

2013

ANNUAL REPORT



SRI LANKA EXPORT DEVELOPMENT BOARD

03-07-2015

Hon. Abdul Rishad Bathiudeen,
Minister of Industry & Commerce,
73/1, Galle Road,
Colombo 03.

Hon. Sir,

Annual Report and Statement of Accounts – 2013

I am pleased to present on behalf of the Board of Directors, the Annual Report of the SLEDB together with the following documents for 2013 in term of section 13 (2) of the Finance Act No.38 of 1971.

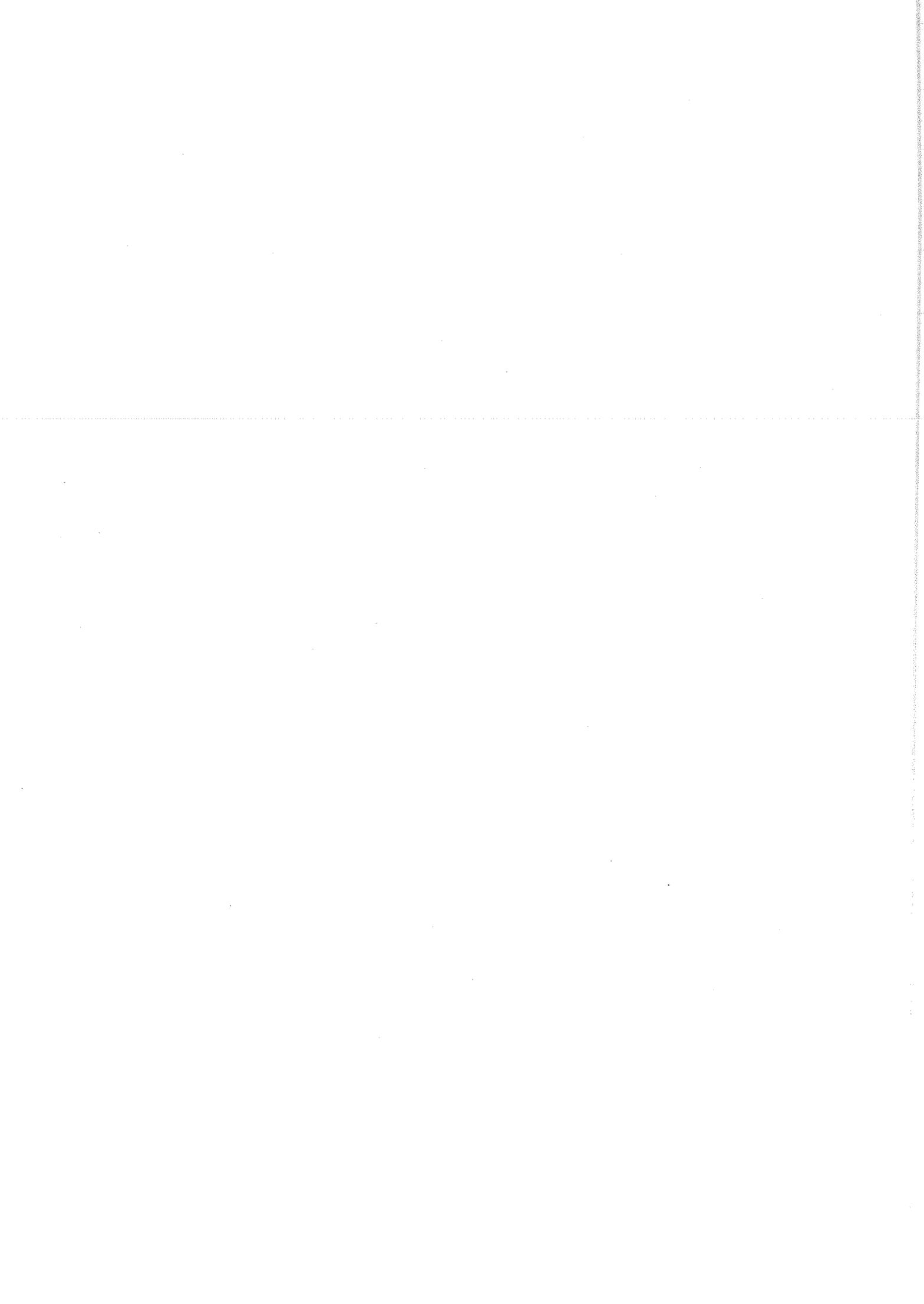
- Chairman's Report
- Statement of Accounts
- Auditor General's Report

Yours faithfully,

Bandula Egodage

Chairman & CE

SRI LANKA EXPORT DEVELOPMANT BOARD



SENIOR MANAGEMENT STAFF-2013

Chairman and Chief Executive	- Mr. Janaka Rathnayaka
Director General	- Mrs. W.M.D.S. Weerakoon
Executive Director	- Dr. Yousuf K. Maraikkar
Finance Division	- Mrs. P. K. Sumithrarachchi Director
Human Resources Development Division	- Mr. S.B.M.G. Chandrakumara Actg. Director (from 21.10.2013)
Trade Facilitation & Trade Information Division	- Mr. M. K. Udayapala (up to 08.06.2013) Director Mr. S.R.B.N. Piyasiri (from 18.06.2013) Actg. Director
Information Technology Division	- Mrs. M. Baddegamage Actg. Director
Export Marketing Development Division	- Mrs. J. Siriwardana Director
Export Agriculture Division	- Dr. (Mrs.) M.L.A. Samarappuli Director
Regional Development Division	- Miss. R. M. P. Hewaliyanage Director
Policy & Strategic Planning Division	- Mrs. D. Wegapitiya Actg. Director
Industrial Products Division	- Miss. C. Dissanayake Director
Export Services Division	- Mr. M.K.S. Maldeni Director
Special Projects Division	- Mr. D. Jayawardena Director
Internal Audit Unit	- Mr. M.K.N. Abeydeera Chief Internal Auditor
Legal Unit	- Mrs. D. T. Wijyaratne 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 – 2013**

- | | | |
|-----|----------------------------------|--|
| 01. | Mr. Janaka Rathnayaka | - Chairman |
| 02. | Dr. Yousuf K. Maraikkar | - Director |
| 03. | Mr. Nawaz Rajabdeen | - Director |
| 04. | Mr. Sharaff M. Suhaib | - Director |
| 05. | Mr. Sumith Wijesinghe | - Director
(upto May 2013) |
| 06. | Mr. K. P. Alawdeen | - Director
(upto June 2013) |
| 07. | Mr. Rohantha N. A. Athukorala | - Director |
| 08. | Dr. C.C.Y. Abeywardena | - Director
(upto June 2013) |
| 09. | Mr. S. Alamdeen | - Director
(from December 2013) |
| 10. | Mr. A. K. Seneviratne | - Addl. Secretary,
Ministry of Industry & Commerce |
| 11. | Mr. Anuradha Wijekkoon | - Addl. Secretary,
Ministry of Ports and Aviation |
| 12. | Mr. M.H. Muinudeen | - Addl. Secretary,
Ministry of Agriculture
(upto April 2013) |
| 13. | Mr. Asoka Siriwardena | - Addl. Secretary,
Ministry of Agriculture
(upto November 2013) |
| 14. | Mr. P.L.U. Dissanayake | - Addl. Secretary,
Ministry of Plantation Industries
(upto April 2013) |
| 15. | Mr. U.K.S. Mihindukulasooriya | - Addl. Secretary,
Ministry of Plantation Industries
(upto December 2013) |
| 16. | Dr. (Mrs.)A. Damitha N. De Zoysa | - Secretary
Ministry of Fisheries & Aquatic Resources
(upto February 2013) |

17. Dr. D.M.R. Dissanayake - Secretary
Ministry of Fisheries & Aquatic Resources
(upto February 2013)
18. Dr. Nevil Goonewardena - Director General,
Department of Trade, Tariff & Investment Policy
Ministry of Finance & Planning
(upto July 2013)
19. K.M.M. Siriwardena - Director General,
Department of Fiscal Policy
Ministry of Finance & Planning
(upto October 2013)
20. Mr. I. Ansar - Addl. Secretary,
Ministry of External Affairs
(upto July 2013)
21. Mr. V. Sivagnanasothy - Secretary
Ministry of Traditional Industries & Small
Enterprise Development
- 22.. Mr. Sanjeewa Wickremanayake - Board Member
Board of Investment of Sri Lanka

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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 exports and was established in 1979 under the Sri Lanka Export Development Act No.40

VISION

To be the most sought after destination for global sourcing in identified product sectors.

MISSION

To be the nation's leading catalyst organization for the development and promotion of products and services for exports, to enhance global competitiveness, maximize export earnings and achieve national economic goals.

OVERALL OBJECTIVES OF THE EDB

01. To increase the country's export value of products and services to US\$ 15 Bn. by 2015, in line with "Mahinda Chintana – Vision for the Future".
02. To increase exports to markets other than the EU and USA by over 50% by 2016, while consolidating the market position in the EU and USA.
03. To pay particular attention to the seven identified key product sectors, which will contribute over 80% of total export value, and achieve significant growth in those sectors?
04. To project a more positive and a favorable image of Sri Lanka's exports as a whole, through the conduct of integrated marketing communication programmes in selected markets.
05. To broad-base the beneficiaries of exports across the country and sectors, including SMEs.
06. To build a team of excellence at the EDB, based on core values, with particular emphasis on employee productivity and commitment.

