

Annual Report 2012

National Enterprise Development Authority

Ministry of Industry & Commerce



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தேசிய தொழில் முயற்சி அபிவிருத்தி அதிகாரசபை
National Enterprise Development Authority
(Established under the National Enterprise Development Authority Act, No. 17 of 2006)



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18th June 2014

Hon. Rishad Bathiudeen, M.P.
Minister of Industry and Commerce
Ministry of Industry and Commerce
73/1, Galle Road
Colombo 03

Hon. Sir,

Annual Report 2012

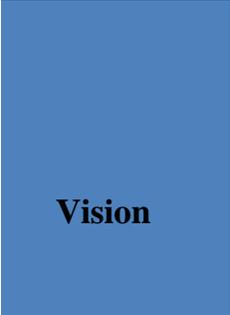
In terms of Section 14(2) of the Finance Act No. 38 of 1971, I submit following documents.

01. The progress report of the National Enterprise Development Authority for the year 2012
02. Balance Sheet as at 31st December 2012, Income and Expenditure Statement for the year ended 31st December 2012 and Cash flow Statement for the year ended 31st December 2012.
03. Report of the Auditor General

Yours sincerely,

N.M. Shaheed
Chairman/DG
NEDA

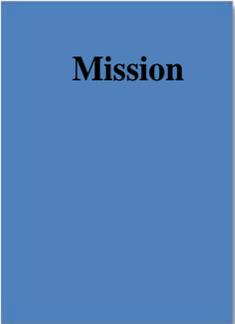
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Vision

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

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



Mission

Objectives of NEDA

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

**Board of
Directors**

2012

1. **Mr. M.S.S. Ameer Ali**
Chairman/Director General
2. **Mr. M.A. Thajudeen**
Additional Secretary- Ministry of
Industry and Commerce
Ex- Officio – Board Director
3. **Mr. T.N. Ossen**
Director – Department of Public Finance of
Ministry of Finance
Board Director
4. **Rev. Elpitiye Sugunakiththi Thero**
Board Director
5. **Mr. A.L.Mohamed Haleek**
Board Director
6. **Mr. S.Lukman**
Board Director
7. **Mr. N.M. Shaheid**
Board Director
8. **Mr. M.A.C.M.Ameen**
Board Director
9. **Mr. S. Herath**
Board Director

Annual Report – 2012 Development Programs

1.0 SME Policy

1.1. Institutional mechanism to resolve entrepreneur's problems/ issues

1.1.1. Enterprise Forum and District Enterprise Forum

1.1.2. SMEs Guide Book and Business Development Service Providers Directory

1.1.3. Data Base & Web site Development

1.2 Preparation & Implementation of SME Policy

2.0 Marketing, Entrepreneurship and Enterprise Development

2.1 Gamata Obina Vyapara Program

2.2 Capacity Building of Sri Lankan Entrepreneurs

2.3 Business Development Service Fairs

2.4 Internationalization of local businesses and improve access to modern technology
and raw material

2.5 Geographical Cluster Development Programs

2.5.1. Moratuwa Wood Cluster Development Program

2.5.2. Coir Cluster Development Program

2.5.3. Handloom Cluster Development Program

2.6 Upadhidhari Vyawasayaka Udanaya Program

2.7. Promotion of local Insence stick Production

2.8. Technology Development Fund

- 2.9. Technology Transfer
- 2.10. Enterprise Education through Electronic Media
- 2.11. School Competition
- 2.12. Deyata Kirula National Exhibition
- 2.13. Divineguma National Program
- 2.14. SME Support Services

1. SME Policy

1.1. Institutional mechanism to resolve entrepreneurs problems and issues

“Towards Net Working Sri Lankan Entrepreneurs”

1.1.1 District Enterprise Forum (DEF)

As per NEDA Corporate plan, it includes establishment of District Enterprise Forums (DEF) to identify business issues at District level with the view of resolving them and use for policy formulation. DEF is established at district level and it consists of governmental and non-governmental Business Development Service Providers, Chambers and Trade or Business associations within the district.

Program Objectives:

- I. Build up relationship among Business Development Service Providers at District level
- II. Facilitate for Public Private Dialog (PPD)
- III. Establish proper coordination between DEF and SME associations
- IV. Develop a system to provide business development services to entrepreneurs through DEF forum
- V. Collect unresolved business issues at district level forum and forward to the National Enterprise Forum

NEDA is strengthening DEF with financial assistance and technical guidance. Nationally identified business issues and issues that are not resolved at lower levels of the Architecture are discussed at the DEF.

In year 2012, fourteen DEF meetings were held in Badulla, Matale, Anuradhapura, Vauniya, Mannar, Batticaloa. DEF was newly established in Rathnapura, Kegalle and Kilinochchi.

1.1.2. SME Guide Book and Business Development Service Providers Directory

“Information To All Entrepreneurs”

Publication of National Directory of Business Development Service Providers & Strengthening of BDS Providers

Business Development Service providers have a vital role in providing services in Enterprise development. Different types of BDS providers are involved in SME sector development and mainly assist in Marketing, Technology Development & Transfer, Financial, Entrepreneurship Development, Information Technology etc. According to the Corporate Plan, NEDA presently involve in preparation and publication of National Directory of BDS Providers with the objective of increasing awareness among Entrepreneurs about the BDS providers scattered around the country.

NEDA is carrying out above program with five steps.

1. Registration of BDS providers under NEDA

Registration of all BDS providers in the country under NEDA

2. Preparation of National directory of BDS Providers

Information is collected from the registered BDS providers under NEDA. Their general information & services are considered.

3. Publication of National Directory

NEDA publish this directory through regional level launching programs and through NEDA activities conducted at regional level.

Need Assessment of BDS providers

NEDA conducts need assessment of BDS providers by a format focusing development of human resources

1. Strengthening BDS Providers

Based on the Need Assessment results, NEDA planned the capacity development programs for BDS providers.

NEDA has completed the soft copy of BDS Directory in 2012. Intention is to publish BDS Directory in each five years.



SME Guide book

NEDA introduced SME Guide Book in 2010 and it was reviewed in 2011/2012. Presently, it is available in trilingual form. National level guidebook launching was conducted in year 2012. Further, 5 district launching programs were conducted.

1.1.3 Data Base & Website Development

The website plays a very important role as a communication gateway to serve the SME sector in the country. It is very sophisticated and easiest way to deliver the information relevant to the enterprises/entrepreneurs.

NEDA web site was restructured for enhancing the capacity and to improve the quality and accessibility to information. Presently around 390 viewers visit the site daily. 50 to 60 entrepreneurs per month are registered at the web. The trilingual form of the SME guide book was also made available.

1.2 Preparation and Implementation of SME Policy

National Enterprise Development Authority (NEDA) established under the Act No. 17 of 2006 to support & encourage for the Small & Medium Enterprises (SME) in Sri Lanka. According to the Act, formulation of policies for the SME Development is one of the objectives. The section 13 of the act shows the objectives of this Authority and the subsector (c) as follows,

“Formulate policies, plans, promotional incentives appropriately design and effectively support and promote trade and development in Industry & Agriculture ”

Working Group on Policy Advocacy (WPGA) was initiated in 2010 to identify the Enterprise issues, analyse & submit recommendations to the higher Authorities for possible policy intervention and to improve the business environment in Sri Lanka. The above stakeholders or their Authorised Representatives participated the regular sessions of the the forum. As per the instructions given by Ministry of Industry and Commerce, the name of the WPGA was changed to Enterprise Forum (EF) at the beginning of year 2012. The WPGA, along with the name change, NEDA introduced the institutional architecture for linking regional entrepreneurs to the system. In 2012, NEDA prepared an issue tracker in association with Asia Foundation to maintain a list of issues and solutions delivered.

2. Marketing, Entrepreneurship and Enterprise Development

“Towards made in Sri Lanka through Flourishing Entrepreneurship Culture”

2.1 ‘Gamata Obina Vyapara’ Program

Small and Medium Enterprises (SMEs) have been identified as a key component in economic development. In Sri Lanka, majority of the population are living in rural areas which are estimated to be 78 percent of the total population. The Small & Medium Enterprises in the regional areas are the major source of Employment and SME sector development. It is clear that the sector has not achieved desired level of contribution when compare with other countries.

This program consists of two major components:

1. Identification of Competitive Business Opportunities, Issues and suggestions for the development of competitive business sectors in a given geographical area (District Level) through LOCA methodology.
2. Implementation of Sector development proposals and Entrepreneur development program.

Entrepreneurship Development Training Program:

This training pays more attention on the development of entrepreneurship skills of the selected beneficiaries while giving them an opportunity to uncover their potentials and future goals. The selected beneficiaries will be given an Entrepreneurship Development training which concentrates on

- The self-confidence development as an entrepreneur
- Improvement of financial literacy
- Impart business planning skills & management capabilities



Financing of Business Plans

When a financial assistance is required for the proposed business plans, NEDA provides a grant or facilitate to obtain a bank loan.

Technological Improvements of Businesses

Technology transfer programs are designed and conducted. Further, field visits are arranged to Research and Development organizations. In this regard, following technological categories are more prominent when designing the programs.

- Human related capacity development (mainly technical skills)
- Introduction of new production processes
- Introduction of new machineries and equipments
- Product development & promotion
- Productivity & quality improvements

Divisional Secretariat office with the support of NEDA officer arranges technical training programs as per beneficiary requirements and financial support are provided by NEDA.

