

2014

ANNUAL REPORT



SRI LANKA EXPORT DEVELOPMENT BOARD

10-05-2016

Hon. Malick Samarawickrama,
Minister of Development Strategies & International Trade,
Ministry of Development Strategies & International Trade,
6th Floor, West Tower,
World Trade Centre,
Colombo 01.

Hon. Sir

Annual Report and Statement of Accounts - 2014

I am pleased to present on behalf of the Board of Directors, the Annual Report of the SLEDB together with the following documents for 2014 in term of section 13 (2) of the Finance Act No.38 of 1971.

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

Yours faithfully,

Indira Malwatte
Chairperson & CE

SRI LANKA EXPORT DEVELOPMENT BOARD

SENIOR MANAGEMENT STAFF-2014

Chairman and Chief Executive	- Mr. Bandula Egodage
Director General	- Mrs.W.M.D.S.Weerakoon
Executive Director	- Dr. Yousuf K. Maraikkar
Export Marketing Development Division	- Mrs. J. Siriwardana (Addl.Director General)
Finance & Administration Division	- Ms.R.M.P.Hewaliyanage (Addl.Director General)
Finance Division	- Mrs.P.K.Sumithrarachchi (Director)
Human Resources Development Division	- Mrs. A. G. C. Kiriella (Director)
Trade Facilitation& Trade Information Division	- Mr. S. R. P. Indrakeerthi (Director)
Information Technology Division	- Mrs. P.V.A.M. Baddegamage (Director)
Export Agriculture Division	- Dr.(Mrs.) M.L.A. Samarappuli (Director)
Regional Development Division	- Mr. K.H.R.P. Fernando (Actg.Director)
Policy & Strategic Planning Division	- Mrs. U.K.D. Wegapitiya (Director)
Industrial Products Division	- Ms. C. Dissanayake (Director)
Export Services Division	- Mr. M.K.S.K.Maldeni (Director)
Special Projects Division	- Mr. D. Jayawardena (Director)
Market Development Division	- Mrs.I.C.Alahapperuma (Actg.Director)
Internal Audit Unit	- Mrs. N.P.Endagama (Actg.Internal Auditor)
Legal Unit	- Mrs.D.T.Wijayaratne (Legal Officer)
Auditor	- Auditor General
Bankers	- Bank of Ceylon Sampath Bank NDB Bank

Registered Office

No.42,Nawam Mawatha,
Colombo 02.

**SRI LANKA EXPORT DEVELOPMENT BOARD
BOARD OF DIRECTORS - 2014**

- | | | |
|-----|-------------------------------|--|
| 01. | Mr. Bandula Egodage | - Chairman |
| 02. | Dr. Yousuf K. Maraikkar | - Director |
| 03. | Mr. Nawaz Rajabdeen | - Director |
| 04. | Mr. Sharaff M. Suhaib | - Director |
| 05. | Mr. Rohantha N. A. Athukorala | - Director |
| 06. | Dr. C.C.Y. Abeywardena | - Director |
| 07. | Mr. S. Alamdeen | - Director |
| 08. | Mr. A. K. Seneviratne | - Addl. Secretary,
Ministry of Industry & Commerce |
| 09. | Mr. Anuradha Wijekoon | - Addl. Secretary,
Ministry of Ports and Aviation |
| 10. | Mr. Asoka Siriwardena | - Addl. Secretary,
Ministry of Agriculture |
| 11. | Mr. U.K.S. Mihindukulasooriya | - Addl. Secretary,
Ministry of Plantation Industries
(Up to May 2014) |
| 12. | Dr. (Mrs.)A. Damitha De Zoysa | - Secretary
Ministry of Plantation Industries
(From July 2014) |
| 13. | Dr. D.M.R. Dissanayake | - Secretary
Ministry of Fisheries & Aquatic Resources
Development |
| 14. | Mr. K.M.M. Siriwardena | - Director General,
Department of Fiscal Policy
Ministry of Finance & Planning |
| 15. | Mr. V. Sivagnanasothy | - Secretary
Ministry of Traditional Industries & Small
Enterprise Development |
| 16. | Mr. G. K. D. Amarawardana | - Secretary
Ministry of Co-operative & International Trade |
| 17. | Mr. Sanjeeva 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 export 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 in line with the Governments' vision.
02. To increase exports to markets other than the EU and USA by over 50% by 2020, 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 favourable 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.

Sri Lanka Export Development Board

Performance of the EDB 2014

Introduction

The Sri Lanka Export Development Board (EDB) is the national trade promotion organization specially vested with the responsibility for promotion and development of exports of products and services from Sri Lanka and was established in 1979 under the Sri Lanka Export Development Act No.40.

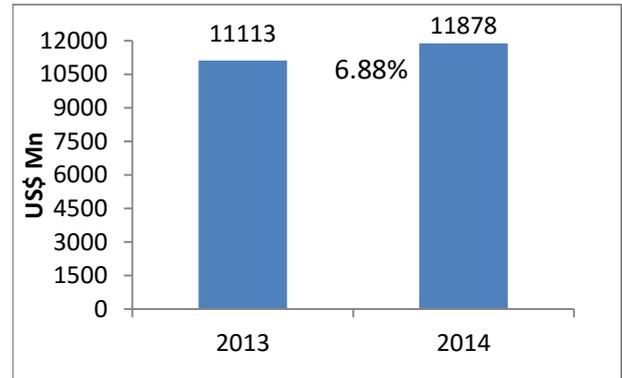
As exports contribute nearly 20% to the GDP, the policy framework of the country has identified the exports sector as a priority area for development. In line with the government's development agenda, the EDB is geared towards promoting products and services to international buyers and in global markets in order to make Sri Lanka the most sought after destination for global sourcing in identified products. EDB performs its key functions in five identified roles as a Policy Advisor, Monitor, Promoter, Facilitator and Knowledge Provider.

The EDB formulates and implements the national export development plan in collaboration with all relevant public and private stakeholders in order to achieve the development objectives of the export sector. The approach of the EDB is based on the principle that the public sector facilitates the strategic process, but exporters own and drive the strategy.

Export Sector of Sri Lanka

An Overview of the Export Performance

Export earnings of Sri Lanka increase by 6.88% to US\$ 11.88 Bn in 2014 from US\$ 11.11 Bn, registered during the corresponding period in 2013. This positive performance continued during the year 2014.



Source-Sri Lanka Custom

Export earnings of Sri Lanka reached US\$ 11.8 bn in January-December 2014

Sri Lanka's earnings from exports increased by 6.88% to US\$ 11,878 Mn in 2014 from US\$ 11,113 Mn recorded in the corresponding period in 2013.

All the three major sectors i.e.: Agriculture, Fisheries and Industrial which contributed 22.72%, 2.23% and 67.92% to the total merchandise export earnings of the country in 2014 grew by 8.8%, 8.5% and 6.1% respectively.

Within the industrial sector, earnings from exports of garments, which contributed 41.32% to the total export earnings of the country increased by 9.23% in 2014.

Exports to our major markets, EU & USA which absorbed 31.35% and 24.43% of our exports, increased by 6.43% and 9.14% respectively during 2014.

Performance of EDB Activities

The EDB implemented a series of programmes ie; integrated supply/ product/ design/quality/ packaging development programmes, trade facilitation, provision of trade information and e-commerce services to enhance the supply chain efficiency. EDB also organized a series of market promotion programmes with the objective of assisting our exporters to retain their markets and penetrating into new and emerging markets. Organizing Sri Lanka's participation at the selected international trade fairs/exhibitions in selected markets, organizing inward and outward trade mission, aggressive market communication campaign to project Sri Lanka's image as a reliable supplier of quality products and services and national branding campaign for Sri Lanka's products with unique characteristics and geographical identity are some of the activities carried out by the EDB. Regional export development programmes were also implemented to harness rural skills and resources to broaden the supply base.

Progress of the Major Development Programs carried out by the EDB during 2014

➤ Strategic Plan of the EDB 2015-2020

The EDB is in the process of formulating a new Strategic Plan for the period 2015-2020 in consultation and co-operation with the public and private sector agencies involved in the export development process.

➤ National Export Strategy

The EDB initiated to formulate the National Export Strategy (NES) for the period 2015-



Technical assistance will be obtained from the ITC Geneva for the formulation of the NES. An ITC pre-engagement mission visited Sri Lanka in August 2014 and conducted initial consultations with relevant stakeholders.

➤ Advisory Committees

The EDB established 26 advisory committees under the EDB act as a key instrument used in strengthening the private/public partnership that is essential to facilitate export trade. These advisory committees are currently actively working with the EDB.

➤ Benchmark programme for EDB - Performance Improvement Road Map (PIRM) for EDB



The ITC based in Geneva carried out a Benchmarking programme for EDB in 2012 aimed at assessing the effectiveness and efficiency of EDB and position EDB as a TPO viz-a-viz other TPOs.

