

# 2015

## ANNUAL REPORT



**SRI LANKA EXPORT DEVELOPMENT BOARD**

10-07-2017

Hon. Malick Samarawickrama,  
Minister of Development Strategies & International Trade,  
30<sup>th</sup> Floor, West Tower,  
World Trade Centre,  
Colombo 01.

Hon. Sir

**Annual Report and Statement of Accounts - 2015**

I am pleased to present on behalf of the Board of Directors, the Annual Report of the SLEDB together with the following documents for 2015 in term of section 13 (2) of the Finance Act No.38 of 1971.

- Chairperson's Report
- Statement of Accounts
- Auditor General's Report

Yours faithfully,

Indira Malwatte  
Chairperson & CE

**SRI LANKA EXPORT DEVELOPMENT BOARD**

## SENIOR MANAGEMENT STAFF - 2015

Chairman and Chief Executive	- Mr. Bandula Egodage (up to September 2015)
Chairperson and Chief Executive	- Mrs. Indira Malwatte (from October 2015)
Director General	- Mrs. Sujatha Weerakoon (up to 08.05.2015)
Acting Director General	- Ms. Himali Jinadasa (from 25.06.2015)
Executive Director	- Dr. Yousuf K. Maraikkar
Addl. Director General (Development)	- Mrs. J. Siriwardana
Addl. Director General (Finance & Admin)	- Ms. R.M.P. Hewaliyanage
Finance Division	- Mrs. P.K. Sumithrarachchi (Director)
Human Resources Development Division	- Mrs. A. G. C. Kiriella (Director)
Trade Facilitation & Trade Information Division	- Mr. S. R. P. Indrakeerthi (Director)
Information Technology Division	- Mrs. P.V.A.M. Baddegamage (Director)
Export Agriculture Division	- Mrs. N.S. Narandeniya (Actg. Director)
Regional Development Division	- Mr. K.H.R.P. Fernando (Actg. Director)
Policy & Strategic Planning Division	- Mrs. U.K.D. Wegapitiya (Director)
Industrial Products Division	- Ms. C. Dissanayake (Director)
Export Services Division	- Mr. M.K.S. Maldeni (Director)
Special Projects Division	- Mr. D. Jayawardena (Director)
Market Development Division	- Mrs. I.C. Alahapperuma (Actg. Director)
Internal Audit Unit	- Mrs. N.P. Endagama (Actg. Internal Auditor)
Legal Unit	- Mrs. D.T. Wijayaratne (Legal Officer)
Auditor	- Auditor General
Bankers	- Bank of Ceylon Sampath Bank NDB Bank

### **Registered Office**

No.42, Nawam Mawatha,  
Colombo 02.

**SRI LANKA EXPORT DEVELOPMENT BOARD  
BOARD OF DIRECTORS - 2015**

- |     |                               |  |
|-----|-------------------------------|--|
| 01. | Mr. Bandula Egodage           | - Chairman (Up to September 2015)<br>- Director (From October 2015)                                |
| 02. | Mrs. Indira Malwatte          | - Chairperson (From October 2015)  |
| 03. | Dr. Yousuf K. Maraikkar       | - Director   |
| 04. | Mr. V. Sanjeewa Dickwella     | - Director (Up to September 2015)  |
| 05. | Mr. Sanath De Silva           | - Director   |
| 06. | Mr. Ashan Refai               | - Director (Up to September 2015)  |
| 07. | Mr. Rohan Abayakoon           | - Director   |
| 08. | Mr. Sinan Salahudeen          | - Director   |
| 09. | Mr. M.J.F. Cassim             | - Director (From October 2015)   |
| 10. | Mr. A. K. Seneviratne         | - Addl. Secretary<br>Ministry of Industry & Commerce   |
| 11. | Mr. D.B.T. Wijerathna         | - Addl. Secretary (Agri Technology)<br>Ministry of Agriculture<br>(Up to April 2015)               |
| 12. | Mr. U.K.S. Mihindukulasooriya | - Addl. Secretary (Development)<br>Ministry of Plantation Industries                               |
| 13. | Mr. P.H.A.S. Wijerathne       | - Addl. Director General<br>Department of Public Enterprises<br>Ministry of Finance                |
| 14. | Mr. L.P. Jayampathy           | - Secretary<br>Ministry of Ports and Aviation<br>(From October 2015)                               |
| 15. | Mr. D.V. Bandulasena          | - Secretary<br>State Ministry of Agriculture<br>(From October 2015)                                |
| 16. | Mrs. W.M.M.R. Adikari         | - Secretary<br>Ministry of Fisheries & Aquatic Resources Development<br>(From October 2015)        |
| 17. | Mrs. Grace Asirwatham         | - Senior Director General (Economic Affairs)<br>Ministry of Foreign Affairs<br>(From October 2015) |

18. Mr. P.M. Anura De Silva - Project Secretary  
State Ministry of International Trade  
(From October 2015)
19. Mr. M.I.M. Rafeek - Secretary  
Ministry of National Policies & Economics Affairs  
(From October 2015)
20. Mr. Bandula Wickramarachchi - Addl. Secretary  
Ministry of Primary Industries  
(From October 2015)
21. Mr. Priyantha Mayadunne - Addl. Secretary  
Ministry of Rural Economic Affairs  
(From October 2015)

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## **SRI LANKA EXPORT DEVELOPMENT BOARD (EDB)**

The Sri Lanka Export Development Board (EDB) is Sri Lanka's apex organization for the development and promotion of export and was established in 1979 under the Sri Lanka Export Development Act No. 40.

### **VISION**

To be the world's most admired TPO – recognized for effective facilitation of Sri Lanka's exports

### **MISSION**

We enable Sri Lankan Exports and Exporters to be globally competitive through a process of policy formulation, strategizing, market and product development leading to the optimal export earnings and contribution to the national economy

### **GOALS 2020**

- US\$ 20 billion exports by 2020
- Sri Lanka's credentials and reputation - as a globally competitive sourcing destination for the selected sectors
- Broad basing the beneficiaries of exports, in particular SMEs and a country-wide supply chain network, while enabling the globally demanded economies of scale

## **PERFORMANCE DURING THE YEAR 2015**

### **Progress of Major Development Programmes Carried Out By The EDB During the Year 2015.**

#### **Introduction**

The Sri Lanka Export Development Board [EDB] is Sri Lanka's premier state organization for the development and promotion of exports and was established in 1979 under the Sri Lanka Export Development Act No. 40. The EDB adopted a new strategic approach in developing and promoting exports of Sri Lanka with the objective of increasing export earnings to US\$ 20bn by 2020 and thereby contributing to the development objectives set out by the Government. The EDB play its roles as Policy Advisor, Monitor, Promoter, Facilitator and Knowledge Provider in carrying out its responsibilities on implementing the new strategy for achieving for National Export Targets.

The EDB implemented an array of development programmes in line with its Strategic Plan 2015 - 2020 aiming at creating a conducive business environment, developing and adapting products and services to meet the international market requirements, providing specialized services to exporters to identify, penetrate, develop and diversify into markets, facilitating to enhance supply chain efficiency and also to promote export oriented SMEs specially in the provinces.

#### **Strategic Plan/Corporate Plan of the EDB for the period 2015- 2020**

The EDB successfully developed its new Strategic Plan for the period 2015 - 2020 in consultation with public & private sector stake holders. As part of the main outcome of this exercise the key export sectors have been clustered in to groups such as Main Earners, Stable Contributors, Aspiring Contenders and potential Future Stars, each of which have significant role to perform in the country's trade growth. In addition for each of 23 sectors individual strategies have also been developed. EDB formulated its Action Plan 2016 based on the strategies identified in the Strategic Plan.

#### **Online Progress System**

The Policy & Strategic Planning Division in consultation with IT Division of the EDB developed a web based application to upload the Action Plan of the EDB and to report progress online. The officers of the EDB can now upload progress of development activities by accessing this facility. The EDB prepared its progress reports using this online facility.



## Presidential Export Awards 2010 - 2013

The EDB ceremonially organized the “19<sup>th</sup> Presidential Export Awards ceremony” on 16<sup>th</sup> December at "Nelum Pokuna" Theatre. The Presidential Export Awards introduced by the EDB in 1981 is the most prestigious award in Sri Lanka presented to exporters who have made a significant contribution for export earnings. The Awards are given by His Excellency the President of the Democratic Socialist Republic of Sri Lanka to signify the encouragement and recognition of the nation for the export efforts of its citizens. The Awards are made to exporters with most outstanding export performance representing all product sectors evaluated on the basis of criteria approved by the Board of Directors of the EDB.



130 trophies were awarded to recognize performance of exporters by His Excellency the President of Sri Lanka and also several cabinet ministers. In parallel to the ceremony a mini exhibition of the winners was held at the ceremony premises.

## ATPF CEOs Meeting hosted by EDB in Sri Lanka

The 28<sup>th</sup> CEO’s meeting of the Asian Trade Promotion Forum (ATPF) was held in Sri Lanka from 24<sup>th</sup> to 26<sup>th</sup> August 2015. EDB had the privilege of hosting this event for the first time in Sri Lanka. More than 60 Asian Trade Promotion CEOs, top officials from 19 Asian countries as well as representative from Geneva’s International Trade Center were present at the forum. ATPF is a gathering of Trade Promotion Organizations (TPOs) in the Asian region consisting of 24 member countries which is organized by Japan External Trade Organization [JETRO]. The objective of ATPF is to enhance trade in the region and strengthen network among members. The theme for this year’s CEOs meeting held in Sri Lanka was “Integrating Asia with Global Value Chain”, which is a very current and a vital topic in the global trade arena. Prominent speakers addressed the meeting and the delegates had very fruitful discussions on this theme that would lead to build a New Road Map to Integrate Asia with Global Value Chain.



The EDB entered into three Trade MoUs with Hong Kong's HKTDC, Korea's KOTRA and Thailand's DITP to strengthen institutional cooperation and advance on its market diversification efforts in Asia. A Logo specially design for the CEOs meeting in Sri Lanka was also ceremonially launched by the Minister of Industry and Commerce in the presence of prominent members of parliament and the Chairman and CEO of JETRO.

## **PROGRAMMES IMPLEMENTED FOR AGRICULTURAL PRODUCTS, INDUSTRIAL PRODUCTS & EXPORT SERVICES**

The EDB implemented a series of programmes for the development of the agriculture, fisheries, industrial sectors and Export of Services during the year 2015. The progress of major activities carried out by the EDB is briefly given below:

### **Footwear & Leather Fair-2015**



EDB in collaboration with the Ministry of Industry & Commerce and the Sri Lanka Footwear and Leather Products Manufacturing Association organized the 7<sup>th</sup> Footwear & Leather Fair exhibition from 06<sup>th</sup> - 08<sup>th</sup> February 2015 at the BMICH. It was ceremonially inaugurated by Hon. Minister of Industry & Commerce. A Large gathering of Diplomats representing Italy, Bangladesh, Cuba, Brazil, Egypt, Korea, Germany, Maldives, India, Nigeria, Iraq, Pakistan, Palestine and South Africa attended the opening ceremony.

This exhibition was an ideal platform to identify creative and skilled local talents in the industry. The main objective of the exhibition was to strengthen and sustain the image of Sri Lanka footwear & leather products internationally. This was a big opportunity for Small & Medium exporters to showcase their talents & capabilities and also encourage SME's to move in to manufacture value added products to cater to the International market.

The Fair consisted of over 221 trade stalls with 110 local companies and 11 foreign companies showcasing footwear, travel goods, raw materials, machinery and other related services. Local manufacturers of accessories and components too were given the opportunity to exhibit their products at this fair. 12 Foreign buyers from Nepal [9], India [2] and Oman [1] visited the fair.

The special features of the event were a Fashion Show, Design Competition and the Best Stall Competition. An exclusive Fashion Show depicting the latest trends and designs of Footwear & Leather Industry held on 06<sup>th</sup> February 2015 added value to the event. There was a significant improvement in the Fashion Show in comparison to the previous years. The show was done professionally and there were clear indications that it has now reached international standard and the show was done professionally.

A Design Competition was also organized in order to provide an opportunity for upcoming young designers to showcase their talents. The competition was held under four categories and awards were presented to the recipients by the chief guest Deputy Minister of Industry & Commerce. For the first time the Most Innovative Small Entrepreneur was selected with the objective of encouraging them to produce innovative products and awards were presented to the winner, first and second runners up.

### **ICA Congress 2015**

**With the objective of** positioning Sri Lanka as the Sapphire hub in the world and enhancing the image of our Gem and Jewelry sector, in association with the main stake holders EDB co-organized **ICA 2015, 16<sup>th</sup> Congress of the International Colored Gemstone Association** held on 16 - 19 May 2015 at the Cinnamon Grand Colombo. 247 overseas and 53 local delegates participated at the event. An extensive promotional campaign was carried out to promote the event through mass media and off line media. In addition 29 industry related sessions were conducted and 38 leading Gem Exporters exhibited at the booths of the FACETS Gem Show ICA Version organized parallel to ICA Congress 2015.

