public sectors of the economy of the country;
- To foster industrial research with the object of utilizing the natural resources of 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 the export of local industrial products to overseas markets;
- To assist in such measures in the field of international trade and regional co-operation as are necessary or conducive to industrial development;
- To provide for services and facilities of every description required by or in connection with any industrial undertaking or industrial establishment in Sri Lanka, including the provision of capital, credit, marketing, managerial, technical facilities and legal advice;

1.3 Divisions and Services of the Board

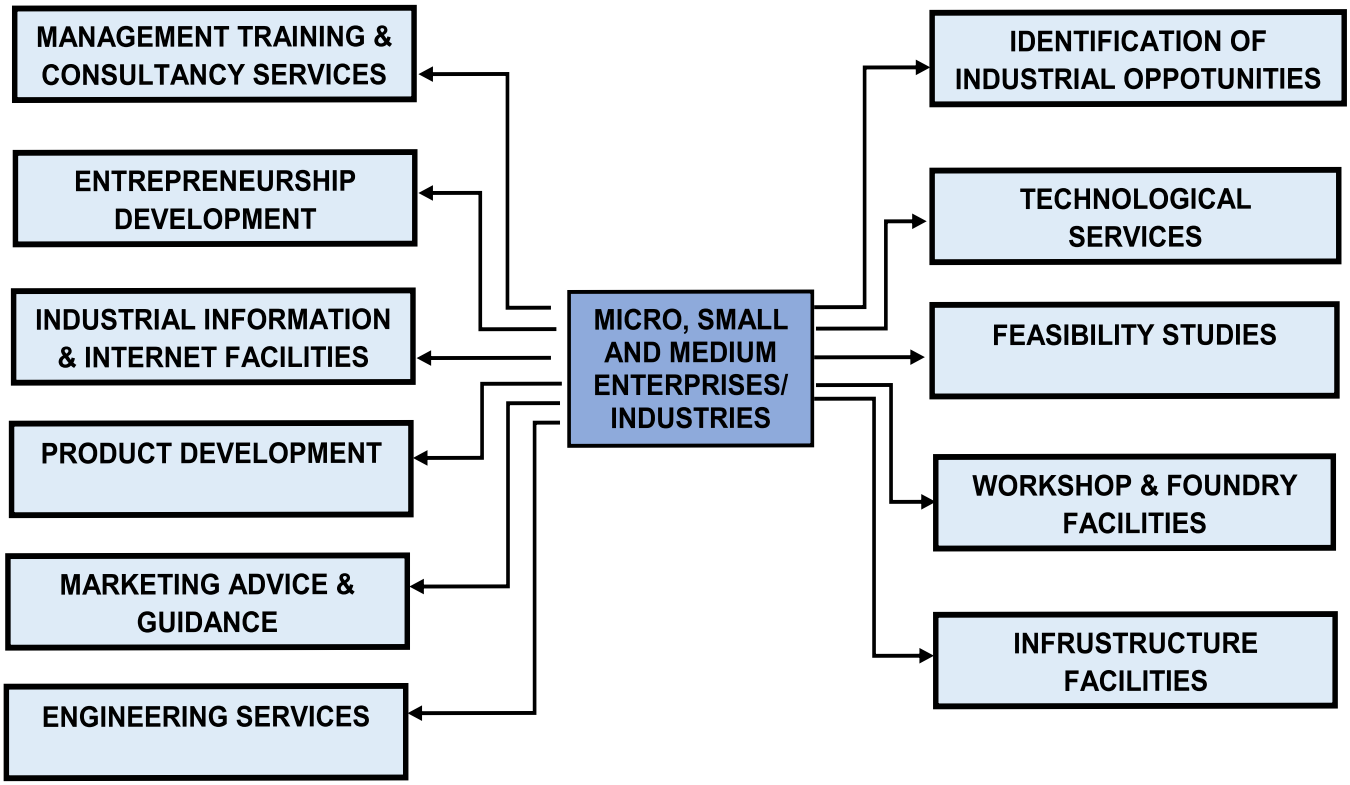
The Board consists of 9 Divisions and 2 dedicated service centers for Leather and Rubber sectors to provide a package of services to small and medium scale industries.

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

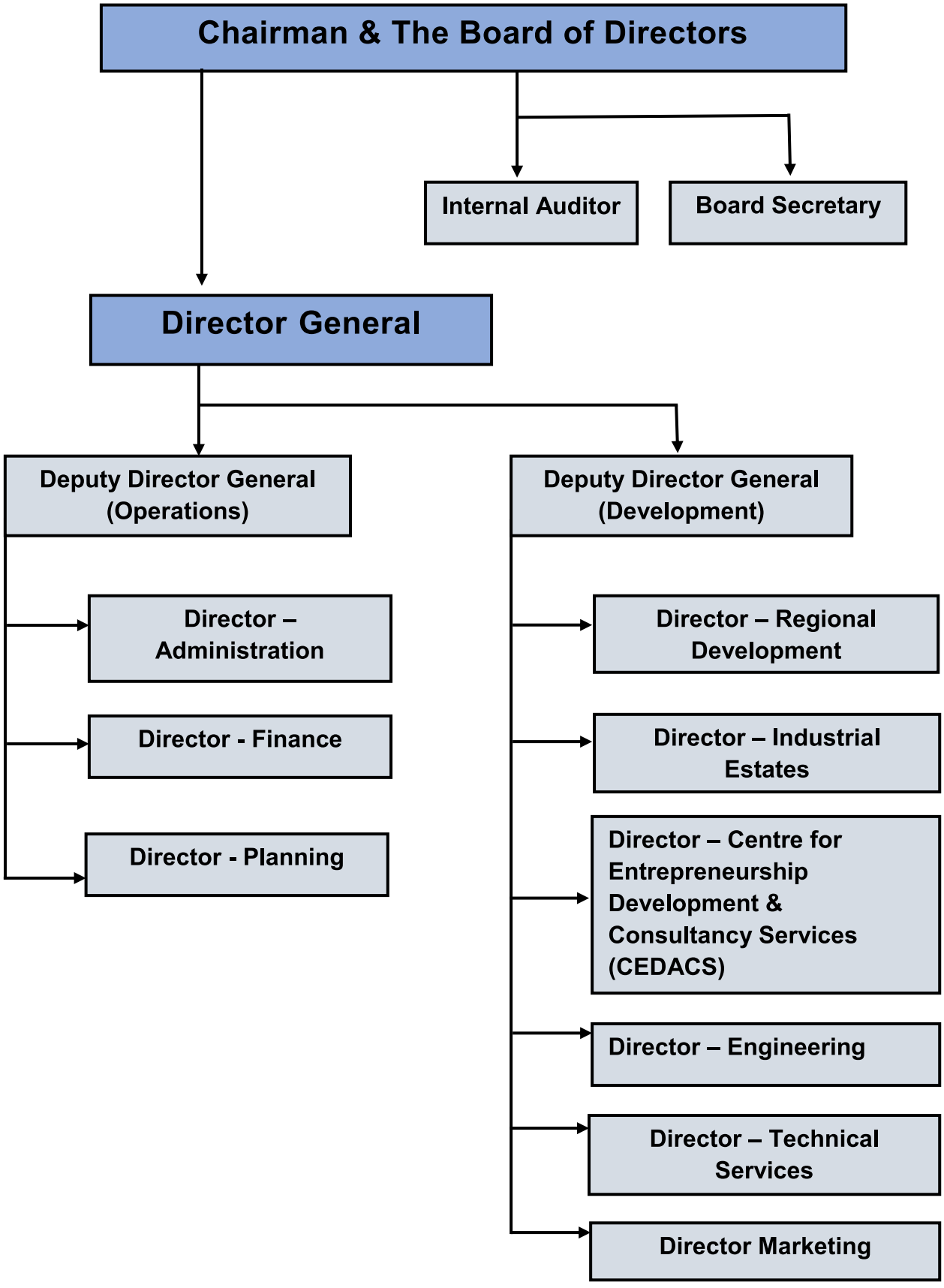
The network of 25 District Offices is functioning under the Regional Development Division and 19 Industrial Estates are functioning under the Industrial Estates Division. There are 2 Service Centers which fall under the Engineering Division. The Technical Services Division, the Leather Products Development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



1.5 Organizational Structure



2. PROJECTS, PROGRAMMES AND ACTIVITY BASED PERFORMANCE IN 2017

2.1 Overview

Giving greater emphasis to current issues pertaining to growth of Micro, Small and Medium scale Enterprises (MSMEs) in the country, Industrial Development Board (IDB) has taken many initiatives during the year. The prime objective of the development drive is to uplift the operations of local industries while strengthening the continuance of the development programmes already launched by IDB in 2017.

With the support and guidance of the Ministry, necessary funding could be utilized to complete programs and projects for MSMEs in the areas of process development, product development, human capital development, supply chain development, manufacturing system development, product quality improvements, business competency development, marketing and branding development, technology development, entrepreneurship development, enhancing good management practices, facilitation for specific raw material supply, facilitation for access to finance, infrastructure development for industrial setups and bring in new MSME development programmes.

In addition, IDB undertook the many other programs on development of enterprise villages and women entrepreneurship, production village development, development of food industries in the western province and development of wood based industries funded by the Ministry of Industry and Commerce (MOIC).

2.2 Review of Performance

The training programmes conducted during the year is summarized as illustrated in the chart 2.1. Accordingly the training programmes can be categorized primarily in the following manner.

01. Capacity development entrepreneurship development and management training programmes - 157 number of programmes were held and the new & existing entrepreneurs participated were 2,289.
02. Technology transfer, technology knowhow and customized training programme based on food, chemical, oil and fats – total number of programmes held were258and the benefited potential entrepreneurs were 3,950.
03. 188 number of project feasibility valuation reports were prepared.
04. Foundry and engineering services provided and machinery and equipment fabrication were 742.
05. Market supports – 704
06. Facilitation for access to finance – 105
07. Number of industrialists benefited through market exhibitions was 1,200.
08. Facilitation for specific raw material supply,

    Processed

    - Rubber compound – 62 MT
    - Latex – 13,750 Ltr

    Unprocessed

    - Raw material scrap – 1,680 MT
    - Kasper bottles – 3,245

09. Infrastructure development for industrial setups in 13 industrial Estates.
10. No. of Industrialist supported to obtain system certifications and product standards.
    - GMP – 16 industries
    - ISO - 13 industries

2.3 Technology Transfer, Customized Training Programmes and Product Development

258 technology transfer programmes were conducted under the food, chemical, oil & fiber, leather, rubber etc. and 3950 number of potential entrepreneurs were benefitted. 3 products namely “Sea weed enriched cookies” & “Jack seed candy” and “Dehydrated vegetable soup mix” were developed and 41 customized-training programs were conducted for 843 new and existing industrialists.

Further they were acquired and transferred 8 foreign technologies among different small and medium entrepreneurs.

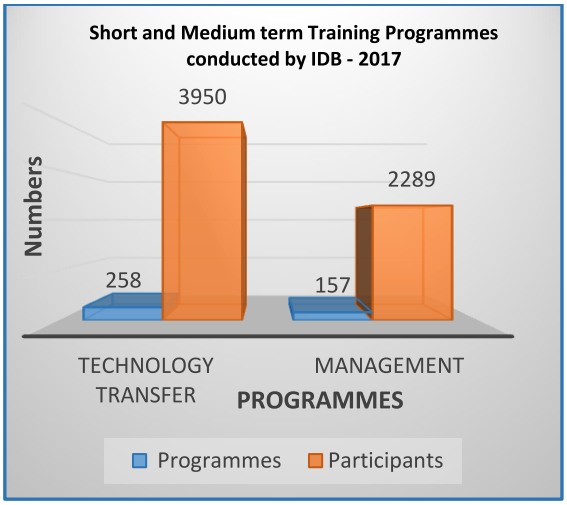


Chart 2.1 - Training Programmes of the Board - 2017

2.4 – Divisional Summary of Progress of Action Plan – 2017

Divisional Performance

No.	Activity	Performance Indicator	Physical Progress	
			Cumulative	
			Target	Achievement
Division : Centre for Entrepreneurship Development and Consultancy Services				
1	No. of awards given	No. of programmes conducted	3	2
		No. of employees/ industries attended	60	61
2	Conduct training programmes (Entrepreneurship Development, Marketing and Financial Management etc.)	No. of programmes conducted	8	6
		No. of industrialists benefitted	160	119
3	Publish e-newsletters	No. of newsletters published	4	3
4	Compilation of Karmantha journal	No. of journals published	3	2
5	Conduct customized training programs for entrepreneurs/industrialists/Govt.& external organizations	No. of customized training programs conducted	4	16
		No. of industrialists benefitted	80	293
6	Dissemination of information	No. of information given	700	1647
7	Update of Machinery/Online/Bibliographic databases	No. of entered items	1200	2727
Division: Engineering Division				
1	Prepare valuation reports	No. of reports prepared	66	95
2	Provide unprocessed raw materials at reasonable prices (scrap aluminums, copper, brass, iron and others)	No. of industrialists obtained R M	88	195
3	Provide workshop services - machining, fabricating, heat treatment	No. of jobs done	66	174
4	Manufacture and selling machinery &equipment	No. of machines manufactured and sold	44	101
5	Provide casting services (ferrous and nonferrous)	No. of industrialists benefitted	66	44

No.	Activity	Performance Indicator	Physical Progress	
			Cumulative	
			Target	Achievement
6	Provide electroplating services on copper, nickel chromium & hard chromium	No. of industrialist benefitted	44	225
7	Consultation/ advisory services	No. of services given	44	3
8	Technology transfer (workshop training programmes)	No. of programmes conducted	3	15
9	Provide training for undergraduates (In plant training)	No. of trainees attended	22	3
10	Design &development machinery and other products	No. of new products designed and developed	7	2
Division: Industrial Estates				
1	Assisting to create new industries	No. of industries created	20	16
		No. of employment generated	400	356
2	Upgrade infrastructure and maintenance facilities of existing industrial estates	No. of Industrial Estates	16	13
3	Develop existing Industrial Estates with eco-friendly concepts	No. of Industrial Estates developed	1	1
4	Identify adjoining lands to expand existing Industrial Estates	No. of lands expanded	1	1
5	Selection of new industrialists for each Industrial Estates	No. of industries selected	30	27
6	Allocation of developed plots/buildings to the selected industrialists	No. of plots allocated	20	21
7	Sign of lease agreements	No. of agreements signed	20	44
8	Preparation of new surveys plans (Pannala, Galigamuwa, Panaluwa)	No. of plans prepared	3	4
9	Preparation of a directory (industrial profile) for each Industrial Estate and upload to IDB Web	No. of profiles prepared	1	2
10	Acquire closed factories in IEs to the IDB	No. of plots acquired	8	9
11	Preparation of new project proposals for requesting funds for upgrading existing industrial estate for the next year	No. of proposals	1	1

No.	Activity	Performance Indicator	Physical Progress	
			Cumulative	
			Target	Achievement
12	Income generation through Industrial Estates	Income earned – rentals (Rs. million)	45.0	51.5
		Income earned - water service (Rs. million)	6.0	4.9
		Income earned - collecting arrears (Rs. million)	10.0	22.5
		Income earned- signing of lease agreements (Rs. million)	0.3	0.8
		Income earned - establishment a revolving fund to maintenance of IEs (Rs. million)	3.0	6.7
13	Workshop on construction on infrastructure	No. of workshop (Rs. million)	1	1
Division : Centre for the Development of Leather Products & Footwear Leather Division				
1	Conduct quality improvement programmes	No. of programmes conducted	3	7
		No. of industrialists benefitted	50	121
2	Provide processing facilities for manufacturers (footwear &leather products)	No. of industrialists benefitted	180	131
3	Organize & conduct annual footwear &leather fair	No. of events conducted	1	1
4	Customized training programmes	No. of programmes conducted	3	3
		No. of industrialists benefitted	50	46
5	Conduct technology transfer programmes (footwear/leather) - Katubedda	No. of programmes conducted	10	8
		No. of industrialists benefitted	100	86
6	Conduct technology transfer programmes (footwear/leather) - Regional	No. of programmes conducted	7	18
		No. of industrialists benefitted	100	330
7	Conduct footwear machinery maintaining programme	No. of programmes conducted	2	1
		No. of industrialists benefitted	22	9