A 03 member ITC delegation visited Sri Lanka in July to carry out a Performance Improvement Road Map (PIRM) for the EDB as a follow up to the Benchmarking programme.

➤ The Exporters Forum



Under the Chairmanship of Hon. Minister of Industry & Commerce a Forum was held and a total of 53 issues were discussed.

Market Development Programmes

➤ The EDB implemented an array of market development and promotion programmes during this period with the objective of ensuring successful consolidation of Sri Lankan product and services in existing markets and penetrating into new and emerging markets. Most of these programmes were carried out with assistance of our foreign missions abroad.

- **EU Region** : ALIMENTARIA, Barcelona, Spain [5 exporters] , SEA FOOD EXPO GLOBAL 2014, Belgium[5 exporters], SIAL, Canada[5 exporters], INTERZOO, Germany [7 companies], Paper World 2014, Germany[3 exporters]
- **American Region** : IFT 2014, New Orleans, USA[2 exporters]
- **Asian Region** : FOODEX 2014, JAPAN [4 exporters], International Horticulture(IHK), Korea [6 exporters], 'Japan IT Week' Trade Exhibition [4 companies], 2nd China South Asia Exposition in Kunming [120 exporters], India Int'l Trade Fair [5 exporters]
- **Middle East, CIS, African Region** : GULF FOOD 2014, February[23 Exporters], SAITEX Trade Fair, South Africa [12 exporters]

➤ Organizing Inward & outward trade missions

Outward Buying Missions - 18-member delegation to Myanmar Construction Summit & Market Development Programme in Myanmar , 20 member trade delegation to Bahrain, 20 member delegation to Israel, 3 member delegation to Tunisia, 5 member delegation to India, 15 member delegation to Maldives, 9 member Delegation to Brazil [Apparel], 23 member delegation to Maldives [Education Sector]

Inward Buying Missions - A Maldivian Delegation , A delegation from the General

Administration of Quarantine Supervision, Inspection & Quality of China, 20 member delegation from the Fujian Province, China , 3 member Chinese delegation, 2 member buyer delegation from Brinda's Singapore , 4 member delegation from Seychelles, delegation from Egypt, Poland etc.

Market Research :With the objective of diversifying our exports to minimize the dependency on a few large export markets the EDB carried out market research studies on Brazil, South Africa, China etc with the aim of penetrating into these markets. Brazil and South Africa which are member countries of the BRICS group has been identified as a center with high economic growth prospect. EDB carried out several missions to exploit these markets with exporters. The first ever Sri Lankan Apparel promotional mission to Brazil was organized by the EDB with JAFF and the Sri Lanka embassy in Brazil in September 2014 with 09 leading apparel companies and 05 SMEs.

- Organizing participation at Local trade exhibitions
- FACETS 2014
 - Footwear & Leather Fair 2014

Programmes implemented for Agricultural Products, Industrial Products & Services

➤ **Branding of Ceylon Cinnamon**

The EDB established Pure Ceylon Cinnamon as a Global Brand in the international market. The registration of trade mark in main markets such as USA, EU, Colombia and Peru already completed. Pure Ceylon Cinnamon trade mark was also registered with WIPO.



EDB is on the process of obtaining Geographical Indication (GI) for Ceylon Cinnamon in the EU market.

➤ **Scheme to issue “Pure Ceylon Cinnamon” Lion Logo**



EDB issued licenses to 13 qualified exporters to use Pure Ceylon Cinnamon logo [PCC Logo] in their value added cinnamon exports. To the global markets, this logo shows where true cinnamon originates from.

➤ **Establishment of NOCU**

National Organic Control Unit (NOCU) was established as an independent national body to control export/import of all organic agriculture products. This will facilitate to protect and the safe guard the credibility and organic products in the international market and also ensure quality and safety of such products imported in to Sri Lanka. It is mandatory for all producers, processors manufacturers and exporters/imports of organic agriculture products to register with NOCU and adhere to and comply with organic standards. To label a product as a organic it is compulsory obtain and organic certificate from an internationally accepted certification body.

➤ **Agro Export Zones**

The EDB assisted to established and sustain agro export zones with the objective of expanding agri supply based for exports while trickling down the benefits of exports to the rural community. 15 GMP centers were also establish for the cinnamon industry to upgrade quality standards of cinnamon peeling in the southern province.

A programme for breeding and raring of ornamental fish for exports in polonnaruwa district carried out. In 2013 and 2014, at the Aquarama International Aquarium Fish Competition held in Singapore, the aquarium fish breeder from polonnaruwa agro export zones were among the winners and this demonstrated the success of the programme implemented to place our exporters at international level. A programme for turmeric cultivation in Ampara district and a pineapple project in the Eastern province were also established.

Financial Assistance Scheme to improve Quarantine /Withholding facilities

The EDB implemented a financial assistance scheme approved by the National Budget 2013 to improve quarantine/withholding facilities of the ornamental fish sector. 10 agreements were signed during the period under review and 4 companies were assisted.

Design Development Programme for Sri Lanka’s Handloom Sector



With the objective of strengthen Sri Lanka's handloom designs and promotion capacities and sustaining the industry's special identity, the Export Development Board organized a workshop for more than 50 Lankan handloom designers and experts on the theme titled "Design Development for Sri Lanka's Handlooms" on 30th June in Colombo.

Introducing and implementing Fair Trade practices to the craft sector.



The EDB conducted a programme to introduce Fair Trade to Sri Lanka's Handicraft Sector in 2013 with the assistance of a foreign Fair-trade expert. In the year 2014 under the 2nd stage of the programme, 9 companies were selected to upgrade them into Fair-trade standards.

Boat Show & fisheries Exhibition Sri Lanka 2014

With the objective of providing a single platform for all related business sectors involved directly and indirectly in the boat industry to display and promote their respective sectors for potential clients, an exhibition was organized by the EDB, together with the Boat Technology Improvement Institute and Lanka Exhibition & Conferences Services (Pvt) Lt[LECS] in association with the Ministry of Industry & Commerce and Ministry of Fisheries and Aquatic Resources, at Dickowita Fishery Harbour, in Wattala on 10th - 12th October 2014. The first ever on-water display in Sri Lanka was one of the salient features of the show. There were 65 exhibition

stalls including 11 Large Boats on water and 9 land stalls.

International Council of Marine Industry Associations [ICOMIA]

ICOMIA Regional Meeting was organized by the EDB together with the Boat Building Technology Improvement Institute [BTI] and BAF Foundation in parallel to the Boat Show 2014.

The Industry Conference on "Marina Development and Marine Tourism in Sri Lanka" was also held. Eminent speakers from ICOMIA shared their experiences on marina and water front development, marina master plan & design requirements, sustainability and many more subjects which were of benefit to Sri Lanka.

Global Rubber Conference [GRC] 2014

Global Rubber Conference was held in Sri Lanka for the first time from 27th to 30th October 2014 with the participation of renowned international leaders in the rubber industry and Sri Lankan rubber manufacturers and exporters. The GRC is recognized as one of the world's leading conferences on natural rubber and NR-based products.



The conference was aimed to fulfill five key objectives which are, to bring together regulatory authorities and commercial players of the rubber industry to provide updates on current trends and future challenges faced by NR industry, to facilitate the exchange of information and subsequently open up new turfs of business opportunities and expansion, to promote industry-wide investment

opportunities in Pan Asia countries in general and specifically in the host country, to provide a platform for policymakers and association heads to discuss and determine factors within the industry and to enable industry experts to communicate the latest R&D innovations.

First Sri Lankan International Ornamental Fish Trade Conference (INFOFISH 2014)



The First Sri Lankan International Ornamental Fish Trade Conference was co-organised by the Sri Lanka Export Development Board (EDB), the Ministry of Fisheries & Aquatic Resources Development, INFOFISH, an intergovernmental organization for Asia-Pacific region for marketing information and technical advisory services, based in Malaysia in collaboration with Ornamental Fish International (OFI), a worldwide organization representing all sectors of the ornamental aquatic industry.

The Conference was ceremonially opened on 10th November 2014 at Galadari Hotel, Colombo. The conference enabled many top global fishery experts and exporters to gather in one place for the first time in South Asia.

The focus of the conference was on the status of the ornamental fish market and supply and on trade issues relevant to domestic and international trade. Recent advances in different sub sectors like ornamental fish farming, health etc were also discussed. Representing various sub segments from the ornamental fish industry, more than 300 local and international delegates attended the two day conference.

Export of Services

- Under the CBI-Export Coaching Program, a Consultant from CBI in The Netherlands

visited 7 selected companies and advised them on Business marketing Plan.