### **Apparel Sector**

#### **Sri Lanka Apparel Mission to Japan & Brazil**

With the objective of reducing the over dependency on traditional export markets such as USA and EU and to enter into new markets, the EDB in collaboration with Joint Apparel Association Forum [JAAF] and Sri Lanka Embassy in Japan, organized a 5 member delegation [consulting of Large & Medium scale Sri Lankan Apparel Exporters] to Japan during the period 19<sup>th</sup> - 23<sup>rd</sup> January 2015.

The programme included a training session to improve the knowledge on the Japanese fashion industry, visits to Japanese apparel market, B2B meetings and participation at the biggest apparel fair "Japan International Fashion Fair". A buyer met at the exhibition visited Sri Lanka to place order worth of US\$ 50,000.

In addition the EDB organized Sri Lanka's participation at the Brazil International Apparel Sourcing Show with 6 apparel manufacturing/exporting companies. Meetings were held with the Brazilian buyers/importers/retailers of apparel products parallel to the exhibition.

#### **Technology up gradation Programme in China**

The EDB organized Sri Lanka participation of a 10 member delegation including two large companies at the Technology upgrading programme held in Shanghai, China from 23<sup>rd</sup> to 26<sup>th</sup> September 2015. The programme included visits to a garment factory and a machinery factory. The participants were exposed to the latest machinery available in the market in order to source them for productivity

enhancement. And they have also identified several new machines available in the market which will enhance the productivity. Arrangements are being made to purchase these machines.

### **Buyer Conference in Sri Lanka "Design & Source Sri Lanka 2015" from 26-29 Nov 2015 as part of SLDF 2015.**

The EDB together with the JAAF and the industry organized a buyer conference. High powered multinational buyer team was linked with Sri Lankan Apparel Giants. International buyer team consisted of representatives from top fashion retailers of Brazil, Australia, India and Denmark. These buyers recognized the high quality of Sri Lankan Apparel produce, and EDB facilitated factory visits of Sri Lankan manufacturers. The buyers also took part in the Sri Lanka Design festival event Sri Lanka.

### **Promote Leisure Boat Industry in the Asia-Pacific Region**

With the objective of showcasing Sri Lanka's capabilities to cater to the international market in Boat building, the EDB organized an 8 member delegation to Singapore from 21-25 April 2015 comprising representatives of the industry, EDB and BOI. The delegation participated at the Asia Pacific Yachting Conference, Asia Boating Forum and ICOMIA (International Council of Marine Industry Associations) "Asian Dialogue". Also they had the opportunity to visit Singapore Yacht Show 2015.

In addition to enhance the knowledge on the industry, 4 meetings were held with Marina developers, pontoon manufacturers and Marina investors during this period.

### **Gems & Jewelry**

The EDB co-organized Facets Sri Lanka International Gem & Jewelry show 2015 in September and also organized EDB Special pavilion for 18 SME Jewelry manufacturers and 07 Jewelry designers. Obtained Spot sales worth Rs. 5.84 Mn and received orders worth Rs. 1.5 Mn. Received sample order to Canada and linked two potential buyers to Pubudu Handicrafts.

Published a one page full colour advertisement in ICA In Colour Magazine to promote FACETS Sri Lanka 2015 and to reach the potential buyers.

### **Base Metal Products [Light Engineering]**

To improve the quality of castings, EDB organized a workshop on use of the foundry chemicals on 24th April 2015 at NERD Center Ekala. 45 participants from 30 Base Metal companies participated at the workshop which was conducted by three experts from FOSECO India.

Prior to the workshop experts visited 6 companies and gave advice to improve quality of castings and on cost reduction.

### **Pure Ceylon Cinnamon**

Pure Ceylon Cinnamon Brand promotion programme conducted at the Anuga International trade exhibition in Germany and conducted a culinary show with German chef with 80 numbers of participants.

In addition Ceylon Cinnamon product display arranged at "World Expo 2015" International Trade Exposition in Milan, Italy to create awareness among general public.

### **Issuing of 'Pure Ceylon Cinnamon' (PCC) Logo**

EDB issued licenses to qualified exporters to use Pure Ceylon Cinnamon logo [PCC Logo] in their value added cinnamon exports. This logo shows to the Global world where true cinnamon originates from. The EDB imposed terms and conditions for use of PCC logo. Annual renewal of PCC license and other regulatory requirements should be required for using PCC logo. 13 Licensed holders renewed the licenses for the next year during this period.

A proposal was prepared and sent to GTZ to obtain their assistance to upgrade the quality of manufacturing process. A meeting was held with UNIDO to upgrade the industry. UNIDO Consultant presented his report to the stake holders as well as to the license holders regarding the new proposal with relevant to the "PCC" Lion Logo".

### **Floriculture**

A programme on "Cultivation and Improvement of Productivity/ Quality of Orchids to Cater to the Export Market" was organized by the EDB in consultation with the Asian Productivity Organization [APO] on 10<sup>th</sup> -14<sup>th</sup> March 2015. Programme consisted of field trips, seminars and technical sessions

### **Export Services**

**ICT/BPO Sector** – A workshop on "Present your Business successfully across Cultures" was organized for ICT sector companies on 19<sup>th</sup> and 20<sup>th</sup> February 2015 in the Auditorium of the NDB-EDB Tower. 32 company representatives attended the workshop. The expenses of this workshop was funded by the CBI-Netherlands.

ACBI seminar on "Human resources Management" was organized on 7<sup>th</sup>& 8<sup>th</sup> May with the 25 participants representing the sector.

A programme was organized for CBI consultant's to visit to 6 companies under Export Coaching Programme from 12<sup>th</sup>-15<sup>th</sup> May 2015.

Successfully completed the CBI workshop on Project Management on 13<sup>th</sup> & 14<sup>th</sup> October with 30 participants from ICT/BPM sector

The Agreement with the PWC has been executed and the survey work has already been commenced to ascertain the value of exports generated by Sri Lanka's ICT/PO sector (Export Value Survey). PWC to submit the draft report to the ICT Advisory Committee for further recommendation.

In addition to the participation in CEATEC Exhibition in Tokyo, Japan, participants had opportunity to take part in seminars and networking sessions.

Conducted APICTA Business Seminar and One on one networking Meetings on 20<sup>th</sup> -21<sup>st</sup> November 2015 at Cinnamon Lakeside, Colombo with the participation of 50 local companies.

## Electronic Products

Conduct& completed a baseline survey of the industry and Peripheries - Visited 70 electrical, electronics and high-tech companies. Discussed the issues faced by the industry, responsible government authorities to be discussed those issues and the assistance required by the government to overcome this problem.

## Printing & Publishing

A seminar for the Printing Sector entrepreneurs was organized on 17<sup>th</sup> February 2015 in the EDB auditorium for 60 participants. The main objective of this seminar was to educate the printing sector exporters on global opportunities available for them and how to improve their entrepreneur skills in negotiating businesses.

## Market Promotion Programmes

The EDB implemented the following market promotion programmes during the period under review with the objective of ensuring successful penetration of Sri Lankan products and services in existing, new and emerging markets.

Participation in the following trade fairs were organized during the period under review.

### EU Region:

IPM Essen Fair 2015, 27 <sup>th</sup> -31 <sup>st</sup> Jan 2015	8 Exporters
Italy – Product Display at Milano Expo 2015	6 Exporters
Summer Fancy Food Show 2015, Washington, USA-28-30 June	7 Exporters
Anuga Trade Fair , Colonge, Germany , 10-14 October 2015	15 Exporters
Food Ingredient- Fi Europe -2015, 1 <sup>st</sup> - 3 <sup>rd</sup> December, 2015	04 export companies and 02 observers

### Asian Region:

China – Beijing International Organic & Green Food Industry Expo , 16 <sup>th</sup> – 18 <sup>th</sup> April, 2015	7 Exporters
FOODEX 2015, Chiba, Japan 3 <sup>rd</sup> -6 <sup>th</sup> March 2015.	6 Exporters
International Horticulture Goyang (IHK) exhibition, 24 <sup>th</sup> April – 10 <sup>th</sup> May 2015	3 Exporters
India Rubber EXPO 2015 - 15 <sup>th</sup> - 17 <sup>th</sup> January 2015	4 Exporters
ICCF 2015 Trade Fair, Bangalore, India – 1 <sup>st</sup> – 10 <sup>th</sup> May 2015	24 SMEs

SIAL 2015, China – 6 <sup>th</sup> -8 <sup>th</sup> May 2015	5 Exporters
Aquarama 2015 May	15 Exporters & breeders
EXPO Pakistan – 26 <sup>th</sup> Feb – 01 <sup>st</sup> March 2015	4 Exporters
Japan IT Week	5 Exporters
International Garden Expo, Tokyo – 13 <sup>th</sup> -17 <sup>th</sup> October 2015	6 Exporters
3 <sup>rd</sup> China South Asia Expo (CSAE) 2015	123 Exporters
CEATEC Exhibition, Tokyo, Japan – 5 <sup>th</sup> -10 <sup>th</sup> October 2015	6 ICT Companies
Myanbuid 2015, Yangon, Myanmar – 3 <sup>rd</sup> - 5 <sup>th</sup> December 2015	10 Construction Companies
Promotion of Sri Lanka Education in Maldives – 7 <sup>th</sup> -9 <sup>th</sup> June 2015	24 Educational Institutes
World Food International Food & Drink Exhibition 2015, Moscow, Expo centre, Russian Federation. – 14 <sup>th</sup> – 17 <sup>th</sup> September 2015	12 Companies
SAARC Trade Fair in 2015, Lahor, Pakistan – 4 <sup>th</sup> – 6 <sup>th</sup> December 2015.	
Shanghai Cooperation Organization (SCO) Countries Commodity Fair	15 Companies
India International Trade Fair [IIFT] - 2015, New Delhi, India – 14 <sup>th</sup> - 27 <sup>th</sup> November 2015	6 Companies

#### **Middle East, CIS & Africa Region:**

Gulf Food, Dubai, UAE 2015 – 8 <sup>th</sup> – 12 <sup>th</sup> Feb 2015	26 Exporters
Paper World, Dubai 2015	6 Exporters
Southern African International Trade Exhibition(SAITEK) Johannesburg, South Africa - 21 <sup>st</sup> -23 <sup>rd</sup> June 2015	7 Exporters
GITEX Technology week 2015, held on 18 <sup>th</sup> to 22 <sup>nd</sup> October in Dubai	5 Exporters

#### **USA Region:**

Summer Fancy Food Show 2015, Washington, USA 28 <sup>th</sup> -30 <sup>th</sup> June 2015	7 Exporters
Brazil International Apparel Sourcing Show	6 Exporters

## Major Market Promotion Programmes

### GULF FOOD 2015

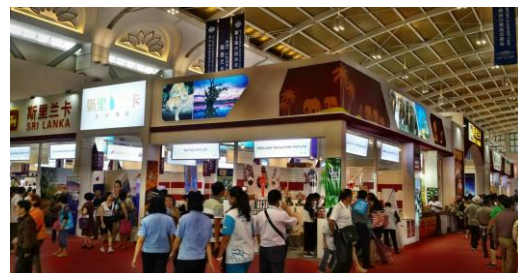


Sri Lanka Export Development Board and Sri Lanka Tea Board in collaboration with the Consulate General of Sri Lanka in Dubai organized Sri Lanka's participation to promote tea and food items at the Gulf Food 2015 from 8-12 February in Dubai. The move was successful in achieving remarkable business results.

The Sri Lanka pavilions consisted of 26 companies displaying food & beverages products such as tea, spices, processed food, soft drinks, biscuits, virgin coconut oil, dried fruit, herbal products, etc. Apart from participating at the exhibition of the Sri Lankan exporters also had the opportunity to participate at various conferences including Halal Investment Conference which discussed business opportunities in the global halal market and the role of halal in Dubai's vision to be the capital of Islamic Economy.

Further, also Sri Lankan exporters had the opportunity to join business networking meetings organized by RAZ Al Khaimah Free Trade Zone Authority with UAE based companies, members of Sri Lanka Business Councils and the Sri Lankan professional organizations in UAE.

### 3<sup>rd</sup> China South Asia Expo 2015



Export Development Board in collaboration with the Sri Lanka Embassy in China organized Sri Lanka's participation at South Asian Trade Fair in Kungmin, Chinawith 128 trade stalls. The fair was jointly organized by the Ministry of Commerce and Government of Yunan Province with the objective of



expanding China's imports from South Asian countries. Under the Sri Lanka pavilion, 122 private sector companies representing sectors such as gem & jewellery[92], tea[14], handicrafts[13], others[4] exhibited their products this year.

The sectors that performed well at this event in Kunming were gems & jewellery, handicrafts products, value added tea and coconut based products. The export community in Sri Lanka, especially the SME Sector is looking forward to this annual event as this gives them an opportunity to gain overseas experience at a low cost and make spot sales. This year the Sri Lanka pavilion was visited by a large number of visitors during all 5 days. Tea sector companies were able to establish positive trade contacts and gem and jewellery sector and handicraft sector companies were able to make spot sales.