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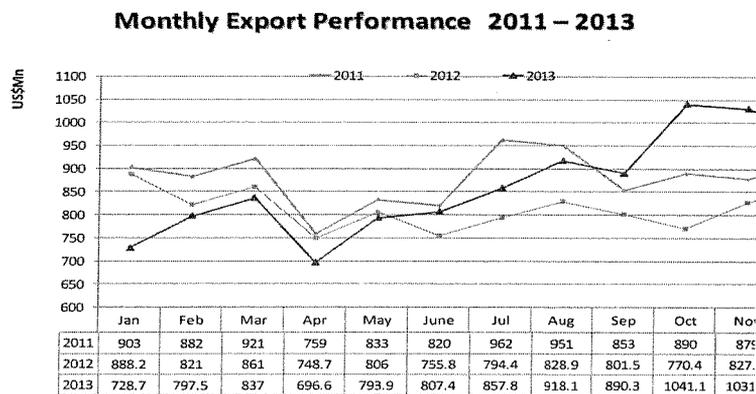
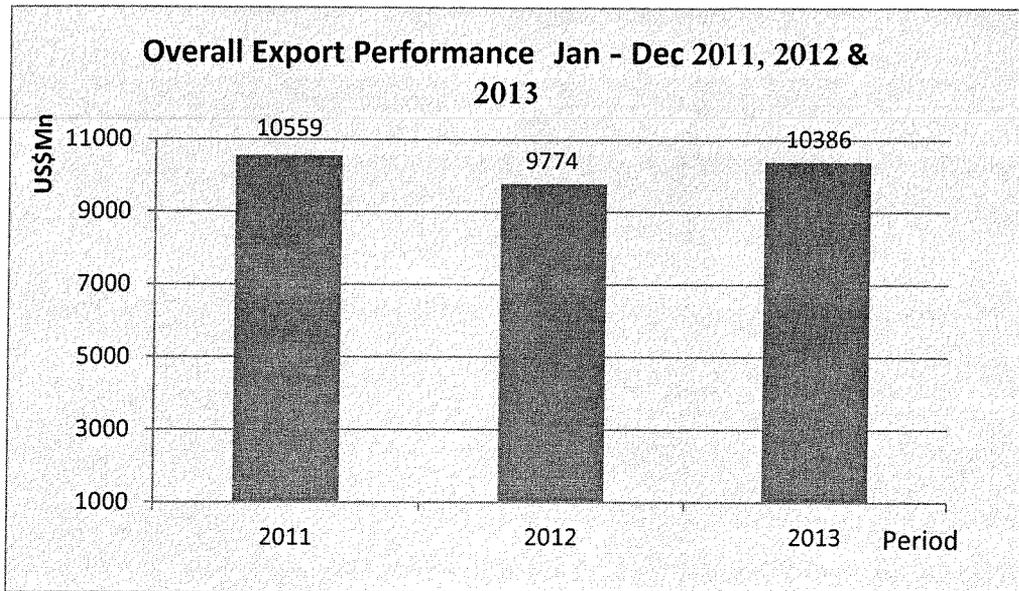
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1] INTRODUCTION

The EDB which is the Sri Lanka's premier state organization responsible for development and promotion of exports has clearly identified its *scope* and the *role* in carrying out its responsibilities. The EDB would play five roles as Policy Advisor, Monitor, Promoter, Facilitator and knowledge Provider.

2] EXPORT PERFORMANCE DURING THE PERIOD – JANUARY –DECEMBER 2013



According to statistical data, export earnings of Sri Lanka increased by 6.27 % to US\$ 10.38bn. In Jan - Dec 2013 from US\$ 9.77bn. registered during the corresponding period in 2012. Export earnings during the month of December 2013 increased by a substantial 25.16% when compared

with earnings in December 2012. Considering the performance during Jan - Dec 2013, it is noted that all the three major sectors i.e. Agriculture, Fisheries and Industrial which contributed 24%, 2.3% and 73% to the total export earnings have recorded positive growths of 10.3%, 4.61% and 19.14% respectively during the period under review.

The positive performance of the Agriculture sector was driven by increased earnings from export of Tea (9.22%), Spices (39.87%), Vegetables (30.81%), Fruits (118.35%), Cut flowers & Foliage (36.12%) and essential oil (33.47%) while earnings from natural rubber (-42.75%) and coconut products (-0.1%) have diminished.

All the sub sectors within the fisheries sector contributed to the positive performance of the sector viz. ornamental fish (41.35%), crustaceans (51.04%) and other edible fish (12.6%).

Within the industrial sector, textiles & garments which contributed 42.3% to the total export earnings of the country during the period under review increased by 13.31%.

Increased earnings from leather products (13.98%), Rubber products (3.59%), Nonmetallic mineral products (5.79%), Base Metal products (9.4%), Electrical, Electronic & Machinery products (5.21%), Boat building (44.9%), plastic products (5.7%), and footwear (139.13%) contributed to the positive performance of the industrial product sector. However earnings from export of Gems, Jewellery & Diamonds (-21.72%), Food beverages and tobacco (-22.7%), wooden products (-1.48%), paper & paper products (-19.33%), Chemical products (-3.93%), Transport equipment & parts (-49.41%) and petroleum products (-7.98%) diminished during the period under review.

Exports to EU and USA increased by 4.13% and 17.85% respectively during the period Jan – Dec 2013.

3] PROGRESS OF MAJOR DEVELOPMENT PROGRAMMES CARRIED OUT BY THE EDB DURING THE YEAR 2013

Establishment of Advisory Committees

The EDB established 26 Advisory Committees under EDB Act No. 40 of 1979 by publishing an extra ordinary gazette No. 1814/14 on 11th June 2013. Hon. Rishad Bathiudeen, Minister of Industry & Commerce presented Letters of Appointment to advisory committee members covering key product sectors and other export related areas on 10th July 2013.

In addition, EDB announced that it has been entrusted with the task of holding an exhibition to coincide with CHOGM. The objective of this exhibition is to showcase the quality export products and services of around 200-300 of our exporters on a single platform. The EDB solicited the support of Advisory Committee members to organize this exhibition.

4] MARKET DEVELOPMENT PROGRAMMES

With a reoriented marketing strategy, the EDB would focus its efforts on expanding exports to BRICS region. The EDB would also aim to exploit the potential in the African countries, and also CIS countries. Even the few countries within the EU that has not been addressed before, like Turkey will be considered. A special emphasis has been placed on product and market diversification and various policy measures are planned to be taken in order to improve the competitiveness of the sector and also undertake branding of products.

Market Promotion Programme

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.

The following market promotion programmes were carried out by the EDB during the period under review.

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

EU Region :

- European Seafood Exposition (ESE) - with 06 exporters
- IPM Essen Fair 2013 - with 04 exporters
- BIO FACH 2013 - with 03 exporters
- Paper World 2013 - with 07 companies
- CEBIT 2013, The Netherlands - with 05 ICT/ BPO companies
- London Book Fair 2013 - with 07 book publishing companies
- Nation Branding Int'l Exhibition,
Netherlands - with 04 exporters
- Int'l Food & Drink Event[IFE], UK,
March 2013 - with 05 exporters
- Anuga 2013, Germany - with 15 exporters

Americas Region:

- SIAL Canada Trade Exhibition & Exposure
for F&B manufacturers - with 07 exporters
- IFT 2013, Chicago, USA - with 08 exporters
- IFEAT 2013, San Francisco, USA - with 04 exporters
- Sri Lanka Pavilion at the 'Sourcing at Magic
Int'l Fashion Exhibition in Las Vegas, USA, 18-21 Aug 2013 - with 09 exporters

Asian Region:

- Aquarama International Fish Competition
and Study Tour Programme - with 17 exporters
- India Rubber EXPO 2013 - with 06 exporters
- Hong Kong House Ware Show 2013 - with 06 exporters
- Technical & Market Exposure programme
in Dubai/ EU countries - with 07 companies
- Technical Exposure Programme for Footwear
& Leather Products in China - with 10 export ready companies
- China PLAS 2013 - with 08 exporters
- Participation of Trade Delegation at the
China Beijing Int'l Fair for Trade in

Services [CIFTFS]	-	with 07 exporters
- SOLO Sri Lanka Event in India	-	with 15 exporter companies
- Foodex Japan 2013	-	with 04 exporters
- 1 st China South Asia Exposition, SACTF, Kungming, China	-	with 114 exporters
- IFEX Fair, Japan	-	with 12 exporters

Middle East, CIS & Africa Region:

- Gulf Food UAE 2013	-	with 15 exporters
- SAITEX 2013, South Africa	-	with 6 exporters

EDB carried out two market research studies with the objective of diversifying our exports to minimize the dependency on few large export markets. Accordingly, following two reports on Brazil and South Africa were prepared with the aim of penetrating into these markets. Brazil and South Africa are member countries of the BRICS group which has been identified as a centre with high economic growth prospects.

- An analysis on the 'Brazilian Economy as a Potential Destination for Sri Lanka'
- An analysis on 'Exploring Opportunities in the South African Market for Sri Lanka's Exports'

Major Market Promotion Programmes

Business Promotion Mission to Belarus – 26th – 28th August 2013

At the request of the Sri Lanka Embassy in Russia and the Ministry of External Affairs, a trade delegation consisting of 16 Sri Lankan Exporters visited the Republic of Belarus to participate at a Business Forum and B2B meetings from 26th – 28th August 2013.

The Trade Mission accompanied H.E. The President of Sri Lanka to reinforce the government commitment towards strengthening the trade relationships between two countries.

As a result of that outward mission, it is expected that a 10 member delegation from the Chamber of Commerce in Minsk would visit Sri Lanka in November this year. The Director General of the Minsk Tractor Corporation who visited Sri Lanka, is looking into the possibility of setting up a

tractor assembly plant in Sri Lanka. The company will also display their tractor range at the 'Reflection of Sri Lanka' exhibition.

An MoU was signed between the EDB and Belarusian National Centre for Marketing and Price Study (NCMPS) to exchange market information for enhancing trade between the two countries.

Sri Lanka Excels at 82nd Izmir International Fair in Turkey



Sri Lanka Export Development Board in association with the Sri Lanka Embassy in Turkey organized Sri Lanka's participation at the 82nd Izmir International Fair, held from 29th August to 02nd September 2013 in Turkey.

Sri Lanka's participation showcased a wide array of high-quality export products. It is expected to follow up with the inquiries received and negotiate for export orders with the buyers from strategic markets around the world, who had networked with the Sri Lanka trade delegation.

South Asian Trade Fair

Export Development Board in collaboration with the Sri Lanka Embassy in China organized Sri Lanka's participation at South Asian Trade Fair in Kungmin, China for the first time with 130 trade stalls. The move was successful in achieving remarkable business results.

The fair was jointly organized by the Ministry of Commerce and Government of Yunnan Province with the objective of expanding China's imports from South Asian countries. Under the Sri Lanka pavilion, 113 private sector companies representing sectors such as gem & jewellery[77], tea[12], handicrafts[15], coir[3], rubber & plastics[2], herbal products[1], tourism[3] exhibited their products this year.

Best performed sectors were gem & jewellery, tea, handicrafts, coir products. Sectors which exhibited at this fair recorded approximately US\$ 1.3 Mn. worth of business orders.

