



Industrial Development Board of Ceylon

Annual Report

2018



OUR VISION

- **DEVELOPMENT OF ALL INDUSTRIES ALL OVER SRI LANKA**

OUR MISSION

- **PROVIDE THE STRATEGIC, TECHNOLOGICAL & COMMERCIAL FOUNDATION NEEDED TO ENCOURAGE, PROMOTE & DEVELOP ALL INDUSTRIES ALL OVER SRI LANKA**



List of Acronyms

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



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1.0 The Company Profile

1.1 Legal Form

The Industrial Development Board of Ceylon (IDB) was initially established in 1966 under the State Industrial Corporation Act No. 49 of 1957. The IDB in its present form was incorporated under the Industrial Development Act No. 36 of 1969. In terms of this Act the IDB is entrusted with the responsibility of development of the industrial sector in the country.

1.2 Objectives of the Board

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

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

1.3 Divisions and Services of the Board

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

- a) Regional Development Division (RDD)
- b) Planning Division (PD)
- c) Marketing Division (MD)
- d) Industrial Estates Division (IED)
- e) Engineering Division (ED)
- f) Centre for Entrepreneurship Development & Consultancy Services (CEDACS)
- g) Technical Services Division (TSD)
- h) Finance Division (FD)
- i) Administration Division (AD)
- j) Centre for Development of Leather Products and Footwear (CDLPF)
- k) Rubber Products Development and Services Centre (RPDSC)

The network of 25 District Offices is functioning under the Regional Development Division and 19 Industrial Estates are functioning under the Industrial Estates Division. There are 2 Service Centers which fall under the Engineering Division. The Engineering Division and Technical Services Division with their workshop facilities, laboratories and other training facilities provide services in relation to product development, process development, and transferring knowledge. The Leather Products Development Centre and Rubber Products Development Centre transfer technologies and other related services and facilitate to the local entrepreneurs in the respective sectors. The approved total manpower of IDB is 714 nos. and it is categorized into 11 staff levels.



1.4 Key Services and Facilities Provided for Micro, Small and Medium Enterprises / Industries

- Management Training & Consultancy Services for Industries
- Entrepreneurship Development
- Industrial Information & Internet Facilities
- Product and Process Development
- Facilitation for Marketing Support
- Engineering Services
- Identification of Industrial Opportunities
- Technology Development and Technology Transfer
- Feasibility Studies for Businesses
- Engineering, Workshop & Foundry Facilities
- Infrastructure Facilities in Industrial Estates
- Product and Material Testing
- Valuation for Machinery



DIRECTORATE OF THE BOARD - 2018

Chairman

Mr. Mahinda Jinasena - (from January to October 2018)

Ex-Officio

Ms. Sandhya Wijayabandara - (from January to February 2018)

Mr. S. Balasubramanium - (from May to October 2018)

Mr. M.N.D. Gunaratne - (from January to February 2018)

Mr. T.N. Ossen - (from August to October 2018)

Advisor in the Board

Mr. Roy Jayasinghe - (from January to October 2018)

Members of the Board

Mr. Kaleel Rahumathulla - (from January to October 2018)

Mr. Shamin Perera - (from January to October 2018)

Mr. Nishadha Gamage - (from January to October 2018)

Mr. B.N.P. Mendis - (from January to October 2018)

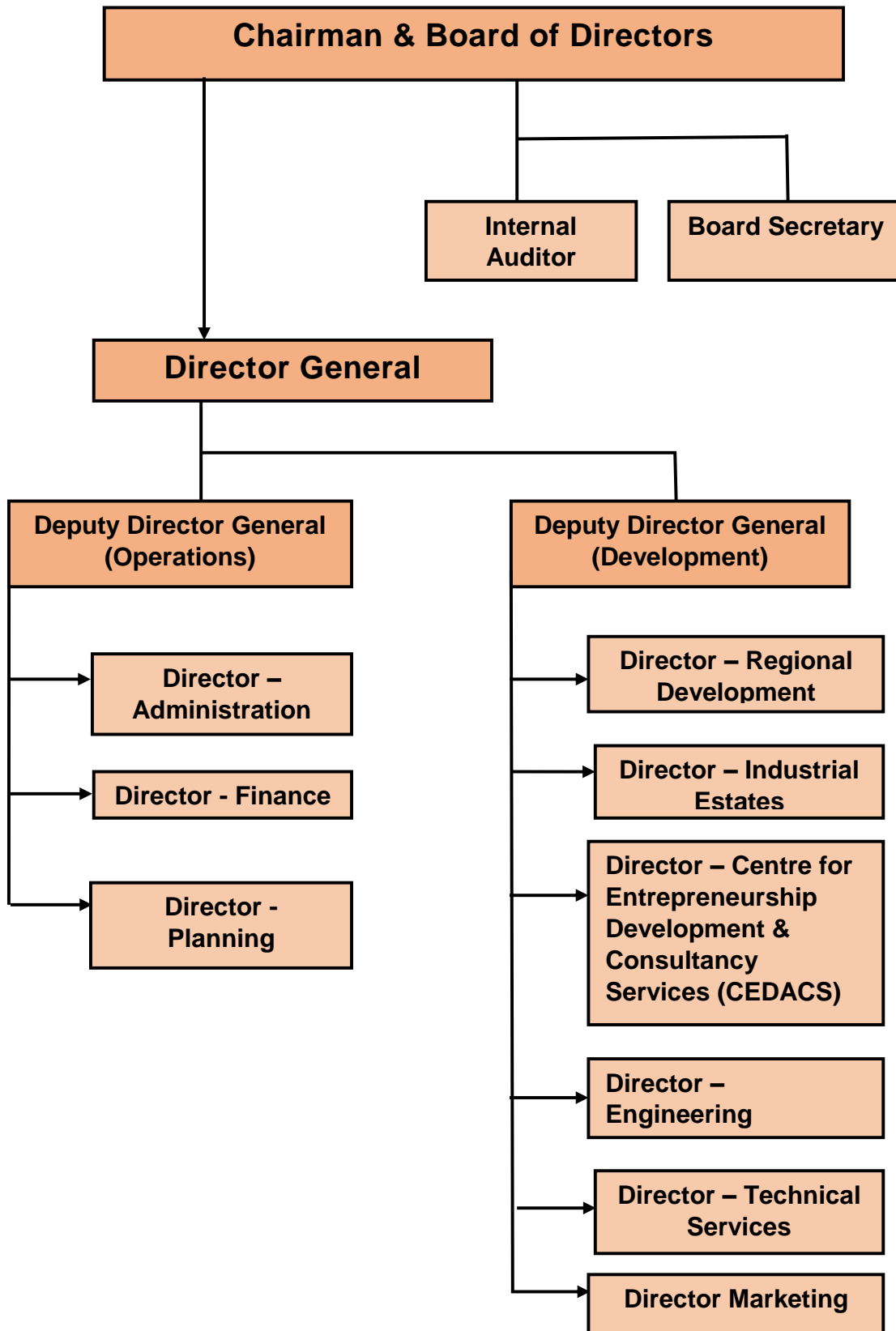
Mr. Sanjeewa Dickwella - (from January to May 2018)

Mr. Sandun S.K. Gamage - (from September to October 2018)

Mr. M.L.A. Ameer - (from September to October 2018)



Organization Chart





MANAGEMENT REVIEWS



DIRECTOR GENERAL'S REVIEW

The Sri Lankan industry is ahead of many challenges with respect to the concerns such as a greater contribution urged by the economy, adopting to modern technology trends in smart manufacturing, and long term sustainability in relation to production cost, quality and quantity concerned parameters. Rather proactive approaches are hence required to be put into practice immediately as exceptional technological transformations are taking place in the global industry environment, pushing the industry into the era of industry 4.0.

The policies and strategic approaches for local industry in this context need reforms in order to enhance sustainability and competitiveness in the market place pertaining to product and process quality, operational efficiency, marketing business presence, technology applications, supply chain management and its support services. Industrial Development Board thus hold a greater responsibility in facilitating this process for necessary transformations and therefore requires redefining its strategies in delivering the services to the local industry especially to the SME sector.

Aligning with this intent, in the year 2018, IDB intensified the focus on building linkages with relevant organizations to synergize the impact of the services being delivered, leveraging MSMEs with modern technology applications in ICT, facilitating and encouraging MSMEs for green initiatives, taking an active role to support national scale development programs conducted by the line Ministry. Further the institution was able to take measures for introducing untapped opportunities in the industry with modern technologies, supporting to build local and foreign institutional linkages in relation to marketing and transferring technologies, and also improving and strengthening institutional facility base with modern equipment and empowering the staff with updated knowledge and training.

In the current year, more emphasis was also given to support the process of coupling the local industry with the modern developments in digital economy and therefore knowledge on digital marketing was granted to local entrepreneurs to expand the boundaries of their marketing approaches. This will help business ventures to uplift their market presence diminishing restrictions of the geographical limitations. These marketing platforms open up new and diverse customer base to outperform in their businesses.

Moreover, IDB took measures to sign MOU with the Plastic and Rubber Institute (PRISL) with the view of synergizing the service of IDB to the local rubber sector in training and product and process development. Additionally, keeping in line with green initiatives a pilot project was completed by supporting a few selected industries to be upgraded with the ISO 14000 certifications.

IDB further proceeded with the initiatives taken to upgrade the technology being used in the local industry with modern technology and hence the infrastructure required to set up the project CERA was almost completed. This will become the platform to introduce ROBOTIC technology to the local industry to enhance the performance while improving the quality and cost parameters in their productions. In addition, the center will become the focal point to seek robotic based solutions for many national issues and will open up doors to local industry for readiness in upcoming global transformations in industry 4.0.



As the Director General of IDB I express my sincere gratitude to the Hon. Minister, the secretary and the staff of the line Ministry for the direction, coordination, facilitation and support extended to IDB and the staff in accomplishing the annual goals. I am also grateful to the Chairman and the members of the Board and specially the staff and all the employees of IDB for the continued support and commitment given to enhance the level of services to the local industry and to accomplish the intents of the organization successfully. Finally, I take the opportunity to thank Audit and Management Committee, internal audit and the staff of Auditor General's Department for the guidance given to IDB in maintaining a good financial discipline, management of functions and administrative control during the year.

P.L.U. Rathnamalala
Director General



01) HIGHLIGHTS OF THE YEAR

1.1 International Footwear and Leather Fair 2018

Footwear and Leather fair – 2018, organized for the 10th consequent year by the Sri Lanka Footwear and Leather Products Manufacturers Association (SLFLPMA) had declared the opening on 2nd February at Sirimavo Bandaranaike Memorial Exhibition Centre. This was mainly focused to provide an exposure and knowledge for SMEs to improve their products and encourage reaching the international market.

Further a design competition has organized as a part of this fair, by the IDB Centre for the Development of Leather Products and Footwear, headed by IDB Assistance Director Amaranath Wimalasinghe, as that would facilitate to showcase the industry capabilities to foreign buyers and for facilitate local manufacturers to make linkages with foreign manufacturers of footwear accessories, raw material and machinery importers.



Source: Industrial Development Board Newsletter (January-March 2018)

1.2 Membership Awarding Ceremony – Derana Business Club with IDB

As an initiative to promote local potential SMEs of the country, “Derana – IDB Brand Excellence Programme” has evolved in line with Sri Lanka’s economic resilience to outreach every nook and corner of the island and empower SMEs to become more active driving force of national economic upswing. Thereby the project is focused on giving local SMEs leverage for growth, by exposing them to a larger magnitude of customer base, locally and internationally.

The official website of Derana Business Club with IDB was launched by Director General of IDB and Chief Executive Officer and Awarding Memberships for registered industries by Special Guests, added more glamour and colour to this memorable event.



Source: Industrial Development Board Newsletter (July - September 2018)



1.3 Digital Marketing Knowledge for SMEs

In the pre digital era awareness creation regarding a business was limited mostly to print media supported by newspaper advertisements and leaflets. However, today any primitive business or simply even an idea could get globalized in a split second by the presence of digital media. Comprehending the necessity of developing this all important platform for Digital Marketing among SMEs in Sri Lanka the IT Unit of Industrial Development Board (IDB) of Ceylon has conducted a seminar which would subsequently lead to a workshop with broader and extended purview to eradicate the fear and reluctance to technology among SMEs.

This helped SMEs to get strengthened their competencies to access global market and share the relevant information of specific customers to customize their products and services to par with the ultimate customer requirement. Based on the literature biggest barrier for the SMEs especially in developing countries like Sri Lanka is to the fast forwarding techno proficiency environment and the fierce competition caused by the overnight market exposal. SMEs with this sort of technology reluctance need to overcome these barriers only through by gaining proper training and consultation.



*Source: Daily News at Business Page
(31st-October 2018)*



*Source: Industrial Development Board Media Unit
(06th-October 2018)*

1.4 IDB participated in International Manufacturing Exhibition

The Industrial Development Board (IDB) participated in the International Manufacturing Exhibition recently held at the BMICH. They have displayed their brands of products under the COMEXPO banner jointly organized for the first time with Smart Expo and Fair in India. Further they have organized B2B event in both, domestic and international markets and serves to thousands of clients and consumers across the globe.



*Source: Industrial Development Board
Newsletter (July - September 2018)*



1.5 Digital Supply Chain Solution

An introductory session on Digital Supply Chains was conducted by the Vice President, SGS Global Head of Digital Supply Chains Solutions on 28th June 2018, Industrial Development Board, Katubadda. A digital supply chain solution helps businesses to build consumer trust and connect supply chains to consumers. This enables companies to discover, analyze and monitor all suppliers, components and facilities in their entire supply chain. By the digitization, the supply chain becomes a completely integrated ecosystem that is fully transparent to all the parties involved from the suppliers of raw materials, components, and parts, to the transporters of those supplies and finished goods, and finally to the customers demanding fulfillment.



Source: Industrial Development Board Newsletter (April - June 2018)

02) REVIEW OF PERFORMANCE

Summary of the Physical Progress of the Board

In the year 2018, the Industrial Development Board (IDB) has provided various assistance and supporting services to promote the business community in the country. Further the Board is obliged to design and implement strategies with regard to the entrepreneurship development, promote and encourage the Micro, Small and Medium scale Enterprises (MSMEs). In order to achieve these objectives and to expand the market to potential businesses locally and internationally, IDB has involved initiating and executing various programmes and projects with the amalgamation of the Ministry.

➤ Training Programmes:-

Training programmes were conducted in order to uplift the productivity of the entrepreneurs. Therefore, it may strengthen their skills on the areas of entrepreneurship, management, technology and machinery maintenance...etc. As per the physical progress during the period of 01st January, up to 31st December 2018, 300 training programmes were conducted for management and technology transfer. Accordingly, the total numbers of beneficiaries were 5,518.

Table 2.1 : Training Programmes of IDB - 2018

No.	Description	No. of Programmes	Beneficiaries
(1)	Management Programmes	180	2,155
(2)	Technology Transfer Programmes	120	3,363
Total		300	5,518



➤ **Preparation of Reports:-**

In this period, valuation reports on machinery & equipment, technical reports and project feasibility reports to access for the bank loans, and for other purposes were prepared. The total number of reports prepared in this regard was 502 under the categorization of machinery valuation, project feasibility and technical reports.

Table 2.2 : Reports Preparation - 2018

No.	Description	No. of Reports
(1)	Machinery Valuation Reports	89
(2)	Project Feasibility Reports	92
(3)	Technical Reports	321
Total		502

➤ **Modernization and up-grading of existing Industrial Estates: -**

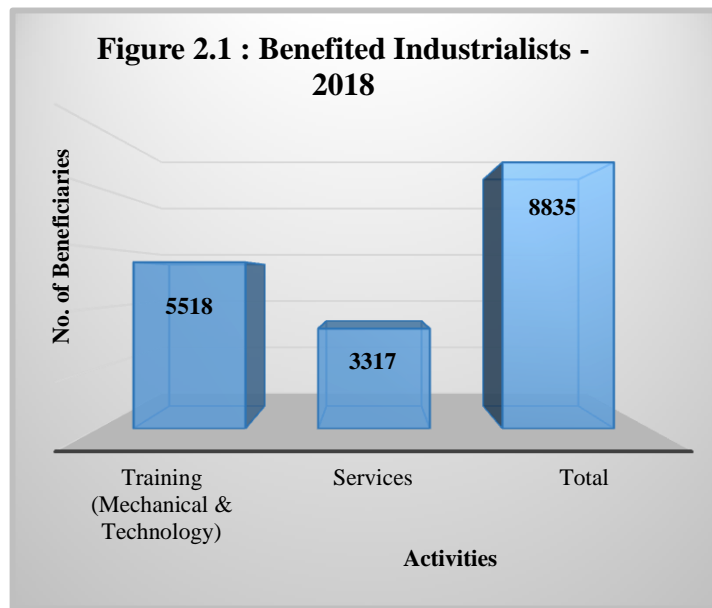
- (1) 22 Land plots were given for factories and 16 were newly commenced and generated 376 number of employment opportunities.
- (2) Signing of Lease Agreements with 29 numbers of Industrial Plots.