This event also provided a good platform to create awareness about investment possibilities in Sri Lanka among the Chinese business community and there were several inquiries relevant to investment area at the BOI stall. Sri Lankan Airlines had created good impact on the visitors and managed to create awareness of their direct flight to Colombo.

In addition, Sri Lankan exporters had an opportunity to participate the 10<sup>th</sup> China South Asia Business Forum which was organized in parallel to the fair. In this forum, the Chairman & CE, EDB presented a paper on "Sri Lanka connects to Silk Road Economic Belt".

### **Inward Buying Missions**

The following inward buying missions were organized by the EDB.

- A 11 member delegation from Indian Merchants Chamber, Mumbai visited Sri Lanka in January and conducted B2B meetings with Sri Lankan companies.
- Chinese official delegation from Yunnan province to promote 3<sup>rd</sup> CSAE - meeting with all Sri Lankan stakeholders on January 2015
- Chinese official delegation from Yunnan province 3<sup>rd</sup> CSAE with all stakeholders in 6<sup>th</sup> March 2015
- A Chinese Business delegation on 25<sup>th</sup> March to have B2B meetings with 12 Sri Lankan companies
- A Chinese business delegation on 20<sup>th</sup> April had B2B meetings with Sri Lankan fish & construction companies.
- A CEO of a Korean company had B2B meetings with fish & tea exporters on 26<sup>th</sup> March
- Organized inward delegations for Footwear exhibition [12 Buyers from Oman, India, and Nepal]
- Organized B2B meetings with M/S. Hunter & Hane Capital Partners AB, Sweden
- Delegation from China Aroma trade association visited Sri Lanka and meeting conducted together with Sri Lankan companies.

## **E-Market Place**

IT Division of the EDB introduced new marketing tools to promote Sri Lankan products & services to the global market through internet. An E-flyer was circulated among 1950 exporters requesting them to join EDB E-MARKETPLACE. During the period nine members joined the E-MARKETPLACE and twenty three new transactions for Ayurvedic and Herbal Products from Japan, Serbia, Kuwait, Qatar, France, Spain, Slovakia, Switzerland, Hong Kong, South Africa, Philippines, Australia, India USA, Germany & Austria worth of US\$ 3380.58.

## **Resolving Problems of Entrepreneurs: The Exporters Forum**

The 6<sup>th</sup> and 7<sup>th</sup> Exporters Forum was organized under the Chairmanship of Hon. State Minister of International Trade to provide a common platform for discussion of specific problems related to trade with the objective of resolving them. It is attended by exporters, investors and other entrepreneurs and officials of government and private institutions concerned. During the period 02 Forums was held and a total of 88 issues were taken up at this Forum.

## **Packaging Development Programmes**

- Conducted a seminar on export packaging for the fruits & vegetables for international markets on 08<sup>th</sup> April 2015 for 70 participants including exporters, packaging materials suppliers and Officials from relevant Government Institutions etc.
- Conducted a seminar on Packaging for the SME's in Galle District on 13<sup>th</sup> June 2015 for 60 SMEs at the request of the Ministry of Youth Affairs & Skills Development.
- Conducted a seminar on Packaging for the SME's in Hambantota District on 22<sup>nd</sup> August 2015 in Tangalle for 50 SMEs at the request of the Ministry of Youth Affairs & Skills Development.
- Conducted two Seminars on Packaging for the SME's in Puttalam and Kalutara Districts on 15<sup>th</sup> November & 12<sup>th</sup> December 2015 in Halawatha for 50 SMEs and Panadura for 60 SME's at the request of the Ministry of Youth Affairs & Skills Development.

## **Regional Development Programmes**

The following programmes were conducted at the regional level.

- Organized an awareness programme on "Cut Flowers and Decorative Foliage" in Ratnapura District for 35 SME participants.
- Awareness programme on Export Oriented Value Added Pineapple and Pineapple products suppliers in Kalutara District for 58 SME participants.
- Organized 22 awareness programmes on product sectors of Ginger, Turmeric & Lemon Grass in Kegalle, Kandy, Matale, Nuwara Eliya Districts for 982 growers.
- Conducted Awareness and Buyer link up Programme for Cut foliage sector for 62 growers and link up programme for selected farmers in Matale DS division with M/S Dulvin Flowers exporting company

- Design development programme for Batik (Gift ware) manufactures in NWP to uplift them to the local up market - Organized an Awareness programme for 75 SMEs under the 1<sup>st</sup> phase. One day seminar and sample display event was conducted in Colombo with the participation of 15 SME batik manufacturers under the 2<sup>nd</sup> phase.
- Awareness Seminar on Export marketing, Packaging, Standard and Export procedures for Value added Tea in association with the Sri Lanka Tea Board, Sri Lanka Standard Institute and National Packaging Centre with the participation of 75 beneficiaries
- Programme on Value Added Products Development on Coir and Coir based products in the area of the Hambantota District. - Organized 2 training programmes with the support of link exporter for the benefit of women entrepreneurs
- Organized an awareness programme on Export Opportunities & Benefits for the IT Industry for IT related industry in Hambantota for 30 participants.
- Organized an awareness programme for the medium and large scale Pepper cultivators in the Haldummulla area.
- Organized an awareness seminar on Export Opportunities, Export Procedure and investment opportunities for SMEs in Northern Province on 18<sup>th</sup>& 19<sup>th</sup> March 2015 in Jaffna and Mannar - 75 SMEs from Jaffna District and 60 SMEs from Mannar were participated at this seminar.
- Organized a Technology Transfer Programme on Rice & Rice Based Production for 20 Rice & rice based products manufactures in Eastern Province on 4<sup>th</sup> – 5<sup>th</sup> December 2015.
- Awareness Programme on Export Opportunities in ICT/BPO Sector for Export Potential Academics in North Western Province.
- Awareness Programme on Pepper for Export Market in Kuliypitiya East for 30 farmers
- Awareness Programme on Ginger for the Export market in Chilaw for 15 participants
- Awareness Programme on Ornamental Fish for the Export market in Nattandiya with 50 growers
- The Seminar on Export Opportunities and Benefit of the IT Industry for IT related SME's in the Hambantota District
- Technology Transfer and exporter link up programme for the high value vegetable cultivators on Bell Pepper, Tomatoes, and Cucumber in Bandarawela, Haputale, Welimada and Haldummulla areas in Badulla District
- A workshop conducted on Creative Jewellery Designs and Competitive products targeting Global markets in Galle for 28 SME level Gems and Jewellery manufacturers/ designers.
- Three workshops conducted on Regional based export oriented entrepreneurship development programmes in Galle, Kandy and Colombo.
- One day programme and three days programme on Product and Design Development Programme on Footwear & Leather conducted in NWP/ NCP for 20 potential footwear manufacturers

### **Export Related Training and Awareness Programmes**

- The EDB conducted three programmes (136<sup>th</sup>, 137<sup>th</sup>& 138<sup>th</sup>Courses) on “Certificate course on Export/ Import Procedures” – with the enrolment of 107 participants. Field trip was reintroduced as a part of the course.
- Two courses (80<sup>th</sup> & 81<sup>st</sup>Courses) on “Operational Aspects of International Trade” was also conducted with the participation of 86 participants.
- Two seminars conducted on Export Procedures and International Trade for undergraduates of University of Sri Jayawardenapure and newly recruited officers in Department of Commerce.

- Conducted awareness programme for Teachers of Giriulla Education Province on the request of Ceylon National Chamber of Industries with the participation of 40 Teachers.

### **Exporters Registration**

804 temporary registration Certificates & 106 Permanent Certificates were issued.

Export Related Publications: During the period under review, 11 issues of “Exponews” and 5 issues of “Apanayana Puwath” were published and dispatched to subscribers. 6 issues of “Policy Briefing” News Bulletin were also circulated among EDB affairs during the period under review.

Export Performance Indicators – 2005-2014: Export Performance Indicators is a publication which contains comprehensive data relating to the export sector of Sri Lanka. It was published in printed and CD forms and were distributed among the relevant institutions, Trade Chambers, Universities, etc.

### **Other Programmes**

- Export Development Board in collaboration with the Swiss Embassy in Colombo, Department of Commerce & Ministry of Industry & Commerce, organized the first ever Swiss-Sri Lanka Round Table Discussion on 13<sup>th</sup> May 2015 at the EDB Auditorium.
- EDB, in collaboration with Department of Commerce & Ministry of Industry & Commerce, organized a seminar on “ Sri Lanka Trade Policy & Export Promotion and Development” on 25<sup>th</sup> February 2015 at the EDB Auditorium. Around 250 exporters participated at this seminar.
- Awareness Meeting on Fumigation/ Quarantine of Wooden Palletized Cargo were organized with 92 participants on 3<sup>rd</sup> March, 2015

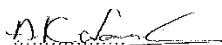
**SRI LANKA EXPORT DEVELOPMENT BOARD  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 ST DECEMBER 2015**

	<u>Note</u>	<u>SLFRS</u>		<u>SLFRS</u>	
		<u>31.12.2015</u>		<u>31.12.2014</u>	
		<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
<b><u>ASSETS</u></b>					
<b><u>Non-Current Assets</u></b>					
Property, Plant & Equipment, net	(9)	79,849,346.39		64,144,109.91	
Investments in Associates - Unquoted	(10)	942,012,158.00		888,590,808.00	
Other non-current financial assets	(11)	40,548,150.00		40,548,150.00	
		<u>1,062,409,654.39</u>		<u>993,283,067.91</u>	
<b><u>Current Assets</u></b>					
Inventories	(12)	1,843,501.62		1,318,144.08	
Trade and Other Receivables	(13)	143,919,667.87		148,466,803.11	
Advance and Prepayments	(14)	38,192,036.96		51,334,602.58	
Cash and Cash Equivalents	(15)	85,038,612.68		37,597,978.87	
		<u>268,993,819.13</u>		<u>238,717,528.64</u>	
<b>Total Assets</b>		<b><u>1,331,403,473.52</u></b>		<b><u>1,232,000,596.55</u></b>	
<b><u>EQUITY AND LIABILITIES</u></b>					
<b><u>Capital and Reserves</u></b>					
Grants Received	(16)	41,599,441.48		19,362,941.48	
Accumulated Income over Expenditure		1,092,316,061.15		1,026,271,483.80	
<b>Total Equity</b>		<b>1,133,915,502.63</b>		<b>1,045,634,425.28</b>	
<b><u>Non-Current Liabilities</u></b>					
Provisions and Other Liabilities	(17)	29,184,142.24		26,525,183.86	
Retirement Benefits Obligation	(18)	93,193,267.00		84,374,275.25	
		<u>122,377,409.24</u>		<u>110,899,459.11</u>	
<b><u>Current Liabilities</u></b>					
Other Payables	(19)	52,474,985.44		63,230,456.75	
Bank Overdraft	(20)	22,635,576.21		12,236,255.41	
		<u>75,110,561.65</u>		<u>75,466,712.16</u>	
<b>Total Equity and Liabilities</b>		<b><u>1,331,403,473.52</u></b>		<b><u>1,232,000,596.55</u></b>	

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by,



.....  
Indira Malwatte  
**CHAIRPERSON & CE**



.....  
A K Seneviratne  
**BOARD MEMBER**



.....  
P K Sumithrarachchi  
**DIRECTOR FINANCE**

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31ST DECEMBER 2015**

	<u>Note</u>	<u>SLFRS</u> <u>31.12.2015</u>		<u>SLFRS</u> <u>31.12.2014</u>	
		<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
<b><u>Income</u></b>					
Income	(3)	560,293,096.48		607,956,169.40	
Other Income	(4)	116,753,204.68		132,410,214.45	
Total Income		677,046,301.16		740,366,383.85	
<b><u>Expenditure</u></b>					
Export Development Expenses	(5)	(245,617,330.73)		(300,282,286.93)	
Administration Expenses	(6)	(359,936,254.12)		(332,116,077.42)	
Income Over Expenditure from Operating Activities		71,492,716.31		107,968,019.50	
Finance Cost	(7)	(1,348,677.45)		(2,216,154.81)	
Excess of Income Over Expenditure from Ordinary Activities		70,144,038.86		105,751,864.69	
<b><u>Other Comprehensive Income</u></b>					
- Gain on Revaluation of Property, Plant and Equipment	(8)	-		(100,000.00)	
- Actuarial Gain/(Loss) on defined benefit plans		-		-	
- Gain/(loss) on translating the financial statements of a foreign operation		-		-	
- Gain/(loss) on Available-for-sale financial assets		-		-	
Other Comprehensive Income for the year		-		(100,000.00)	
<b>Total Comprehensive Income for the year</b>		<b>70,144,038.86</b>		<b>105,651,864.69</b>	

