# ANNUAL REPORT 2016



SRI LANKA TOURISM DEVELOPMENT AUTHORITY

# TABLE OF **CONTENTS**


| | | | |
|---|---|---|---|
| **1.** | **Vision, Mission, Guiding Principles** | | **02** |
| **2.** | **Financial Highlights** | | **04** |
| **3.** | **Message from Hon. Minister** | | **06** |
| **4.** | **Message from Chairman** | | **09** |
| **5.** | **SLTDA Board of Management** | | **11** |
| **6.** | **SLTDA Directors and Heads of Divisions** | | **12** |
| **7.** | **Global Tourism Overview** | | **13** |
| **8.** | **Sri Lanka Tourism Overview** | | **14** |
| **9.** | **What we achieved in 2016** | | **16** |
| | 9.1. | Value addition to the industry | 16 |
| | 9.2. | Resort development | 18 |
| | 9.3. | Enriching the experience for international and domestic visitors | 20 |
| | 9.4. | Celebration of 50 years of Sri Lanka Tourism | 23 |
| | 9.5. | International Exposure and capacity building | 23 |
| | 9.6. | Our employees | 24 |
| | 9.7. | Other operational details | 25 |
| **10.** | **Financial Statements** | | **26** |
| | 10.1. | Statement of Financial Position | 28 |
| | 10.2. | Statement of Comprehensive Income | 30 |
| | 10.3. | Statement of Changes in Equity | 31 |
| | 10.4. | Statement of Cashflow | 32 |
| | 10.5. | Notes to the Financial statements | 34 |
| **11.** | **Government Auditors Report** | | **57** |

# VISION

To be recognized as the world's finest island for memorable, authentic and diverse experiences.

# MISSION

To be a high value destination offering extraordinary experiences that reflect Sri Lanka's natural and cultural heritage, socially inclusive and environmentally responsible, and provide economic benefits to communities and the country.

# GUIDING PRINCIPLES

1. **CAPTURING THE BENEFITS OF TOURISM FOR SRI LANKA**
   The tourism industry makes a significant contribution to the growth and diversification of Sri Lanka's economy. It should be considered a key pillar of the economy and a priority in government decision making. Facilitated by the public sector, the private sector should play a lead in the development of the tourism industry.

2. **DEMOCRATISATION OF ECONOMIC PARTICIPATION**
   Tourism should result in optimal economic benefit to Sri Lanka's economy by maximizing net foreign exchange income, spreading development throughout the island, and creating gainful employment for Sri Lankans. Tourism growth should stimulate and deepen the value chain and ensure viable, long term economic operations, providing socioeconomic benefits that are fairly distributed to all stake holders.

3. **CONSERVATION AND WORLD-CLASS MANAGEMENT OF ASSETS**
   Tourism development should promote the conservation and enhancement of Sri Lanka's natural environment and it's historical, social and cultural heritage, avoiding harmful effects. It should make optimal use of environment resources- maintaining essential ecological processes and helping to conserve natural biodiversity.

4. **LOCAL COMMUNITY INVOLVEMENT**
   Tourism should respect the sociocultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to intercultural understanding and tolerance. Tourism development should involve local communities in a real, holistic capacity. Strong political leadership, including regional and local government, should foster informed, wide participation of all relevant stakeholders and support consensus building.

5. **MEMORABLE EXPERIENCES ROOTED IN HERITAGE**
   All tourism services and activities should be visitor-centric and rooted in the environment, religious, social and cultural heritage of Sri Lanka. They should provide a high level of visitor satisfaction and ensure a meaningful visitor experience, providing learning opportunities and raising awareness about best tourism practices.

6. **RESPONSIBLE DESTINATION MARKETING**
   Sri Lanka should be marketed responsibly to highlight the country's distinctive environment, traditions and attractions. Efforts should also be made to dispel longstanding misconceptions about the country and the tourism sector.