No.	Activity	Performance Indicator	Physical Progress	
			Cumulative	
			Target	Achievement
Division : Marketing				
1	Conduct buyer-seller meetings	No. of buyer-seller meetings conducted	2	4
		No. of industrialists benefitted	100	245
2	Provide unprocessed raw materials at reasonable prices (scrap aluminum, copper, brass, iron and others)	Quantity of raw materials given (MT)	900	1680.6
		No. of industrialists obtained R M	300	413
3	Provide sub contracts to industrialists	No. of industrialists obtained sub contracts	35	21
4	Market opportunities through Lakkam	No. of industrialists facilitated	50	25
5	Conduct exhibitions	No. of exhibitions conducted	1	7
		No. of industrialists benefitted	500	1200
6	Arrange outdoor activities to create an awareness on good industry practices	No. of sessions organized	2	2
7	Facilitate to conduct external marketing campaigns	No. of awareness campaigns conducted	1	2
Division : Rubber Product Development Services Centre				
1	Provide product quality testing and certification	No. of certifications issued	80	135
		No. of production samples tested	3100	1150
2	Provide sub contracts to industrialists	No. of industrialists obtained sub contracts	10	2
3	Conduct customized training programs	No. of programmes conducted	2	5
		No. of industrialists/ institutions	0	5
4	Assist in developing rubber products	No. of jobs carried out	33	12
		No. of enterprises	20	9
5	Consultation/ advisory services	No. of services given	96	86
6	Development of rubber products for SMEs	No. of products developed for SMEs	24	15
7	Supply processed materials (Centrifuged latex)	Quantity supplied in (Liters)	13750	9351
		No. of enterprises obtained latex	95	473
8	Supply processed material (Rubber compounds)	Quantity supplied in (kg)	62000	26455
		No. of enterprises obtained compounds	320	1869

No.	Activity	Performance Indicator	Physical Progress	
			Cumulative	
			Target	Achievement
9	Rubber compound milled	Quantity supplied in (kg)	38,000	14,354
		No. of enterprises obtained compounds	20	51
10	Internal manufacturing of rubber products	No. of jobs carried out	6	2
11	Technology transfer (Workshop training programmes)	No. of programmes conducted	33	14
Division : Regional Development Division				
1	Support to industrialists to access to the international market through trade fairs and exhibitions	No. of industrialists benefitted	35	16
2	Conduct buyer-seller meetings	No. of buyer-seller meetings conducted	10	12
		No. of industrialists benefitted	500	105
3	Facilitate to provide sub-contracts for export industries	No. of industrialists benefitted	25	3
4	Disseminate new technologies to regional SMEs	No. of new technologies disseminated	5	5
		No. of industrialists benefited	25	5
5	Assist to obtain international standards and certifications	No. of industrialists obtained standards	6	5
6	Facilitate to access loans and grants	No. of SMEs obtained loans	25	8
7	**Conduct training programs**			
	7.1 Technology	No. of training programs conducted	50	72
		No. of industrialists benefitted	500	807
	7.2 Management	No. of training programs conducted	25	80
		No. of industrialists benefitted	500	1112
	7.3 Financial	No. of training programs conducted	25	41
		No. of industrialists benefitted	375	508
8	Support to product development and quality improvement	No. of products developed	15	85
9	Preparation of valuation reports	No. of reports prepared	20	10

No.	Activity	Performance Indicator	Physical Progress	
			Cumulative	
			Target	Achievement
10	Support to obtain loans	No. of industrialists obtained loans	50	73
11	Supply processed material (casper)	Quantity supplied in (bottles)	4000	3245
		No. of enterprises obtained compounds	100	23
12	Provide sub contracts to industrialists	No. of industrialists obtained sub contracts	25	13
13	Implement productivity	No. of programmes conducted	75	14
		No. of participants attended	75	194
14	Assist to obtain system certifications and product standards			
	14.1 GMP	No. of industrialists obtained certifications	20	16
	14.2 ISO		2	13
15	Provide training for undergraduates (In plant training)	No. of trainees attended	100	18
16	Conduct skill development programmes for unskilled employees and youth	No. of programmes conducted	25	105
		No. of employees benefitted	500	255
17	Prepare business plans/project feasibility reports	No. of business plans prepared	125	83
18	Facilitate to access credits (Loans)	No. of industrialists obtained credits (Loans)	125	24
19	Assistance to enhance marketing	No. of industrialists benefitted	50	14
20	Technology supports	No. of industrialists benefitted	50	41
21	Special events		23	675
Name of the Division : Technical Services Division				
1	Develop small scale industries by improving manufacturing process - food industries	No. of industries improved in developing technology process	40	43
2	Acquire local and foreign technology	No. of technologies acquired	5	8
3	Product development work	No. of products developed	4	3
4	Introduce Green Productivity Concept for existing industries	No. of industries introduced GP concept	5	5

No.	Activity	Performance Indicator	Physical Progress	
			Cumulative	
			Target	Achievement
5	Conduct customized training programs	No. of programmes conducted	4	17
		No. of industrialists / institutions benefitted	40	496
6	Conduct industrial certificate training courses	No. of training programs conducted	3	6
		No. of industrialists benefitted	30	105
7	Transfer appropriate foreign & local technology	No. of industrialists benefitted	6	10
8	Conduct technology transfer programs	No. of programs conducted	48	90

Table- 2.4.1

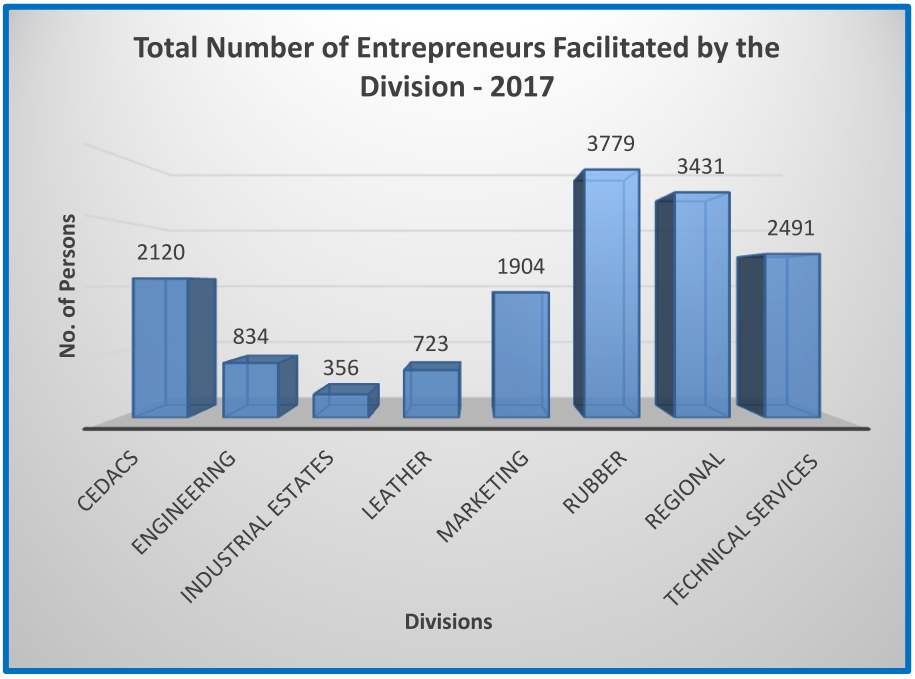


Chart 2.2 - Entrepreneurs Facilitated - 2017

3. SPECIAL PROJECTS / PROGRAMMES & EXHIBITIONS 2017

3.1 Financial Assistance to Uplift Small Scale Food Industries in Sri Lanka

Food industry development project, implemented in the western province is a pilot project with the purpose of encouraging, promoting and improving productivity in SME food industries. Funds have been provided for the year 2017 budget to grant financial assistance for the entrepreneurs to uplift the productivity of small-scale food industries in the country. The industries supported were selected under a specific screening process with closer supervision of their processes followed by a methodical evaluation system.This project was executed by Technical Services Division of the Board with the cooperation of the entrepreneurs in the Western province and with the collaboration of the Ministry of Industry and Commerce. After the evaluation carried out by the selection committee, fifty (50) small-scale food industries was selected to participate in this project during this year.

The industries who scored the required threshold were to provide grants to purchase machinery and equipment for modernization of production process of respective the industries under consideration. This is a minimum of 50% contribution of the total project cost invested to purchase the machinery by the beneficiary. Accordingly, a maximum of Rs. 200,000 were to grant upon the completion of the project.
Hence 43 industries were qualified to the pilot project and they all were able to complete the process improvement in their production processes successfully.

Some of the developed areas were,

- Increasing production capacity
- Product diversification
- Improving product quality and packaging
- Creating new job opportunities

3.2 Footwear & Leather fair 2017

The 9th international Footwear and Leather fair 2017 was held from 3rd to 5th February 2017 at BMICH Colombo with the assistance of Sri Lanka Footwear & Leather Products Manufactures Association in collaboration with the Ministry of Industry & Commerce, Industrial Development Board and Sri Lanka Export Development Board.

The purpose of this fair was to provide market opportunities and also knowledge to business community in the country. 230 stalls with 100 local companies and 33 foreign companies had displayed their products.

3.3 Derana SME Club with IDB Branding Programme for SMEs

"SME Club with IDB"- Branding programme conducted by the "Derana" Television channel for SMEs was successfully held with 30 number of potential small and medium scale entrepreneurs selected from covering all the districts of the country.

- Advertising in Derana media network with special discounted rates.
- Conducting workshops together with SLIM, SLIIT and AAT on marketing, ICT and accounting.
- Organizing exhibitions to promote their brands.
- Assisting them to get shelf space in super markets.
- Conducting regular experience sharing forums with expertise.

3.4 MoU with PUM Netherlands Senior Experts

The Memorandum of Understanding (MoU) was signed between IDB and the federation of PUM Netherlands senior experts to establish a mechanism to link the western expertise of IDB with the SME's in order to enhance the product quality of various industrial sectors according to the global standards.PUM the Netherlands senior experts is a non-profit organization promotes entrepreneurship, self-sufficiency and the sustainable development of small and medium-sized enterprises.

3.5 Facilitation of SMEs in food sector through packaging-2017

Since the quality and safety are foundational elements in food processing Industry, packaging is another criterion that should be given priority. Therefore, Regional Development Division has implemented this project with the collaboration of Ministry of Industry and Commerce to take realistic and initiative movement towards to develop the food sector while offering a special financial grant to upgrade the quality of the products.

The main objectives of the project were,

1. To facilitate SMIs to improve the existing packaging and labeling to optimize the quality of product.

2. To train Enterprise Promotion Managers in Packaging as consultants, to be facilitate for the SMIs.

It was planned to achieve these objectives through the following programmes.

1. Advanced Training of Trainers Programme on Packaging for Enterprise Promotion Managers (EPMs).

2. Food Packaging Development Programme.

3.6 Recycling of Waste Plastics

The Technical Services Division (TSD) of IDB has organized a technology transfer workshop on recycling of waste plastics with the participation of potential entrepreneurs who intended to start an industry related to this particular area. During the programme they were taken to the University of Moratuwa for a site visit in order to get a practical knowledge and a vast exposure regarding the machinery and end products of waste plastic materials. Further, the workshop was carried out covering the following areas.

- Introduction to waste, advantages of waste categorization, types of plastic waste, types of recyclable plastics, biodegradable plastics, individual and social responsibility of plastic waste management.
- Rules and regulations for plastic waste management.
- Process of recycling of waste plastics.
- Technology and machinery used for recycling of waste plastics.
- Manufacture of value-added products and biodegradable plastics by recycled plastics.

3.7 Recycling of Waste Paper and Manufacture of Handmade Paper

As a remedy for the depletion of natural resources, the Technical Services Division (TSD) of the Board has organized a Technology Transfer Workshop with two expertise, on “Recycling of waste paper & manufacture of handmade paper”.

4. DIVISION WISE MAJOR HIGHLIGHTED EVENTS

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 Engineering Division (ED)

4.7 Centre for Entrepreneurship Development & Consultancy Services (CEDACS)

4.8 Technical Services Division (TSD)

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

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

4.1 Administration Division (AD)

The Administration and Human Resource Development Division 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.

4.1.1 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 the work force of IDB.
- Carrying out regular recruitments, performance evaluations, promotions and 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.
- Enrollments of legal procedures and matters.

The administration and Human Resource Development division has executed several programmes with the purpose of enhancement of skills and the capacity building towards uplifting the performance levels of the employee's in the IDB.

There were26 training programmes and five most important programmes are mentioned below.

Training for the employees of IDB during the year 2017

No.	Name of the Programme	No. of Participants
1.	Analyzing and decision making on business finance	25
2.	Training programme on efficiency bar examination	32
3.	Induction training for newly recruited Enterprise Promotion Manger (EPM)	17
4.	People Leadership Development for IDB, leaders	60
5.	Value additional programme for HM, MM and all Executive Officer	160

Table - 4.1.1

4.1.2 Employee Training Programmes

Value additional programme for Executive Officers of IDB

The following scholarships and foreign tours are offered to the employees with the aim of skill development.

Scholarships– 2017

No.	Training Feature	Cost / (Rs.)
1.	Training programme on packaging development – Mumbai.	217,936.00
2.	Training course on clean technology of leather manufacture for developing countries – China.	199,636.50
Total		**417,572.50**

Table - 4.1.2

4.1.3 Recruitments of Enterprise Promotion Managers

According to the approved cadre of the IDB, 17 Enterprise Promotion Managers were assigned specifically specialized on the fields on Management, Agriculture, Food Technology, IT and Chemical sectors covering the Head Office and Regional Offices.

4.2 Regional Development Division (RDD)

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 entire 25 districts of the country.

25 Deputy Directors/ Asst. Directors and 62 Enterprise Promotion Managers were assigned for the duties of the regional offices.

A new action plan for the Regional Development Division has been prepared to strive towards the growth and productivity of SMIs, with consists of 4 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.

Conducting skill development programmes and consultancy services, demonstration of feasibility studies and providing necessary information are the major activities assigned to the Regional Development Division and District Offices.

4.2.1 Advanced Training of Trainers programme (TOT) on packaging for Enterprise Promotion Managers (EPMs)

An advanced TOT on packaging was conducted during the period from 28.02.2017 to 02.03.2017 at Hector Kobbekaduwa and Agrarian Research Institute, Colombo 07. The Enterprise Promotion Managers, who were enrolled to the Board were trained as consultants to assist entrepreneurs who contact them to get necessary information regarding their product improvements.

Following subjects were discussed in detail.

- Food science in packaging
- Technical aspects of food packaging
- Food regulations in packaging
- Machineries related to packaging
- Food packaging and shelf life - practical guide
- Packaging and export market - experience sharing session

4.2.2 Food Packaging Development Programme

Individual need analyses were conducted by the IDB Regional Officers with the involvement of 790 SMEs registered to the Board. Few terms and conditions were considered when selecting the SME industrialists for the "Food Packaging and Development Programme".

The industrialists in food industry at least in operation for more than three years were given priority in the selection process and a financial grant a maximum of Rs. 50,000 as a 50% financial support for any development to their respective manufacturing processers or products.

The objectives of this programme:

- To facilitate 125 numbers of SMIs in food sector to be improve the existing packaging and labeling to optimize the quality of product.
- To provide a chance to industrialists in identifying the gaps / practical issues encountered by industrialists in food packaging and to take appropriate measures to improve their packaging.

Strategies used to achieve these objectives were:

a) Providing consultancy services to improve existing packaging in selected industries.

b) Providing a financial grant – (Maximum Rs. 50,000.00) to implement the proposed development.

Progress of the Project:

District	Activities Completed		
	Selection of Beneficiaries	Developed project	Grant (Rs.)
Anuradapura	5	4	200,000.00
Badulla	5	5	250,000.00
Batticaloa	6	6	265,000.00
Colombo	4	2	100,000.00
Galle	5	5	250,000.00
Gampaha	7	7	323,000.00
Hambantota	5	5	250,000.00
Jaffna	5	5	250,000.00
Kalutara	5	5	250,000.00
Kandy	5	5	250,000.00
Kegalle	8	8	400,000.00
Kilinochchi	6	4	157,400.00
Kurunegala	10	10	500,000.00
Mannar	2	2	100,000.00
Matale	8	4	200,000.00
Matara	5	5	250,000.00
Monaragala	5	5	216,825.00
Mullaitivu	5	5	232,500.00
NuwaraEliya	4	4	200,000.00
Polonnaruwa	6	2	87,650.50
Rathnapura	5	4	187,500.00
Trincomalee	5	1	31,000.00
Vavuniya	5	5	205,000.00
Total	**131**	**108**	**5,155,875.50**

Table- 4.2.1

4.2.3 Awarding Ceremony for Financial Grant:

Awarding Ceremony for the Financial Grant was held on 05th of November 2017, at Ministry of Industry and Commerce, under the patronage of Hon. Minister of Industry and Commerce, Mr.Rishard Bathuideen, and 108 SMEs who were benefited to get the process / product under the project were awarded. As of the progress of the project, Rs. 5,155,875.50 of financial grants were distributed among them.