Marketing Development;

Training programs & field visits are arranged by NEDA with the support of Divisional Secretariat office

- Package designing
- Marketing skill development
- Promotional material designing
- Promotional program designing

Business Counseling & Follow up Activities;

Business counseling & follow up activities will be done by NEDA with supporting of Divisional Secretariat office/BDS providers.

In 2012, NEDA carried out the second component of the program with the support of Divisional Secretariat office of selected DS Divisions. Beneficiaries are identified through DS office and 140 beneficiaries are identified from Mannar, Batticaloa and Kurunegala districts and provided Entrepreneurship Development training and assist them to establish and expand their businesses.

And also, NEDA provided financial assistance for 119 entrepreneurs comprising of 50 beneficiaries in Kurunegala district, 29 beneficiaries in Mannar district, 10 beneficiaries in Gampaha district and 30 beneficiaries in Batticaloa districts.

Sector Development Programs :

Floriculture Sector

NEDA has carried out Local Competitive Advantage Program (LOCA) in Kurunegala District. It has identified that floriculture sector is one of competitive business sectors in North Western Province. Therefore, NEDA has carried out floriculture sector development program in North Western Province with supporting of relevant stockholders.

Objectives of the workshop:

- Identify the present issues and solutions suggested
- Aware growers & other parties about the services of the relevant government & nongovernmental institutes
- Coordination among stakeholders
- Collect information to prepare action plan for sector Development program

Based on the convention report, NEDA conducted floriculture exhibition with support of Women Chamber in Kurunegala District. And also, NEDA has completed entrepreneurship Development training programs for 107 flower growers in North Western Province during 2012.

1.4 Focus Group Discussions and interviews

These will be used to collect information and data that are important for LOCA program. Market requirements and demand conditions will be identified. SWOT analysis will be practiced.

Opportunities and constraints in supporting functions, rules & regulations will be identified in different business sectors. Possible interventions will be taken into consideration.

1.5 Results (Analysis) Workshop

Data and information collected during previous phases will be analyzed collectively by the team. Proposals will be developed in order to develop competitive business sectors.

1.6 Results Presentation Workshop

Invite all relevant governmental and non-governmental organizations, representatives from each business sectors, political decision makers, authorities, BDS providers and media also will be invited.

During this phase awareness and publicity will be given for the LOCA project and get stakeholders committed for implementation of the proposals. The team will present and discuss findings of LOCA research & analysis and action plan.

2 Follow-up and Implementation Phase

The follow-up program will be conducted based on proposals through District Enterprise Forum.

2.2. Capacity Building of Sri Lankan Entrepreneures *“Icing the Human capabilities towards competitive SMEs”*

Capacity development of BDS providers, Entrepreneurs & Business Associations

NEDA facilitates development, growth & competitiveness of Sri Lankan Enterprises and provide services to Business Development Service providers for develop their competencies. NEDA conduct need assessment of Sri Lankan BDS providers and develop capacities of human resource. BDS promotion and introducing & implementing awarding system for them. In addition, NEDA implement short term training program for entrepreneurs & business associations as per their requirements in different regions.

Progress upto 2012

Training Programs	District /Area	Number of Beneficiaries
Technical Trainings		
Food Processing	Batticaloa	151
Dress Making	Trincomalee	165
Other Trainings		
Marketing and Customers	Polonnaruwa	35
Quality and Productivity	Puttlam	35
Human Resource Management	Rathnapura	24
Human Resource Management	Puttlam	22
Product Costing and Pricing	Anuradhapura	25

Human Resource Management	Kurunegala	30
Human Resource Management	Anuradhapura	29
Financial Decision Making Taxation and accounting	Kurunegala	36
Short Term Training Programs		
Book keeping and Accounting	Polonnaruwa	35
Dress Making	Trincomalee	44
Marketing	Kurunegala	32
Palmyrah Products	Mannar	35
Dairy Managment	Kurunegala	25
Legal Environment and Basic Formalities of the business	Serunuwara	24
	Ramboda	17
	Kondavil	23
	Kilinochchi	33
	Batticaloa	64
	Ampara	22
Basic Account and Record keeping	Chilaw	30

2.3. Business Development Service Fairs

As per the NEDA Corporate plan (Ref. No. 3.4.1), Business Trade Fairs and BDS Providers Service Fairs are proposed in order to enhance the SME operations at regional level. It is clear that most of the Small and Medium Scale Entrepreneurs are unaware about the Business Development Services available in the region as well as in the country. Therefore, they are unable to get the maximum benefits from the BDS providers. In order to fulfill this gap between Entrepreneurs and BDS Providers, a strong linkages and interaction should be created. Business Service Trade fairs bridge gap between Small and Medium scale Entrepreneurs and BDS providers and allow them to get wide range of services from the existing BDS providers.

Objectives:

- I. Bridge the gap between BDS providers and the Medium & Small scale Entrepreneurs (MSMEs)
- II. Develop the business network for the SME development
- III. Promote products of Small & Medium Entrepreneurs in the region and establishment of market linkages

In 2012 NEDA has conducted four BDS fairs in Kurunegala, Batticaloa, Mannar and Anuradhapura Districts.

2.4. Internationalization of Local Businesses

As the first step of internationalization of local businesses initiative, NEDA organized a business delegation to world leading International Technology show cases.

In 2012, NEDA in association with Anuradhapura District Chamber of Commerce has organized business delegation comprised of 37 members to the Import Export commodity fair in Guanzhou, China

2.2. Cluster Development Program

NEDA identifies existing industry clusters and examine the value chain of a particular cluster and geographical area. Accordingly, it undertakes interventions to improve the business activities of the cluster. Clusters with high developmental potential will be selected to develop as special economic zone under NEDA Act. At present NEDA has identified clusters; Moratuwa wood cluster, Wayamba coir and Eastern province Handloom cluster. NEDA is implementing programs to develop these clusters as globally compatible entrepreneur cluster as special economic zone in Sri Lanka by developing their capabilities with supporting of Market Development, Entrepreneurship Development, Technology Transfer, and Financial Assistant

etc. And also, business linkages are established between these clusters and other related Entrepreneurs in the country & Overseas.

Objectives

- I. Establishment of Marketing Linkages
- II. Technology Development & Transfer
- III. Entrepreneurship Development
- IV. Financial Assistance
- V. Infra-structure Development

2.5.1. Moratuwa Wood Cluster Development Program

“Internationally competitive furniture made at Home”

NEDA has identified Moratuwa as an informal geographical cluster and planned to develop it as an organized cluster by expanding the development work already undertaken by the Government under Industrial Villages Development program with the support of development partners.

In addition following activities were carried out

1. Prepared special database for development of Moratuwa cluster
2. Draft Gazette notifications on declaration of Moratuwa wood cluster area as special economic zone to the Ministry of Industry and Commerce
3. Conducted mini furniture exhibitions in different areas
4. Implementing Entrepreneurship Development Program

2.1.1. Coir Cluster Development Program

Coir Industry of the NWP is a one of the major Competitive Businesses in the Country. Over 45 percent of the country's coconut cultivation is in NWP and 85 percent of the country's mills operate in NWP and Western province. This Coir Fiber Industry which extracts its basic raw material from coconut husk has become competitive position in the world market and facing some challengers such as new competitors entering to the world market, difficulties in filling export orders, low quality of coir, low supply of coconut husk, raw material transporting technology problems and outdated Machineries, failing relationship among relevant parties and low contribution to employment.

Progress upto 2012

NEDA has conducted coir convention program to improve coordination among Stakeholders.

NEDA has conducted four workshops on Good Working Practices (GWP) & promoted pension scheme implemented by Social Security Board to create good working environment in the coir factories and 104 coir millers were participated in this program representing different regions. In addition, awareness programs on labor regulation & taxation were conducted for 80 coir millers.

NEDA implemented coir sector development program in Hambanthota District and provided Entrepreneurship Development Training for 269 Coir Base Producers in Hambanthota District.

2.1.2. Handloom Cluster Development Program

“To make proud citizens wearing homemade garments”

NEDA is involving with Handloom cluster development program. The first programme conducted by NEDA in this direction was to uplift the Handloom clusters of Palamunai and Marathamunai in Batticaloa and Ampara Districts respectively.

Market Linkages

NEDA carried out a Buyer seller meeting at Palamunai and Marathamunai. Fifteen buyers from Colombo participated at this buyer seller meetings. In order to develop the technical and entrepreneurial skills of the producers, NEDA conducted Technical and Entrepreneurship Development Training Programs for 90 beneficiaries in Marathamunai and Palamunai areas.

1. Entrepreneurship Development Programs for Private & Corporate Sector
NEDA provided Entrepreneurship Development Training programs for 57 officers in Textile Cooperatives and Private Sector.
2. Promote Graduates specialized in Fashion Design to commence Enterprises
Training program on fashion design was conducted for 15 Graduates.
3. Provide Machineries for Weavers 70 Handloom machines were distributed among war affected handlooms weavers of Batticaloa District

Description of Machinery Distribution:

No	Description	Number of Machinery
01.	Handloom weavers (Areas - Kallady Velur , Gandhipuram , Kurukkulamadam, Complex Kallady Manchanthoduwai, Puthukudiyiruppu, Thuraineelawanai, Mangadu Artline Kallady, Iruthayapuram, Periya Kallaru , Kaluthawalai)	38
02	Kattankudy - Palamunai Handloom Weaving Producers Society, S. N. D. Lane, Akbar Town, New Kattankudy- 06	13
03	Social Economic & Development Society, No.304, Kariyappar Road, Maruthamunai – 06.	04
04	Thuraineelavani - Maruthamunai- ANNA COMMUNITY CENTER, THURAINHEELAVANAI, SOUTH 01	04
05	Pradeshiya Saba, Koralaipattu West, Oddamavadi.	06
06	Divisional Secretary, Koralaipattu Central, Valaichchenai.	05
	Total Handloom Machinery	

4. Consumer Survey of Handlooms

NEDA carried out a Consumer survey at the “Ransalu 2012” Handloom Exhibition and Fashion Show conducted at the BMICH organized by the Department of Textiles under the auspicious of the Ministry of Industry and Commerce.