➤ **Services: -**

IDB is engaged in providing services and guidance required for the local industries on modern technology and good management practices required to enhance product quality, market access, and improvement and enhance the production process. As of the progress during the period of 01st January, up to 31st December 2018, the Board has provided Engineering Services, Raw materials to the foundry, services for metal and rubber industries, Manufacturing of Machines and industrial information as per the requirement of the SMEs. The total numbers of beneficiaries were 3,317. Under the categorization of Engineering Services 198 industrialists were provided necessary assistance, 65 industrialists for Casting Services and 252 benefited from Electroplating Services. Further the Board has facilitated 1,500 MT of Scrap Metals for 374 Industrialists and 28,000 Kgs of Rubber Compounds for 588 industrialists. Additionally 2,500 Liters of Centrifuged latex and 15,800 Kgs of Milling Rubber Compounds were provided as well.

Table 2.3 : Details of the Services provided by IDB - 2018

No.	Description	No. of SMEs
(1)	Engineering Services	515
(2)	Raw Materials provided to the Foundry, Metal and Rubber Industries	1,092
(3)	Manufacturing of Machines	09
(4)	Provide Industrial Information	1,701
Total		3,317





03) OPERATIONAL REVIEW





3.1) ADMINISTRATION DIVISION

The Administration and Human Resources Development Division of IDB is responsible for formulation, implementation, monitoring and evaluation of all Human Resources Management (HRM) and Human Resources Development (HRD) activities, procurement activities, security and transport activities of the Board to ensure the efficient performance of all departments in an organization. Further preparation of Scheme of Recruitments (SoR) and Scheme of Promotions (SoP) in order to strengthen the workforce, carrying out regular recruitments, performance evaluations, promotions and retirement matters, conducting disciplinary inquiries, arranging and providing local training, managing employee welfare and employee compensation schemes...etc were few other activities assigned for the division. Thus without an effective administration division, an organization would not run professionally and smoothly.

Office administration is one of the key elements associated with a high level of workplace productivity and efficiency. They act as a connecting link between the senior management and the employees. They provide motivation to the work force and make them realized the goals of the organization. Additionally the Administration and Human Resources Development Division is responsible in the area of capacity building and enhancement of required skills of employees of IDB. Main objective of conducting Local Training Programmes and Foreign Training opportunities to buildup leadership competencies of managerial level categories and to develop skills to the expected level of other categories while encouraging, persuading and facilitating them to enhance their personal and professional growth and motivate towards the targets to be accomplished, IDB has executed several other programmes with the purpose of enhancement of skills and the capacity building towards uplifting the performance levels of the employees.

During this period under local training category 417 participants were attended for 9 programmes and total cost of conducting those programmes was Rs. 1,003,700.

Table 3.1.1 : Employee Training Programme – Local Training 2018

No.	Name of the Programme
(01)	Preparation of project proposal programme
(02)	Training programme for MA category
(03)	Awareness programme for PL category
(04)	Induction training for newly recruited Enterprise Promotion Officer (EPO)
(05)	Field visit programme for PL category
(06)	Conducted efficiency bar examination
(07)	Number of individual training programmes
(08)	Number of highest study programmes
(09)	Programme for prevention drug abuse

Further scholarships and foreign tours were provided for the employees with the aim of developing their skills and capacities with a cost of Rs. 1,945,900.

**Table 3.1.2: Scholarships & Foreign Training – 2018**

No.	Training Features
(01)	Exposure Visit to Vietnam 30.06.2018 to 08.07.2018
(02)	2018 – Seminar on the Construction and Management of Industrial Park for Sri Lanka 23.09.2018 to 16.10.2018 – China
(03)	2018 – Seminar on High Development and Management of Footwear Industry of Developing Countries 03.10.2018 to 01.11.2018 – China
(04)	2018 – Training Course on Clothing Making for Developing Countries 12.10.2018 to 10.11.2018 – China
(05)	Seminar on Aid for Trade for Seminar Officials of Developing Countries 16.10.2018 to 29.10.2018 – China
(06)	Training on Essential Oil Programme and Aromatherapy

Table 3.1.3: Recruitments – 2018

No.	Designation	No. of Employees
(01)	Director – Engineering	01
(02)	Engineer (Civil / Electrical)	02
(03)	Enterprise Promotion Officer	27
(04)	Store Keeper	02
(05)	Fitter	01
(06)	Welder	02
(07)	Mechanist	04



3.2) Regional Development Division

The Regional Development Division (RDD) of the IDB functions with four prime pillars to strive the organization towards its targets. They are, identification of the status of the industrial economy of 25 districts, create new industries, promote and develop existing SMEs and to develop capability of RDD and Regional staff. Additionally, preparation of Regional Industrial Economic reports, establishment of new SMEs, establishment of Micro Industries, development of existing SMEs, introduce and promote SMEs as Export Ready Companies are few other major activities carried out by the Division.

Special Events of the Year

3.2.1. Project “*Facilitating SMEs to obtain ISO 14001 Certification through Promoting Cleaner Production Practices*”

Industrial Development Board of Ceylon in collaboration with National Cleaner Production Centre, with guidance and supervision of Ministry of Industry and Commerce has successfully completed the project “***Facilitating SMEs to obtain ISO 14001 certification through Cleaner Production practices***”. The focus of this project was to reduce adverse environmental impact from Fourteen (14) selected industries through changes in industrial behavior and technology being used. National Cleaner Production Centre as the consultation body of this project provided solutions to optimize the resource efficiency through Cleaner Production assessments and energy audits.

One of the objectives of this project is to provide a financial grant for the industries in order to implement these options and for the certification process. Hence, a maximum of Rs.300,000.00 is endorsed for each industry.

The ISO 14001 is a globally accredited certification, which is awarded to companies that manage and minimize environmental impacts from operational process activities. The above selected Companies were encouraged to control and reduce adverse environmental impacts as well as to continuously improve organizational environmental performances.

Some of the strategies that the industries deployed were reduction of electricity and water consumption as well as material wastage, minimizing of environmental impacts from chemical and oil spillages, waste water treatment practices and proper disposal methods of waste including electronic waste. This serves to encourage sustainable business practices, providing a unifying basis for industry compliance through regulations and environmental standards.

Main Activities covered by the project :-

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

This Training Programme was organized to enhance the knowledge of Enterprise Promotion Managers in IDB on ISO 14001:2015 Environment Management Systems Development in industries.

This was arranged with the collaboration of National Cleaner Production Centre, Sri Lanka on 17th to 19th May 2017.



Source: Industrial Development Board Media Unit

➤ **Cleaner Production Assessments in Selected Industries**

- Conducted preliminary walk through assessments in fifteen selected industries to identify the status of the industries on waste generation & handling.
- Established baseline performance in resource efficiency for selected industries by conducting comprehensive assessments with relevant measurements on material and water consumption; develop RECP indicators of UNIDO assessment methodology.
- Generated options through group techniques such as brain storming sessions to identify waste reduction opportunities in each factory.
- Provided both technical and non-technical site-specific recommendations (with feasibility assessment and costing).
- Established implementation plans for enterprises.

➤ **ISO 14001: 2015 Internal Auditor Training**

ISO 14001: 2015 Internal Auditor Training was conducted by the National Cleaner Production Centre, at Miloda Academy of Financial Studies, Colombo 01, on 03rd of September, 2018 for 20 Enterprise Promotion Managers of IDB and 03 representatives of selected 14 industries.



Source: Industrial Development Board Media Unit



➤ **ISO 14001:2015 Certificates and Financial Grant Award Ceremony**

Financial Grant Awarding Ceremony was held on 28th December 2018 at ‘Miloda’ Academy of Financial studies, Colombo with the presence of Secretary, Ministry of industry and commerce, Deputy Director General of Sri Lanka Standard Institute, Chief Executive Officer of National Cleaner Production Centre, Director General of IDB and officials of IDB, NCPC and SLSI.

Table 3.2.1 : Selected Industries for the project

No.	Name of the Industry	District
01	Anna Industries	Jaffna
02	Annai sea foods Pvt Ltd	Jaffna
03	Sarrah Industries	Jaffna
04	East Lanka polisack	Batticaloa
05	Niwala Tea factory	Matara
06	Morawakkorale Tea producers Cooperative society	Matara
07	Freelan	Matara
08	Cecilian Associates Pvt Ltd.	Ratnapura
09	Galpaditenna Tea factory	Ratnapura
10	Mico Ceylon organic Pvt Ltd.	Ratnapura
11	Royal Cashew	Gampaha
12	Calton Sweet House, Katana,	Gampaha
13	First furniture	Bandaragama
14	Malindu Dairy Products	Angunakolapellasa



Source: Industrial Development Board Media Unit

3.2.2. “Diviyata Udanaya” Programme for development of Micro and Cottage Industries

Diviyata Udanaya National Programme was introduced by the ministry of Industry and Commerce based on the national policy of poverty eradication of the government with the involvement of various ministries and other intuitions which is strongly emphasizing the importance of upgrading and strengthening micro and small industrial sector. Under this scheme, Rs. Two Million has been allocated to each electorate and new existing entrepreneurs are to be given Technology and Management trainings.

**Table 3.2.2 : The details of required machinery purchased and distributed**

No.	Detail	Value / Numbers
01	Nos. of Districts involved	15
02	Value of the equipment distributed	Rs. Mn 114.5
03	No. of beneficiaries benefited	4,285



Source: Industrial Development Board Media Unit

3.2.3 National Programme for Industrial Village Development

A National Programme for Industrial Village Development has commenced in 2005, in order to uplift the traditional as well as non – traditional industries under the “Thousand Industrial Village Development Programme”. Under this programme, special attention was given to introduce new machineries and production processes; enhance capabilities of beneficiaries with modern techniques, and to provide marketing facilities... etc. Since year 2016, this programme was implemented by the RDD as two separate projects as,

➤ Industrial Production Village Development Programme

During the year 2018, it was allocated Rs. 5.0 Million under the industrial production village programme and has spent Rs. 6.4 Million for development of following three villages.

- Arippu in Mannar
- Keliyapura in Hambanthota
- Kannadiya in Vavuniya District

➤ Enterprise Villages and Women Entrepreneurship Development Programme

The budget proposal 2012 and 2013 was strongly emphasized towards the development of enterprise villages focused on strengthening and supporting to women entrepreneurs at village level.

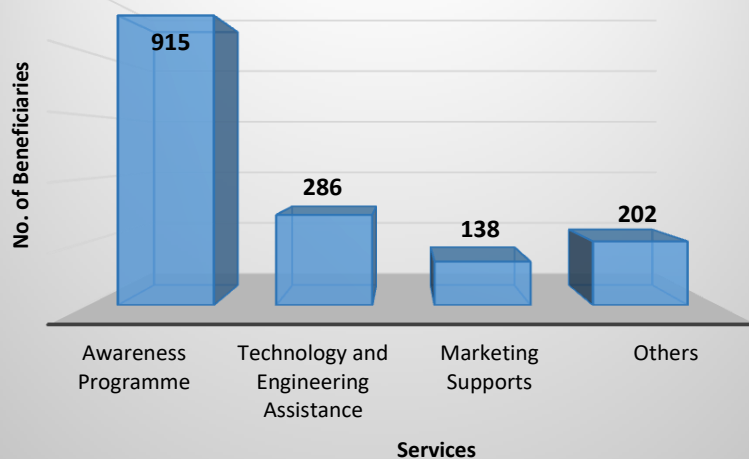
- Mutur in Trincomalee
- Nasivanthive in Batticaloa



Table 3.2.3: Progress Summary of the Division

No.	Activity	Output / KPIs		Physical Progress (Cumulative) Achievement
1	Technical know - how	Increased access to technology	No of SMEs/Programmes	248
2	Financial Support	Increased access to finance	No of SMEs/ Micro industries	116
3	Engineering assistance	Increased access to new technology	No of SMEs	38
4	Marketing Supports	Increased access to market	No of SMEs	110
5	Awareness Programme	Increased access to knowledge	No of Potential entrepreneurs	915
6	Productivity Improvements	Increased access to Productivity	No of SMEs	35
7	Management Improvements	Introduced New Management systems	No of SMEs	51
8	Knowledge of export Procedures	Increased access to knowledge	No of SMEs	5
9	Enhance Product Quality (upgrade technology, infrastructure facilities, Skills development, packaging development) & Assist to obtain relevant certificates (GMP, ISO, SLS and relevant license)	Increased access to enhance product quality	No of SMEs	23

Figure 3.2.1 : Training Programmes Conducted by the Division - 2018





3.3) Planning Division

Planning, monitoring, formulating the Corporate Strategic Plan for IDB and monitoring and evaluating of progress of divisional Strategic Action Plans as per the physical and financial targets are some of the main activities assigned for the division. Further according to the requirements of the line ministry information relevant to the performance appraisals were provided periodically.

Highlighted events completed during the period

In order for a business idea or model to be flourished, it is essential to analyze and consider the cost and other implications of such an investment to ensure that the projects are aligned with the organizational goals and objectives. IDB Planning Division is entitled to prepare development project proposals and concept papers to work around problem areas that may arise.

3.3.1 Project Proposal Submission on Development of Existing Manufacturing Industries – (special emphasis of objective on Action plan 2018)

Small and medium scale enterprises make up a large part of Sri Lanka's economy accounting for 80 percent of all businesses. SMEs sector has created an essential source of employment opportunities and estimated to contribute about 35 percent of employment. Project is basically designed for 2 years as 2 phases beginning from 2019 to 2020 and planned to develop prevailed manufacturing industrialists by providing assistance to the issues encountered by existing industrialists. According to the statistics, there are 1,100,000 enterprises in Sri Lanka. It includes 52% manufacturing industries, and project will support to 500 small and medium scale industrialists at the first year by the use of value chain model which is fragmented at district level.

3.3.2 Preparation of progress reports of development projects / programmes – (monthly / quarterly).

3.3.3 Facilitate to prepare Capital and Recurrent expenditure requirements in accordance with the organizational budget and overall Action Plan.

3.3.4 Facilitate to conduct Enterprise / Industry Survey, update industry / economy related statistics and assist to prepare relevant Sector Development Plans.

3.3.5 Preparation and submission of reports on overall performance of the Board.

- **Physical Progress:** has categorized into two as activities and output with KPIs.

Activities

This includes divisional activities carried out separately and also activities carried out in collaboration with each division.

Outputs with KPIs

Targets and achievements are mentioned under this category in addition to the cumulative targets and achievements.

- **Financial Progress:** Financial Progress including monthly cost and cumulative cost which were born through capital budget and own funds of the IDB. Also it has been given monthly targets and achievements, cumulative targets and achievements, percentage of the progress in particular under income category.



3.3.6 Review of activities 2018, was prepared and submitted to the Ministry.

In addition to the above activities, Planning Division entitled to involve in preparation of Capital and Recurrent Expenditure requirements in accordance with the organizational budget and overall action plan.

3.4) Marketing Division

Marketing Division of the IDB has the duty to do the activities to promote services and support local industrialists to expand their enterprises into commercially viable entities. Further they provide marketing assistance and consultancy services for the promotion and development of industries or MSMEs to establish marketing strategy.

Organizing and conducting industrial exhibitions and trade fairs, provide sales facilities at “Lakkam” sales centre and facilitate sub contract exchanges are few other activities assigned to the division. Since an organization is a chain of members pursuing a common goal to fulfill its targets to maximize customer satisfaction with its profits, Marketing Division performs their actions aligned with the overall performance of the Board.

3.4.1 Marketing Assistance

Marketing activities are an investment of time, money and effort. Therefore every activity should be measured in order to check whether they meet the intended objectives and in order to compare a certain action with others.

