2016

ANNUAL REPORT

SRI LANKA EXPORT DEVELOPMENT BOARD

28-02-2018

Hon. Malick Samarawickrama
Ministry of Development Strategies & International Trade,
30th Floor, West Tower,
World Trade Centre,
Colombo 01.

Hon. Sir

Annual Report and Statement of Accounts – 2016

I am pleased to present on behalf of the Board of Directors, the Annual Report of the SLEDB together with the following documents for 2016 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 - 2016

Chairperson and Chief Executive	-	Mrs. Indira Malwatte
Director General	-	Mrs. J. Siriwardana (From 01.10.2016)
Actg. Director General	-	Mrs. Himali Jinadasa (From 25.06.2015 to 31.03.2016)
	-	Mr. W.M.R.P. Weerasinghe (From 28.04.2016 to 30.09.2016)
Executive Director	-	Dr. Yousuf K. Maraikkar (From 11.06.2010 to 10.06.2016)
Addl. Director General	-	Ms. R.M.P. Hewaliyanage Finance & Administration
Finance Division	-	Mrs. P.K. Sumithrarachchi (Director)
Human Resources Development Division	-	Mr. K. K. R. Kannangara (Director) (From 17.07.2016)
	-	Mrs. A.G.C. Kiriella (Director) (Upto 16.07.2016)
Trade Facilitation & Trade Information Division	-	Mr. S. R. P. Indrakeerthi (Director)
Information Technology Division	-	Mrs. I.C. Alahapperuma (Director) (From 28.04.2016)
	-	Mrs. P.V.A.M. Baddegamage (Director) (Upto 27.04.2016)
Export Agriculture Division	-	Mrs. P.V.A.M. Baddegamage (Director) (From 28.04.2016)
	-	Mrs. N.S.Narandeniya (Actg. Director) (Upto 27.04.2016)
Regional Development Division	-	Mr. Thilak Dihan Attapaththu (Director) (From 16.05.2016)
	-	Mr. K.M.R.P. Fernando (Actg. Director) (Upto 15.05.2016)
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. K.A.V. Premathilaka (Director) (From 28.04.2016)
	-	Mrs. I.C.Alahapperuma (Actg.Director) (To 27.04.2016)
Internal Audit Unit	-	Mrs. Nilmini Ranasinghe (Internal Auditor) (From August 2016)
	-	Mrs. N.P. Endagama (Actg. Internal Auditor) (Upto August 2016)
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 – 2016

01.	Mrs. Indira Malwatte	- Chairperson
02.	Dr. Yousuf K. Maraikkar	- Director
03.	Mr. Bandula Egodage	- Director
04.	Mr. Sanath De Silva	- Director
05.	Mr. M.J.F. Cassim	- Director
06.	Mr. Rohan Abayakoon	- Director
07.	Mr. Sinan Salahudeen	- Director
08.	Mr. L.P. Jayampathy	- Secretary Ministry of Ports and Aviation
09.	Mrs. W.M.M.R. Adikari	- Secretary Ministry of Fisheries & Aquatic Resources Development
10.	Mr. M.I.M. Rafeek	- Secretary Ministry of National Policies & Economic Affairs
11.	Mr. P.M. Anura De Silva	- State Secretary State Ministry of International Trade
12.	Mr. D.V. Bandulasena	- Secretary State Ministry of Agriculture
13.	Mr. A. K. Seneviratne	- Addl. Secretary (Policy Planning) Ministry of Industry & Commerce (Up to December 2016)
14.	Mrs. Sheitha Senaratne	- Addl. Secretary Ministry of Industry & Commerce (From December 2016)
15.	Mr. U.K.S. Mihindukulasooriya	- Addl. Secretary (Development) Ministry of Plantation Industries
16.	Mr. Bandula Wickramarachchi	- Addl. Secretary Ministry of Primary Industries (Up to September 2016)
17.	Ms. Anjali Devaraja	- Addl. Secretary Ministry of Primary Industries (From October 2016)

18.	Mr. Priyantha Mayadunne	- Addl. Secretary Ministry of Rural Economy (Up to November 2016)
19.	Mr. S. Senanayake	- Addl. Secretary Ministry of Rural Economy (From December 2016)
20.	Mrs. Grace Asiriwatham	- Director General (Economic Affairs) Ministry of Foreign Affairs
21.	Mr. P.H.A.S. Wijeyarathna	- Addl. Director General Department of Public Enterprises Ministry of Finance

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SRI LANKA EXPORT DEVELOPMENT BOARD

Introduction

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

Vision

To Be the World's Most Admired TPO - recognized for effective facilitation of Sri Lanka's Exports.

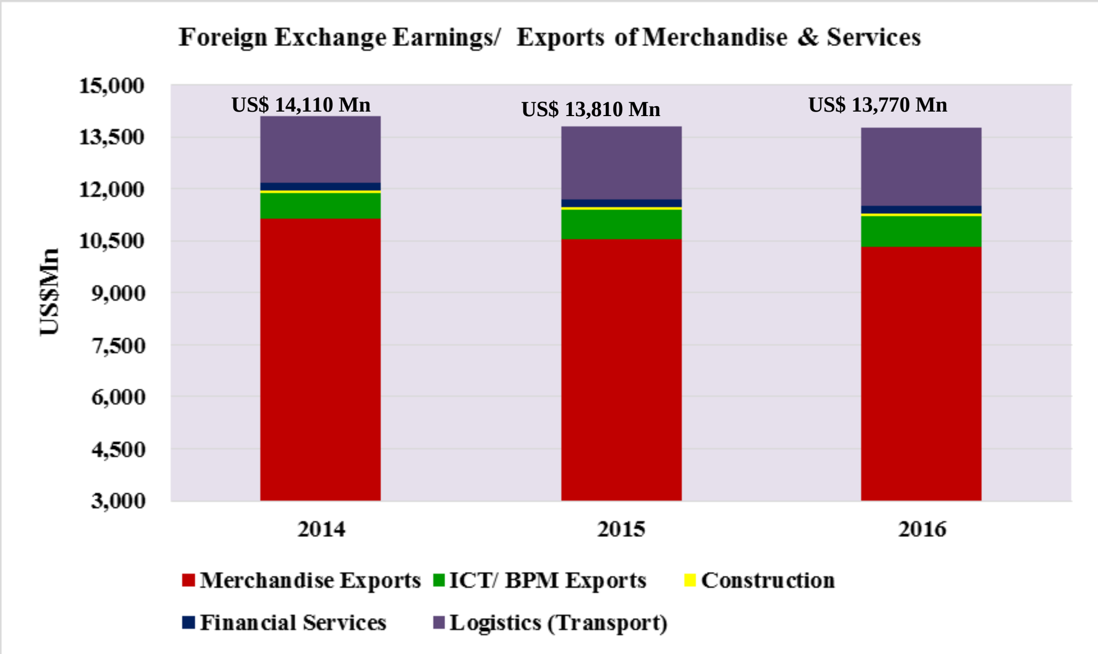
Mission

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

Objectives - Goals 2020:

- Facilitate to generate US$ 20 billion exports by 2020
- Enhance Sri Lanka's credentials and reputation – as a globally competitive sourcing destination for the selected sectors
- Assist to Broad base the beneficiaries of exports, in particular SMEs and a country-wide supply chain network, while enabling the globally demanded economies of scale
- Formulation of the National Export Strategy

Export Performance – 2016



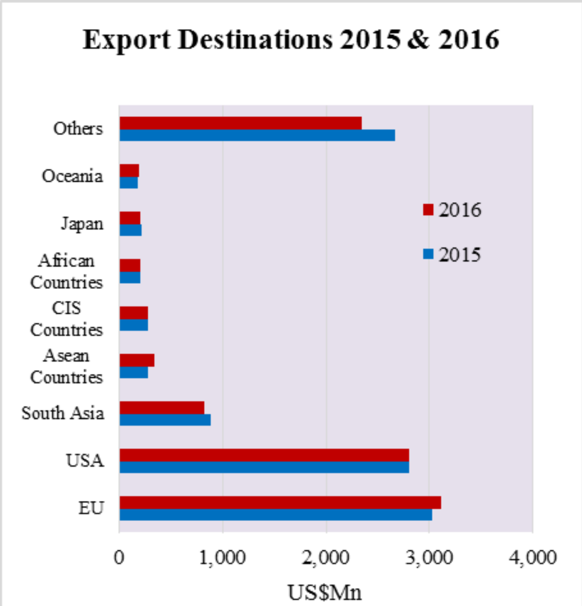
Foreign exchange earnings from exports of merchandise and services of Sri Lanka has recorded a marginal decrease of 0.27% during year 2016 with an export revenue of US $ 13.7 Billion, compared to US $ 13.8 Billion in the year 2015. Merchandise export earnings were amounted to US$ 10.3Billion for the year 2016, compared to US$ 10.5 Billion in 2015. However exports of ICT/ BPM, Construction, Financial services and Logistics sectors show an overall growth of 6.1% recording foreign exchange earnings of US $ 3.5 billion, during the year 2016. Further, Agriculture, Industrial and Fisheries sectors have contributed 22.3%, 75.6% and 1.7% respectively to the total merchandise export earnings during 2016.

Apparel sector being the largest contributor has shown a 1.15% growth during the period from January to December 2016 compared to the previous year. Some of the other sectors that has recorded significant improvement during the same period includes; Desiccated Coconut, Coco Peat & Fiber Pith, Activated carbon, Pneumatic & Retreated Rubber Tyres & Tubes, Industrial & Surgical Gloves of Rubber, Footwear, Tea Packets, Gems, Jewellery, ICT/ BPO etc… Meanwhile, export earnings from Tea in bulk form, Coconut oil, frozen fish, Woven Fabrics, Boat Building, etc... has shown a negative growth during the year 2016.

By export destination, earnings from merchandize exports to United Kingdom has increased by 1.3% with a marginal increase to USA by 0.2% in 2016 compared to the year 2015. Further, a substantial increase is recorded in countries such as Germany, Belgium, UAE, Australia, etc. In addition, exports to EU & African have performed strongly with an increase of 3%% & 2.9% respectively. However exports to India, Japan, China, Russian Federation and Canada show a significant decline in year 2016.

Major Export Product Sectors

Product	2015 (US$ Mn)	2016 (US$ Mn)	% Growth
Apparel	4,801.99	4,866.40	1.34
Tea	1,324.51	1,252.25	-5.46
Rubber & Rubber Based Products	787.30	800.56	1.68
Coconut & Coconut based Products	542.44	571.83	5.42
Spices & Essential Oils	373.11	311.54	-16.50
Food, Feed & Beverages	225.09	330.61	46.88
Electrical & Electronic Components	247.76	271.35	9.52
Diamonds, Gems & Jewellery	241.21	215.13	-10.81
Seafood	163.06	169.61	4.02
Chemicals & Plastic Products	116.08	118.78	2.33
Footwear	86.31	117.63	36.29
Base Metal Products	55.81	89.59	60.53
Boat Building	181.61	64.76	-64.34
Others	1,400.22	1,129.66	-19.32
Total	**10,546.50**	**10,309.70**	-2.25



The EDB working with the Trade Competitiveness Section of the Commonwealth Secretariat, UK and Harvard Kennedy School on “Diversification of the Product Basket of Sri Lanka”. Under these projects EDB has initially identified new products such as Printed Circuit Boards (PCB), Insulated Wires, Boat & Ship Building, Automobile Components, especially vulcanized rubber to be promoted in current & new markets identified.

Highlights of programmes carried out in 2016

01. World Export Development Forum [WEDF] 2016

The 16th edition of the World Export Development Forum 2016 (WEDF 2016) was hosted for the first time in Colombo, Sri Lanka on the 12th and 13th of October 2016, marking the rapidly developing nation’s irreplaceable role in the advancing regional economy as a logistics hub. The two-day event annually organized by the International Trade Centre (ITC) was co-hosted this year by the Ministry of Development Strategies and International Trade of Sri Lanka through the Sri Lanka Export Development Board (EDB), and was timely themed ‘Trade for Success: Connect, Compete, Change’.