4.2.4 Facilitate SMEs to obtain ISO 14001 Certification through Cleaner Production (CP) Practices 2017/2018

During the manufacturing process pollution and waste generation is an inevitable. Industrialists can reduce this cost by,

- Improved management of materials, processes and operations.
- Waste minimization, waste reduce and recycling.
- Careful design and selection of products and services.
- Optimization of processes, operations and resource usage through appropriate choice of technologies and designs.

However, the cleaner production practices were introduced as a standardized method and a well-defined environment management system framework as per ISO 14001 standard specified to enhance the environmental performances together with ISO 9001 and OHSAS compatible with other management standards.

Even though cleaner production practices are identified as essential environmental practices to be used by SMEs, there are few barriers when practically executing the concepts. They are,

a) Absence of strict environmental regulations typically does not have strict environmental regulations and no effective enforcement programmes.

b) Information and technology gaps – insufficient knowledge of CP and many cleaner technologies available.

c) Shortage of financial incentives – do not have the infrastructure and funds needed to shift industries into a mode of CP.

As of these barriers, the IDB has forwarded this project with the collaboration of NCPC in order to execute the process smoothly. Further the project of “Cleaner Production Practices” was initiated by few project objectives. They were, to facilitate SMEs to optimize the usage of resources through CP approaches, to provide financial assistance to take remedial actions or preventive measures to minimize waste of resources and to facilitate to obtain ISO 14001 certification for the industry.

Main Project activities:

1) Training and developing capacity among IDB officers / Enterprise Promotion Managers of IDB on Cleaner Production and ISO 14001: 2015 Environment Management Systems (EMS).

2) Developing selected 15 industries covering Jaffna, Batticaloa, Kandy, Hambanthota, Rathnapura, Gampaha, Kalutara and Matara to improve resource efficiency (Water, Material and Energy).

3) Developing ISO 14001: 2015 in the said 15 industries.

4) Motivating other industries to follow.

4.2.5 ISO 14001:2015 EMS Consultant Development Training Programme for IDB Officers

This training programme was held on 17th, 18th& 19thof May 2017, at Wedamulla Holiday Resort, Kelaniya and it was conducted by the National Cleaner Production Centre.20 Enterprise Promotion Managers of IDB participated at the training.

Following subjects were covered by the training programme:

- Overview of EMS standards & introduction to ISO 14001 EMS Development.
- Context of the organization &leadership developing and environmental policy of an organization.
- Identification of environmental aspects of an organization.
- Environmental risk based approach and lifecycle perspective.
- Environmental objectives and planning actions.
- EMS related compliance obligations in Sri Lanka.
- Monitoring, measurement & analysis, evaluation of compliance, internal audits, nonconformity and corrective actions.
- Operational planning and control.

4.2.6 Signing MoU between IDB and NCPC

A Memorandum of Understanding has been signed between Mr. Mahinda Jinasena Chairman IDB and Mr. Gamini Gunesekara Chairman NCPC on terms and conditions of the project on 2017.10.20 at Union Chemicals Lanka PLC., Hyde Park Corner, Colombo 02.

4.2.7 Selection of Industries for the Project

15 industrialists were selected based on the applications forwarded using desktop evaluation method with the observation of a selection panel.

Selected Industries for the project were as follows.

No.	District	Name of the Company
1	Ratnapura	Ceciliyan associates (Pvt) Ltd
2	Ratnapura	Galpaditanne Tea Factory
3	Jaffna	Annai and Sons (Pvt) Ltd
4	Matara	Nilwala Tea Factory (Pvt) Ltd
5	Matara	Freelan Enterprise (Pvt) Ltd
6	Batticaloa	East Lanka Polysack (Pvt) Ltd
7	Gampaha	Green way Asia Lanka (Pvt) Ltd
8	Jaffna	Sarrah Industries (Pvt) Ltd
9	Matara	MorawakKorale Tea Factory
10	Gampaha	CaltonSweethouse(Pvt) Ltd
11	Kandy	Pentium 2000 Stationaries (Pvt) Ltd
12	Ratnapura	Micro Ceylon Organics (Pvt) Ltd
13	Jaffna	Anna Industry
14	Kalutara	First Furniture (Pvt) Ltd
15	Hambanthota	Malindu Dairy (Pvt) Ltd

Table - 4.2.2

4.2.8 Enterprise Villages and Women Entrepreneurship Development Programme

The budget proposal 2012 and 2013 was strongly emphasized towards the development of enterprise villages focused on strengthening and supporting to women entrepreneurs at village level. It was allocated Rs.8.6 million to develop 5 villages and spent Rs.5.49 million. 155 beneficiaries of these villages were benefited by the project.

4.2.9 National Programme for Industrial Village Development

In 2005 this was initiated as "Thousand Industrial Village Development Programme" later on it was renamed as "Production Village Development Programme". For this innovative and massive programme Rs.400 million was allocated in the year 2005.

During this 5-yearprogramme, it was expected to complete 200 industrial villages per year. More attention was given to traditional industries like Blacksmith, Coir and Clay etc. Subsequently non-traditional industries like handmade paper cut flower and dried fish were also introduced in this programme.

Some major objectives of this programme are introduction of new machinery production processes; enhance capabilities of beneficiaries with modern techniques, and providing marketing facilities etc. However, the duration of the programme ended in the year 2009 before completing it. From 2005 to 2006, the total fund allocation was Rs. 723.03 million and the actual expenditure was Rs.565.64 million.

During the year 2017,it was allocated Rs.8.6 million under the industrial producing village programme, production village programme and spent Rs.5.49 million for development of following 5 villages (Konavilin Kilinochchi district, Polgahawela in Kurunegala district, Padagoda in Kalutara district, Siribopura in Hambantota district, and Mutur in Trincomalee district).

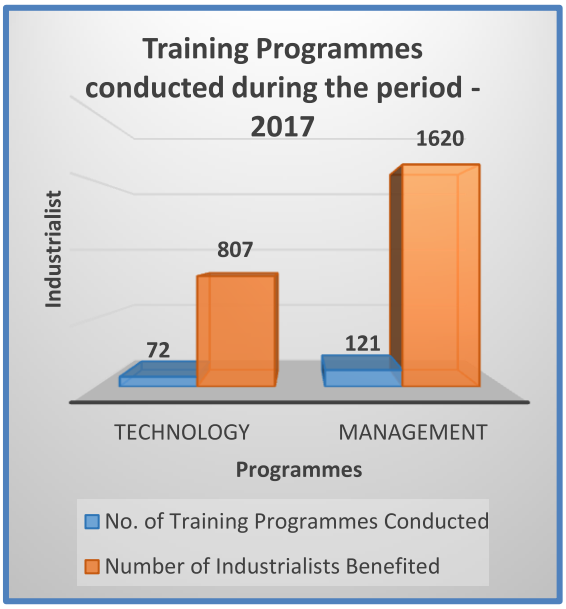


Chart 4.2.1 - Training Programmes Conducted - 2017

4.3 Planning Division (PD)

Planning Division is responsible for overall strategic planning for development programmes and projects for local industries to be executed by IDB. In addition, the division is entrusted with the responsibility of ensuring proper implementation of programmes through timely progress monitoring and evaluation.

The following sub activities were assigned to the division in order to facilitate for divisional activities of the IDB:

- Formulate policy and strategy guidelines in accordance with the mandatory objectives of the IDB by way of a corporate plan.
- Facilitate to prepare capital budget and recurrent expenditure requirements in accordance with the organizational budget and overall action plan for the year to come.

- 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.

4.3.1 Special Assignments

Industrial Database

An industrial database was prepared through an industrial survey conducted within 3,725 numbers of industries covering every district.

Progress of the Survey as at 31st December 2017

District	No. of SMIs considered	No. of SMIs Registered
Kurunegala	850	259
Kandy	800	224
Kalutara	1,000	308
Matale	500	159
Galle	690	167
Ratnapura	500	149
Kegalle	600	528
Gampaha	1,250	272
Jaffna	400	223
Colombo	1,030	513
Anuradhapura	300	98
Polonnaruwa	200	252
Trincomalee	300	105
Badulla	600	59
Matara	600	223
Moneragala	600	122
Ampara	350	74
Mullaitivu	200	-
Batticaloa	200	54
Puttalam	400	103
NuwaraEliya	450	57
Mannar	150	71
Vavuniya	248	130
Killinochchi	150	47
Hambantota	500	131
Total	**12,868**	**4,328**

Table - 4.3.1

Additionally, another three statistical bulletins were completed during the period. They were, “Small and medium enterprises in Sri Lanka – 2014, basic socio-economic information, selected socio-economic indicators on the areas of democracy, national accounts, labour force, imports and exports.”

4.4 Marketing Division (MD)

The Marketing Division is entrusted with the responsibility of promoting services delivered by IDB while supporting local industries specially SMEs and potential entrepreneurs to make their enterprises growing more and more commercially viable.
Further, the division holds the responsibility to assist to building linkages with the potential markets while building the brand image for the respective products through long term business relationships.

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.

4.4.1 Lakkam Sales Center

The centre facilitates the SMIs and individual entrepreneurs while providing a sales platform for their marketable products to be sold in competitive prices. The sales outlet provides a display and sales facility with a view of uplifting the productivity and promoting island-wide markets for the products of small and medium-sized Industrialists (SMIs) and individual entrepreneurs local products were displayed under "Lakkam Logo" and they were facilitated to be sold in both local as well as in the international markets.

4.4.2 Sub-Contracting Exchange (SCX)

The Sub-Contracting Exchange (SCX) of the Marketing Division has been funded by the World Bank since 1982, with the coordination of the government and non-government organizations. This involved in supply of goods manufactured by the IDB, bids on behalf of the industrialists' / service providers. Following are some of the items that they received orders from government organizations. Wood, 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…etc.

4.4.3 Metal Scrap Project

Under the metal scrap project, ferrous, nonferrous and other related items were purchased from government institutions and distributed them as raw materials to the industrialists at light engineering sector, specifically registered in IDB at concessionary prices controlled by a panel of offices. Many local industries in metal casting industry are benefited under the project to make their product more competitive in the market.

4.4.4 Exhibitions

IDB organizes exhibitions for Micro, Small and Medium-sized Entrepreneurs (MSMEs) at district, provincial and national level in order to identify the all island most outstanding entrepreneurs under MSME category. Further these exhibitions facilitate to initiate more and more employment opportunities and setting up of small industries within the competitive industrial context.

Performance of the Marketing Division – 2017

Performance	Lakkam Sales Centre	Sub-Contracting	Scrap Metal Project	Total (Rs. Million)
Sales Value (Rs. Million)	11.37	10.91	163.80	186.08
Income (Rs. Million)	8.17	9.36	64.73	82.26
Distribution of orders		21		
Purchased (MT)			1794	
Distributed (MT)			1680	
Industrialists Facilitated	25	21	596	

Table - 4.4.1

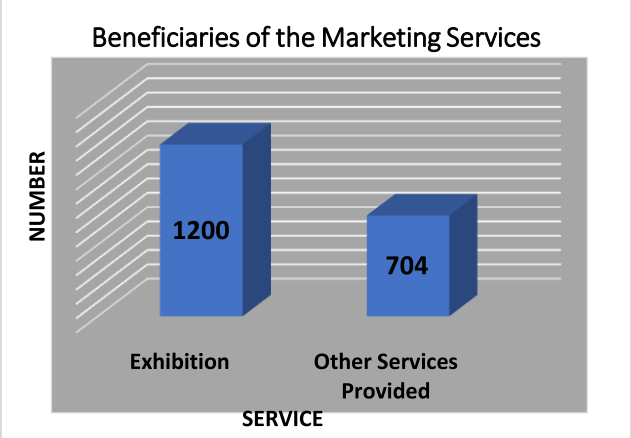


Chart 4.4.1 - Marketing Services Provided - 2017

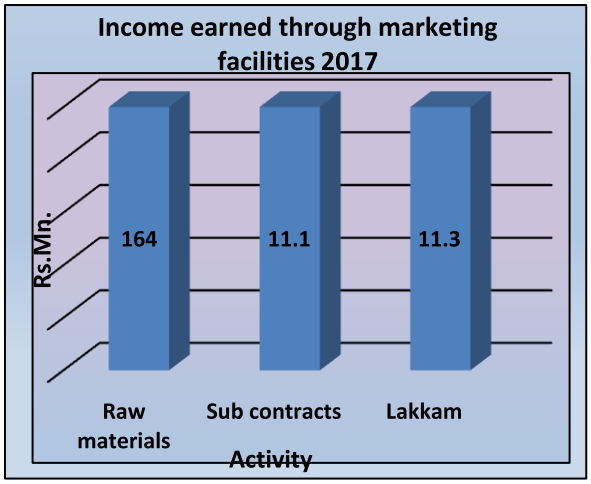


Chart 4.4.2 - Income Earned through Marketing Facilities – 2017

4.5 Industrial Estates Division (IED)

The main functionality of the Industrial Estates Division was to line up the small and medium scale industries in sound industrial environment locations while providing lands for long term lease basis and ready-built buildings having sufficient infrastructure facilities in the area.

Further with the assistance of the Superintendents and Deputy Directors of IDB, the Board is looking forward to expand the operations while giving more opportunities to the private sector. Total land extent developed since 1970 is around 302acres. It has divided into 727 land plots and has been already allocated to 408 industrialists.

Out of the allocations, 299 of Industrialists have started their ventures and also given 8097 employment opportunities. Another 40 industrial units are in different stages of construction of their factory buildings. Actions are already taken to abolish agreements of 69 industrial units, which are used not for the industrial purposes but for residential purposes.

Further, 60 numbers of ready-built buildings have been allocated out of 80 ready-built buildings constructed and 1616 employment opportunities were generated.

Due to the thirty year-long civil war in the country, the Industrial Estates Atchchuveli, Jaffna was totally destroyed. In 2013 and 2014 with the financial assistance of Sri Lankan Rs. 220 million from Indian government and additional funding of Rs. 50 million from Sri Lankan government the Atchchuveli Industrial Estate was reconstructed with the consultancy and supervision of UNOPS. Accordingly Atchchuveli Industrial Estate was revamped to function as an Industrial Estate and inaugurally opened in August, 2014.

The activities assigned to the Industrial Estates Division

- Preliminary survey for identifying suitable locations of lands, develop and establish Industrial Estates by allocating land plots and buildings to industrialists in order to set up industries on lease basis.
- Preparation of project proposals for obtaining funds and approvals from relevant institutions.
- Maintenance of existing Industrial Estates, monitor performance and develop industries.

During the year of 2017, the Industrial Estates division has spent nearly Rs. 65 million which was obtained from the government treasury through the line ministry, for modernizing and upgrading of existing infrastructure facilities such as parapet walls, culverts and drains in three of the following Industrial Estates.

The details of the functions carried out in few selected Industrial Estates.

Serial No.	Activity	Name of the Industrial Estate	Amount (Rs.)
01	Construction of drains, pedestrian pavement and repairing of existing boundary fence	Pallekelle	16,000,000
02	Construction of parapet wall	Panaluwa	2,980,000
03	Construction of large dug well and repairing of post office building & office building	Atchchuveli	3,835,250
Total			**22,815,250**

Table - 4.5.1

In addition, the accelerated development programme – 2016/2017 has been initiated by the ministry of Industry and Commerce and granted Rs. 250 Million to the Industrial Estates in view of modernizing maintaining

and upgrading infrastructure of Industrial Estates. Thereby the constructions have been completed with the support of state owned construction organizations.

Under the programme, mainly it was expected to be developed the infrastructure facilities related to ten areas and the details of them are as follows.