- With the assistance of the CBI, the EDB Organized a Workshop on “Website Enhancement and Online Marketing of IT/BPO” on June 19th & 20th 2014 for 30 participants from the ICT sector
- A seminar on ‘Internet of Things’ was organized in Colombo for 84 participants representing Electronics and ICT sectors. Electronic manufacturers were made aware of the new devices which candy manufactured in Sri Lanka in Collaboration with ICT sector design companies.



- A seminar on “ Free & Open Source Software[FOSS]” was organized on 29th May in Colombo for 80 participants.



• Branding of Sri Lankan Software (Preliminary work)

A group consisting of 25 members representing Government Institutions, Industry Associations, Software Development companies, BPM / KPM, Education, Infrastructure, Engineering sectors was appointed to discuss and to come up with an appropriate method to implement the Branding Process. 62 responses were received to the questionnaire sent to the ICT companies regarding Branding of Sri Lanka

Software. Accordingly, it was recommended by the Advisory Committee on ICT/BPM to carry out this process on designing and selecting a theme for Branding.

- Organized an Exposure visit to IT Park in Colombo and a knowledge sharing session for 25 IT companies from Kandy/ Galle/ Matara districts in collaboration with SLASSCOM and EDB's provincial offices with the objective of generating ICT/BPO exporters from the provinces.

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. These programs are given below.

- Assistance Scheme for Grading Area Capacity Development for Tea manufacturers/ exporters/ industrialists - 2 factories were assisted.
- Assistance Scheme for system /product certification for the Tea Sector - 5 factories were assisted.
- Assistance Scheme for development of "Brand Names & Brand Excellence - 4 companies were selected for assistance in Stage I and 2 companies have already been assisted under Brand Assistance. One company namely "Basilur Tea Export (Pvt) Ltd" was assisted for Brand Registration.
- Supply development programme for Foliage Cultivation under net houses (Hambantota) - 8 Growers were selected for assistance and linked them with direct exporter companies.
- Program for promotion of Turmeric cultivation in Vavuniya - First harvest has been obtained and arrangements were made to link the farmers with exporter for by back arrangements

- Awareness programme for fruits, spices, value added tea, cut foliage etc (CP, NWP, SP, and HO). - 6 programmes were completed. Around 200 growers/farmers participated at these programmes.

- Project for supply development of high value vegetables/spices in the regions for export - 16 poly tunnels were completed by the selected farmers. Arrangements are being made to link farmers with exporter companies.

- Awareness seminar/workshop on Producing cut foliage and flowers for the export market for export oriented out growers in the North Western province [102 Cut foliage & Flowers out growers]

- Technical exposure and awareness on Fresh Agricultural Produce-Processing and Marketing in Israel 2014 - 7 companies from SL Protected Agriculture Entrepreneurs Association participated

- SLEDB Scheme of Assistance for the Exporters/ Potential Exporters/ Manufacturers of Spices & Essential Oils to obtain Product/ System Certifications

- Successfully conducted a one day Training programme/Workshop on technical awareness for making Bathroom slippers for a selected group of export oriented Footwear manufactures in Nachchadoowa Divisional Secretariat Division in Anuradhapura District.

Other Programmes

E-Promotion of Sri Lankan Products & Services

- An e-Marketing campaign was launched through the EDB Web portal www.srilankabusiness.com to promote Sri Lankan products & services using internet marketing technology. Developed a web page to promote Pure Ceylon Cinnamon.

Online Trading Portal - Five (05) on line transactions were carried out for Sri Lankan spices, herbal products & cosmetics with buyers in UK, Sweden & Germany through the

portal. Fifteen (15) online Product inquiries for Tea, Apparel, Leather products & Food items Blue Sapphire, Desiccated coconut, Fast Motor boat, Vegetables, Chilies (Green), Pineapple have been received within this period.



The printed and electronic edition (CD) of the Export Performance Indicators- 2004-2013 was published. This publication includes comprehensive data relating to the export sector of Sri Lanka.

Skills Development, Awareness and Training Programme

During the period under the review the EDB conducted 42 skills and entrepreneurship development programmes in Matara, Colombo, Kandy, Badulla, Galle, Hambanthota, Nuwaraeliya, Monaragala with the participation of 2673 entrepreneurs engaged in export related activities. These programmes were aimed creating awareness on the markets, potential products, regulation and procedures in key markets, imports/export procedures, packaging and enhancing product specific technical skill.

Three Certificate Courses on import export procedure and two programmes on “Operational Aspects of International Trade” were conducted and nearly 234 entrepreneurs were trained through these programmes during the period.

Policy & Strategic Planning Division
26.02.2015

UKD/NS/psw

PLANS FOR THE YEAR 2015

Export Promotion Programmes

Integrated supply/ product/ design/ packaging and market development programmes to promote agriculture, fisheries, and industry and services sectors.

- Formulation of a “National Export Strategy 2015-2020” for Sri Lanka
- Formulation of a “Strategic Plan 2015-2020” for the EDB
- Implementation of a Performance Improvement Road Map for EDB
- “Ceylon Cinnamon” Brand development & promotion programme – Trade Mark & GI Registration in selected international markets.
- Scheme to issue “Pure Ceylon Cinnamon” Lion Logo
- Assistance for Corporate Branding to enhance export revenue
- Establishment of export oriented Agri Zone projects for selected fruit crops [EDB, DOA & F&V Association]
- Development of fresh water fish culture in Sri Lanka to increase the Fresh Water Fish Production [EDB & NAQDA]
- Assistance to improve quarantine /withholding facilities of the ornamental fish exporters/indirect exporters
- Assist & encourage exporters to invest on High-Tech [Innovation & Renovation]
- Upgrading of the Sri Lanka National Packaging Centre
- Development of Boat Building Sector
- Assistance scheme for product & system certification and GMP for value added products
- Development of Export oriented Organic Agriculture Products
- Development of Coconut fibre & coco peat products
- Implementation of INFOFISH – CFC, fresh water fish processing project
- Facilitate exporters to minimize the cost of Organic Certification through National Organic
- Image building programme for apparel sector Festival to showcase the capabilities of Sri Lanka Apparel
- Reposition of Sri Lankan rubber based products in international markets
- Publicity/image building programme particularly to promote “Ceylon Blue Sapphire”
- Productivity improvement programme for ceramics to increase the competitiveness of the industry in the global market
- Development of Roof Tile Industry for Exports
- Assist exporters to export value added Mineral Products
- Technology upgrading programme for foundry industry
- Programme to upgrade & enhance the knowledge of SME handloom exporters on product/market trends
- Development of Giftware Products through Fair Trade Standards
- Identifying ICT/BPO Sourcing Conference in Sri Lanka 2013/14 to cater for strategic needs of the ICT/BPO exporters
- Organizing interactive seminars between ICT industry and Telecom companies and

- University to enhance the capabilities of ICT /BPO exporters
- Promotion and branding of “Sri Lanka ICT/BPO” Industry in the Global market through PR
- Development of Services Sector, such as Ent repot trade, Construction , Heath & Ayurveda
- Initiate brand development programmes, eg. Pineapple, etc
- Quality improvement programme for Sri Lankan suppliers to the electronic sector
- Quality development programmes to upgrade agriculture, industry and fisheries sectors
- Development and promotion programmes for the spices sector
- Technology development programmes for the printing sector
- Productivity development programmes for the boat industry
- Development of export ready small & medium giftware manufacturers
- Technology development programme for the footwear industry
- Organize awareness/workshops programmes for all product sectors and market promotion programmes
- Public-Private Partnership through Advisory Committee Meetings
- Ornamental fish link up programme in the Central Province
- Project on supply development of high value vegetables/spices for export in the NWP
- Assist cinnamon^{activities} processing factories and essential oil plants in the southern province to obtain quality certification.
- Pilot project on pineapple cultivation for export in Batticaloa district and pineapple nurseries in Ampara district
- Assistance Scheme for Grading Area Capacity Development^{exporters} for Tea manufacturers/exporters/ industrialists
- Assistance Scheme for system /product certification for the Tea Sector
- Assistance Scheme for development of “Brand Names & Brand Excellence.