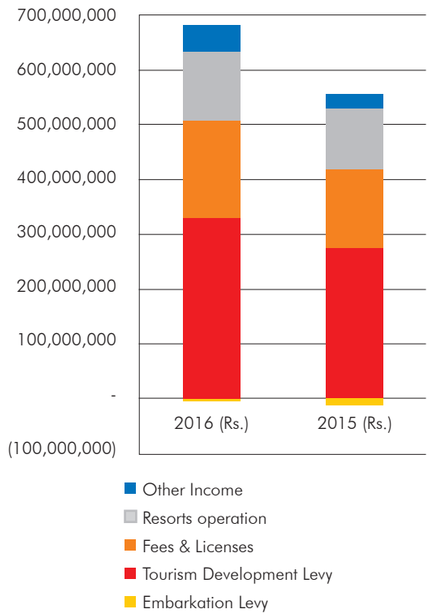
7. **SAFETY AND SECURITY FOR ALL**
   A safe and secure environment should be ensured for all visitors, investors and communities as well as animals.

# FINANCIAL
# HIGHLIGHTS

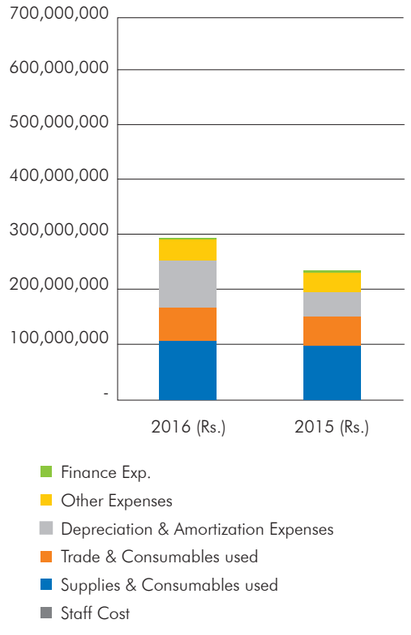
| | 2016 (LKR) | 2015 (LKR) | YoY Change (%) |
|---|---|---|---|
| **Revenues** | | | |
| Embarkation Levy | 329,761,779 | 275,595,754 | 19.65 |
| Tourism Development Levy | 179,476,385 | 142,824,737 | 25.66 |
| Fees & Licenses | 123,421,078 | 111,758,601 | 10.43 |
| Resort Operations | (3,900,279) | (12,392,516) | -68.52 |
| Other Income | 49,178,126 | 26,849,439 | 83.16 |
| **Total** | **677,937,089** | **544,636,015** | **24.47** |
| **Expenses** | | | |
| Staff Cost | 105,394,162 | 96,388,134 | 9.34 |
| Supplies & Consumables | 60,143,458 | 54,427,441 | 10.5 |
| Trade Related Expenses | 86,168,720 | 42,564,789 | 102.44 |
| Depreciation & Amortization | 38,526,864 | 38,259,525 | 0.7 |
| Other Expenses | 1,426,785 | 1,320,112 | 8.1 |
| Finance Expenses | 2,777,550 | 3,363,490 | -17.42 |
| **Total** | **294,437,539** | **236,323,491** | **24.33** |
| Equity | 4,035,450,056 | 3,677,693,456 | 9.72 |
| Current Ratio | 6.59 | 4.82 | 36.72 |
| Quick Ratio | 6.58 | 4.82 | 36.51 |

Table 1: Financial Highlights

**INCOME**




**EXPENDITURE**










***Asia continued to be our main source market with India and China leading the way, accounting for 45.1 per cent of all arrivals. Western Europe remained second with a share of 31.4 per cent. Both these regions recorded double digit growth in 2016.***

# Message from the Hon. Minister of Tourism Development and Christian Religious Affairs

I'm pleased to issue this message to the 2016 Annual Report of Sri Lanka Tourism Development Authority.

During the year under review, 46 million more tourists crossed borders than the year before bringing the total number of tourists worldwide to 1.23 billion, a growth of 3.9 per cent compared to the year before. Out of this, Europe attracted the highest number of tourists (50.2%) while South Asia attracted the least (1.6%). However, the highest growth of all regions was recorded from Asia & the Pacific with a growth rate of 8.4 per cent.

Here in Sri Lanka, our growth story continued with tourist arrivals crossing the historic 2 million mark for the first time in our history in 2016. This meant that we welcomed over 250,000 more tourists than the year before which works out to a commendable growth rate of 14 per cent year on year.

More importantly, foreign exchange earnings increased by 18.05 per cent - from Rs. 405,492 million (USD 2,980.6 million) in 2015 to Rs. 512,293 million (USD 3,518.5 million) in 2016. We were also able to increase tourists' daily spend from USD 164.1 in 2015 to USD 168.2 per individual in 2016. As a result, tourism remained the third largest source of foreign exchange for Sri Lanka's economy.