➤ Lakkam Sales Centre :

The centre provides its display and sales facilities for SMEs with the view of uplifting the productivity of traditional Sri Lankan products and facilitates the potential entrepreneurs to reach local and international market. Lakkam sales centre has been given its service for last three decades as a leading salesman for traditional and other products under different categorizations. Comparatively the centre has facilitated market opportunities for 31 numbers of new industrialists during the year 2018 and it is 62% compared to the annual target.

➤ Sub – Contracting Exchange :

Under the Sub Contracting Exchange (SCX) of the Marketing Division bids on behalf of the industrialists / services providers to obtain orders for selected items as, office furniture wood, office chair and sofa, leather shoes, slippers and bags, rubber based spare parts, T-shirts, stationary, Machinery and fiber...etc. During the year of 2018, sub contract facilities were provided for 9 sub contractors to increase their access to the market and as a percentage it is 9% out of the annual target.

➤ Exhibitions :

IDB organizes exhibitions for Micro, small and medium scaled entrepreneurs at district, provincial and national level in order to facilitate industrialists to reach, attract and interact with potential customers. According to the divisional progress 6 trade exhibitions were held and a total 1,925 numbers of industrialists participated.



3.4.2 Scrap Project

IDB is empowered to collect and distribute ferrous and non-ferrous scrap generated by government institutions and distribute scrap among industrialists engaged in Aluminum and putter based products, copper and brass based products, lead based products, iron based products and light engineering products... etc. These industrialists are specifically registered under IDB and the scrap items were distributed among them on concessionary rates. As of the progress for the year 2018, 374 numbers of industrialists were benefited and it is 94% compared to the annual target.

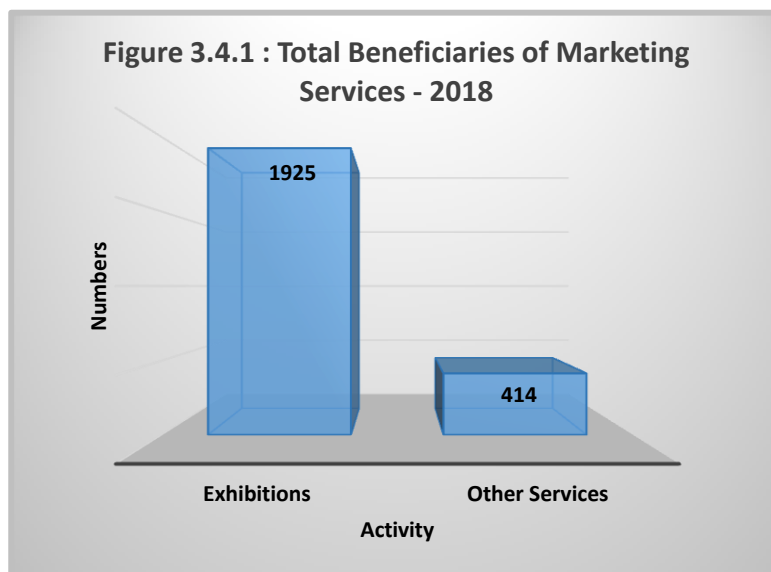
3.4.3 Consultancy Services

Generally, the most cost effective strategies are planned for the long term. In addition, the divisional strategic plans must also be aligned both with the overall strategic plans of the organization and with other departmental plans.

Accordingly, it is important to know the position of the company regarding the market and the competition. Therefore marketing Division involved in Market report writing, give consultancy to improve product quality, branding, packaging and market information on request. Further workshops were organized periodically on new market development, industrial surveys conducted and market feasibility reports were prepared on identified viable products.

Table 3.4.1 : Progress Summary Report – 2018

No.	Activity	Output / KPIs		Physical Progress (Cumulative)
				Achievement
01	Provide subcontract facilities	Increase access to market	No. of subcontractors	9
02	Provide raw materials to industrialists (Scraps)	Increase access to product	No. of industrialists	374
03	Conduct trade exhibitions	Increased access to market	No. of industrialists participated	1925
04	Market opportunities through Lakkam	Increase access to market	No. of new industrialists	31





3.5) Industrial Estates Division

The IDB with the establishment of the Industrial Estates Division has taken many initiatives to fulfill the demand of industries (public / private sectors) through recommending suitable land plots and ready-built buildings to setup their industries and get rehabilitated.

Total land extent developed since 1967 is around 296 acres. By now, the number of Industrial Estates has divided into 645 land plots and it has allotted among 317 industrialists. Further 233 out of the total allocation of developed plots have been already started their ventures and 7056 employment opportunities were generated. Another 46 rialindust units are in different stages of construction of their factory buildings. Since 76 industrial units were used for residential purposes and not in operation currently at mini Industrial Estates, they were considered to be terminated. Further, 80 ready-built buildings have been allocated for 60 industries and it has generated 1696 employment opportunities. Additionally, research studies report findings and project proposals were made to find out the possibility of dispersing industries outside metropolitan towns, to relocate existing units operating in congested areas, to provide subcontracting opportunities to small industry and to improve operational efficiency of small units through common facilities.

Since the Atchchuveli Industrial Estate had been totally destroyed due to thirty year – long civil war in the country, in 2013/2014 with the financial contribution of Indian government and Sri Lankan government and with the supervision of UNOPS, has provided Rs. 220 million and Rs. 50 million respectively for reconstructions and re-establishments of the Estate. In 2014 the Atchchuveli Industrial Estate was revamped and commenced functioning with few industries.

Since one of the major handicaps faced by small scale industries are either lack or insufficient infrastructure facilities, the Ministry of Industry and Commerce has initiated the Phase II Development Programme 2018/2019 and granted Rs. 100 million for the development of infrastructure facilities and to reimburse 50% of the total monthly electricity bills of the industrialists of Atchchuveli Industrial Estate as a concession during the years 2018/2019 for their benefit and paid rupees 4.5 million and rupees 8.7 million respectively.

Further, under Phase II, development of infrastructure facilities in Atchchuveli Industrial Estate with Rs. 100mn investment provided by the Ministry of Industry and Commerce has been granted to National Equipment & Machinery Organization (NEMO). This would be the second industrial zone for the North East. Further this development project would be a new lease of life for the entrepreneurs in Northern Province to start new business ventures.



Source: Industrial Development Board Newsletter (July-September 2018)



Main Functions carried out during the year 2018

The Industrial Estates Division has spent nearly Rs. 78.1 million which was obtained from the Government Treasury through the line Ministry under the project of Accelerated Development Programme for modernizing and upgrading of existing infrastructure facilities. The objectives tagged to the programme included to give boost to the growth of small-scale industries in the country. Mainly state owned Construction organizations have contributed on this and most of the Projects are in operation since 2015.

Table 3.5.1 : Cost estimation of the each activity relevant to the project

No.	Industrial Estate	Activity	Estimate / (Rs.)	Funds received in 2017 / (Rs.)	Funds received in 2018 / (Rs.)	Balance / (Rs.)	Prog. (%)
01	Pallekelle	Construction of drains & pedestrian pavement and repairing of existing boundary fence	16,397,744.20	9,698,353.02	896,190.02		100%
02	Galigamuwa	Construction of drains, fence & pump- house and repairing of existing road	15,517,037.00	6,977,537.50	2,614,059.85		100%
03	Pussella	Construction of part of the fence	4,711,000.00		2,057,207.82		100%
04	Panaluwa	Construction of parapet wall	20,763,250.00	3,140,000.00	3,668,669.46	13,290,762.39	35%
05	Atchchuveli	Installing transformer	2,980,000.00	2,980,000.00			100%
		Construction of transformer cubicle	88,000.00		88,000.00		100%
		Construction of a large dug well and repairing of Post Office building & Office Building	3,835,250.00	767,050.00	1,430,898.76	1,637,701.24	55%
06	Negampaha	Construction of a tube well	928,705.50		928,705.50		
Total				23,562,940.52	11,683,731.41	14,928,463.63	


Table 3.5.2 : Progress of the Project

No.	Industrial Estate	Activity	Estimate / (Rs.)	Financial Progress			Prog. (%)
				Funds received in 2016 & 2017 / (Rs.)	Funds received in 2018 / (Rs.)	Balance / (Rs.)	
01	Kaludewela	Construction of internal roads and drains	39,599,966.71	17,216,985.53	17,509,229.94	3,355,189.90	100%
02	Pannala	Installing Transformer	2,749,846.94	2,749,846.94			100%
		Development of 2nd stage	76,672,395.09	15,334,478.50	13,919,597.63	45,418,315.96	90%
03	Horana	Carpeting of internal roads and construction of drains	12,000,000.00	5,500,000.00	5,055,097.39	555,531.44	100%
04	Pallekelle	Carpeting of internal roads and fencing	35,707,877.16	16,084,629.35	11,413,836.50	4,005,136.95	90%
05	Kotagala	Construction of internal roads, toilet and repairing of main gate	4,518,869.50	1,964,725.88		2,554,143.62	90%
06	Pussella	Construction of internal roads and drains.	7,910,738.49	1,149,430.03	6,718,816.63		100%
07	Vavuniya	Construction of internal roads.	10,000,000.00	5,000,000.00	5,186,113.39		100%
08	Ekala	Carpeting of internal roads.	31,000,000.00	15,500,000.00	6,615,201.19	1,193,355.78	100%
		Construction of balance part of sewage line	5,525,432.26	5,526,432.26			100%
09	Negampaha	Installing Transformer	2,756,161.62	2,756,161.62			80%
		Clearing the land and Construction of the fence.	5,128,826.25	3,826,821.43		1,488,497.76	98%
10	Buttala	Construction of internal roads and drains and fencing.	22,122,500.00	16,591,875.00		1,793,228.65	98%
Total				109,201,386.54	66,417,892.67	60,363,400.06	

➤ **Selection of Industrialists for the Industrial Units**

Applications received from industrialists presently occupied and new investors who are seeking new Plots of Lands / Ready Built Buildings were called for interviews and selected 30 considering the viability, during the year.

**Table 3.5.3 : Allocated and Commissioned Industries in year 2018**

No.	Industrial Estate	Allotment of land plots/buildings	New industries created	
			Industries	Employment
01	Pallekelle	7	4	169
02	Horana	1		
03	Buttala	1		
04	Pussella	3	1	8
05	Pannala	2	1	15
06	Panaluwa	2	3	45
07	Wavulugala	2	2	26
08	Kotagala	1		
09	Galigamuwa	1		
10	Atchchuveli	2		
11	Ekala	-	4	103
12	Kaludewala	-	1	20
	Total	22	16	386

➤ Signing of Lease Agreements

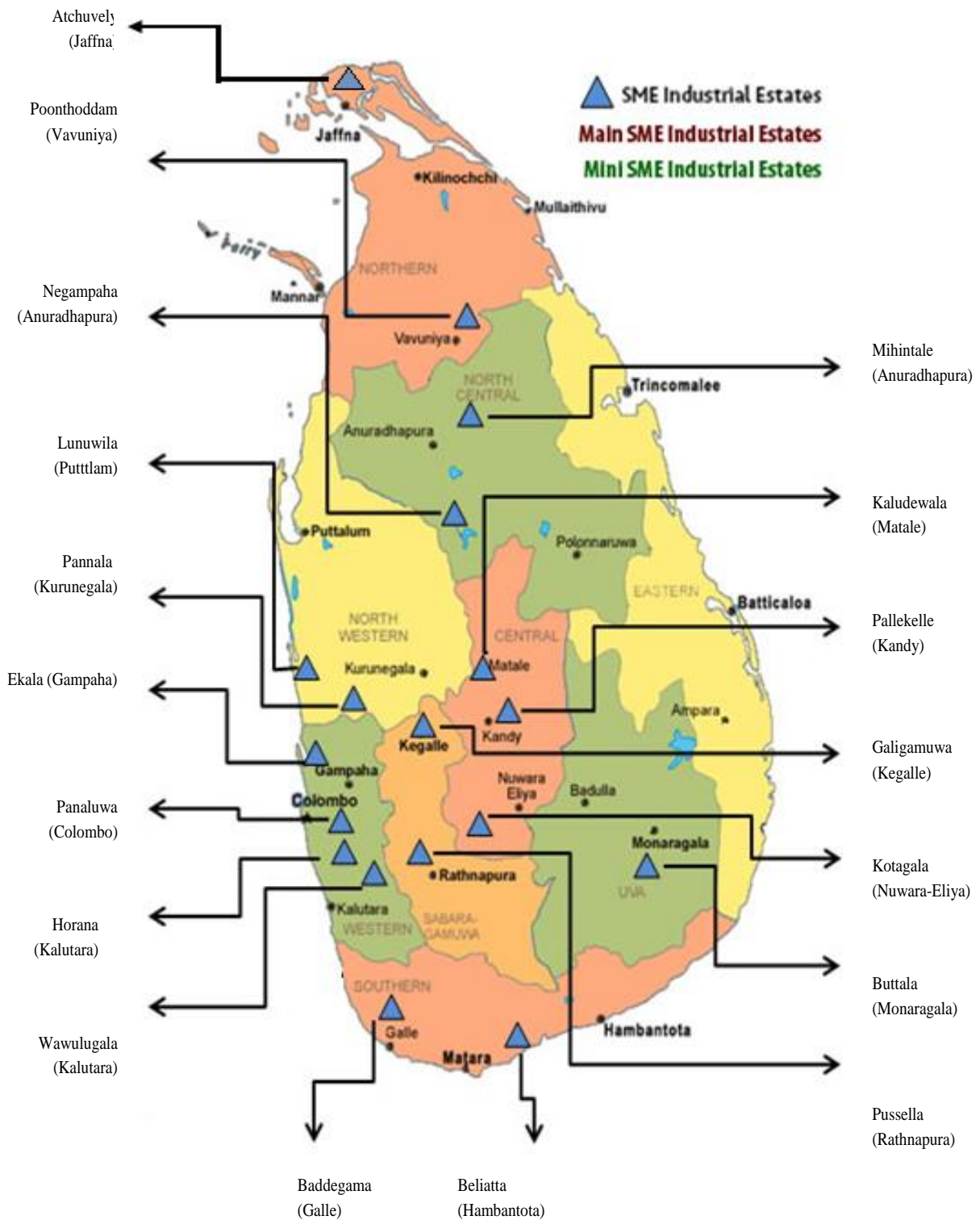
Lease Agreements for lands / ready-built buildings signed with the respective industrialists who performed business satisfactorily, for a period of 30 yrs and 20 yrs for lands and ready-built buildings respectively. Accordingly, 29 Lease Agreements were signed with the respective industrialists during the year 2018 and was able to generate Rs. 409,030.74.

Table 3.5.4 : Collection of Income

No.	Description	Amounts
01	Rent - Industrial Estates Buildings	21,095,614.75
02	Additional Building Valuation Charges	204,156.00
03	Rent - Industrial Estates Developed Plots	38,535,269.91
04	Rent - Additional Ground	1,844,376.66
05	Water Charges	6,563,329.42
06	Surcharges	1,639,626.31
07	Insurance Premium	46,587.24
	Total	69,928,960.29



The positions of the Industrial Estates in the country





3.6) Engineering Division

Engineering Division of IDB has been functioning as the leading vision sharing arm of the organization towards the sustainable industrial development of the country. Further it provides the assistance to the industrialists in order to enhance technical and operational support to achieve their objectives while utilizing scarce resources in an optimum manner. Additionally, the division executes studies regarding the fundamental factors of production (labor, technology & raw materials) of metal and non-metal products / goods manufacture of industrialists. Further assessment of equipment, machinery, plant and production facilities, prepare status reports and valuation reports for the industries and develop foundry facilities for the local metal industries to recycle the metal scrap are few other services provided by the division.

Following units are functioning under the purview of Engineering Division to execute the set targets.

- a) Head Office at Katubedda – this includes Engineering Workshop, Engineering Foundry shop, Director (Engineering) Office (for technical information & consultations, valuation reports etc.), Civil Engineering and Electrical Engineering services.
- b) Electroplating Centre (E.P.C.) - Peliyagoda.
- c) Appropriate Technology Research & Development Centre (A.T.R.D.C.)-Pannala.
- d) Common Services Centre (C.S.C.)-Matara.
- e) Brassware Services Centre – Pamunuwa.

Apart from above services units, following units are crucial to deliver expected value added services to local industries towards sustainable growth.

➤ Design and Development unit:

Identify the Industrial needs and design equipment, machineries, plant and production facilities for the sustainable economic growth of Industries and implement same in sustainable manner.