The details of the Industrial Estates to be developed the infrastructure facilities

Serial No:	Activity	Name of the Industrial Estate	Amount (Rs.)
01	Construction of internal roads and drains	Kaludewala	39,000,000
02	(a.) Installing Transformer	Pannala	2,750,000
	(b.) Development of 2nd Stage	Pannala	76,670,000
03	Carpeting of internal roads and construction of roads	Horana	11,000,000
04	Carpeting of internal roads and fencing	Pallekelle	35,710,000
05	Construction of internal roads. Toilet and repairing of main gate	Kotagala	4,000,000
06	Construction of internal roads and drains	Pussella	7,900,000
07	Construction of internal roads.	Vavuniya	11,000,000
08	(a) Carpeting of internal roads	Ekala	31,000,000
	(b) Construction of balance part of sewage line	Ekala	5,825,000
09	(a) Development of 2nd Stage	Negampaha	2,760.000
	(b) Clearing the land and construction of fence	Negampaha	5,130,000
10	Construction of internal roads , drains and fencing	Buttala	22,130,000
Total			**252,115,000**

Table - 4.5.2

4.5.1 Allocated and Commissioned Industries in year 2017

Allocated Factory units with Proposed Investment and Proposed Employment for the Year 2017

Serial No.	Industrial Estate	Manufacturing Products	Proposed Investment (Million.)	Proposed Employment (Nos.)
01	Atchchuveli	Nylon PVC products	100	90
02	Ekala	Steel based products	114.7	60
		Steel based products	78.6	40
		Plastic based products	15	10
		Wire nail	108	37
		Nail wire	20	10
		Plastic based products	5	15
		Packaging material	15	28
03	Kaludewala	Food based	3.2	10
		Modern sofas	17	20
04	Lunuwila	Coir based	25	28
05	Pallekelle	Ayurvedic products	9.5	15
		Pet bottles	10	30
		Packaging material	7	17
		Roofing sheets	30	24
06	Pussella	Light engineering	12.3	29
		Light engineering	5.1	21
		Cement based products	3	8
07	Vavuniya	Laundry soap	2	5
		Service station	5.7	8
Total			**586.1**	**505**

Table - 4.5.3

Commencement of Enterprises in Estates with their Investment, Employment and Products in the Year 2017

Serial No.	Industrial Estate	Manufacturing Products	Employment (Nos.)	Investment (Million.)
01	Buttala	Steel based products	145	70
02	Ekala	Steel based products	52	78.6
		Skim coat	15	75
		Plastic based products	6	120
03	Galigamuwa	Wooden furniture	6	13
04	Kalidewala	Polythene products	10	20
		Mica	15	32
05	Lunuwila	Coir based	32	142
06	Pallekelle	Assembling of vehicles	10	90.8
		Ayurvedic products	8	57
07	Pannala	Packaging	16	125
		Industrial coconut oil	4	8.8
		Radiator	10	50
08	Pussella	Light engineering	18	12.3
09	Vavunia	Services station	8	5.7
Total			**355**	**900.2**

Table- 4.5.4

20 viable industrialists who are seeking new plots of lands / ready built buildings were selected through interviewing sessions.

4.5.2 Signing of Lease Agreements

Lease agreements for lands / ready-build buildings were signed with the respective industrialists for a period of 20-30 years. Accordingly, 43 lease agreements were signed during the year 2017 and was able to generate Rs. 0.67 million of income.

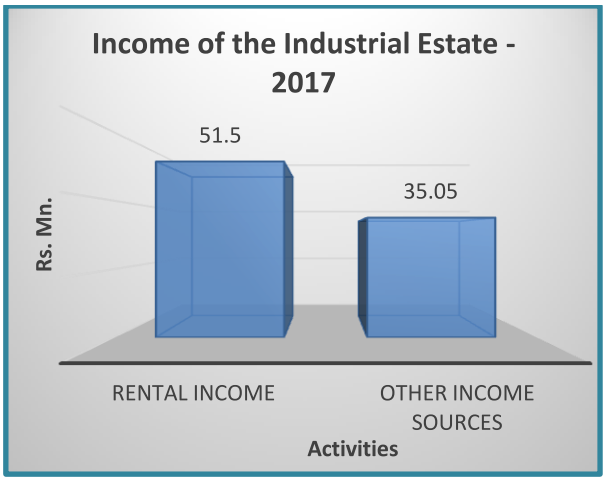


Chart 4.5.1 -Income of the Industrial Estates - 2017

4.5.3 Collection of Rental Income

The total monthly / annual income generated from rentals, water charges and arrears collected income for the leased out lands and buildings were Rs. 66.6million, which is nearly 90% out of total invoiced income for the year 2017. The accumulated amount of revolving funds which is maintained on behalf of the collections recovered as three-year refundable deposits from leases was Rs. 9.3million at the end of the year 2017.

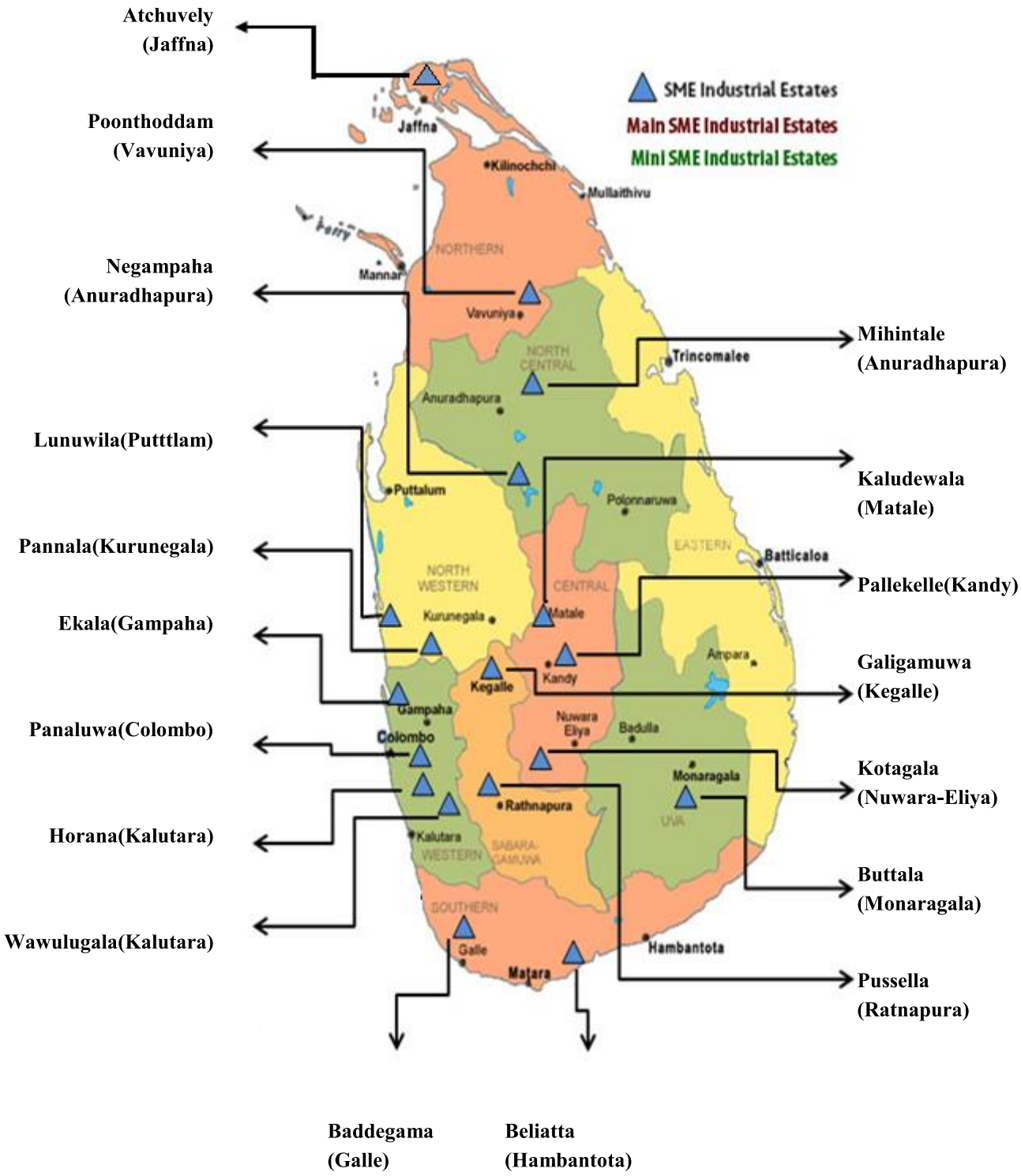
4.5.4 Pallekelle Industrial Estate Celebrated Golden Jubilee

The Industrial Estate of Pallekelle in Kandy is one of the 19 Industrial Estates of Industrial Development Board (IDB) celebrated its golden jubilee on 17th November 2017.

Director General and the directors of IDB attended the ceremony and officers and industrialists were awarded mementos in appreciation of the service rendered during the period.

There are 64 different types of industries operating now under the aegis of the Industrial Estate at Pallekele and Kandy. These factories provide 2,800 direct employment and thousands of indirect employment opportunities. Further in order to expand their operations internationally, they were provided knowledge regarding new technological know-how and arrange visits for foreign countries to study the market and to be stable within the competitive market.

Locations of the Industrial Estates in the country



4.6 Engineering Division (ED)

Engineering Division holds the responsibility of providing assistance to industrialists in order to enhance "Technical and Operational" capabilities while making the industry setup more conducive to a production with higher market competitiveness locally and globally. Additionally, the division provides necessary guidance and involvement to every internal assignment which are required engineering and technical expertise.

Engineering Division consists of following sub units, in order to support functions of internal division especially of Industrial Estates and District Offices distributed across the country.

a) Head Office at Katubedda – this includes Engineering Workshop, Engineering Foundry shop, Director (Engineering) Office (for technical information &consultations, valuation reports etc.), Civil Engineering and Electrical Engineering services.

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.

4.6.1Activities of the Division

In year the 2017, the activities of the Engineering Division were geared to:

a) Provide assistance to industrialists in selection of raw materials and machinery design / development and technology / process development in engineering disciplines.

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

c) Provide civil, mechanical and electrical engineering support in every institutional involvement.

d) Other activities include providing machinery valuation for credit facilities provided to industrialists by financial institutions, laboratory testing services for ferrous and nonferrous metals, metal castings, rubber products, metal finishing, food, oil and fiber building material, specific chemicals.

e) Develop economical and specific machinery with prototypes for industries.

f) Provide professional engineering support in bringing in solutions to contemporary industrial issues.

4.6.2 Performances in 2017

The performance of the division is measured in terms of physical and financial outcomes of the activities being done during the year. The divisional revenue is mainly accounted to the income earned from jobs undertaken in workshops, foundry, electroplating centre, laboratory, machinery valuations and sale of sundry items for casting.

The details of the revenue generated from external services by different sections are listed in the table no.4.6.1. In addition, Engineering Division also involves with civil, mechanical & electrical maintenance services to other divisions.

The details of revenue of the division are summarized as follows. (Refer Table no.4.6.1)

External Revenue for Completed services in the year 2017

Table- 4.6.1

Ref. No.	Section	Gross Revenue (Excluding VAT and NBT) (Rs.)
01	Engineering Workshop, Head Office, Katubedda	5,655,898.00
02	Foundry, Head Office	3,363,656.00
03	Valuation reports - Head Office	2,456,085.00
04	A.T.R.D.C, Pannala	2,978,670.00
05	E.P.C. Peliyagoda	1,611,316.00
06	C.S.C. Matara	1,331,707.00
07	Brassware Services Centre	344,067.00
TOTAL		**17,741,400.00**

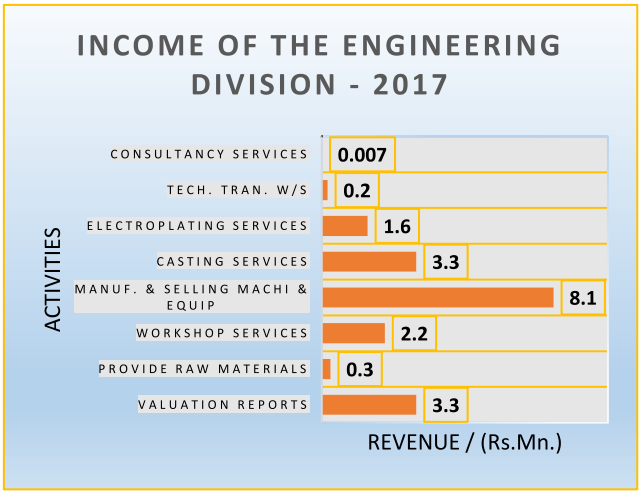


Chart 4.6.1- Income of the Engineering Division – 2017

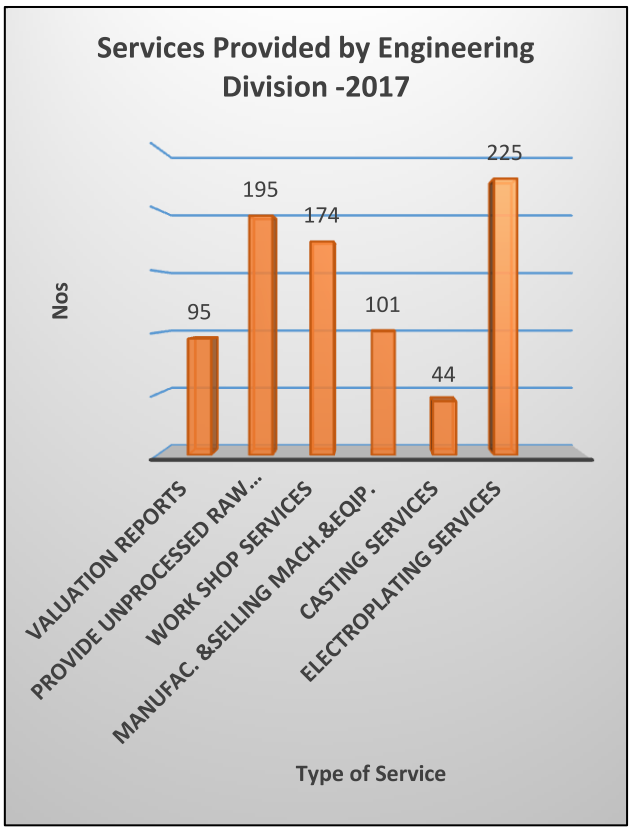


Chart 4.6.2- Services Provided by Engineering Division– 2017

Internal Services

The values (cost of services basis) of internally completed jobs by the different sections of the Engineering Division are as follows:

Details on internally completed jobs

Ref. No.	SECTION	Value of Completed Internal Services (Rs.)
1	Workshop – Head Office	142,930.35
2	Foundry – Head Office	509,574.89
3	Civil Engineering Services – Head Office	1,753,545.79
4	Electrical Engineering Services – Head Office	488,806.05
Total of Internal Services for above sections		**2,894,857.08**

Table -4.6.2

Consultancy / Extension Services

Advisory services:

Advisory services on the areas of technical / process information and consultations on design and fabrication were provided for 60 numbers of industrialists during the year 2017.Out of these, 06 were at the ATRDC, 14 at Electroplating Centre, and the rest 40 at the Head Office.

Machinery / Equipment / Process Development

In 2017 the following machines were developed by the division with the request of the local MSMEs.

- Mobile pug Mill
- Scrap Polythene Bailing Machine
- Nelli Juice Extracting Machine

Mobile pug Mill

Scrap Polythene Bailing Machine

4.7 Centre for Entrepreneurship Development and Consultancy Services (CEDACS)

This Division was established by the Ministry of Textiles and Rural Industrial Development as a training Centre to provide training on management skills for entrepreneur development. Training Centre, Library, Information Cell, Information Technology and Printing are sub units attached with CEDACS Division.

Main objectives of the division

- To create a new entrepreneurial culture.
- To introduce new managerial strategies to expand existing industries.
- Training of trainers (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.

4.7.1 Activities assigned to the CEDACS

- Conduct entrepreneurship development programmes.
- Conduct business creation programmes.
- Conduct productivity improvement programmes.
- Conduct managerial skills development programmes.
- Provide commercial &business training for entrepreneurs.
- 5 S implementation programmes within IDB.
- Provide Internet and e-mail facilities.
- Selling of publications.
- Development of library collection (Sinhala, Tamil and English).
- Processing library materials.
- Organization of industrial information.
- Registration of IDB clients in online database.
- Provide details of online registered clients to Regional Offices.

- Dissemination of industrial information to industrialists, clients and IDB staff.
- Distribute information on new arrivals to the library.
- Maintenance and updating of databases on bibliographic data, local machinery and product manufacturers, reports, Sri Lanka standards, supporting institutions, collection of acts.
- Provide local and foreign machinery information.
- Preparation of "Karmantha" journal and IDB news letter.
- Compilation and update publications such as hand books, packages, leaflets, indexes and pamphlets etc.
- Inquiry and answer services.
- Referral services.
- Participate in exhibitions, forums, workshops and acquire latest information for updating library collection.

4.7.2 Business Creation Programmes for Mahaweli Youth

Several entrepreneurship development and business creation programmes were done by the CEDACS division with the objective of enhancing managerial capabilities on technological advancements and business creation for Mahaweli Youth.

Types of programmes and details are shown in the following table.