Asia continued to be our main source market with India and China leading the way, accounting for 45.1 per cent of all arrivals. Western Europe remained second with a share of 31.4 per cent. Both these regions recorded double digit growth in 2016.

Meanwhile capacity in the classified and unclassified sectors increased from 19,376 rooms in 2015 to 22,336 rooms in 2016 with the average duration of stay also rising to 10.2 nights as compared to 10.1 nights in the previous year. Average room occupancy recorded a healthy 74.76 per cent (estimated) while total foreign guest nights in tourist hotels increased from 8,945,380 in 2015 to 10,595,118 in 2016, a growth rate of 18.4 per cent.

It is pleasing to note that employment (both direct and indirect) in the tourism sector also increased from 319,436, in 2015 to 335,659 in 2016.

These figures indicate healthy all round growth in our tourism sector. However, we will not remain complacent and in the year ahead will be focusing on improving domestic tourism as well by identifying and developing new tourism zones, focusing on improving the global perception of the country so that we attract higher spenders and ensuring services and standards are of a high quality. Towards this end many services offered by SLTDA such as licensing are being streamlined and also being automated wherever possible.

Our immediate targets are to further increase arrivals and earnings to well beyond USD 3.5 billion, attract at least US$ 3 billion in Foreign Direct Investment, increase capacity to 45,000 rooms and provide employment to 500,000 individuals. Also high on the agenda will be absorbing the informal sector to the formal sector and upgrading quality standards of eating places in tourism zones.

While thanking the Chairman, Director General and all staff members of SLTDA for their contribution in 2016, I'm confident SLTDA will not find it difficult to achieve the goals we have set for the year ahead and I wish the institution every success.

**Hon. John Amaratunga**
Minister of Tourism Development and Christian Religious Affairs

# Chairman's **Message**



***I am proud to say that we, at the Sri Lanka Tourism Development Authority (SLTDA), are fully committed to this mission and the team is on the right track to double our tourism revenue and employment opportunities in the industry, by 2020.***

Tourism is one of the key success stories in post-war Sri Lanka. There has been continuous growth in the industry after the end of the conflict period, and Sri Lanka has been identified by many travelers as one of the most exciting places in the world.

But, we still have a long way to go. It is important to understand that we are in the process of tapping into our untapped potential and enhancing our footprint on the global tourism map. We have focused heavily on adding value to the tourism experience we offer, by developing infrastructure, improving service standards and streamlining various aspects of the industry.

I am proud to say that we, at the Sri Lanka Tourism Development Authority (SLTDA), are fully committed to this mission and the team is on the right track to double our tourism revenue and employment opportunities in the industry, by 2020.

The year 2016 was a milestone for our industry as we surged to a new limit of over 2 million arrivals in 2016, an increase of 14% over the previous year's 1.7 million arrivals.

The foreign exchange earnings increased by 18.5% from Rs. 405,492 million (USD 2,980.6 million) in 2015 to Rs. 512,293 million (USD 3,518.5 million) in 2016. Foreign currency expenditure per tourist per day recorded an increase of USD 4.1, from USD 164.1 in 2015 to USD 168.2 in 2016.

In 2016, the tourism sector continued to perform well and was able to retain as one of the three main sources of foreign exchange earners for Sri Lanka, alongside foreign remittances and textiles and garments.