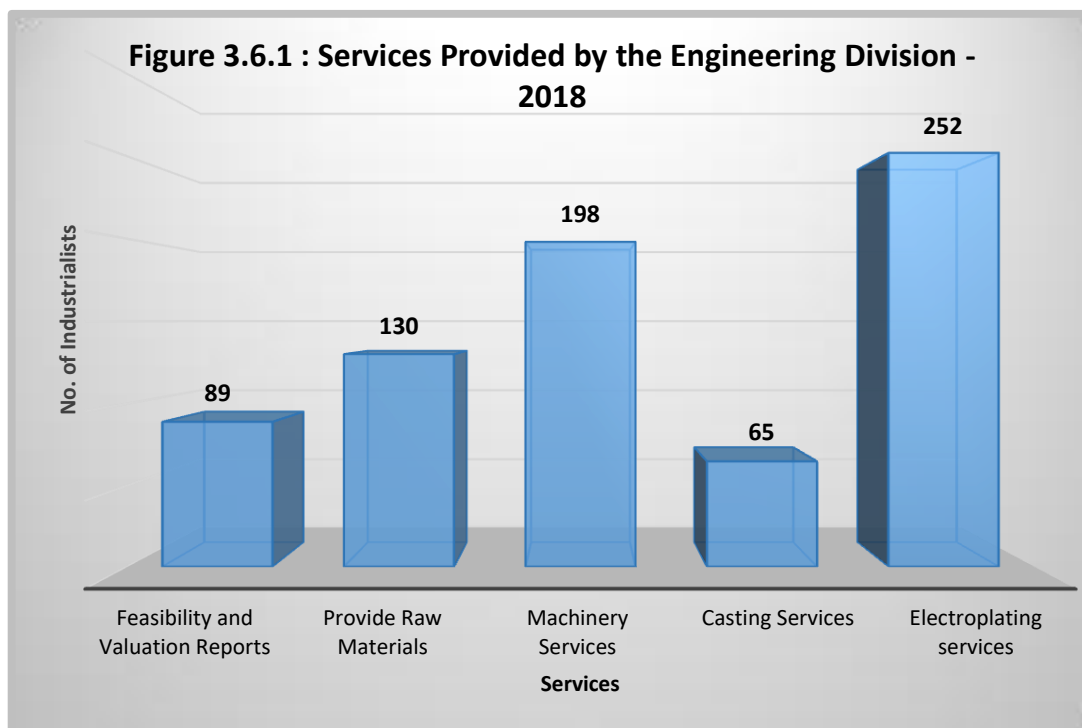
➤ Valuation & Metal Based Industrial data analysis unit:

Assessment, valuation and preparation of status report for plant, equipment, and machinery and production facility in Sri Lanka.



Table 3.6.1 : Progress of the Division- 2018

S/N	SECTION / UNIT	INCOME/ (Rs.)
External Revenue for Completed Services in 2018		
01	Engineering & Administration Staff Unit	3,479,699.49
02.	Mechanical Workshop	3,601,334.09
03.	Foundry Unit	4,040,307.70
04.	A.T.R.D.C, Pannala	4,700,691.95
05.	E.P.C. Peliyagoda	2,164,667.36
06.	C.S.C. Matara	1,655,981.62
07.	Foundry Services Centre - Pilimathalawa	442,921.09
Total		20,085,603.30
Internal Services		
01.	Mechanical Workshop	1,308,752.02
02.	Foundry Unit	758,886.09
03.	Civil Maintenance Unit	2,763,676.94
04.	Electrical Maintenance Unit	1,098,802.80
Total		5,930,117.85





Improvements & Development of Technology

(i) Metallurgy Laboratory

During the year 2018, the division has purchased and introduced new metallurgy laboratory equipment to enhance the foundry facilities for the industries in Sri Lanka.

Optical Emission Spectrometer



Source: Industrial Development Board Media Unit

➤ Metal Analysis

The Optical Emission Spectrometer represents a new class of metal analysers distinguished by improved analytical performance, greater investigative flexibility and simpler operation. The group of components that is most important for analysis excitation source, optics and read-out system is optimally adapted to each other; it is the superior analytical core of the new generation of arc/spark analyser that combines performance and flexibility.

This machine consists with a special attachment to check thin sheets and small rods. This new analyser allows the accurate analysis of all main components and trace elements in steel, iron, aluminium, copper and zinc base metals at this movement.

➤ Other metallurgy facilities available in the metallurgy laboratory

Metallurgical Testing - Carbon analysis test for metal

- Hardness test
- Elongation test
- Bending test

Metallographic Testing - Micro Structure Test for Metal

- Tensile test

Moulding Sand Test - Moisture test

- Permeability test
- Compression test
- Grain size distribution test
- Total clay content test
- Active clay content test

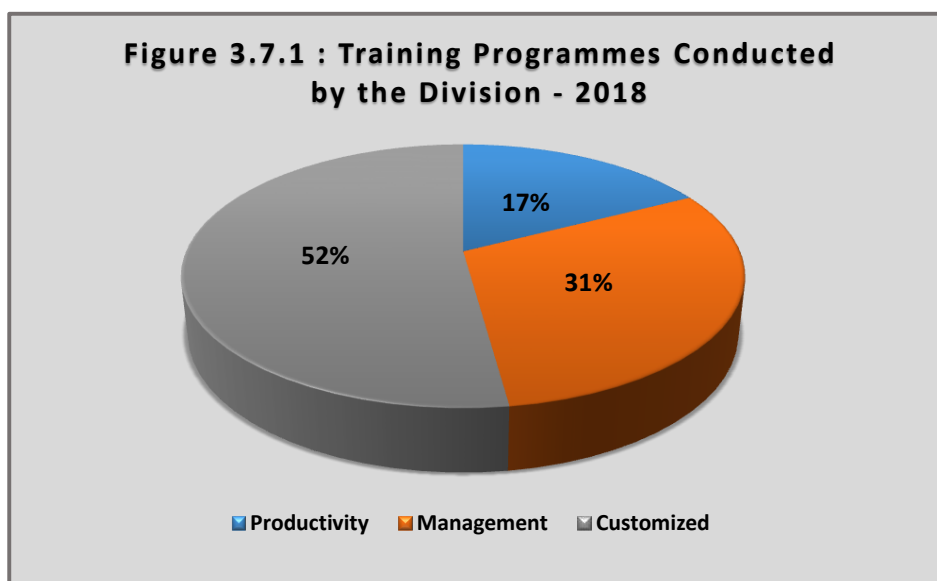


3.7) Centre for Entrepreneurship Development and Consultancy Services (CEDACS)

Centre for Entrepreneurship Development and Consultancy Services (CEDACS) is a special training division in order to create new entrepreneurial culture by introducing new managerial strategies to expand existing industries. Entrepreneurship plays an influential role in the economic growth and standard of living of the country. Entrepreneurship development and management consultancy works to strengthen entrepreneurial management skills through capacity building and training resources that foster adoption of good workplace practices in micro, small and medium enterprises. Technical know – how and business experience to local industrialists, offer counseling services, industrial information and business experience to local industries...etc are few other services provided by the division.

Table 3.7.1 : Summary of the Progress - 2018

No.	Activity	Performance Indicator	Physical Progress Achievement
01	Implement Productivity	No. of programmes Conducted	4
		No. of Industries / institutes	4
02	Conduct training programmes (Entrepreneurship Development, Marketing and Financial Management etc.)	No. of programmes Conducted	7
		No. of industrialist benefitted	161
03	Conduct customized training programs for entrepreneurs/industrialists/Go vt.& external organizations	No of customized training programs conducted	12
		No. of industrialists benefitted	298





The division contributes to the creation of an enterprise culture in a country or society by promoting awareness among young people of the opportunities and challenges of entrepreneurship and self-employment. Following are few other programmes organized by the division in order to promote an enterprise culture in organizations for higher productivity and sustainable development of enterprises.

➤ **Productivity Improvement Programme for IDB District Offices**

Centre for Entrepreneurship Development & Consultancy Services (CEDACS) division held two programmes of productivity implementation at Hambanthota and Matara district offices during the month of July. The objective of the programme was to implement productivity within the district offices and encourage them to and apply for national productivity contest under services sector category.

➤ **Business Improvement Programme for Mahaweli Entrepreneurs**

A training programme on improving entrepreneurs' business functions was organized by the division on 11th March 2018 for SMEs in Thabuthegama Mahaweli area. Programme was basically focused on marketing, costing, record keeping and business planning with practical business experience.



3.8) Technical Services Division

The Technical Services Division has been providing technological assistance needed for the potential entrepreneurs in relation to expansion, modernization, diversification and productivity improvements in the industry. In addition, the division provides training programmes, consultancy services and guidance based on the sectors of food, chemical, oil and fiber, building material and computer technology as per the requirements of the entrepreneurs. Technical services were focused on supporting potential entrepreneurs by acquiring, organizing, preserving, maintaining and providing access to physical and virtual informational resources in the most efficient, effective and innovative ways possible. In order to obtain specific needs of the potential entrepreneurs, TSD has tailored key activities through the consideration of the action plan 2018.

Major activities carried out by the division for the year 2018 are as follows.

3.8.1 Acquire Local and Foreign Technology

- **Training programme on “Essential oil, Perfumery and Aromatherapy” – FFDC, Kannauj, India**

IDB in collaboration with the Fragrance & Flavour Development Centre (FFDC) in India organized a Training programme on “Essential oil, Perfumery & Aromatherapy” in India. The objective of this programme was to provide a comprehensive knowledge on primary and advanced processing of essential oils including value addition of medicinal and aromatic plants.

Further the training offered an enriching platform, not only for furthering knowledge, but for networking and forging business relationships as well. During the session they were covered, distillation techniques, quality assessment of fragrant raw materials, fragrance and flavour creation, application of fragrances in different products and use of essential oils in aromatherapy. Practical demonstrations on oleoresin production, floral oil extraction (attar manufacturing process) and hydro and steam distillation techniques were conducted in pilot plants at FFDC and helped to provide firsthand knowledge on manufacturing processes for the participants. Further, the participatory companies were able to create links with the relevant Indian institutes like the National Botanical Research Institute in Lucknow and Fragrance and Flavour Association of India for mutual benefits.

3.8.2 Assist to product / process development

- **Small – scale chemical industry development pilot project in Western Province – 2018**

The Technical Services Division of the IDB introduced a pilot project for the development of 12 promising small-scale chemical industries in Western Province to improve the overall performance of the chemical industry by offering a part financial grant for quality and productivity improvements in industries. Under this scheme the selected industries were required to invest a minimum amount of Rs. 600,000/- for improvement of their products and processes and the IDB reimbursed 50% of the total project cost up to a maximum of Rs. 300,000/- (excluding consultancy and factory modifications) upon the successful completion of the project. Out of the selected 11 industries, eight industries namely, Latex Lanka International (Pvt.) Ltd, Grestone Chemicals (Pvt.) Ltd, RYC Color (Pvt.) Ltd, Bio Nutri International (Pvt.) Ltd, Dhanushaka Paints & Chemicals (Pvt.) Ltd, Nestchem Lanka (Pvt.) Ltd, Silver Star Industries & Unique Multi Artistes were successfully completed their projects in December 2018.



➤ **Enhance export potential of Fiber glass reinforced products in Sri Lanka**

TSD in consultation with the Boat Building Technology Improvement Institute Lanka (Pvt.) Ltd in Panadura successfully conducted a three-day training programme to encourage new entrants to the fiber glass industry sector and to enhance the export potential of existing industries in Sri Lanka.

➤ **Product development work**

An undergraduate research project has demonstrated along with Sri Jayewardenepura, to examine the possibility of incorporating *Ulva lactuca*, seaweed readily available in the Southern coastal belt of Sri Lanka, into bakery products. Additionally, a Rice and jackfruit seed based muffin, green tea (“matcha” powder) based cookie and bottled okra were developed through R&D activities at the TSD.

3.8.3 MoU between IDB and PRISL

A memorandum of understanding (MoU) was signed between the IDB and the Plastics and Rubber Institution of Sri Lanka (PRISL) on 21st February 2018. The PRISL is the national professional institution established to assist the members who are involved in the field of plastic and rubber. Through this MoU it focuses on comprehensive assessment of technology needs and implementation of programmes to fulfill the identified gaps for Small and Medium Industries in Sri Lanka.



Source: Industrial Development Board Newsletter (January-March 2018)

3.8.4 MoU between IDB and Sri Lanka Handicrafts Board (Laksala)

A memorandum of understanding (MoU) was signed on 23rd March 2018 between the Industrial Development Board and the Sri Lanka Handicrafts Board (Laksala). This MoU focuses to provide skill development training on wood technology to fulfill the needs of Small and Medium Industries as well as of Youth in Sri Lanka. It has been recognized that a great service could be extended towards the development of wood sector through this collaboration between IDB and Laksala.



Source: Industrial Development Board Newsletter (January-March 2018)

The both IDB & Laksala have identified that the major problem faced by the industries in wood sector is the lack of skilled labour and therefore decided to establish a training centre at Katubedda for wood sector by utilizing the existing buildings and machinery owned by Laksala. The intention of establishing this proposed Training Centre is to attract the youth of the country and make them serve to acquire skill and there after find employment locally and internationally in wood-based industries.



Further at present industries face a problem due to lack of skilled labor. The centre's mission is to provide the new learning opportunities by conducting NVQ level programmes to meet the needs of Sri Lankans. Wood craftsman on building and furniture is a potential key area in Sri Lankan wood industry. Therefore this project envisages to a high value addition and productivity platform, ensuring a higher national income.

Objectives of the project are:

- To provide skill development training on wood technology such as wood craftsmanship for building & furniture.
- To manufacture and supply of furniture for the government institutes.
- To introduce new machinery and modern technology for the industrialists.
- To provide facility for wood treatment and Kiln drying.
- To introduce new products and new designs for wood industry sector.

3.8.5 Conducting Customized Training Programmes

Fourteen (14) customized training programmes were conducted in and out of the Technical Services Division with the participation of 374 industrialists.

Table 3.8.1 : Customized Training Programmes

No.	Name of the programme	Funding agency
01	Training Programme on "Yoghurt, curd and rice based products" -Kandakadu (3 rd -5 th January,2018)	Bureau of the Commissioner General Rehabilitation
02	Training Programme on "Bakery Products Technology" - Kandakadu (22 nd -24 th ,January,2018)	Bureau of the Commissioner General Rehabilitation
03	Training Programme on "Chutney & Pickles" - Maligawatta (25 th January,2018)	Muslim Aid Sri Lanka
04	Training Programme on "Bakery Products Technology"- Maligawatta (08 th February,2018)	Muslim Aid Sri Lanka
05	Training Programme on "Bakery Products Technology (Cup cakes & B'day cakes)" - Maligawatta (06 th March,2018)	Muslim Aid Sri Lanka
06	Training Programme on "Murukku & Bite mixtures" - Kandakadu (6 th -8 th April,2018)	Bureau of the Commissioner General Rehabilitation
07	Training Programme on "Sesame based products" (30 th May,2018)	Ministry of Science & Technology
08	Training Programme on "Yoghurt Technology" (30 th June,2018)	Industrialist in Bangladesh



No.	Name of the programme	Funding agency
09	Training Programme on “ Fibre glass reinforced products technology” (16 th -17 th , August,2018)	National Youth Centre, Maharagama
10	Training Programme on “Milk based products technology” (19 th -20 th , September,2018)	National Youth Centre, Maharagama
11	Training Programme on “Food Packaging Technology” -Labuduwa (31 st August,2018)	Matara district Agriculture extension office
12	Training Programme on “Waste Management Technology” for school teachers (29 th October,2018)	National Institute of Education, Maharagama
13	Training Programme on “ Pizza, Seeni Sambol bun & Samosa” (19 th November,2018)	Divisional Secretariat Office in Ratmalana
14	Training Programme on “ Bread, Fish bun & Pastry” (05 th December,2018)	Divisional Secretariat Office in Ratmalana

Six (06) Industrial Certificate Courses were completed in 2018 with the participation of 136 students and industrialists.