Also, the EDB organized meetings with the management of Chennong Group, the China's largest eco friendly fruits & vegetables producer for the Sri Lankan coir based eco friendly pots manufacturer.

Aquarama 2013 International Fish Competition – 30 Awards for Sri Lankan Exporters

Export Development Board organized 'Sri Lanka pavilion' with 17 exporters at the Aquarama 2013, International fish exhibition in Singapore.

Sri Lankan fish breeders won 30 awards at the World's largest ornamental fish competition, Aquarama 2013.

For the first time Sri Lanka has received awards for gold fish, gurami and aquatic plants tanks. Two winners are members of the Polonnaruwa Ornamental Fish Project which was implemented by the EDB under Agro Zones project. Order executed - US\$ 60,000 and under negotiation – US\$ 10,000.

Inward Buying Missions

- Organize inward buying mission from UAE coincide with Profood Exhibition in August 2013 at BMICH. Six (06) buyers from reputed super markets, such as Choithram, Lula, Al Maya etc. visited profood exhibition. Factory visit were arranged.
- Organized buyer delegations from Russia, China and USA to visit FACETS International Gem and Jewellery show 2013.
- Organized visits for Importers from Poland, Jordan, South Africa and India to coincide with the Footwear and Leather Fair 2013.
- Organized a Delegation from the Netherlands to visit on 4th September 2013. Organized a Business Forum and B2B meetings for the 15 member delegation.
- Organized a three member Delegation from Poland (8 to 10th February 2013 to look into the possibility of establishing contacts in Tea, Herbal and Ceramic sector.

- Organized a 10 member delegation from Belarus in collaboration with the Belarus Embassy in New Delhi to visit Sri Lanka and business session was organized with 40 business companies.
- Organize a three member inward delegation from South Africa to coincide with Ayurveda Expo July 2013 to established business contacts in Ayurveda and Spa product. Five (05) business meetings and two (02) factories visits were organized.
- Organized 25 Inward delegations from Israel (26 to 31st August 2013) to establish business contacts.
- Organized factory visits for Hon. Consul of Bulgaria for Sri Lanka (importer) who visited Sri Lanka. Sectors covered are Ceramic and Porcelain, socks and tights, fashion garments, coir fibre products and spa products. 10 meetings were arranged.
- Organized a business forum and B2B meetings for a visiting delegation from the Netherlands.
- Organized a One to One business meeting programme for 04 Sri Lankan Rubber Products exporters in Las Vegas, USA, 5-10 May 2013
- Organized Sri Lanka country promotion in India - Bangalore , Mumbai , Delhi as part of Sri Lanka Tourism Mega programme , 22nd -24th Feb. 2013 – in Bangalore and 17th – 19th May in Mumbai
- Organized participation of 12 Sri Lankan export companies at the product display organized at the Hotel Imperial to coincide with the H.E. President's visit to Japan.
- Organized B2B meetings between 34 member Chinese delegation and 100 Sri Lankan companies in China from 24th to 27th September 2013
- Organized Technology Upgradation Mission to China from 23rd to 29th September 2013 for 17 representatives and B2B meeting programme for 7 Sri Lankan garments exporters
- Organized a 08 member Trade Mission to Belgium, Austria & Slovak Republic (Ministerial Delegation) from 6th to 12th October 2013
- Organized a 16 member delegation to Czech Republic (Ministerial delegation) and extended to Poland 27th -30th March 2013

5] PROGRAMMES IMPLEMENTED FOR AGRICULTURAL PRODUCTS, INDUSTRIAL PRODUCTS & EXPORT SERVICES

The EDB has implemented a series of programmes for the development of the agriculture & fisheries and industrial sectors during January - December 2013. The progress of some activities carried out by the EDB is briefly given below:

Branding of Ceylon Cinnamon

'Pure Ceylon Cinnamon' Trademark registration with WIPO



The EDB has established 'Pure Ceylon Cinnamon' as a global brand in the international market. The EDB has completed registration of trade mark in main markets such as USA and EU, and the application to register this in the World Intellectual Property Office (WIPO) has already been lodged.

Branding of Pure Ceylon Cinnamon and promoting it as a global brand in target markets is very important to highlight the main characteristics of the Ceylon Cinnamon and differentiate Ceylon Cinnamon from cheap substitutes such as Cassia to gain a competitive advantage. Accordingly Ceylon Cinnamon has been introduced to the international market as a branded product namely "Pure Ceylon Cinnamon" which reflects a combination of several intrinsic characteristics.

EDB has also lodged the application for 'Pure Ceylon Cinnamon' trademark registration in other competitive markets such as Mexico, Peru and Colombia as well. EDB has also planned to issue the distinctive lion logo associated with 'Pure Ceylon Cinnamon' brand name for exportable Cinnamon products.

The approval of the Cabinet of Ministers has been granted for Export Development Board to hold the ownership/custodianship of the name 'Ceylon Cinnamon' along with other associated names 'Ceylon Cinnamon' 'Sri Lanka Cinnamon' and 'Sri Lanka Kurudu' and to take appropriate/connected measures to protect and promote Ceylon Cinnamon. As a 1st step towards protection under Geographical Indication (GI), the Ceylon Cinnamon Certification Mark has been registered by EDB in consultation with the National Intellectual Property Organization (NIPO) in Sri Lanka.

The EDB is in the process of obtaining geographical indication for Ceylon Cinnamon in other international markets such EU. GI provides more protection for Ceylon Cinnamon to safeguard against other cinnamon available in the international market as well as the cassia cinnamon.

Seminar on ‘Compulsory Pre-Inspection Scheme (CPIS)’ for Cinnamon’

Sri Lanka Export Development Board, in September 2013, organized an awareness programme in collaboration with Sri Lanka Standards Institute and Department of Export Agriculture on ‘Compulsory Pre-Inspection Scheme to be implemented for cinnamon exports, with the participation of 120 persons.

Value Chain Improvement programme – Co-ordination of work related to the Cinnamon Peelers Training Academy –

National Budget 2013 granted approval for the Sri Lanka Export Development Board to construct a building to establish “Cinnamon Training Academy” under the project ‘Enhancing the Compliance, Productive Capacities and Competitiveness of the Cinnamon Value Chain in Sri Lanka,’ which is to be carried out in collaboration with the Spice Council and UNIDO. An agreement has been signed with the Cinnamon Training Academy (Pvt.) Ltd. (CTA) to commence the work on construction of the building.

Assistance scheme to improve quarantine/withholding facilities of the ornamental fish exporters/indirect exporters

EDB initiated to implement a financial assistance scheme approved by the National Budget 2013 to improve quarantine/withholding facilities of the sector. In order to consolidate and expand the export market, it is important to adhere to the rules and regulations enforced specially on live creatures by the importing countries. With the establishment of this facilities and following the quarantine procedures, the exporters will be able to maintain good health of fish by conditioning them prior to export. The selected companies will be eligible to claim 50% of the cost incurred under the development of their farms on reimbursement basis, subject to a maximum sum of Rs. 1.5Mn. It has been targeted to implement approximately 26 projects in 2013. The scheme was advertised, and in response 29 proposals received. Interviews were held to select beneficiaries and preliminary visits to 26 projects were carried out with committee appointed for evaluation. 14 projects were evaluated by the committee.

Repositioning Sri Lanka’s Gem & Jewellery by highlighting the unique position of Ceylon Sapphire

The EDB together with Sri Lanka Gem & Jewellery Authority (SLGJA) launched a promotional campaign to promote Sri Lanka Gem & Jewellery industry by highlighting the unique position of Ceylon sapphire. The EDB has identified gem & jewellery as a trust sector and a target of US\$ 1Bn. in export earnings is set for the sector to be achieved by 2015. As one of the promotional tools, e-news letters were published and circulated among the international industry, to raise awareness among consumers in existing and

potential markets about Sri Lanka as a source of high quality Sapphires and reinforce the value of the gemstone in their minds. It is envisaged to increase the demand for Ceylon Sapphires, which in turn will lead to an increase in the volume of gems exported from Sri Lanka.

As one of the key components of the campaign, the EDB together with the SLGJA developed a web site for Ceylon Sapphires to disseminate information to the international media to coincide with the Royal wedding in 2011 which featured Sri Lankan origin Blue Sapphire as a principle gem on the engagement ring. The web site was a key source of information on Ceylon Sapphire for the international clientele. The web site will be re designed and launch to promote the Sri Lanka Gem & Jewellery industry.

International Gems & Jewellery Trade Exhibition [FACET 2013]



EDB in collaboration with the Sri Lanka Gems & Jewellery Association and National Gems & Jewellery Authority organized the 23rd International Gems & Jewellery Trade Exhibition [FACET 2013] from 29th August -01st September 2013 at the BMICH.

EDB organized a Special Pavilion for 18 Small & Medium Entrepreneurs from island wide to give opportunity to promote their products. In addition, EDB organized trade delegation including 11 Chinese, 03 Russians & 02 Americans.

Assistance scheme for Rubber products in obtaining quality certification and carryout quality tests which are not available in Sri Lanka.

Sri Lanka has emerged as a world class rubber products manufacturer supplying to International brands such as SOLEDEAL, CONTINENTAL, WONDER GRIP, MAPA, SAFETY WORK etc. To safeguard the established reputation for quality and reliability, exporters have to comply with standards and also obtain certain certifications which are not available in Sri Lanka.

Therefore, in order to assist exporters of rubber products, the EDB initiated to implement a scheme of assistance to obtain certification not currently available in Sri Lanka. This would lead to upgrade productivity and quality of value added rubber based products to comply with the requirements of the international market.

Footwear & Leather Fair - 2013

EDB in collaboration with the Ministry of Industry & Commerce and the Sri Lanka Footwear and Leather Products Manufacturing Association organized the 5th Footwear & Leather Fair exhibition from 08th - 10th February 2013 at the BMICH. Hon. Basil Rajapaksha, Minister of Economic Development was the Chief Guest at 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 build a strong image of Sri Lanka footwear & leather products internationally. Specially, Small & Medium exporters were given an opportunity to showcase their products

The Fair consisted of over 214 trade stalls 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. The special features in the event were a fashion show and the best stall competition. The Designer Award Ceremony was also organized to identify and recognize upcoming talented Sri Lankan Designers. The Awards were presented to the recipients by H.E. the President.