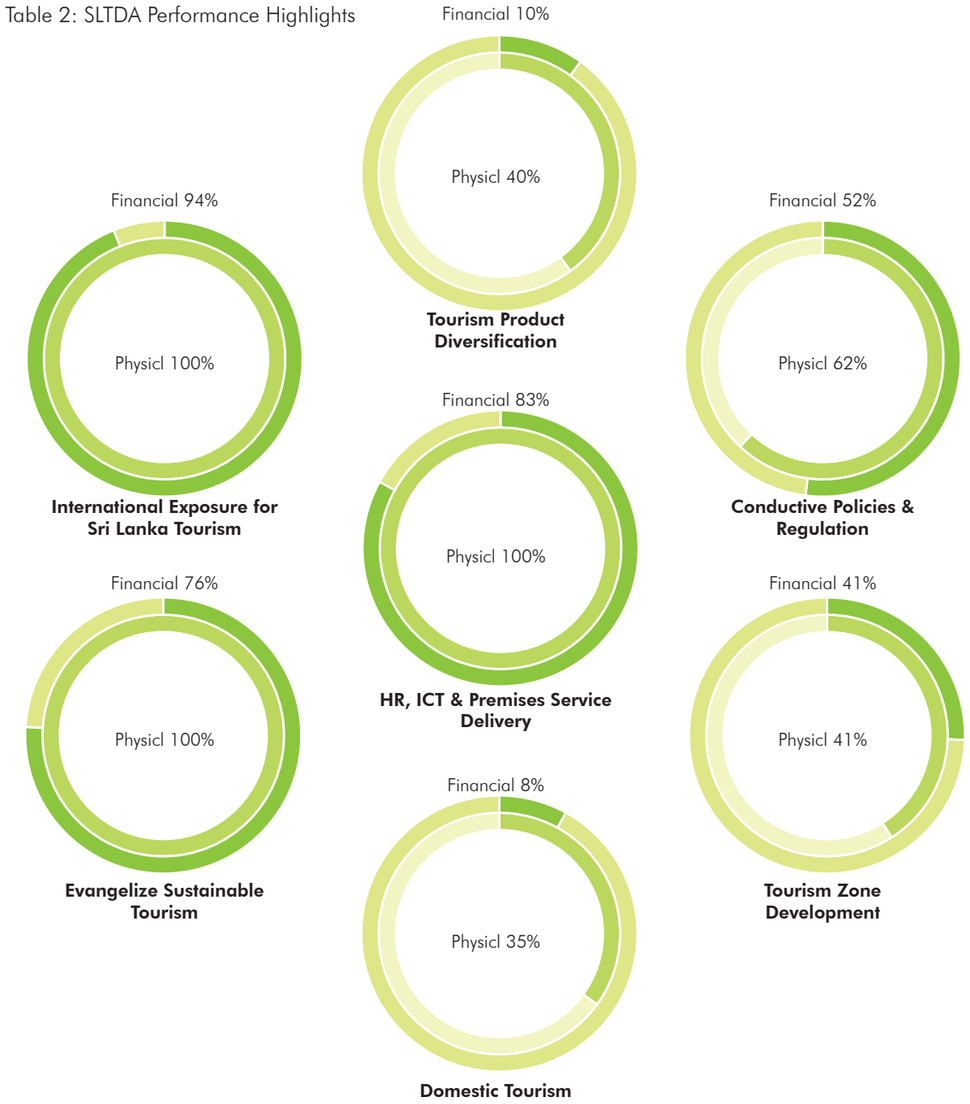
I also wish to extend my sincere gratitude to the government of Sri Lanka, the Ministry of Tourism Development and Christian Affairs and other institutions coming under the ministry for their continuous support.

I hope that the brilliant performance of the tourism sector in 2016 will set great momentum to achieve the end objectives of the four-year Tourism Strategic Plan (TSP) 2017 - 2020.

**Kavan Ratnayaka**
Chairman

| Strategy | Budget (LKR m) | Achievement | | |
|---|---|---|---|---|
| | | Financial (LKR m) | Physical (%) | Financial (%) |
| Tourism Product Diversification | 31 | 2.9 | 40 | 10 |
| Conducive Policies & Regulations | 8.74 | 4.53 | 62 | 52 |
| Tourism Zone Development | 243.55 | 62.23 | 41 | 25.5 |
| Domestic Tourism | 14.15 | 1.08 | 35 | 8 |
| Evangelize Sustainable Tourism | 58.96 | 44.83 | 100 | 76 |
| International Exposure for Sri Lanka Tourism | 13 | 12.27 | 100 | 94 |
| HR, ICT & Premises Service Delivery | 318.22 | 263.26 | 100 | 83 |
| **Total** | **687.62** | **391.1** | | |

Table 2: SLTDA Performance Highlights






## Board of Directors



**Left to right:**

First row: **Mr. Kamal Padmasiri** (Member), **Mr. M. Shanthikumar** (Member), **Mr. Kavan Rathnayaka**, (Chairman), **Mr. Esala Weerakoon** (Member) **Mrs. Inoka Punchihewa** (Secretary)

Second row: **Mr. P. Algama** (Member), **Mr. P.U. Rathnayaka** (Member), **Mr. Ruwan Karunarathne** (Member), **Mr. Nishantha Senevirathne** (Member)