Table 3.8.2 : Conducted training programmes for industrial certificate courses

No	Name of the course	Time duration
01	Certificate Course in Computer Hardware & Networking (11 th Batch)	December,2017 -09 th February,2018
02	Certificate Course in Spice Processing Technology (04 th Batch)	27 th January,2018 -07 th April,2018
03	Certificate Course in Computer Hardware & Networking (12 th Batch)	14 th February,2018 – 30 th May,2018
04	Certificate Course in Computer Hardware & Networking (13 th Batch)	07 th June,2018 -31 st August,2018
05	Certificate Course in Manufacture of Bottled Drinking Water (02 nd batch)	11 th August,2018
06	Certificate Course in Computer Hardware & Networking (14 th Batch)	06 th September,2018 -12 th December,2018

**Table 3.8.3 : Transfer of appropriate foreign and local technology**

No.	Programme Description
01	Training Programme on “Smoked & Dried fish” conducted in consultation with the National Aquatic Resources and Development Agency (31 st July,2018)
02	Training Programme on “ Tea value addition” conducted in consultation with the Amazon Trading (Pvt.)Ltd (26 th October,2018)
03	Training Programme on “Manufacturing & Quality assurance of Virgin coconut oil” conducted in consultation with the Coconut Research Institute. (30 th October,2018)
04	Training Programme on “Rice bread, Kurakkan bread & Rice fish bun”. (02 nd November,2018)
05	Training Programme on “Paper pulp based products” conducted in consultation with the National Design Centre. (23 rd November,2018)
06	Training Programme on “Paving blocks, decorative material and Titanium dioxide based flower pots” - Kotmale conducted in consultation with the Vocational Training Centre in Peradeniya. (19 th -20 th November,2018)
07	Training Programme on “Coir pots” conducted in consultation with the Rubber Division of IDB. (29 th November,2018)
08	Training Programme on “Rice based products” conducted in consultation with the Food research Unit in Gannoruwa. (18 th December,2018)
09	Training Programme on “Handmade Paer based products” conducted in consultation with the Madhura Eco Craft in Hikkaduwa. (16 th December 2018).
10	Training Programme on “Enhance export potential of Fibre glass reinforced products in Sri Lanka” conducted in consultation with the Boat Building Technology Improvement Institute Lanka (Pvt.) Ltd in Panadura (26 th -28 th December,2018)

3.8.6 Conduct Technology Transfer Workshops

Ninety-three (93) Technology workshops were conducted under food, chemical, oil & fiber and building materials sub-sectors in and out of the Technical Services Division and overall 2343 Individuals were trained and supported through these workshops.

As per the overall progress, the Technical Services Division has earned Rs. 9,887,000 from training programmes throughout the financial year of 2018.



3.9) Centre for Development of Leather Products and Footwear (CDLPPF)

The Footwear and Leather Products industry, which is highly labour intensive, clearly has a greater potential for employment generation and foreign exchange earnings. Value addition in the Footwear and Leather product sector is between 40% to 75%. At Present the footwear and Leather industry and its supporting industries, including the marketing chain employs around 300,000 people directly and indirectly. The Centre for the Development of Leather Products & Footwear was established in 1998 with the purpose of development of leather sector in Sri Lanka. The Leather Division is an essential sector which produces export quality final goods with high added value. Further the centre facilitates technology transfer workshops on both leather and footwear to assist the industrialists to associate with more qualified and skilled employees in the market to develop production competencies. Additionally, the centre provides the guidance required for the upcoming industrialists on footwear design and pattern making in order to upgrade the local industries related to the manufacture of footwear and leather goods.

Special Events carried out by the Division

- The funds received from government and nongovernmental organizations were utilized to conduct technology transfer programs on footwear leather goods manufacturing in Anuradhapura, Batticaloa, Colombo, Gampaha, Kandy, Kilinochchi, Kurunegala, Matale, Polonnaruwa, Vavuniya districts. Further 27 training programmes were carried out for 594 Entrepreneurs Island wide to assist them to find jobs in private sector and commence self-employment projects. The total amount earned from the project was Rs. 4,076,000.
- Three training programmes were conducted for the employees working in the footwear sector on footwear design and pattern making. Under the project, it has provided highly skilled designers with modern pattern making and footwear designing techniques and earned Rs. 356,000.
- Two training programmes were conducted for bag manufacturing sector on bag designing and pattern making. Entrepreneurs from Kilinochchi and Anuradhapura districts were participated for these programmes and the total revenue generated was Rs. 253,000.
- Enhanced the product quality of small scale footwear manufacturers to compete with the existing market and also imported products. 119 participants were participated for this activity according to the areas of Colombo, Kandy, Kurunegala, Polonnaruwa.
- Two programmes were conducted on building awareness on manufacturing and management skills in Kandy and Kurunegala Districts by the coordination of the IDB District Offices.
- Training programmes were organized for footwear and bag manufacturers on leather goods manufacturing machineries repairing and created a platform required to buildup relationships between manufacturers and suppliers.
- Participated for various committees with association of other Ministries in order to develop the footwear and leather manufacturing sector in Sri Lanka.
- Facilitated the University students with relevant resources and knowledge on Visual Arts and Performing Arts required for their practical projects and Industrial exposure.



- Provide processing facilities for manufacturers and incubator facilities for those who were trained under IDB and keen to start footwear industries to reduce the risk of their initial investment. Total earning of the services provided Rs. 143,000.
- Based on the funds received by the Commissioner General of Rehabilitation, 12 training programmes were conducted on footwear, bags and other leather goods manufacturing at Polonnaruwa and Vavuniya rehabilitation centres.
- In order to adjoin the Army Soldiers to the Footwear and Leather goods manufacturing industry, few workshops and field visits were arranged to provide job opportunities, enhance their livelihood and skills for the relevant stream.
- Maintain a database on footwear and leather goods manufacturers and training institute in Sri Lanka.
- Total income of the centre for the year 2018 was Rs. 6.5 million.
- A design Competition has organized under the categorization of ladies and gents foot wear, leather products including ladies hand bags, travelling bags and backpacks. This mainly focused to provide opportunity for upcoming young designers to showcase their talents.

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

The Rubber Products Development and Services Centre at Paliyagoda is established for the purpose of providing services for the industrialists related to product development and testing facilities, extension and consultancy services, compounding of natural and synthetic rubber as per tailor made competitions, sale of chemical and other processing agents. IDB is to be proud of itself for been one of the manufacturers of value added rubber products by processing raw rubber for internationally acclaimed and accepted quality with material properties.

Rubber Products Development and Services Centre provides technical services and information, expert consultancy, advisory services related to rubber and rubber based products...etc. The division collectively have a range of portfolio of different products comprises of items such as solid tyres, latex gloves, rubber bands, extrusions, mats, other miscellaneous goods etc. The versatility and experience of the technologists and designers enables the manufacturer of rubber products to suit the stringent and competitive requirements of the marketplace.

In order to upgrade the service potential of the IDB Rubber centre, they have purchased a Tensometer which is suitable for tension, compression, flexure, shear and other tests. The capacity of issuing the test reports with detailed information which was conducted for the tensile properties of rubber specimens were increased using newly installed "High Technology Tensile Testing Machine".



Source: Industrial Development Board Newsletter (July-September 2018)



Table 3.10.1 : Services provided by the centre for the year 2018

No.	Services	Measuring Indicator	Nos.
(01)	Transfer of technology	No. of Clients	17
	Training programmes	No. of Clients	32
(02)	Testing facilities (This includes testing facilities to industrialists manufacturing rubber products for export market)	No. of Jobs	134
(03)	Sub contract opportunities	No. of Jobs	06
(04)	Product Development and Diversification	No. of Jobs	19
(05)	Technical consultancy	Nos.	123

3.10.1 Development Activities:

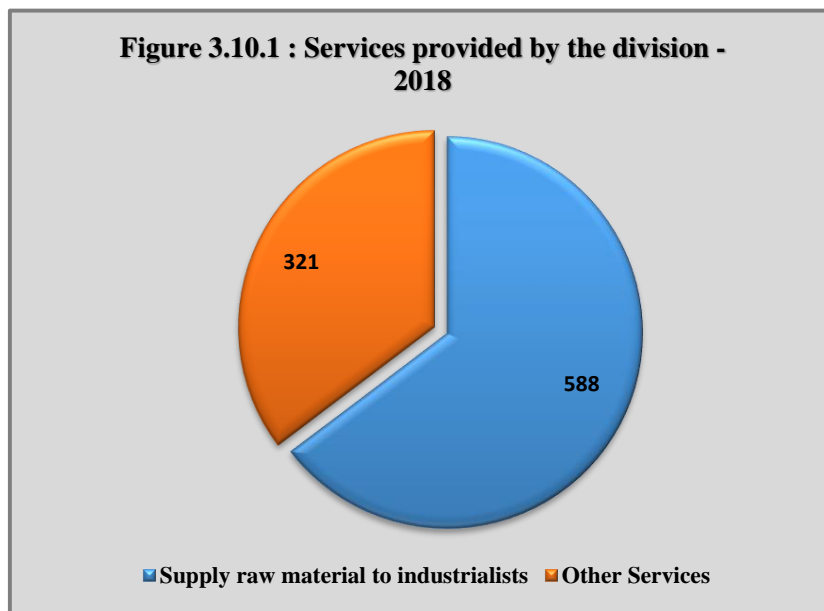
The following Designing & Development Compounds, Quality improvement and product Development work were completed during the year 2018.

(01)	Designing & Development of Special jobs Total value: Rs. 1,305,000
	Products
i	Door Gate seals
ii	Trolley wheels for sludge plant
iii	Mud survival packing
iv	Food grade letter set
v	Gasket rubber rings
vi	Gas knobs
(02)	Quality Improvement Activities: Total value: Rs. 37,400
	Products
i	Tyre Tread
ii	Dock Fenders
iii	Rubber Beadings
iv	Door Gate seals
v	Exercises Rubber band
vi	Lip seals
vii	Latex Gloves



(03)	Main Compound development jobs Total value: Rs. 155,000
	Product
i	Tyre thread
ii	Rubber mounting bush
iii	Water seal
iv	Rubber boot
v	Rubber mount
vi	Break washer
vii	Rubber bush
x	Propeller bush
xi	Toys (food grade)
xii	Feeding Roller (food grade)

To promote new entrepreneurs and upgrade the quality of products manufactured by the existing entrepreneurs, the Centre has conducted 08 technology demonstrations on dry rubber and latex based products during the year 2018. Further they were organized practical classes for the students who follow the diploma course in Rubber Technology which were conducted by the Plastics and Rubber Institute of Sri Lanka. In 2018 the total income generated from the Technical and Commercial operations amounting was Rs.22 million (without VAT & NBT).





4) FINANCIAL REVIEW

**INDUSTRIAL DEVELOPMENT BOARD OF CEYLON****Comprehensive Statement of Financial Position as at 31st December 2018**

(all amounts in LKR)

ASSETS	Note	2018	2017
Non Current Assets			
Property Plant & Equipment	13	1,517,011,982	1,451,043,622
Capital Work-in-Progress		93,030,832	33,744,045
Fixed Deposits	14	66,023,698	59,764,317
		<u>1,676,066,512</u>	<u>1,544,551,984</u>
Current Assets			
Inventories	15	21,441,203	22,150,901
Trade & Other Receivables	16	26,096,845	19,269,861
Other Current Assets	17	65,867,141	108,821,480
Deposits & Pre-Payments	18	23,178,068	32,913,210
Receivable - Special Projects	19	13,818,107	6,676,099
Cash & Cash Equivalents	20	88,928,752	108,805,600
		<u>239,330,115</u>	<u>298,637,150</u>
Total Assets		<u>1,915,396,627</u>	<u>1,843,189,134</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Deffered Capital Grant	21	295,899,850	289,185,401
Capital Reserves		6,243,013	6,243,013
Value of Assets Transferred	22	13,447,061	13,447,061
Surplus on Revaluation of Fixed Assets	23	982,704,132	988,387,631
Deffered Government Grants - Capital Projects	24	481,431,241	391,692,201
		<u>1,779,725,297</u>	<u>1,688,955,307</u>
Government Grants		-	1,930,291,117
Accumulated Losses	25	(269,047,195)	(2,203,038,173)
		<u>(269,047,195)</u>	<u>(272,747,056)</u>
Total Equity		<u>1,510,678,102</u>	<u>1,416,208,251</u>
Non Current Liabilities			
Provision for Gratuity	26	165,915,476	149,510,467
Grants for Special Projects	27	31,862,586	15,508,332
		<u>197,778,062</u>	<u>165,018,798</u>
Current Liabilities			
Dues to Government	28	75,279	84,059
Dues to Corporation	29	7,494,742	27,469,211
Bank Credit Balances	20	37,478,289	38,761,209
Provisions and Accrued Expenses	30	161,892,154	195,647,606
		<u>206,940,463</u>	<u>261,962,085</u>
		<u>1,915,396,627</u>	<u>1,843,189,134</u>

Director Finance

"The Accounting policies on pages 05 to 15 and Notes on 16 to 28 from an integral part of these Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements."

Chairman

Member of the board(1)

Member of the board(2)

**INDUSTRIAL DEVELOPMENT BOARD OF CEYLON****Comprehensive Income Statement for the year ended 31st December 2018**

(all amounts in LKR)

	Notes	2018	2017
Revenue	05	465,560,559	283,928,764
Cost of Sales & Services	06	<u>(323,131,381)</u>	<u>(186,709,232)</u>
Gross Profit		<u>142,429,178</u>	<u>97,219,533</u>
Other Income	07	107,469,751	88,364,701
Government Recurrent Grant	08	295,000,000	278,000,000
Administration Expenses	09	(549,535,526)	(490,715,818)
Sales Distribution Expenses	10	<u>13,485,125</u>	<u>13,993,716</u>
Results from Operating Activities		8,848,528	(13,137,868)
Finance Costs	11	(4,387,319)	(4,990,928)
Net Income/(Loss) Before Tax		<u>4,461,209</u>	<u>(18,128,796)</u>
Other Comprehensive Income	12	(3,060,717)	605,676
Net Income /(Loss) for the year		<u>1,400,492</u>	<u>(17,523,120)</u>
Extra Ordinary Items	15	(996,420)	-
Total Comprehensive (Loss)/Income After Extra Ordinary Items		<u>404,072</u>	<u>(17,523,120)</u>


INDUSTRIAL DEVELOPMENT BOARD OF CEYLON
Statement of changes in equity

(all amounts in LKR)

	Deffered Capital Grant	Capital & Reserve	Value of Asset Transferred	Revaluation Surplus	Deffered Government Grants - Projects	Government Grant	Accumulated Excess/Defecit	Total
Balance as at 01 January 2017	282,787,422	6,243,013	13,447,061	961,817,783	357,657,514	1,930,291,117	(2,154,331,322)	1,397,912,592
Transfer to special project	-	-	-	-	(15,000,000)	-	-	(15,000,000)
	282,787,422	6,243,013	13,447,061	961,817,783	342,657,514	1,930,291,117	(2,154,331,322)	1,382,912,592
Prior- year adjustment	-	-	-	-	-	-	(31,183,732)	(31,183,732)
Profit for the year	-	-	-	-	-	-	(17,523,120)	(17,523,120)
Prior- year adjustment	-	-	-	26,569,849	-	-	-	26,569,849
Government Grants	55,000,000	-	-	-	66,953,882	-	-	121,953,882
Amotization of the Grants	(48,602,021)	-	-	-	(17,919,195)	-	-	(66,521,216)
Balance as at 31 December 2017	289,185,400	6,243,013	13,447,061	988,387,632	391,692,201	1,930,291,117	(2,203,038,174)	1,416,208,255
Balance as at 01 January 2018	289,185,400	6,243,013	13,447,061	988,387,632	391,692,201	1,930,291,117	(2,203,038,174)	1,416,208,255
Recurrent grant transfered to accumulated Excess/Defecit	-	-	-	-	-	(1,930,291,117)	1,930,291,117	-
	289,185,400	6,243,013	13,447,061	988,387,632	391,692,201	-	(272,747,057)	1,416,208,255
Prior- year adjustment	-	-	-	-	-	-	(2,387,712)	(2,387,712)
Revaluation Surplus on Sold Vehicles	-	-	-	(5,683,500)	-	-	5,683,500	-
Profit for the year	-	-	-	-	-	-	404,072	404,072
Government Grants	65,143,000	-	-	-	114,522,925	-	-	179,665,925
Amotization of the Grants	(58,428,551)	-	-	-	(24,783,885)	-	-	(83,212,436)
Balance as at 31 December 2018	295,899,850	6,243,013	13,447,061	982,704,132	481,431,241	-	(269,047,196)	1,510,678,105



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Statement of Cash Flow for the year ended 31st December 2018

(all amounts in LKR)

Net (Loss)/Income for the year		404,072
Adjustment for Non Cash Items		
Depreciation	47,640,463	
Provisions for Loan & Advances	(954,632)	
Provisions for Non-Moving Stock	183,177	
Provision for Loss of Brass Ingots	996,420	
Provision for Staff Bonus	2,170,000	
Provision for Labour Cases	341,018	
Profit on Sale of Property Plant & Equipment	(2,409,234)	
Amortisation of Capital Grants	(83,212,436)	
Amortisation of Special Projects	(2,287,743)	
Bad & doubtful debts	(13,682,665)	
Interest Income	(10,553,462)	
Retirement Benefit Obligation	30,639,133	(31,129,960)
		(30,725,887)
Retirement Benefit Obligation Paid		(14,234,124)
		(44,960,011)
CHANGES IN WORKING CAPITAL		
(Increase)/Decrease in inventories	(469,898)	
(Increase)/Decrease in Debtors & Receivables	4,313,885	
(Increase)/Decrease in Other Current Assets net	43,044,865	
(Increase)/Decrease in Prepayments net	10,749,497	
Increase/(Decrease) in Dues to Government	(8,780)	
(Increase)/Decrease in Creditors & Accrued Charges	(33,755,452)	
Increase/(Decrease) in Dues to Corporations	(19,974,469)	3,899,647
CASH GENERATED FROM OPERATIONS		(41,060,364)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Investment in Fixed deposits	(6,259,381)	
Amount Invested on Capital WIP	(59,286,788)	
Proceeds from Sale of Property Plant & Equipment	5,060,300	
Interest Income	10,553,462	
Acquisition/construction of Property Plant & Equipment	(119,531,877)	(169,464,284)
		(210,524,648)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant Received-Capital Projects	114,522,925	
Grant Received-Special Projects	75,397,215	
Grant Received-Capital	65,143,000	
Investment in Special Projects	(63,132,419)	191,930,720
		(18,593,927)
Add: Cash and Cash Equivalents as at 01.01.2018		70,044,390
Cash and Cash Equivalents as at 31.12.2018		51,450,463



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Significant accounting policies and notes to the financial statements

1. General Information

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

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

2. Summary of Significant Accounting Policies

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

The financial statements of the board are prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

2.2 Property, plant and equipment

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

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

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



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd..)