5. NEDA represents at the Handloom Task Force of Ministry of Industry and Commerce.



2.2. Upadidari Vyavasayake Udanaya” Program

“Changing Employment seeking Graduates to Employment Providing Graduates - Paradigm shift in traditional thinking process”

Statistics from the ILO shows a continued rise in the proportion of Unemployed Youth. One of the solutions is to encourage them to engage in their own enterprise. The program “Upadidari Vyavasayaka Udanaya” is trying to make the educated youth Employment Providers by encouraging them to involve in an Enterprise.

Objectives:

- I. Build up successful Entrepreneurs
- II. Provide Employment opportunities
- III. Encourage educated youth to engage in businesses



Major Activities:

1. Conduct an awareness Program for Graduates
2. Collection of Application & Selection through interview
3. Need Assessment
4. Capacity Development based on Need Assessment
 - Entrepreneurship Development Training
 - Technical Training
 - Exposure visits
 - Other Trainings based on the requirements
5. Assist in the financial requirements
6. Follow up & Business Counseling



At the initial stage, NEDA has select 26 Graduates in University of Wayamba and provided Entrepreneurship Development Training. NEDA has planned to provide financial support for selected five Graduates. Follow up services such as assistance for Marketing, Technology Transfer, Business counseling will be done by NEDA with the support of Carrier Guidance Unit of Universities.

2.3. Promotion of Local Incense Stick Production

NEDA investigated that, Sri Lanka is importing Rs. 300 million worth of Incense Sticks annually mainly from India and small quantities from Thailand etc. as per import statistics of the Department of Customs. Theoretically, this can pave the way for nearly 25,000 self-employments producing incense sticks in Sri Lanka. NEDA initiated and conducted series of stakeholder workshops consisting of Government, Private and Non-Governmental organizations in order to decide on the cause of action to resuscitate the incense stick production in the country.

Import Restriction;

Levy a cess on imported incense sticks and presently there is a cess of Rs 500.00/ per Kg of imported incense stick.



Abundance of Raw Material:

Even though Bamboo is one of the main raw materials for making incense stick, there was an issue for cutting and transporting bamboo as it is a very important and environmentally valuable plant. Also Most of the incense stick manufactures are based in Central Province. Therefore NEDA has provided facilities for getting permission for cutting bamboo from private estates for the people who involved in incense stick manufacturing as a short term solution.

The Boomi Plant as well as Sandalwood also used as a raw material for this industry. Therefore NEDA has discussed with the Peradeniya Botanical Garden and has made the arrangements to supply Boomi plants & Sandalwood for distributing among the beneficiaries of Divinguma to grow as commercial plants.

NEDA has identified the issue of the Young generation are not interesting to involve in incense stick manufacturing as nature of the work is a hard job. Therefore NEDA has decided to invent

and introduce incense stick manufacturing machine for this sector with the involvement of machinery manufacturers. NEDA is in the process of identifying the manufacturer.

As a response to a request from Women Association of Badulla District, NEDA has conducted a technical training on incense stick manufacturing and participated 28 participants.

Technology Development Fund

NEDA has planned to establish Technology development Fund to provide technical assistance services to entrepreneurs for develop their enterprises from startup stage to growth, expansion and internationalization stage. NEDA planned to provide technical and financial assistance for the following

- I. Supporting enhancement of product quality and value addition to products manufactured by SMEs
- II. Facilitating adaptation of imported technology
- III. Assisting development of process technology
- IV. Technological sound entrepreneurs by providing technical assistance

NEDA initiated a Cabinet memo as per the provision made in the Act. of NEDA and forwarded it to the Ministry of Industry and Commerce for the establishment of Technology Development Fund (TDF) in Sri Lanka. As a result working group on Commercialization of Research through Technology Transfer was established. At the same time NEDA explored possibility of getting technical assistance from Malaysian Technology Development Cooperation (MTDC)

2.4. Technology Transfer

NEDA has a catalyst role in diffusing the novel and proven Technologies to SMEs in order to enhance their quality of product and finally make them competitive in the global Business Environment.

Accordingly in 2012, NEDA made its first attempt to introduce the Technology on Producing Omega 3 Fatty Acids enriched Eggs to selected Entrepreneur. In this program, the above Technology invented by Industrial Technology was introduced to Arogya Farm Pvt. Ltd, Welikanda. The new feed formula cause to develop a good cholesterol profile in the egg which contains high amount of OMEGA 3 fatty acids which ultimately increase the good cholesterol level in the body upon consumption. This technology has already been applied in countries like Malaysia to increase the nutritional level in eggs.

2.5. Enterprise Education through Electronic Media (Rupawahini Education Program)

NEDA has under taken various steps to promote this vital sector since inception. NEDA is implementing entrepreneur education program through electronic media. This program is implementing with Rupawahini Corporation and it is 30 minutes program and it telecast once a month.



Program objectives;

1. Providing business information to entrepreneurs & BDS Providers
2. Minimizing gap between entrepreneurs & BDS providers
3. Development of Attitudinal & entrepreneurial culture among entrepreneurs
4. Technology transferring
5. Promote services of BDS providers
6. Improving business knowledge in different fields
7. Solutions for business issues faced by entrepreneurs (Entrepreneurs has opportunity to forward their business issues)

2.12 Deyata Kirula” National exhibition

NEDA Participated “Dayata Kirula” exhibition and arranged the stall. Under “Dayata Kiryla” program 2013, NEDA wish to carry out Development programs in Ampara, Batticaloa, Trincomalee and Polonnaruwa Districts.



2.13. “Divinaguma” National program

Ministry of Economic Development & Ministry of Traditional Industries and Small enterprise Development is organizing “Divi Naguma” cottage industry cluster promotional exhibition under the Divi Neguma National Programme. Ministry of Economic Development has invited National Enterprise Development Authority to contribute for this exhibition

In 2012, NEDA involved for Entrepreneurship Development training programs as given below.

No	District	No. of participants
02	Anuradapura	9
03	Jaffna	19
04	Kegalle	125
05	Gampaha	22
06	Monaragala	05
07	Puttalam	16
08	Mannar	99
09	Kandy	88
10	Hambontoata	352
11	Rathnapura	183
12	Polonnaruwa	212
15	Mathale	43
17	Badulla	61
18	Galle	251
	Total	1485

Technical training was provided for 52 beneficiaries in Colombo on Insence stick production

In addition, NEDA is involved to coordinate the financial assistance & supply of machineries/ equipment for beneficiaries. Accordingly beneficiaires were directed to bank clinics in Jafna, Gampaha and Kegalle Districts. Equipments were given for 19 beneficiaries in Puttlam, Gampaha and Kegalle Districts.

2.14 SME Support Services

SME Support Service through Technology Development Service Centers (TDSC)

Technology Development & Service Centers (TDSC) are established to facilitate development and promotion of national enterprises with a special emphasis on small and medium enterprises.

- New business creation or expansion
- SME Database
- Business Counseling for SMEs at Regions
- Business plan preparation
- Improve access to Finance
- Establishment of Homogeneous business group (Nucleus)
- Cluster development

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**NATIONAL ENTERPRISE DEVELOPMENT
AUTHORITY**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
DECEMBER**

	Note	2012 Rs.	2011 Rs.
UTILIZATION OF GRANTS FOR PROGRAMME			
Grant Attributable for the Year	16	15,275,239	19,328,779
Programme Expenses	9	15,275,239	19,328,779
		-	-
OPERATION			
Recurrent Grants from General Treasury		20,075,000	19,464,000
Amortization of Government Grants	14	4,093,002	2,002,697
Other Income	7	57,359	126,526
Total Income		24,225,361	21,593,223
Administrative Expenses	8	26,275,440	20,884,686
Total Expenses		26,275,440	20,884,686
Net Surplus / (Deficit) for the Year		(2,050,079)	708,537

NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER		2012	2011	As At
	Note	Rs.	Rs.	01 Jan. 2011
				Rs.
ASSETS				
Non-Current Assets				
Property, Plant & Equipment	10	20,662,895	7,042,647	3,279,316
Current Assets				
Receivables	11	228,653	-	-
Deposits and Advances	12	857,380	1,043,180	85,000
Prepaid Expenses	13	78,561	84,165	-
Festival Advance		23,500	12,000	11,000
Cash and Cash Equivalents		81,509	1,998,625	1,937,087
Total Current Assets		1,269,603	3,137,970	2,033,087
TOTAL ASSETS		21,932,498	10,180,617	5,312,403

EQUITY AND LIABILITIES

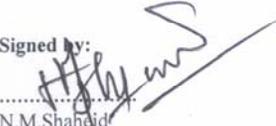
Equity				
Accumulated Surpluses		698,248	2,748,327	2,039,791
Total Equity		698,248	2,748,327	2,039,791
Non-Current Liabilities				
Government Grant	14	18,951,965	5,644,967	2,147,664
Retirement Benefits Obligation	15	199,368	149,027	102,638
Total Non-Current Liabilities		19,151,333	5,793,994	2,250,302
Current Liabilities				
Grant for Programme	16	38,407	788,646	592,424
Accrued Expenses		2,044,510	849,650	429,887
Total Current Liabilities		2,082,917	1,638,296	1,022,311
TOTAL EQUITY AND LIABILITIES		21,932,498	10,180,617	5,312,403

The Notes on pages 05 to 23 from an integral part of these financial statements.