Two-day forum facilitated international trade and provided a platform for open discussions on the most pressing trade issues and challenges faced across the world, especially in developing nations. WEDF 2016 saw the participation of over 600 business leaders, policymakers, heads of trade, investment support institutions and international trade officials from more than 20 countries, gathered at the Bandaranaike Memorial International Conference Hall (BMICH) in Colombo to discuss trade-led development strategies and open markets.

His Excellency, President of Sri Lanka Maithripala Sirisena, Hon. Prime Minister of Sri Lanka Ranil Wickremesinghe, Minister of Development and International Trade of Sri Lanka, Malik Samarawickrama led the line-up of high-profile speakers from the host nation. They were joined by an impressive list of international delegates led by Mrs. Arancha Gonzalez - Executive Director of the ITC, H.E. Patricia Scotland – Secretary General of The Commonwealth Secretariat, Hon. Mr. Wang Shouwen – Vice Minister of the Ministry of Commerce of China, Mr. Vikrom Kromadit, Thailand’s biggest industrial-park developer and CEO of Amata, Mr. Eben Sermon – Vice President for Greater Europe, Middle East and Africa (EMEA) at eBay Inc. and many more.

Other notable dignitaries and business leaders included Hon. Mr. Péter Szijjártó - Minister of Foriegn Affiars & Trade and Dr. Petra Pana - Deputy State Secretary for Foreign Economic Affairs, both representing Hungary’s Ministry of Foreign Affairs & Trade, Dr. Mrs. Shamshad Akhtar, Executive Secreatary of The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), Dr. Mukisha Kituyi – Secreatary General for the United Nations Conference on Trade & Development (CTAD), Mr. Tony Nash – CEO and Chief Economist of Complete Intelligence Singapore, Dr. Naushad Forbes – President of the Confederation of Indian Industry (CII), Mr. Stefano Arganese - CEO of Central Eastern Europe and Middle Europe for DHL, Mr. Hongbing Gao - VP of Alibaba Group and Director of AliResearch, Mr. D. J. Pandian – Vice President and Chief Investment Officer of the Asian Infrastructure and Investment Bank (AIIB) and Mr. Wabuyele Matanda – CEO of the Kenya National Chamber of Commerce and Industry.

The conference held a number of plenary sessions annually, which enables discussions on pressings as well as trending trade policies, industry changing debates and decisions. This year’s event staged four key plenary sessions; ‘**When Regional Blocs Cross Oceans’ -** discussed the significance of driving global connectivity through improved and well-governed trade facilitation, ‘**Digital Doors to Trade’ -** took on the competitiveness of today’s digital economy, **‘Standards: A Gateway to Global Markets’ -** focused on changing consumer mind-sets and standards required to regulate resulting dynamic supply chains, and ‘**Authenticity: The New Tourism Destination’** touched base on tourism, one of the biggest potentials in export investment and development**.**

The first day of the conference also hosted two ‘**In-focus**’ sessions presented by highly successful business entrepreneurs in the region, offering the audience valuable insight into practical business cases, the first session discussing **Trade Facilitation and Logistics in Regional Integration**, while the second focusing on how **Young Entrepreneurs Enable Innovation.**

-“In –focus” session -

-B2B Meeting-

Day two of the conference presented '**How-to**' workshops, taking on timely and beneficial trade topics for Small and Medium Scale Enterprises (SMEs). The sessions were categorized across the main focus groups, **Young Entrepreneurs – From Ideas to Markets** for the millennials that are venturing out on their own, **Services for Women Entrepreneurs** targeted at the growing number of females who are exploring new business avenues, a workshop on **How to go Digital** focused on the importance of digital marketing and awareness for new businesses, and **Managing Logistics in the Supply Chain** for efficient and lean business processes. ITC's very own trade experts presented these sessions.

The culmination of the conference was the highly anticipated **Business-to-Business (B2B) Meetings** set to expedite business opportunities and partnerships across borders. Representatives from from across the world took part in close to 1,000 B2B meetings at WEDF. More than just making new business connections, the B2B meetings also helped strengthen the knowledge of participants on what they need to do to better compete and participate in global trade.

B2B meetings were held in a range of sectors, including information and communications technologies (ICTs); tourism; specialty food (including tea and spices); processed food; apparel; rubber; and manufacturing. A total of 136 Sri Lankan companies registered for the B2B meetings, with a total of 116 international high-potential buyers registered to participate across sectors such as tourism, information and communication technology (ICT), apparel and manufacturing. Almost 1000 B2B meetings were facilitated at WEDF 2016, resulting in beneficial trade-led ties and export opportunities for Sri Lanka and the region. Field and factory visits were facilitated to Sri Lanka's Export Processing Zones in Katunayake and Biyagama, as well as Colombo's progressive IT Park – Orion City for interested foreign delegates.

-Mini Exhibition-

-She Trades-

An exhibition was held parallel to the main conference at the same venue, with 35 of the most elite brands in Sri Lanka displaying the best of local products and services from apparel to rubber, from ICT / BPO to Gem & Jewellery. Sri Lankan enterprises such as Brandix Apparel Ltd, MAS Holdings, Akbar Brothers, Ceylon Tea Services, Camso Loadstar, Virtusa, 99X Technology, Gem Paradise and H.D.De Silva & Sons demonstrated local capabilities on a global platform.

WEDF 2016 also paved way for Sri Lanka to affirm its commitment to 'SheTrades' – the ITC's initiative that aims at linking one million women entrepreneurs to the market by 2020. ITC Executive Director Mrs. Arancha González accepted the pledge from EDB Chairperson Mrs. Indira Malwatte and Women's Chamber of Industry of Commerce (WCIC) Chairperson Rifa Mustafa at the Colombo Stock Exchange.

Adding a touch of Sri Lanka to the conference, the country hosted the delegates to a 'Sri Lankan Night', demonstrating the nation's rich culture and heritage to the participants. A grand boat show at Dikkowita was also organized to entertain visiting dignitaries.

Holding for the first time initiated a powerful collaboration between the public and private sectors of Sri Lanka, WEDF 2016 became one of the benchmark events of the country's history, concluding successfully on October 13th, 2016.

2. Presidential Export Awards Ceremony

The 20th Presidential Export Awards Ceremony was held on 9th August 2016 under the patronage of His. Excellency Maithripala Sirisena, the President of Sri Lanka at the Bandaranaike Memorial International Conference Hall (BMICH), Colombo with the participation of several Cabinet Ministers & Deputy Ministers.

The selection of awards was made by an eminent panel of 7 members consisting of Senior Officials from Ministry of Development Strategies & International Trade, Department of Commerce and Trade Chambers viz Ceylon Chamber of Commerce, National Chamber of Exporters, National Chamber of Commerce of Sri Lanka & Federation of Chamber of Commerce & Industry of Sri Lanka and headed by a Retired Judge of the Supreme Court.

Selections were based on multiple criteria giving an opportunity for all export enterprises both large and small to compete for an award. The selections of Overall (Special) Awards were made on the basis of the contribution made under various aspects that are essential for the development of the export sector. These aspects included increase in net foreign exchange earnings, diversification of export markets, value of Sri Lankan registered export brands, employment opportunities created, excellence in sustainability and setting up of industrial/economic zones at regional level for export led supply. Contribution of SMEs for the export development drive was also recognized by awarding the Best Emerging Exporter Award.

A total of 113 Awards consisting of 20 Overall (Special) Awards and 93 Sectoral Awards (29 Awards for Highest Foreign Exchange Earnings and 64 Awards for Highest Value Additions) were presented to exporters at this ceremony for their exceptional performance in the years 2014 & 2015. It symbolizes the national recognition for their efforts towards development of exports of the country. The Award winners were presented a prestigious Trophy and a Certificate. The winners have the privilege to use the "Award Logo" as a marketing tool for 3 consecutive years.

Dr. Indrajit Coomaraswamy , Governor ,Central Bank delivered the keynote address elaborating the importance of contribution made by the exporters to the national economy. Hon.Malik Samarawickrama, Minister of Development Strategies and International Trade and Hon.Sujeewa Senasinghe, State Minister of International Trade addressed the gathering which comprised representatives from the Diplomatic Corps, State Officials, Trade Chambers, Product Associations and private sector enterprises.

Winners of Overall (Special) Awards

Awards	*2014*	*2015*
Best Emerging Exporter	Tharanganee Garments (Pvt) Ltd	Sierra Construction (Pvt) Ltd
Highest Contributor from the Regions to the Export Supply Chain	Brandix Apparel Limited	MAS Active (Pvt) Ltd

Highest Employment Provider in the Export Industry	Brandix Apparel Limited	Brandix Apparel Limited
Excellence in Sustainable Development	Brandix Apparel Limited	Global Rubber Industries (Pvt) Ltd
Best Packaging Service Provider to the Export Sector	Star Packaging (Pvt) Ltd	Korean SPA Packaging (Pvt) Ltd
Best Multinational Company (MNC) Engaged in Exports	Nestle Lanka PLC	Nestle Lanka PLC
The Most Market Diversified Exporter	MAS Active Trading (Pvt) Ltd	Akbar Brothers (Pvt) Ltd
Best Sri Lankan Export Brand	Akbar Brothers (Pvt) Ltd	Akbar Brothers (Pvt) Ltd
Highest Net Foreign Exchange Earner	Brandix Apparel Limited	Brandix Apparel Limited
Sri Lankan Exporter of the Year	Brandix Apparel Limited	Brandix Apparel Limited

Progress on Products, Markets and Other Development Programmes

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

Main Earning Product Sectors

1. Apparel Sector

Four SME apparel companies were extended assistance up to a Rs. 1.2 Mn per company under the programme for upgradation of production facilities as required by compliance audits in order to obtain international certifications such as SEDEX, BSCI, WRAP etc. EDB assistance were made towards purchasing of machineries, installation of electrical systems, panel boards and Emergency lighting , upgrading security standards construction of waste water treatment plant etc. further 10 SME companies recommended by JAAF was directed to Sampath & DFCC Banks for facilitating technology upgradation through a bank loan.

With the assistance of Sri Lanka Consulates in Sydney and Melbourne in Australia organized Sri Lanka's participation at the "International Sourcing Expo" held from 15th to 18th November 2016. Eight Sri Lankan companies participated at the programme which included a visit to the Australian fashion market in addition to trade fair participation. International Sourcing Expo is Australia's leading sourcing platform for the apparel, accessories and textile industry. This event attracts industry leaders and trade buyers across Australia to visit and make contacts with exhibitors. The fair provided the opportunity to connect directly with buyers such as Cotton On, Forever New, Bending Clothing, Metalicus, feathers, and Charles Parsons who attend with the intent of placing orders representing major national chains, buying groups, independent operators, agents and distributors across the industry providing opportunities for the exhibitors to make contacts with key decision makers of the Australian apparel industry. Orders worth of US $ 68,000/- (approx.. Rs. 10.2 Mn) has been executed by one company for ladies dresses for an Australian brand "Forever New" as a result of contacts made at the fair.

2. Rubber Based Products

A total of 6 companies manufacturing rubber and plastic products were assisted under the System Development Programme to obtain ISO 14001 & 50001 certifications (Environmental Management system and Energy Management System) to introduce and establish manufacturing excellence practices in order to improve sustainability and resource efficiency. Services of National Cleaner Production was obtained to assist the companies to develop and upgrade the production processes and systems to meet the requirements to obtain the above mentioned certifications.