Regional Export Development Programmes

- Continuation of Agro Export Zones
- Sustainable energy management programme for the fibre industry [North Western]
- Cut flowers and foliage development project in Provinces
- Organize cultivation of green chillies and turmeric for exports in the Northern Province

Market Development Programmes

- Organize Sri Lanka's participation at International Trade Fairs in selected priority and emerging markets.
- Implementing market diversification programmes (Fish to Russia, Apparel to Japan, Software to Japan, Middle East and Africa, Rubber Automotive products to India, Rubber Products to Korea, Construction Services to Myanmar, Education Services to Maldives, Health Services to Europe etc.)
- Organize exposure programmes to Exploit new markets such as Brazil for Apparel & other products
- Organize Inward and Outward Trade Missions in selected markets
- Implement an appropriate market communication strategy to build the image of the export sector in Sri Lanka
- Closely co-ordinate with the Commercial Attaches abroad to promote our products and services
- Conduct market research/surveys
- Organize participation of exporters in local trade exhibitions – ie: 'Facets', 'Ayurveda', 'Pro-Foods'
- Organize local Trade Exhibitions
- Organizing international conferences in Sri Lanka. - IFEAT, ATPF, ICA Congress
- Organize 'Footwear & Leather Products Exhibition'

Other Programmes

- Development of packaging for exports
- Provision of trade information, market intelligence, e-commerce services and export related publications
- Resolving problems faced by exporters [Exporters' Forum]
- Conduct training programmes on import/export procedures and export packaging
- Conduct awareness programmes on export related subjects, skill development programmes and entrepreneurship development programmes

SRI LANKA EXPORT DEVELOPMENT BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31 ST DECEMBER 2014

	<u>Note</u>	<u>SLFRS</u>		<u>SLFRS</u>	
		<u>31.12.2014</u>		<u>31.12.2013</u>	
		<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
<u>ASSETS</u>					
<u>Non-Current Assets</u>					
Property, Plant & Equipment, net	(9)	64,144,109.91		69,164,698.78	
Investments in Associates - Unquoted	(10)	888,590,808.00		805,459,768.00	
Other non-current financial assets	(11)	40,548,150.00		40,548,150.00	
		<u>993,283,067.91</u>		<u>915,172,616.78</u>	
<u>Current Assets</u>					
Inventories	(12)	1,318,144.08		1,330,321.91	
Trade and Other Receivables	(13)	148,466,803.11		150,237,754.18	
Advance and Prepayments	(14)	51,334,602.58		40,694,347.10	
Cash and Cash Equivalentents	(15)	37,597,978.87		16,852,165.84	
		<u>238,717,528.64</u>		<u>209,114,589.03</u>	
Total Assets		<u>1,232,000,596.55</u>		<u>1,124,287,205.81</u>	
<u>EQUITY AND LIABILITIES</u>					
<u>Capital and Reserves</u>					
Grants Received	(16)	19,362,941.48		20,706,020.21	
Accumulated Income over Expenditure		<u>1,026,271,483.80</u>		<u>920,619,619.11</u>	
Total Equity		<u>1,045,634,425.28</u>		<u>941,325,639.32</u>	
<u>Non-Current Liabilities</u>					
Provisions and Other Liabilities	(17)	26,525,183.86		22,089,408.88	
Retirement Benefits Obligation	(18)	84,374,275.25		79,955,076.27	
		<u>110,899,459.11</u>		<u>102,044,485.15</u>	
Other Payables	(19)	63,230,456.75		63,768,000.39	
Bank Overdraft	(20)	12,236,255.41		17,149,080.95	
		<u>75,466,712.16</u>		<u>80,917,081.34</u>	
Total Equity and Liabilities		<u>1,232,000,596.55</u>		<u>1,124,287,205.81</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,

.....
Indira Malwatte
CHAIRPERSON & CE

.....
Dr. Y.K. Maraikkar
EXECUTIVE DIRECTOR

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

SRI LANKA EXPORT DEVELOPMENT BOARD
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31ST DECEMBER 2014

	<u>Note</u>	<u>SLFRS</u>		<u>SLFRS</u>	
		<u>31.12.2014</u>		<u>31.12.2013</u>	
		<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
<u>Income</u>					
Income	(3)	607,956,169.40		558,606,933.51	
Other Income	(4)	132,410,214.45		98,471,989.91	
Total Income		740,366,383.85		657,078,923.42	
<u>Expenditure</u>					
Export Development Expenses	(5)	(300,282,286.93)		(234,406,882.33)	
Administration Expenses	(6)	(332,116,077.42)		(320,671,883.37)	
Income Over Expenditure from Operating Activities		107,968,019.50		102,000,157.72	
Finance Cost	(7)	(2,216,154.81)		(1,485,313.55)	
Excess of Income Over Expenditure from Ordinary Activities		105,751,864.69		100,514,844.17	
<u>Other Comprehensive Income</u>					
- Gain on Revaluation of Property, Plant And Equipment	(8)	(100,000.00)		-	
- Actuarial Gain/(Loss) on defined Benefit plans		-		-	
- Gain/(Loss) on translating the financial statements of a foreign operation		-		-	
- Gain/(Loss) on Available -for- sale Financial assets		-		-	
Other Comprehensive Income for the year		(100,000.00)		-	
Total Comprehensive Income for the year		105,651,864.69		100,514,844.17	

SRI LANKA EXPORT DEVELOPMENT BOARD
CASH FLOW STATEMENT
YEAR ENDED 31ST DECEMBER 2014

	<u>2014</u>
	<u>Rs.</u>
Cash Flows from/(Used in) Operating Activities	
Excess of Income Over Expenditure	105,651,865
<i>Adjustments for</i>	
Depreciation	10,283,639
Income from Investments	(123,308,069)
Loss on Revaluation	100,000
(Profit)/Loss on sales of Property, Plant & Equipment	(1,967,736)
Prior Year Adjustment	-
Finance Costs	359,624
Amortization Of Government Grants	(1,343,079)
Provision for Gratuity	13,496,607
Changes in Provision Of Investments	-
Operating Profit/(Loss) before Working Capital Changes	<u>3,272,851</u>
Increase/(Decrease) in Inventories	12,178
Increase/(Decrease) in Trade and Other Receivables	1,770,951
(Increase)/Decrease in Advances and Prepayments	(10,640,255)
(Increase)/Decrease in Provision and Other Liabilities	4,435,775
(Increase)/Decrease in Other Payable	(537,544)
Cash Generated from Operations	<u>(1,686,045)</u>
Finance Costs Paid	(359,624)
Defined Benefit Plan Costs Paid	(9,077,408)
Net Cash From/(Used in) Operating Activities	<u>(11,123,076)</u>
Cash Flows from/(Used in) Investing Activities	
Acquisition of Property, Plant & Equipment	(6,808,384)
Proceeds from Sale of Property, Plant & Equipment	3,413,069
Income from Shares in Associates	83,131,040
Dividend Received	37,965,315
Interest Received	2,211,715
Net Cash Flows from/(Used in) Investing Activities	<u>119,912,754</u>
Net Cash Flows from/(Used in) Financing Activities	
Investment in Shares	(83,131,040)
Redemption Of Investments	-
Net Cash Flows from/(Used in) Financing Activities	<u>(83,131,040)</u>
Net Increase/(Decrease) in Cash and Cash Equivalent	<u>25,658,639</u>

Cash and Cash Equivalents at the beginning of the year	<u>(296,915)</u>
Cash and Cash Equivalents at the end of the year	<u>25,361,724</u>

Analysis of Cash & Cash Equivalents

Cash at Bank - Favourable	37,597,979
Cash in Hand	<u>(12,236,255)</u>
	<u>25,361,724</u>

SRI LANKA EXPORT DEVELOPMENT BOARD
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2014

	<u>Government Grants</u>	<u>Accumulated Profit</u>	<u>Total</u>
Balance as at 01st January 2013	22,049,098.94	401,627,915.94	423,677,014.88
Excess of Income Over Expenditure	-	100,514,844.17	100,514,844.17
Amortization of Government Grant	(1,343,078.73)	-	(1,343,078.73)
Prior Year Adjustments	-	418,476,859.00	418,476,859.00
Balance as at 31st December 2013	20,706,020.21	920,619,619.11	941,325,639.32
Excess of Income Over Expenditure	-	105,651,864.69	105,651,864.69
Amortization of Government Grant	(1,343,078.73)	-	(1,343,078.73)
Balance as at 31st December 2014	<u>19,362,941.48</u>	<u>1,026,271,483.80</u>	<u>1,045,634,425.28</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.

i. 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%	Motor Vehicles over 10 years old	20%
Computers	20%	Computer Software	25%
Computer Equipment	20%	TV Equipment	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 equipment were reassessed as required by the LKAS 16 based on the best of the information available. As a result depreciation rates were changed for some property, plant and equipment. The resulting impact of change in economic life time of the assets is adjusted in the financial statements commencing from the 2012 onwards.