I certify that these financial statements of the Authority comply with the Sri Lanka Accounting Standards.



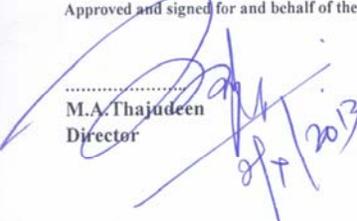
 Accountant

Signed by:


 N.M. Shahid
 Chairman/ Director General

The Board of Directors are Responsible for Preparation and Presentation of these financial statements.

Approved and signed for and behalf of the Board of Directors



 M.A. Thajudeen
 Director



 T.N. Ossen
 Director

**NATIONAL ENTERPRISE DEVELOPMENT
AUTHORITY**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31
DECEMBER 2012**

	Accumulated Surpluses Rs.	Total Rs.
Balance as at 01 January 2011 (Previously Stated)	(4,948,496)	(4,948,496)
Impact Due to First Time Adoption of SLFRS	6,988,286	6,988,286
Balance as at 01 January 2011 (Re-stated)	<u>2,039,791</u>	<u>2,039,791</u>
Net Surplus for the year	708,537	708,537
Balance as at 31 December 2011	<u>2,748,327</u>	<u>2,748,327</u>
Net Deficit for the year	(2,050,079)	(2,050,079)
Balance as at 31 December 2012	<u><u>698,248</u></u>	<u><u>698,248</u></u>

**NATIONAL ENTERPRISE DEVELOPMENT
AUTHORITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31
DECEMBER**

	2012 Rs.	2011 Rs.
Cash Flows from Operating Activities		
Net Surplus / (Deficit) for the Year	(2,050,079)	708,537
<i>Adjustments for;</i>		
Depreciation	4,427,047	1,517,032
Amortization of Government Grants	(4,093,002)	(2,002,697)
Gratuity Charge for the Year	50,341	46,389
Operating Profit Before Changes in Working Capital	(1,665,693)	269,261
Changes in Working Capital		
Receivables	(228,653)	-
Deposits and Advances	185,800	(958,180)
Prepaid Expenses	5,604	(84,165)
Festival Advance	(11,500)	(1,000)
Grant for Programme	(750,239)	196,221
Accrued Expenses	1,194,860	419,763
Cash Generated from Operations	(1,269,821)	(158,100)
Gratuity Paid	-	-
Net Cash Flow from Operating Activities	(1,269,821)	(158,100)
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(18,047,295)	(5,280,363)
Net Cash used in Investing Activities	(18,047,295)	(5,280,363)
Cash Flows from Financing Activities		
Government Grants Received	17,400,000	5,500,000
Net Cash used in Financing Activities	17,400,000	5,500,000
Net Changes in Cash and Cash Equivalents During the Year	(1,917,116)	61,538
Cash and Cash Equivalents at Beginning of the Year	1,998,625	1,937,087
Cash and Cash Equivalents at End of the Year	81,509	1,998,625

1 CORPORATE INFORMATION

1.1 General

National Enterprises Development Authority was established by the National Enterprises Development Authority Act., No. 17 of 2006 on 19 May 2006.

1.2 Principal Activities and Nature of Operations

Established to promote, support, encourage and facilitate enterprises development within Sri Lanka with special emphasis to the small and medium enterprises sector of the country.

1.3 Financial Year

The Authority's financial reporting period ends on 31st December.

1.4 Registered Office

Registered office of the Authority is at Level 02, West Wing, Ceylinco House, No 69, Janadhipathi Mawatha, Colombo 01.

1.5 Date of Authorization for Issue

The financial statements of the Authority for the year ended 31 December 2012 were authorized for issue in accordance with a resolution of the board of directors dated 31 July 2013.

2 PROGRAMME INFORMATION

2.1.1 National Enterprise Forum:

NEDA promotes Institutional Architecture for better coordination and communication between different layers of business community. National Enterprise Forum (NEF) consists of higher level officials representing various stakeholders. The Nationally identified business issues and issues that are not resolved at lower levels of the Architecture are discussed at the NEF. There were eleven (11) meetings conducted.

2.1.2 District Enterprise Forum

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

2.1.3 SME Guide Book

In first quarter of 2012, NEDA has completed national level guide book launching program and regional launching program in Colombo, Matale, Anuradhapura, Rathnapura ,Badulla & Batticaloa districts.

2.2 NEDA Website

The following information is now being available;

- i. Electronic version of the guide book.
- ii. Policy documents and Policy review system.
- iii. Videos of Episodes teaching the subject of enterprise development.
- iv. Information with regard to Chambers.
- v. NEDA Enterprise development interventions.
- vi. News.
- vii. Sample business plan.

2.3 Gamata ObinaVyapara Program:

Enterprise Model development

National Enterprise Development Authority (NEDA) has under taken various steps to promote this vital sector

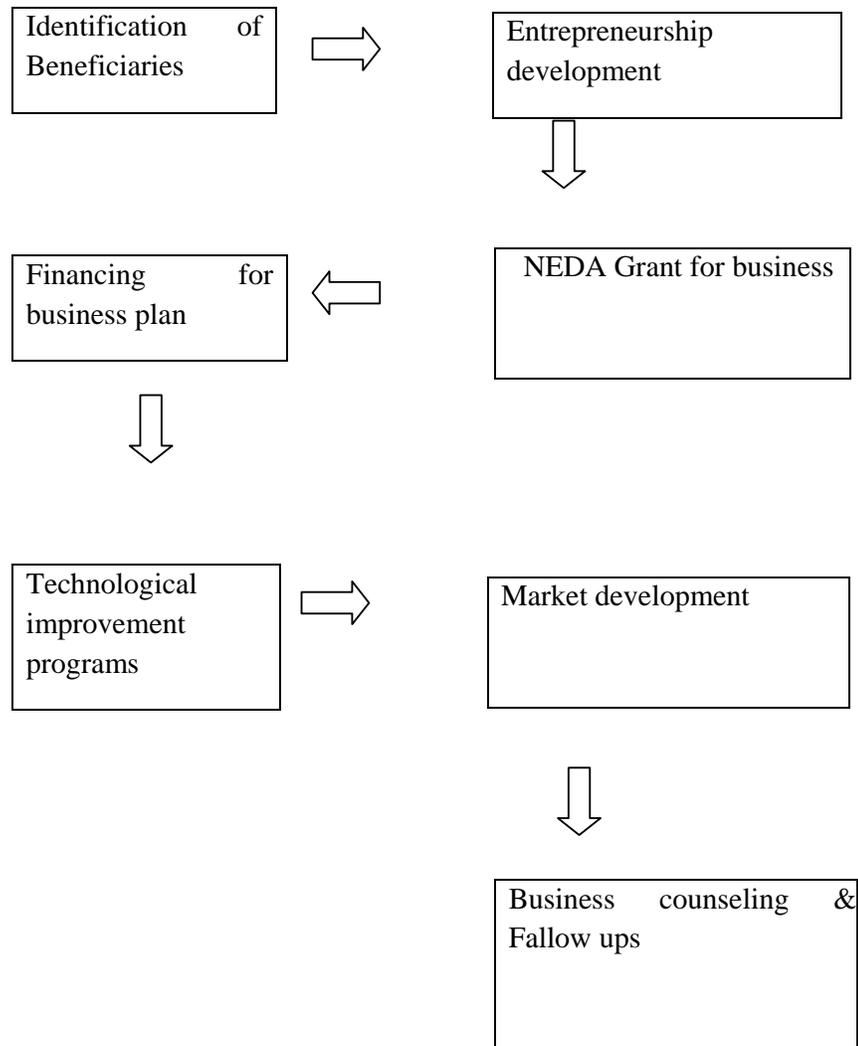
since inception. NEDA has planned to promote SME sector especially in regional areas in the country and it is

named as “Gamata ObinaVyapara” to promote business at village level. As per Mahinda Chinthana Way Forwd” special emphasis is given to promote SME sector of the country.

This program consists of three major components:

- i. Identifies Competitive Business Opportunities issues and suggestions for development of competitive business sectors in a given geographical area (District Level).
- ii. Enterprise Model Development
- iii. Implementation of Sector development proposals suggested by first step of the program.

Implementation procedure:



2.3 Upadhidari Vyawasayake Udanaya” Program

NEDA has planned to launch a special program for university graduates to develop as successful entrepreneurs by improving their capabilities. It requires a more concrete effort to embed entrepreneurship education and the development of soft skills. This project will implement with supporting of carrier guidance unit in Universities to take assistance for selection & follow up services of beneficiaries.

At initial stage, NEDA has decided to implement this program with Wayamba University of Sri Lanka and this program consists in few steps as given bellow. Carrier Guidance Unit in University has agreed to implement this program for University graduates.