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2015**

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		<u>Rs.</u>	<u>Rs.</u>
<b>Cash Flows from/used in Operating Activities</b>			
Excess of Income Over Expenditure		70,144,039	105,651,865
<b><u>Adjustments for</u></b>			
Depreciation		13,347,223	10,283,639
Income from Investments		(109,503,735)	(123,308,069)
Loss on Revaluation		-	100,000
(Profit)/Loss on sales of Property, Plant & Equipment		-	(1,967,736)
Prior Year Adjustment		(4,099,462)	-
Finance Costs		364,397	359,624
Amortization Of Government Grants		(3,323,500)	(1,343,079)
Provision for Gratuity		19,909,697	13,496,607
<b>Operating Profit/(Loss) before Working Capital Changes</b>		<b>(13,161,340)</b>	<b>3,272,851</b>
(Increase)/Decrease in Inventories		(525,358)	12,178
(Increase)/Decrease in Trade and Other Receivables		4,547,135	1,770,951
(Increase)/Decrease in Advances and Prepayments		13,142,566	(10,640,255)
Increase/(Decrease) in Provision and Other Liabilities		2,658,958	4,435,775
Increase/(Decrease) in Other Payable		(10,755,471)	(537,544)
<b>Cash Generated from Operations</b>		<b>(4,093,510)</b>	<b>(1,686,045)</b>
Finance Costs Paid		(364,397)	(359,624)
Defined Benefit Plan Costs Paid		(11,090,706)	(9,077,408)
<b>Net Cash from/(Used in) Operating Activities</b>		<b>(15,548,612)</b>	<b>(11,123,076)</b>
<b>Cash Flows from/(Used in) Investing Activities</b>			
Acquisition of Property, Plant & Equipment		(3,492,460)	(6,808,384)
Proceeds from Sale of Property, Plant & Equipment		-	3,413,069
Income from Shares in Associates		53,421,350	83,131,040
Dividend Received		54,097,923	37,965,315
Interest Received		1,984,462	2,211,715
<b>Net Cash Flows from/(Used in) Investing Activities</b>		<b>106,011,274</b>	<b>119,912,754</b>

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2015**

	<u>Notes</u>	<u>2015</u> <u>Rs.</u>	<u>2014</u> <u>Rs.</u>
<b>Net Cash Flows from/(Used in) Financing Activities</b>			
Investment in Shares		(53,421,350)	(83,131,040)
<b>Net Cash Flows from/(Used in) Financing Activities</b>		<b><u>(53,421,350)</u></b>	<b><u>(83,131,040)</u></b>
Net Increase/(Decrease) in Cash and Cash Equivalents		37,041,312	25,658,639
Cash and Cash Equivalents at the beginning of the year		25,361,724	(296,915)
Cash and Cash Equivalents at the end of the year		<b><u>62,403,036</u></b>	<b><u>25,361,724</u></b>
 <b><u>Analysis of Cash &amp; Cash Equivalents</u></b>			
Cash in hand	15	130,049	88,706
Cash at Bank - Favourable	15	84,908,564	37,509,273
Bank Overdrafts	20	(22,635,576)	(12,236,255)
		<b><u>62,403,036</u></b>	<b><u>25,361,724</u></b>



**SRI LANKA EXPORT DEVELOPMENT BOARD  
STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED 31ST DECEMBER 2015**

	<b><u>Governments Grants</u></b>	<b><u>Accumulated Profit</u></b>	<b><u>Total</u></b>
Balance as at 01st January 2014	20,706,020.21	920,619,619.11	941,325,639.32
Excess of Income Over Expenditure	-	105,651,864.69	105,651,864.69
Amortization of Government Grant	(1,343,078.73)	-	(1,343,078.73)
<b>Balance as at 31st December 2014</b>	<b><u>19,362,941.48</u></b>	<b><u>1,026,271,483.80</u></b>	<b><u>1,045,634,425.28</u></b>
Excess of Income Over Expenditure	-	70,144,038.86	70,144,038.86
Amortization of Government Grant	(3,323,500.00)	-	(3,323,500.00)
Prior Year Adjustments (22.2.3)	-	(4,099,461.51)	(4,099,461.51)
<b>Balance as at 31st December 2015</b>	<b><u>16,039,441.48</u></b>	<b><u>1,092,316,061.15</u></b>	<b><u>1,108,355,502.63</u></b>

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2015**

***STATEMENT OF RESPONSIBILITY OF MANAGEMENT OF THE AUTHORITY TO  
FINANCIAL REPORTING***

In terms of Section 16 (Application of the provisions of the public corporations (Financial Control Act) of Export Development Board of Sri Lanka Act No 40 of 1979, the Management of the Board is responsible for,

- i. Keeping proper books of accounts of the income and expenditure, assets and liabilities and all other financial transactions of the Authority.
- ii. Preparing accounts in accordance with the Sri Lanka Accounting Standards adopted by the Institute of Chartered Accountants of Sri Lanka under the Sri Lanka Accounting Standards Act No.15 of 1995 for the purpose of presenting a true and fair view of the financial performance and the financial condition of the Board.
- iii. Taking appropriate steps to safeguard the assets of the Board and to establish appropriate internal controls to prevent and detect frauds and other irregularities.

**1. GENERAL INFORMATION**

**1.1 Domicile & Legal Form**

Sri Lanka Export Development Board is incorporated and domiciled in Sri Lanka under the Act No 40 of 1979. The registered office of the Board is at No. 42, Nawam Mawatha, Colombo 02.

**1.2 Principal Activities and Nature of Operations**

Export Development Board is primarily engaged to development of Sri Lanka exports; and to provide for matters connected therewith or incidental thereto.

**1.3 Date of Authorization for Issue**

The Chairperson & CE of the Board on 29th February 2015 has approved the financial statements pending approval of the Board and the Board at its meeting held on 31<sup>st</sup> March 2016 has granted approval for the same.

**1.4 Statement of Compliance**

The Statement of Financial Position, Comprehensive Income, Changes in Equity, Cash Flow and notes together with Summary of Significant Accounting Policies and notes ("Financial Statements") of the Board as at 31<sup>st</sup> December 2015 has been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (CA), which represent International Financial Reporting Standards (IFRS) as issued by the Sri Lanka Accounting Standards Board.

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2015**

**1.5 Responsibility for Financial Statements**

The Management of Export Development Board of Sri Lanka is responsible for the preparation and presentation of the financial statements.

**1.6 Basis of Measurement**

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes. Assets and liabilities are grouped by nature and in an order that reflect their relative liquidity.

**1.7 Going Concern**

When preparing the financial statements, the Management has assessed the ability of the Board to continue as a going concern. The Management has a reasonable expectation that the Board has adequate resources to continue in operational existence for the foreseeable future. The Board does not foresee a need for liquidation or cessation of operations, taking into account all available information about future. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

**1.8 Adoption of SLFRS/LKAS**

These financial statements are prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS) as defined by LKAS 1. They have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

For all periods up to and including the year ended 31 December 2011, the Board prepared its financial Statements in accordance with local generally accepted accounting practice (Local GAAP). The financial statements for the year ended 31 December 2012 are the first the Board has prepared in accordance with SLFRS and the continuation is done for the year ended 31<sup>st</sup> December 2013, 2014 & 2015.

Accordingly, the Board has prepared Financial Statements which comply with SLFRS applicable for periods ending on or after 31 December 2015, together with the comparative period data as at and for the year ended 31 December 2014, as described in the accounting policies.

The presentation and classification of the financial statements of the previous period have been amended as required - First-time Adoption of International Financial Reporting Standards.

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2015**

**1.9 Reconciliations of Previous GAAP to SLFRS**

SLFRS 1 requires the Board to provide reconciliation for equity reported in accordance with previous GAAP and equity reported in accordance with SLFRSs for the date of transaction and last period presented in the entities most recent annual financial statements which is 1 January 2012 and 31 December 2012 respectively and comprehensive income for the year 2012. Moreover, SLFRS 1 requires giving an additional reconciliation to the cash flow statement if there are material adjustments. The adoption of SLFRS has not changed the board's actual cash flows, however it has resulted in certain changes to the board's reported financial position and results of operations. SLFRS has also resulted in a number of presentation changes on the face of the board's financial statements.

**1.10 New Accounting Standards issued but not yet effective as at balance sheet date**

The following new standards, amendments and interpretations to existing standards have been published by the Institute of Chartered Accountants of Sri Lanka, but are not yet effective up to the date of authorization of these financial statements. Possible impact on the financial statements of the application of the above new standards have not yet been assessed, and the authority intends to adopt these standards, interpretations and amendments to existing standards that are expected to be relevant to the board's financial statements when they become effective.

SLFRS 9 Financial Instruments

SLFRS 12 Disclosure of interests in other entities

SLFRS 13 Fair value measurements

**1.11 Functional and Presentation Currency**

The financial statements of the Board are presented in Sri Lankan Rupees, which is the Board's functional currency.

**1.12 Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the board's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include judgment, estimate and assumptions.

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2015**

**1.13 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(a) Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**(b) Valuation of defined benefit obligation**

The cost of defined benefit pension plans is determined using the Half a month method. The carrying value at the balance sheet date of defined benefit obligation is Rs. 93,193,267.00 (2014-Rs. 84,374,275.25)

**(c) Fair Value**

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. When a financial instrument is initially recognized, its fair value is generally the value of the consideration paid or received. Subsequent to initial recognition, the fair value of a financial asset quoted in an active market is generally the bid price and, for a financial liability quoted in an active market, the fair value is generally the ask price. For financial instruments such as cash equivalents and short-term investments that have a short duration, the carrying value of these instruments approximates fair value.

**2. SPECIFIC ACCOUNTING POLICIES**

**2.1 Assets and bases of their valuation**

Assets classified as current assets on the Balance Sheet are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle or within one year from the Balance Sheet date, whichever is shorter.

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2015**

**2.2 Financial Instruments**

**2.2.1 Financial Assets (Non-derivative)**

The Financial Assets classifies into the following categories: **at fair value through profit or loss, loans and receivables, held to maturity and available for sale**. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

**2.2.2 Classification, Recognition and Measurement**

The board classifies its financial assets into the following categories

- Loans and receivables.
- Available for Sale.

***Loans and Receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

***Available-for-sale financial assets***

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

**2.2.3 Determination of fair value**

The fair values of loans and advances as well as liabilities are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2015**

**2.2.4 Reclassification**

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Board may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Board has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

**2.2.5 Impairment**

**(a) Financial assets carried at amortized cost**

The Board assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group 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 have 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 Group of financial assets that can be reliably estimated. Objective evidence that a financial asset or Group of assets is impaired includes observable data that comes to the attention of the Board about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It is probable that the issuer or debtor will enter bankruptcy or other financial Re-organization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a Group of financial assets since the initial recognition of those assets,

## **SRI LANKA EXPORT DEVELOPMENT BOARD**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **YEAR ENDED 31ST DECEMBER 2015**

The Board first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Board determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk.

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 improved credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

#### **(b) Impairment of other non-financial assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### **2.2.6 De-recognition**

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Board has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either



**SRI LANKA EXPORT DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2015**

- (a) The Board has transferred substantially all the risks and rewards of the asset, or
- (b) The Board has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Board has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Board's continuing involvement in it. In that case, the Board also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Board has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Board could be required to repay.

**2.2.7** Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **2.3 Property, Plant and Equipment**

### **2.3.1 Recognition & measurement**

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use expenditure on repairs or maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets has been recognized as an expense when incurred.

### **2.3.2 Subsequent costs**

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized and written off during the lease period. Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied within the part will flow to the board and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in the income statement as an expense as incurred.

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**2.3.3 Depreciation**

The provision for depreciation is calculated on the straight line method on the Cost/ valuation of the Property, Plant and Equipment. All Property, Plant and Equipment other than land have been depreciated annually on the following percentages in order to write off such amounts over the useful lives.

Motor Vehicles Less than 10 years old	10%	Over 10 years old	20%
Computers	20%	Computer Software	25%
Computer Equipment	25%	TV Equipment	10%
Telephone Installation	20%	Furniture and fittings	10%
Residential Telephone	10%	Office Equipment	10%

Depreciation has been charged commencing the date of purchase using straight line method. During the year under review economic life time of the property, plant and equipment were reassessed as required by the LKAS 16 based on the best of the information available. As a result, depreciation rates were changed for some property, plant and equipment. The resulting impact of change in economic life time of the assets is adjusted in the financial statements commencing from the 2012 onwards.

**2.3.4 De-recognition**

Items of property and equipment are de-recognised upon disposal or when no future economic benefits are expected from its use. Gain or losses arising on de-recognition of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

**2.3.5 Impairment of Tangible Assets**

At the end of each reporting period, the Board reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement, unless the relevant asset is carried at a revalue amount, in which case the impairment loss is treated as a revaluation decrease.

**2.4 Investments in Associates- Development Holdings (Pvt) Ltd**

Investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Board's share of the profit or loss of the investee after the acquisition date (Equity Method). Adjustments to the carrying amount (Changes arising from the revaluation of Property, Plant and Equipments or foreign exchange translation differences) is recognized in the Board's proportionate interest from year 2013 onwards in the investee arising from changes in the investee's other comprehensive income.