Actions assigned to the division

Type of programme	Date commenced	Place
Business creation of cement based and fiberglass	9-11 July 2017	Arawatta
Business creation on cement based products	19-21 may 2017	Thabuththegama
Job creation programme of house wiring	28-30 July 2017	Welioya
Job creation programme of hand phone repairs	28-30 July 2017	Welioya
Job creation programme of house wiring	25-27 august 2017	Thulhiriyawa
Job creation programme of cement based products	25-27 august 2017	Thulhiriyawa
Entrepreneurship development	14-15 July 2017	Bakamoona
Improve your Business	25-27 May 2017	Thabuththegama
Product differentiation programme of bakery products	16-18 June 2017	Thabuttegama
Generate your business idea	22-24June 2017	Thabuttegama

Table - 4.7.1

4.7.3 Managerial Skill Development for Samurdhi Entrepreneurs

In addition, the CEDACS division has conducted a managerial skill development for 20 Samurdhi entrepreneurs at Bakamuna area on 16 -18 September 2017, and they were able to improve the skill of entrepreneurial ability, marketing, record keeping and business planning. Sri Lanka Samurdhi authority organized and funded the programme.

Chart 4.7.1 -Training Programmes Conducted by the Division - 2017

4.8 Technical Services Division (TSD)

The Technical Services Division has been providing training, consultancy and necessary guidance in relation to technological perspectives, requested by existing and potential entrepreneurs in the industry. Primarily the technology is given to modernize and diversify of industries and to make their product quality and process efficiency more competitive in the market. In addition, the division provides the support to develop new products with permitted product parameters and the total service is based on the sectors of food, chemical, oil and fiber, building material and computer technology in an eco-friendly environment.

Performance Highlights

The action plan of TSD for the year 2017 is measured with respect to the physical and financial performance and the effectiveness of the programmes executed.

The activities carried out by the division during the year 2017 are as follows.

4.8.1 Acquisition of local and foreign technology

The product technologies were acquired on cinnamon oil based balm and cinnamon oil based air freshener through the technology transfer programme on “Value added cinnamon products” conducted with the assistance of Industrial Technology Institute for cinnamon oil producers in Galle. Further new technologies were received on mushroom powder, biscuits, sausages, moju, bites and mush room seenisambol through the workshop on “Value added mushroom products” conducted by Food Research Unit in Gonanduwa.

4.8.2 Product development work

Three new products namely, “Sea weed enriched cookies” “Jack seed candy” and “Dehydrated vegetable soup mix” were developed under the supervision of Dr. W.L. Isuru Wijesekara, Senior Lecturer, Department of Food Science & Technology of University of Sri Jayewardenapura.

4.8.3 Capacity Building of Green Reporters under the National Green Reporting System (NGRS)

The Technical Services Division of IDB in collaboration with the Ministry of Mahaweli Development and Environment has conducted a training session for the industrialists in the manufacturing sector registered under NGRS and the officials in the IDB to enhance the knowledge on Green Reporting System. This was carried out in 28th of March 2017 at the Central Bank of Sri Lanka, Rajagiriya.

In 2017, the Green IDB as an external agency that could verify and measure the green reports submitted by industries, introduced the Green Concept to 05 industries namely E B Creasy & Co. PLC, Rasoda Dairy Products Pvt Ltd, Bopitiya Auto Enterprises, Hedigalla Tea factory and Calton Sweet House Pvt Ltd.

4.8.4 Conducting customized training programmes

Seventeen (17) short term customized training programmes were conducted in and out of the Technical Services Division with the participants of 497 industrialists. The total revenue generated from the programme was Rs. 1,150,238.19.

No.	Name of the programme	Programme details	Income (Rs.)
01	Programme on "Good Manufacturing Practices (GMP) for food industry" (29th to 30th March, 2017)	The purpose is to train 32 IDB officers from district officers to carry out inspections and upgrade the industries to the level of GMP certification.	127,587.00
02	TOT on "Laundry Soap" (30th June,2017)	This programme was conducted for the officers of prison in Welikada.	23, 445.00
03	Training programme on "Organic fertilizer making &bio gas technology" (03rd – 07th July,2017)	This programme was conducted for in-house rehabilitators at Tertiary & Vocational Training Centre, Senapura as per the request made by the Bureau of the Commissioner General Rehabilitation.	88,179.24
04	Training Programmes (02Nos.) on "Organic fertilizer making for school children" (15th -20th May, 2017)	This programme was conducted for school children of Royal College and Mahanama Vidyalaya, in Monaragala district.	90,357.09
05	Training programmes (02Nos.) on "Organic fertilizer making for school children" (17th -26th June, 2017)	This programme was conducted for school children of Bibila Medagama Vidyalaya & Nannapurawa Vidyalaya in Monaragala district.	155,609.16
06	Training Programme on "Food packaging &labeling" (23rd August, 2017)	This programme was conducted for "Samurdee" beneficiaries at the Technical Services Division as per the request made by the AGA Office –Ratmalana.	10,350.00
07	Training Programme on "Instant fruit drink, jam &cordial making" (25th August,2017)	This programme was conducted for "Samurdee" beneficiaries at the Technical Services Division as per the request made by the AGA Office –Ratmalana.	17,457.00
08	Training Programme on "Organic fertilizer making &bio gas technology" (03rd – 06th September,2017)	This programme was conducted for in-house rehabilitators at Tertiary & Vocational Training Centre, Senapura as per the request made by the Bureau of the Commissioner General Rehabilitation.	89,417.10

No.	Name of the programme	Programme details	Income (Rs.)
09	Training programme on "Food processing technology" (13th& 14th of October, 2017)	This programme was conducted for in-house rehabilitators at Tertiary & Vocational Training Centre, Senapura as per the request made by the Bureau of the Commissioner General Rehabilitation.	79,350.00
10	Training programme on "Banana chips, manioc chips &bite mixtures" (23rd October, 2017)	This programme was conducted for a group of 20 participants from low income families at Divisional Secretariat –Dodangoda.	32,890.00
11	Training programme on "Value added cinnamon products" (27th October, 2017)	This programme was conducted together with IDB Galle district office for a group of industrialists engaged in cinnamon processing in Batapola.	38,571.00
12	Training programme on "Red clay bricks production" (20th -22nd October, 2017)	This programme was conducted for a group of clay brick makers at the clay bricks production centre at SinnapandIvirichehan village in Mannar.	82,940.00
13	Training programme on "Cement based products" (30th& 31st of October, 2017)	This was conducted for a group of industrialists as per the request made by the Small Enterprise Development Division in Kalutara district.	29,000.00
14	Training programme on "Manufacture of yoghurt, popsicles &milk puddings" (17th November, 2017)	This programme was conducted for a group of Home- Science teachers from Mulatiyana Divisional Secretariat.	24,670.00
15	Training programme on "Titanium mixed cement based products" (18th -19nd November, 2017)	This programme was conducted for a group of industrialists at the Youth Centre –Kegalle as per the request made by the IDB Kegalle office.	50,428.00
16	Training programme on "Organic fertilizer making" (29th Nov -11th Dec, 2017)	This programme was conducted for a group of school children in "Dutugamunu" National School and "Thanamalwila National School in Moneragala district under "Guru Gedarata Kalaeliyak" programme.	204,957.60
17	Training programme on "Manufacture of coconut oil" (29th December, 2017)	This programme was conducted in partnership with the IDB Regional Development Division for a group of industrialists in Kurunegala district.	28,475.00
Total			**1,150,238.19**

4.8.5 Conducted training programmes for industrial certificate courses

Six (06) long term Industrial Certificate Courses were completed in 2017 with the participants of 104 industrialists. The total income generated from the programme was Rs.1, 975,450/-.

No.	Name of the course	Time duration	Income (Rs.)
01	Certificate course in Computer Hardware & Networking (08th Batch)	14th Dec,2016 – March,2017	207,000.00
02	Certificate course on PLC and HMI programming	20th& 27th May,2017 and 03rd June,2017 (03days)	126,500.00
03	Certificate course in Spice Processing Technology	27th May, 2017– 5thAug,2017(10 Saturdays)	644,000.00
04	Certificate course in Computer Hardware & Networking (09th Batch)	May –July,2017	286,350.00
05	Certificate course in Computer Hardware & Networking (10th Batch)	July,2017 – Oct,2017	270,000.00
06	Certificate course in Manufacture of Bottled Drinking Water	18th Nov -16th Dec,2017 (5days)	441,600.00
Total			**1,975,450.00**

4.8.6 Transfer of appropriate foreign & local technology

An advanced Training Programme on "Milk Processing Technology" was conducted for a group of 23 small-scale industrialists at Technical Services Division earning revenue of Rs. 99,052. This programme was conducted with the consultation of the Ministry of Industry and Commerce.

4.8.7 Technology transfer workshops

Overall ninety (90) technology workshops were conducted under food, chemicals, oil, fiber and building materials sub-sectors related to the Technical Services Division, while earning Rs. 4,764,362 in revenue. Further 1,867 numbers of individuals were trained during this programme.

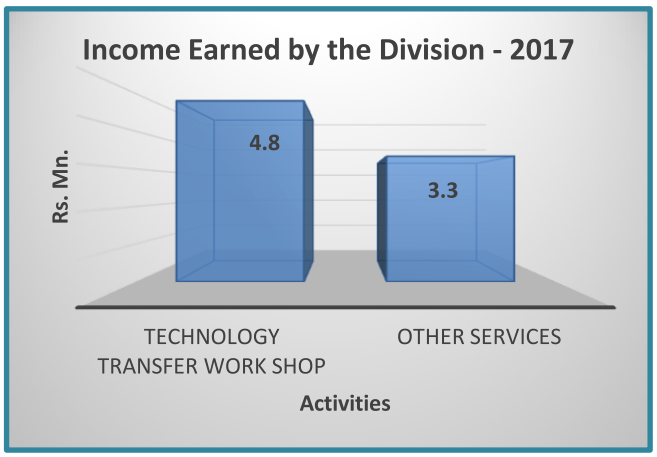


Chart 4.8.1 - Income Earned by the Division - 2017

4.8.8 Certificate course in Spice Processing Technology

This programme was conducted to provide a comprehensive knowledge on spice processing technology and related disciplines. Further it was intended to be provided a systematic education while organizing a tour to spice processing industries to grant them an opportunity to gain experience and exposure on methodical spice processing and relevant standards.

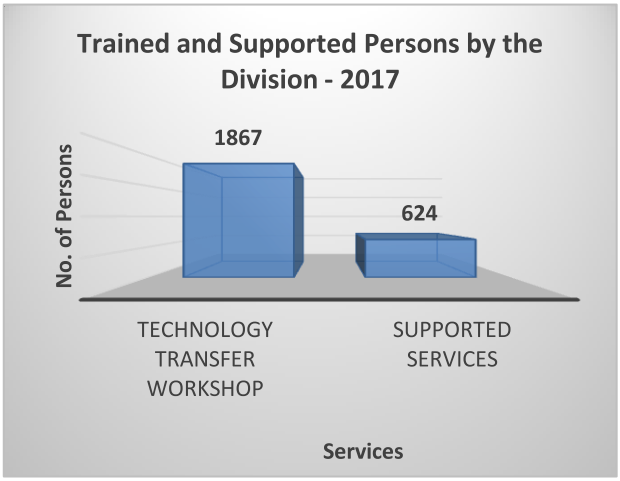


Chart 4.8.2 - Trained and Supported persons by the division - 2017

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

The centre was established in 1998 for the purpose of development of leather sector in Sri Lanka. Accordingly, it has been providing pertinent technical information and upgrading skills of employees, engaged in the industry by way of conducting short term and long-term courses. This has helped to upgrade the local industries related to the manufacture of footwear and leather goods. The main facility center is located at Katubedda, Moratuwa whereas the two regional units are situated at Wariyapola and Vitharandeniya.

4.9.1 Services provided by the center

- Conduct technology transfer workshops on footwear and leather goods.
- Support for footwear designing and pattern making.
- Provide knowledge and designs on new products and product development.
- Provide trade and machinery information.
- Provide incubator facilities.
- Support to upgrade the skills of the employees in the sector.
- Conduct training and skills development programs:
    - Design and pattern making
    - Shoe upper closing
    - Leather clicking
    - Manufacturing ladies footwear
    - Manufacturing gents footwear
    - Manufacturing leather goods

4.9.2 Facilities available at the center

- Clicking machine
- Splitting machine
- Strap cutting machine
- Skiving machine
- Compressor and spray booth
- Buffing and finishing machine
- Sole press machine
- Re-activator machine

4.9.3 Activities carried out by the division

Technology transfer programmes on footwear leather goods manufacturing were conducted in Ampara, Badulla, Colombo, Galle, Kurunegala, Matara, Hambantota, Jaffna, Batticoloa, Polonnaruwa and Vavuniya districts under the funds of government & nongovernment organizations. Most of these training programmes were conducted under the coordination of Regional Development Division.

1) 23 programmes were conducted for entrepreneurs throughout the country to enhance the skills of employees and to commence self-employment. It has generated an overall income of Rs.4,030,662 million and this project has been executed with the assistance of Government and Non-Government organizations.

2) 03 Demand driven training programmes were conducted for the workers in the footwear sector, within the title of “footwear designing and pattern making”. Through this programme they have provided highly skilled designers to the footwear manufacturing sector, who were empowered with the expertise knowledge on modern pattern making and footwear designing techniques. The entire project has generated an income of Rs. 583,472 million.

3) 03 Demand driven training programmes were conducted for the bag manufacturing sector on bag designing and pattern making. Through these programmes it has introduced highly skilled and technically corrected manufacturers to the bag manufacturing sector enriched with modern pattern making designing techniques. The entire project has earned Rs. 396,473.

4) Enhance the quality of the products of small scale footwear manufacturers to compete with the local and foreign market.

5) Five product quality enhancement training programmes were conducted under the special projects of capital budget allocated to the IDB. This has executed in Kurunegala, Badulla, Batticoloa and Colombo districts with the assistance of the IDB district offices.

6) Participation for the various committees and provide contribution for the policy formation process with association of other ministries and relevant institutions. During the sessions of these advisory committees, suggestions were made towards the development of the footwear and leather manufacturing sector in Sri Lanka.

7) Participation for the technical evaluation committees of various government institutions for the purpose of buying their footwear and leather goods requirements.

8) With the intention of attracting young graduates to this particular sector, facilities were given for the university students those who were involved in fashion designing and provide an industrial exposure for their practical projects.

9) Processing facilities were provided for the manufacturers of footwear and leather products to support their manufacturing process. It has generated Rs. 192,186of income for the services provided within 131 industrialists.

10) Provide incubator facilities for those who were trained under IDB and dedicated to start footwear industries to reduce the risk of the initial investment.

11) Maintain a database for footwear and leather goods manufacturers and training institute in Sri Lanka.

12) Funds for the 18 training programmes, conducted on footwear trainings, bag trainings and leather goods manufacturing trainings were executed in Polonnaruwa, and Vavuniya rehabilitation centres and they were funded by the Commissioner General of Rehabilitation.

13) Workshops and field visits were arranged for the Sri Lankan army soldiers who were recently retired from the service. Further it supplies job opportunities in footwear and leather manufacturing industry, enhancement of the likelihood and get the contribution of their skills to the national economy.

14) Total value of the income generated during the year 2017 was Rs. 5,782,437million.

4.10 Rubber Products Development and Services Center (RPD & SC)

The Rubber Products Development and Services Center (RPD&SC) which was set up at Peliyagoda, under the World Bank assistance in 1980 assists to rubber-based industries in Sri Lanka. Nearly 200 rubber based industrialists are longstanding regular customers who make use of the services provided by the IDB, 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 details of the services provided by the centre for the year 2017 and their performance were summarized below.

The summary details of the services provided by the centre

	Services	Measuring indicator	Numbers
(a)	Transfer of technology	Number of clients	38
(b)	Testing facilities (This includes testing facilities to industrialists manufacturing rubber products for export market)	Number of jobs	135
(c)	Sub contract opportunities	Number of jobs	02
(d)	Product development and diversification	Number of jobs	27
(e)	Technical consultancy	Numbers	86

Table - 4.10.1

4.10.1 Development Activities:

The centre has also completed of the following designing & development compounds, quality improvement and product development work during the year 2017.

Development activities completed during the year 2017

a)	**Designing & Development of Compounds**
	Products of Special Jobs Carried Out
i	Brake Cylinder Boot
ii	Mounting Shoes for Onan Cummins Generator
iii	Tyre tread
iv	Pressure switch diaphragms
v	Oil seal
vi	Medical mat
vii	Blow pipe
viii	Yoga mat
ix	Gas seal
x	Rubber mount
xi	T/Box value
xii	Seal

b)	Quality Improvement Activities – 146 Certificates	
	Special Products	**Certificates (Numbers)**
i	Tyre Tread	72
ii	Solid Tyres	10
iii	Rubber Beadings Fenders	02
iv	Oil resistant Safely Shoes	04
v	Exercises Rubber Band	02
vi	Rubber Mount	10
vii	Latex Gloves	02
viii	Water Seal	06
ix	Tyre Flap	10
x	Rubber Band	02
xi	Rubber Mat	02
xii	Rubber Gasket	03
xiii	Tyre Rebuilding	16
xiv	Oil Seal	05

c)	Main Product Development Jobs
	Name of Products
i	Rubber Gasket
ii	Water Seal
iii	Dust Seal
iv	Food Grade Seal
v	Bath Cap
vi	Hydraulic Seal
vii	Foot Value
viii	Bearing Peal
ix	Mat
x	Water Seal
xi	Tyre Flap
xii	Tyre Tread

Table- 4.10.2

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 the students participated for the diploma course in rubber technology conducted by the Plastics &Rubber Institute of Sri Lanka.