- i..Awareness program
- ii.Selection of Beneficiaries
- iii.Need Assessment
- iv.Capacity Development based on Need Assessment
- v..Financial assistance
- vi..Fallow up & business counseling

2.5 Preparation & publication of National Directory of BDS providers & strengthening of BDS

As per NEDA Corporate Plan, it includes preparation & publication of National directory of Business Development Service (BDS) providers. Business Development Service providers have major role to provide services for performing entrepreneurs. Different types of BDS providers are involving with SME sector development and mainly assists to marketing, technology development & transfer, financial, entrepreneurship development, information technology etc

NEDA has planed to carry out above program with five steps.

- 1.Registration of BDS providers under NEDA
- 2.Preparation of National directory of BDS providers (Soft copy)
- 3.Publication of National directory
- 4.Need assessment of BDS providers
- 5.Strengthening of BDS providers

2.6 Economic Zone – Reshaping existing SME Clusters for positioning

A per corporate plan, NEDA has conducted following arrears of SME clusters & other activity.

2.6.1 Coir Cluster Development Program

NEDA has conducted four workshops on Good Working Practices (GWP) & promote pension scheme implemented by Social Security Board to create good working environment in the coir factories. These programs were successfully completed and satisfied coir millers. Programs were carried out as given bellow.

Place	No. of Coir millers
Wennappuwa	25
Bingiriya	29
Kurunegala	26
Total	80

2.6.2 Moratuwa Wood Cluster – Internationally competitive furniture made at Home

NEDA has identified Moratuwa as an informal geographical cluster and planned to develop it as an organized cluster by expanding the development work already undertaken by the Government under Industrial Villages Development program with the support of development partners

NEDA conducted enterprise development program through Moratuwa wood craft association. NEDA selected beneficiaries with supporting of Moratuwa Wood Craft Association and completed entrepreneurship development training program or 25 beneficiaries. And also, NEDA provided machineries & equipment for 25 entrepreneurs involving with carpentry.

2.6.3 Handloom Cluster – To make proud citizens wearing homemade garments

NEDA is involving with Handloom cluster development program. NEDA has arranged development program as given below.

1. Entrepreneurship development programs for privet & corporative sector
2. Entrepreneurship training for weavers (preparation of business plans, accounting system)
3. Promote graduates specialized in fashion design to commence enterprise

Entrepreneurship development trainings were provided for Textile graduates in Moratuwa University & Academy of Design. 15 trainees were participated. And also this training was provided for officers in textile cooperatives & privet sector.

Place	No. of Participants
Kurunegala	22
Colombo	15
Matara	12
Total	59

2.6.4 Business Development Service Fair

As per NEDA Corporate Plan (Ref. No. 3.4.1), business trade fairs and BDS providers service fairs are proposed for the purpose of SME sector development at regional level. NEDA has identified that almost all the medium and small scale entrepreneurs are unaware about the Business Development Services available in the region and in the country as well as the functions and services provided by BDS Providers thus unable to get maximum service out of them. In order to fulfill this gap between entrepreneurs and

BDS providers, a strong linkages and interaction should be created. Business Service Trade fairs will make the bridge between Small and Medium scale entrepreneurs and BDS providers to utilize the services maximally from the BDS providers, thus enhancing the entrepreneurship ability of the potential entrepreneurs and improve competitiveness.

Program Objectives

1. Bridge the gap between BDS providers and the Medium & Small scale Entrepreneurs (SMEs)
2. Develop the business network for the SME development
3. Promote products of small & medium entrepreneurs in the region and establishment of marketing linkages

In 2012, NEDA has completed BDS fair in Kurunegala, Anuradhapura, Mannar & Batticaloa Districts.

2.8.5 Dayata Kirula” National exhibition-2012 & 2013

NEDA Participated at the “Dayata Kirula” exhibition held in Anuradapura in year 2012.

Under “Dayata Kiryla” program 2013, NEDA wish to carry out Development programs in Ampara, Batticaloa, Trincomatee, Polonnaruwa Districts.

NEDA has planned below activities for this national program.

1. Select homogenous new or existing business groups from above each district (30 for one district) and provide Business management training (one program for one district). Selection will be done through Divisional secretariat and other business development service providers in the relevant area.
2. Link with financial institutes for their financial requirements
3. Follow up services are done supporting with business development service providers in the region.
4. NEDA stall in the exhibition will give opportunities to above beneficiaries (Selected) for exhibiting their products in NEDA stall. In addition, give opportunities to machinery producers registered under NEDA to exhibit their machineries.

2.6.6 Divinaguma” National program

Ministry of Economic Development & Ministry of Traditional Industries and Small enterprise Development are organizing “Divi Naguma” cottage industry cluster promotional exhibition under the Divi Neguma National Programme. Ministry of Economic Development has invited National Enterprise Development Authority to contribute for this exhibition.

NEDA has participated for all exhibitions organized by Ministry of Traditional Industry in this year. (Ten Exhibitions). And also, NEDA involved for training & facilitation program for “Divinaguma” beneficiaries. In 2012, NEDA involved for conducting Entrepreneurship Development training programs

2.7 Technology Development Fund (TDF):

NEDA initiated a Cabinet memo as per the provision made in the Act. of NEDA and forwarded it to the Ministry of Industry and Commerce for the establishment of Technology Development Fund (TDF) in Sri Lanka. As a result working group on Commercialization of Research through Technology Transfer was established. At the same time NEDA explored possibility of getting technical assistance from Malaysian Technology Development Cooperation (MTDC). MTDC submitted a proposal for testing the feasibility of establishing TDF in Sri Lanka and then submitted it to the Working Group for commendations. MTDC sponsored for 19 officials from stake holder organizations of NEDA to establish TDF for attending five day exposure visit and a workshop in Malaysia, conducted by MTDC with the view of giving awareness of technology commercialization in Malaysia. Malaysia is in the march to become a developed country status soon. NEDA is in preparation of a proposal with a team comprised of the stakeholder institutions take part in the visit.

2.8 Enterprise education through electronic media (Rupawahini Education Program)

National Enterprise Development Authority (NEDA) has undertaken various steps to promote this vital sector since inception. As per NEDA activity plan 2012, NEDA has planned to implement entrepreneur education program through electronic media. Initial discussion was completed with Rupawahini Corporation. As per discussion, it has been scheduled as a 30 minutes program and it telecast once a month. The program is planned as a panel discussion with participation of Business development Service (BDS) providers under specific topic.(Eg. Business Registration, Product quality, Marketing, Productivity improvement). Relevant institutes & officers participate for this panel discussion (Government & Nongovernment, Private). This will be a good

opportunity to gather cross cutting information about leading enterprising opportunities and supporting information for entrepreneurs who are in regional areas of the country.

Program objectives;

1. Providing business information to entrepreneurs & BDS Providers
2. Minimizing gap between entrepreneurs & BDS providers
3. Development of Attitudinal & entrepreneurial culture among entrepreneurs
4. Technology transferring
5. Promote services of BDS providers
6. Improving business knowledge in different fields
7. Solutions for business issues faced by entrepreneurs (Entrepreneurs has ability to forward their business issues)

Business information & business knowledge will be reached to entrepreneurs quickly & effectively through electronic media. Program has been arranged to provide case studies, field observations & advertisement through panel discussions. In 2012 there were 6 programs telecasted over the Rupavahini.

School / open Competition

Inculcate entrepreneur culture in Sri Lankan community

NEDA has conducted school / open competition in the island to aware the above concept. Ministry of education participated for the school compaction with their necessary guidance and the instructions. To begin with , it was proposed to organize the fallowing competition covering all the districts in Sri Lanka. Medium for the competition would be sinhala & Tamil.

1. Competition on proposal for entrepreneurial idea for new businesses – School level
2. Competition on proposal entrepreneurial idea for new businesses – Open to the

public

The objectives of the program were published by the newspapers and proposals were called from the school and open candidates at the end of 2012. Two awareness programs were conducted by NEDA for the zonal education directors at National Institute of Education, Maharagama to aware the directors and passed the message to Principals at the zonal level

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

The financial statements of National Enterprises Development Authority (“Authority”) have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs). The financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.15.

The Authority prepared its financial statements for previous periods including the reporting period ended 31 December 2011 in accordance with SLAS which were effective up to 31 December 2011. The financial statements are Authority’s first SLFRS financial statements prepared in accordance with SLFRS First-time Adoption of Sri Lanka Accounting Standards. The effect of the transition to Sri Lanka Accounting Standards (SLFRSs) on previously reported financial positions, financial performances and cash flows of the Authority is given in note 15 to the financial statements

3.2 Changes in Accounting Policies

The changes in accounting policies set out below have been applied consistently to the periods presented in the condensed financial statements and to the opening SLFRS statement of financial position at the date of transition to SLFRSs, unless otherwise indicated.

The presentation and classification of the consolidated financial statements of the previous year have been amended, where relevant, for better presentation and to be comparable with those of the current year.

3.3 Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Property, plant and equipment except subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a an asset, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or deemed cost over their estimated useful lives, as follows:

Assets Category	Years	Rates
Office Equipments	8 Years	12.5%
Furniture and Fittings	10 Years	10%
Motor Vehicles	5 Years	20%
Computer and Accessories	4 Years	25%
Library Books	10Years	10%

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.