Export Services

- **ICT/BPO sector** – Organized an Exposure visit to Orion City IT Park for 10 ICT companies in Central Province in collaboration with SLASSCOM and provincial office in Kandy to generate ICT/BPO exporters from the provinces.
- Arrangements have been made to undertake a survey to ascertain the value of exports generated by the ICT/BPO sector (Export Value Survey) during the year 2013.
- Eleven (11) Software companies were visited with the consultant of the CBI to select suitable companies for an Export Coaching Program.
- Arrangements have been finalized to select a suitable consultant to create a Brand Strategy for Sri Lanka ICT/BPO sector.

Professional Services

- Initiated a survey on Health Tourism in collaboration with ITC Geneva. Facilitated meetings with Government Sector and Private Sector Stakeholders to develop the Health Tourism Sector.
- Brochure on Sri Lankan Ayurveda was printed with a view to promote Health Services exports at the Ayurveda Expo 2013.
- Collaborated with the Construction sector Association to establish an export oriented group of contractors of the construction sector.

Electronic Sector

- The IPC Technology Meet was organized to increase awareness on Global Best Practices among electronic exporters and enhance the export capability of electronic export sector.

Other Development Programs

- Four (04) companies were selected for assistance through the scheme on Grading Area Capacity Development for registered Tea manufactures, producers/Exporters.
- Thirty (30) factories were recommended for assistance under the scheme of assistance for systems/product certification for the Tea sector. Assisted 2 companies covering 18 factories for Rain Forest certification. One product certification and 11 factories ISO certification.
- Ten (10) farmers were assisted to cultivate 5 acres of land under the supply chain development program to cultivate pineapple in Matara district. 30, 000 pineapple suckers were provided for cultivation.
- A feasibility study on sea freighting of fresh fruits and vegetable from Sri Lanka to Maldives was carried out. Vessel operators identified and negotiations are on going.
- Five (05) companies were selected for assistance under the Coconut shell Charcoal assistance scheme.
- A Consultant from Netherlands visited Sri Lanka in July to assist Floriculture growers/ exporters under the technology/knowledge transfer program to increase the production/quality to increase exports. 15 nurseries were visited and awareness program was conducted.
- Organized a 9 day programme on "Production Management and Quality Assurance" for 19 participants (9 companies) with the services of a Garment Industry specialist from UK.
- Initiated to formulate a National standard for apparel sector in collaboration with SLSI.

- Published a comprehensive article in the European Rubber Journal July/August 2013 issue to promote Sri Lanka's Rubber products Manufacturing Industry in the International market. The editor of the Journal visited Sri Lanka in May to obtain first hand information.
- Work shop on "Jewellery Designing" was organized in March with the participation of 15 SME Jewellery manufactures. Work shop on "Finishing Techniques and International Standards/Requirements" was held in March with the participation of 23 SME jewellery manufactures.
- Facilitated publishing advertisements regarding FACETS in three(03) magazines (Hi, Serendib Inflight Magazine and Incolour) to promote FACETS in International Magazines.
- One day seminar on "Export awareness for wooden product sector" was organize for the potential wood based products exporters. 76 companies from the industry and 30 invitees participated.
- The first stage of the programmed on introducing "Fair Trade" as a marketing tool for the Craft sector in Sri Lanka (partly funded by USAID), commenced in September by an US expert in coordination with the World Fair Trade Organization – Sri Lanka chapter. 50 work shop visits were undertaken to evaluate the production process of the applicants to select participants for the entire program.
- Under the Technology Upgrading program for the foundry industry, inspection visits will be made in September to companies which have installed machineries under the programme.
- A report on Global Market Trends for Home Textile products was forwarded to the Ministry of Industry and Commerce.
- Conducted a seminar on Kosher Certification on food products to create awareness on certification required for export of food products. Two seminars were held with 70 participants.
- Eight (08) companies were assisted under the Financial Assistance scheme for Exporter's Own Marketing Efforts.
- Conducted a Certificate course in Packaging Technology for 17 participants.

6] REGIONAL DEVELOPMENT PROGRAMMES

With the objective of harnessing rural resources and skills for export development, a range of regional development programmes have been carried by the EDB during the period under review.

- Under the Assistance Scheme for Development of "Brand Names and Brand Excellence", four companies were assisted and altogether 11 companies will be assisted in 2013/14. Two brand registrations in Italy and Middle East are in progress.

- Duty list for 146 graduate trainees were issued for the graduate trainees attach by the Ministry of Industry and Commerce. 222 graduate trainees were appointed for 25 districts including 43 development officers. Three orientation programme were conducted for the trainees.
- 21 beneficiaries were selected under the assistance scheme for spices and essential oils sector for product/system certification in Southern Province. One GMP center in Rathnapura District and 14 in Galle District have been constructed.
- Completed awareness programme on GMP certification with the participation on 19 beneficiaries in August in the Southern Province.
- Nine (09) entrepreneurs were selected to assist under the scheme for commercial cultivation of cut flowers and foliage in Southern Province.
- Under the cut foliage and Orchid supply development program in the Central Province, 35 growers in Dehiowita and 40 growers in Matale developed. Linked the growers to an Exporter.
- Six (06) Orchid Farmers were selected to provide financial assistance to grow Orchid under houses in Central and Kegalle Districts.
- Completed, Cultivation of High value vegetables for export in poly tunnel. 26 farmers were assisted to grow iceberg, cherry tomatoes, bell pepper, Japanese cucumber, Exporter were linked to farmers.
- Forty (40) farmers in the North Western Province were selected for assistance under the supply development programme for cultivation of high value vegetables. Farmers were linked to an Exporter.
- Cultivation of Gerkin and Jalepeno pepper in Eastern province – 22 farmers were selected for assistance to cultivate Gerkin and Jalepeno pepper under poly rain shelters for export. Tri party agreements signed with EDB, linked Export Company and farmers. 22 poly rain shelters were established in Padiyatalawa and Akkaraipattu.
- Awareness programme on Agro Export Products for 40 farmers has been completed in Ampara District. An awareness programme on post-harvest Technology for 35 farmers was held in Trincomalee District. Technology transfer programme for 18 cinnamon peelers was held in NamalOya in coordination with DEA.
- Two (02) entrepreneurs were selected for assistance to develop GMP centers under the assistance scheme for spices and essential oil sector for product/system certification, in Uva province. Two centers were completed.
- Seventeen (17) farmers were selected for assistance to cultivate Belpepper and Tomatoes in poly tunnels in Uva province.

- Twenty five (25) farmers have been selected to provide planting material and technical assistance for cultivation of Turmeric. Technical training was completed on 5th April. Distributions of planting materials to 14 farmers have completed. Cultivation in progress.
- Programme on Establishment of clay Processing Plant at the Koulara Cooperative Society of Industries (KCIS) in the Monaragala district to develop ceramic and clay products for the export market. The society was linked to an exporter and KCIS contracted IDB to installed the pug mill.
- Conducted an awareness programme on challenges and opportunities on marketing
- Continuation of Weerawila Agro Export Zone Horticulture project is being implemented in two phases. First phase successfully completed by setting of a model farm in 18 acres. Board approval obtained to plan the 2nd phase of the project.
- Product and market diversification initiative of Dambadeniya and Tissamaharama EPVs and Monitoring and follow up of EPVs – Monitored all operation activities. Financial performance of TEPV during the period, number of Tea packets 133, 748 and value Rupees 5.55Mn. Obtained the certificate of registration from the Ministry of Health to supply surgical, gauze as a product diversification.
- Two training programmes on cut foliage cultivation technology under natural shade at Bingiriya Agro Export Zone was conducted with the participation of 250 and 200 growers respectively. The performance of the BAEZ, The total indirect Exports of Anthurium –Rs. 317, 019, Sandriyana –Rs. 564, 925, Total- Rs. 881, 944.
- Bingiriya Mal Wasanthaya was successfully completed from 30th May to 2nd June 2013.

Other Programmes

- **Information Technology Service:** IT Division, the e-commerce arm of the EDB provides a range of e-services to the business community.
 - **E-promotion of Sri Lankan products & services:** Exporters were facilitated to access up to date export performance reports on line, implementing a dynamic bar chart & pie chart generation functionality. Market intelligence such as market profiles & briefs, market access guidelines, trend reports, buyer profiles and information on EDB Incentives available for exporters, events and promotional programmes organized by the EDB were also made available.
 - A separate webpage on the theme ‘Reflection of Sri Lanka -Exploring the Wonder of Asia’, an exposition on Trade, Tourism & Investment was designed to promote the

exhibition conducted at JanakalaKendraya Colombo from 13th to 17th November 2013 in parallel to CHOGM.

- **Online Trading Portal (the e-market place):** To date 84 exporters have joined the portal and 09 successful transactions amounting to US\$ 2555 has been carried out to Italy, Russia, Japan, Australia, and Czech Republic & Philippines. Some companies registered in the portal have received 18 business inquiries within this period.
- **Promotion of e-services:** 2312 online buyer searches have been done for external customers and EDB staff members. Export statistics have been provided to 160 customers. Market prices for selected commodities have been provided to 25 customers.
- **Provision of Trade Information & Advisory Services:** The EDB channeled its resources towards the provision of multifaceted services to the export sector ranging from computerized database facilities, advisory services, and publications to library services. Library facilities were also provided to nearly 564 entrepreneurs. In addition advisory services on all aspects of export related subjects were provided to more than 475 exporters / potential exporters through the EDB Head Office and its provincial network.
- **Export Related Publications:** During the period under review, 03 Business Lanka Magazines, 22 issues of “Exponews” and 11 issues of “ApanayanaPuwath” were published and dispatched to subscribers. 11 issues of “Policy Briefing” News Bulletin were also circulated during the period under review.
- **Export Performance Indicators - 2003-2012:** Export Performance Indicators is a publication which contains comprehensive data relating to the export sector. It was published in printed and CD forms and were distributed among the relevant institutions, Trade Chambers, Universities, etc.
- **Resolving Problems of Entrepreneurs :**



The Exporters Forum was organized under the Chairmanship of Hon. Minister of Industry & Commerce 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 01 Forum was held and a total of 30 issues were taken up at this Forum.

- **Packaging Development Programme :** The Packaging Centre of EDB has conducted 03 awareness seminars on 'Export Packaging' in Hambantota and two in Colombo with the objective of educating, especially the export oriented SMEs on quality, reliable and cost effective packaging for their products. Packing of fresh and value added agro products, packing handicrafts and textile items, new packaging techniques, packaging of food, packing materials, packaging as a value addition and marketing tool, package labeling etc. were among the main subject areas covered under the programme.