The center has progressed satisfactorily towards its goal of becoming a self-financing unit during the year. Income generated from the technical and commercial operations without Vat & NBT was Rs.20.5 million.

Production and sales of items for the year 2017

No.	Item	Quantity / (kgs)	Sales value / (Rs.)	Total / (Rs.)
(01)	Sales of Rubber Compounds - kg	27,900.97	15,414,534.32	
(02)	Milling Charges including re-milling	15,615.18	282,286.29	
(03)	Compounded Latex (L3) in Gallons	1,654.00	2,255,170.00	
(04)	Centrifuged Latex (C.Latex) in Gallons	444.25	568,896.74	
(05)	Chemicals	1,009.00	600,630.73	
(06)	Chen lock (ltrs)	30.80	183,926.20	
(07)	Polythene (Kg)	317.73	112,684.97	
(08)	Dispersion	369.00	193,218.00	
	Sub Total			**19,611,347.25**
(09)	Services			
	(9.1) Extension and Consultancy		216,212.50	
(10)	Demonstrations/ workshops/subcontract			
	(10.1) Quality control and Lab testing		387,622.61	
	(10.2) Product Development		128,546.76	732,381.87
	Total			**20,343,729.12**
	2% NBT			406,874.58
	15% VAT			3,112,590.56
	Grand Total with tax			**23,456,319.68**

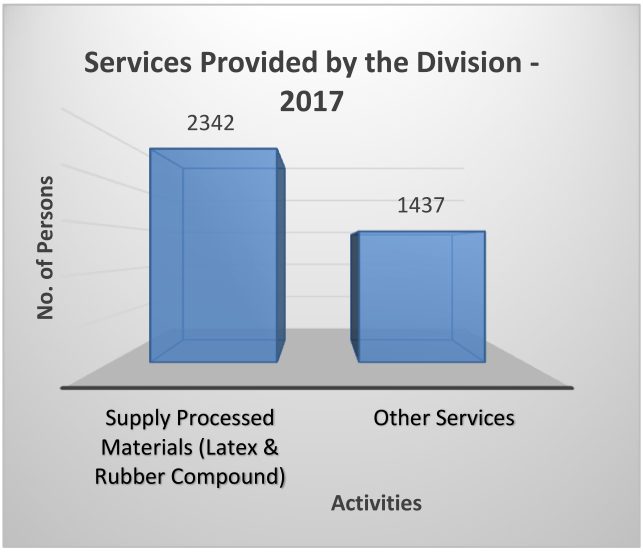


Chart 4.10.1 - Services Provided by Rubber Products Development and Services Center – 2017

FINANCIAL STATEMENTS

- **Comprehensive Statement of Financial Position**
- **Comprehensive Statement of Income**
- **Statement of Changes 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 2017

(all amounts in LKR)

	Note	2017	2016
ASSETS			
Non Current Assets			
Property Plant & Equipment	14	1,451,043,622	1,350,056,061
Capital Work-in-Progress		33,744,045	19,280,725
Fixed Deposits	15	59,764,317	54,003,793
		1,544,551,984	1,423,340,579
Current Assets			
Inventories (Stocks & work-in-progress)	16	22,150,901	30,900,030
Trade & Other Receivables (Debtors)	17	19,269,861	26,035,847
Other Current Assets	18	108,821,480	77,333,136
Pre-Payments	19	32,913,210	14,420,904
Special Projects	20	6,676,099	-
Cash & Cash Equivalents	21	108,805,600	194,895,214
		298,637,150	343,585,131
Total Assets		1,843,189,134	1,766,925,710
EQUITY AND LIABILITIES			
Capital and Reserves			
Net Government Contribution	22	289,185,401	282,787,422
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	988,387,631	961,817,782
Other Government Grants	25	391,692,201	342,657,514
		1,688,955,307	1,606,952,792
Government Grants		1,930,291,117	1,930,291,117
Accumulated Losses	26	(2,203,038,173)	(2,154,331,321)
		(272,747,056)	(224,040,204)
Total Equity		1,416,208,251	1,382,912,588
Non Current Liabilities			
Provision for Gratuity	27	149,510,467	137,072,925
Grants for Special Projects	28	15,508,332	35,863,915
Dues to Corporation	29	-	12,939,579
		165,018,798	185,876,418
Current Liabilities			
Dues to Government	30	84,059	83,814
Dues to Corporation	31	27,469,211	27,097,701
Bank Credit Balances	21	38,761,209	42,376,612
Provisions and Accrued Expenses	32	195,647,606	128,578,576
		261,962,085	198,136,703
		1,843,189,134	1,766,925,710

Director Finance.....
Y.J.Hassan

"The Accounting policies on pages 05 to 11 and Notes on 12 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 2017

(all amounts in LKR)

	Notes	2017	2016
Revenue	05	283,928,764	166,992,951
Cost of Sales & Services	06	(187,867,297)	(135,446,906)
Gross Profit		**96,061,468**	**31,546,045**
Other Income	07	89,522,766	102,363,963
Government Recurrent Grant	08	278,000,000	286,000,000
Administrative Expenses	09	(490,715,818)	(439,742,618)
Sales Distribution Expenses	10	13,993,716	(7,978,261)
Results from Operating Activities		**(13,137,868)**	**(27,810,871)**
Finance Costs	11	(4,990,928)	(2,218,712)
Net Income/(Loss) Before Tax		(18,128,796)	(30,029,583)
Other Comprehensive Income	12	605,676	28,873,913
Net Income /(Loss) for the year		**(17,523,120)**	**(1,155,669)**
Extra Ordinary Items	13	-	(510,690)
Total Comprehensive (Loss)/Income After Extra Ordinary Items		**(17,523,120)**	**(1,666,359)**

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 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**
Prior- year adjustment	-	-	-	-	-	-	23,258,430	**23,258,430**
Profit for the year	-	-	-	-	-	-	(1,666,359)	**(1,666,359)**
Adjustment for Revaluation Surplus	-	-	-	(37,516,635)	-	-	-	**(37,516,635)**
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**
Balance as at 01 January 2017	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**
Transfer to special project	-	-	-	-	(15,000,000)	-	-	**(15,000,000)**
	282,787,422	6,243,013	13,447,061	961,817,783	342,657,514	1,930,291,117	(2,154,331,322)	**1,382,912,592**
Prior- year adjustment	-	-	-	-	-	-	(31,183,732)	**(31,183,732)**
Profit for the year	-	-	-	-	-	-	(17,523,120)	**(17,523,120)**
Prior- year adjustment	-	-	-	26,569,849	-	-	-	**26,569,849**
Government Grants	55,000,000	-	-	-	66,953,882	-	-	**121,953,882**
Amotization of the Grants	(48,602,021)	-	-	-	(17,919,195)	-	-	**(66,521,216)**
Balance as at 31 December 2017	**289,185,400**	**6,243,013**	**13,447,061**	**988,387,632**	**391,692,201**	**1,930,291,117**	**(2,203,038,174)**	**1,416,208,255**

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Statement of Cash Flow for the year ended 31st December 2017

(all amounts in LKR)

Net (Loss)/Income for the year		**(17,523,120)**
Adjustment for Non Cash Items		
Depreciation	44,772,522	
Provisions for Loan & Advances	5,201,003	
Amortisation of the Capital Grants	(66,521,216)	
Bad & doubtful debts	(14,303,301)	
Retirement Benefit Obligation	20,005,711	(10,845,279)
		(28,368,399)
Retirement Benefit Obligation Paid		(7,568,169)
		(35,936,568)
CHANGES IN WORKING CAPITAL		
(Increase)/Decrease in inventories	8,749,129	
(Increase)/Decrease in Debtors & Receivables	21,069,287	
(Increase)/Decrease in Other Current Assets net	(26,287,341)	
(Increase)/Decrease in Prepayments net	(18,492,306)	
Increase/(Decrease) in Dues to Government	245	
Increase/(Decrease) in Dues to Corporation	(12,568,069)	
(Increase)/Decrease in Creditors & Accrued Charges	67,069,029	39,539,974
CASH GENARATED FROM OPERATIONS		**3,603,406**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Investment in Fixed deposits	(5,760,524)	
Amount Invested on Capital WIP	(14,463,320)	
Acquisition/construction of Property ,Plant & Equipment	(140,039,987)	(160,263,831)
		(156,660,424)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grants Received from the Government	121,953,882	
Investment in Special Projects	(47,767,670)	74,186,212
		(82,474,213)
Add: Cash and Cash Equivalents as at 01.01.2017		**152,518,603**
Cash and Cash Equivalents as at 31.12.2017		**70,044,390**

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

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

The financial statements of the board are prepared under the historical cost convention in conformity with Sri Lanka Public Sector Accounting Standards for Accrual Basis of Accounting.The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

2.2 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 i ncrease 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 Services and Other assets	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 The following Lands are not capitalised by IDB since there is no legal ownership, but they are used by IDB:

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	Handed over to GA
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		a cabinet paper has been prepared by the line ministry for the acquisition
11	Baddegama	1	2	0.5	Industrial Estate	From 1992		Discussion have been conducted between IDB and LRC for transferring lands to LRC
12	Beliaththa	10	0	29.2	Industrial Estate	From 1995		

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

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

Inventories are valued at the cost or net realizable value whichever is lower. 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 the cost or net realizable value whichever is lower
Finished Goods	--	At the cost or net realizable value whichever is lower
Work-In-Progress	--	At the cost of direct materials, direct labour and an appropriate proportion of production overheads based on normal operating capacity.

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

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 is calculated as - over 5 Years 100% 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.

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

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

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

2.15 Donation

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

2.16 Revenue recognition

(a) Goods sold and services rendered

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

(b) Interest income

Interest income is recognised on a time-proportion basis.

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

2.1 Expenditure recognition

(a) Operating expenses

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

(b) Net financing costs

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

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

3 Financial risk management

3.1 Financial risk factors

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

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. IDB exposure to the risk of changes in market interest rates relates to primarily to IDB's long-term debt obligations with floating rates. IDB manages its interest rate risk by daily monitoring and managing cash flows, keeping borrowings to a minimum, negotiating favorable rates on borrowings and deposits. IDB is not exposed to interest rate risk as at 31 December 2017, as IDB does not have any borrowing at variable rates of interest.

(ii) Credit risk

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

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

3 Financial risk management (Contd)

3.1 Financial risk factors (Contd)

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table show the maximum risk positions.(as at 31.12.2017)

	Trade and other receivables	Amounts due from related parties	Cash and cash equivalents	Total
Risk exposure				
Trade and other receivables	19,269,861	-	-	19,269,861
Cash and cash equivalents	-	-	108,805,600	108,805,600
	19,269,861	**-**	**108,805,600**	**128,075,460**

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 2017 was as follows:

	2017	2016
Total borrowings	426,980,883	384,013,122
Total equity	1,416,208,251	1,382,912,588
Gearing ratio	**30.15%**	**27.77%**

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 circumstances.

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.

(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.

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

4.1 Critical accounting estimates and assumptions (contd)

(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

As at the end of the financial year there were 06 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.

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

05 Revenue

	2017	2016
5 a Sales		
Sales	33,317,192	45,426,556
Sales (Non Ferrous Project)	159,591,517	43,044,099
Sales of Income Casper	2,303,535	2,367,605
Sales of Publications	315,090	370,538
	195,527,334	**91,208,797**
5 b Services		
Rent - Ind Estates	53,354,903	47,464,835
Water Charges	6,857,973	8,249,446
Surcharges	2,536,507	1,441,306
Training Programme	20,119,680	15,009,485
Project Reports	2,341,673	749,305
Service Charges	3,190,695	2,869,778
	88,401,431	**75,784,154**
	283,928,764	**166,992,951**

06 Cost of sales & services

Cost of Sales - Direct Materials	22,765,427	21,128,543
Cost of Sales-Industrial Estates	5,550,817	5,216,142
Cost of Sales - Non Ferrous Scrap Project	109,707,224	39,547,446
Cost of Sales - Direct Labour	2,748,122	4,166,340
Cost of Sales - Indirect Materials	3,060,601	4,532,258
Consumable Engineering Raw Materials	-	20,175
Cost Of Sales Processing	310,277	-
Maintanance of Plant & Mechinery	1,055,784	829,268
Power	3,119,129	3,773,047
Depreciation of Plant & Mechinery	1,438,790	1,488,166
Depreciation of Land improvement	5,720,723	3,737,708
Depreciation of Buildings	7,213,999	1,721,109
Depreciation of Utility Services	853,700	183,782
Charges Of Engineering Works	248,903	7,000
Sub Contract Charges	81,240	1,012,363
Maintenance of Industrial Estates	1,692,191	1,636,570
Maintenance of Lab Equipment	17,400	79,890
Maintenance of Tools & Spares	52,167	99,585
Transport Charges	1,327,033	1,461,914
Training Programmes	19,745,704	13,690,206
Expenses for Special Projects	1,158,065	31,115,394
	187,867,297	**135,446,906**

07 Other Income

Capital Grant Transfered	66,521,216	50,117,342
Grants for Special Projects	137,863	31,115,394
Project administration cost recoveries	495,804	-
Fixed & Short term Deposits Interest	13,009,324	8,840,975
Sundry Income	1,876,656	5,112,657
Commissiton (Sub- contracting Exchange)	572,220	454,974
Commissions - Lakkam Center	1,942,053	2,096,776
Registraion of Suppliers	1,706,908	1,180,025
Non-Refundable Tender Deposits	22,000	42,900
Lakkam Hall Charges	20,000	15,000
Notarial Fees	702,601	239,400

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

07 Other Income (contd)	2017	2016
Penalties	51,242	53,152
Web Publishing Income	109,725	4,500
Visiting Bangalow Charges	222,176	185,045
Sales of Fixed Assets	-	294,491
Savings Interest	69,690	164,493
Service Charges For Lab Test	379,365	582,151
Staff Loan Interest	1,683,923	1,469,935
Exhibition Income	-	394,754
	89,522,766	**102,363,963**

08 Grants	2017	2016
Revenue grants	278,000,000	286,000,000

09 Administrative Expenses	2017	2016
Basic Salaries	186,856,568	152,472,365
Chairman's Remuneration	900,000	900,000
Special Allowance 5%	34,112,581	60,895,032
C. O. L. Allowance	48,744,758	47,431,632
Other Allowance	15,830,188	7,314,780
EPF (Contribution)	28,604,422	24,027,982
ETF (Contribution)	7,151,105	6,006,998
ETF arrears for COL	1,738,982	-
Bonus for Board Employees	1,341,000	890,000
Gratuity	20,611,388	18,844,059
Training Allowances	1,248,800	1,001,525
Daily paid & care taker allowances	3,856,706	4,426,052
Unutilized Medical Leave Encashment	14,438,949	12,469,739
Overtime	10,980,737	9,535,239
Holiday Pay	1,377,403	868,338
Travelling (Local)	5,891,021	6,110,539
Travelling (Foreign)	530,246	378,790
Lodging Expenses	127,900	148,500
Stationary & Office Requisites	4,900,154	3,255,518
Fuel Expenses	5,061,587	5,459,909
Uniforms	1,760,771	1,953,230
Workmen compensation	-	495,000
Maintenance of Land	381,066	534,935
Maintenance of Building	2,091,139	2,472,568
Maintenance of Plant & Machinery	543,073	494,984
Maintenance of Computers & Accessories	625,737	588,798
Maintenance of Motor Vehicle	4,671,901	4,018,726
Office Maintenance Expenses	22,040	-
Maintenance of Office Equipment	1,490,579	1,720,051
Maintenance of Furniture , Fittings & Office Equipment	39,458	355,314
Maintenace of Bicycles	2,000	15,390
Maintenance of PABX Services	-	3,020
Maintenance of Sundry Assets	37,399	23,633
Maintenance of Water Supply	257,167	4,785
Maintenance of Web & Networking	120,788	289,500
Electricity	7,631,202	7,428,569
Telephone Charges	4,954,029	5,131,864
Payment of Security Services	19,649,067	21,159,414