**2.5 Inventories**

All inventories have been valued at lower of Cost or Net Realizable Value. Cost is determined based on First in First out basis. (FIFO)

**2.6 Other Assets**

Other assets include Other Debtors and Receivables, Advances, Deposits, Prepayments, Taxation Receivable.

(a) Advances, Deposits, Prepaid Expenditure

Expenditure which is deemed to have a benefit or relationship to more than one financial year is classified as advances, deposits and prepaid expenditure. Such expenditure is written off over the period, to which it relates, on a time proportion basis.

(b) Other Debtors

Other debtors are recognized at cost less impairment loss.

(c) VAT Receivable

Taxation receivable is recognized at cost.

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**2.7 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are held for the purpose of meeting short-term cash commitments.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

**2.8 Financial Liabilities**

**2.8.1 Initial recognition and measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The Board determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Board's financial liabilities include trade and other payables.

**2.8.2 Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

**2.8.3 Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the income statement. The Board has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

**2.8.4 Other Financial Liabilities**

Loans and borrowings are carried at amortized cost after initial recognition.

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**2.9 Other Liabilities**

Other liabilities include Accrued Expenditure. These are stated at their historical value which is deemed to be their fair value.

**2.10 Government Grants**

The value of the Government Grant reflects, assets transferred from following organization at the time of formation of the Board. Grants related to the assets, including non-monitory grants at fair value, presented in statement of financial position by setting up the grants as deferred income.

Government Contribution	-	Rs.	7,904,002.00
UNDP Contribution	-	Rs.	2,110,282.00
ITC Contribution	-	Rs.	5,086.54
Export Promotion Secretariat	-	Rs.	81,070.94
Government Grant Motor Vehicles	-	Rs.	<u>31,499,000.00</u>
Total	-	Rs.	<u>41,599,441.48</u>

**2.11 Employee Benefits**

**Defined Contribution Plans**

Employees are eligible for Employees' Provident Fund (EPF) Contributions and Employees' Trust Fund (ETF) Contributions in line with the respective statutes and regulations. The Authority pays fixed contributions of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund and will have no legal or constructive obligation to pay further amounts.

**Defined benefit plans**

Defined benefit plans are post-employment plans other than defined contribution plans. Authority is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983. A provision for the obligations under the Act is determined based on the half month salary multiplied by number of years in service.

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
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**2.12 Income Tax**

According to the Sri Lanka Export Development Act No .40 of 1979 Section 18,

- (a) The profits and income of the Board; and
- (b) Any sum paid by the Board to any person as a subsidy or grants out of the Fund are exempted from income tax

**2.13 Income Recognition**

**a. Government Grant**

This represents funds received from the government treasury. Based on forecasted cash flow requirements, the treasury provides the required funds to the board. Therefore, this represents expenditure related grant received by the board which is recognized at fire value.

**b. Other Income**

Income received from providing services and information is measured at the fair value of the consideration received or receivable as per the Invoices raised in the period in which the related services are performed.

**c. Interest Income**

Interest income for all interest-bearing financial instruments (from exporter's loans) are recognized in the income statement at the time of repayment of the instalment using the effective interest rate method.

**d. Dividend Income**

Dividend income is recognized when the Board's right to receive the payment is established.

**2.14 Expenses Recognition**

All expenses are measured at fair value of the consideration given and recognize in the period to which those expenses relate except the Rent expenditure of the Kandy Provincial office building where a rent arrears amounting to Rs.4, 099,461.51 had been paid according to the agreement signed by the EDB and a claim submitted by the Bank of Ceylon during the year 2015. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period and are treated as a change in an accounting estimate.

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**2.15 Borrowing Costs**

Borrowing costs are interest & other costs incurred by the Board in connection with the borrowing of funds. Borrowing costs are recognized as an expense in the period in which they are incurred.

**2.16 Foreign Currency Translation/Transactions**

All transactions in currencies other than the functional currency are recorded in Sri Lankan Rupees, using the exchange rates prevailing at the time the transactions were effected. At each Statement of Financial position date, monetary assets and liabilities denominated in foreign currencies are retranslated to Sri Lankan Rupee equivalents at the exchange rate prevailing on the Balance Sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees using the exchange rate prevailing at the date of transaction. Exchange differences arising on settlement of monetary items and re-translation of monetary items, are recognized in the income statement in the year in which they arise.

**2.17 Related Party Transactions**

The Board has related party relationship with its Associate company i.e. Development Holdings (Pvt) Ltd. The Board has paid monthly Rental for the space occupied and also the auditorium hire charges as per the valuation of the Government Valuer to the Associate Company.

**Transactions with Key Managerial Personnel**

According to the Sri Lanka Accounting Standard 24 (revised 2005) 'Related Party Disclosure' Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the Board.

**2.18 Events after Balance Sheet Date**

The directors monitor events closely and where necessary adjustments or disclosures are made in the current Financial Statements in respect of material post balance sheet events as appropriate.

**2.19 Contingent Liabilities**

- a) Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

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- b) The Board has initiated legal action with 8 companies in- order to recover dues to the Board in-connection with different transactions carried out with the Board. The approximate value is Rs.21 MN.

**2.20 Cash Flow Statement**

The cash flow statement has been prepared by using Indirect Method in accordance with the Sri Lanka Accounting Standard No. 7 on Cash flow statements.

The Indirect Method discloses the profit or loss adjusted by the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.



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**YEAR ENDED 31ST DECEMBER 2015**

	<u>SLFRS</u>		<u>SLFRS</u>	
	<u>31.12.2015</u>		<u>31.12.2014</u>	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
<b>(3) Income</b>				
Grant Received	462,770,000.00		518,000,000.00	
Revenue from Services to Exporters	84,001,943.59		68,596,668.00	
CHOGM 2013	-		9,120,000.00	
Income from branches	84,050.40		27,134.75	
Internet Income	343,894.00		367,859.00	
Internet Portal	458,859.79		316,195.56	
Income from Expo-2012	1,000,000.00		1,000,000.00	
Seminars and Course Fee	3,773,280.00		2,770,242.00	
Income on stall fees -Leather Fair -2015	6,539,247.70		6,543,145.09	
Sales of Books	165,821.00		309,425.00	
Other Income	1,156,000.00		905,500.00	
	<b><u>560,293,096.48</u></b>		<b><u>607,956,169.40</u></b>	
<b>(4) Other Income</b>				
Interest Income	1,984,461.65		2,211,714.68	
Share of Associate Company Profit	53,421,350.00		83,131,040.00	
Dividend Income	54,097,923.05		37,965,314.57	
Profit on sale of fixed assets	-		1,967,735.68	
Other Sundry Income	438,496.35		1,045,364.07	
Amortization Of Government Grants	3,323,500.00		1,343,078.73	
Interest Income from Staff Loans (IFRS)	3,487,473.63		4,745,966.72	
Difference in Exchange	-		-	
	<b><u>116,753,204.68</u></b>		<b><u>132,410,214.45</u></b>	
<b>(5) Export Development Expenses</b>				
Export Development Programmes	66,607,024.74		80,298,367.71	
EU Sri Lanka Organic Project	-		570,611.09	
Export Marketing Promotion - overseas	121,312,624.90		92,264,081.98	
CHOGM 2013	-		82,405,173.94	
Expo Milano 2015	13,331,528.67		-	
Participation trade delegation	500.00		531,303.11	
Local Trade Fairs	9,211,475.65		2,181,155.30	

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	<u>SLFRS</u>		<u>SLFRS</u>	
	<u>31.12.2015</u>		<u>31.12.2014</u>	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
Policy and Planning Expenses	3,692,527.17		977,162.38	
Export Market Promotion- Local	3,751,492.77		9,424,470.21	
Regional Development Expenses	13,278,983.73		19,026,572.10	
Trade Information and Services Expenses	4,220,741.78		7,639,200.33	
Trade Net Expenses	7,219,584.70		3,404,465.89	
Integrated Agriculture Model Farm Project	2,982,206.62		2,680.00	
Ceylon Cinnamon Logo Design	8,640.00		1,557,042.89	
	<b><u>245,617,330.73</u></b>		<b><u>300,282,286.93</u></b>	

**(6) Administration Expenses**

Salaries and Wages	127,498,333.84	109,968,561.74
Over Time and Holiday Pay	7,404,712.84	8,328,658.36
Bonus	2,778,337.50	2,687,512.50
EPF	16,708,117.65	12,958,600.38
ETF	3,350,700.01	2,545,187.66
Pension	43,835.00	34,000.00
Gratuity	19,909,697.25	13,496,606.73
Staff Welfare	22,456,280.97	20,355,505.15
Recruitment Charges	1,122,920.59	262,569.43
Staff Cost -( IFRS Adjustments)	3,487,473.63	4,745,966.72
Electricity	18,024,563.57	22,471,618.02
Water	802,563.06	789,544.24
Legal and Other Professional Fee	650,864.00	66,874.40
Advertising	203,172.00	489,776.00
Security	4,727,765.12	4,236,270.54
Audit Fee	600,000.00	1,039,239.00
Printing Charges	393,974.78	956,654.80
Transport & Travelling Charges	13,025,028.12	15,705,709.54
Entertainment	405,266.84	254,383.60
Other General Expenses	6,158,289.95	1,682,354.10
Board Member Fees	608,327.00	571,270.00
Maintenance of Office Equipment	2,398,773.73	971,931.65
Rent	65,301,327.83	63,500,001.60

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
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	<u>SLFRS</u>		<u>SLFRS</u>	
	<u>31.12.2015</u>		<u>31.12.2014</u>	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
Fuel and Lubricants	4,781,361.74		8,397,404.96	
Repairs and Maintenance of Vehicles	5,466,619.52		6,653,826.76	
Private Hiring Charges	5,709,259.05		5,739,629.40	
Communication and Subscription	7,174,814.76		8,216,618.66	
Depreciation	13,347,222.77		10,283,639.34	
Local Training	854,417.53		338,961.40	
Supplies Requisites	3,425,668.03		3,912,601.53	
Overseas Training	1,116,565.44		408,458.96	
Exchange Loss		-	46,140.25	
	<u>359,936,254.12</u>		<u>332,116,077.42</u>	

**(7) Finance Cost**

Interest Expenses	364,397.02	359,623.59
Stamp Fees	73,772.50	971,611.00
Financial Charges	910,507.93	884,920.22
	<u>1,348,677.45</u>	<u>2,216,154.81</u>

**(8) Revaluation Of Motor Vehicles**

Motor Vehicles owned by the board were revalued by Automobile Association of Sri Lanka on 31st December 2012. The Board expects to revalue the Motor Vehicles once in five years.

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**(9) Property, Plant and Equipment**

**(9.1) Cost**

<u>Assets</u>	<u>Balance as at 01/01/2015</u>	<u>Additions</u>	<u>Revaluation</u>	<u>Disposals</u>	<u>Balance as at 31/12/2015</u>
Residential Telephone	99,364.00	-	-	-	99,364.00
Motor Vehicle	49,550,000.00	25,560,000.00	-	-	75,110,000.00
Computer	31,941,213.02	1,308,681.00	-	-	33,249,894.02
Computer Software	4,145,281.00	1,920,799.50	-	-	6,066,080.50
Computer Equipments	980,467.32	25,880.00	-	-	1,006,347.32
TV Equipments	4,730,855.01	66,490.00	-	-	4,797,345.01
PABX Equipments	65,549.00	-	-	-	65,549.00
Telephone Installation	1,495,390.14	11,770.00	-	-	1,507,160.14
Furniture and Fittings	14,775,057.29	24,675.00	-	-	14,799,732.29
Office Equipment	15,468,572.24	134,163.75	-	-	15,602,735.99
	<b>123,251,749.02</b>	<b>29,052,459.25</b>	<b>-</b>	<b>-</b>	<b>152,304,208.27</b>

**(9.2) Depreciation**

	<u>Balance as at 01/01/2015</u>	<u>Charge for the year</u>	<u>Depreciation for Disposals</u>	<u>Balance as at 31/12/2015</u>
Residential Telephone	68,367.42	7,121.64	-	75,489.06
Motor Vehicle	11,349,999.99	7,698,500.00	-	19,048,499.99
Computers	24,346,098.58	2,854,883.35	-	27,200,981.93
Computer Software	1,978,284.77	733,304.30	-	2,711,589.07
Computer Equipments	341,899.27	217,274.39	-	559,173.66
TV Equipments	3,302,935.56	222,112.11	-	3,525,047.67
PABX Equipments	30,713.57	3,483.54	-	34,197.11
Telephone Installation	1,341,124.01	80,465.42	-	1,421,589.43
Furniture and Fittings	5,853,706.65	693,381.59	-	6,547,088.24
Office Equipment	10,494,509.29	836,696.43	-	11,331,205.72
	<b>59,107,639.11</b>	<b>13,347,222.77</b>	<b>-</b>	<b>72,454,861.88</b>