2.3.4 De-recognition

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

2.3.5 Impairment of Tangible Assets

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

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.	7,629.81
Export Promotion Secretariat	-	Rs.	121,606.40
Government Grant Motor Vehicles	-	Rs.	<u>10,562,500.00</u>
Total	-	Rs.	<u>20,706,020.21</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 2014

	<u>SLFRS</u>		<u>SLFRS</u>	
	<u>31.12.2014</u>		<u>31.12.2013</u>	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
(3) Income				
Grant Received	518,000,000.00		483,950,000.00	
Revenue from Services to Exporters	68,596,668.00		43,609,547.97	
CHOGM 2013	9,120,000.00		19,692,435.47	
Income from branches	27,134.75		38,514.62	
Internet Income	367,859.00		303,609.00	
Internet Portal	316,195.56		110,195.32	
Income from Expo-2012	1,000,000.00		1,504,176.28	
Seminars and Course Fee	2,770,242.00		1,875,350.00	
Income on stall fees -Leather Fair -2014	6,543,145.09		7,221,848.85	
Sales of Books	309,425.00		232,856.00	
Other Income	905,500.00		68,400.00	
	<u>607,956,169.40</u>		<u>558,606,933.51</u>	
(4) Other Income				
Interest Income	2,211,714.68		1,970,363.53	
Share of Associate Company Profit	83,131,040.00		47,862,116.00	
Dividend Income	37,965,314.57		36,415,076.22	
Profit on sale of fixed assets	1,967,735.68		-	
Other Sundry Income	1,045,364.07		4,533,445.38	
Amortization Of Government Grants	1,343,078.73		1,343,078.73	
Interest Income from Staff Loans (IFRS)	4,745,966.72		6,007,785.90	
Difference in Exchange	-		340,124.15	
	<u>132,410,214.45</u>		<u>98,471,989.91</u>	
(5) Export Development Expenses				
Export Development Programmes	80,298,367.71		78,062,093.57	
EU Sri Lanka Organic Project	570,611.09		1,503,150.41	
Export Marketing Promotion - overseas	92,264,081.98		59,412,217.82	
CHOGM 2013	82,405,173.94		34,270,326.12	
Participation trade delegation	531,303.11		971,371.20	
Local Trade Fairs	2,181,155.30		341,208.60	
Policy and Planning Expenses	977,162.38		2,174,154.74	
Export Market Promotion- Local	9,424,470.21		28,192,265.75	
Service Division Expenses	-		1,591,713.77	
Regional Development Expenses	19,026,572.10		22,153,559.34	
Trade Information and Services Expenses	7,639,200.33		4,547,663.00	

Trade Net Expenses	3,404,465.89	949,206.61
Integrated Agriculture Model Farm Project	2,680.00	10,019.00
Quality Certification for Industrial Products	-	227,932.40
Ceylon Cinnamon Logo Design	1,557,042.89	-
HACCP Programme	-	-
	<u>300,282,286.93</u>	<u>234,406,882.33</u>

(6) Administration Expenses

Salaries and Wages	109,968,561.74	107,091,001.93
Over Time and Holiday Pay	8,328,658.36	8,653,737.90
Bonus	2,687,512.50	2,010,474.16
EPF	12,958,600.38	12,941,816.19
ETF	2,545,187.66	2,659,201.49
Pension	34,000.00	-
Gratuity	13,496,606.73	9,703,139.95
Staff Welfare	20,355,505.15	33,523,646.31
Recruitment Charges	262,569.43	41,050.80
Staff Cost -(IFRS Adjustments)	4,745,966.72	6,007,785.90
Electricity	22,471,618.02	21,332,198.95
Water	789,544.24	664,796.13
Legal and Other Professional Fee	66,874.40	710,512.00
Advertising	489,776.00	646,640.00
Security	4,236,270.54	3,729,341.14
Audit Fee	1,039,239.00	600,000.00
Printing Charges	956,654.80	2,416,842.72
Transport & Travelling Charges	15,705,709.54	1,086,696.00
Entertainment	254,383.60	351,401.20
Other General Expenses	1,682,354.10	1,086,174.39
Board Member Fees	571,270.00	467,376.00
Maintenance of Office Equipment	971,931.65	1,270,581.01
Rent	63,500,001.60	59,938,710.41
Fuel and Lubricants	8,397,404.96	9,100,544.98
Repairs and Maintenance of Vehicles	6,653,826.76	5,093,439.67
Private Hiring Charges	5,739,629.40	5,596,328.92
Communication and Subscription	8,216,618.66	7,906,128.08
Depreciation	10,283,639.34	10,059,460.91
Local Training	338,961.40	653,335.18
Supplies Requisites	3,912,601.53	3,557,672.67
Loss On Disposal of Fixed Assets	-	1,199,008.83
Overseas Training	408,458.96	572,839.55
Exchange Loss	46,140.25	-
	<u>332,116,077.42</u>	<u>320,671,883.37</u>

(7) Finance Cost

Interest Expenses	359,623.59	354,736.88
Stamp Fees	971,611.00	71,905.40
Financial Charges	884,920.22	1,058,671.27
	<u>2,216,154.81</u>	<u>1,485,313.55</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 2014

(9) Property, Plant and Equipments

(9.1) Cost

<u>Assets</u>	<u>Balance as at 01/01/2014</u>	<u>Additions</u>	<u>Revaluation</u>	<u>Disposals</u>	<u>Balance as at 31/12/2014</u>
Residential Telephone	99,364.00	-	-	-	99,364.00
Motor Vehicle	51,600,000.00	1,950,000.00	(100,000.00)	3,900,000.00	49,550,000.00
Computer	28,992,255.02	2,948,958.00	-	-	31,941,213.02
Computer Software	2,232,651.50	1,933,299.50	-	20,670.00	4,145,281.00
Computer Equipments	463,206.31	517,261.01	-	-	980,467.32
TV Equipments	4,730,855.01	-	-	-	4,730,855.01
PABX Equipments	65,549.00	-	-	-	65,549.00
Telephone Installation	1,481,640.14	13,750.00	-	-	1,495,390.14
Furniture and Office Equipments	28,827,844.25	1,415,785.28	-	-	30,243,629.53
	118,493,365.23	8,779,053.79	(100,000.00)	3,920,670.00	123,251,749.02

(9.2) <u>Depreciation</u>	<u>Balance as at 01/01/2014</u>	<u>Charge for the year</u>	<u>Depreciated on for Disposals</u>	<u>Balance as at 31/12/2014</u>
Residential Telephone	61,245.78	7,121.64	-	68,367.42
Motor Vehicle	6,065,000.00	5,789,666.67	(504,666.68)	11,349,999.99
Computer	21,937,155.34	2,408,943.24	-	24,346,098.58
Computer Software	1,740,157.85	238,126.92	-	1,978,284.77
Computer Equipments	235,966.09	105,933.18	-	341,899.27
TV Equipments	3,080,823.45	222,112.11	-	3,302,935.56
PABX Equipments	26,842.97	3,870.00	-	30,713.57
Telephone Installation	1,263,509.25	77,614.76	-	1,341,124.01
Furniture and Office Equipments	14,917,965.72	1,430,250.22	-	16,348,215.94
	49,328,666.45	10,283,639.34	(504,666.68)	59,107,639.11

Written Down Value

	<u>2014</u>	<u>2013</u>
Cost	123,251,749.02	118,493,365.23
Accu: Depreciation	(59,107,639.11)	(49,328,666.45)
WDV	64,144,109.91	69,164,698.78

**SRI LANKA EXPORT DEVELOPMENT
BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2014**

	<u>SLFRS</u> <u>31.12.2014</u>		<u>SLFRS</u> <u>31.12.2013</u>	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
(10) Investments in Associates - Unquoted				
Investments in Associates Company - DHPL	888,590,808.00		805,459,768.00	
	888,590,808.00		805,459,768.00	
(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	1,318,144.08		1,319,721.91	
Tyre and Tube	-		10,600.00	
	1,318,144.08		1,330,321.91	
(13) Trade and Other Receivables				
Exporters Loan	46,391,543.87		46,413,543.87	
(-) Provision for Impairment in debts	(45,477,591.40)		(45,477,591.40)	
Staff Loans	43,867,269.13		47,487,670.34	
Less: Deferred Staff Cost	(14,704,943.13)		(16,060,711.67)	
VAT Receivable	104,676,878.80		104,676,878.80	
Other Debtors	13,713,645.84		13,197,964.24	
	148,466,803.11		150,237,754.18	

(14) Advance and Prepayments

Prepayments	18,360,928.24	15,195,600.35
Advances	15,981,790.75	7,151,094.62
Bank Guarantee	300,000.00	300,000.00
Deposits for Services	1,002,550.30	1,002,550.30
Refundable Security Deposits	969,390.16	969,390.16
Returned Cheques	15,000.00	15,000.00
Prepaid Staff Cost	14,704,943.13	16,060,711.67
	51,334,602.58	40,694,347.10

(15) Cash and Cash Equivalents

Bank Of Ceylon -Deposit Cashier	2,500.00	-
Bank Of Ceylon - Lake View	26,733,368.90	15,067,165.78
National Development Bank	6,067,851.26	62,406.51
Bank Of Ceylon - Corporate Branch	4,683,705.38	1,638,984.99
Sampath Bank - Kandy	4,471.75	4,259.89
Sampath Bank - Galle	6,625.89	6,315.18
Bank Of Ceylon - Ampara	3,392.04	2,712.19
Bank Of Ceylon - Hambantota	1,780.64	1,756.50
Bank Of Ceylon - Badulla	3,789.14	3,066.15
Bank Of Ceylon - Mannar	413.71	-
Sampath Bank - Kurunegala	1,373.76	1,129.64
Cash in Hand	88,706.40	64,369.01
	37,597,978.87	16,852,165.84