## Directors & Divisional Heads



**Left to Right:**

First row: **Mr. M.U. Liyanarachchi** (Director Domestic Tourism & Community Relations) **Mr. P.U. Rathnayake** (Director General) **Ms. Tharanga Rupasinghe** (Director Human Resources & Premises Management)

Second row: **Mr. Chandana Wijeratne** (Director Standards & Quality Assurance) **Mr. Sisira Weerasekara** (Director Resorts Management) **Ms. Bhagya Mahavithanage** (Actng. Director Tourism Planning & Development) **Ms. K.M. Naheem** (Internal Auditor) **Ms. Inoka Punchihewa** (Legal officer) **Mr. Sampath Ganepalaarachchi** (Director Financial Management), **Mr. Udana Wickramasinghe** (Director Information & Communication Technology)

# GLOBAL
# TOURISM OVERVIEW




Worldwide, global tourism rebounded strongly, with the growth of international tourist arrivals by 3.9 percent in 2016 to a total of 1,235 m, from 1,189 m in 2015. The highest growth of all regions with 8.4 percent was recorded from Asia & Pacific in 2016.

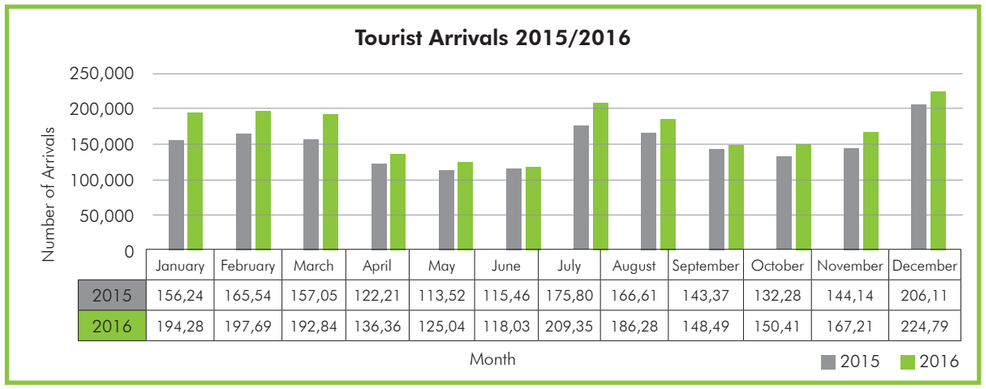
By region, Asia & the Pacific (+8%) soared growth in international tourist arrivals in 2016, backed by strong demand from both intra – and interregional source markets. Africa (+8%) enjoyed the strong rebound after two weaker years while Americas (+4%) maintained the positive momentum. Europe (+2%) showed rather mixed results, with double digit growth in some destinations offset by decreases in other. Demand in the Middle East (-4%) was also uneven, with positive and negative results.



# SRI LANKA
# TOURISM OVERVIEW

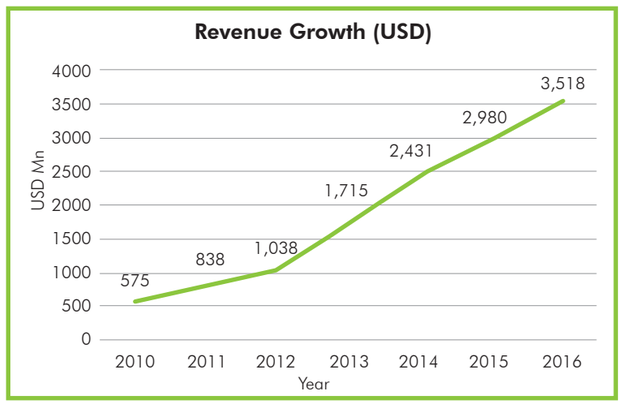



Sri Lanka Tourism has surged to a new limit of over 2 m (2,050,832) international tourist arrivals in 2016, which is an increase of 14.0 percent over last year's 1,798,380 arrivals.




| | January | February | March | April | May | June | July | August | September | October | November | December |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | 156,24 | 165,54 | 157,05 | 122,21 | 113,52 | 115,46 | 175,80 | 166,61 | 143,37 | 132,28 | 144,14 | 206,11 |
| 2016 | 194,28 | 197,69 | 192,84 | 136,36 | 125,04 | 118,03 | 209,35 | 186,28 | 148,49 | 150,41 | 167,21 | 224,79 |

As depicted in the above graph, the peak months for arrivals were January, February, March, July and December while August, September, October and November were mini peak months for arrivals in 2016. The highest number of arrivals were recorded in the month of December.