**Written Down Value**

	<b>2015</b>	<b>2014</b>
Cost	152,304,208.27	123,251,749.02
Accu: Depreciation	(72,454,861.88)	(59,107,639.11)
<b>WDV</b>	<b>79,849,346.39</b>	<b>64,144,109.91</b>

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	<u>SLFRS</u>		<u>SLFRS</u>	
	<u>31.12.2015</u>		<u>31.12.2014</u>	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
<b>(10) Investments in Associates - Unquoted</b>				
Investments in Associates Company - DHPL	942,012,158.00		888,590,808.00	
	<b><u>942,012,158.00</u></b>		<b><u>888,590,808.00</u></b>	
<b>(11) Other non-current financial assets</b>				
Redeemable Preference Shares	105,058,083.78		105,058,083.78	
Ordinary Shares	58,312,483.62		58,312,483.62	
(-) Provision for impairment in Value	(122,822,417.40)		(122,822,417.40)	
	<b><u>40,548,150.00</u></b>		<b><u>40,548,150.00</u></b>	
<b>(12) Inventories</b>				
Stationery	1,843,501.62		1,318,144.08	
Tyre and Tube	-		-	
	<b><u>1,843,501.62</u></b>		<b><u>1,318,144.08</u></b>	
<b>(13) Trade and Other Receivables</b>				
Exporters Loan	46,120,175.53		46,391,543.87	
(-) Provision for Impairment in debts	(45,477,591.40)		(45,477,591.40)	
Staff Loans	41,985,995.31		43,867,269.13	
Less: Deferred Staff Cost	(14,316,119.84)		(14,704,943.13)	
VAT Receivable	104,676,878.80		104,676,878.80	
Other Debtors	10,930,329.47		13,713,645.84	
	<b><u>143,919,667.87</u></b>		<b><u>148,466,803.11</u></b>	
<b>(14) Advance and Prepayments</b>				
Prepayments	15,599,232.10		18,360,928.24	
Advances	5,719,704.56		15,981,790.75	
Bank Guarantee	300,000.00		300,000.00	
Deposits for Services	1,062,550.30		1,002,550.30	
Refundable Security Deposits	969,390.16		969,390.16	

**SRI LANKA EXPORT DEVELOPMENT BOARD**

**NOTES TO THE FINANCIAL STATEMENT**

**YEAR ENDED 31ST DECEMBER 2015**

	<u>SLFRS</u>		<u>SLFRS</u>	
	<u>31.12.2015</u>		<u>31.12.2014</u>	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
Returned Cheques		225,040.00		15,000.00
Prepaid Staff Cost		14,316,119.84		14,704,943.13
		<b><u>38,192,036.96</u></b>		<b><u>51,334,602.58</u></b>

**(15) Cash and Cash Equivalents**

Bank Of Ceylon - Deposit Cashier		2,500.00		2,500.00
Bank Of Ceylon - Lake View		74,513,941.58		26,733,368.90
National Development Bank		4,463,266.71		6,067,851.26
Bank Of Ceylon - Corporate Branch		5,904,484.72		4,683,705.38
Sampath Bank - Kandy		4,728.76		4,471.75
Sampath Bank - Galle		6,886.49		6,625.89
Bank Of Ceylon - Ampara		3,987.61		3,392.04
Bank Of Ceylon - Hambantota		1,903.61		1,780.64
Bank Of Ceylon - Badulla		4,385.80		3,789.14
Bank Of Ceylon - Mannar		919.78		413.71
Sampath Bank - Kurunegala		1,558.68		1,373.76
Cash in Hand		130,048.94		88,706.40
		<b><u>85,038,612.68</u></b>		<b><u>37,597,978.87</u></b>

**(16) Grants Received**

Government Contribution		7,904,002.00		7,904,002.00
Government Contribution - Motor Vehicle		38,560,000.00		13,000,000.00
UNDP Contribution		2,110,282.00		2,110,282.00
ITC Contribution		12,716.35		12,716.35
Export Promotion Secretariat		202,677.32		202,677.32
(-) Amortization Of Government Grants		(7,190,236.19)		(3,866,736.19)
		<b><u>41,599,441.48</u></b>		<b><u>19,362,941.48</u></b>

**(17) Provisions and Other Liabilities**

Loan Scheme Contribution		7,888,532.97		7,567,706.09
UPEPV		2,108,251.77		2,108,251.77
Exporter contribution		24,678,355.00		19,055,549.00

**SRI LANKA EXPORT DEVELOPMENT BOARD**

**NOTES TO THE FINANCIAL STATEMENT**

**YEAR ENDED 31ST DECEMBER 2015**

	<b><u>SLFRS</u></b>		<b><u>SLFRS</u></b>	
	<b><u>31.12.2015</u></b>		<b><u>31.12.2014</u></b>	
	<b><u>Rs.</u></b>	<b><u>Cts.</u></b>	<b><u>Rs.</u></b>	<b><u>Cts.</u></b>
UPEPV - control Accounts	(10,403,683.00)		(10,403,683.00)	
Refundable Deposits	4,912,685.50		8,197,360.00	
	<b><u>29,184,142.24</u></b>		<b><u>26,525,183.86</u></b>	
<b>(18) Retirement Benefits Obligation</b>				
Balance B/F	84,374,275.25		79,955,076.27	
Provision during the year	19,909,697.25		13,496,606.73	
Paid during the year	(11,090,705.50)		(9,077,407.75)	
Balance C/F	<b><u>93,193,267.00</u></b>		<b><u>84,374,275.25</u></b>	
<b>(19) Trade Payables</b>				
Stamp Fees Payables	16,175.00		15,775.00	
Unclaimed Salaries	152,054.87		19,922.30	
Unclaimed Sundry Payments	21,717.86		-	
EPF Payable	2,780,399.73		1,882,605.64	
ETF Payable	333,648.12		225,912.82	
Pension Payable	(165.00)		397.50	
Employees Final Payments	61,644.46		61,644.46	
Audit Fee Payables	1,973,292.00		3,269,004.00	
Repayable Security Deposit- Cashier	2,500.00		2,500.00	
Insurance Debtors	-		12,357.14	
Refundable Deposit for Tenders	6,000.00		76,000.00	
Unpresented Cheques	317,233.95		317,233.95	
Other Accrued Expenses	46,810,484.45		57,347,103.94	
	<b><u>52,474,985.44</u></b>		<b><u>63,230,456.75</u></b>	
<b>(20) Bank Overdraft</b>				
Bank Of Ceylon - Lake View	22,635,576.21		12,235,606.53	
Bank Of Ceylon - Galle	-		648.88	
	<b><u>22,635,576.21</u></b>		<b><u>12,236,255.41</u></b>	

**SRI LANKA EXPORT DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENT**  
**YEAR ENDED 31ST DECEMBER 2015**

**(21)** Investments in equity shares were tested for impairment as required as LKAS 39. Accordingly reversal of impairment provision amounting to Rs. 31,698,150 was done as at 1st January 2011.

**(22) (22.1)** The balance due from treasury under "Principal Collector Of Customs" was tested for impairment as required by LKAS 39. As a result an impairment provision of Rs.468,742,448.83 was recognized as at 1st January 2011.

**(22.2) Staff Loan**

According to the LKAS 39, Staff Loans are recognized at amortized cost using the effective interest rate, less any impairment losses. According to staff loans outstanding as at 1st January 2013 were measured at amortized cost. As a result a prepaid staff cost and IFRS adjustments account amounting to Rs.16,060,711.67 were established in the book of accounts of the authority.

*The respective balances are shown in the financial statements as follows.*

**(22.2.1) IFRS adjustment account balance was deducted from staff loan account. As a result staff loan is now shown at fair value in the balance sheet.**

Staff Loan	Rs.	41,985,995.31
IFRS Adjustments	Rs.	<u>(14,316,119.84)</u>
	Rs.	<u><u>27,669,875.47</u></u>

**(22.2.2) Prepaid Staff Cost aroused due to above adjustment is shown under current assets.**

Prepaid Staff Cost	Rs.	<u><u>14,316,119.84</u></u>
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**(22.2.3)** Rent Expenditure for the Kandy Provincial Office building amounting to Rs.4,099,461.51 had been paid according to the agreement signed Prior Year Adjustment.

**(23)** Balance Payable to Expo unit was measured at amortized cost as required by LKAS 39. This refers to the impact arising from the above adjustment.





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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இல. } TCM2/F/EDB/1/15/63  
My No. }

ඔබේ අංකය  
உமது இல. }  
Your No. }

දිනය  
திகதி } 21 February 2017  
Date }

The Chairman,  
Sri Lanka Export Development Board.

**Report of the Auditor General on the Financial Statements of the Sri Lanka Export Development Board for the year ended 31 December 2015 in terms of the Section 14(2)(c) of the Finance Act, No. 38 of 1971**

The audit of financial statements of the Sri Lanka Export Development Board for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 16 of the Sri Lanka Export Development Board Act, No. 40 of 1979. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act will be furnished to the Chairman of the Board in due course.

**1.2 Management's Responsibility for the Financial Statements**

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

අංක 306/72, පොල්දො පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, . - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

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### 1.3 Auditor's Responsibility

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

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

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

### 1.4 Basis for Qualified Opinion

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



## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the effects of matters described in paragraph 2.2. of this report the financial statements give a true and fair view of the financial position of the Sri Lanka Export Development Board as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## **2.2 Comments on Financial Statements**

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### **2.2.1 Sri Lanka Accounting Standards**

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The following observations are made.

#### **(a) Sri Lanka Accounting Standard 01**

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Government grants amounting to Rs.3,492,459 and Rs.8,779,054 had been received during the year under review and the preceding year respectively for the purchase of capital assets and that had been adjusted to the income instead of being brought to account as capital grants.

#### **(b) Sri Lanka Accounting Standard 16**

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- (i) In view of the failure to carry out an annual review of the effective life of the non-current assets in terms of the Sri Lanka Accounting Standard 16, assets costing Rs.467,705 which had been fully depreciated had been used continuously. As such action in terms of the Sri Lanka Accounting Standard 03 had not been taken for the revision of the estimated error.
- (ii) The rates of depreciation for the other equipment had not been disclosed in the financial statements.



(c) **Sri Lanka Accounting Standard 19**

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Action had not been taken for the use of Project Unit Loan System for the computation of the employees benefit commitments.

(d) **Sri Lanka Accounting Standard 24**

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Even though the Chairman of the Board is also a member of the Board of Directors of the Associate Company of the Board, the information on the extent of the contribution of the Board in taking decisions of the Company relating to its operating and financial activities as well as the payments made by the Board to the company in connection with the rent of buildings, auditorium fees and the expenditure on water, cleaning services, electricity had not been disclosed by way of a Note.

(e) **Sri Lanka Accounting standard 38**

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The sum of Rs.5,128,000 spent on the development of the Web Site of the Board had not been recognized as an intangible asset.

(f) **Sri Lanka Accounting Standard 39**

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According to the financial statements of the Board for the year under review, the outstanding export loan balance amounted to Rs.46,120,175 and impairment provision for Rs.45,477,591 out of that had been made. The impairment provision at equal amounts had been made from the year 2012 to the year 2015 without taking into consideration, the progress of the recovery of the export loans and as such a sum of Rs.379,868 received from the impaired companies had not been adjusted to the relevant accounts.

- (i) The financial instruments amounting to Rs.163,370,566 as at 31 December of the year under review had been brought to account as non-current financial assets.



- (ii) Dividends had not been received during the period of 07 preceding years from 04 companies in which investments in shares valued at Rs.25,750,000 had been made. Impairment provision had not been made in that connection.

### 2.2.2 Accounting Deficiencies

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The following observations are made.

- (a) Action had not been taken to identify and settle the unusual credit balances of Rs.387,000 in the Debtors Account and the unusual debit balances of Rs.10,528,683 in the Creditors Account as at the end of the year under review.
- (b) The depreciation relating to the computer software amounting to Rs.1,920,799, computer equipment amounting to Rs.22,555 and telephone fixtures amounting to Rs.8,750 purchased in the year 2015 had not been adjusted.
- (c) Even though the Government grants received for the purchase of capital assets should be recognized as profit or loss systematically according to the effective life of the assets, and a sum of Rs.13,347,223 should have been brought to account in the year under review as the amortisation. Nevertheless, a sum of Rs.3,323,500 only had been brought to account in the financial statements.
- (d) A sum of Rs.3,181,941 refundable to the exporters had been brought to account as income and as such the current liabilities of the year had been understated and the income had been overstated by that amount respectively.
- (e) The interest on the loans given by the Board in 06 instances up to 24 December 2002 to the Export Products Villages Company for the establishment of the Export Products Villages amounting to Rs.2,997,619 had not been brought to account.

### 2.2.3 Unexplained Differences

The balance of the Loan Fund as at 31 December 2015 according to the Schedule of Loans amounted to Rs.7,716,549 whereas according to the financial statements that balance amounted to Rs.7,888,533. As such an unexplained differences of Rs.171,984 existed.