3.3.1 Impairment of Non-Financial Assets

At each end of reporting period, the Authority reviews the carrying amounts of its property, plant and equipment, investment properties and intangible assets to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

3.4 Financial Assets

3.4.1 Classification

The Authority determines the classification of its financial assets at initial recognition and classifies its financial assets as follows:

loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Authority's loans and receivables comprise trade and other receivables; repurchase government securities, mobilization advances, advances, deposits, loans to employees and cash and cash equivalents in the end of reporting period.

3.4.2 Recognition and Initial Measurement

Financial assets classified as loans and receivables are recognized on the date on which the Authority originates the transaction.

A financial asset is measured initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership of the financial assets.

3.4.3 Subsequent Measurement

Loans and receivables

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment, receivables, advances & deposits are recognized initially at fair value (transfer price) & subsequently measured at original transaction value less provision for impairment.

3.4.4 Impairment of financial assets

Assets carried at amortized cost

The Authority assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset 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 that can be reliably estimated.

For loans and receivables carried at amortized cost, 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 financial assets is reduced and the amount of the loss is recognized 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 recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

3.5 Cash and Cash Equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand.

3.6 Financial Liabilities

The Authority classifies financial liabilities into other financial liabilities. The Authority's other financial liabilities include payables. The other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Authority derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

3.7 Government grants

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

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

3.8 Current and Deferred Tax

The Authority is exempt for the payment of any duties and levies and of any tax on the income or profit to such extent as is permitted in terms of the Inland Revenue Act, No. 10 of 2006 or in terms of any other written law for the time being in force governing the imposition of such duty, levy of tax under the National Enterprises Development Authority Act, No. 17 of 2006.

3.9 Employee benefits

The Authority has both defined benefit and defined contribution plans.

a) Defined Contribution plan

A defined contribution plan is a post employment benefit plan under which the Authority pays fixed contributions into a separate entity. The Authority has no legal or constructive obligations to pay further contributions. The contributions are recognized as employee benefit expense when they are due.

The Authority contributes 12% on gross emoluments of employee to Employee Provident Fund (EPF) and 3% on gross emoluments of employee to Employee Trust Fund (ETF).

b) Defined benefit plan

The Authority obligation in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is measured annually using the projected unit credit method calculated using the gratuity formula. The present value of the defined benefit obligation is determined by discounting the estimated future benefit that employee have earned in return for their services in the current and prior period.

Gains and losses arising from changes in the assumptions, current service cost and interest are recognized in the statement of comprehensive income in the period in which they arise.

The retirement benefit obligation is not externally funded.

c) Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted amount expected to be paid for related services provided by the employees.

3.10 Provisions and Contingent Liabilities

Provisions for operation expenses are recognized when the Authority has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Authority and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

All contingent liabilities are disclosed as a note to the financial statements unless the possibility of an outflow of resources is remote.

3.11 Recognition of Grants and income

The Authority applies the recognition criteria set out below for its income and grants.

a) Other Income

Other income is recognized on accrued basis.

b) Grant for Programmes

Capital Grant is annual allocation for enterprises development programmes. The grant is recognized when there is a reasonable assurance that the grants will be received from the Treasury. Grant received for Authority's programme expenditure is recognized in the statement of comprehensive income to the extent of programme expenses incurred for the reporting period.

c) Recurrent Grant

Recurrent grant received is recognized in the statement of comprehensive income when the fund is received from the Treasury.

3.12 Expenses

a) Programme Expenditure

Programme expenditures are recognized in the comprehensive income on the cash basis.

b) Others

All other expenditures incurred in the running of the operation are to income in arriving at the profit for the reporting period.

3.13 Events after the Reporting Period

All material events after the reporting period have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

3.14 Commitments

All material commitments at the reporting period end have been identified and disclosed in the notes to the financial statements.

3.15 Significant Accounting Estimates and Judgments

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

3.15.1 Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

a) Useful life time of depreciable assets

Management reviews its estimate of the useful life time of depreciable assets at each reporting date, based on the expected economic utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

b) Defined benefit plan

The present value of the defined benefit plan obligations depends on a number of factors that are determined on projected unit credit basis by using number of assumptions. The assumptions used in determining the net cost and obligation for defined benefit plan including the discount rate are disclosed in the note 19 Any changes in these assumptions will impact the carrying amount of defined benefit obligation

3.16 First time adoption of SLFRS/LKAS

The financial statements, for the reporting period ended 31 December 2012, are the first financial statements prepared in accordance with Sri Lanka Accounting Standards (SLFRSs). Previous reporting periods including up to the reporting period ended 31

December 2011, the Authority prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS), which were effective up to 31 December 2011.

In preparing these financial statements, the opening statement of financial position was prepared as at 1 January 2011, which is date of transition to Sri Lanka Accounting Standards (SLFRS). This note explains the principal adjustments made in restating its SLAS financial statements to SLFRSs financial statements for the reporting period as of 1 January 2011, 31 December 2011.

3.16.1 Following optional exemptions are not applicable to the Authority:

- a) Fair value or revaluation as deemed cost as this application is not relevant to the Authority.
- b) Designation of previously recognized financial instruments.
- c) SLFRS 4 -Insurance contracts, since this application is not relevant to the Authority.
- d) IFRIC 4 - Determining whether arrangement contains a lease, since the Authority does not have such arrangements.
- e) LKAS 19 - Employee benefits, since the Authority recognizes actuarial gain and losses in the statement of comprehensive income.
- f) LKAS 21 -Cumulative translation differences, since the Authority does not have foreign operation.
- g) LKAS 27 – Investments in subsidiaries, jointly controlled entities and associates, since the Authority does not have group entities
- h) Assets and liabilities of subsidiaries, associates and joint ventures, since the subsidiaries and associates have converged from SLASs to SLFRSs

- i) LKAS 32 - Compound financial instruments, since the Authority does not have compound financial instruments.
- j) Decommissioning liabilities included in the cost of property, plant and equipment, since Authority does not have a procedure to identify and to include dismantlement and restoration costs and its related liabilities.
- k) IFRIC 12 - Service Concession Arrangements, since the Authority does not have such arrangement.

3.16.2 Mandatory exceptions from retrospective application of other SLFRSs

In preparing the first financial statements in accordance with Sri Lanka Accounting Standards (SLFRSs), The Authority has elected to apply following mandatory exceptions from the retrospective application of other Sri Lanka Accounting Standards (SLFRSs)

a) Accounting Estimates

All accounting estimates at the date of transition to SLFRSs and as at 31 December 2011 are consistent with the estimates made in accordance with SLAS effective up to 31 December 2011.

b) Following mandatory exceptions are not applicable to the Authority:

- a. De-recognition of financial assets and financial liabilities.
- b. Hedge Accounting.
- c. Non-Controlling Interest.

3.17 Explanation of transition to SLFRSs

The accounting policies set out in Note 2.1 to 2.16 have been applied in preparing the financial statements for the reporting period ended 31 December 2012 together with comparative information for the reporting period ended 31 December 2011 and opening SLFRS statement as at 1 January 2011 which is the transition date of SLFRSs for the Authority.

In preparing SLFRS financial statement of previous reporting periods, required adjustments have been made in accordance with Sri Lanka Accounting Standards (SLFRSs). The effect of the transition from SLASs to SLFRSs has been presented in the statement of reconciliation of shareholders equity, statement of comprehensive income and notes to the reconciliations.

**NATIONAL ENTERPRISE DEVELOPMENT
AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER**

2,012

Rs.

2011

Rs.

7 Other Income

SME Guide Book	50,000	100,000
Deduction Given on Office Vehicle Facility	3,283	6,000
Tender Fees	2,000	20,526
Sale of Old News Papers	2,076	-
	57,359	126,526

8 Administrative Expenses

Salaries and Wages	5,771,150	5,594,087
Overtime	343,676	339,260
Cost of Living	1,506,570	1,131,713
EPF 12%	852,153	523,679
ETF 3%	213,038	131,176
5% Special Allowance	84	211,102
10% Special Allowance	112,167	-
15% Special Allowance	607,421	-
Language Allowance	2,880	-
Allowance for Board Members	128,000	130,350
Vehicle Allowance	360,000	360,000
Allowances for Audit Members	65,640	-
Transport Allowance	22,000	-
Rent Expenses	4,934,996	4,382,072
Advertisement	448,078	214,872
Postage		

	49,477	50,174
Telephone	512,612	570,412
Internet Charges	59,821	-
Other Expenses	413,130	220,002
Printing Charges	93,700	177,313
Cleaning Charges	278,208	262,901
Exhibition/Promotional Expenses	-	785,777
Vehicle Hire Charges	450,531	654,015
Electricity and Water	1,328,740	714,612
Insurance charges	270,414	-
Audit Fee	70,000	225,509
Other services	240,117	75,000
Domestic Traveling	130,037	377,061
Foreign Traveling	258,411	-
Vehicle Maintenance	538,329	517,182
Office equipment Maintenance	70,331	65,772
Refreshment	146,329	121,631
Stationery and Office Requisites	374,446	336,835
News Paper Charges	101,091	63,695
Fuel	996,332	885,270
Additional Fuel	32,343	13,615
Motor Vehicle Depreciation	3,296,862	770,000
Office Equipment Depreciation	127,845	104,851
Furniture Depreciation	513,119	312,891
Library Books Depreciations	2,451	2,451
Provision for Retirement Gratuity	50,341	46,389
Repair Charges	-	163,450
Computer and Accessories depreciation	486,770	326,839