The Certificate course in 'Packaging Technology' was started for the executives engaged in packaging manufacturing and user industries.

Established an Advisory Committee on export packaging aimed at developing the quality and market competitiveness of export products of Sri Lanka.

- **Skills Development, Awareness & Training Programmes :** During the period under review, the EDB conducted 20 skills development and Awareness programmes in Colombo, Galle, Ampara, Trincomalee, NamalOya, Hambantota and Bingiriya with the participation of 1188 entrepreneurs engaged in export related activities. These programmes were aimed at creating awareness on agro export products, post harvest technology, Jewellery design, Certifications required, packaging technology, and enhancing product specific technical skills.
- Five Certificate Courses on Import / Export Procedures and 01 programme on "Operational Aspects of International Trade" were conducted and nearly 216 entrepreneurs were trained through these programmes during the period.

“Reflection of Sri Lanka” Exhibition on Trade, Tourism and Investment Parallel to Commonwealth Heads of Government Meeting (CHOGM) – 13th to 17th November 2013



“Reflection of Sri Lanka” was held parallel to Commonwealth Heads of Government Meeting (CHOGM) from 13th to 17th November 2013 showcasing the true essence of Sri Lanka’s Trade, Tourism and Investment potential.

Three Hundred and three (303) local & foreign exhibitors coming under 32 product and services sectors and 200 SMEs took part at the exhibition. 91 foreign exhibitors of machinery & technology also participated at the exhibition.

1,428 international buyers representing 66 countries and 49 foreign journalists visited the exhibition. Participation of international delegations was a major success of the event with 08 delegations representing 120 members. Factory visits were also arranged for the international delegations/buyers at their request and 16 companies and factories were visited.

One hundred and one (101) B2B meetings were successfully held between local suppliers and international buyers. Sri Lanka entrepreneurs had fruitful discussion with foreign buyers and investors enabling them to negotiate successful business deals leading to 35 joint ventures, 37 confirmed orders, 195 negotiations and 973 positive inquiries valued at US\$ 1.0 bn. Series of seminars were conducted for visiting foreign delegates’ exporters and potential exporters, academics and other interested parties.

SRI LANKA EXPORT DEVELOPMENT BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31 ST DECEMBER 2013

	<u>Note</u>	<u>SLFRS</u>		<u>SLFRS</u>	
		<u>31.12.2013</u>		<u>31.12.2012</u>	
ASSETS		Rs.	Cts.	Rs.	Cts.
Non-Current Assets					
Property, Plant & Equipment, net	(9)	69,164,698.78		78,007,502.84	
Investments in Associates - Unquoted	(10)	805,459,768.00		339,120,793.00	
Other non-current financial assets	(11)	40,548,150.00		40,548,150.00	
		<u>915,172,616.78</u>		<u>457,676,445.84</u>	
Current Assets					
Inventories	(12)	1,330,321.91		1,344,128.63	
Non Current Assets Held for Sale		-		1,036,995.14	
Trade and Other Receivables	(13)	150,237,754.18		150,219,263.34	
Advance and Prepayments	(14)	40,694,347.10		31,086,608.69	
Cash and Cash Equivalents	(15)	16,852,165.84		1,917,312.52	
		<u>209,114,589.03</u>		<u>185,604,308.32</u>	
Total Assets		<u>1,124,287,205.81</u>		<u>643,280,754.16</u>	
EQUITY AND LIABILITIES					
Capital and Reserves					
Grants Received	(16)	20,706,020.21		22,049,098.94	
Accumulated Income over Expenditure		920,619,619.11		401,627,915.94	
Total Equity		941,325,639.32		423,677,014.88	
Non-Current Liabilities					
Provisions and Other Liabilities	(17)	22,089,408.88		21,746,707.68	
Retirement Benefits Obligation	(18)	<u>79,955,076.27</u>		<u>79,631,378.23</u>	
		102,044,485.15		101,378,085.91	
Other Payables	(19)	63,768,000.39		62,335,549.84	
Bank Overdraft	(20)	17,149,080.95		55,890,103.53	
		<u>80,917,081.34</u>		<u>118,225,653.37</u>	
Total Equity and Liabilities		<u>1,124,287,205.81</u>		<u>643,280,754.16</u>	

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

.....
Bandula Egodage
CHAIRMAN & CE

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

**SRI LANKA EXPORT DEVELOPMENT BOARD
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31ST DECEMBER 2013**

	Note	SLFRS		SLFRS	
		31.12.2013		31.12.2012	
		Rs.	Cts.	Rs.	Cts.
<u>Income</u>					
Income	(3)	558,606,933.51		536,594,124.06	
Other Income	(4)	98,471,989.91		51,103,968.17	
Total Income		657,078,923.42		587,698,092.23	
<u>Expenditure</u>					
Export Development Expenses	(5)	(234,406,882.33)		(332,186,795.04)	
Administration Expenses	(6)	(320,671,883.37)		(313,502,891.88)	
Income Over Expenditure from Operating Activities		102,000,157.72		(57,991,594.69)	
Finance Cost	(7)	(1,485,313.55)		(2,314,104.20)	
Excess of Income Over Expenditure from Ordinary Activities		100,514,844.17		(60,305,698.89)	
Other Comprehensive Income					
- Gain on Revaluation of Property, Plant and Equipment	(8)			28,248,943.98	
- 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			-	28,248,943.98	
Total comprehensive income for the year		100,514,844.17		(32,056,754.91)	

**SRI LANKA EXPORT DEVELOPMENT BOARD
CASH FLOW STATEMENTS
YEAR ENDED 31ST DECEMBER 2013**

	<u>2,013</u> Rs.
Cash Flows from/(Used in) Operating Activities	100,514,844
Excess of Income Over Expenditure	10,059,461
<u>Adjustments for</u>	
Depreciation	(86,247,556)
Income from Investments	1,184,057
(Profit)/Loss on sales of Property, Plant & Equipment	418,476,859
Prior Year Adjustment	1,485,314
Finance Costs	-
Loss on Liquidation of Investment	(1,343,079)
Amortization Of Government Grants	9,703,140
Provision for Gratuity	-
Changes in Provision Of Investments	-
Operating Profit/(Loss) before Working Capital Changes	453,833,040
Increase/(Decrease) in Inventories	13,807
Increase/(Decrease) in Trade and Other Receivables	(18,491)
(Increase)/Decrease in Advances and Prepayments	(9,607,738)
(Increase)/Decrease in Provision and Other Liabilities	342,701
(Increase)/Decrease in Other Payable	1,432,451
Cash Generated from Operations	445,995,769
Finance Costs Paid	(1,485,314)
Defined Benefit Plan Costs Paid	(9,379,442)
Net Cash From/(Used in) Operating Activities	435,131,014
Cash Flows from/(Used in) Investing Activities	
Acquisition of Property, Plant & Equipment	(1,756,112)
Proceeds from Sale of Property, Plant & Equipment	392,394
Income from Shares in Associates	47,862,116
Dividend Received	36,415,076
Interest Received	1,970,364
Net Cash Flows from/(Used in) Investing Activities	84,883,837
Net Cash Flows from/(Used in) Financing Activities	
Investment in Shares	(466,338,975)
Redemption Of Investments	-
Net Cash Flows from/(Used in) Financing Activities	(466,338,975)
Net Increase/(Decrease) in Cash and Cash Equivalents	53,675,876
Cash and Cash Equivalents at the beginning of the year	(53,972,791)
Cash and Cash Equivalents at the end of the year	(296,915)
<u>Analysis of Cash & Cash Equivalents</u>	
Cash at Bank - Favourable	16,852,166
Cash in Hand	(17,149,081)
	(296,915)

SRI LANKA EXPORT DEVELOPMENT BOARD
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2013

	<u>Govenments</u> <u>Grants</u>	<u>Accumulated</u> <u>Profit</u>	<u>Total</u>
Balance as at 01st January 2012	10,229,677.67	467,767,112.91	477,996,790.58
Excess of Income Over Expenditure	-	(32,056,754.97)	(32,056,754.97)
Addition to Government Grants	13,000,000.00	-	13,000,000.00
Amotization of Government Grant	(1,180,578.73)		(1,180,578.73)
Prior Year Adjustments	-	(34,082,442.00)	(34,082,442.00)
Balance as at 31st December 2012	22,049,098.94	401,627,915.94	423,677,014.88
Addition to Government Grants			
Excess of Income Over Expenditure	-	100,514,844.17	100,514,844.17
Amotization of Government Grant	(1,343,078.73)	-	(1,343,078.73)
Prior Year Adjustments	(21)	418,476,859.00	418,476,859.00
Balance as at 31st December 2013	<u>20,706,020.21</u>	<u>920,619,619.11</u>	<u>941,325,639.32</u>

**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.

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 Board's Board of Directors on 26th February 2014 approved these financial statements for distribution.

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 (the "financial statements") of the Board have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS) as 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.

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 31st December 2013. Refer to Note 22 for information on how the Board adopted SLFRS.

Accordingly, the Board has prepared Financial Statements which comply with SLFRS applicable for periods ending on or after 31 December 2013, together with the comparative period data as at and for the year ended 31 December 2012, 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.

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.

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. 79,955,076.27(2012: Rs. 79,631,378.23).

(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.

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.

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,

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

- (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.

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 Equipments	20%	TV Equipments	10%
Telephone Installation	20%	Furniture and fittings	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 equipments 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.

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 less impairment loss.

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.

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.	10,173.08
Export Promotion Secretariat	-	Rs.	162,141.86
Government Grant Motor Vehicles	-	Rs.	<u>10,725,000.00</u>
Total	-	Rs.	<u>22,049,098.94</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.

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 exporters loans) are recognized in the income statement using the effective interest rate method. When a receivable is impaired, the Board reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

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.

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.

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 affected. 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 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.

2.18 Contingent Liabilities

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.

2.19 Cash Flow Statement

The cash flow statement has been prepared by using Indirect Method in accordance with the Sri Lanka Accounting Standard No. 9 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.