### 2.2.4 Lack of Evidence for Audit

The evidence indicated against the following items of account had not been presented to audit.

Item of Account	Value	Evidence not made available
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	Rs.	
(a) Accrued Expenses	12,821,283	} Schedules and Age Analysis
(b) Refundable Deposits	8,197,360	
(c) Expenditure on the Skills Development Programmes	4,728,200	Particulars of the Payment Vouchers and the Programme on which expenditure was incurred

### 2.3 Accounts Receivable and Payable

The following observations are made.

- (a) The amount payable as at 31 December of the year under review for the loan granted from the Rural Economic Resuscitation Fund for the Project commenced with the Uva Paranagama Village as the basis with the objective of continuous production of the vegetables of export quality amounted to Rs.5,000,000.
- (b) Action had not been taken even by 31 December of the year under review, for the recovery of a sum of Rs.71,254 recoverable from 02 officers who had vacated posts and a sum of Rs.51,235 recoverable from a debtor.



- (c) A sum of Rs.127,465 out of the money paid to the Ministry of Foreign Affairs on account of the expenditure of two officers who had attended business meeting held in Poland on 27 March 2013 on behalf of the Board had not been settled even up to 31 December 2015.

#### 2.4 Transactions not supported by Adequate Authority

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The following observations are made.

- (a) Even though the letter of appointment to the Post of Executive Director of the Board stated that the appointment was made in accordance with Section 23(1) of the Sri Lanka Export Development Board Act, No. 40 of 1979 to facilitate the activities of the Board, that Section of the Act did not provide for the appointment of officers. Since the appointment made in the year 2010 up to the year 2015, the officer had been paid a sum of Rs.4,076,773 as salaries and allowances, a sum of Rs.6,270,670 as the hire of the motor vehicle provided for duty and private travel and a sum of Rs.2,122,770 as the allowances and travelling expenses for foreign travel totalling Rs.12,470,213. Even though the delegation of authorities for financial control had not been made he had signed cheques as well.
- (b) According to the instruction in the direction made by the Committee on Public Enterprises at the meeting held on 08 June 2012, motor vehicles should have been obtained on hire basis at Rs.60,000 per month with effect from 03 June 2011 in accordance with the Treasury instructions. Contrary to that directive, the Board had obtained motor vehicles on hire basis from that date to 31 December 2015 and overpaid a sum of Rs.11,703,560.
- (c) Even though the Board had paid a sum of Rs.76,999 not included in the approved estimate to the Ministry of Foreign Affairs for carrying out the co-ordination activities during the period in which the Fancy Food Trade Exhibition was held, the approval of the Board of Directors had not been received for the payment.



## 2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed.

### Reference to Laws, Rules and Regulations

### Non-compliance

#### (a) Sri Lanka Export Development Board Act, No. 40 of 1979

(i) Section 2(1)

The National Development Council for the Implementation of Export Development Programmes and Policies had not met during the period of 23 years from the Year 1992 to the year 2015.

(ii) Section 13(1) and (2)

A Fund called the Export Development Fund should be established and all moneys required to defray the expenses incurred in the implementation and execution of the powers and functions of the Board shall be paid from such Fund of the Board. Nevertheless, action had not been taken even by 27 December 2016 for the establishment of such Fund in terms of such Section.

(b) Section 47 of the Employees' Provident Fund Act, No. 15 of 1958 and Section 44 of the Employees' Trust Fund Act, No. 16 of 1980

Special Allowances, Professional Allowances, Interim Allowances and the Special Living Allowances not approved should not be taken into account for the computation of contributions to the Employees' Provident Fund and the Employees' Trust Fund whilst the Cost of





Living Allowances shall be taken into account for the computation of contributions to the Employees' Provident Fund and the Employees' Trust Fund whilst the Cost of Living Allowance shall be taken into account. As the computation had been done contrary to that, the Board had made excess contributions amounting to Rs.5,508,199 and Rs.659,375 to the Employees' Provident Fund and the Employees' Trust Fund respectively during the years 2012 to 2015 subjected to audit.

(c) Section 6(2)(a) of the Payment of Gratuity Act, No. 12 of 1983

Special Allowances, Professional Allowances, Interim Allowances and Special Living Allowances not approved shall not been taken into account for making provisions for the gratuity whilst the Cost of Living Allowance shall be taken into account. As the computation had been done contrary to that, an excess provision of Rs.19,298,351 had been made for gratuity up to 31 December 2015.



(d) The Establishments Code of the Democratic Socialist Republic of Sri Lanka

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(i) Sections 4.1 and 10.1 of Chapter VIII and Section 2 of the Public Administration Circular No. 21/2013 of 07 October 2013

- Even though a Staff Officer required to work on a holiday should serve for not less than 8 hours per day, instances of serving less than 8 hours per day and adding the number of hours worked beyond the office hours on the week days and converting to the number of days and a sum of Rs.229,932 had been paid as holiday pay.
- A sum of Rs.119,463 had been paid to 24 officers for serving on more than 02 holidays per month without obtaining the approval of the Secretary to the Ministry.

(ii) Section 7 of Chapter VIII

Even though the approval of the Secretary to the Ministry should be obtained for the payment of overtime exceeding 20 hours per month, 48 officers had been paid overtime amounting to Rs.98,763 without obtaining such approval.



(iii) Section 4 of Chapter XIV

Even though an officer should be paid the Combined Allowance for his subsistence and lodging for a period of duty out of his normal place of duty, such periods had been converted to days and a sum of Rs.36,979 had been paid to 12 officers by computing at 1/20 of the monthly salary of the officer.

(iv) Section 11.1 of Chapter XV

Even though all air travel should be done by using the Economy Class, contrary to that a sum of Rs.2,105,300 had been spent in the years 2014 and 2015 for the purchase of Business Class Air Travel Tickets for three officers of the Board.

**(e) Public Administration Circulars**

(i) Circular No. 21/2007 dated 11 September 2007 and Sections 10.1 and 10.1.1 of Chapter XV of the Establishments Code

Two officers who had attended the EXPO Milano Trade Exhibition had been paid a sum of Rs.605,803 for the period they were out of the Island beyond the approval obtained from the Prime Minister before leaving the Island.

(ii) Circular No. 13/2008 (iv) of 09 February 2011

In the payment of the fuel allowance to the officers who are entitled to assigned official motor vehicles, fuel allowance exceeding the entitlement to the post had been paid. The fuel allowance paid in excess of the specified limit during the period from 01 January 2014 to 01 June 2015 subjected to the test check amounted to Rs.213,302.



(f) **Treasury Circulars**

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Circular No.842 of 19 December 1978

A Register of Fixed Assets had not been maintained.

(g) **Public Finance Circulars**

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(i) Circular No. IAI/2002/02 of 28  
November 2002

Even though a separate Register of Fixed Assets for Computers, Accessories and Software should be maintained, it had not been so done in connection with the computers and accessories valued at Rs.33,066,961.

(ii) Circular No. 02/2014 dated 17  
October 2014

The Board of Survey for every financial year should be appointed before 15 December of such year and the survey of goods should be completed before 26 February of the ensuing year and furnish those reports to the Auditor General. Nevertheless the Board of Survey for the year 2015 had not been conducted even by 04 August 2016.

(h) **Public Enterprises Circulars**

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Section 5.2.5 of Circular No. PED/12 of  
02 June 2003

Even though the approval of the Treasury for the budget for the ensuing year should be obtained before 15 days of the commencement of the said year, the budget for the year 2015 had not been sent for the approval of the Treasury even by 12 March 2015.



- (i) Public Finance Circular No. PF/PE 5 dated 11 January 2000 and the Public Enterprises Circular No. 95 of 14 June 1994
- (i) Even though a benefits specifically approved by the Cabinet of Ministers or the Ministry of Public Administration or the Treasury can be paid to its employees with the approval of the Board of Directors, the approval of the Treasury had not been obtained for the Professional Allowance and the Special Living Allowance paid with the salary from the year 1992. Such Professional Allowances so paid during the three preceding years and the year under review amounted to Rs.2,182,894 and the Special Living Allowances amounted to Rs.18,284,887.
- (ii) The Board had not obtained the approval of the Treasury for the supply of transport services and the payment of the Transport Allowance to the office employees. The Board had paid Transport Allowance of Rs.5,500 per month to the Deputy Directors who do not use the transport service whilst a daily payment of Rs.172 had been made to other officers. Accordingly, the expenditure incurred during the year under review for the supply of transport facilities to the employees amounted to Rs.12,458,798.



### 3. **Financial Review**

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#### 3.1 **Financial Results**

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According to the financial statements presented, the financial results of the Board for the year ended 31 December 2015 amounted to a surplus of Rs.70,144,039 as compared with the corresponding surplus of Rs.105,751,865 for the preceding year, thus indicating a deterioration of Rs.35,607,826 in the financial results for the year under review as compared with the preceding year. The decrease in the Government grants and the decrease of other income had mainly impacted the deterioration of the financial results.

An evaluation of the contribution of the year under review and 04 preceding years indicated that despite the improvement of the contribution by 2.6 per cent to 85 per cent from the year 2011 to the year 2013, such contribution in the year under review and the preceding year had decreased by 0.93 per cent and 0.29 per cent respectively.

### 4. **Operating Review**

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The following observations are made.

- (a) The objectives according to the Annual Report of the Board are given below.
  - i. To increase the country's export value of products and services in line with the Governments' vision.
  - ii. To increase exports to markets other than the European Union and the United States of America by over 50 per cent by 2020, while consolidating the market position in the European Union and the United States of America.
  - iii. To pay particular attention to the seven identified key product sectors, which will contribute over 80 per cent of total export value and achieve significant growth in those sectors.



- iv. To project a more positive and a favourable image of Sri Lanka's exports as a whole through the conduct of integrated marketing communication programmes in selected markets.
  - v. To broad-base beneficiaries of exports across the country and sectors, including the Small and Medium Enterprises.
  - vi. To build a team excellence at the EDB based on core values, with particular emphasis on employee productivity and commitment.
- (b) The expenditure incurred during the preceding year and the year under review on the domestic and foreign Trade Exhibitions and the Promotion Programmes implemented in the Agricultural, Fisheries and Industrial Sectors by the Board for maximizing the export income and the supply of a contribution to the National Economy amounted to Rs.245,617,331 and Rs.300,282,287 respectively. Nevertheless, the overall improvement of the export income of those Sectors in the year under review as compared with the preceding year had decreased by 5.75 per cent.
- (c) Even though programmes on joint Agri-model, Agri-zonal and Agriculture had been identified as Export Promotion Programmes for the year 2015 and annual estimates provision of Rs.60,860,000 had been allocated for that purpose, a sum of Rs.13,280,000 or about 40 per cent of that only had been spent as the export development expenditure. As the criteria and procedure for the follow-up action for the evaluation and review of the achievement of the objectives of such programmes had not been prepared, such programmes had failed.
- (d) Twenty four activities amounting to Rs.35,220,000 of the year 2014 and 52 activities amounting to Rs.67,220,000 of the year 2015 had not been executed according to the Action Plans. Five programmes amounting to Rs.850,000 of the year 2014 and 09 Programmes amounting to Rs.16,350,000 of the year 2015 had been included in the Action Plans without holding preliminary discussions with



the institutions, persons and organisations connected with the programmes and without carrying out an advance review of the social, economic and political background of different countries and as such those could not be implemented. The reasons for not implementing the balance programmes had not been furnished to Audit.

- (e) The reasons for not making provision of funds for the year 2016 and for not including in the Action Plan for the year with regard to the projects implemented under the Regional Development Division from the year 2013 to the year 2015 and the Projects which will be implemented in the ensuing years had not been revealed.

#### 4.2 Management Activities

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The following observations are made.

- (a) The Project on the Collection of Development Information of the Northern and Eastern Provinces approved by the Board without a Project proposal had not been included in the Action Plan or the Budget for the year 2014. The project which should have been implemented in 09 months from March 2014 had not been implemented even by 25 July 2016. Even though the Field Officers serving in the Government institutions had been selected for the implementation of the Programme, the approval for the attachment of those officers and the payment of allowances had not been obtained from the Treasury.

(b) **EXPO Milano Exhibition**

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The following observations are made.

- (i) An excess expenditure of Rs.4,440,336 had been incurred without the approval of the Cabinet of Ministers in connection with the Expo Milano 2015 Exhibition held in Milano, Italy from 01 May to 31 October 2015 with the objective of promoting the Trade and Tourism Industry of Sri Lanka.