Bank Charges	15,800	22,730
	26,275,440	20,884,686
<hr/>		
9 Program Expenses		
Work Shop and Seminar Expenses	1,425,408	84,001
Staff Training Expenses	357,289	599,500
Economic Zone	7,138,629	8,726,573
Website Development	457,136	280,069
Technical Division Service Center(TDSC)	242,193	8,683,575
Gamata Obina Viyapara(GOV)	3,963,062	-
Promort Import/Export Oriantation	-	238,932
Upadidari Viyaparika Udanaya	138,592	-
Technology Development Fund	102,996	599,234
ISO Certification	-	116,895
Competition on Entrepreneurship	1,449,934	-
	15,275,239	19,328,779

**NATIONAL ENTERPRISE DEVELOPMENT
AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2012**

10 Property, Plant and Equipment

Freehold Cost	Motor Vehicles	Office Equipment	Office Furniture	Computer & Accessories	Library Books	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 January 2011	3,850,000	922,000	497,022	1,802,159	24,505	7,095,686
Addition	-	251,050	4,774,563	254,750	-	5,280,363
Disposals	-	-	-	-	-	-
Balance as at 31 December 2011	3,850,000	1,173,050	5,271,585	2,056,909	24,505	12,376,049
Addition	16,645,500	15,795	-	1,386,000	-	18,047,295
Disposals	-	-	-	-	-	-
Balance as at 31 December 2012	20,495,500	1,188,845	5,271,585	3,442,909	24,505	30,423,344
Depreciation						
Balance as at 01 January 2011	2,346,360	244,567	70,032	1,149,518	5,893	3,816,370
Charge for the Year	770,000	104,851	312,891	326,839	2,451	1,517,032

Disposals / Adjustment	-	-	-	-	-	-
Balance as at 31 December 2011	3,116,360	349,418	382,923	1,476,358	8,343	5,333,402
Charge for the Year	3,296,862	127,845	513,119	486,770	2,451	4,427,047
Disposals	-	-	-	-	-	-
Balance as at 31 December 2012	6,413,222	477,263	896,042	1,963,127	10,794	9,760,448
Net Carrying Values				2012	2011	As At 01 Jan. 2011
Motor Vehicles				14,082,277	733,640	1,503,640
Office Equipment				711,582	823,632	677,433
Furniture and Fittings				4,375,543	4,888,662	426,990
Computer & Accessories				1,479,782	580,551	652,641
Library Books				13,711	16,162	18,612
				20,662,895	7,042,647	3,279,316

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2012

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES			
The carrying amount of the financial assets and liabilities reported in the statement of financial position are as follows,			
The Carrying Values of Financial Assets and Liabilities.			As At
		2012	2011
		Rs.	Rs.
			01 Jan. 2011
		Rs.	Rs.
Loans And Receivables			
Receivables	Note 11	228,653	- -
Deposits and Advances	Note 12	857,380	1,043,180
Festival Advance		23,500	12,000
Cash and Cash Equivalents		81,509	1,998,625
Total Financial Assets		1,191,042	3,053,805
The loans and receivables are stated at carrying values as their carrying value approximates the fair value.			

11 Receivables		2012	2011	As At
		Rs.	Rs.	01 Jan. 2011
		Rs.	Rs.	Rs.
Ministry of Industry - Handloom Programmed		<u>228,653</u>	-	-
12 Deposits and Advances				
Rent Deposit		799,380	799,380	-
Advances		58,000	228,800	70,000
Other		-	15,000	15,000
		<u>857,380</u>	<u>1,043,180</u>	<u>85,000</u>
13 Prepaid Expenses				
Sri Lanka Insurance Cooperation - Insurance of Vh.No.WPKF -5936			84,165	
Sri Lanka Insurance Cooperation - Insurance of Vh.No.WPPD - 6379		26,227		
Sri Lanka Insurance Cooperation - Insurance of Vh.No.WPNB -3108		52,334		
		<u>78,561</u>	<u>84,165</u>	-
14 Government Grant				
Balance as at 01 January		5,644,967	2,147,664	9,310,431

Received During the Year	17,400,000	5,500,000	200,000
Recognized in the Comprehensive Income	(4,093,002)	(2,002,697)	-
Adjustments in Retained Earning at the Date of Transition to SLFRSs	-	-	(7,362,767)
Balance as at 31 December	18,951,965	5,644,967	2,147,664

15 Retirement Benefits Obligation

Balance as at 01 January	149,027	102,638	-
Expenses Recognized in Comprehensive Income (Note 9.1)	50,341	46,389	-
Payment during the year	-	-	-
Adjustments in Retained Earning at the Date of Transition to SLFRSs	-	-	102,638
Balance as at 31 December	199,368	149,027	102,638

9.1 Expense Recognized in Comprehensive Income

Current Service Cost	64,132	47,408	46,491
Interest Charge for the Year	17,883	9,751	-
(Gain) / Loss Arising From Changes in the Assumptions	(31,674)	(10,769)	56,147
	50,341	46,389	102,638

These assumptions are developed by the Authority is based on the management's best estimates of variables used to measure the retirement benefits obligation.

The principal assumptions used are as follows.

Discount Rate [%]	12	9.5	8.5
Future Salary Increases - Salary [%]	2.5	2.5	2.5
Staff Turnover Factor [%]	1	1	1
Retirement age [Yrs]	55	55	55

Discount rate is determined on the basis of average market rates of long-term Government Bond.

**NATIONAL ENTERPRISE DEVELOPMENT
AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER**

	2012	2011	As At 01 Jan. 2011
	Rs.	Rs.	Rs.
16 Grant for Programme			
Balance as at 01 January	788,646	592,424	-
Grant Received During the Year	14,525,000	19,525,000	-
Funds Utilized	(15,275,239)	(19,328,779)	-
Adjustments in Retained Earning at the Date of Transition to SLFRSs	-	-	592,424
Balance as at 31 December	38,407	788,646	592,424

The grants for programme represents the amounts to be utilized in the following reporting periods for programmes.

17 Capital and Other Commitments

There were no material capital expenditure or other financial commitments approved by the Board of Directors as at the reporting period end.

18 Events Occurring after Reporting Period

There were no events occurred, which required adjustments or disclosure in these financial statements between the reporting date and the date of authorization.

19 Contingent Liabilities

There were no material contingent liabilities at the reporting period end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

20 Related Party Disclosures

The Authority's related parties includes Government of Sri Lanka, State-Owned Enterprises, Other Related Entities and key management personnel.

Transactions with Key Management Personnel (KMPs)

According to the Sri Lanka Accounting Standards LKAS.24 "Related Party disclosures" KMPs are those having responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors have been classified as KMPs.

Transactions with Key Management Personnel	2012	2011
	Rs.	Rs.
Remuneration and Other Short-Term Employee Benefits	128,000	130,350

Related Party Transactions

Details of significant related party transactions that Authority carries out are as follows:

Transactions with Government of Sri Lanka and State-Owned Enterprises

Authority has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by

Related Party	Nature of Transactions for the Reporting Period	Transaction Value	Balance Due from / (Due to)
Government of Sri Lanka	Grant Received During the Year - Capital	17,400,000	(18,951,965)
	- Programme	14,525,000	(38,407)
	- Recurrent	20,075,000	-
State - owned Enterprises	Current Accounts		81,509

NATIONAL ENTERPRISE DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

16 Explanation of Transition to SLFRSs

Reconciliation of Comprehensive Income for the Year Ended 31 December 2011				
	Note	Under SLAS Rs.	Effect on Transition to SLFRSs Rs.	Under SLFRS Rs.
Grants Utilized for the Year	II	21,305,591	(1,976,812)	19,328,779
Programme Expenses		(21,305,591)	1,976,812	(19,328,779)
		-	-	-
Recurrent Grants from General Treasury		19,464,000	-	19,464,000
Amortization of Government Grants	II	-	2,002,697	2,002,697
Other Income		126,526	-	126,526
Total Income		19,590,526	2,002,697	21,593,223
Administrative Expenses	I / III / IV	21,059,628	(174,942)	20,884,686
Total Expenses		21,059,628	(174,942)	20,884,686
Net Surplus / (Deficit) for the Year		(1,469,102)	2,177,639	708,537

16 Explanation of Transition to SLFRSs Contd..

Reconciliation of Equity	Note	As At 31 Dec. 2011 Under SLAS Rs.	Effect on Transition to SLFRSs Rs.	As At 31 Dec. 2011 Under SLFRS Rs.	As At 01 Jan. 2011 Under SLAS Rs.	Effect on Transition to SLFRSs Rs.	As At 01 Jan. 2011 Under SLFRS Rs.
ASSETS							
Non-Current Assets							
Property, Plant & Equipment	I	6,600,495	442,152	7,042,647	3,133,495	145,821	3,279,316
Current Assets							
Deposits and Advances		1,043,180	-	1,043,180	85,000	-	85,000
Prepaid Expenses		84,165	-	84,165	-	-	-
Festival Advance		12,000	-	12,000	11,000	-	11,000
Cash and Cash Equivalents		1,998,625	-	1,998,625	1,937,087	-	1,937,087
Total Current Assets		3,137,970	-	3,137,970	2,033,087	-	2,033,087
TOTAL ASSETS		9,738,465	442,152	10,180,617	5,166,582	145,821	5,312,403
EQUITY AND LIABILITIES							
Equity							
Accumulated Surpluses / (Deficits)		(4,440,785)	7,189,112	2,748,327	(4,948,496)	6,988,286	2,039,791
Total Equity		(4,440,785)	7,189,112	2,748,327	(4,948,496)	6,988,286	2,039,791
Non-Current Liabilities							
Deferred Income		13,229,838	-	-	9,510,430	-	-
Government Grants	II	-	(7,584,873)	5,644,967	-	(7,362,767)	2,147,664
Boc Received For School Competition	III	53,011	(53,011)	-	128,011	(128,011)	-
Retirement Benefits Obligation	IV	-	149,027	149,027	-	102,638	102,638

Total Non-Current Liabilities		13,282,849	(7,488,856)	5,793,994	9,638,440	(7,388,139)	2,250,302
Current Liabilities							
Grant for Programme	V	-	788,646	788,646	-	592,424	592,424
Accrued Expenses	V	896,401	(46,750)	849,650	476,637	(46,750)	429,887
Total Current Liabilities		896,401	741,896	1,638,296	476,637	545,674	1,022,312
TOTAL EQUITY AND LIABILITIES		9,738,465	442,152	10,180,618	5,166,582	145,821	5,312,404

NOTES TO THE RECONCILIATIONS

I Property, Plant & Equipment

- a) Under SLAS, the depreciation was not charged in year of purchase and full year depreciation is charged in year of disposal. Under SLFRSs, depreciation is charged when the assets are available for use and ceased at earlier of the date the assets are classified as held for sale or derecognized.
- b) The repair expenses capitalized in office equipment have been charged to the profit and loss during the financial year 2011 and the depreciation charged also adjusted accordingly.