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2013

	<u>SLFRS</u>		<u>SLFRS</u>	
	<u>31.12.2013</u>		<u>31.12.2012</u>	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
(3) Income				
Grant Received	483,950,000.00		432,809,000.00	
Revenue from Services to Expoters	43,609,547.97		42,677,230.75	
CHOGM 2013	19,692,435.47		-	
Income from branches	38,514.62		169,206.89	
Internet Income	303,609.00		284,300.00	
Internet Portal	110,195.32		2,061,320.92	
Income from Expo-2012	1,504,176.28		48,939,145.32	
Seminars and Course Fee	1,875,350.00		9,375,114.18	
Income on stall fees -Leather Fair -2013	7,221,848.85		-	
Sales of Books	232,856.00		235,574.00	
Other Income	68,400.00		43,232.00	
	558,606,933.51		536,594,124.06	
(4) Other Income				
Interest Income	1,970,363.53		2,002,980.03	
Share of Associate Company Profit	47,862,116.00		41,094,809.80	
Dividend Income	36,415,076.22		6,989,793.80	
Loss on Liquidation of Investment	-		(1,635,983.19)	
Other Sundry Income	4,533,445.38		250,250.00	
Amortization Of Government Grants	1,343,078.73		1,180,578.73	
Interest Income from Staff Loans (IFRS)	6,007,785.90		1,221,539.00	
Difference in Exchange	340,124.15		-	
	98,471,989.91		51,103,968.17	
(5) Export Development Expenses				
Export Development Programmes	78,062,093.57		85,369,598.80	
EU Sri Lanka Organic Project	1,503,150.41		1,668,956.21	
Export Marketing Promotion	59,412,217.82		186,314,512.49	
CHOGM 2013	34,270,326.12		-	
Participation trade delegation	971,371.20		1,140,059.45	
Local Trade Fairs	341,208.60		58,272.00	
Policy and Planning Expenses	2,174,154.74		187,301.03	
Export Market Promotion	28,192,265.75		23,588,115.27	
Service Division Expenses	1,591,713.77		4,691,212.20	
Regional Development Expenses	22,153,559.34		15,407,405.25	
Trade Information and Services Expenses	4,547,663.00		3,393,927.50	
Trade Net Expenses	949,206.61		3,156,929.74	

Integrated Agriculture Model Farm Project	10,019.00	1,572,934.50
Quality Certification for Industrial Products	227,932.40	1,433,834.60
Cess Refund Scheme	-	3,214,736.00
HACCP Programme	-	989,000.00
	234,406,882.33	332,186,795.04

(6) Administration Expenses

Salaries and Wages	107,091,001.93	105,420,404.49
Over Time and Holiday Pay	8,653,737.90	9,293,537.09
Bonus	2,010,474.16	1,625,375.00
EPF	12,941,816.19	12,580,954.56
ETF	2,659,201.49	2,505,388.43
Pension	-	63,832.50
Gratuity	9,703,139.95	11,094,051.45
Staff Welfare	33,523,646.31	28,288,513.81
Recruitment Charges	41,050.80	732,766.57
Staff Cost -(IFRS Adjustments)	6,007,785.90	1,221,539.00
Electricity	21,332,198.95	16,042,662.34
Water	664,796.13	3,997,691.46
Legal and Other Professional Fee	710,512.00	137,718.00
Advertising	646,640.00	85,723.00
Security	3,729,341.14	5,075,444.81
Audit Fee	600,000.00	632,500.00
Printing Charges	2,416,842.72	333,984.86
Transport & Travelling Charges	1,086,696.00	980,769.50
Entertainment	351,401.20	358,721.55
Other General Expenses	1,086,174.39	1,672,861.07
Board Member Fees	467,376.00	502,119.00
Maintenance of Office Equipment	1,270,581.01	1,011,563.48
Rent	59,938,710.41	56,900,638.68
Fuel and Lubricants	9,100,544.98	9,039,281.20
Repairs and Maintenance of Vehicles	5,093,439.67	5,281,513.94
Private Hiring Charges	5,596,328.92	5,540,194.60
Communication and Subscription	7,906,128.08	9,583,189.94
Depreciation	10,059,460.91	15,911,661.87
Local Training	653,335.18	626,891.74
Supplies Requisites	3,557,672.67	3,565,552.72
Loss On Disposal of Fixed Assets	1,199,008.83	2,484,150.00
Overseas Training	572,839.55	770,734.03
Exchange Loss	-	140,961.19
	320,671,883.37	313,502,891.88

(7) **Finance Cost**

Interest Expenses	354,736.88	340,662.69
Stamp Fees	71,905.40	823,725.40
Financial Charges	1,058,671.27	1,149,716.11
	<u>1,485,313.55</u>	<u>2,314,104.20</u>

(8) **Revaluation Of Motor Vehicles**

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

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2013

(9) Property, Plant and Equipments

(9.1) Cost

<u>Assets</u>	<u>Balance as at</u> <u>01/01/2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as at</u> <u>31/12/2013</u>
Residential Telephone	99,364.00	-	-	99,364.00
Motor Vehicle	51,600,000.00	-	-	51,600,000.00
Computer	29,083,305.02	192,950.00	284,000.00	28,992,255.02
Computer Software	2,210,301.50	22,350.00	-	2,232,651.50
Computer Equipments	401,260.30	61,946.01	-	463,206.31
TV Equipments	4,730,855.01	-	-	4,730,855.01
PABX Equipments	65,549.00	-	-	65,549.00
Telephone Installation	1,456,660.14	24,980.00	-	1,481,640.14
Furniture and Office Equipments				
27,629,413.41		1,453,886.28	255,455.44	28,827,844.25
	<u>117,276,708.38</u>	<u>1,756,112.29</u>	<u>539,455.44</u>	<u>118,493,365.23</u>

(9.2) Depreciation

	<u>Balance as at</u> <u>01/01/2013</u>	<u>Charge for</u> <u>the year</u>	<u>Balance as at</u> <u>Disposals</u>	<u>31/12/2013</u>
Residential Telephone	54,124.14	7,121.64	-	61,245.78
Motor Vehicle	-	6,065,000.00	-	6,065,000.00
Computer	19,833,418.35	2,103,736.99	-	21,937,155.34
Computer Software	1,491,260.44	248,897.41	-	1,740,157.85
Computer Equipments	157,009.57	78,956.52	-	235,966.09
TV Equipments	2,848,622.88	232,200.57	-	3,080,823.45
PABX Equipments	22,542.30	4,300.67	-	26,842.97
Telephone Installation	1,189,016.99	74,492.26	-	1,263,509.25
Furniture and Office Equipments				
13,673,210.87		1,244,754.85		14,917,965.72
	<u>39,269,205.54</u>	<u>10,059,460.91</u>	<u>-</u>	<u>49,328,666.45</u>

Written Down Value

	<u>2013</u>	<u>2012</u>
Cost	118,493,365.23	117,276,708.38
Accu: Depreciation	<u>(49,328,666.45)</u>	<u>(39,269,205.54)</u>
WDV	<u>69,164,698.78</u>	<u>78,007,502.84</u>

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2013

	<u>SLFRS</u>		<u>SLFRS</u>	
	<u>31.12.2013</u>		<u>31.12.2012</u>	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
(10) Investments in Associates - Unquoted				
Investments in Associates Company - DHPL	805,459,768.00		339,120,793.00	
	805,459,768.00		339,120,793.00	
(11) Other non-current financial assets				
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)	
	40,548,150.00		40,548,150.00	
(12) Inventories				
Stationery	1,319,721.91		1,333,528.63	
Tyre and Tube	10,600.00		10,600.00	
	1,330,321.91		1,344,128.63	
(13) Trade and Other Receivables				
Exporters Loan	46,413,543.87		46,486,856.35	
(-) Provision for Impairment in debts	(45,477,591.40)		(45,477,591.40)	
Staff Loans	47,487,670.34		43,656,656.57	
Less: Deferred Staff Cost	(16,060,711.67)		(12,323,475.00)	
VAT Receivable	104,676,878.80		104,619,993.36	
Other Debtors	13,197,964.24		13,256,823.46	
	150,237,754.18		150,219,263.34	
(14) Advance and Prepayments				
Prepayments	15,195,600.35		9,194,179.44	
Advances	7,151,094.62		7,196,743.84	
Bank Gurantee	300,000.00		300,000.00	
Deposits for Services	1,002,550.30		1,084,080.00	
Refundable Security Deposits	969,390.16		969,390.16	
Returned Cheques	15,000.00		18,740.25	
Prepaid Staff Cost	16,060,711.67		12,323,475.00	
	40,694,347.10		31,086,608.69	

(15) Cash and Cash Equivalents

Bank Of Ceylon -Deposit Cashier	-	6,166.68
Bank Of Ceylon - Lake View	15,067,165.78	1,760,202.35
National Development Bank	62,406.51	-
Bank Of Ceylon - Corporate Branch	1,638,984.99	121,361.45
Sampath Bank - Kandy	4,259.89	3,860.01
Sampath Bank - Galle	6,315.18	5,999.60
Bank Of Ceylon - Ampara	2,712.19	2,093.67
Bank Of Ceylon - Hambantota	1,756.50	1,434.01
Bank Of Ceylon - Badulla	3,066.15	2,249.52
Sampath Bank - Kurunegala	1,129.64	1,076.89
Cash in Hand	64,369.01	12,868.34
	16,852,165.84	1,917,312.52

(16) Grants Received

Government Contribution	7,904,002.00	7,904,002.00
Government Contribution - Motor Vehicle	13,000,000.00	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
(-) Amotization Of Government Grants	(2,523,657.46)	(1,180,578.73)
	20,706,020.21	22,049,098.94

(17) Provisions and Other Liabilities

Loan Scheme Contribution	7,359,415.95	7,209,511.31
Jathika Saviya	-	1,009,740.00
UPEPV	2,108,251.77	2,108,251.77
Exporter contribution	15,959,129.16	14,921,692.60
UPEPV - control Accounts	(10,403,683.00)	(10,403,683.00)
Refundable Deposits	7,066,295.00	6,901,195.00
	22,089,408.88	21,746,707.68

(18) Retirement Benefits Obligation

Balance B/F	79,631,378.23	74,006,928.48
Provision during the year	9,703,139.95	11,096,137.75
Paid during the year	(9,379,441.91)	(5,471,688.00)
Balance C/F	<u>79,955,076.27</u>	<u>79,631,378.23</u>

(19) Trade Payables

Stamp Fees Paybles	15,475.00	14,400.00
Unclaimed Salaries	21,872.30	28,622.30
Unclaimed Sundry Payments	-	5,386.96
EPF Payable	1,662,418.28	1,689,582.90
ETF Payable	199,490.30	202,750.29
Employees Final Payments	61,714.46	64,244.46
Audit Fee Payables	2,487,075.00	1,887,075.00
Refundable Deposit For Tenders	52,000.00	-
Repayable Deposits	2,500.00	6,166.68
Unpresented Cheques	1,051,078.05	1,021,281.00
Other Accrued Expenses	57,122,377.00	46,197,504.25
Provision for Agri Zone Payments	1,092,000.00	11,218,536.00
	<u>63,768,000.39</u>	<u>62,335,549.84</u>

(20) Bank Overdraft

Bank Of Ceylon - Lake View	17,148,432.07	55,093,612.35
Bank Of Ceylon - Galle	648.88	648.88
National Development Bank	-	795,842.30
Cancelled Cheques	-	-
	<u>17,149,080.95</u>	<u>55,890,103.53</u>

(21) Prior Year Adjustment

This refers to the adjustment made to reflect the, EDB's share of ownership in Development Holding (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2013

- (1) 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.
- (2) (2.1) 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.