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

09 Administrative Expenses (contd)

Postage & Telegrams	833,869	941,030
Water Charges	783,238	1,006,228
Rent ,Rates & Taxes	6,155,005	3,713,841
Insurance	1,151,970	1,513,777
Newspapers & Journals	778,491	807,151
Directors' Fees	616,000	719,600
Contribution to Medical Aid Scheme	819,000	782,500
Audit Fees	864,000	1,242,000
Medical Examination Fees	4,980	277,500
Welfare	1,768,707	1,837,887
Entertainment	1,012,369	825,541
Advertisement	2,810,839	4,445,885
Legal Charges	168,093	208,223
Fees for Trade Tests, Interview etc.	481,833	221,230
Local Training for Board Employees	2,088,205	1,058,800
Membership Fees of Professional Bodies (Local & Foreign)	85,093	33,103
Licence Fee	235,308	226,605
Promotional Expenses	34,225	35,670
Exhibition Expenses	410,754	216,644
Research & Development	68,840	93,000
Valuation & servey expenses	809,834	456,120
Consultancy Fees	5,867	-
Feasibility Studies	-	75,200
Publications	249,513	91,642
Photos	1,530	34,228
Provision for labour case	-	341,018
Provisions for loan & advances	5,201,003	-
Expenses for 5S	265,674	-
NBT Expenses - Lakkam	208,029	209,886
Miscellaneous Expenses	307,854	392,205
Registration fees	177,198	100,452
Surcharge	-	26,119
Factory Over Head re allocation	(1,389,789)	(1,978,163)
Genaral Over Heads re allocation	(1,670,812)	(2,715,184)
Labour cost re allocation	(2,748,122)	(3,922,831)
Depreciation Of - Land Improvement	223,729	230,034
Depreciation of - Buildings	4,515,798	3,467,391
Depreciation of - Plant & Machinery	1,124,556	938,921
Depreciation of - Computer Accessories	5,245,855	3,912,971
Depreciation of - Lab Equipments	1,100,380	816,319
Depreciation of - Printing Machinery	212,965	191,737
Depreciation of - Motor Vehicles	11,268,333	2,440,000
Depreciation of - Office Equipments	2,935,774	2,459,037
Depreciation of - Travelling Bags	20,261	24,660
Depreciation of - Furniture & Fittings	1,040,121	1,217,424
Depreciation of - Bicycles	9,977	9,724
Depreciation of - Tools & Spares	607,706	562,065
Depreciation of - Library Books	381,776	290,072
Depreciation of - PABX Services	161,778	271,109
Depreciation of - Utility Services	252,883	173,093
Depreciation of - Sundry Assets	340,204	216,307
Depreciation of - Computer softwares	103,214	78,066
	490,715,818	**439,742,618**

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

10 Sales & Destribution Cost	2017	2016
Provision for Bad & doubtful debts	14,303,301	(7,701,369)
Marketing Expenses	(309,585)	(276,892)
	13,993,716	**(7,978,261)**

11 Finance Cost	2017	2016
Bank Charges	232,362	405,362
OD Interest	4,758,566	1,813,350
	4,990,928	**2,218,712**

12 Other Comprehensive Income	2017	2016
Actuarial Gain (loss) for the year	605,676	28,873,913
	605,676	**28,873,913**

13 Extra Ordinery Items	2017	2016
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	**475**	**473**

INDUSTRIAL DEVELOPMENT BOARD

Notes to the financial statements (Contd)

(all amounts in LKR)

14 Property, plant and equipment as at 31/12/2017

	Land	Land Improvement	Building	Plant, machinery & installation	Printing Mechinery	JICA Project assets
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	39,759,976	407,743,303	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**	**39,759,976**	**407,743,303**	**52,573,661**	**1,021,763**	**(3)**
Year ended 31 December 2017						
Opening net book value/Revalued amount	763,367,687	39,759,976	407,743,303	52,573,661	1,021,763	(3)
Prior- year adjustment (cost)	-	-	-	(3,649,417)	-	-
Prior- year adjustment (Acc.Depreciation)	-	-	-	2,035,057	-	-
Opening net book value after Prior- year adjustment	763,367,687	39,759,976	407,743,303	50,959,300	1,021,763	(3)
Additions	-	111,030,465	9,182,287	1,159,623	905,000	-
Disposal	-	-	-	-	-	-
Depreciation charge (Note 9)	-	(5,944,452)	(11,729,797)	(2,563,346)	(212,965)	-
Closing net book amount	763,367,687	144,845,989	405,195,792	49,555,577	1,713,798	(3)
At 31 December 2017						
Cost	767,716,095	161,880,859	475,430,508	52,510,954	2,118,500	228,842,382
Accumulated depreciation	(4,348,408)	(17,034,870)	(70,234,716)	(2,955,378)	(404,702)	(228,842,385)
Net book amount	**763,367,687**	**144,845,989**	**405,195,792**	**49,555,577**	**1,713,798**	**(3)**

INDUSTRIAL DEVELOPMENT BOARD

Notes to the financial statements (Contd)

(all amounts in LKR)

14 Property, plant and equipment as at 31/12/2017

	Office equipment	Lab Equipment	Travelling Bags	Funiture & Fittings	Bicycle Cost	Tools & Spares	Library Books
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	10,429,192	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	**10,429,192**	**5,239,226**	**49,246**	**6,371,756**	**240,276**	**1,244,077**	**953,322**
Year ended 31 December 2017							
Opening net book value/Revalued amount	10,429,192	5,239,226	49,246	6,371,756	240,276	1,244,077	953,322
Prior- year adjustment (cost)	6,724,519	-	-	(875,500)	-	-	-
Prior- year adjustment (Acc.Depreciation)	(2,934,502)	-	-	87,550	-	-	-
Opening net book value after Prior- year adjustment	14,219,209	5,239,226	49,246	5,583,806	240,276	1,244,077	953,322
Additions	3,168,268	3,015,480	14,800.00	1,384,344	36,860.00	503,413	383,923
Disposal	-	-	-	-	-	-	-
Depreciation charge (Note 9)	(2,935,774)	(1,100,380)	(20,261)	(1,040,121)	(9,977)	(607,706)	(381,776)
Closing net book amount	14,451,703	7,154,326	43,785	5,928,029	267,159	1,139,783	955,469
At 31 December 2017							
Cost	22,781,318	9,071,025	1,306,205	8,098,024	286,860	2,309,555	13,281,171
Accumulated depreciation	(8,329,616)	(1,916,699)	(1,262,420)	(2,169,995)	(19,701)	(1,169,771)	(12,325,702)
Net book amount	**14,451,703**	**7,154,326**	**43,785**	**5,928,029**	**267,159**	**1,139,783**	**955,469**

INDUSTRIAL DEVELOPMENT BOARD

Notes to the financial statements (Contd)

(all amounts in LKR)

14 Property, plant and equipment as at 31/12/2017

	PABX Services	Utility Services	Sundry Assets	Computer & communication equipment	Computer Software	Motor Vehicles	Total
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
Year ended 31 December 2017							
Opening net book value/Revalued amount	591,367	6,606,768	686,384	15,291,324	930,735	36,956,001	**1,350,056,060**
Prior- year adjustment (cost)	-	-	(581,022)	(1,618,580)	-	-	**-**
Prior- year adjustment (Acc.Depreciation)	-	-	58,025	1,342,967	-	5,131,000	**5,720,097**
Opening net book value after Prior- year adjustment	591,367	6,606,768	163,387	15,015,711	930,735	42,087,001	**1,355,776,157**
Additions	-	3,785,595	60418.60	4,143,726	1,054,485	211,300	**140,039,987**
Disposal	-	-	-	-	-	-	**-**
Depreciation charge (Note 9)	(161,778)	(1,106,583)	(340,204)	(5,245,855)	(103,214)	(11,268,333)	**(44,772,522)**
Closing net book amount	429,589	9,285,780	(116,398)	13,913,582	1,882,006	31,029,968	**1,451,043,622**
At 31 December 2017							
Cost	4,308,731	25,586,123	382,087	21,704,680	3,051,136	56,365,801	**1,857,032,014**
Accumulated depreciation	(3,879,142)	(16,300,343)	(498,485)	(7,791,098)	(1,169,130)	(25,335,833)	**(405,988,393)**
Net book amount	**429,589**	**9,285,780**	**(116,398)**	**13,913,582**	**1,882,006**	**31,029,968**	1,451,043,622

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

15 Fixed Deposits	2017	2016
Bank Of Ceylon -Idama Branch	54,346,182	50,025,000
Fixed Deposit Interest Receivable	5,418,136	3,978,793
	59,764,317	**54,003,793**

16 Stock & work-in-progress	2017	2016
Engineering Raw Materials - (H/O)	822,233	868,765
Printing Raw Materials	150,977	171,729
Stationary	3,032,894	2,036,129
Other Raw Materials	2,271,734	2,281,915
Stock Of Village Development Project	5,498,945	11,278,520
Sub Stores - Foundry	2,891,293	3,870,395
Sub Stores - Rubber	3,334,318	4,218,673
Sub Stores - Leather	98,447	352,323
Sub Stores - C SC - Matara	566,982	158,009
Sub Stores - Electroplating Centre	1,331,900	1,258,138
Sub Stores - A T R D C - Pannala	605,817	892,962
Sub Stores - Divinaguma	17,000	17,000
Sub Stores - Kithul Development Programme	243,662	272,527
Brass Centre - Pilimathalawa	237,371	129,582
Work-in-progress - Direct materials (H/O)	1,091,119	1,411,614
Work-in-progress - Direct Labour	240,709	383,379
Work-in-progress - General Overheads	268,802	285,120
Work-in-progress - Factory Overhead	106,856	198,652
Finish Goods	291,612	-
Non-Ferrous Metal Scrap	2,096,786	3,863,155
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)
	22,150,901	**30,900,030**

17 Trade & Other Receivables	2017	2016
Sundry Debtors - Head Office	264,713	264,713
Sundry Debtors - Leather	18,270	18,270
Sundry Debtors - Engineering	607,062	604,611
Sundry Debtors - Engineering - Workshop	6,135,571	19,881,863
Sundry Debtors - Rubber Division	1,335,201	1,612,460
Sundry Debtors - A T R D C - Pannala	1,485,799	1,843,934
Sundry Debtors - E P C	73,272	73,272
Sundry Debtors - Printing	374,061	374,061
Sundry Debtors - Electrical	248,334	701,826
Sundry Debtors - Foundry	1,042,207	4,739,535
Sundry Debtors - Civil	2,155,803	2,155,803
Sundry Debtors - Laknipaum	42,120	42,120
Sundry Debtors - C S C - Matara	939,153	346,492
Sundry Debtors - C S C - A'pura	15,025	15,025
Debtors - Returned Cheques	209,398	209,398
Tenant Debtors	30,096,011	33,227,904
Miscellaneous Debtors	406,707	406,707
	45,448,707	66,517,993
Less:- Provision for Impairment of Bad & Doubtful debts	(26,178,846)	(40,482,147)
	19,269,861	**26,035,847**

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

18 Other current assets	2017	2016
Festival Advance	407,300	364,800
Provision for Impairment loss of festival advance	(141,050)	-
Motor Bicycle Loan	1,175,405	333,748
Provision for Impairment loss of motor bicycle loan	(195,960)	-
Bicycle Advance	116,304	129,254
Provision for Impairment loss of bicycle loan	(2,504)	-
Distress Loan	47,643,990	39,320,914
Provision for Impairment loss of distress loan	(342,209)	-
Special Loan Advance (Flood)	1,324,764	-
Less : Deffered Staff Cost	(37,226,305)	(37,226,305)
Prepaid Staff Cost(IFRs Adjustment)	37,226,305	37,226,305
Special Advance Book	13,100	11,500
Receivable from Other Department	421,933	421,933
Sub Contract Exchange	429,823	863,057
Withholding Tax	2,423,630	2,016,777
VAT Receivable	51,363,240	28,944,779
Kithul - Marketing	281,675	281,675
Non Ferrous Control Account	-	742,661
Economic Service Charges	170,872	170,872
Receivable from Line Ministry	3,731,167	3,731,167
	108,821,480	**77,333,136**

19 Deposits & prepayments	2017	2016
Security Deposits	253,460	241,132
Prepayments	42,115,041	18,853,860
Provision for Imp. Of Pre Payments	(11,673,095)	(7,226,319)
Prepayments Advance - Head Office	192,206	192,206
Advance to Staff - Head Office	928,370	871,275
Provision for Imp. Of Staff Advance	(635,977)	(560,073)
Advance to Staff for Fuel - Head Offioce	232,212	292,312
Provision for Imp. Of Per. Advances	(232,212)	(235,612)
Other Deposits Receivable	1,187,725	1,576,503
Travelling Advance (Foreign)	-	190,620
Rent & other expenses paid in advance	545,480	225,000
	32,913,210	**14,420,904**

20 Grants for Special Project	2017	2016
Facilitate SMEs to obtain ISO 14001(Pilot project)	1,152,971	-
Enterpreneurial Culture & Skill Development Project	1,977,770	-
Diviyata Udanaya	3,545,357	-
	6,676,099	**-**

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

21 Cash & bank balances			2017	2016
A/c code		Account No.		
	Bank Account - Laknipayum - Polonnaruwa		-	11,605
185200	Current Account - IRDP - Matara	00022667-9	-	2,076
185010	Current Account - Idama - Moratuwa	682974	(38,761,209)	(40,960,624)
185110	Current Account - Peliyagoda - RPD&SC	4064199	125,366	967,295
185020	Current Account - Capital Grant Bank Account	683231	751,982	(1,415,987)
185030	Bank Balance - Engineering Division	683144	46,510	516,176
185180	Bank Balance - Village Development Project	4204245	454,396	5,248,932
185070	Bank Balance - Non Ferrous	682519	25,647,206	321,639
185060	Bank Balance - Regional Division (Kithul)	683237	4,929,617	32,971,946
185412	BOC - "Idama" Scrap Project Savings Account	7271240	194,868	187,240
185090	Current Account - Peoples Bank	100153657035	7,361,875	48,610,950
185415	Current Account - Lakkam Sales Centre	7153282	2,053,989	1,127,322
185015	Current Account - Debit Tax Exempted		4,024,074	2,368,416
185125	District Office - Bank Account (Reginal)		20,892	307,717
185413	Savings Account - CESS Fund	9123868	1,582,752	1,525,279
	Short Term Deposits		58,400,907	100,013,581
	Short Term Deposits Interest Receivable		608,408	646,305
	Imprest Accounts		22,308	4,669
	Special Imprest - Cashier		23,379	23,379
	Cash-in-Transit		2,544,531	28,148
	Cash-in-Transit Metal Scrap Project		12,540	12,540
			70,044,390	**152,518,603**
	Debit Balances		108,805,600	194,895,214
	Credit Balances		(38,761,209)	(42,376,612)
	Cash and Cash Equivalents		**70,044,390**	**152,518,603**

22 Net government contribution	2017	2016
Government Capital Grants as at 1st January 2017	282,787,422	277,910,082
Grants Received during the year 2017	55,000,000	45,000,000
Capital Grant Transfered	(48,602,021)	(40,122,661)
	289,185,401	**282,787,422**

23 Value of Asset Transferred	2017	2016
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	2017	2016
Balance b/f	961,817,782	999,334,417
Revaluation Surplus	26,569,849	(37,516,635)
	988,387,631	**961,817,782**

25 Other government grants	2017	2016
Cess Fund	10,500,000	10,500,000
Sirap Fund - Building	24,541,653	25,388,919
Grant-Injection Moulding Machine for RD&SC-Paliyagoda	8,406,159	9,318,027
Ministry Funds Achchuweli	25,926,815	22,834,039
Ministry Funds Industrial Estates	262,043,880	260,126,686
Non Ferrous	10,000,000	10,000,000
Ministry Funds-T.S.D Lab	3,952,137	4,489,843
Panaluwa Industrial Estate	28,821,558	-
Accredited Food Laboratory	17,500,000	-
	391,692,201	**342,657,514**

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

26 Governmet Grants	2017	2016
Balance	1,930,291,117	1,930,291,117
Accumulated Losses	(2,154,331,321)	(2,175,923,391)
Adjustment	(31,183,732)	23,258,430
Deficit Carried forward	(17,523,120)	(1,666,359)
Accumulated Losses	**(2,203,038,173)**	**(2,154,331,321)**
	(272,747,056)	**(224,040,204)**

27 Retirement benefit obligations

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

	2017	2016
Present value of unfunded obligation	149,510,467	137,072,925
Liability in the statement of financial position	**149,510,467**	**137,072,925**

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

	2017	2016
As at 1st January	137,072,925	155,623,529
Current service cost	9,125,230	8,045,317
Interest cost	11,486,158	10,798,742
Actuarial loss / (gain) on post employment benefit obligation	(605,676)	(28,873,913)
	157,078,636	**145,593,675**
Benefits paid	(7,568,169)	(8,520,751)
At 31 December	**149,510,467**	**137,072,925**

The principal actuarial assumptions used were as follows.