3. ICT/ BPM Sector

In 2016 EDB organized the second participation of Japan IT week in 11-13, May with nine IT companies and with the immense support of Sri Lanka Embassy in Japan and JETRO Colombo. The Sri Lankan delegation consisted of the ICT/BPM services such as Internet of Things (IoT), call center services, Software development, Mobile Applications, Infrastructure services, etc. Also organized an awareness seminar on Sri Lankan ICT sector for 30 Japanese companies followed by successful networking meetings. The participants clinched leads worth over US$ 2Mn with leading Japanese IT companies, negotiated 3 Joint Ventures, Business agents and sales agreements. The leads obtained mainly for Internet of Things (IoT) and IT infrastructure facility. One participant set up their offices along with five Sri Lankan ICT companies at the GIT Park in Niigata Prefecture and started collaborative projects in IoT solutions for transportation, health and agriculture sectors. In addition to this event organized B2B meetings for 05 Sri Lankan companies in Japan. The Five Sri Lankan companies met with 11 Japanese companies along with networking session with Japanese ICT associations. One participating company opened a subsidiary in Global IT park, Niigata Prefecture, Japan. Contracts received for Software development and Outsourcing services, Internet of Things (IOT), Artificial Intelligence (AI) at USD 27,000.

Organized Sri Lanka's participation at GITEX Technology Week 2016 in Dubai in October 2016 with the participation of 05 companies and introduced Sri Lankan companies to the EU/African region through GITEX 2016 participation. Around 235 leads generated. Contracts received around Rs. 117 Mn from Qatar, UAE, Bahrain, Sudan for motion graphics (for gaming industry), IT outsourcing services, . One company Provided a test order worth of USD 5000 to Dubai. Sudan company visited Sri Lanka to enter into an MoU with the company to promote ICT products and services in Sudan and Saudi Arabia where the Sudanese company has a branch operation. One company has completed the preliminary discussions and the product demo with a cloud solution provider operating in the Middle East and North Africa and also a digital services provider in Dubai and a digital creative agency and software house in Egypt and Dubai.

Organized the Internet of Things pavilion at INFOTEL with 4 IoT companies and 6 Start-ups. Four companies included in to EDB promotional activities and introduced to India, Japan, Middle Eastern markets. Two companies introduced to EU market under Export marketing planning programme with ITC. An awareness seminar was organized for the regional ICT/BPM sector in Kandy from 10-12 June 2016 with the participation of 200 entrepreneurs with the objective of creating awareness on global opportunities in ICT/BPM sector and EDB assistance for exporters. Also conducted a capacity building project for women to get international exposure. Training sessions were carried out for Project team and women entrepreneurs from 19-23 September to pitch and identify their requirements. Three women led companies were assisted by EDB marketing programmes. EDB also facilitated to release 7 acre land in Pallekale BOI Zone to Orion City and an office complex of 700,000 sqft. with an investment of USD 25Mn.

Stable Contributing Product Sector

4. Gems & Jewellery

An advanced design development was organized with the objective of upgrading the capacities and skills of jewellery designers to produce exquisite designs that have a global appeal. 10 Sri Lankan designers were trained at the Gem &Jewellery Institute Thailand (GIT) with the assistance of Sri Lanka Embassy in Thailand. The designers were exposed to latest and state of the art designing techniques and were able to enhance their designing skills to produce exquisite designs for the export market. The services of these designers will be obtained in Jewellery Design Development Programmes organize in the provinces in future.

Considering the importance of broad basing the industry, enhancing the capabilities of SMEs, continuing the support and guidance for them to produce to the tourist and international markets organized a SME Pavilion for 16 SME jewellery manufacturers at FACETS Sri Lanka 2016. The participants were able to establish business contacts with exporters and to do direct sale of their products to the local and overseas buyers. The total sale of the 16 exhibitors during the event was Rs. 5.2 Mn.

With the objective of exploring market opportunities, organized a Market Diversification Programme in Russia from 25th -28th May 2016 with 9 leading exporters, officials of NGJA and EDB with the assistance of Sri Lanka Embassy in Russia. The delegation was able to meet the Russian authorities such as Customs, Chambers etc. and was able to understand the gem and jewellery trends, procedures, regulations and complexities, duty structure and marketing channels. B2B meetings were organized with the Russian Gem and jewellery buyers where the participants were able to talk to major importers directly in addition to promoting FACETS Sri Lanka 2016. 10 Russian buyers visited FACTES 2016 and generated over US$ 100,000/- worth of business.

5. Coconut and Coconut Based products

EDB in collaboration with National Federation of Agriculture Cooperative Association in Japan (JA) organized a programme to develop value added coconut based products such as grow bags and rice mats to promote in the Japanese market. 6 companies were introduced and bulk samples were dispatched for test cultivation in Japan. JA has indicated interested to commence business with Sri Lanka in 2017. Further, In order to promote coco peat and floriculture related coir products, organized Sri Lanka's participation at IFEX/Gardex in Tokyo, Japan with 7 companies. Orders worth of USD 200,000/- executed and two buyers visited Sri Lanka to commence new business.

Facilitated the development of Tawashi brushes in Hambanthota with cluster producers on cost sharing basis. 06 production centers developed with modern machinery and equipment. 25 new employment opportunities created. 679,260 Nos. of Tawashi Brushes have been supplied to two direct exporters at the value of Rs. 1.13 Mn.

Aspiring Product Sectors

6. Spices & Essential Oils

Organized a Technical Exposure programme in China for 20 Sri Lankan spice growers, exporters, processors and government officials in collaboration with Essential oils & Aroma Trade Association in Beijing, China in June.

Organized participation of 5 Sri Lankan export companies at International Federation of Essential oils and Aroma Trade (IFEAT) Conference in Dubai, UAE from 25th to 29th September 2016 for them to study the latest developments in the essential oils and aroma trade and network with buyers. One company was able to link with a perfumery company to supply intermediary value added spice products.

Assisted exporters/ potential exporters/ manufacturers of spices & essential oils to obtain products/ system certifications for 12 processing centers upgraded in 2015. 1st Audit inspection done by SLSI for GMP certification. In 2016. 10 indirect exporters exported 6.9 metric tons essential oils at a value of Rs.38.8 Mn. One indirect exporters exported 2.4 metric tons Cinnamon bark valued at Rs. 4.19 Mn. One direct exporter exported 79.7 metric tons of Cinnamon leaf at a value of 5.6Mn.Further, assisted to set up 3 GMP certified Peeling Centers.

7. Boat & Ship building

EDB initiated a programme to develop a Regulatory Framework for the Boat Building Industry (except fishing boats), leisure craft operations and for boat imports to Sri Lanka in collaboration with the Ministry of Ports and Shipping and Ministry of Industry & Commerce. In this regard, a TOR was developed and an advertisement was published to obtain consultancy services to develop a Regulatory Framework for the Boat Building sector.

EDB co-organized together with the Boat Building Technology Improvement Institute (BTI), the Boat Show Sri Lanka - 2016, from 13th to 15th October 2016, at Dickowita Fishery Harbour, parallel to the 16th World Export Development Forum (WEDF). The show consisted 50 stalls and 12 outdoor displays including an on water display. The show attracted more than 10,000 visitors including around 430 foreign visitors from Maldives, Seychelles, Mauritius, Sweden, Somalia, Kenya, UK, Dubai, India, UK, Italy and Netherlands. Organized an inward mission of 11 potential buyers from India, Dubai, Sweden, Kenya, France, Hong Kong and Seychelles and one journalist from IBT Magazine. Further Mr. Nizar Tagi, the General Manager of Benetti - Asia, one of the largest super yacht manufacturers in the world made a presentation on "Super Yacht Industry" at the opening ceremony. WEDF delegates visited the Boat Show on 14th October and was able to provide an insight of the Boat building and marine tourism in Sri Lanka. A fashion show and a networking session organized for them. Confirmed orders received for US $ 4.0 Mn from Netherlands, India and Maldives.

Considering the importance of Sri Lanka having a comprehensive document covering all aspects of the boat building and marine tourism industries to provide information to prospective investors, EDB made arrangements to develop a feasibility study covering all above areas. Technical Evaluation Committee appointed in this regard developed the TOR and selected a consultancy company to undertake a feasibility study. Meetings were arranged with the selected consultancy company and the relevant stakeholders for the initial discussion on developing feasibility report.

EDB negotiated with ICOMIA to obtain the membership for BTI, as it is the industry representative institute ICOMIA granted membership to BTI, as its 36th National member in November 2016.

Potential Future Star Sectors

8. Electronics & Electrical Sector

Carried out a contact promotion programme in South India in September 2016. 73 Indian Electronics and Electrical sector companies visited one-on-one business meeting in Chennai and 58 Indian electronics and electrical sector companies visited one-on-one business meeting in Bangalore. All the Sri Lankan companies had gained market explore, new trends in technology and innovation, and business leads during the visit to Electronica and Productronica Exhibition 2016. They also met top Indian companies during the visit and also had a discussion with the President and the executive members of Consortium of Electronic Industries of Karnataka (CLIK). Sri Lankan business delegation also gained explore on safety standards, environmental friendly manufacturing, how to enter in to the automobile market as a tier 2 supplier during the visit to Renault Nissan Factory in Chennai and Visit to Toyota Factory in Bangalore. Central Power Research Institute (CPRI) Bangalore is willing to provide accreditation facilities and Calibration facilities for electronics and electrical sector companies in Sri Lankan for their products and services rather than sending them to Japan and Europe for the same. This would save considerable cost electronics and electrical sector companies.

9. Seafood and Ornamental fish

Two companies were assisted to participate at the 14th World Trade Tuna Conference 2016. The knowledge gathered was disseminated among exporters/ potential exporters. Organized a Sri Lanka Pavilion at Interzoo from 24-29 May 2016, Nuremberg, Germany with the participation of 5 companies. Confirmed orders of US$ 11,000 received. Also implemented a scheme to improve quarantine withholding facility and capacity development of Ornamental fish out-growers in Hambantota District. 17 growers identified to establish quarantine facilities. 01 export company linked with the out growers.

10. Fruits & Vegetables

A programme was implemented with the International Trade Center (STDF project) to improve the Good Agricultural Practices (GAP) in the fruits and vegetable farms to improve the safety and quality of Sri Lankan Fruits and vegetables exported to the EU market. 500 farmers including master trainer from DOA were trained by a foreign consultant. Worked with the DOA to implement Sri Lanka GAP programme. 10 leading fruits and vegetable exporters were linked to the programme. Number of non-compliance notifications received from EU was reduced from 275 in 2014 to 16 in 2016.

Conducted exporter link up programmes for 80 Pineapple farmers and 24 Passion Fruit farmers in Kurunegala district. Further, development of farmer clusters, technology upgradation and export link up programme for Gherkin cultivation in Kurunegala (Cont. from 2015) was carried out. A cluster of 17 farmers were linked with an export company under buy back agreement.

11. Floriculture

Organized an Outward Technical Exposure Mission to Netherlands in collaboration with the Netherlands Embassy in Sri Lanka. 16 companies participated. A publicity programme was organized to disseminate potential investment opportunities in Sri Lanka for the Netherlands investors. Companies were able to identify new technology to upgrade their cultivation methods and new planting varieties. Also organized Sri Lanka participation at International Horticulture Korea (IHK) 2016 exhibition in Hong Kong in April. Four (4) companies participated and confirmed orders worth of USD 8,000 per month is continuing.

Other Sectors

12. Food & Beverage Sector

Organized a Sri Lanka Country Pavilion at GULFOOD 2016 Trade Exhibition, Dubai, UAE from 21st to 25th February 2016 with the participation of 24 Sri Lankan exporters and one observer. Orders worth of USD 10 Mn. were executed during year 2016. In order to penetrate the lucrative Japanese market. And also organized Sri Lanka Country Pavilion at FOODEX 2016 exhibition in Japan with the participation of 4 Sri Lankan exporters. Orders worth of USD 120,000 were executed. In addition, biannual organized Sri Lanka's participation at SIAL France exhibition with the participation of 13 exporters. Confirmed orders to the value of USD 1.5 Mn were received. One company was able to partner with an UK agent to promote coconut water. Agents for red rice were received from Italy, France and Germany.