The official tourist receipts for 2016 were estimated at USD 3,518.5 m as against USD 2980.6 m in 2015.



| Rank | Country | 2016 | 2015 | YoY Change (%) |
|---|---|---|---|---|
| 1 | India | 356,729 | 316,247 | 12.8 |
| 2 | China | 271,577 | 214,783 | 26.4 |
| 3 | U.K | 188,159 | 161,845 | 16.3 |
| 4 | Germany | 133,275 | 115,868 | 15.0 |
| 5 | France | 96,440 | 86,126 | 12.0 |
| 6 | Maldives | 95,167 | 90,617 | 5.0 |
| 7 | Australia | 74,496 | 63,554 | 17.2 |
| 8 | Russia | 58,176 | 61,846 | -5.9 |
| 9 | U.S.A | 54,254 | 47,211 | 14.9 |
| 10 | Canada | 44,122 | 37,732 | 16.9 |

Table 3: Top Ten countries

An analysis of the major ten source markets reflects that India continues to be the leading tourist producer to the country. China was the second major tourist producer with a share of 13.24 percent in 2016. The highest tourist producers namely India and China claimed almost one third of the total tourist traffic to the country. United Kingdom became the third major source of tourism to the country claiming 9.17 percent of share out of the total tourist traffic.



# WHAT WE
# ACHIEVED IN 2016

## Value addition to the industry

Comprehensive publications on qualitative and quantitative data relating to tourism are published regularly by the Research and International Relations Division. These include Monthly Statistical Bulletins, Annual Statistical Report and the report of the Survey on Departing Foreign Tourists from Sri Lanka which indicates the performance of Sri Lanka tourism in terms of tourist arrivals, foreign exchange earnings, creation of employment opportunities, hotel occupancy rates, travel patterns and behaviour, places of attraction, facilities and services used, and expenditure of tourists.

The Unit for National Investment in Tourism or One Stop Unit (OSU) of the SLTDA provides a centralized facilitation service to potential investors to establish new tourism investment projects in Sri Lanka simplifying and expediting the approval process for construction in conjunction with other government agencies. SLTDA projects 4 m tourist arrivals by 2020 which will require approximately 70,000 – 80,000 hotel rooms catering to the tourism economy. OSU has granted a positive contribution to achieve the target by adding new rooms to the national room capacity through new investment projects. Compared to the last two years, OSU's contribution to increase the national room capacity has shown a considerable growth and it is projected that it will grow significantly in next couple of years. According to the statistics of OSU facilitated hotel investment projects which are currently under construction, 7,139 new hotel rooms will be added in the period 2017-2020. This number will be higher with the new projects which will be submitted to the OSU during the next two years. OSU approved 41 projects in 2016, compared to an overall approval of 262 projects from 2010 – 2016. The investment in these approved projects was USD 145 m, and the geographical locations of these are as follows:

| DISTRICT | Final Approvals Granted in 2016 | | |
|---|---|---|---|
| | Projects | Rooms | Investment (USD m) |
| Ampara | 1 | 6 | 0.206 |
| Anuradhapura | 0 | 0 | 0 |
| Badulla | 2 | 80 | 6.92 |
| Batticaloa | 0 | 0 | 0 |
| Colombo | 4 | 278 | 19.798 |
| Galle | 8 | 369 | 43.71 |
| Gampaha | 4 | 155 | 9.617 |
| Hambantota | 5 | 152 | 7.345 |
| Jaffna | 0 | 0 | 0 |
| Kalutara | 3 | 54 | 5.94 |
| Kegalle | 0 | 0 | 0 |
| Kandy | 3 | 78 | 8.504 |
| Kurunegala | 0 | 0 | 0 |
| Mannar | 0 | 0 | 0 |
| Matale | 1 | 24 | 0.813 |
| Matara | 4 | 87 | 6.256 |
| Monaragala | 0 | 0 | 0 |
| Nuwara Eliya | 2 | 124 | 22.354 |
| Polonnaruwa | 0 | 0 | 0 |
| Puttalam | 2 | 105 | 7.08 |
| Rathnapura | 1 | 21 | 3.93 |
| Trincomalee | 1 | 31 | 3.16 |
| Vavuniya | 0 | 0 | 0 |
| **TOTAL** | **41** | **1564** | **145.633** |