(2.2) 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 2011 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.

- (2.2.1) 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	47,487,670.34
IFRS Adjustments	<u>(16,060,711.67)</u>
	<u><u>31,426,958.67</u></u>

- (2.2.2) Prepaid Staff Cost arised due to above adjustment is shown under current assets.**

Prepaid Staff Cost	<u><u>16,060,711.67</u></u>
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கணக்காய்வாளர் தலைமை அபிப்பதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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My No. }

TC2/F/EDB/1/13/27

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Your No. }

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Date }

29 December 2014

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 2013 in terms of 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 2013 comprising the statement of financial position as at 31 December 2013 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 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 was issued to the Chairman of the Board on 16 July 2014.

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 for financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International 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 the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No. 38 of the 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

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Export Development Board as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

- (a) Even though the comparative information should be presented in the financial statements in terms of Sri Lanka Accounting Standard 01, comparative figures were not presented in the cash flow statement.



- (b) In accounting a sum of Rs.418,476,859 stated as increase of carrying value of the investment based on the retained profit amounting to Rs.1,439,656,910 of the private company incorporated by the Board in collaboration with a Development Bank, aimed at the construction of office building complex had been adjusted to the accumulated profit of the year under review as prior year adjustments instead of being restated retrospectively. In terms of Sri Lanka Accounting Standard 08.
- (c) All motor Vehicles with zero values had been revalued as at 31 December 2013. In terms of Sri Lanka Accounting Standard 16, the rate of depreciation should be determined on the basis of useful Life period. But contrary to that two depreciation rates, that is 20 per cent on motor vehicles older than 10 years and 10 per cent on vehicles less than 10 years had been applied on the basis of useful life period prior to the revaluation.
- (d) Assets purchased out of grants received from external parties by the Board had not been separately identified and action had not been taken to amortize those assets at a value equivalent to the provision for depreciation in terms of Sri Lanka Accounting Standard 20.
- (e) Even though provisions should be made for impairment on the interest receivable from Loans granted to exporters in accordance with Sri Lanka Accounting Standard 36, those had not been brought to account in the financial statements.
- (f) Although contingent liabilities had been stated in the financial statements under Note 2.18 on accounting policies, the contingent liabilities and contingent assets in respect of 06 Court cases filed against the Board and by the Board in the years 2012 and 2013 had not been disclosed in the financial statements in terms of Sri Lanka Accounting Standard 37.
- (g) The allocation of Rs.122,822,417 made in the year 2012 in respect of diminution in the values of preference shares and ordinary shares had been shown as allocations in the year 2013 as well. Thus the impairment of investments relating to the year under review had not been reviewed in terms of Sri Lanka Accounting Standard 39.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Sponsorship and trade stall income of Rs.3,180,000 receivable as at 31 December 2013 had been omitted from the financial statements.
- (b) As the service period of an officer had not been correctly calculated the gratuity expenditure of the year under review had been overstated by Rs.302,097.



- (c) Services and supplies relating to the advances totaling Rs.5,324,516 paid in the year under review and the previous years had been completed but the expenditure of the year under review had been understated by a similar amount as that amount was still shown as advances.
- (d) Action had not been taken to identify and settle the abnormal debit and credit balances totaling Rs.11,079,248 and Rs.622,595 respectively shown under assets and liabilities.
- (e) The loss from sale of fixed assets amounting to Rs.14,952 had been understated and the sale of assets had been overstated by Rs.14,952 in the cash flow statement.
- (f) Prior year adjustment of Rs.418,476,859 which did not relate to the cash and cash equivalents, the increase of value of an Associate Company amounting to Rs.47,862,116 and the accumulated profit adjustment of the Associate Company amounting to Rs.466,338,975 had been shown as an effect on to the cash movement in the cash flow statements.
- (g) A sum of Rs.125,010 comprising the telephone expenses of Rs.43,090, entertainment expenses of Rs.2,020 medical assistance expenses of Rs.9,900 and legal expenses of Rs.70,000 had been brought to account as building rent and as such the building rent account had been overstated while each of the above accounts had been understated by similar amounts.
- (h) Lease rent payable in respect of Provincial Office of Kurunegala for November and December 2013 amounting to Rs.201,600 had not been accounted as accrued expenses.
- (i) The overstatement of revaluation profit stated in the previous year Auditor General's Report amounting to Rs.100,000 had not been adjusted in the financial statements of the year 2013 and as such the revaluation profit and the value of property, plant and equipment had been overstated by a similar amount.

2.2.3 Unreconciled Control Accounts

According to the financial statements presented, the balance receivable from exporters as at 31 December 2013 amounted to Rs.5,878,112 whereas according to the schedule that amounted to Rs.4,282,832 thus showing a difference of Rs.1,595,280.



2.2.4 Lack of Evidence for Audit

The evidence indicated against the following items had not been made available.

Item of Accounts	Value	Evidence not made available
	Rs.	
(a) (i) Investments	88,410,377	Share Certificates
(ii) Investments made in shares of CWG-Hambantota 2018 (Pvt) Ltd	8,000,000	Approval of the Cabinet of Ministers and the Minister of Finance.
(b) Unsettled Advances	5,324,516	Registers of Advance Age Analysis.
(c) Uva – Paranageama export processing village	10,403,683	Confirmation of Balances and Detailed Schedules

2.2.5 Transactions not Supported by Adequate Authority

The following observations are made.

- (a) An agreement had been entered into with a State Bank by the Board on 01 August 2011 to obtain a building belonging to that Bank on lease basis to operate the Kandy Regional Office of the Board. According to the lease agreement the period of lease had expired on 31 July 2013. Lease rent of Rs.841,000 had been paid for the period from 01 August to 31 December 2013 without extending the lease period or without entering in to a new agreement even by 08 July 2014.
- (b) A sum of Rs.1,009,740 shown as payable to the District Secretariat, Colombo under the Jathika Saviya Program had been credited to income without obtaining conformation from that District Secretariat or without proper approval.



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

The following non-compliances were observed.

Reference to Laws, Rules Regulation and Management Decisions	Non-Compliance
(a) Section 2(1) of the Export Development Act, No.40 of 1979	Even though 21 Years from 1992 to 2013 had elapsed, the National Development Council had not been set up to implement the export development programs and policies.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka Section 3.5 of Chapter XXIV	Even though the total monthly deduction limit should not exceed 40 per cent of the monthly salary, in granting motor cycle loans and distress loans, the total monthly deduction limit had been considered as 50 per cent.
(C) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (i) Financial Regulations 104(1), 104(3), 104(4) and 110	The Board of Inquiry had not completed the inquiry on accidents to motor vehicles, identified those responsible and submitted the full report including the proposed disciplinary action to the Chief Accounting Officer within three months from the date of accident as specified in the Financial Regulation. A Register of Losses containing the particulars of the accounts had also not been maintained.
(ii) Financial Regulation 165	Income had been collected without the acceptance of cash, cheques and other receipts, received in that connection being authenticated by an authorised officer.
(iii) Financial Regulation 387	As the Paying officer had not ensured that the bank balance was adequate to meet all his payments, the bank overdraft as at 31 of the year under review amounted to Rs.17,148,432.



- (iv) Financial Regulation 388 A record of all cheques sent by post had not been properly prepared in terms of Financial Regulation.
- (v) Financial Regulation 396 (d) If the cheques remain uncashed for more than 6 months from the date of issue or from the last date of revalidation whichever is longer the payee should be informed by letter and if no reply to the letter has been received that cheque should be cancelled. Nevertheless, action had not been taken in terms of Financial Regulation in respect of 45 unrepresented cheques valued at Rs.1,051,078 issued during the period from the year 2010 to 30 June 2013.
- (vi) Financial Regulations 446 (2) When separate bank current accounts are operated to record income and expenditure, the main summary cash book should be maintained to reconcile balances and to compute the cash balance. No such a cash book was maintained.
- (vii) Financial Regulations 1645 and 1646 Motor Vehicles Log Books, Daily Running Charts and Monthly Performance Summaries in respect of 28 motor vehicles belonging to the Board had not been presented to audit before the Fifteenth day of the month following.
- (viii) Financial Regulation 1647 (e) A Register of Motor Vehicles had not been maintained.
- (d) Paragraph 03 of the Treasury Circular No.842 dated 19 December 1978 A Register of Fixed Assets had not been maintained.
- (e) Public Finance Circular No.1A1/2002/02 dated 28 November 2002 Even though a Register of Computers, Computer Accessories and Software should be maintained, such register for computers, accessories and software had not been maintained.