A workshop was conducted in collaboration with Common wealth Secretariat, UK to facilitate processed food export to India addressing Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT). A proposal has been submitted to Food Safety and Standard Authority India to identify suitable Sri Lankan labs to test Indian standards in Sri Lanka for identify food products.

13. Ceramic & Porcelain Sector

The technology upgradation programme for Clay Roof Tile industry was initiated to encourage the 5 -7 clay roof tile industrialists to improve quality, productivity to make them export ready and enable them to be more competitive in the international market. In this regard EDB provided 25% of the total cost of machinery up to a maximum of Rs. 1.5 Mn per company on reimbursement basis.

14. Footwear & Leather Products

In order to build the image of the industry and to create awareness the 8th footwear and leather fair was held at BMICH on 5-7 February 2016 with 107 local and 15 foreign companies exhibited in 131 stalls. A buyer delegation from Oman, comprising sixteen buyers visited the fair. Apart from that, buyers from Kenya (3), India (2), Sweden (2), South Africa (3) UAE (2) visited that fair. Fashion show, design competition, best stall competition and most innovative small entrepreneur competition were held parallel to the Exhibition. Business generated by industries Rs 4.66 Mn. Rs 0.48 Mn. Confirm orders, Rs 3.72 Mn. Sample sales, Rs 9.93 Mn. Spot sales, foreign business Inquiries and orders - Rs 1.60 Mn.

15. Light Engineering

EDB organized an Exposure programme to India to study latest technology and innovations. The eleven members Delegation was able to get knowledge on Indian Foundry Industry and their production methods. Gained knowledge of ceramic coating technology and formcast technology. Delegates visited IFEX exhibition and participated in technical sessions. Visited 6 factories including ceramic coating factory. One of the participant started discussions with EL Tech Ceramics, India to get the ceramic coating technology to Sri Lanka. Company planning to visit EL Tech again to get the advance technology and machinery. Delegates met the President of Indian Foundry Association and requested expert services to develop SL foundry industry. CEO of Indofec Company and their experts visited Sri Lanka and conducted technical session and introduce us advanced technology and equipments. The contacts made during the programe, two companies exported tea machineries and value added aluminum products worth US$ 125,000.

16. Plastic

Organized a Technical Training and Exposure programme for the development of the Plastic Industry in Sri Lanka from 13th -24th June 2016 in Chennai, India for technical personnel of 7 companies. The participants were able to obtain firsthand knowledge on advanced technology, machinery, quality control methods, etc .and operational methods and solutions to practical processing problems.

17. Health Services

Created a promotional Audio Visual (AV) for the Ayurveda sector to showcase the Sri Lankan capabilities. Promoted the AV through the targeted markets and international Tourism events such as ITB Berlin through Sri Lanka Pavilion organized by Sri Lanka Tourism Promotion Bureau and also promoted this through EDB Social media. A buyer delegation for Ayurveda Expo 2016 held in Colombo was organized and three buyers from France and one from Dubai visited.10 direct contacts were established.

18. Giftware & Lifestyle products

Conducted a design development programme by obtaining the services of a foreign design expert in three workshops conducted in Hambanthota, Batticloa and Jaffna. More than 200 new designs were developed. Provided in house consultations to individual companies. Further, assisted 2 companies to obtain Provisional Fair Trade Membership through the Financial assistance scheme [2016-2018]

The EDB with the assistance of the Sri Lanka Embassy in USA organized a National Pavilion in "Artisan Resource" at NY NOW 2016 from 21st to 24th August 2016. Seven Sri Lankan companies participated at the Trade Fair targeting the niche market of USA and the services of a foreign design expert were obtained to develop an exclusive product range to display at the fair. This was Sri Lanka's first ever participation at this popular trade fair in New York and companies were able to get first-hand information and enhance knowledge on market and product trends, pricing, visual merchandizing, new developments in the market and competitor intelligence especially in the niche market segment. This was an ideal show to witness innovations, creativity, exclusive recycled products, different marketing & manufacturing concepts etc. Opening ceremony was organized with the participation of offices of the Embassy, UN Mission and the Show organizers. Companies received confirmed orders worth of US $ 33,000 and orders worth of US $ 270,000 was under negotiation. Participants were able to develop business contacts with 08 distributors, 21 importers, 02 agents, 15 whole sellers and 50 retailers.

Market Promotion Programmes

1. Exploring New Markets

China

Participation of following three trade events was organized with the objective of gaining access to the hitherto untapped Chinese market. Organized participation at the 4th China South Asia Exposition, June 2016 in Yunnan Province, China. 127 private sector companies and 6 Govt. organizations participated in 136 booths (sectors includes tea, gems & jewellery, handicrafts, herbal products, coir, travel and tourism). Rs. 54 Mn orders confirmed and Rs. 127.5 Mn orders under negotiation, Rs. 61.5 Mn spot sales were generated. 4,675 business inquiries and 2-3 MOUs discussed. Also 17 Sri Lankan companies were assisted to exhibit at the APTF Zone of the China Import Expo Fair, Kunshan, Jiangsu Province, China during May 2016 including companies from gem & jewellery, tea, handicrafts and coconut related products. Sri Lankan brands such as Adam, Spice of Life, Super Sun were on display. Companies managed to get 30-40 business inquiries during the event. Spot sales to the value of Rs. 7 Mn was concluded. Establishing of 5 joint venture partnerships and appointing of agents for 3-5 companies were also materialized. In addition, organized the participation of 34 Sri Lankan companies at 13th China International SME Fair, Guangzhou, China in October 2016 out of which 29 were SMEs. 3 new exporters introduced. Spot sales made were Rs. 5.7 Mn. Confirm orders received USD 5,420 for gem & jewellery, wall hangings and soft toys. Inquiries received for velvet paintings, white & silver rings, pendants, gold nuff chains, tea, black tea etc. Orders were negotiated for batik, herbal tea, velvet paintings.

Russia

With the objective of introducing food and beverages products to the untapped Russian market organized participation of 8 Sri Lankan exporters at PRODEXPO International Food & Beverages exhibition in Moscow, Russia from 8-12 February 2016. The participating companies promoted their products brands at this event such as “econutrena” for coconut kernel based products, “Haritha” “Olinda” and “Eminet” for Tea. The event generated Rs. 285 Mn worth of export orders. There are 207 business inquiries under negotiation.

Canada

Organized a Sri Lanka pavilion at SIAL Canada 2016 Exhibition in Montreal with the participation of 8 Sri Lankan companies out of which are 3 new companies. Organized market study visit & 50 B2B meetings with the support of Trade Facilitation Office (TFO) Canada. Event generated CAD$ 84,375 worth of confirmed orders and approx. 100 positive inquiries. Effected value of exports for 2016 approx. is US $ 1 Mn & total value of orders under negotiation US $ 200,000/- . Participants were successful in entering 2 leading supermarket chains in Canada for the products of Edible fish, Coconut oil & confectionery.

2. Consolidating the existing Markets

Inward Delegation

Thailand

Sri Lanka Thailand Business Forum followed by the B2B meeting programme with the participation of Thai business delegation led by Dy. Prime Minister of Thailand was organized on 10th March 2016. Thailand Business Forum held with the participation of 200 Sri Lankan participants. 175 Sri Lankan companies participated at the B2B meetings with 42 Thai companies.

Germany

Sri Lanka Germany Business Forum followed by a B2B meeting programme was organized on 16th May 2016. 200 Sri Lankan participants were attended the Forum from 85 private companies, Ministries and other Govt. Institutions & 28 German companies. 85 Sri Lankan companies participated for B2B meetings (50) with 28 German companies (sectors: construction, tourism, education & energy). MOU was signed between Ministry of Mega Polis and SIEMENS to get the collaboration of SIEMENS in having the technological interventions. (Smart City Infrastructure Development.) Joint declaration was signed with Ministry of Power & Renewable Energy and Federal

Ministry of Economic Affairs, Germany for development of electricity generation projects in Sri Lanka in renewable energy.

<u>Outward Delegation</u>

Thailand

Official visit of Hon. State Minister of International Trade to Thailand was arranged from 25th -27th May 2016. Ministerial level meetings were organized for the Hon. State Minister. Invited Mr. Vikrom Kromdit of "Amantha Group" for WEDF 2016 as a guest speaker. Details of Cinnamon bark oil and King Coconut Water exporters were sent to the Embassy as follow up to the meetings. Proposals on training & technical assistance also sent to the Embassy.

Germany and Austria

Organized business delegation to coincide with the State delegation to Germany and Austria. 5 companies participated . 200 Germany businessmen and potential investors attended the Forum. 30 Business meetings (Sectors : construction, tourism, education and energy). 10 business linkages formed with Germany entrepreneurs. As a followed up one EU delegation headed by a key German Federal Minister visited Sri Lanka.

Malaysia

Business delegation parallel to the State visit of H.E the President of Sri Lanka to Malaysia, 14-16 December 2016. 7 Companies participated. Organized Sri Lankan product display. Business Forum with more than 300 top Malaysian businessmen. Negotiations with leading Supermarket Chains. Invited one of the biggest e-marketing service providers in Malaysia to Sri Lanka. Meetings were held with the Malaysian Trade Promotion Organization, MATRADE to share experiences.

3. Scheme on Exporters Market Development

Assisted 2 companies under Own Efforts SME Scheme and 12 companies under the new Market Development Assistance Scheme (MDA) including 3 brand developments grants. Sri Lankan brands promoted were the "TJC Mango" brand to Singapore, "Beira" brush to Malaysia and "BoardPac", an software solution to Asia including India. Total grant value was Rs. 8.1 Mn.

Trade Facilitation and Trade Information

Trade related issues faced by the Export Community were taken up at the Exporters' Forum Chaired by the Hon. State Minster of International Trade, with the support of the senior Government officials and Private Sector Stakeholders. 67 issues were resolved through three Exporters Forums during the year and procedural, administrative, policy and fiscal issues were also amongst them.

139th and 140th Certificate courses on import and Export Procedures were conducted and 89 participants were awarded certificates for Successful completion of the programme. Certificate Course on Operational Aspects of International Trade was conducted and 50 participants were awarded certificates for Successful completion of the programme.

To create awareness on EDB and its activities organized EDB information booths at local exhibitions/trade fairs such as: Footwear & Leather fair 2016, "Business Fair and Business Clinic" at the University of Sri Jayawardenepura, Ayurveda Expo 2016, Plastic & Rubber Expo 2016.

Business Lanka Magazine was published in different subject areas focusing key Product and Services Sectors, international events, Investment, etc., while targeting export trade. The magazine was circulated among Trade Chambers, Trade Associations, Foreign Mission in Sri Lanka and more than 100 Sri Lanka Diplomatic Missions overseas.

EDB Newsletter (monthly) "Expo News" was compiled and disseminated among Exporters / Enterprises who subscribed for the Newsletter. Electronic Version of the Newsletter contains International trade events held locally and overseas, EDB Calendar of Events, and important articles, etc.

964 business entities have been registered by the EDB under the following product sectors and 270 out of them have succeeded in Exports during the year. Main Product sectors recorded were, Fish & fisheries products, Gems & Jewellery, Paper & Paper products & Stationary, Processed Foods, Fruit & vegetables, Apparel & Accessories, Rubber & Rubber-based products, Spices & Essential Oil, Tea, Toys, Coconut & Coconut Products, Handicrafts, Chemical Plastic & Allied Products, Wood & Wood Products, Pharmaceutical & Medicinal Products, Mineral & Mineral Based Products, Machinery equipment, Computer & Related Products, Foliage and Cut Flowers, Foot wear & Leather products. Around 45% of total registrants were recorded from Colombo, Gampaha, Kaluthara and Kandy Districts and amongst Colombo recorded highest.