(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
(-) Amortization Of Government Grants	(3,866,736.19)	(2,523,657.46)
	19,362,941.48	20,706,020.21

(17) Provisions and Other Liabilities

Loan Scheme Contribution	7,567,706.09	7,359,415.95
Jathika Saviya	-	-
UPEPV	2,108,251.77	2,108,251.77
Exporter contribution	19,055,549.00	15,959,129.16
UPEPV - control Accounts	(10,403,683.00)	(10,403,683.00)
Refundable Deposits	8,197,360.00	7,066,295.00
	26,525,183.86	22,089,408.88

(18) Retirement Benefits Obligation

Balance B/F	79,955,076.27	79,631,378.23
Provision during the year	13,496,606.73	9,703,139.95
Paid during the year	(9,077,407.75)	(9,379,441.91)
Balance C/F	84,374,275.25	79,955,076.27

(19) Trade Payables

Stamp Fees Payables	15,775.00	15,475.00
Unclaimed Salaries	19,922.30	21,872.30
Unclaimed Sundry Payments	-	-
EPF Payable	1,882,605.64	1,662,418.28
ETF Payable	225,912.82	199,490.30
Pension Payable	397.50	-
Employees Final Payments		

	61,644.46	61,714.46
Audit Fee Payables	3,269,004.00	2,487,075.00
Repayable Security Deposit- Cashier	2,500.00	2,500.00
Insurance Debtors	12,357.14	-
Refundable Deposit for Tenders	76,000.00	52,000.00
Unpresented Cheques	317,233.95	1,051,078.05
Other Accrued Expenses	57,347,103.94	57,122,377.00
Provision for Agri Zone Payments	-	1,092,000.00
	<u>63,230,456.75</u>	<u>63,768,000.39</u>

(20) Bank Overdraft

Bank Of Ceylon - Lake View	12,235,606.53	17,148,432.07
Bank Of Ceylon - Galle	648.88	648.88
National Development Bank	-	-
Cancelled Cheques	-	-
	<u>12,236,255.41</u>	<u>17,149,080.95</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 2014

(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 2013 were measured at amortized cost. As a result a prepaid staff cost and IFRS adjustments account amounting to Rs.16,060,711.67 were established in the book of accounts of the authority.

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

(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	Rs.	43,867,269.13
IFRS Adjustments	Rs.	<u>(14,704,943.13)</u>
	Rs.	<u><u>29,162,326.00</u></u>

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

Prepaid Staff Cost	Rs.	<u><u>14,704,943.13</u></u>
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(3) Balance Payable to Expo unit was measured at amortized cost as required by LKAS 39. This refers to the impact arising from the above adjustment.



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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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My No. }

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உமது இல. }
Your No. }

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திகதி }
Date }

07 October 2015

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 2014 in terms of Section 14 (2) (c) of the Finance Act No.38 of 1971.

The audit of the Financial statements of Sri Lanka Export Development Board for the year ended 31 December 2014 comprising the Statement of financial position as at 31 December 2014 and the Statement of comprehensive income, Statement of changes in title 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 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 furnished to the Chairman of the Board on 28 May 2015.

1.2 Management's Responsibility for the Financial Statements

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



1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). Those standards require that, I comply with the 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 judgments, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub sections (3) and (4) of Section 13 of the Finance Act No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and 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 Audit Opinion

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



2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Export Development Board as at 31 December 2014 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

Following observations were made.

(a) Sri Lanka Accounting Standard 01

- (i) Even though the Government grants of Rs.8,779,054 and Rs.1,756,112 were received in the year under review and in the preceding year respectively, for purchasing the Capital assets, they were not accounted as Government grants in the Statement of Financial Position.
- (ii) Even though comparative information related to the preceding period for all the amounts reported in the financial statements according to the standard requires to be presented, no action was taken accordingly regarding the property, plant and equipment.

(b) Sri Lanka Accounting Standard 07

- (i) Cash flow statement had not been prepared correctly by identifying the operational, investment and financial activities therein according to the standard, and cash in hand and bank balance were not correctly defined.
- (ii) Adjustment of the share of profit of the associate Company amounting to Rs.83,131,040 had been shown under cash flow generated from investment and monetary activities as cash flow in the cash flow statement.



(c) Sri Lanka Accounting Standard 08

- (i) Even though the method of depreciation prevailed as the accounting policy for depreciation of fixed assets up to 31 December 2011 had been changed to straight line method since the year 2012 in changing the accounting policy according to the standard, it had not been adjusted retrospectively.
- (ii) Action had not been taken to adjust retrospectively and disclose in detail the prior year adjustments of Rs.418,476,859 in the Financial Statements as per the standard.
- (iii) Adjustment of the over-statement of revaluation profit by Rs.100,000 in the previous year under non comprehensive income in the financial statement in the year under review without adjusting as per the standard, had not been disclosed in the notes to the accounts.

(d) Sri Lanka Accounting Standard 16

- (i) Actions had not been taken to revalue the net value of Rs.48,902,871 the cost in use with noncurrent assets of zero and to enter the fair values in the Financial statements.
- (ii) Even though the useful life of the asset has to be considered in deciding the rate of depreciation of Assets, 10 percent for the motor vehicles used less than 10 years and 20 percent for the motor vehicles used more than 10 years had been calculated in depreciating motor vehicles based on the period of used.
- (iii) Even though revaluation profit should be presented in the equity statement and subsequent losses should be adjusted to that revaluation profit as per the standard, revaluation profit was not separately indicated in the financial statements and revaluation loss of Rs.100,000 was indicated under non comprehensive income in the year under review.



- (iv) Depreciation rates for other equipment had not been disclosed in the financial statements.
- (e) Sri Lanka Accounting Standard 19
Action had not been taken to use the projected unit credit method in calculating the Employee benefit obligations as per the standard.
- (f) Sri Lanka Accounting Standard 20
Total grants of Rs.15,325,675 received to the Board from the Government and outside parties from time to time and their amortized value of Rs.3,866,736 had been shown under Capital and Reserves.
- (g) Sri Lanka Accounting Standard 24
Descriptive information of related party transactions had not been disclosed as per the standard.
- (h) Sri Lanka Accounting Standard 39
- (i) The balance of Impairment provision of Rs.122,822,417 in the year 2012 had been brought forward to the year under review as well, without reviewing the investment of shares for years 2013 and 2014. It was further observed that investment value of the companies, from which dividends were not received during the preceding 07 years, was Rs.25,750,000 and provisions for impairment were not made for them.
- (ii) According to the financial statements of the Board as at 31 December of the year under review, export loan balance in arrears was Rs.46,391,543. Out of such amount, impairment provisions had been made for Rs.45,477,591. Since an equal amount had been provided for impairment in the years 2012, 2013 and 2014 without considering the progress of recovery of export loan, removal of a sum of Rs.107,500 recovered from impaired companies had not been adjusted.



2.2.2 Accounting Deficiencies

Following observations were made.

- (a) Expenditure of a sum of Rs.218,559 in the nature of Capital had been accounted as revenue expenditure.
- (b) The total value of Rs.7,357,040 which was not provided under accrued expenses in the year 2013 had been debited to the account of accrued expenses and a sum of Rs.3,988,213 which was provided and paid in the year under review had been debited to the advance account instead of the account of accrued expenses.
- (c) An advance of Rs.1,071,131 paid in the year under review, as advertisement charges of the Trade exhibition scheduled to hold in the year 2015, had been accounted as an expense in the year under review.
- (d) Even though the Board had entered in to agreements to pay Rs.02 million for two tea production companies under the Capacity Development Programme in the year under review, no provision had been made in the financial statements for such purpose.
- (e) Due to erroneous calculation of the period of service of officers, balance of the Gratuity Provision Account had been over stated by Rs.231,561.
- (f) No action had been taken to identify and rectify the abnormal credits in the Debtors' Account amounting to Rs.92,995 and abnormal debits in the Creditors' Account amounting to Rs.10,528,683 at the end of the year under review or to disclose them in the financial statements.
- (g) Prepayments totaling Rs.1,072,659 had been written off against the profit in the year under review, instead of adjusting retrospectively without debiting to the expenses in the respective years.
- (h) Even though the provision of services and supplies had been concluded in relation to the advances of Rs.80,984, it had been shown in the financial statement as unsettled advances as at 31 December in the year under review, instead of settling such advances and accounting under the relevant expenditure.