2.2 Property, plant and equipment (cond..)

(b) Depreciation

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

1	Land Improvement and Building	2.5%
2.	Computer Software	7%
3.	Plant & Machinery, Printing Machinery, Office Equipment, Lab Equipment, Furniture & Fittings, Bicycle, Sundry Assets, Utility Services, PABX Services and Other assets	10%
4.	Computer and Motor Vehicles	20%
5.	Tools, Books and Travelling bags	25%

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

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

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


INDUSTRIAL DEVELOPMENT BOARD OF CEYLON
Notes to the financial statements (contd..)
2:3:1: The following Lands are not capitalised by IDB since there is no legal ownership, but they are used by IDB:

No	District of the land situated	Area			Objective of the using	When possession taken place	Reason do not acquire	Action taken for acquire
		Acre	Rood	Perch				
1	Anuradhapura		1	20	Regional office	From 1971	Government land	Ownership wasted by a lease agreement
					Common service center		Government land	Possession given but ownership not transferred
2	Polonnaruwa		3	26.6	Regional office & circuit bungalow	From 1992	Government land	Handed over to GA
3	Mathara	1	1	6.2	Regional office & Common service center			Possession transferred to the board by additional register of land Mathara by a letter
4	Hambanthota				Regional office	From 2006	Approval given to develop the land	
					Leather center Vitharandeniya			Request made to divisional secretariat to acquire the land
5	Monaragala			48	Regional office		Government land	For the purpose of using, Possession given to the board by a letter
6	Badulla			50	"Gam uda" center Mahiyanganaya	From 1997		Possession transferred to the board by Samurdhi bank, Mahiyanganaya
7	Colombo	1.2953 Hec			Head office		Ownership dept; of Small Industries	Requested by a letter to respective institutions to acquire
					Nawabima Center			
8	Colombo	0.4046 Hec			Rubber Development Center	From 1980	On 99-year lease	
9	Ampara				Regional office		Government land	Transferred by a letter
10	Colombo	13	2	6	Industrial Estate, Panaluwa	From 2006		Cabinet paper has been approved. Acquisition procedure is in progress.
11	Baddegama	1	2	0.5	Industrial Estate	From 1992		Discussion have been conducted between IDB and LRC for transferring lands to LRC
12	Beliaththa	10	0	29.2	Industrial Estate	From 1995		



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd..)

2:4 Financial assets

2:4:1 Classification

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

Loans and receivables:

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

2.4.2 Recognition of financial asset

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

2.4.3 Offsetting financial instruments

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

2.4.4 Impairment of financial assets

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

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

IDB first assesses whether objective evidence of impairment exists.

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

Impairment testing of trade receivables is described in Note 2.10.

2.5 Financial liabilities

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



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd..)

2.6 Inventories

Inventories are valued at the cost or net realizable value whichever is lower. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The cost incurred in bringing inventories to its present location and condition are accounted as follows.

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

2.7 Trade receivables

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

A provision for impairment of trade receivables is established when there is objective evidence that IDB will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Provision is calculated as follows from 2018:

Current year	0%
Year 01 to 02	10%
Year 03 to 05	25%
Over 05 years	100%

2.8 Cash and cash equivalents

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

2.9 Provisions

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

2.10 Trade and other payables

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



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd..)

2.11 Defined benefit plan

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

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

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

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

2.12 Defined contribution plan

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

2.13 Investments

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

2.14 Government grants

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

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

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

2.15 Donation

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

2.16 Revenue recognition

(a) Goods sold and services rendered

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



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd..)

(b) Interest income

Interest income is recognized on a time-proportion basis.

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

2.17 Expenditure recognition

(a) Operating expenses

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

(b) Net financing costs

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

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

3. Financial Risk Management

3.1 Financial risk factors

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

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

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table show the maximum risk positions. (as at 31.12.2018)

	Trade and other Receivables	Amount due from related parties	Cash & cash equivalents	Total
Risk exposure				
Trade and other receivables	26,096,845	-	-	26,096,845
Cash & cash Equivalents	-	-	88,928,752	88,928,752
Total	26,096,845	-	88,928,752	115,025,597



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd..)

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. IDB exposure to the risk of changes in market interest rates relates to primarily to IDB's long-term debt obligations with floating rates. IDB manages its interest rate risk by daily monitoring and managing cash flows, keeping borrowings to a minimum, negotiating favorable rates on borrowings and deposits.

IDB is not exposed to interest rate risk as at 31 December 2018, as IDB does not have any borrowing at variable rates of interest.

(ii) Credit risk

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

3.2 Capital management

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

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

The gearing ratio at 31st December 2018 was as follows.

	<u>2018</u>	<u>2017</u>
Total borrowings	404,718,525	426,980,883
Total equity	1,510,678,102	1,416,208,251
Gearing ratio	<u>26.79%</u>	<u>30.15%</u>

No long term borrowings were obtained. However, overdraft facility of Rs.45 million have been arranged against the security of Rs.50 million fixed deposits at 2.5% additional interest. This facilitated us to earn an extra income by way of interest on investment of excess funds.

4. Information about key sources of estimation, uncertainty and judgements

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

4.1 Critical accounting estimates and assumptions

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



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd..)

(a) Defined benefit plan - Gratuity

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 26.

(b) Useful lives of property, plant and equipment

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

4.2 Contingent Liabilities

As at the end of the financial year there were 06 court cases outstanding against the organization. However according to the legal division there were no possibility of payment of any compensation as a result of these cases. Hence no liability has arisen to make any provision.

5. Reclassifications & Comparative Figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements where necessary. Comparative figures have been adjusted to conform to the current year's presentation.



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

05 Revenue

	2018	2017
5 a Sales		
Sales	36,665,907	33,317,192
Sales (Non Ferrous Project)	325,798,660	159,591,517
Sales of Income Casper	1,714,430	2,303,535
Sales of Publications	217,748	315,090
	364,396,745	195,527,334
5 b Services		
Rent - Industrial Estates	61,726,005	53,354,903
Water Charges	6,563,329	6,857,973
Surcharges	1,639,626	2,536,507
Training Programme	23,853,311	20,119,680
Project Reports	5,001,650	2,341,673
Service Charges	2,379,893	3,190,695
	101,163,814	88,401,431
	465,560,559	283,928,764

06 Cost of Sales & Services

	2018	2017
Cost of Sales - Direct Materials	22,237,790	22,765,427
Cost of Sales-Industrial Estates	6,162,131	5,550,817
Cost of Sales - Non Ferrous Scrap Project	245,881,800	109,707,224
Cost of Sales - Direct Labour	3,870,969	2,748,122
Cost of Sales - Indirect Materials	3,191,749	3,060,601
Cost Of Sales Processing	16,500	310,277
Maintanance of Plant & Mechinery	313,687	1,055,784
Power	3,912,124	3,119,129
Depreciation of Plant & Mechinery	1,438,370	1,438,790
Depreciation of Land improvement	7,178,075	5,720,723
Depreciation of Buildings	7,218,572	7,213,999
Depreciation of Utility Services	906,439	853,700
Charges Of Engineering Works	63,377	248,903
Sub Contract Charges	538,150	81,240
Maintenance of Industrial Estates	3,277,087	1,692,191
Maintenance of Lab Equipment	48,804	17,400
Maintenance of Tools & Spares	13,075	52,167
Transport Charges	1,236,351	1,327,033
Training Programmes	15,626,333	19,745,704
	323,131,381	186,709,232


INDUSTRIAL DEVELOPMENT BOARD OF CEYLON
Notes to the financial statements (contd)

(all amounts in LKR)

07 Other Income

	2018	2017
Amortization of Capital Grant	83,212,436	66,521,216
Amortization of Grants - Special Projects	41,652,451	137,863
Expenses for Special Projects	(39,364,709)	(1,158,065)
Project Administration Cost Recoveries	439,550	495,804
Fixed & Short Term Deposits Interest	10,481,107	13,009,324
Sundry Income	1,678,279	1,876,656
Commissiton (Sub- contracting Exchange)	199,219	572,220
Commissions - Lakkam Center	2,393,144	1,942,053
Registraion of Suppliers	982,820	1,706,908
Non-Refundable Tender Deposits	-	22,000
Lakkam Hall Charges	23,000	20,000
Notarial Fees	453,865	702,601
Penalties	374,242	51,242
Web Publishing Income	51,700	109,725
Visiting Bangalow Charges	64,922	222,176
Profit on Sales of Fixed Assets	2,409,234	-
Savings Interest	72,355	69,690
Service Charges For Lab Test	352,896	379,365
Staff Loan Interest	1,860,380	1,683,923
Exhibition Income	132,859	-
	107,469,751	88,364,701

08 Grants

	2018	2017
Revenue Grants	295,000,000	278,000,000

09 Administration Expenses

	2018	2017
Basic Salaries	222,447,430	186,856,568
Chairman's Remuneration	787,500	900,000
Special Allowance 5%	15,070,863	34,112,581
C. O. L. Allowance	50,214,490	48,744,758
Other Allowance	30,586,049	15,830,188
EPF (Contribution)	34,204,035	28,604,422
ETF (Contribution)	8,551,009	7,151,105
ETF arrears for COL	-	1,738,982
Bonus for Board Employees	2,170,000	1,341,000
Gratuity	27,578,417	20,611,388
Training Allowances	452,475	1,248,800
Daily paid & care taker allowances	2,314,334	3,856,706
Unutilized Medical Leave Encashment	16,905,844	14,438,949
Overtime	18,097,115	10,980,737
Holiday Pay	2,017,961	1,377,403
Travelling (Local)	6,567,935	5,891,021
Travelling (Foreign)	1,945,926	530,246
Lodging Expenses	80,151	127,900
Stationary & Office Requisites	4,897,869	4,900,154
Fuel Expenses	5,323,272	5,061,587
Uniforms	1,775,667	1,760,771
Maintenance of Land	301,780	381,066
Maintenance of Building	1,123,953	2,091,139



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

09 Administrative Expenses (contd)

Maintenance of Plant & Machinery	282,760	543,073
Maintenance of Computers & Accessories	644,747	625,737
Maintenance of Motor Vehicle	4,525,439	4,671,901
Office Maintenance Expenses	7,015	22,040
Maintenance of Office Equipment	1,973,961	1,490,579
Maintenance of Furniture , Fittings & Office Equipment	902,760	39,458
Maintenace of Bicycles	5,765	2,000
Maintenance of PABX Services	6,000	-
Maintenance of Sundry Assets	26,378	37,399
Maintenance of Water Supply	-	257,167
Maintenance of Web & Networking	11,500	120,788
Electricity	9,152,237	7,631,202
Telephone Charges	4,848,824	4,954,029
Payment of Security Services	24,302,308	19,649,067
Postage & Telegrams	789,978	833,869
Water Charges	821,046	783,238
Rent ,Rates & Taxes	5,959,082	6,155,005
Insurance	1,060,941	1,151,970
Newspapers & Journals	814,143	778,491
Directors' Fees	350,800	616,000
Contribution to Medical Aid Scheme	751,600	819,000
Audit Fees	864,000	864,000
Medical Examination Fees	25,750	4,980
Welfare	2,459,172	1,768,707
Entertainment	1,226,397	1,012,369
Advertisement	2,600,376	2,810,839
Legal Charges	497,525	168,093
Fees for Trade Tests, Interview etc.	278,523	481,833
Local Training for Board Employees	1,003,764	2,088,205
Membership Fees of Professional Bodies (Local & Foreign)	119,550	85,093
Licence Fee	239,989	235,308
Promotional Expenses	-	34,225
Exhibition Expenses	-	410,754
Research & Development	234,365	68,840
Valuation & servey expenses	193,689	809,834
Consultancy Fees	174,975	5,867
Publications	673,919	249,513
Photos	1,680	1,530
Provisions for Loan & Advances	(954,632)	5,201,003
Provisions for Non-Moving Stock	183,177	-
Provision for Labour Cases	(341,018)	-
Expenses for 5S	107,867	265,674
NBT Expenses	5,149,627	208,029
Miscellaneous Expenses	209,668	307,854
Registration Fees	68,470	177,198
Expenses for Public Auction	116,756	-
Stock Loss,Fire at Nawabima Premises	3,720	-
Factory Over Head Re-Allocation	(1,355,164)	(1,389,789)
General Over Heads Re-Allocation	(1,798,188)	(1,670,812)
Labour Cost Re-Allocation	(3,998,798)	(2,748,122)
Depreciation Of - Land Improvement	218,446	223,729



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

09 Administrative Expenses (contd)

Depreciation of - Buildings	4,752,574	4,515,798
Depreciation of - Plant & Machinery	1,044,809	1,124,556
Depreciation of - Computer Accessories	5,274,997	5,245,855
Depreciation of - Lab Equipments	2,572,657	1,100,380
Depreciation of - Printing Machinery	281,150	212,965
Depreciation of - Motor Vehicles	10,587,574	11,268,333
Depreciation of - Office Equipments	3,300,559	2,935,774
Depreciation of - Travelling Bags	21,391	20,261
Depreciation of - Furniture & Fittings	1,050,950	1,040,121
Depreciation of - Bicycles	12,670	9,977
Depreciation of - Tools & Spares	724,904	607,706
Depreciation of - Library Books	304,415	381,776
Depreciation of - PABX Services	133,206	161,778
Depreciation of - Utility Services	197,853	252,883
Depreciation of - Sundry Assets	250,803	340,204
Depreciation of - Computer softwares	170,051	103,214
	549,535,526	490,715,818

10 Sales & Distribution Cost

	2018	2017
Provision for Bad & Doubtful Debts	13,682,665	14,303,301
Marketing Expenses	(197,541)	(309,585)
	13,485,125	13,993,716

11 Finance Cost

	2018	2017
Bank Charges	390,851	232,362
OD Interest	3,996,468	4,758,566
	4,387,319	4,990,928

12 Other Comprehensive Income

	2018	2017
Actuarial Gain (loss) for the year	(3,060,717)	605,676
	(3,060,717)	605,676