Information Technology

EDB website and E – Market Place

The EDB e-MARKETPLACE is the pioneering trade portal introduced by the state in 2003 to promote and Trade Sri Lankan export products & services online. It is a great platform for B2B matchmaking and it is also promoted internationally as the National Gateway of Exports. This venture brings together in one place suppliers, buyers, shippers, logistics and finance together with market and product information. The system is empowered with highly secured software that enables online purchase and is open to buyers from anywhere in the world who can connect a computer to the Internet. The benefit of reaching such a wide audience could be enormous. Further, 22 on-line transactions to Australia, Singapore, Netherlands, India, Russia, Germany, China, France, UK, Philippines, Romania & Malaysia. Total value - US$ 3509.85, 812 product inquiries were received by the companies registered in the e-Market place. An awareness Seminar on Cybercrime, security and E-Business opportunities available for Sri Lankan Exporters and SMEs was held on 21st July 2016 at EDB. 67 participants participated. Published 47 articles in the EDB blog & 246 articles published in Face book Fan page.

SRI LANKA EXPORT DEVELOPMENT BOARD

STATEMENT OF FINANCIAL POSITION

AS AT 31 ST DECEMBER 2016

	Note	SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment, net	(9)	70,955,617.17	79,849,346.39
Investments in Associates - Unquoted	(10)	1,012,467,874.00	942,012,158.00
		1,083,423,491.17	1,021,861,504.39
Other non-current financial assets	(11)	40,548,150.00	40,548,150.00
Total Non – Current Assets		1,123,971,641.17	1,062,409,654.39
Current Assets			
Inventories	(12)	1,840,628.54	1,843,501.62
Trade and Other Receivables	(13)	157,757,770.55	143,919,667.87
Advance and Prepayments	(14)	17,297,453.45	38,192,036.96
Cash and Cash Equivalents	(15)	38,622,546.20	85,038,612.68
		215,518,398.74	268,993,819.13
Total Assets		**1,339,490,039.91**	**1,331,403,473.52**
EQUITY AND LIABILITIES			
Capital and Reserves			
Grants Received – Equity Contribution	(16)	10,014,284.00	10,014,284.00
Accumulated Income over Expenditure		1,114,175,562.99	1,092,316,061.15
Total Equity		1,124,189,846.99	1,102,330,345.15
Grants			
Grants Received - Other	(17)	32,967,988.25	31,585,157.48
		32,967,988.25	31,585,157.48
Non-Current Liabilities			
Provisions and Other Liabilities	(18)	30,489,828.08	29,184,142.24
Retirement Benefits Obligation	(19)	88,057,017.00	93,193,267.00
		118,546,845.08	122,377,409.24
Current Liabilities			
Other Payables	(20)	63,785,359.59	52,474,985.44
Bank Overdraft	(21)	-	22,635,576.21
		63,785,359.59	75,110,561.65
Total Equity and Liabilities		**1,339,490,039.91**	**1,331,403,473.52**

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	Rohan Abayakoon	P. K. Sumithrarachchi
CHAIRPERSON & CE	**BOARD MEMBER**	**DIRECTOR FINANCE**

SRI LANKA EXPORT DEVELOPMENT BOARD

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31ST DECEMBER 2016

	Notes	SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
Income			
Income	(3)	467,499,501.27	560,293,096.48
Other Income	(4)	125,162,153.67	116,753,204.68
Total Income		592,661,654.94	677,046,301.16
Expenditure			
Export Development Expenses	(5)	(208,013,222.29)	(245,617,330.73)
Administration Expenses	(6)	(337,721,924.35)	(359,936,254.12)
Income Over Expenditure from Operating Activities		46,926,508.30	71,492,716.31
Finance Cost	(7)	(1,152,602.68)	(1,348,677.45)
Excess of Income Over Expenditure from Ordinary Activities		45,773,905.62	70,144,038.86
Other Comprehensive Income			
- Gain on Revaluation of Property, Plant and Equipment	(8)	-	-
- Actuarial Gain/(Loss) on defined benefit plans		-	-
- Gain/(loss) on translating the financial statements of a foreign operation		-	-
Other Comprehensive Income for the year		-	-
Total Comprehensive Income for the year		**45,773,905.62**	**70,144,038.86**

SRI LANKA EXPORT DEVELOPMENT BOARD
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2016

		Government Grants	Accumulated Profit	Total
Balance as at 31st December 2014		**10,014,284.00**	**1,026,271,483.80**	**1,036,285,767.80**
Excess of Income Over Expenditure		-	70,144,038.86	70,144,038.86
Prior Year Adjustments		-	(4,099,461.51)	(4,099,461.51)
Balance as at 31st December 2015		**10,014,284.00**	**1,092,316,061.15**	**1,102,330,345.15**
Excess of Income Over Expenditure		-	45,773,905.62	45,773,905.62
Prior Year Adjustments	**(24)**	-	(23,914,403.78)	(23,914,403.78)
Balance as at 31st December 2016		**10,014,284.00**	**1,114,175,562.99**	**1,124,189,846.99**

SRI LANKA EXPORT DEVELOPMENT BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2016

	Notes	2016 Rs.	2015 Rs.
Cash Flows from Operating Activities			
Surplus for the year before taxation		45,773,906	70,144,039
Adjustments for			
Depreciation		14,443,692	13,347,223
Income from Investments		(115,584,844)	(109,503,735)
Prior Year Adjustment		(23,957,483)	(4,099,462)
Finance Costs		367,361	364,397
Amortization Of Government Grants		(4,124,053)	(3,323,500)
Provision for Gratuity		5,211,847	19,909,697
Operating Profit/(Loss) before Working Capital Changes		**(77,869,574)**	**(13,161,340)**
(Increase)/Decrease in Inventories		2,873	(525,358)
(Increase)/Decrease in Trade and Other Receivables		(13,838,103)	4,547,135
(Increase)/Decrease in Advances and Prepayments		20,894,584	13,142,566
Increase/(Decrease) in Provision and Other Liabilities		1,305,686	2,658,958
Increase/(Decrease) in Other Payable		11,310,374	(10,755,471)
Cash Generated from Operations		**(58,194,160)**	**(4,093,510)**
Finance Costs Paid		(367,361)	(364,397)
Defined Benefit Plan Costs Paid		(10,348,097)	(11,090,706)
Net Cash from Operating Activities		**(68,909,618)**	**(15,548,612)**
Cash Flows from Investing Activities			
Acquisition of Property, Plant & Equipment	9	(5,549,963)	(3,492,460)
Dividend Received	4	42,859,381	54,097,923
Interest Received	4	2,269,747	1,984,462
Net Cash Flows used in Investing Activities		**39,579,166**	**52,589,924**
Net Cash Flows from/(Used in) Financing Activities			
Government Grant Received		5,549,963	-
Cash and Cash Equivalents at the end of the year		**5,549,963**	-
Net Increase/(Decrease) in Cash and Cash Equivalents		**(23,780,490)**	**37,041,312**
Cash and Cash Equivalents at the beginning of the year		62,403,036	25,361,724
Cash and Cash Equivalents at the end of the year		**38,622,546**	**62,403,036**
Analysis of Cash & Cash Equivalents			
Cash in hand	15	67,794	130,049
Cash at Bank - Favourable	15	38,554,752	84,908,564
Bank Overdrafts	21	-	(22,635,576)
		38,622,546	**62,403,036**

SRI LANKA EXPORT DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2016

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

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

i. Keeping proper books of accounts of the income and expenditure, assets and liabilities and all other financial transactions of the Authority.

ii. Preparing accounts in accordance with the Sri Lanka Accounting Standards adopted by the Institute of Chartered Accountants of Sri Lanka under the Sri Lanka Accounting Standards Act No.15 of 1995 for the purpose of presenting a true and fair view of the financial performance and the financial condition of the Board.

iii. Taking appropriate steps to safeguard the assets of the Board and to establish appropriate internal controls to prevent and detect frauds and other irregularities.

1. GENERAL INFORMATION

1.1 Domicile & Legal Form

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

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorization for Issue

The Chairperson & CE of the Board on 23rd February 2017 has approved the financial statements pending approval of the Board and the Board at its meeting held on 30th March 2017 has granted approval for the same.

1.4 Statement of Compliance

The Statement of Financial Position, Comprehensive Income, Changes in Equity, Cash Flow and notes together with Summary of Significant Accounting Policies and notes ("Financial Statements") of the Board as at 31st December 2016 has been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKASs) issued by the Institute of Chartered

Accountants of Sri Lanka (CA), which represent International Financial Reporting Standards (IFRS) as issued by the Sri Lanka Accounting Standards Board.

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, 2014, 2015 & 2016.

Accordingly, the Board has prepared Financial Statements which comply with SLFRS applicable for periods ending on or after 31 December 2016, together with the comparative period data as at and for the year ended 31 December 2015, 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 15 Revenue from contracts with customers

SLFRS 16 Leases

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. 88,057,017.00 (2015-Rs. 93,193,267)

(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) <u>Financial assets carried at amortized cost</u>

The Board assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. Objective evidence that a financial asset or Group of assets is impaired includes observable data that comes to the attention of the Board about the following events:

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

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improved credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

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

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

2.2.6 De-recognition

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

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

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

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

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

2.3 Property, Plant and Equipment

2.3.1 Recognition & measurement

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

2.3.2 Subsequent costs

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

2.3.3 Depreciation

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

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

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 Equipment 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.

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

Grants are recognized in the financial statements at their fair value. When the grant relates to an expense it is recognized as an income over the period necessary to match it with the costs, which it is intended to compensate for on a systematic basis.

Grants related to assets are generally deferred in the statement of financial position and credited to the statement of comprehensive income over the useful life of the asset.

As per the LKAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, from the year 2016, cost of the fixed assets purchase under the development budget of the Board by using the government fund are transferred to the Government Grant Account and will be amortized over their useful lifetime (equal to the depreciation rate).

The value of the Government Grant reflects, assets transferred from following organization at the time of formation of the Board and the assets purchased subsequently to the Board.

Government Contribution	-	Rs.	7,904,002.00
UNDP Contribution	-	Rs.	2,110,282.00
Government Grant Motor Vehicles	-	Rs.	27,868,330.00
Government Grant – Other	-	Rs.	5,099,658.25
Total	-	Rs.	42,982,272.25

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

d. Dividend Income

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

2.14 Expenses Recognition

All expenses are measured at fair value of the consideration given and recognize in the period to which those expenses related. 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 effected. At each Statement of Financial position date, monetary assets and liabilities denominated in foreign currencies are retranslated to Sri Lankan Rupee equivalents at the exchange rate prevailing on the Balance Sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees using the exchange rate prevailing at the date of transaction. Exchange differences arising on settlement of monetary items and re-translation of monetary items, are recognized in the income statement in the year in which they arise.

2.17 Related Party Transactions

The Board has related party relationship with its Associate company i.e. Development Holdings (Pvt) Ltd. The Board has paid monthly Rental for the space occupied and also the auditorium hire charges as per the valuation of the Government Valuer to the Associate Company. The Chairperson & Chief Executive, Additional Director General – Finance & Administration, Director Finance and the Legal Officer of the Board as EDB nominee directors are on the Board of Directors of Development Holdings (Pvt) Ltd.