- (i) Loan balances of Rs.53,581 and interest of Rs.2,823,088 totaling Rs.2,876,669 receivable from Export Production Village Companies had not been accounted.
- (j) Rs.30 million had been granted from the Rural Economic Resuscitation Fund for the pilot project commenced based on Uva Paranagama village, with the intention of continuing the production of export quality vegetables. A sum of Rs. 25 million had been repaid to the Fund on non-receipt of safe housing units as ordered and no provision was made in the financial statements for the payable amount of Rs.5 million. Further, a sum of Rs.2,108,252 had been recovered by 31 December in the year under review for the loan of Rs. 5 million granted at Rs.50,000 per farmer under this project. It had not been paid to the Rural Economic Resuscitation Fund and it had been shown in the financial statements as an amount payable to the Treasury.
- (k) Action had not been taken to recover and account a sum of Rs.2.5 million receivable from 5 various companies which agreed to provide sponsorship for the Sri Lanka EXPO Trade Exhibition held from 28 to 31 March 2012.
- (l) Office rent amounting to Rs.516,495 payable in the year under review, had not been accrued.

2.2.3 Unexplained Differences

Following observations were made.

- (a) Although the value of the investment amounted to Rs.40,548,150 as per the financial statements in the year under review such balance in the schedules amounted to Rs.31,698,150. Thus a difference of a sum of Rs.8,850,000 was observed.
- (b) No explanations had been furnished for the difference of Rs.812,724 between the export credit balance submitted to audit by the Legal Division of the Board and the respective balance in the financial statement.



2.4 Lack of evidence for audit

Schedules time analysis and letters for the confirmation of Balances for current assets worth Rs.217,378,519 and current liabilities worth Rs.44,094,883 and share certificates for the investments of Rs.88,410,118 were not presented for the audit.

2.3 Receivable and Payable Accounts

Following observations were made.

(a) No action had been taken to recover a total amount of Rs.116,489 inclusive of a sum of Rs.65,254 receivable to the Board since 2006 from an officer resigned from the board and a sum of Rs.51,235 receivable from an unidentified debtor.

(b) No action had been taken to recover the advance of Rs.3,463,068 granted to suppliers for various programmes even though such programmes remained dormant.

(c) Advance of Rs.16,000 paid without an agreement on 09 January 2014 to a private institute for purchasing a Sony digital voice recorder, had not been settled even by 31 December in the year under review.

(d) The Board had not recovered the lease rent of Rs.735,875 receivable as per the official sublease agreements.

2.4 Transactions not supported by appropriate authority

Following observations were made.

(a) Rent totaling Rs.31,500,000 had been paid at the rate of Rs.4,500,000 per month for the Head Office of the Board for the period 15 March 2014 to 25 October 2014 without entering in to an agreement with the rentier. Although, increase in new rent by Rs.500,000 had to be paid with effect from 21 July 2014 as per the valuation report No.CM/CMC/RP/102 of the Regional Valuer of the Greater Colombo Valuation Department on 21 July 2014, the Board had not recovered the overpayment of Rs.2,000,000 due to payment made with effect from April 2014.



- (b) One warehouse of the Board is located in a building belongs to the Municipal Council Dehiwala, Mount Lavinia and lease rent of Rs.99, 960 had been paid for the year under review without entering in to an agreement with that institution. Further even though a part of this building had been sublet to a private company, it had not entered in to a sublease agreement with that company.
- (c) Although the Board had agreed to grant a loan of a maximum limit of Rs.1,000,000 per Export production village at 7 percent interest per annum for the establishment of 5 export production villages in the year 1996 as per the approval of the Board of Directors on 20 February 1996, no action had been taken to recover any amount of the loan of Rs.2,493,310 which had been granted to one export production village company without an agreement. Even though the grants had not been approved under this program, two companies had been granted a sum of Rs.13, 495,029 as non-payable grants.

2.5 Non – compliance with Laws, Rules, Regulations and Management Decisions

Following non compliances were observed.

Reference to laws, rules, regulations
and Management Decisions

Non – compliance

(a)Export Development Act No.40 of
1979

Meetings of National Development Council for the implementation of Export Development Programs and Policies had not been held during 22 years from the year 1992 to 2014.

(i) Section 2 (1)

(ii) Section 12 (q)

Even though the Board had invested a sum of Rs.929,548,150 in private companies since the year 1988, the approval from the Minister of Finance had not been obtained for the purpose. The Board had not paid attention on the



circulars issued from time to time by the Department of Public Enterprises for the investment of surplus funds.

(b) Establishments Code of Democratic Socialist Republic of Sri Lanka

Section 10.1 of Chapter XV and Public Administration Circular No.21/2007 of 11 September 2007

08 officers had left abroad without obtaining the approval of the Prime Minister to leave out of the country.

(c) Financial Regulations of Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 71

Even though a sum of Rs. 80,000 had been paid as salary and other benefits to a retired officer of the Department of Commerce for the period from 24 September 2013 to 23 November 2013 for the purpose of co-ordinating the activities of Trade exhibition held in parallel with the Commonwealth Heads of Government Meeting (CHOGM), treasury approval had not been obtained for that purpose.

(ii) Financial Regulations 104(1), 104(3), 104 (4) and 110

The Investigating Committee had not presented a comprehensive report to the Chief Accounting Officer on the accidents of 5 vehicles, by conducting an investigation as per the Financial Regulations within three months from the date of accident to identify the officers responsible for the same and



- containing the proper disciplinary action. A detailed register of damages at accidents had not been maintained.
- (iii) Financial Regulation 177
Even though government cash collections have to be banked daily, cash received by the Board amounting to Rs.74,972 had been banked after delaying 02 months.
- (iv) Financial Regulation 322(2)
Action had not been taken to credit, the unpaid salary amounting to Rs.24,390 and a sum of Rs.7,839 kept in hand of the cashier, to the Government income.
- (v) Financial Regulations 371(2)
(b),(c)
Even though the ad hoc sub imprest once granted should not exceed Rs.20,000, the Board had granted advances totaling to Rs.1,563,500 at 37 instances by violating the financial regulation. Total amount obtained as advance and more than 50 percent of the advance granted had been repaid and respective officers had retained the sum of Rs.88,490 in their custody for 06 to 27 days.
- (vi) Financial Regulation 396
Action had not been taken in terms of the Financial regulations, regarding 18 Cheques bearing the total value of Rs.317,234, which had not been presented for payment over 06 months after they issued.
- (vii) Financial Regulation 1645
Although Log books had to be maintained mentioning all the details of changes made for the security of the vehicle, the Board has not maintained Log books for 31 vehicles.



(viii) Financial Regulation 1646

Even though the original copies of monthly summaries of reserved vehicles and daily running charts of the other vehicles have to be sent to the Auditor General after the end of the relevant month and before 15 of the next month, daily running charts of year 2014 had not been presented for the audit.

(ix) Financial Regulation 1647(e)

A Register of vehicles had not been maintained.

(d) Treasury Circulars

(i) Circular No.842 of
19 December 1978

A Fixed Asset Register had not been maintained.

(ii) Circular
No. MOFP/01/2010/01
of 11 October 2010

- Section 5(i)

Even though incidental allowances can be paid for settling travelling expenses, airport charges, visa charges etc., at the event of not making payment by the foreign Government or the respective institution, the Board had paid a sum of Rs.286,597 as incidental allowances to 05 officers in spite of the fact that respective foreign sponsor institution had born such expenses of foreign travel.

- Section 06 (i)

Six officers who had to pay combined allowances under Category two in terms of the Circular for travelling abroad had been



overpaid a sum of Rs. 448,622 and a sum of Rs. 250,728 respectively in 2013 and 2014 as a result of making payment of combined allowances under Category one.

(e) Public Finance Circular

(i) Section (vii) of Circular No. PF/PE 14 of 28 February 2001

Even though the government institutions have enough facilities to hold meetings, conferences and workshops, a sum of Rs.83,600 had been paid as hotel charges holding such programmes in hotels.

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

Even though separate Registers of Assets had to be maintained for computers and computer accessories, such Register had not been maintained for computers and accessories worth Rs. 37,066,961.

(iii) Circular No. 441 of 09 December 2009

Action had not been taken to submit a report to the audit, after carrying out Annual Board of survey as per the financial regulations within the relevant timeframe.

- Sections 02 and 03

- Section 3.5

Two hundred and fifty eight items had been auctioned without the recommendation of the Report of Board of survey 2013.

(f) Paragraph 9.3.1(b) of Procurement Guidelines of 06 September 2010

Although a sum of Rs. 274,902 had been paid to a Private Institution for repairing a vehicle of the Board, approval of the Secretary to the Line Ministry had not been obtained for the same.



(g) Paragraph 5.2.3 of Public Enterprises Circular for Good Governance No. PED 12 of 02 June 2003

Even though in presenting the budget, Budgeted statement of income and expenditure for the year ended 31 December 2014, Cash flow statement and Budgeted balance sheet as at that date, had to be presented, action had not been taken as per the Circular in the year under review.