The impact arising from the changes are summarized below:

Nature of the SLFRS Adjustments / Effects	to Equity		to Comprehensive Income for the Year Ended
	As At 31 Dec. 2011 Rs.	As At 01 Jan. 2011 Rs.	31 Dec. 2011 Rs.
Depreciation recognized for the assets not depreciated in the purchased year	585,171	145,821	439,350
Adjustment to Repair Expenses Capitalized	(163,450)	-	(163,450)
Adjustment to Depreciation on Repair Expenses Capitalized	20,431	-	20,431
	442,152	145,821	296,331

II Government Grants

Under SLAS, all the capital grants received for programmes and capital assets are accounted as deferred income. Due to application of SLFRS, the capital grant received for programmes have been recognised in the profit and loss and the grant received for capital assets have been reclassified as Government Grant and amortised over useful life of the corresponding assets.

The impact arising from the changes are summarized below:

Nature of the SLFRS Adjustments / Effects	to Equity		to Comprehensive Income for the Year Ended
	As At 31 Dec. 2011 Rs.	As At 01 Jan. 2011 Rs.	31 Dec. 2011 Rs.
Adjustment on Grants Received for Programmes	5,582,176	7,362,767	(1,780,591)
Amortization of Government Grant	2,002,697	-	2,002,697
	7,584,873	7,362,767	222,106

III Boc Received For School Competition

Under SLAS, an amount received for programme from the Bank of Ceylon has been recognized as a liability under non-current liability. Under SLFRS, the amount received has been adjusted to the retained earning and the expenses recorded against this account charged to the profit and loss for the financial period 2011.

The impact arising from the changes are summarized bellow:

Nature of the SLFRS Adjustments / Effects	to Equity		to Comprehensive Income for the Year Ended
	As At 31 Dec. 2011 Rs.	As At 01 Jan. 2011 Rs.	31 Dec. 2011 Rs.
De-recognition fo Liability	128,011	128,011	-
Adjustment on Expenses	(75,000)	-	(75,000)
	53,011	128,011	(75,000)

NOTES TO THE RECONCILIATIONS

IV Retirement Benefits Obligation

In compliance with SLFRSs the Authority has recognized the provision for retirement benefits obligation under project unit credit method using gratuity formula method. As a result of recognition of liability, the adjustments have been made retrospectively in the reporting periods 2010 and 2011.

The impact arising from the changes are summarized bellow:

Nature of the SLFRS Adjustments / Effects	to Equity		to Comprehensive Income for the Year Ended
	As At 31 Dec. 2011 Rs.	As At 01 Jan. 2011 Rs.	31 Dec. 2011 Rs.
recognitions of the Provision	(149,027)	(102,638)	(46,389)

V Grant for Programme

Under SLFRS, the policy has been changed to recognized the grants received for Authority's programme expenses in the statement of comprehensive income equal to the extent that the expenses incurred for the reporting period. As a result, the grant utilized for the year and the accrued programme expenses have been adjusted retrospectively.

The impact arising from the changes are summarized bellow:

Nature of the SLFRS Adjustments / Effects	to Equity		to Comprehensive Income for the Year Ended
	As At 31 Dec. 2011 Rs.	As At 01 Jan. 2011 Rs.	31 Dec. 2011 Rs.
Adjustment to Grants utilized for the Year	788,646	592,424	196,221
Adjustment to Accrued Programme Expenses	46,750	46,750	-

Chairman

National Enterprises Development Authority

Report of the Auditor General on the Financial Statements of the National Enterprises Development Authority for the year ended 31 December 2012 in terms of Section 14 (2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the National Enterprises Development Authority for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 and the comprehensive statement of 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 20(2) of the National Enterprises Development Authority Act, No. 17 of 2006. My comments and observations which I consider should be published with the annual report of the Commission in terms Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act was issued to the Chairman of the Authority on 11 December 2013.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of those 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 Auditors' 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. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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 extent of the audit.

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

1.4 Basis for Qualified Audit 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 National Enterprises Development Authority as at 31 December 2012 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 Accounting Deficiencies

A difference of total of Rs.276,974 was observed between the amount of depreciation to be provided during the year on fixed assets and the amount of depreciation provided as shown in the accounts.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non - compliance
-----	-----
(a) Section 19(3) of the National Enterprises Development Authority Act, No. 17 of 2006	Even though all the monies provided or received to establish a Technological Development Fund by the Authority for technological development activities should have been credited to that Fund in terms of relevant instructions, that Fund had not been established even as at end of the year under review.
(b) Financial Regulations	

(i) F.R 103 and 104	Action had not been taken to recover the financial loss amounting to Rs.56,279 incurred to the Authority relating to a vehicle met with an accident from the responsible party.
(ii) F.R 110	The Authority had not maintained a Register of Losses and Damages.
(iii) F.R 388	A register which should be kept for sending cheques by post had not been maintained by the Authority.

(c) Public Enterprises Circular
No.PED/12 dated 02 June 2003.

(i) Section 5.2.1

According to the circular provision, a budget including the following matters had not been prepared and presented for audit.

- Budgeted income and expenditure account
- Budgeted balance sheet
- Budgeted cash flow statement.

(ii) Section 8.3.9

Even though the line Ministry should not utilise the resources of the institutions under its supervisions, without considering it a cab vehicle and a driver had been attached for activities of the Ministry from 09 July 2012.

(d) Treasury Circular No.842 dated
19 December 1978

The Authority had not maintained a Register of Fixed Assets.

(e) Public Enterprises Circular
No.PED/ 58 dated 29 April 2011

Even though the monthly allowance of the former Chairman was Rs.50,000, the Authority had paid at the rate of Rs.62,695 per month from January to July of the year under review. Accordingly, allowances overpaid amounting to Rs.111,083 had not been recovered.

(f) Letter No. NSCC/2/7/5/5/113 dated 01 June 2011 of the Salaries and Cadre Commission

A sum of Rs.252,450 had been overpaid to the Director of the Authority during the year under review due to paying salaries exceeding the salaries approved by the letter.

3. Financial Review

3.1 Financial Results

According to the comprehensive statement of income presented, the workings of the Authority during the year under review had indicated a deficit of Rs.2,050,079 as against the surplus of Rs.708,537 for the preceding year. Accordingly, there was a acute deficit of Rs.2,758,616 in the financial results during the year under review.

3.2 Analytical Financial Review

Decrease of development expenditure by Rs.4,053,540 or 21 per cent and increase of grants received from the Treasury and deferred capital income by Rs.2,701,305 or 13 per cent during the year under review as compared with the preceding year and increase of recurrent expenditure by Rs.5,390,754 or 26 per cent as compared with the preceding year was the main reason for the deterioration of Rs.2,758,616 in these operating results.

4. Operating Review

4.1 Irregular Utilisation of Assets

Two lap top computers valued at Rs.280,000 obtained by a former Chairman had not been returned back to the Authority up to 02 January 2014.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements of the Authority should have been presented for audit before 28 February of the ensuing year after close of the accounting year in terms of Section 6.5.1 of the Public Enterprises Circular No.PED 12 Dated 02 June 2003, the financial statement for the year 2012 had been presented for audit only on 02 October 2013 after a delay of 07 months.

5.2 Corporate Plan

The following observations are made.

- (a) Even though operating results relating to previous three years should have been shown in the Corporate Plan in terms of the Public Enterprises Circular No.PED 12 dated 02 June 2003, financial results for the years 2006 – 2008 had only been shown in the Corporate Plan presented for the period from the year 2011 to year 2015.
- (b) Necessary activities or targets for achieving the self financial stability of the Authority had not been included in the operating plan shown in the Corporate Plan. Further, the income
- (c) earned by the Authority during the previous year was Rs.126,526. However, it had decreased up to Rs.57,359 or 55 per cent in the year 2012 and as such the Authority had not taken action to achieve the targets of the Corporate Plan.

5.3 Budgetary Control

Considerable variances were observed between the budgeted figures and actual figures and as such the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

- (a) Control over Assets
- (b) Budgetary Control

H.A.S. Samaraweera

Auditor General