Transactions with Key Managerial Personnel

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

2.18 Events after Balance Sheet Date

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

2.19 Contingent Liabilities

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

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

2.20 Cash Flow Statement

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

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

SRI LANKA EXPORT DEVELOPMENT BOARD
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YEAR ENDED 31ST DECEMBER 2016

		SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
(3)	**Income**		
	Grant Received	364,450,037.49	462,770,000.00
	Revenue from Services to Exporters	64,859,625.56	84,001,943.59
	Income from branches	167,933.64	84,050.40
	Internet Income	426,630.00	343,894.00
	Internet Portal	709,721.18	458,859.79
	Income from WEDF - 2016	24,875,721.90	-
	Income from Expo-2012	-	1,000,000.00
	Seminars and Course Fee	5,782,433.25	3,773,280.00
	Income on stall fees -Leather Fair -2016	4,380,827.25	6,539,247.70
	Sales of Books	250,071.00	165,821.00
	Other Income	1,596,500.00	1,156,000.00
		467,499,501.27	**560,293,096.48**
(4)	**Other Income**		
	Interest Income	2,269,747.27	1,984,461.65
	Share of Associate Company Profit	70,455,716.00	53,421,350.00
	Dividend Income	42,859,380.87	54,097,923.05
	Other Sundry Income	1,700,906.88	438,496.35
	Amortization Of Government Grants	4,124,053.01	3,323,500.00
	Interest Income from Staff Loans (IFRS)	3,752,349.64	3,487,473.63
		125,162,153.67	**116,753,204.68**
(5)	**Export Development Expenses**		
	Export Development Programmes	61,337,586.37	66,607,024.74
	Export Marketing Promotion - overseas	76,493,976.99	121,312,624.90
	Expo Milano 2015	-	13,331,528.67
	Participation Trade Delegation	-	500.00
	WEDF - 2016	40,014,026.29	-
	Local Trade Fairs	9,674,043.85	9,211,475.65
	Policy and Planning Expenses	2,001,362.60	3,692,527.17
	Export Market Promotion- Local	5,056,077.07	3,751,492.77

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
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	SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
Regional Development Expenses	5,233,500.76	13,278,983.73
Trade Information and Services Expenses	3,934,690.92	4,220,741.78
Trade Net Expenses	3,958,664.26	7,219,584.70
Integrated Agriculture Model Farm Project	128,642.67	2,982,206.62
Ceylon Cinnamon Logo Design	180,650.51	8,640.00
	208,013,222.29	**245,617,330.73**

(6) Administration Expenses

Salaries and Wages	123,917,943.23	127,498,333.84
Over Time and Holiday Pay	7,362,820.56	7,404,712.84
Bonus	2,623,012.50	2,778,337.50
EPF	16,261,980.65	16,708,117.65
ETF	3,252,520.45	3,350,700.01
Pension	24,260.50	43,835.00
Gratuity	5,211,847.00	19,909,697.25
Staff Welfare	19,650,818.36	22,456,280.97
Recruitment Charges	1,530,207.02	1,122,920.59
Staff Cost -(IFRS Adjustments)	3,752,349.64	3,487,473.63
Electricity	20,238,022.91	18,024,563.57
Water	2,217,775.87	802,563.06
Legal and Other Professional Fee	422,340.00	650,864.00
Advertising	667,063.83	203,172.00
Security	5,519,112.50	4,727,765.12
Audit Fee	700,000.00	600,000.00
Printing Charges	214,102.00	393,974.78
Transport & Travelling Charges	12,493,161.26	13,025,028.12
Entertainment	208,895.04	405,266.84
Other General Expenses	473,530.96	6,158,289.95
Board Member Fees	1,363,111.00	608,327.00
Maintenance of Office Equipment	1,877,502.36	2,398,773.73
Rent	63,833,098.44	65,301,327.83
Fuel and Lubricants	5,502,086.42	4,781,361.74
Repairs and Maintenance of Vehicles	4,200,261.53	5,466,619.52

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
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	SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
Private Hiring Charges	6,167,596.61	5,709,259.05
Communication and Subscriptions	7,664,593.68	7,174,814.76
Depreciation	14,443,691.73	13,347,222.77
Local Training	1,196,520.33	854,417.53
Supplies Requisites	3,973,473.89	3,425,668.03
Overseas Training	758,224.08	1,116,565.44
	337,721,924.35	**359,936,254.12**

(7) Finance Cost

Interest Expenses	367,361.20	364,397.02
Stamp Fees	82,418.92	73,772.50
Financial Charges	702,822.56	910,507.93
	1,152,602.68	**1,348,677.45**

(8) Revaluation Of Motor Vehicles

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

SRI LANKA EXPORT DEVELOPMENT BOARD
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(9) Property, Plant and Equipment

(9.1) Cost

Balance as at 01/01/2015	Assets	Balance as at 01/01/2016	Additions	Revaluation	Disposals	Balance as at 31/12/2016
99,364.00	Residential Telephone	99,364.00	-	-	-	99,364.00
49,550,000.00	Motor Vehicle	75,110,000.00	233,100.00	-	-	75,343,100.00
31,941,213.02	Computer	33,249,894.02	3,552,914.50	-	-	36,802,808.52
4,145,281.00	Computer Software	6,066,080.50	-	-	-	6,066,080.50
980,467.32	Computer Equipment	1,006,347.32	47,547.13	-	-	1,053,894.45
-	Kiosk System	-	735,930.00	-	-	735,930.00
4,730,855.01	TV Equipment	4,797,345.01	19,500.00	-	-	4,816,845.01
65,549.00	PABX Equipment	65,549.00	-	-	-	65,549.00
1,495,390.14	Telephone Installation	1,507,160.14	33,670.00	-	-	1,540,830.14
14,775,057.29	Furniture and Fittings	14,799,732.29	795,886.28	-	-	15,595,618.57
15,468,572.24	Office Equipment	15,602,735.99	131,414.60	-	-	15,734,150.59
123,251,749.02		**152,304,208.27**	**5,549,962.51**	**-**	**-**	**157,854,170.78**

(9.2) Depreciation

Balance as at 01/01/2015	Depreciation	Balance as at 01/01/2016	Charge for the year	Depreciation for Disposals	Balance as at 31/12/2016
68,367.42	Residential Telephone	75,489.06	7,121.64	-	82,610.70
11,349,999.99	Motor Vehicle	19,048,499.99	8,238,770.00	-	27,287,269.99
24,346,098.58	Computers	27,200,981.93	3,144,429.61	-	30,345,411.54
1,978,284.77	Computer Software	2,711,589.07	971,124.75	-	3,682,713.82
341,899.27	Computer Equipment	559,173.66	173,754.01	-	732,927.67
-	Kiosk System	-	12,265.50	-	12,265.50
3,302,935.56	TV Equipment	3,525,047.67	228,761.11	-	3,753,808.78
30,713.57	PABX Equipment	34,197.11	6,554.90	-	40,752,01
1,341,124.01	Telephone Installation	1,421,589.43	83,627.59	-	1,505,217.02
5,853,706.65	Furniture and Fittings	6,547,088.24	728,305.76	-	7,275,394.00
10,494,509.29	Office Equipment	11,331,205.72	848,976.86	-	12,180,182.58
59,107,639.11		**72,454,861.88**	**14,443,691.73**	**-**	**86,898,553.61**

	Written Down Value	2016	2015
123,251,749.02	Cost	157,854,170.78	152,304,208.27
(59,107,639.11)	Accu: Depreciation	(86,898,553.61)	(72,454,861.88)
64,144,109.91	**WDV**	**70,955,617.17**	**79,849,346.39**

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
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		SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
(10)	**Investments in Associates - Unquoted**		
	Investments in Associates Company - DHPL	1,012,467,874.00	942,012,158.00
		1,012,467,874.00	**942,012,158.00**
(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	1,840,628.54	1,843,501.62
	Tyre and Tube	-	-
		1,840,628.54	**1,843,501.62**
(13)	**Trade and Other Receivables**		
	Exporters Loan	45,183,838.60	46,120,175.53
	(-) Provision for Impairment in debts	(44,176,573.65)	(45,477,591.40)
	Staff Loans	40,813,910.25	41,985,995.31
	Less: Deferred Staff Cost	(3,940,875.88)	(14,316,119.84)
	VAT Receivable	104,676,878.80	104,676,878.80
	Other Debtors	15,200,592.43	10,930,329.47
		157,757,770.55	**143,919,667.87**
(14)	**Advance and Prepayments**		
	Prepayments	4,289,831.97	15,599,232.10
	Advances	6,350,095.44	5,719,704.56
	Bank Guarantee	300,000.00	300,000.00
	Deposits for Services	1,307,260.00	1,062,550.30
	Refundable Security Deposits	969,390.16	969,390.16
	Returned Cheques	140,000.00	225,040.00

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2016

		SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
	Prepaid Staff Cost	3,940,875.88	14,316,119.84
		17,297,453.45	**38,192,036.96**

(15) Cash and Cash Equivalents

		SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
	Bank Of Ceylon -Deposit Cashier	2500.00	2,500.00
	Bank Of Ceylon - Lake View (306605)	32,293,112.53	-
	Bank Of Ceylon - Lake View (306606)	-	74,513,941.58
	National Development Bank	1,017,863.61	4,463,266.71
	Bank Of Ceylon - Corporate Branch	227,280.45	5,904,484.72
	DFCC – Corporate Branch	4,998,890.00	-
	Sampath Bank - Kandy	4,917.32	4,728.76
	Sampath Bank – Galle	7,086.81	6,886.49
	Bank Of Ceylon - Ampara	-	3,987.61
	Bank Of Ceylon - Hambantota	-	1,903.61
	Bank Of Ceylon – Badulla	-	4,385.80
	Bank Of Ceylon – Mannar	1,385.45	919.78
	Sampath Bank - Kurunegala	1,716.21	1,558.68
	Cash in Hand	67,793.82	130,048.94
		38,622,546.20	**85,038,612.68**

(16) Grant Received – Equity Contribution

		SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
	Government Contribution	7,904,002.00	7,904,002.00
	UNDP Contribution	2,110,282.00	2,110,282.00
		10,014,284.00	**10,014,284.00**

(17) Grants Received

		SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
	Government Contribution - Motor Vehicle	38,793,100.00	38,560,000.00
	Government Contribution - Other	5,316,862.51	-
	ITC Contribution	12,716.35	12,716.35
	Export Promotion Secretariat	202,677.32	202,677.32
	(-) Amortization Of Government Grants	(11,357,367.93)	(7,190,236.19)
		32,967,988.25	**31,585,157.48**

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2016

		SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
(18)	**Provisions and Other Liabilities**		
	Loan Scheme Contribution	7,954,151.81	7,888,532.97
	UPEPV	2,108,251.77	2,108,251.77
	Exporter contribution	23,712,791.00	24,678,355.00
	UPEPV - control Accounts	(10,403,683.00)	(10,403,683.00)
	Refundable Deposits	7,118,316.50	4,912,685.50
		30,489,828.08	**29,184,142.24**
(19)	**Retirement Benefits Obligation**		
	Balance B/F	93,193,267.00	84,374,275.25
	Provision during the year	5,211,847.00	19,909,697.25
	Paid during the year	(10,348,097.00)	(11,090,705.50)
	Balance C/F	**88,057,017.00**	**93,193,267.00**
(20)	**Other Payables**		
	Stamp Fees Payables	-	16,175.00
	Unclaimed Salaries	33,422.30	152,054.87
	Unclaimed Sundry Payments	1,338.53	21,717.86
	EPF Payable	33,802,601.95	2,780,399.73
	ETF Payable	3,741.67	333,648.12
	Pension Payable	-	(165.00)
	Employees Final Payments	33,005.36	61,644.46
	Audit Fee Payables	1,294,672.00	1,973,292.00
	Repayable Security Deposit- Cashier	2,500.00	2,500.00
	Insurance Debtors	-	-
	Refundable Deposit for Tenders	6,000.00	6,000.00
	Unpresented Cheques	162,153.88	317,233.95
	Other Accrued Expenses	28,445,923.90	46,810,484.45
		63,785,359.59	**52,474,985.44**

	SLFRS 31.12.2016 Rs. Cts.	SLFRS 31.12.2015 Rs. Cts.
(21) Bank Overdraft		
Bank Of Ceylon - Lake View	-	22,635,576.21
	-	**22,635,576.21**

(22) 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.