(h) Circular No. NP/3 of the National Planning Department of 06 October 2003

Even though the project proposal had to be submitted and approval had to be obtained from the National Planning Department prior to implementation of a new project, the Board had not obtained the approval for 2 new projects implemented at the value of Rs.21.3 million in the year under review.

(i) Paragraph 2 of Public Enterprises Circular No.57 of 11 February 2011

Even though the advertising programs carried out by the public enterprises had to be included in the action plan along with a complete cost benefit analysis prepared as per the standards based on its objectives, costs and outcomes, it should be submitted for the approval of the Department of Public Enterprises and a sum of Rs.6,776,430 had been spent for advertising and advertisements for sponsorship, they had not been included as to identify them clearly in the Action Plan for the year 2014.



3. Financial Review

3.1 Financial Results

According to the financial statements presented, for the year ended 31 December 2014, the financial result of the operation of the Board amounted to a surplus of Rs.105,651,865 as compared with the corresponding surplus of Rs.100,514,844 of the preceding year. It was observed a favorable increase of Rs.5,137,021 in the financial result for the year under review as compared with the preceding year.

4. Operational Review

4.1 Performance

Although a sum of Rs,9,702,584 had been spent making participate 143 exporters for 5 exhibitions in a test check of foreign trade exhibitions under export promotion programmes, only 17 exporters out of them had contributed for the promotion of exports. Accordingly, making participate the exporters in foreign trade exhibitions for promotion of export income had not been taken place effectively.

4.2 Management Inefficiencies

Following observations were made.

(a) Even though a media institute had agreed to provide a sponsorship of Rs.5 million for the trade exhibition held in parallel with the Commonwealth Heads of Government Meeting, a written agreement or a confirmation for sponsorship had not been obtained. Therefore, it was unable to recover a sum of Rs.2.5 million by 31 December in the year under review. Further, if it had provided space to the sponsor institutions of this trade exhibition for their stalls and advertising campaigns free of charges, the Board had not paid attention on the facilities to be provided for the sponsors or the conditions to be applied.

(b) Investments

(i) Action had not been taken to recover a sum of Rs.17,315,000 being the value of investments in ordinary shares in 3 companies which had been liquidated in the year under review.



(b) LED exhibition board maintained at the Bandaranaike Airport on the EXPO 2012 Trade Exhibition held from 28 to 31 March 2012 had been maintained after finishing the said exhibition even up to the year under review by extending the period of agreement. A sum of Rs.73,049 had been paid in excess of the agreed amount in respect of the period from January to September 2013 for this board. It was further observed that the Board had not been able to achieve the expected objectives or there was no such need for advertising as anything had not been advertised on this board during 15 months between 2011 and 2014.

4.4 Apparent Irregularities

Even though the Officer in Charge and the Senior Security Officer of the security service engaged by the Board, had received a sum of Rs.226,530 as salary for the period from 01 January to 31 October 2014, by placing fictitious signatures as to engaged in duties of another two security posts, the Board had not taken action to recover such salaries.

4.5 Ultra Vires Transactions

Following observations are made.

(a) The Board had approved a sum of Rs.15 million, for the implementation of chili cultivation project in Vavuniya and Mannar districts with the objective of supplying chilies for the export market, stating that it had been included in the Mahinda Chinthana “Vision for the future”. But so far no export had been sent to the export market from the chili cultivation project started in 50 Acres, by spending Rs.22.7 million exceeding the approved amount. It was observed that, the Board had engaged in agricultural activities contrary to the objectives of the Board through export promotion programs.

(b) Even though the Board had invested a sum of Rs.8 million, without the approval of the Minister, in the share capital of the private company established with the objectives of bidding for Common Wealth Games – 2018 Hambantota, promotion of sports in Sri Lanka, organizing sport events as per the national and international



standards and investing in sport training facilities etc, benefits had not been obtained on such investments.

- (c) The Board had spent a cost of Rs.4,020,848 in the year under review contrary to the powers and functions of the Board in terms of Section 12(1) of the Sri Lanka Export Development Act No.40 of 1979.

4.6 Idle Assets

Following observations are made.

- (a) Even though 8 items of office equipment and computer accessories which were not in use since the year 2009 and 27 vehicle spare parts remained idle since the year 2011 no action had been taken in that respect.
- (b) Due to purchasing and printing of stationery without a proper management for the exhibition programmes and workshops conducted by the Board, 54 stationery items purchased since the year 2008 for the utilization of the Board and stocks to the value of Rs.1,301,922 had been stored without any use.

4.7 Uneconomic Transactions

Dividends had not been received for the period of 1997 – 2014, for the investment of Rs.105,058,084 made in preference shares in 30 companies and for the period of 2001 – 2014, for the investment of Rs.43,494,334 made in ordinary shares in 31 companies.

4.8 Personnel Administration

Approved and actual Cadre of the Board as at 31 December 2014 were 282 and 223 respectively. Hence No. of vacancies was 59. Although four employees had been recruited on contract basis, approval had not been obtained for that purpose.



4.9 Resources of the Board given for the other public institutions

Five vehicles belonging to the Board and 4 officers had been engaged in the Line Ministry irrespective of Section 8.3.9 of Public Enterprises Circular for Good Governance No. PED 12 dated 02 June 2003, and hence in the year under review sums of Rs.1,593,229 and Rs.1,231,027, totaling to Rs.2,824,256, had been borne by the Board as vehicle maintenance expenses and salaries and allowances of personnel respectively.

4.10 Utilization of Vehicles

Even though the usage of vehicles on the basis of reservation in a Public Corporation had been limited only to the Chairman, Director General and Executive Director in terms of Section 8.3.5(a) of Public Enterprises Circular for Good Governance No. PED 12 dated 02 June 2003, office vehicles had been given to the officers who hold the posts of Directors of the Board to travel from home to work place and for private travels violating the circular. A sum of Rs.3,192,029 had been spent for fuel in the year under review.

5. Accountability and Good Governance

5.1 Internal Audit

Internal audit programmes and the audit plan had not been prepared as per Section 7 and 9 of the Management Audit Circular No. DMA/2009/ (1) dated 09 June 2009 and implementation of audit activities had been in a poor state. However, 6 audit queries had been issued in the year under review, Board had not paid attention on the issues mentioned therein and action had not been taken to rectify them.

5.2 Unresolved Audit Paragraphs

Audit Paragraphs which had not been paid sufficient attention, even if the following facts had been pointed out in the previous audit reports are mentioned below.



Reference to the audit paragraph in 2013

Summary of the audit paragraph

(a) Transactions not supported by sufficient authority.

(i) A sum of Rs.841,000 had been paid as lease rent with effect from 01 August 2013 to 31 December 2013 either without extending the lease period or entering in to a new agreement.

(ii) A sum of Rs.1,009,740 which had been indicated as payable to the Colombo District Secretariat under the "Jathika Saviya" programme had been credited to the income, neither getting confirmed from that office nor obtaining proper approval.

(b) Noncompliance with laws, rules, regulations and management decisions.

(j) Section 3.5 of Chapter XXIV of Establishments Code of Democratic Socialist Republic of Sri Lanka

Limit of total monthly deductions had been treated as 50 percent of the monthly salary, in granting Motor Cycle loan and Distress Loan.

(ii) National Budget Circular No.150 dated 07 December 2010.

A sum of Rs.10,051,179 had been paid as lease rent by 31 December 2013, for 04 vehicles on the basis of lease rent for 05 years without obtaining them under leasing.

(iii) Section 02 of Public Enterprises Department Circular No. 95 dated 14 June 1994.

Travelling allowance paid in the year 2013 was Rs.5,004,963 subjecting to a maximum limit of Rs.5,500 per month for



the Deputy Directors of the Board and Rs.164 per day for the other employees.

(c) Management Inefficiencies

Outstanding Rental and electricity charges of Rs.7,049,858 to be recovered from 5 shops maintained by the Board over the period of 2004-2009 at Sri Lanka Trade Center at Chennai, India, had not been recovered even up to 30 June 2014.

Reference to the audit Paragraph in 2012

(d) Transactions not proven by sufficient authority

Total amount of Rs.1,557,337 had been paid out of the funds of the Board, as monthly allowances, fuel allowances and telephone charges as at 31 December 2012, to an executive Director appointed contradictory to the Export Development Act No.40 of 1979.

(e) Identified Losses

Action had not been taken by the Board to recover a sum of Rs.1,000,000 invested in the private company which had been established for the project of leather products of the “Hambanthota Bataatha” Industry Programme as it had been abandoned the commencement of work.



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. Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Investments
- (c) Recovery of Loan
- (d) Outstanding Income
- (e) Control of Assets
- (f) Trade Exhibitions
- (g) Budget

W.P.C.Wickramaratne
Acting Auditor General