Average Number of Employees Employed During the Year

Permanent	478	475
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INDUSTRIAL DEVELOPMENT BOARD
Notes to the financial statements (Contd)

(all amounts in LKR)

13 Property, Plant and Equipment as at 31/12/2018

	Land	Land Improvement	Building	Plant, machinery & installation	Printing Machinery	JICA Project assets
Year ended 31 December 2017						
Opening net book value/Revalued amount	763,367,687	39,759,976	407,743,303	52,573,661	1,494,650	(3)
Prior- year adjustment (cost)	-	-	-	(3,649,417)	-	-
Prior- year adjustment (Acc.Depreciation)	-	-	-	2,035,057	-	-
Opening net book value after Prior- year	763,367,687	39,759,976	407,743,303	50,959,300	1,494,650	(3)
Additions	-	111,030,465	9,182,287	1,159,623	905,000	-
Disposal	-	-	-	-	-	-
Depreciation charge (Note 9)	-	(5,944,452)	(11,729,797)	(2,563,346)	(281,150)	-
Closing net book amount	763,367,687	144,845,989	405,195,792	49,555,577	2,118,500	(3)
At 31 December 2017						
Cost	767,716,095	161,880,859	475,430,508	52,510,954	2,118,500	228,842,382
Accumulated depreciation	(4,348,408)	(17,034,870)	(70,234,716)	(2,955,378)	(404,702)	(228,842,385)
Net book amount	763,367,687	144,845,989	405,195,792	49,555,577	1,713,798	(3)
Year ended 31 December 2018						
Opening net book value	763,367,687	144,845,989	405,195,792	49,555,577	1,713,798	(3)
Prior- year adjustment (Cost)	-	(23,384,118)	25,515	-	-	-
Capitalized Input Vat	-	19,490,278	990,991	-	-	-
Prior- year adjustment (Acc.Depreciation)	-	(388,537)	(1,274)	-	-	-
Opening net book value after Prior- year	763,367,687	140,563,612	406,211,023	49,555,577	1,713,798	(3)
Additions	-	34,893,604	4,196,809	31,484,018	-	-
Disposal	-	-	-	-	-	-
Depreciation charge (Note 9)	-	(7,396,521)	(11,971,146)	(2,483,179)	(281,150)	-
Accumulated depreciation for disposed assets	-	-	-	-	-	-
Closing net book amount	763,367,687	168,060,696	398,436,686	78,556,416	1,432,648	(3)
At 31 December 2018						
Cost	767,716,095	192,880,623	480,643,822	83,994,973	2,118,500	228,842,382
Accumulated depreciation	(4,348,408)	(24,819,928)	(82,207,136)	(5,438,556)	(685,852)	(228,842,385)
Net book amount	763,367,687	168,060,696	398,436,686	78,556,416	1,432,648	(3)


INDUSTRIAL DEVELOPMENT BOARD
Notes to the financial statements (Contd)

(all amounts in LKR)

13 Property, Plant and Equipment as at 31/12/2018

	Office equipment	Lab Equipment	Travelling Bags	Furniture & Fittings	Bicycle Cost	Tools & Spares	Library Books
Year ended 31 December 2017							
Opening net book value/Revalued amount	10,429,192	5,239,226	49,246	6,371,756	240,276	1,244,077	953,322
Prior- year adjustment (cost)	6,724,519	-	-	(875,500)	-	-	-
Prior- year adjustment (Acc.Depreciation)	(2,934,502)	-	-	87,550	-	-	-
Opening net book value after Prior- year	14,219,209	5,239,226	49,246	5,583,806	240,276	1,244,077	953,322
Additions	3,168,268	3,015,480	14,800.00	1,384,344	36,860	503,413	383,923
Disposal	-	-	-	-	-	-	-
Depreciation charge (Note 9)	(2,935,774)	(1,100,380)	(20,261)	(1,040,121)	(9,977)	(607,706)	(381,776)
Closing net book amount	14,451,703	7,154,326	43,785	5,928,029	267,159	1,139,783	955,469
At 31 December 2017							
Cost	22,781,318	9,071,025	1,306,205	8,098,024	286,860	2,309,555	13,281,171
Accumulated depreciation	(8,329,616)	(1,916,699)	(1,262,420)	(2,169,995)	(19,701)	(1,169,771)	(12,325,702)
Net book amount	14,451,703	7,154,326	43,785	5,928,029	267,159	1,139,783	955,469
Year ended 31 December 2018							
Opening net book value/Revalued amount	14,451,703	7,154,326	43,785	5,928,029	267,159	1,139,783	955,469
Prior- year adjustment (cost)	-	-	-	-	-	-	-
Capitalized Input Vat	-	-	-	-	-	-	-
Prior- year adjustment (Acc.Depreciation)	-	30,359	-	-	-	(35,203)	-
Opening net book value after Prior- year	14,451,703	7,184,685	43,785	5,928,029	267,159	1,104,581	955,469
Additions	5,426,304	32,232,857	10,250	652,466	-	231,094	42,845
Disposal	-	-	(1,200)	-	-	-	-
Depreciation charge (Note 9)	(3,300,559)	(2,572,657)	(21,391)	(1,050,950)	(12,670)	(724,904)	(304,415)
Accumulated depreciation for disposed assets	-	-	901	-	-	-	-
Closing net book amount	16,577,449	36,844,886	32,345	5,529,546	254,489	610,771	693,899
At 31 December 2018							
Cost	28,207,623	41,303,882	1,315,255	8,750,491	286,860	2,540,648	13,324,016
Accumulated depreciation	(11,630,175)	(4,458,997)	(1,282,910)	(3,220,945)	(32,371)	(1,929,878)	(12,630,117)
Net book amount	16,577,448	36,844,886	32,345	5,529,546	254,489	610,771	693,899


INDUSTRIAL DEVELOPMENT BOARD
Notes to the financial statements (Contd)

(all amounts in LKR)

13 Property, Plant and Equipment as at 31/12/2018

	PABX Services	Utility Services	Sundry Assets	Computer & communication equipment	Computer Software	Motor Vehicles	Total
Year ended 31 December 2017							
Opening net book value/Revalued amount	591,367	6,606,768	686,384	15,291,324	930,735	36,956,001	1,350,056,060
Prior- year adjustment (cost)	-	-	(581,022)	(1,618,580)	-	-	-
Prior- year adjustment (Acc.Depreciation)	-	-	58,025	1,342,967	-	5,131,000	5,720,097
Opening net book value after Prior- year	591,367	6,606,768	163,387	15,015,711	930,735	42,087,001	1,355,776,157
Additions	-	3,785,595	60,419	4,143,726	1,054,485	211,300	140,039,987
Disposal	-	-	-	-	-	-	-
Depreciation charge (Note 9)	(161,778)	(1,106,583)	(340,204)	(5,245,855)	(103,214)	(11,268,333)	(44,772,522)
Closing net book amount	429,589	9,285,780	(116,398)	13,913,582	1,882,006	31,029,968	1,451,043,622
At 31 December 2017							
Cost	4,308,731	25,586,123	382,087	21,704,680	3,051,136	56,365,801	1,857,032,014
Accumulated depreciation	(3,879,142)	(16,300,343)	(498,485)	(7,791,098)	(1,169,130)	(25,335,833)	(405,988,393)
Net book amount	429,589	9,285,780	(116,398)	13,913,582	1,882,006	31,029,968	1,451,043,622
Year ended 31 December 2018							
Opening net book value/Revalued amount	429,589	9,285,780	(116,398)	13,913,582	1,882,006	31,029,968	1,451,043,622
Prior- year adjustment (cost)	-	-	-	-	-	-	(23,358,603)
Capitalized Input Vat	-	-	-	-	-	-	20,481,269
Prior- year adjustment (Acc.Depreciation)	-	-	-	-	-	-	(394,654)
Opening net book value after Prior- year	429,589	9,285,780	(116,398)	13,913,582	1,882,006	31,029,968	1,447,771,634
Additions	18,500	2,400	30,058	8,595,204	1,715,467	-	119,531,877
Disposal	-	-	-	-	-	(4,950,000)	(4,951,200)
Depreciation charge (Note 9)	(133,206)	(1,104,291)	(250,803)	(5,274,997)	(170,051)	(10,587,574)	
Accumulated depreciation for disposed assets	-	-	-	-	-	2,299,233	2,300,134
Closing net book amount	314,884	8,183,889	(337,143)	17,233,788	3,427,422	17,791,627	1,564,652,445
At 31 December 2018							
Cost	4,327,232	25,588,523	412,145	30,299,883	4,766,603	51,415,801	1,968,735,358
Accumulated depreciation	(4,012,348)	(17,404,634)	(749,288)	(13,066,095)	(1,339,181)	(33,624,174)	(451,723,377)
Net book amount	314,884	8,183,889	(337,143)	17,233,788	3,427,422	17,791,627	1,517,011,981


INDUSTRIAL DEVELOPMENT BOARD OF CEYLON
Notes to the financial statements (contd)

(all amounts in LKR)

	2018	2017
14 Fixed Deposits		
Bank Of Ceylon -Idama Branch	60,231,954	54,346,182
Fixed Deposit Interest Receivable	5,791,744	5,418,136
	66,023,698	59,764,317
15 Stock & Work-In-Progress		
Engineering Raw Materials - (H/O)	855,015	822,233
Printing Raw Materials	136,123	150,977
Stationary	3,160,543	3,032,894
Other Raw Materials	2,042,850	2,271,734
Stock Of Village Development Project	3,760,683	5,498,945
Sub Stores - Foundry	2,810,388	2,891,293
Sub Stores - Rubber	4,364,335	3,334,318
Sub Stores - Leather	322,866	98,447
Sub Stores - C S C - Matara	262,837	566,982
Sub Stores - Electroplating Centre	1,293,426	1,331,900
Sub Stores - A T R D C - Pannala	1,245,267	605,817
Sub Stores - Divinaguma	17,000	17,000
Sub Stores - Kithul Development Programme	272,507	243,662
Brass Centre - Pilimathalawa	140,446	237,371
Work-in-progress - Direct materials (H/O)	1,357,396	1,091,119
Work-in-progress - Direct Labour	793,029	240,709
Work-in-progress - General Overheads	277,629	268,802
Work-in-progress - Factory Overhead	257,854	106,856
Finish Goods	1,281,880	291,612
* Non-Ferrous Metal Scrap	1,017,284	2,096,786
Provision for Impairment of Non Moving Stock	(1,767,413)	(1,584,236)
Provision for Impairment of Obsolite Stock	(1,464,321)	(1,464,321)
Provision for loss of brass ingots	(996,420)	-
	21,441,203	22,150,901
* Amount of Rs. 996,419.73 ingots were lost, Investigation is in progress, provision has been made for the same and shown under extra ordinary item in the income statement.		
16 Trade & Other Receivables		
Sundry Debtors - Head Office	264,713	264,713
Sundry Debtors - Leather	565,714	18,270
Sundry Debtors - Engineering	671,901	607,062
Sundry Debtors - Engineering - Workshop	6,301,856	6,135,571
Sundry Debtors - Rubber Division	1,466,053	1,335,201
Sundry Debtors - A T R D C - Pannala	1,721,111	1,485,799
Sundry Debtors - E P C	73,272	73,272
Sundry Debtors - Printing	374,061	374,061
Sundry Debtors - Electrical	248,334	248,334
Sundry Debtors - Foundry	3,398,675	1,042,207
Sundry Debtors - Civil	2,155,803	2,155,803
Sundry Debtors - Laknipaum	42,120	42,120
Sundry Debtors - C S C - Matara	388,816	939,153
Sundry Debtors - C S C - A'pura	15,025	15,025
Debtors - Returned Cheques	209,398	209,398
Tenant Debtors	20,157,767	30,096,011
Miscellaneous Debtors	406,707	406,707
	38,461,326	45,448,707
Less:- Provision for Impairment of Bad & Doubtful Debts	(12,364,481)	(26,178,846)
	26,096,845	19,269,861



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

	2018	2017
17 Other Current Assets		
Festival Advance	382,700	407,300
Provision for Impairment Loss of Festival Advance	(141,050)	(141,050)
Motor Bicycle Loan	803,520	1,175,405
Provision for Impairment Loss of Motor Bicycle Loan	(106,360)	(195,960)
Bicycle Advance	90,104	116,304
Provision for Impairment Loss of Bicycle Loan	(2,504)	(2,504)
Distress Loan	47,635,259	47,643,990
Less : Deffered Staff Cost	(9,827,790)	(37,226,305)
Provision for Impairment Loss of Distress Loan	(219,618)	(342,209)
Special Loan Advance (Flood)	682,084	1,324,764
Prepaid Staff Cost(IFRs Adjustment)	9,827,790	37,226,305
Special Advance Book	12,300	13,100
Receivable from Other Department	421,933	421,933
Sub Contract Exchange	-	429,823
Withholding Tax	3,739,162	2,423,630
VAT Receivable	8,384,697	51,363,240
Kithul - Marketing	281,675	281,675
Economic Service Charges	170,872	170,872
Agrahara Medical Scheme	1,200	-
Receivable from Line Ministry	3,731,167	3,731,167
	65,867,141	108,821,480
18 Deposits & Prepayments		
	2018	2017
Security Deposits	274,453	253,460
Prepayments	32,035,643	42,115,041
Provision for Imp. Of Pre Payments	(11,676,251)	(11,673,095)
Prepayments Advance - Head Office	192,206	192,206
Advance to Staff - Head Office	33,075	928,370
Provision for Imp. Of Staff Advance	-	(635,977)
Advance to Staff for Fuel - Head Office	1,500	232,212
Provision for Imp. Of Per. Advances	-	(232,212)
Other Deposits Receivable	1,337,048	1,187,725
Rent & other expenses paid in advance	980,395	545,480
	23,178,068	32,913,210
19 Receivable -Special Projects		
	2018	2017
Village Development Projects	2,337,279	-
Facilitate SMEs to obtain ISO 14001(Pilot project)	5,520,450	1,152,971
Enterpreneurial Culture & Skill Development Project	-	1,977,770
Diviyata Udanaya	3,330,167	3,545,357
Ministry Funds-Leather programmes	668,537	-
Promotion of Industrial Villages 5Mn Project 2018	1,961,674	-
	13,818,107	6,676,099



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

		<u>2018</u>	<u>2017</u>
20	Cash and Cash Equivalents		
	A/c code		
	Account No.		
	185010 Current Account - Idama - Moratuwa	682974 (37,478,289)	(38,761,209)
	185110 Current Account - Peliyagoda - RPD&SC	4064199 231,835	125,366
	185020 Current Account - Capital Grant Bank Account	683231 4,652,507	751,982
	185030 Bank Balance - Engineering Division	683144 20,000	46,510
	185180 Bank Balance - Village Development Project	4204245 54,396	454,396
	185070 Bank Balance - Non Ferrous	682519 6,960,369	25,647,206
	185060 Bank Balance - Regional Division (Kithul)	683237 3,929,617	4,929,617
	185412 BOC - "Idama" Scrap Project Savings Account	7271240 202,503	194,868
	185090 Current Account - Peoples Bank	100153657035 31,755,099	7,361,875
	185415 Current Account - Lakkam Sales Centre	7153282 2,198,609	2,053,989
	185015 Current Account - Debit Tax Exempted	70034730 1,411,740	4,024,074
	185125 District Office - Bank Account (Regional)	74791255 58,989	20,892
	185413 Savings Account - CESS Fund	9123868 1,643,871	1,582,752
	Short Term Deposits	35,630,214	58,400,907
	Short Term Deposits Interest Receivable	100,812	608,408
	Imprest Accounts	17,584	22,308
	Special Imprest - Cashier	23,379	23,379
	Cash-in-Transit	24,690	2,544,531
	Cash-in-Transit Metal Scrap Project	12,540	12,540
		51,450,463	70,044,390
	Debit Balances	88,928,752	108,805,600
	Credit Balances	(37,478,289)	(38,761,209)
	Cash and Cash Equivalents	51,450,463	70,044,390
		<u>2018</u>	<u>2017</u>
21	Deffered Capital Grant		
	Government Capital Grants as at 1st January 2018	289,185,401	282,787,422
	Grants Received during the year 2018	65,143,000	55,000,000
	Capital Grant Transferred	(58,428,551)	(48,602,021)
		295,899,850	289,185,401
		<u>2018</u>	<u>2017</u>
22	Value of Asset Transferred		
	IDB Prior to 1969	4,403,441	4,403,441
	Industrial Estate Cooperation	9,043,620	9,043,620
		13,447,061	13,447,061
		<u>2018</u>	<u>2017</u>
23	Surplus on Revaluation of Fixed Assets		
	Balance b/f	988,387,631	961,817,782
	Revaluation Surplus on Sold Vehicles	(5,683,500)	26,569,849
		982,704,132	988,387,631



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

	2018	2017
24 Deferred Government Grants - Projects		
Cess Fund	10,500,000	10,500,000
Sirap Fund - Building	23,694,386	24,541,653
Grant-Injection Moulding Machine for RD&SC-Paliyagoda	7,474,357	8,406,159
Ministry Funds Achchuweli	25,407,181	25,926,815
Ministry Funds Industrial Estates	319,354,043	262,043,880
Ministry Fund - Poonthottam Industrial Estate Vavuniya	5,056,461	-
Non Ferrous	7,500,000	10,000,000
Ministry Funds-T.S.D Lab	3,503,153	3,952,137
Panaluwa Industrial Estate	28,821,558	28,821,558
Accredited Food Laboratory - Stage I	31,431,560	17,500,000
Accredited Food Laboratory - Stage II	10,349,456	-
Atchchuweli 100Mn project 2018	8,339,086	-
	481,431,241	391,692,201
	2018	2017
25 Government Grants		
Recurrent Grant up to 2009	-	1,930,291,117
Accumulated Losses	(272,747,056)	(2,154,331,321)
Adjustment	(2,387,712)	(31,183,732)
Revaluation Surplus on Sold Vehicles	5,683,500	-
Deficit Carried forward	404,072	(17,523,120)
Accumulated Losses	(269,047,195)	(2,203,038,173)
	(269,047,195)	(272,747,056)

Rs. 1,930,291,117 is the recurrent grant amount received up to 2009, This year this has been accounted under accumulated losses in the Equity statement (refer statement of changes in equity).