(23) (23.1) 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.

(23.2) 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.	40,813,910.25
IFRS Adjustments	Rs.	(3,940,875.88)
	Rs.	36,873,034.37

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

Prepaid Staff Cost	Rs.	3,940,875.88

(24) Prior Year Adjustments

Errors that have been made in respect of the recognition and measurement of elements of financial statements have been corrected in the financial statements for the year 2016. Since it is impracticable to restate the financial statements for the periods in which the errors have been occurred, current year financial statements have been adjusted accordingly.

Nature of the Prior period error	FSs' line item affected	Amount (Rs)
Reversal of over provision for Other Accrued Expenses	Relevant expense accounts	(12,634,898.54)
ETF - Arrears Payments for 2006-2015	ETF Expense A/C	4,052,570.56
EPF - Arrears Payments for 2006-2015	EPF Expense A/C	33,771,421.36
Reversal of over provision for Bad Debtors on Exporters' Loans	Bad Debtors	(366,680.82)
Reversal of over provision for Development Expenses	Relevant expense accounts	(636,479.51)
Reversal of over provision for Project Payments	Relevant expense accounts	(311,595.62)
Other (Net)	Relevant ledger accounts	40,066.35
		23,914,403.78

(25) Related Party Transactions

Payments are made in the ordinary course of business to its Associate Company i.e. Development Holdings (Pvt) Ltd. for certain specified activities are considered as related party transactions. During the reporting period, the following transactions have been done with such related party by the EDB.

Name	Transactions	2016 Amount (Rs)	2015 Amount (Rs)
Development Holdings (Pvt) Ltd.	Monthly Rental	59,598,214.28	59,508,928.54
	Parking Fees	384,000.03	380,857.19
	Auditorium hire charges	438,304.85	721,274.99
	Dividend Received	36,244,971.00	36,244,971.00
		96,665,490.16	96,856,031.72

(26) Contingent Assets and Liabilities

According to the present cases filed against the defaulters, approximately Rs. 2.1 Mn due and owing to the Export Development Board and required to be recovered from those companies.

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல. / My No. TCM2/F/EDB/1/16/91

ඔබේ අංකය / உமது இல. / Your No.

දිනය / திகதி / Date 05 October 2017

The Chairman

Sri Lanka Export Development Board

The audit of financial statements of the Sri Lanka Export Development Board for the year ended 31 December 2016 as per Section 14(2)(C) of No.38 of Finance Act 1971

The audit of financial statements of the Sri Lanka Export Development Board for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 16 of the Sri Lanka Export Development Board Act, No. 40 of 1979. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act appear in this report. The details report as per section 13(7)(A) of Finance Act has been issued to the Chairman of the Board on 28 August 2017.

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 Auditing Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
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obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

1.4 Basis for Qualified Opinion

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 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 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 01

Even though assets against liabilities and income against expenses should not be offset each other except when given permission or requirements of an accounting standard, an item, advance balance in the statement of financial position had been offset against the credit balance of an assets disposal account.

(b) Sri Lanka Accounting Standard 37

Even though nearly a sum of Rs.2,100,000, as an amount should be recovered from the cases filed by the Board against the external party had been shown under the contingent liabilities in the financial statements, details of those party and amount recovered from them had not been disclosed in the financial statements.

(c) Sri Lanka Accounting Standard 38

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

2.2.2 Unexplained Differences

The fee from the exporters participated in Interzoo exhibition was Rs.1,783,025 according to the ledger where as according to the information furnished to the audit that amount was Rs.1,708,051. As such an unexplained differences of Rs.74,974 existed.

2.2.3 Lack of Evidence for Audit

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

	Item of Account	Value	Evidence not Made Available
		Rs.	
(a)	Bonus Allowances	2,623,013	Treasury approval and details of calculating.
(b)	Balance Receivables	157,757,770	Schedules and Age analysis.
(c)	Accrued Expenses	28,445,924	
(d)	Export Promotion Programe	41,053,000	Director Board decisions, Export selection procedures, Reimbursement expense schedules and Files.
(e)	Foreign Travelling Expenses	667,985	Air tickets and Passport for confirmation of accuracy of allowances calculation.

2.3 Transactions not Supported by Adequate Authority

Although the agreement entered by the Board with a private company on 27 July 2014 under the programme on value added product development on coir based products had been expired from 26 October 2015, a sum of Rs.450,648 had been paid after that date.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decision

The following instances of non-compliances were observed.

Reference to Laws, Rules and Regulations	Non-compliances
(a) Section 47 of the Employees' Provident Fund Act, No.15 of 1958 and Section 44 of the Employees' Trust Fund Act, No.16 of 1980.	Special Allowances, Professional Allowances, Interim Allowances and the Special Living Allowances not approved should not be taken into account for the computation of contributions to the Employees' Provident Fund and the Employees' Trust Fund whilst the Cost of Living Allowances shall be taken into account for the computation of contributions to the Employees' Provident Fund and the Employees' Trust Fund whilst Cost of Living Allowances shall be taken into account. As the computation had been done contrary to that, the Board had made excess contributions amounting to Rs.5,508,199 and Rs.659,375 to the Employees' Provident Fund the Employees' Trust Fund respectively during the years 2012 to 2015 subjected to audit.
(b) Section 11.1 of Chapter XV of the Establishment Code of the Government Democratic Socialist Republic of Sri Lanka	Even though all air travel should be done by using the economic class, business class air travel tickets had been taken by the chairman and executive director of the board.

(c) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka --------------------------------	
Financial Regulations 103(1)(a) and 104(1)	Action had not been taken in terms of financial regulations in connection with 3 accidents occurred in 2016.
(d) Public Administration Circular --------------------------------	
(i) Circular No.08/2005 dated 31 March 2005 and No.15/2007 dated 12 June 2007	Even though property loan should be given through Banks from 01 January 2005, the Board its own had given loan using the government grants. Further, the interest rate of 4.2 per cent had been charged on entire loan amount contrary to the instructions of the circular and approval of the Treasury had not been taken for this.
(ii) Circular No.21/2007 dated 11 September 2007	The officers participated in the foreign trade fairs had not obtained the approval of the Prime Minister to be obtained in the foreign travel.
(e) Public Finance Circular No.02/2014 dated 17 October 2014	The Board of Survey for every financial year should be appointed before 15 December of such year and the survey of goods should be completed before 31 March of the ensuing year and furnish those reports to the Auditor General. Nevertheless the Board of Survey for the year 2016 had not been conducted even by 28 June 2017.

(f) Section 4..2.6 of Public Enterprise Circular No.PED/12 dated 02 June 2003	Even though quarterly performance report should be submitted to the Line Ministry and Public Enterprise Department within 30 days after quarter ending, it had not been so done.
(g) Public Finance Circular No.PF/PE 5 dated 11 January 2000 and Public Enterprise Circular No.95 dated 14 June 1994	Even though a sum of Rs.478,002 had been spent on giving gold coins to staff who completed 25 years' service in the Board during the period of 2014 to 2016, approval of the Treasury had not been obtained for the utilization of Treasury allocations for benefits granted to its staff.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Board for the year ended 31 December 2016 amounted to a surplus of Rs.45,773,906 as compared with the corresponding surplus of Rs.70,144,039 for the preceding year, thus indicating a deterioration of Rs.24,370,133 in the financial results for the year under review as compared with the preceding year. The decrease in the Government grants amounting Rs.98,319,963 had mainly impacted the deterioration of the financial results.

An analysis of the financial results of the year under review and four preceding years indicated net loss in 2012 and it had indicated continuous net profit from year 2013 to the year under review and it was fluctuated yearly. However, readjusting of personal emoluments, government tax and depreciation for non-current assets to the financial results, contribution of Rs.154,726,961 in year 2012 had increased to Rs.287,157,318 or 85 per cent in year 2013. Thus it had decreased by a little after those years and for the year under review contribution was Rs.238,522,796.

4. Operating Review

4.1 Performance

The objectives according to the Annual Report of the Board are given below.

(i) To increase Sri Lanka's export income to US $ 20 billion by 2020, in line with Mahinda Chinthana – vision for the future.

(ii) To increase exports to the other markets by over 50 per cent of the total expert earning while stabling Sri Lankan Export to the Market of European Union and United States of America.

(iii) To pay particular attention to the seven identified key product sectors, which will contribute over 80 per cent of total export value and achieve significant growth in those sectors.

(iv) To project a more positive and a favourable image of Sri Lanka's export as a whole through the conduct of integrated marketing communication programs in selected markets.

(v) To broad-base benefits of exports across the country and all parties engaged in that field.

(vi) To build a team excellence at the EDB based on core values, with particular emphasis on employee productivity and commitments.

Following observations are made about fulfillment of above objectives.

(a) Physical progress each activities had not been indicated in the performance report.

(b) It was observed that 11 activities under 8 expenditure objects allocated amounting to Rs.28,650,000 included in the action plan in the year under review had not been executed during the year. The main reasons for not implementing these programs were lack of pre knowledge of suitability of the programe, not selecting programs in line with board's objectives, not discussion with persons and institution connected to the programs and acknowledging them.

(c) Following deficiencies were observed in the export promotion programs implemented in the year under review.

(i) The opportunity of participation to these exhibition had been limited to most of the exporters due to newspaper advertisement for calling application from the experts published only in the English newspapers.

(ii) The interview board for selection of experts had not been formally appointed.

(iii) Although the marks allocating ranges and criteria for selection of exporters had been pre-determined, there was no basis for marks given for some exporters. Therefore, exporters did not have opportunity to participants in the foreign trade exhibitions.

(iv) Export promotion activity had not been implemented properly due to granting government funds to companies which earned more export income and had lack of financial embarrassment allocated more marks and companies which earned less expert income, given less marks.

(v) The opportunity that should be given to the local exporters had been declined due to giving opportunity to the overseas share owned companies for participating the trade fairs.

(vi) There had not been implemented uniform principles for Board's contributions to construct and reserve space for foreign trade fair stalls.

(vii) Instances were observed that the board had not entered into agreement with the exporters when participating in foreign trade fairs and, the agreements that entered with defects were not validated. Therefore, there were limitation to get legal actions when the agreements were broken.

(viii) The post review had not been done whether the objectives of participating by exporters to foreign trade fairs are fulfilled and progress of the exports.

4.2 Management Activities

Following observations are made.

(a) When advertising of staff recruitments and programs, two advertisements had been advertised for the same matter since not including necessary information and not acting timely basis and, thus the expenses of Rs.698,140 on first advertisement was a fruitless expenditure.

(b) Although a sum of Rs.58,312,484 of investment in ordinary shares of 35 private companies and a sum of Rs.105,058,084 of investment in preference shares of private companies had been included in the financial statements of the Board for the year under review, companies which are unregistered with company name registration, removed the name from the company name registration and dissolved, included in those investments. The necessary actions had not taken to timely review and to evade the possible capital loss.

Further, a same amount of Rs.122,822,417 had been provide as impairment provision for these investments since the year 2012 to the year 2016 and no review and adjustment had been done accordingly for impairment provision.

(c) A sum of Rs.17,983,900 had been spent during the year under review on development activities not included in the approved annual budget.

(d) Although internal audit unit had issued 2 audit queries in the year under review and in the previous year, the board had not reported to the chief internal auditor that the board had followed recommendation in those audit queries that shoud be implemented.

4.3 Uneconomic Transactions

Two committees had been appointed for the selection of exporters and since the two committees had done the same job, a sum of Rs.265,000 paid to second committee had been uneconomic.