- (ii) In view of the disagreement created by the Expo Commissioner General appointed for this Exhibition without the approval of the Cabinet of Ministers, with the Expo Authority, the contribution of Rs.12,960,000 of the Government of Italy for creating the Exhibition stall of Sri Lanka had been deprived of to Sri Lanka. As such a sum of Rs.27,944,464 had to be spent for the creation of Exhibition Stall. Even though that officer had been removed from the post due to this reason any course of action whatsoever had not been taken for the recovery of the sum of Rs.12,960,000 deprived of to the Government from the officer concerned.
- (iii) Out of the Board contribution to the Exhibition amounting to Rs.16,670,000 a sum of Rs.10,000,000 had been paid by 06 August 2015 to the Sri Lanka Tourism Promotion Bureau. Even though the Exhibition ended on 31 October 2015, concurrence with regard to the contribution to the actual expenditure thereon had not been reached. The provision for the further payment of Rs.6,670,000 to be made by the Board had not been made in the financial statements for the year 2015 whilst the letters on the confirmation of balances had not been furnished to Audit.
- (iv) According to the Cabinet Memorandum a sum of Rs.5,040,000 had been allocated for the Expo Sri Lanka Day. Nevertheless, a sum of Rs.1,079,688 had been spent exceeding the allocated amount without the approval of the Cabinet of Ministers in connection with the participation of the Chairman and the Additional Director General of the Board on that day.
- (v) Even though the Directors who participated in the Exhibition could have undertaken the responsibility for participation in the media discussions, a sum of Rs.163,194 had been spent on the Chairman of the Board for participating in a media discussion while on a private visit to Switzerland without obtaining the permission of the President.



- (vi) Officers of the Board had been selected as the Exhibition Directors without following any plan and specified basis. Those officers had been paid Rs.3,770,640 as foreign travel allowance without obtaining the Treasury approval in terms of Section 04(d) of the Ministry of Finance Circular No. MF01/2015/01 dated 15 May 2015.
- (vii) The officers selected as the Exhibition Directors had been paid a sum of Rs.120,459 without approval for being on duty beyond the specified time.

(c) **Investments**

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The following observations are made.

- (i) Even though 3 companies in which the Board had invested a sum of Rs.17,315,000 in ordinary shares had been dissolved during the year under review, action had not been taken for the recovery of that money.
  - (ii) The Board had not taken a formal course of action for realizing the investments made relating to Preferential shares valued at Rs.93,841,428 in 18 companies and the ordinary shares valued at Rs.5,132,890 made in 17 companies which had been removed from the Register of Companies due to the failure to re-register under the Companies Act, No. 07 of 2007.
- (d) According to the provisions made in Section 25 of the Finance Act No. 38 of 1971 and the Public Enterprises Circular No. 95 of 14 June 1994 for the creation of Special Funds, such Funds should be created subject to those provisions and should function subject to the general direction and control of the Minister of Finance. Nevertheless, contrary to that the Board had created a Loan Fund without approval. Further the Board had credited one per cent per month from the combined salaries of the employees and 7.2 per cent interest by utilizing of Government grants to the unauthorized Fund referred to above. Accordingly, the employees contribution to the Loan Fund as at the end of the year under review



amounted to Rs.5,149,018 whilst the interest on the contribution amounted to Rs.2,567,531.

#### 4.3 **Operating Activities**

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The expected activities of the Export Products Village commenced for the cultivation of chilies, passion fruit and pineapple in a land 250 acres in extent situated in the Mannar District by providing with agri-implements and agri-wells to 500 beneficiaries from provisions amounting to Rs.22,340,000 should have been completed by 31 March 2015. Nevertheless, an advance of Rs.1,050,000 had been issued on 26 May 2015 for the construction of tube wells to 15 beneficiaries without carrying out any of the other activities such as providing implements to the beneficiaries, setting up of harvest collection centres and connecting to the market with the exporters.

#### 4.4 **Transactions of Contentious Nature**

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The following observations are made.

- (a) A sum of Rs.4,728,200 had been paid to a Private Driver Training Institution for the training of Drivers under the Skills Development Programme implemented in the Mannar, Mullativu and Vavuniya Districts. The Board had not taken action to ascertain the nature of training related to the Export Sector provided through a Private Driver Training Institution. The attention of the Board had not been paid to ensure whether those who had completed the training had done any work relating to export or for making the necessary arrangements in that connection. This Project had been abandoned as the activities related to the Skills Development Project had not been included in the Action Plan for the year 2016.
- (b) Contrary to the provisions in Section 12(1) of the Sri Lanka Export Development Board Act, No. 40 of 1979 the Board had joined as a partner of 2015 conference held by the Sri Lanka Chamber of Ceramics and Glass



Works Industries of which the previous Conferences had been held independently in the years 2002, 2004 ,2006, 2011 and 2013 and had spent a sum of Rs.455,000 in that connection. The sum of Rs.500,000 allocated for the Tile Industry Development Programme had been utilized for the purpose.

#### 4.5 **Uneconomic Transactions**

The following observations are made.

- (a) A sum of Rs.296,809 at the rate of Rs.4,000 per month had been paid as lease rent with effect from 07 May 2014 to 29 February 2016 without an agreement and valuation report to the Associate Company of the Board for a land to be used as a vehicle park. But that premises had not been used for parking of vehicles
- (b) The Pineapple Cultivation Project of 50 acres in extent commenced at a cost of Rs.7,280,000 had been abandoned as it had not been commenced under proper management and without carrying out a feasibility study. Further, the commencement of a Project for cultivation of chillies once again in the Mannar District without a follow up of the success of the chille cultivations done at a cost of Rs.22,720,000 in the year 2010 in the Vavuniya and Mannar Districts is not a fruitful activity.
- (c) Any dividends whatsoever had not been received in respect of the period from the year 1997 to 2014 for the investment of Rs.105,058,084 in the preferential shares of 30 companies and in respect of the period from the year 2001 to the year 2015 for the investment of Rs.58,312,484 in the ordinary shares of 35 Companies.
- (d) Even though 8 officers with experience in the creation of Web pages and two Computer Programmers are deployed in service a sum of Rs.5,128,200 had been paid without the approval of the Board of Directors to a private institution for the development of a Web Site for the Board during the period 30 June 2014 to 29 June 2015.



#### 4.6 Identified Losses

The following observations are made.

- (a) According to the agreements entered into between the Board and the suppliers of the office transport services, the Board had not agreed to provide vehicle parking facilities. Nevertheless, it had not been possible to recover the sum of Rs.835,009 paid as the vehicle parking fees from the bus owners.
- (b) The late fees and the cancellation fees for the purchase of air travel tickets by the officers of the Board amounting to Rs.51,000 in the year 2014 and Rs.7,000 up to 30 June 2015 had been paid by the Board.
- (c) According to the agreement entered into by the Board with the institution supplying the security services, the charge per day inclusive of tax amounted to Rs.16,780. Nevertheless, payment had been made by adding the tax again to the charge inclusive of tax. As such a sum of Rs.325,686 had been paid in excess to the agreed amount from January to July 2015 whilst an overpayment of Rs.157,900 had been made due to the failure to make payment according to the duty shifts of the approved staff.
- (d) The Board had incurred losses totalling Rs.504,135 comprising Rs.49,467 due to the failure to award the contract for the internal partitioning of the office to the institution which submitted the lowest quotation, a sum of Rs.75,000 receivable for the materials removed, a sum of Rs.282,233 due to the alteration of the original design, Rs.7,286 paid in excess of the agreed amount and the liquidated damages amounting to Rs.90,149.
- (e) A sum of Rs.225,370 had been spent in excess of the amount approved by the Board for the Trade Exhibition conducted in the United Arab Emirates from 08 to 12 February 2015 by the participation of 25 Exporters engaged in the Food and Beverages Processing and Export Sector, due to taking action contrary to approval of the Board of Directors.



- (f) Even though the organizing activities of the Trade Exhibition held from 13 to 17 November 2013 under the direction of the Ministry of Economic Development, concurrently with the Conference of the Commonwealth Heads of Government had not been entrusted to the Board, the Board had spent a sum of Rs.10,934,625 in that connection. The loss incurred by the Board due to the failure to consider the lowest quotation received out of the bids received for the selection of a company for the organization and management of the Exhibition amounted to Rs.8,184,555.

#### 4.7 Staff Administration

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The following observations are made.

- (a) Two officers to posts of the Director General and the Publicity Officer and three officers had been appointed to the post of Management Assistant had been appointed, though they had not possess the qualifications specified in the respective Schemes of Recruitment.
- (b) Contrary to the Public Administration Circular No. 25/2014 of 12 November 2014, eight employees who had not completed 180 days of satisfactory services and 6 employees recruited for training had been confirmed.
- (c) In the confirmation of employees recruited on contract basis, 9 employees who had not fulfilled the educational qualifications according to the Scheme of Recruitment had been confirmed.

#### 4.8 Resources of the Board given to other State Institutions

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Five motor vehicles and 4 officers of the Board had been deployed in service in the Presidential Secretariat, the Private Secretary to the Minister in Charge of the subject, the Media Division of the Minister and the Line Ministry contrary to Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003 and a sum of Rs.1,311,777 had



been spent by the Board as the maintenance expenses of the motor vehicles and salaries and allowances during the year under review.

## **5. Accountability and Good Governance**

### **5.1 Presentation of Financial Statements**

Even though the Public Enterprises Circular No. PED/12 of 02 June 2003 stipulates that the financial statements should be presented to the Auditor General within 60 days after the close of the relevant year of accounts, the financial statements for the financial year 2015 had been presented only on 29 April 2016.

### **5.2 Action Plan**

The date of commencement of each activity included in the plan, the targeted date of completion and the targeted physical quantity had not been specifically identified.

### **5.3 Internal Audit**

The post of Chief Internal Auditor of the Internal Audit Unit had been vacant over a period of two years and only two Internal Audit Queries had been issued during the year under review due to lack of adequate staff. The attention of the Board had not been paid for strengthening the Internal Audit Unit.

### **5.4 Budgetary Control**

Comparison of the budgeted expenditure for the year under review with the actual expenditure revealed that expenditure of Rs.112,830,000 exceeding the budgeted provisions had been incurred. Similarly, variances ranging from 32 per cent to 387 per cent were observed between the budgeted provisions made for the development activities, the regional development activities, the purchase of fixed assets and the revenue expenditure. As such, it was observed that the budget had not been made use of as an effective instrument of management control.



## 5.5 Unresolved Audit Paragraphs

The audit paragraphs included in the previous Audit Reports for which adequate attention had not been paid appear below.

### Year 2014

- (a) Even though a part of the premises of a building belonging to the Dehiwala Mount Lavinia Municipal Council in which the Board maintains one of its stores had been sub-leased, a sub-lease agreement had not been entered into in that connection.
- (b) Expenditure amounting to Rs.4,020,848 , contrary to the powers and functions specified in Section 12(1) of the Sri Lanka Export Development Act, No. 40 of 1979 , had been incurred in the year 2014.
- (c) The approval of the Minister of Finance, in terms of Section 12(q) of the Sri Lanka Export Development Act, No. 40 of 1979 had not been obtained for the investment of Rs.929,548,150 made by the Board in the shares of Private Companies from the year 1988.
- (d) Salaries amounting to Rs.226,530 obtained by placing counterfeit signatures for performing duties in the Security Service of the Board had not been recovered.
- (e) Five motor vehicles and 4 officers of the Board had been deployed in the service of the Line Ministry contrary to Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003 and the Board had spent a sum of Rs.2,824,256 in the year 2014 as the maintenance expenditure of motor vehicles and salaries and allowances of the staff.





**Year 2013**

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- (f) Lease rental of Rs.841,000 had been paid for the period from 01 August 2013 to 31 December 2013 without either extending the period of lease or entering into a new agreement.
  - (g) A sum of Rs.1,009,740 shown as payable to the District Secretariat Colombo under the Jathika Saviya Programme had been credited to income without obtaining confirmation from that office and formal approval.
  - (h) In the grant of motor cycle loans and distress loans, the limit of monthly recoveries had been considered as 50 per cent of the monthly salary contrary to Section 3.5 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.
  - (i) The arrears of rent and the electricity charges amounting to Rs.7,049,858 recoverable from 5 trade stalls of the Sri Lanka Trade Centre maintained by the Board in Chennai, India during the years 2004 to 2009 had not been recovered even by 15 August 2016.

**Year 2012**

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- (j) The commencement of the activities of the private company established by investing a sum of Rs.1,000,000 for the leather goods industry project of the "Hambantota Bataatha" Industrial Programme had been abandoned. But action had not been taken action for the recovery of the money invested.

**6. Systems and Controls**

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



**Areas of Systems and Controls**

**Observation**

(a) Investments

Failure to obtain the appropriate approval and lack of follow-up.

(b) Loans Control

Failure to enter into agreements with the Export Companies and the failure to take action for the recovery of the loans and interest.

(c) Special Projects Control

Commencement of projects contrary to the objectives of the Board and abandoning without achieving the targeted objectives. Non-updating of Performance Reports.

(d) Budgetary Control

Non-preparation of statements of budgeted income and expenditure and statement of financial position and non-use as an instrument of control.

**Sgd./ H.M. GAMINI WIJESINGHE**  
**Auditor General**

H.M.Gamini Wijesinghe  
Auditor General