- (f) Public Finance Circular No 441 dated 09 December 2009 and Financial Regulations 756 and 757 Action had not been taken to carry out Periodic Boards of Survey in terms of Financial Regulation and sent the report to the Auditor General.
- (g) National Budget Circular No.150 of 07 December 2010 Even though motor vehicles required by the Board should be purchased on finance Leasing method, contrary to that, 4 motor vehicles had been taken on Lease rent basis for a period of 5 years and lease rent amounting to Rs.10,051,179 had been paid by 31 December 2013.
- (h) Section 02 of the Department of Public Enterprises Circular No.95 of 14 June 1994. Monthly transport allowance of Rs.5,500 per Deputy Director per month and a daily allowance subjected to a maximum of Rs.164 had been paid to other employees by the Board, contrary to circular instructions Accordingly, the total transport allowance paid during the year under review contrary to circular instructions amounted to Rs.5,004,963.
- (i) Public Enterprises Circular No.PED/12 dated 02 June 2003 on Good Governance
- (i) Paragraph 5.2.3 In the presentation of budget, the budgeted income and expenditure statement for the Year ended 31 December 2013, cash flow statement and a budgeted balance sheet as at that date had not been presented for the year under review.
- (ii) Paragraph 8.3.9 Five motor vehicles and 5 officers of the Board had been released to the service of the Ministry. Vehicle maintenance expenditure and staff salaries and allowances amounting to Rs.3,204,138 and Rs.899,195 totalling Rs.4,103,333 had been incurred in the year 2013 from the Board's funds.



The following observations are made

- (i) According to the Action Plan of the Board, number of programs targeted for implementation amounted to 214 out of which only 134 programs had been completed. Accordingly the physical progress of performance had been 62 per cent. A provision of Rs.505.02 million had been made for this program and only a sum of Rs.142.68 million or 28 per cent had been utilized.
- (ii) According to the Performance Report presented, the reasons for non-implementation of targeted programs had not been identified and several programs could not be implemented as sufficient financial provisions had not been made. As the reasons for non-implementation of programs had not been identified, the follow up action to ensure whether those programs would be implemented or not had not been taken.

(b) Foreign Trade Exhibitions

Even though 82 exporters had been participated in 4 Foreign Trade Exhibitions during the period from 2008 -2013 under the export promotion program and spent a sum of Rs.65.38 million thereon only 25 exporters of them had contributed for export promotion. Accordingly, participation by exporters in the Foreign Trade Exhibitions had not been done effectively for the improvement of the export income.

(c) Progress of conducting Courses

The following observations are made

- (i) The number of persons who followed the Operational Aspects of International Trade Course had been gradually decreased during the period from 2009 to 2011 while it had increased in the year 2012. However a decline of 32 per cent was reported in the year 2012 as compared with the year 2009. Number of course conducted in the year 2009 was 04 whereas it had dropped to one course by the year 2013.
- (ii) Even though the training program income received for conducting training programs to staff engaged in the garment sector amounted to Rs.207,500 a sum of Rs.1.04 million had been spent thereon.

4.2 Management Inefficiencies

The following observations are made.

- (a) It had not been ensured by pre-market observations whether there was a possibility of achieving the targets and objectives of the Sri Lanka Expo International Trade Exhibition held by spending a sum of Rs.156.6 million in the year 2012. Even after the exhibition an evaluation or a review had not been carried out in the year 2013 to ensure whether the objectives and targets for holding exhibition could have been achieved.



3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Board for the year ended 31 December 2013 had resulted in a surplus of Rs.100,514,844 as against the deficit of Rs.60,305,699 for the preceding year. The financial results of the year under review had indicated a favorable increase of Rs.160,820,543 as compared with that of the previous year. Increase of total income by Rs.69,380,831 and the decrease of total expenditure by Rs.91,439,712 had been the main reasons for this improvement.

4. Operating Review

4.1 Performance

(a) Export promotion and development programs.

Division	Physical performance					Financial Performance		
	Number of targeted Programs	Number of cancelled or suspended programs	Number of programs adequately not completed	Number of programs completed	Percentage of performance	Budgetary provision Rs. millions	Actual financial utilization Rs. millions	Percentage of utilization
Industrial Products	43	05	08	30	70	61.23	23.51	38
Agricultural and Fisheries Products	39	04	14	21	54	53.78	31.86	59
Export Services	20	02	07	11	55	29.33	3.72	13
Marketing Development	42	01	07	34	81	64.98	40.48	62
Regional Development	30	02	14	14	47	71.06	28.46	40
Other Export Services	27	-	04	23	85	29.28	10.85	37
Special Projects	11	04	06	01	09	79.86	3.80	4.8
Others							Not Presented	0
Total	<u>214</u>	<u>18</u>	<u>62</u>	<u>134</u>	<u>62</u>	<u>505.02</u>	<u>142.68</u>	<u>28</u>



- (b) According to the agreement shoots into with a supplier on 18 November 2009, to supply 1.2 million pineapple shoots valued at Rs.9 million to the Ampara Agriculture Export Products Zone, 50 per cent advance had been given. As only 86,250 pineapple shoots had been supplied by 25 February 2010, the project activities had failed. Accordingly, the objective of the project could not be achieved and a sum of Rs.3,853,350 out of advances had not been recovered even by 31 December 2013. The follow up action on its present position had also not been taken.
- (c) Out of the 166 export companies to which loans had been granted, legal action had been taken against 23 companies only. After the legal action only Rs.2,801,711 out of the outstanding loan balance of Rs.6,996,307 had been recovered during the period from 01 January 2006 to 31 December 2013. As the follow up action had not been taken to recover the loans by taking legal action after 2007, sixteen export companies out of 23 had defaulted the repayment of loan balance. Legal action had not been taken against 130 export companies which had defaulted the repayment of loans totaling Rs.32,966,208 even by 30 June 2014.
- (d) A private company had been incorporated on 18 November 1993 by the Board jointly with a Development Bank with the objective of constructing the office building complex. The Board had invested a sum of Rs.161,088,760 in shares of the company representing 41.39 per cent of its total equity. Even though sufficient profit had been earned by that company during the period 1996 – 2006 to declare dividends the Board had not received any return on this investment.
- (e) Dividends on investments of Rs.105,058,084 made in preference shares in 30 companies for the period 1997- 2013 and on investment of Rs.43,494,334 made in ordinary shares in 31 companies for the period 2001 – 2013 had not been received by the Board.
- (f) Outstanding rent and electricity charges totaling Rs.7,049,858 due from 5 trade stalls in the Sri Lanka Trade Centre operated by the Board during the period from 2004 to 2009 in Chennai, India had not been recovered even by 30 June 2014.
- (g) Loans had been granted to 331 export companies during the period from 1983 to 1999 under a loan scheme connected with the objective of generating high exports income through strengthening the financial viability of export companies. Out of loans totaling Rs.59,659,978 granted to 166 export companies a sum of Rs.46,413,543 had not been recovered.



4.3 Transactions of Contentions Nature

The following observations are made.

- (a) A sum of Rs.8 million had been invested in the purchase of shares in a private company incorporated in the year 2011 in order to organize the activities for securing the sponsorship of the Commonwealth Sports Festival, 2018 and the development and promotion of sports activities deviating from the functions of the Board stated in Section 12 of the Sri Lanka Export Development Act, No.40 of 1979 and without obtaining the approval of the Minister of Finance in terms of section 8.2.3 of the Public Enterprises Circular No PED/12 for 02 June 2003 on Good Governance and to develop and promote sport activities. However, the operation of the company had ceased as at 31 December 2013 as the sponsorship of Commonwealth Sports Festival could not be secured.
- (b) Despite the availability of training facilities with the Board disregarding that a sum of Rs.602,274 had been spent during the period from 2011 to 2013 to conduct a course with about 45 participants in a private institution.

4.4 Staff Administration

Approved and actual cadre position as at 31 December 2013 had been follows.

Staff Category	Approved Cadre	Actual Cadre	Number of Vacancies
Tertiary	65	54	11
Secondary	128	85	43
Primary	75	61	14
Contract	-	13	-
Total	<u>268</u>	<u>213</u>	<u>68</u>

The following observations are made in this connection.

- (a) According to paragraph 11 of the Letter No. DMS/E4/30/4/200/2 dated 13 August 2010 of the Director General of the Department of Management Service addressed to the Secretary to the Ministry of Industries and Commerce the approval of the Department of Management Services should be obtained to fill the vacant posts. However action had not been taken accordingly.



- (b) Recruitments and promotions for the posts of Assistant Director (General), Assistant Director (Human Resources Management), Assistant Director (Administration) and Assistant Director (Finance) had been made without an approved Scheme of Recruitment as prescribed in Section 6.1.5 of Chapter II of the Establishments Code.
- (c) Even though the Scheme of Recruitment required that the qualifications and the experience relating to the posts should be taken into account, an officer who had not fulfilled those qualifications had been recruited to the posts of Assistant Director (Human Resources)
- (d) Thirteen officer had been recruited on contract basis without a formal approval in terms of Management Services Circular No.30 of 22 September 2006 and a sum of Rs.5,420,465 had been paid as salaries and allowances in the year under review.

5. Accountability and Good Governance

5.1 Internal Audit

The Internal Audit Programmes and Internal Audit Plan had not been prepared in accordance with Sections 07 and 09 of the Management Audit Circular No. DMA/2009(1) dated 09 June 2009 and the internal audit functions had been at an unsatisfactory level. However 04 internal audit queries had been issued during the year under review but attention of the Board had not been paid to rectify the deficiencies reported in those audit queries.

5.2 Budgetary Control

Significant variances were observed between the budgeted expenditure and the actual expenditure thus indicating that the budget had not made use of an effective instrument of management control.



5:3 Unresolved Audit Paragraphs

Attention had not been paid in respect of the following audit paragraphs included in the previous year Audit Report.

Reference to Audit Paragraph of the year 2012	Summary of the Audit Paragraphs
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2.2.6 Transactions without adequate Authority	A sum of Rs.1,557,337 had been paid from the Board's fund as monthly allowances, fuel allowances, and telephone charges up to 31 December 2012 to an Executive Director appointed contrary to the provisions the Export Development Act, No.40 of 1979.
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4.2 Management Inefficiencies (e)	Even though the responsibility to recover the loans of Rs.5 million given to the farmers of Uva Parangama for the construction of 100 green houses under the conditions of agreement of the Uva Parangama Green House Project and pay it to the Treasury had been devolved in the Board, it had not been so done.
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4.3 Identified Losses	Commencement of the operations of private company incorporated with an investment of Rs.1,000,000 for the Leather Products Industry Project in the Bataatha Industrial Programme in Hambantota had been abandoned and as such action had not been taken by the Board to recover the money invested.
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6. Systems and Controls

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

- (a) Budget
- (b) Accounting
- (c) Investments
- (d) Recovery of Loans
- (e) Assets Management
- (f) Trade Exhibitions

W.P.C. Wikramaratne
Acting Auditor General