	2017	2016
Discount rate	9.50%	7.00%
Future salary increases	5.00%	5.00%
Staff turnover rate	2.70%	4.06%
Retiring age	60	60

28 Grants for Special Project	2017	2016
Village Development Projects	11,793,229	20,726,052
Gingerly Purchasing-Jaffna	-	137,863
Ministry Funds-Robot Arm	2,804,780	15,000,000
Facilitation of SMIs in Food Sector,packaging	910,322	-
	15,508,332	**35,863,915**

29 Dues to boards & corporation	2017	2016
E.P.F.Arrears Payable	-	12,939,579
	-	**12,939,579**

INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

	2017	2016
30 Dues to Government		
Commissioner of Inland Revenue	28,879	28,879
Commissioner of Inland Revenue, Stamp Duty	55,180	54,935
	84,059	**83,814**

	2017	2016
31 Dues to boards & corporation		
Central Bank of Ceylon E.P.F.	5,632,953	3,988,778
E.P.F.Arrears Payable	12,939,579	16,174,480
E.T.F.Arrears Payable	8,128,549	6,389,567
Employee Trust Fund	768,130	544,877
	27,469,211	**27,097,701**

	2017	2016
32 Trade & other creditors, provisions and accrued expenses		
Trade Creditors	54,773,145	5,560,107
Employees Donation	700	8,695
Sub Contract Exchange	-	25,639
Nation Building Tax`2%	6,064,996	3,338,717
Staff Deduction Payable	8,707	11,207
Payee Tax Payable	156,827	106,779
Election Commssioner	-	54,446
Miscellaneous Creditors	3,072,949	3,072,949
Other Creditors	40,883	40,883
Sundry Creditors - Head Office	2,918,974	1,925,374
Sundry Creditors -Non Ferrous	-	124,787
Deposits Pending Settlement	831,674	1,093,683
Salaries Payable	8,606	(12,590)
Laknipaum Sales & Display Centre - Creditors	89,753	89,753
Advance Received from Customers	1,829,800	3,614,812
Refundable Tender Deposits	-	32,320
Security Deposits	253,460	241,132
Refundable Deposits-Estates	57,766,295	50,730,932
Buddhist Association Control A/C - Head Office	-	4,230
Thrift Society Control Account	-	36,510
Other Department Control A/C	-	69,221
Payable Cents Control A/C - Head Office	-	2,376
Trade Union Control A/C	-	4,979
Insurance Control Account	-	1,178,882
Customer over payment	-	2,734,019
Medical Scheme	2,717,504	2,816,609
Provision for Labour Cases	4,747,407	4,747,407
Sub Contract Creditors	614,420	2,202,546
Accrued Expenses	55,293,896	39,261,285
Lakkam Craditors	2,021,433	3,433,936
Payable Related to Exhibition	2,436,177	2,026,951
	195,647,606	**128,578,576**

AUDITOR GENERAL'S REPORT

FOR

COMMENTS OF THE BOARD

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය எனது இல. My No. } IMU/A/IDB/1/17/25 මෙහේ අංකය உமது இல. Your No. } දිනය திகதி Date } 05 October 2018

The Chairman
Industrial Development Board of Ceylon

Report of the Auditor General on the Financial Statements of Industrial Development Board of Ceylon for the year ended 31 December 2017 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 2017 comprising the statement of financial position as at 31 December 2017 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.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International 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.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

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 2017 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 01

In terms of Section 32 of the Standard, assets and liabilities should not be offset unless required or permitted by the accounting standards. Nevertheless, a sum of Rs.60,000,000 granted by the Ministry for the establishment of Robot Technology Centre in the years 2016 and 2017 and the assets worth Rs.57,195,219 purchased spending that money had been offset and the net balance of Rs.2,804,781 only had been stated as non-current liabilities in the financial statements. As such, non-current assets and capital grants as at 31 December of the year under review had been understated by Rs.57,195,210.

(b) Sri Lanka Accounting Standard 08

In terms of Section 42 of the Standard, an entity shall correct material prior period errors retrospectively by restating the comparative amounts presented for the period in which the error occurred. Nevertheless, without being taken action accordingly, comparative amounts of the year 2016 had been presented by making adjustments to the balances included in the audited financial statements of the preceding year. Further, the necessary disclosures on the prior period errors had not been made in the financial statements as required by Paragraph 49 of the Standard.

Sri Lanka Accounting Standard 16

(i) In terms of Section 36 of the Standard, in the revaluation of fixed assets, the entire class to which that assets belong shall be revalued. Nevertheless, in the revaluation of lands, land improvements and buildings, assets worth Rs.39,163,047 and Rs.155,469,122 had not been revalued respectively.

(ii) Although revalued amount of Rs.65,735,659 applicable to the machinery and equipment, printing machines, office equipment, bicycles and computers had been brought to account, as depreciation had been computed on cost, depreciations relating to the year under review had been understated by Rs.881,401.

(d) Sri Lanka Accounting Standard 18

While demanded productions had not been handed over, productions of which invoice value was Rs.3,902,217 had been brought to account as sale of the year under review and the cost of Rs.2,225,726 relevant thereto had been brought to account as the cost of sale contrary to Section 14 of the Standard.

(e) Sri Lanka Accounting Standard 20

The capital grants balance amounting to Rs.1,964,238,178 stated in the financial statements as the capital grants over a number of years had not been written off gradually in terms of Paragraph 12 of the standard.

(f) Sri Lanka Accounting Standard 39

In terms of Section 46 (a) of the Standard, the employees loan given at interest rate less than the market interest should be recognized at amortized cost using effective interest method and the difference between market interest rate and the interest rate received for the loans had been recognized as costs on employees.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) Recurrent Grants of Rs.30,600,174 received for the implementation of 06 projects during the year under review and expenditure amounting to Rs.36,365,951 incurred on those projects had been adjusted through a Grants Account without being adjusted in the statement of comprehensive income.

(b) Retention money of Rs.3,062,748 deducted in making payments for the contracts in the year under review had not been brought to account.

(c) Value Added Tax amounting to Rs.1,644,239 paid during the year under review in relation to the contracts for the construction of internal roads, drainage system and the fence of the Buttala Industrial Estate had been brought to account under the work-in-progress.

(d) A sum of Rs.993,089 payable relating to the contract for clearing the land of the Negampaha Industrial Estate, Anuradhapura and the construction of fence thereof had not been brought to account.

(e) A sum of Rs.11,051,161 erroneously debited to the revaluation reserve as depreciation relevant to the preceding year had not been corrected even in the year under review.

(f) The value of stock items received as grants over a number of years had not been assessed and brought to account.

2.2.3 Unexplained Differences

The following observations are made.

(a) According to the records of the Industrial Estate Sector, the balance due from 13 Industrial Estates as at the end of the year under review amounted to Rs.15,277,733 while that balance was Rs.36,150,400 according to the records of the Accounts Branch. Accordingly, a difference of Rs.20,872,667 was observed.

(b) According to the financial statements, the stock value as at 31 December 2017 amounted to Rs.9,494,613 and the stock value as per the physical verification reports amounted to Rs.8, 594,832, thus observing a difference of Rs.899,781.

(c) Although the Value Added Tax receivable as at 31 December of the year under review amounted to Rs.51,363,240, it was Rs.29,408,699 according to the Value Added Tax Returns furnished to the Department of Inland Revenue. Accordingly, a difference of Rs.21,954,541 was observed.

2.3 Accounts Receivable and Payable

The following observations are made.

(a) Action had not been taken to settle 04 balances totaling Rs. 1,304,303 continued to exist as other receivable assets from the year 2013 and the years preceding that year.

(b) Of the balances amounting to Rs.45,448,707 receivable from the Industrial Estates and the debtors, the balance of Rs.24,037,750 remained older than 05 years and 66 per cent or Rs.30,096,011 of the total dues contained rentals receivable from the Industrial Estates.

(c) Employees' advances amounting to Rs.928,370 continued to exist since a period before 5 years had not been settled.

(d) An advance amounting to Rs.5,402,511 paid for the purchase of scrap items pertaining to the period from 2009 to 2016 had not been settled.

(e) Creditors balance of Rs.3,072,949 payable to the industrialists of the Industrial Estates from the period before 05 years had not been settled by way of recognizing the relevant industrialists.

(f) Nation Building Tax amounting to Rs.2,761,479 relevant to the year 2016 and the preceding years and Rs.3,309,517 pertaining to the year under review had not been remitted to the Department of Inland Revenue.

(g) Action had not been taken to recover a sum of Rs.3,731,167 due from the Line Ministry from the year 2016 in respect of expenditure on the projects.

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

Action in terms of F.R. 189 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka had not been taken on the cheques amounting to Rs.209,398 that had become dishonoured in the years 2012 and 2014 and shown in the financial statements as at 31 December of the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented for the year under review, the financial result of the Board had been a deficit of Rs.18,128,796 as compared with the corresponding deficit of Rs. 30,029,583 for the preceding year, thus indicating an improvement of Rs.11,900,787 in the financial result of the year under review as compared with the preceding year. Although the administrative expenditure had increased by Rs.50,973,200 during the year under review as compared with the preceding year, increase in the gross profit by Rs.64,515,423 had been the main reason for the above improvement in the financial result.

An analysis of financial results of the year under review and 4 preceding years revealed that the deficit of Rs.84,728,727 of the year 2013 had increased up to Rs.27,259,111 in the year 2015. However, it had deteriorated to a deficit of Rs.30,029,583 and Rs.18,128,796 in the year 2016 and 2017 respectively. 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 improved up to Rs.213,500,294 in the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Planning

Even though an Action Plan had been prepared for the year 2017, it had not been prepared in accordance with the Paragraph 4 of the Public Finance Circular No.01/2014 dated 17 February 2014.

4.1.2 Functions and Review

Although the Board had recognized 05 Key Performance Indicators (KPI) and prepared plans in accordance therewith, it was observed according to the following matters that the expected targets had not been achieved.

(i) It had been expected to increase income of 400 small scale and medium scale industrialists and generate 2000 employment opportunities during the year under review. Nevertheless, increase in the total income of 187 industrialists and generation of 675 employment opportunities alone had taken place.

(ii) Although another expectation was to establish 125 business establishments by leasing out trade stalls and lands of the Industrial Estates and thereby generate 500 employments, 29 business establishments only had been initiated, thus creating 444 employment opportunities. It was observed that a large number of employment opportunities could have been generated provided all the expected business establishments were set up.

(iii) Although plans had been drawn to train 600 employees during the year under review, 198 employees only had been trained.

(iv) It was anticipated to export 25 productions of 100 industries under the performance indicators pertaining to the introduction of foreign market. Albeit, foreign market had been introduced only for 12 productions of 15 industries.

(b) Out of 11 activities of the Rubber Production Development and Service Centre planned for the year 2017, eight activities had not reached up to the expected targets.

4.2 Management Activities

The following observations are made.

(a) Although Rs.15,576 had been paid for the surveying activities and preparation of deeds of the land in which the Baddegama Industrial Estate was situated and a sum of Rs.500,000 had been paid as advances in the year 2007 for the acquisition of the above land, it had not been acquired even up to 31 July 2018.

(b) Although capital grants amounting to Rs.16 million had been received for the purchase of an equipment called "Foundry Plant" during the year under review, preparation of Letter of Credit only had been done by 12 September 2018 relating to the import of that plant.

(c) Even though decisions had been taken at the 05 meeting sessions of the Audit and Management Committees conducted in the year 2017 with regard to the matters such as unrecovered loan balances, recovery of advances paid to the employees and update of registers and books, those issues had not been settled.

4.3 Idle or Underutilized Assets

The following observations are made.

(a) Out of 64 machines directly contribute to the rubber production activities of the Rubber Production Development and Service Centre, 26 machines remained out of order over a number of years. Further, there were 20 unusable and dysfunctional equipment belonging to the Quality Control Lab.

(b) It had been intended to provide necessary trainings for 250 rubber based production industries by the Rubber Injection Moulding Machine purchased at a cost of Rs.9,318,026 during the year 2016 and thereby provide necessary samples for the productions of the industrialists. Albeit, 17 trainees only had been trained in the years 2016 and 2017 and only one institute had obtained an order and it was, too, remained at experimental level. Accordingly, the achievement of the above targets remained at a poor level.

(c) Stocks worth Rs.4,130,850 purchased from the year 2009 to 2017 to distribute among the entrepreneurs under the village development programme had remained undistributed even by 18 September 2018.

4.4 Staff Administration

The following observations are made.

(a) Out of 728 approved cadre of the Board, 249 posts had been vacant as at 31 December of the year under review and 05 out of the 12 posts of the top management level included in the above cadre had fallen vacant. Further, 69 officers had been recruited for 08 posts during the period from 2014 to 2017 on contract basis and daily paid basis and a sum of Rs.2,236,324 had been paid for them monthly.

(b) During the period from 2015 to 2016, officers had been recruited for 04 posts of Consultants which had not been included in the approved cadre and a sum of Rs.4,152,023 had been paid as allowances up to 31 December 2017.

5. Sustainable Development

Every Government institution should comply with the Letter No.NP/SP/SDG/17 dated 14 August 2017 of the Secretary to the Ministry of National Policies and Economic Affairs and the 2030 Agenda for Sustainable Development adopted by the United Nations. As the Board had not been aware as to how to act in regard to the activities under its purview, no action had been taken to identify the sustainable development goals and targets, milestones in reaching those targets, and the indicators to measure the achievement of the targets.

6. Accountability and Good Governance

6.1 Presentation of Financial Statements

Even though the Draft Annual Report along with the accounts should be presented to the Auditor General within 60 days from the 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 21 May 2018, after a delay of 03 months.

6.2 Procurements

Despite the recommendation of 03 minimum bids by the Bid Evaluation Committee according to the bids called for on 15 March 2016 relating to obtaining security services for the period 2016/2017, those bids had been rejected by the Procurement Committee without explaining any reason and bids had been re-called for on 18 August 2016. Accordingly, in the evaluation of bids, 03 bids had been rejected on minor reasons such as failure to present accounts records and another 10 bids had been rejected considering that all the relevant details had not been submitted despite being submitted the relevant details. The bid that had quoted prices at 19 in the order had been recommended as the prospective bidder by the Bid Evaluation Committee and it was questionable in audit. Further, the selected bidder had provided services only for a period of two months. When comparing the paid amount with the prices quoted in the original calling for bids, a sum of Rs.769,683 had to be overpaid for a period of two months.

6.3 Budgetary Control

According to Section 5.2.4 of the Public Enterprises Circular No PED/12 of 02 June 2003, the budget should be presented to the Board of Directors for the approval 03 months before the year following. Nevertheless, the Board had not presented an annual budget inclusive of Government contribution, earnings of the Board and the total expenditure during the years 2016 and 2017 and a cost estimate only had been prepared for the Treasury Grants.

6.4 Tabling of Annual Reports

The Annual Reports for the years 2015 and 2016 in had not been tabled in Parliament even by July 2018 in terms of Section 6.5.3 of Public Enterprises Circular No.PED/12 of 02 June 2003.

6.5 Unresolved Audit Paragraphs

(a) Although 1,500 kilograms of scrap items stocks stored at the Navabima Stores Yard had been physically verified, action had not been taken to make adjustments on that value in the financial statements.

(b) Although a sum of Rs.25 million had been received from the Ministry in September 2016 to acquire lands to Panaluwa Industrial Estate, those lands had not been vested even by the date of this report.

(c) Since the land occupied by the Head Office over a number of years and the lands in which regional offices and other centres are maintained in 10 districts had not been lawfully vested in, value of those assets had not been included in the financial statements.

7. 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) Failure to submit bank reconciliation statements on due dates.
	(ii) Failure to collect the documents relevant to financial transactions of different Divisions by the Accounts Division efficiently.
(b) Debtors Control	(i) Failure to obtain balance confirmations.
	(ii) Failure to update documents.
(c) Stock Control	(i) Failure to update inventory.
	(ii) Failure in taking action to eliminate damaged stocks from accounts.
	(iii) Existence of differences between the balances of Ledger Cards and Bin Cards in respect of certain items of stocks.
	(iv) Failure to maintain registers properly by the Marketing Division and failure to carry out proper supervision on the available stocks when issuing goods.
	(v) Not properly stored the expensive stocks and not ensuring the security arrangements around the stores.
(d) Maintenance of Registers	Failure to update the Register of Losses and Damages.

H.M.Gamini Wijesinghe

Auditor General.