26 Retirement Benefit Obligations

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

	2018	2017
Present value of unfunded obligation	165,915,476	149,510,467
Liability in the statement of financial position	165,915,476	149,510,467

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

	2018	2017
As at 1st January	149,510,467	137,072,925
Current service cost	9,794,110	9,125,230
Interest cost	17,784,306	11,486,158
Actuarial loss / (gain) on post employment benefit obligation	3,060,717	(605,676)
	180,149,600	157,078,636
Benefits paid	(14,234,124)	(7,568,169)
At 31 December	165,915,476	149,510,467



INDUSTRIAL DEVELOPMENT BOARD OF CEYLON

Notes to the financial statements (contd)

(all amounts in LKR)

26 Retirement Benefit Obligations (contd..)

The principal actuarial assumptions used were as follows.

	<u>2018</u>	<u>2017</u>
Discount Rate	13.00%	9.50%
Future Salary Increases	5.00%	5.00%
Staff Turnover Rate	7.73%	2.70%
Retiring Age	60	60

27 Grants for Special Project

	<u>2018</u>	<u>2017</u>
Village Development Projects	-	11,793,229
* Ministry Funds-Robot Arm (CERA Project)	31,722,386	2,804,780
Facilitation of SMIs in Food Sector,packaging	-	910,322
Enterprise Villeges & Women Enterprenureship	140,200	-
	<u>31,862,586</u>	<u>15,508,332</u>

- * CERA Project is a special Ministry project, a cabinet approval has been requested to make it a public private partnership project, upon receiving the cabinet decision the necessary steps will be taken to account in detail.

	<u>2018</u>	<u>2017</u>
28 Dues to Government		
Commissioner of Inland Revenue	28,879	28,879
Commissioner of Inland Revenue, Stamp Duty	46,400	55,180
	<u>75,279</u>	<u>84,059</u>

29 Dues to Boards & Corporation

	<u>2018</u>	<u>2017</u>
Central Bank of Ceylon E.P.F.	5,999,280	5,632,953
E.P.F.Arrears Payable	-	12,939,579
E.T.F.Arrears Payable	677,379	8,128,549
Employee Trust Fund	818,084	768,130
	<u>7,494,742</u>	<u>27,469,211</u>

**INDUSTRIAL DEVELOPMENT BOARD OF CEYLON****Notes to the financial statements (contd)**

(all amounts in LKR)

	2018	2017
30 Trade & Other Creditors, Provisions and Accrued Expenses		
Trade Creditors	31,272,058	54,773,145
Employees Donation	-	700
Nation Building Tax 2%	6,125,964	6,064,996
Staff Deduction Payable	-	8,707
Payee Tax Payable	70,839	156,827
Miscellaneous Creditors	399,453	3,072,949
Other Creditors	40,883	40,883
Sundry Creditors - Head Office	3,782,974	2,918,974
WHT Payable	91,043	-
Deposits Pending Settlement	163,635	831,674
Salaries Payable	302,603	8,606
Laknipaum Sales & Display Centre - Creditors	89,753	89,753
Advance Received from Customers	3,291,853	1,829,800
Security Deposits	274,453	253,460
Refundable Deposits-Estates	51,361,650	53,638,925
Refundable Deposits-Non Estates	4,650,091	4,127,370
Payable to Buddhist Association	300	-
Payable to Trade Union	1,400	-
Advance Received from UNIDO	378,681	-
Medical Scheme	2,691,386	2,717,504
Provision for Labour Cases	4,406,389	4,747,407
Sub Contract Creditors	253,563	614,420
Accrued Expenses	49,049,377	55,293,896
Lakkam Craditors	1,126,856	2,021,433
Payable Related to Exhibition	2,066,951	2,436,177
	161,892,154	195,647,606



5) AUDITOR GENERAL'S REVIEW ON FINANCIAL STATEMENTS



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

IMU/A/IDB/1/2018

November 07, 2019

Chairman

Industrial Development Board of Ceylon

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Industrial Development Board of Ceylon for the year ended 31st December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Opinion

The audit of financial statements of the Industrial Development Board of Ceylon for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity, cash flow statement and notes relevant to Financial Statements for the year then ended, abstracted significant accounting policies was carried out under my direction in pursuance of provisions in the National Audit Act, No. 19 of 2018 and the Finance Act, No. 38 of 1971 read in conjunction with the Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. In pursuance of the Article 154 (6) of the Constitution, my report will be tabled in the Parliament in due course.

In my opinion, the financial position of the Industrial Development Board of Ceylon as at 31 December 2018 and its financial performance and cash flows for the year then ended reflects a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards.



1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under these audit standards are further described in the section of Auditor's Responsibilities for the Audit of the Financial Statements of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and it is the responsibility of the management to determine the internal controls necessary to enable the financial statements to be prepared without material misstatements that could result from fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Subsection 16 (1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the preparation of annual and periodic financial statements.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they are



expected to influence the economic decisions taken by the users on the basis of these financial statements.

In accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. Further,

- Identify and assess the risks of material misstatement, of the financial statements, whether due to fraud or error design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions or the override of internal control.
- Obtain an understanding of the internal control of the Board in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



2. Report on Other Legal and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions relating to the following requirements.

- In accordance with the requirements set out in Section 12 (a) of the National Audit Act No. 19 of 2018, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, the Board had kept proper accounting records.
- In accordance with the requirements set out in Section 6 (1) (d) (III) of the National Audit Act No. 19 of 2018, the financial statements submitted by the Board are in consistence with the preceding year.
- In accordance with the requirements set out in Section 6 (1) (d) (IV) of the National Audit Act No. 19 of 2018, the recommendations made by me in the previous year are included in the submitted financial statements.

In terms of the measures adopted and the evidence obtained, and within the limitation of the quantitative matters, nothing has caught my attention to deliver following statements.

- In accordance with the requirements set out in Section 12 (d) of the National Audit Act No. 19 of 2018, that any member of the Board Management has any relationship with the Board, directly or otherwise, relating to any contract outside the normal business arrangement.
- In accordance with the requirements set out in Section 12 (f) of the National Audit Act No. 19 of 2018, except for the following observations, that the Board has not complied with applicable written law, or other general or special directions issued by the governing body of the Board.



	Reference to Rules / Directions -----	Description -----
(a)	Paragraph 2 (II) of the Public Administration Circular No. 03/2018 dated 20 February 2018	Without obtaining the approval of the Secretary to the relevant Ministry, a female officer over 60 years of age had been recruited to the post of Director, Human Resources and had paid a sum of Rs. 2,989,008 as salaries and allowances from May 2016 to February 2019.
(b)	Recruitment procedure of the Board approved in the year 2013	An officer who had not fulfilled the qualifications set out in the approved recruitment procedure had been recruited to the post of Marketing Director and had paid a sum of Rs. 6,558,768 as salaries and allowances from 26 June 2015 to 31 August 2019.

- In accordance with the requirements set out in Section 12 (g) of the National Audit Act No. 19 of 2018, that the Board has not performed according to its powers, functions and duties.
- In accordance with the requirements set out in Section 12 (h) of the National Audit Act No. 19 of 2018, that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

3. Other Observations

(a) Establishment of the Center of Excellence for Robotic Applications

- i. The approval has been granted by the Cabinet decision No. CP 16/1424/723/039 dated 07 August 2016 to introduce Robot Technology with the objective of mechanizing activities, upgrading productivity, enhancing the standard, minimizing human mistakes, supporting industrial needs, etc. of the industries of Sri Lanka. Accordingly, The Center of Excellence for Robotic Applications (CERA) has been initiated in a building of Industrial Development Board of Ceylon which is under the Ministry of Industry and Commerce. It has been planned to establish this center under a five-year plan with the government contribution of Rs.80 million. According to the Cabinet proposals, the center should be handled by a management



with public – private partnership which represents a ratio of 50:50 and it should have also been registered as a company for that, it has not been registered and has not been acted according to the Cabinet recommendations.

- ii. A sum of Rs.117,830,891 had been given to the Industrial Development Board of Ceylon by the Ministry of Industry and Commerce from the year 2016 to 31 December 2018 for the capital and recurrent expenses. The total expenditure until September 2019 has been Rs.118,638,671 (except VAT) and the amount yet to be paid for contractual obligations has been Rs.24,526,958. A Cabinet approval and a revised plan had not been prepared for that.
- iii. Within the above total expenditure, 4 robot machines worth of Rs.40 million had been purchased and installed in April 2017 and the office equipment worth of Rs.11,606,580 which purchased within year 2018 has also been non-functional due to the non-implementation of the project.
- iv. Although the estimated amount for the modernization of the building which the project was initiated was Rs.4.5 million, Rs.29,486,450 has been spent. Further, the ownership of the land which this building was located has not been transferred legally and private business premises are being continued in half of the modernized building. Three fourths ($\frac{3}{4}$) of the entire land has also been acquired by the private sector for business affairs. The Board has been incapable to create a suitable environment required for such an exceptional center prior to its establishment.
- v. Although the necessary estimates should have been prepared and Ministry provisions should have been allocated afore the initiation of the procurement process for the procurements worth of Rs.47,830,896, without doing so, the Board had taken steps to obtain the relevant allocation to cover the total expenditure for that which was Rs.47,830,896 through the Ministry once the suppliers are selected.
- vi. The required staff has not been appointed although the approved staff had been indicated as per the letter No. DMS/1840 dated 20 June 2018 of the Department of Management Services in relation to the project of establishment of the Center of Excellence for Robotic Applications. An officer had been recruited to the post of Chief Executive Officer as per the letter No. PMO/01/ASR(CCEM)/2017/01 dated 08 September 2017 of the Prime Minister's Office to continue the project although the post of Chief Executive Officer has not been incorporated thereto. The officer had performed in the relevant post for a period of 12 $\frac{1}{2}$



months from 15 November 2017 to December 2018 and salaries and allowances amounting Rs.12,035,025 had paid including a monthly salary of Rs.725,000 and travel allowances. The salaries and allowances that had paid for the period of 6 ½ months which the officer served without the approval was Rs.6,401,910.

vii. The Board had obtained Human Resources Counseling for the project, legal services for company registration and the service of advisory institutes and professional institutes for preparation of the company constitution and business plan, and the procurement procedures has not been followed in relation to obtaining the relevant services. A sum of Rs.1,787,828 had been incurred for above services.

viii. This center has been entrusted to the Ministry of Science, Technology and Research by the Gazette No. 2013/34 dated 28 December 2018. However, on 02 August 2019, the Board had purchased 02 CNC mill machines for an amount of Rs.35,788,924 and installed. The members of the Technical Evaluation Committee appointed at the time of specification evaluation had indicated that high cost software and an especial engineer is needed when using the machines in future and that the relevant machines will otherwise be non-functional. Without recruiting the necessary software and staff, these machines has been installed in a building of an engineering section of the Industrial Development Board outside the Nawabima building where the project had been installed and they have remained non-functional.

(b) Utilization of Industrial Estates

- i. The extent of land distributed to the industrialists from the total land extent of 275 acres of the 18 active industrial estates was 173 acres. Although some of it may be allocated to the Board's estate offices, road systems and other constructions, there were still 72 developed plots of land, which was 10 acres and 20 perches remained to be distributed among industrialists. Accordingly, the amount of land used is relatively low compared to the amount of land acquired. Of the total of 752 distributed plots of land, 42 plots have been used for private residence and the number of developed plots of land which industries were carried out and closed were around 34.
- ii. Three industrial estates with an asset value of Rs.2,528,307 are not been implemented under the ownership and control of the Board at the present and the income generation of 04 industrial estates with an asset value of Rs.24,203,318 has been ceased for a long period of



time. However, for those estates a sum of Rs.1,507,735 had been incurred in the year 2018 as annual expenses. The expenditure exceeded the income of 06 industrial estates out of 14 estates was Rs.6,419,777.

- (c) Due to the preparation of estimates for the 1,650 square feet boundary wall of the Panaluwa industrial estate without sufficient inspection, the estimate of Rs.20,763,350 approved by the procurement committee of 28 March 2017 had been increased up to 1,810 square feet and Rs.33,158,180. The Department of Building which the contract had been awarded had paid an advance payment of Rs.3,140,000 on 31 July 2017. However, the selection of the sub-contractor had been delayed until 04 December 2017. The money received from the Ministry on 05 June 2018 for the intermediate bill amounting Rs.3,668,669 to the sub-contractor has been delayed to pay until 13 August 2018. This project, which was due to be completed on 08 April 2018, was temporarily paused due to delays in approval for the additional estimate and delays in payment.
- (d) Although the scrap metals disposed from state institutions should have been distributed for the industrial development of small and medium scale industrialists on a reasonable basis, 41%, which is 100,004 kg out of the 242,531 kg of brass distributed in the year 2018 had been given to one industrialist on the approval and the recommendation of the Chairman and of the 1185 transformers purchased from the Ceylon Electricity Board, 781 had been given to only two industrialists including the industrialist who was given the above brass.
- (e) Although the payment had been done including the VAT when buying scrap transformers, the Board had to incur a loss of Rs.9,697,057 for the year under review as the VAT was not charged on the transformers sold at Rs. 64,747,050 to industrialists.
- (f) As a result of awarding the contract related to obtaining the security service to the company which submitted the third highest bid, without considering the matter of not submitting certified copies of security license and certificate of incorporation by the company which submitted the second lowest bid, a considerable exclusion and without taking measures to re-discuss it, the Board had suffered a loss of Rs.1,803,100.
- (g) As of 31 December 2018, there were 289 toners worth of Rs.2,070,379 in the store and of that, 219 toners worth of Rs.1,421,416 were from 1 to 21 years old stocks. These stocks were in the store without further delivery.



- (h) Due to the non-payment of the Employees Provident Fund (EPF) for the cost of living allowance from the year 2006 to July 2012, a surcharge of Rs.4,313,194 had to be paid when settling that debt in the year under review.
- (i) According to the recruitment procedure of the Board, the post of business promotion officer is a junior management level post and the approval of the Department of Management Services had given for 94 such positions. However, based on the judgment of the Supreme Court Case No. SC/FR64/2009, 55 officers had given medium level management posts as business promotion manager. Accordingly, since the appointment date of 23 June 2016 until 31 December 2018, the gross salaries were approximately a sum of Rs.60 million and the professional allowance for the year 2018 had been Rs.2,520,000. The approval of the Department of Management Services had not been obtained for these positions.

W.P.C. Wickramaratne
Auditor General