4.4 Transactions of Contentious Nature

Although a sum of Rs.28,500,000 had been granted through Sri Lanka Export Development Board from 2013 budget proposal with the intention of enhance the compliance, productive capacities and competitiveness of the cinnamon value chain in Sri Lanka, since no action was taken within the time frame that amount was not received to the Board. Later a contract for construction of a cinnamon training academy had been awarded to a private company without the procurement procedure for a sum of Rs.26,373,010 from annual grants of the board but the ownership of the land in which the center was constructed had not got owned to the board. According to the section 2.2 of the agreement between the board and the contractor, the completed center should be handed over to the board with in the period of 3 years begin on 01 November 2013, but the Board had not taken action to take over the center by the date of 29 September 2017 and at present, it was observed that the company has conducted the courses for cinnamon training charging with course fees.

Further, the Board had considered the spent amount as recurrent expenses without capitalization and this expense has accounted as grant received from the Board and the building as assets in the accounts of the company. It was observed that the present director of the agriculture division of the Board acted as coordinating officer of construction of cinnamon training academy since 30 May 2016 as a director of the Cinnamon Training Academy (Pvt) Ltd and this had not been disclosed on the financial statements – 2016 according to the Sri Lanka Accounting Standards 24.

4.5 Identified Loss

Since not having confirmation of exporters of participation in the Inter Zoo exhibition held in Jermony, the Board had spent additional expenditure of Rs.294,621 for an exporter who didn't participated to that exhibition.

4.6 Staff Administration

The following observations are made.

(a) Duty lists had not been assigned to 150 officers of the Board out of 209 by the month of March 2016. One of the officer out of 59 officers assigned duty by the Chairman and some duties assigned by the divisional heads had not been signed. Since the duties with responsibilities were not assigned each officers as per their job description, it is unable to evaluate the officer properly.

(b) The following observations are made in connection with the recruitment to the post of Director (Human Resources), Director (Information Technology) and Director (Regional Development).

(i) Even though basic qualification had been checked by a committee for checking of basic qualifications, those reports had not been signed. The basic qualification checking committee without having understanding of the qualification in the scheme of recruitment and authority to decide whether applicants are qualified or not, had decided whether applicants were qualified or not. According to this report, unqualified applicants had been selected as qualified.

(ii) Even though two interview boards had been identified, the members of those committees had not been appointed. Further, since one report of interview board had been submitted to the management, one of two committees had been idle. According to the basic qualification checking committee report, unqualified applicants had been interviewed and reported as qualified.

(iii) According to the scheme of recruitment, an external applicant who is qualified for the Director (Human Resources) should have a recognized degree, and a post graduate qualification in a relevant field with minimum of 15 years qualifying experience in managerial level in a government department/ corporation/ Board or a reputed private sector institution. Even though an external applicant who did not fulfill those qualification had been appointed before a month that post to be vacant contrary to the section 6.1.3 of the Chapter II of the Establishment Code.

(iv) Even though an external candidates to appoint for the post of Director (Regional Development) should have post graduate degree from a recognized university with 15 years experience in managerial post according to the scheme of recruitment and promotion of the Board, an applicant who had not have those qualification had been appointed.

(v) Even though internal candidates were qualified according to the ranking of qualification, the opportunity to be appointed to these posts had been defrived to those officers.

(vi) Even though an officer recruited to the post of director (Information Technology) should have a post graduate degree with 5 years experience in the relevant field of MM 1.1 first grade according to the approved scheme of recruitment and promotion of the Board, that appointment had been given without an interview to an officer who worked in marketing development division as deputy director and hadn't above experience. A Board decision had been taken to remove the 'relevant field' in the scheme of recruitment, officers had been recruited accordingly but the approval of the Management Service Department had not been taken for this.

(c) The following observations were made in connection with filling of vacancies of Export Promotion Officer, Administration officer, Development Officer, Accounting Officer and another 10 Posts.

(i) Approval of the Department of Management Service had not been obtained for amended scheme of recruitment to recruit 9 assistant directors and one officer, who had been released from two subjects of the written exam held for promotion to export promotion officer.

(ii) Five external candidates and four internal candidates had been recruited on the results of exam for the post of assistant director held on 21 August 2016 by the Institute of Development Administration of Sri Lanka. The exam for English language had been held only again according to a request of internal candidates mentioning that time allocation for the English subject out of 3 subjects of this exam is not enough.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements for the year under review had been presented to the Auditor General on 28 February 2017, the approval of board of directors had not been received for that.

5.2 Action Plan

The following observations are made.

(a) As per the public Finance Circular no.0/2014 dated 17 February 2014 details of the approved cadre and the actual cadre, updated organization structure for the year and the procurement plan had not been included in the action plan of the Board.

(b) Expected date of beginning and completion and the expected outcomes in physical quantity for each activities of the action plan had not been clearly identified.

(c) Even though it was observed that 4 programs on which a sum of Rs.3,100,000 allocated in the action plan of 2015 had been postponed to the year 2016 and those programs had not been included in the action plan for the year under review.

(d) Remaining work of 11 activities under 8 fields allocating amounted to Rs.20,200,000 in action plan of 2015 but had not implemented in that year and had not included in the action plan in the year under review.

(e) Seven activities which was executed as per the action plan but not completed in the year under review, had been continued to the year 2017. Thus action plan of 2017 was not submitted to the audit by the date of 28 June 2017 to confirm it.

5.3 Procurement Procedure

The presidential export award ceremony to be conducted yearly had been conducted in the year 2015 for the years of 2010 to 2013 and in the year 2016 for the years of 2014 and 2015. A sum of Rs.5,800,000 had been spent on this ceremony without procurement procedure of the Procurement Guidelines – 2006 and a loss amounting Rs.468,250 was incurred in selecting an event management company at the minimum cost.

5.4 Budgetary Control

(a) According to the audit test check carried out regarding the development activities in each expenditure objects comparison of the budgeted expenditure for the year under review with the actual expenditure revealed that expenditure of Rs.6,519,000 exceeding the budgeted provisions had been incurred. Similarly, variances ranging from 18 per cent to 118 per cent were observed between the budgeted provisions made for the expenditure fields such as fruits and vegetables, electronic and machines, construction, health service, market/ trade fair development and ICT/BMP. As such, it was observed that the budget had not been made use of as an effective instrument of management control.

(b) Even though annual budget had been prepared including expected capital and recurrent value for the both expected income and expenditure from the operation activities according to the section 5.2.1 of public enterprise circular No. PED 12 dated 02 June 2003 and section 8(3) of finance act, No.38 of 1971, only expected expenditure had been included in the budget prepared for the year 2016.

(c) Even though approved budget by the board of directors according to the section 5.2.5 of the above circular and section 8(4) of finance act, No.38 of 1971 should be submitted to the line Ministry, General Treasury, Public Enterprise Department and Auditor General it had not been submitted accordingly and the board of directors approved budget was submitted to the Auditor General without the approval of the General Treasury.

5.5 Unresolved Audit Paragraphs

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

Year 2015

(a) The loan amounted to Rs.5,000,000 granted from the Rural Economic Resuscitation Fund had not been settled.

(b) A sum of Rs.127,465 out of the money paid to the Ministry of Foreign Affairs on account of the expenditure officers who had attended business meeting held in Poland on 27 March 2013 had not been settled.

(c) A sum of Rs.4,076,773 as salaries and allowances, from the year 2010 up to the year 2015 a sum of Rs.6,270,670 as the hire of the motor vehicle provided for duty and private travel and a sum of Rs.2,122,770 as the allowances and travelling expenses for foreign travel totalling Rs.12,470,213 had been paid to Executive Director of the Board appointed contrary to the Section 23(1) of the Sri Lanka Export Development Board Act, No. 40 of 1979.

(d) The Board had obtained motor vehicles on hire basis up to 31 December 2015 and overpaid a sum of Rs.11,703,560 contrary to the direction made by the Committee on Public Enterprises at the meeting held on 08 June 2012 and the Treasury instructions.

(e) According to the Section 2(1) and 13(1),(2) of the Sri Lanka Export Development Board Act, No.40 of 1979 the National Development Council for the Implementation of Export Development Programmes and Policies had not met during the period of 23 years from the Year 1992 to the year 2015 and had not establish the Export Development Fund.

(f) A sum of Rs.605,803 had been paid to two officers who had attended the EXPO Milano Trade Exhibition for the period they were out of the Island beyond the approval of the Prime Minister.

(g) Professional Allowances so paid during the 4 preceding years amounted to Rs.2,182,894, the Special Living Allowances amounted to Rs.18,284,887 and providing transport facilities amounted to Rs.12,458,798 had been incurred contrary to the Public Finance Circular No. PF/PE 5 dated 11 January 2000 and the Public Enterprises Circular No.95 of 14 June 1994.

(h) A sum of Rs.4,440,336 had been overpaid on the Expo Millano exhibition held in Italy during the period of 01 May 2015 to 31 October 2015 without the approval of the Cabinet of Ministers and the amounting to Rs.12,960,000 deprived of to the Government on the course of action of Expo Commissioner General appointed without approval of the Cabinet of Ministers had not been recovered from the officer concerned.

(i) According to the Cabinet Memorandum a sum of Rs.5,040,000 had been allocated for the Expo Sri Lanka Day. Nevertheless, a sum of Rs.1,079,688 had been spent in connection with the participation of the Chairman and the Additional Director General of the Board on that day.

(j) A sum of Rs.3,770,640 as foreign travel allowance had been spent contrary to the Section 04(d) of the Ministry of Finance Circular No. MF01/2015/01 dated 15 May 2015.

(k) Government grants amounted to Rs.2,567,531 had been utilized as at 31 December 2015 for the creation of the unauthorized staff loan Fund and to credit 7.2 per cent interest for that fund monthly contrary to the Section 25 of the Finance Act No.38 of 1971 and the Public Enterprises Circular No. 95 of 14 June 1994.

(l) Any action had not been taken to in connection of identified losses amounting to Rs.1,918,314 identified in the Auditor General's Report of year 2015.

Year 2014

(a) Even though a part of the premises of a building belonging to the Dehiwala Mount Lavinia Municipal Council in which the Board maintains one of its stores had been sub-leased, a sub-lease agreement had not been entered into in that connection.

(b) Expenditure amounting to Rs.4,020,848, contrary to the powers and functions specified in Section 12(1) of the Sri Lanka Export Development Act, No. 40 of 1979, had been incurred in the year 2014.

(c) The approval of the Minister of Finance, in terms of Section 12(q) of the Sri Lanka Export Development Act, No.40 of 1979 had not been obtained for the investment of Rs.929,548,150 made by the Board in the shares of Private Companies from the year 1988.

(d) Salaries amounting to Rs.226,530 obtained by placing counterfeit signatures for performing duties in the Security Service of the Board had not been recovered.

(e) Five motor vehicles and 4 officers of the Board had been deployed in the service of the Line Ministry contrary to Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003 and the Board had spent a sum of Rs.2,824,256 in the year 2014 as the maintenance expenditure of motor vehicles and salaries and allowances of the staff.

Year 2013

(a) A sum of Rs.1,009,740 shown as payable to the District Secretariat Colombo under the Jathika Saviya Programme had been credited to income without obtaining confirmation from that office and formal approval.

(b) In the grant of motor cycle loans and distress loans, the limit of monthly recoveries had been considered as 50 per cent of the monthly salary contrary to Section 3.5 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.

(c) The arrears of rent and the electricity charges amounting to Rs.7,049,858 recoverable from 5 trade stalls of the Sri Lanka Trade Centre maintained by the Board in Chennai, India during the years 2004 to 2009 had not been recovered even by 15 August 2016.

Year 2012

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

6. Systems and Controls

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

Areas of Systems and Controls	Observation
(a) Investments Control	Failure to obtain the appropriate approval and lack of follow-up.
(b) Loans Control	Failure to enter into agreements with the Export Companies and the failure to take action for the recovery of the loans and interest.
(c) Special Projects Control	Commencement of projects contrary to the objectives of the Board and abandoning without achieving the targeted objectives.
(d) Budgetary Control	Non-submission of budgeted statement of comprehensive income and budgeted statement of financial position

H.M. Gamini Wijesinghe
Auditor General