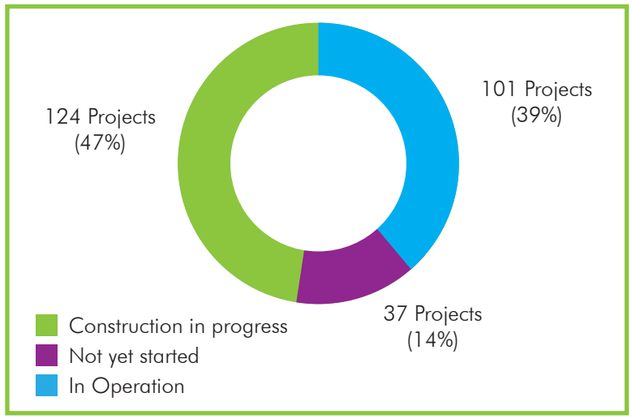
Table 4: Projects Final approval granted in 2016

Of the 262 projects approved up to 31 December 2016, the following is the breakdown of projects that are still under construction:

| DISTRICT | Projects under construction as at 31st December 2016 | | |
|---|---|---|---|
| | Projects | Rooms | Investment (USD m) |
| Ampara | 2 | 16 | 0.786 |
| Anuradhapura | 0 | 0 | 0.000 |
| Badulla | 4 | 94 | 12.410 |
| Batticaloa | 1 | 20 | 4.100 |
| Colombo | 19 | 3098 | 808.580 |
| Galle | 16 | 789 | 68.129 |
| Gampaha | 7 | 627 | 63.180 |
| Hambantota | 10 | 280 | 386.060 |
| Jaffna | 4 | 162 | 8.030 |
| Kalutara | 8 | 693 | 103.045 |
| Kegalle | 4 | 97 | 11.047 |
| Kandy | 0 | 0 | 0.000 |
| Kurunegala | 4 | 132 | 6.359 |
| Mannar | 8 | 426 | 33.366 |
| Matale | 4 | 436 | 54.160 |
| Matara | 2 | 105 | 7.080 |
| Monaragala | 6 | 128 | 18.050 |
| Nuwara Eliya | 0 | 0 | 0.000 |
| Polonnaruwa | 0 | 0 | 0.000 |
| Puttalam | 0 | 0 | 0.000 |
| Rathnapura | 1 | 21 | 3.930 |
| Trincomalee | 1 | 15 | 1.160 |
| Vavuniya | 101 | 7139 | 1589.472 |
| **TOTAL** | **202** | **14278** | **3178.944** |

Table 5: Projects under construction in 2016

A total of 124 projects out of the total 262 projects approved are in operation by 31st December 2016 and added 6,367 rooms. The following shows the construction status of the approved 262 projects:




SLTDA operates and manages 04 trading resorts, 02 non-trading resorts and has leased out the management of 37 rest houses (Public Administration) to private sector individuals.

The National Holiday Resorts at Nuwaraeliya, Bandarawela, Kataragama and Anuradhapura are the 04 trading resorts. Accommodation facilities, primarily for domestic tourists are provided at minimal rates. Significant efforts were taken to improve the general maintenance and repair of these facilities this year with an investment exceeding LKR 16m.

Development of the non - trading resort at Passikudah follows the 2010 comprehensive masterplan. Currently, 14 blocks of lands are leased out to the private sector and on these 14 there are 12 operational hotels. Basic infrastructure facilities such as electricity, water, sewage treatment are provided by the SLTDA. Investments to Passikudah in 2016 was LKR 180.5m, with the following breakdown:

- 46m on Design and construction of 210 street lamps
- 20m on Design & Construction of main access road - stage II
- 100m on purified water
- 14.5m on Construction of a ground reservoir pump house and security hut

The non- trading resort at Bentota provides a common sewage treatment facility and water supply to hoteliers. Additionally, SLTDA provides overall security and cleaning services to the resort.

As further value addition to the industry, SLTDA launched an online business licensing system (OTBLS) that eliminates the need for physical visits to SLTDA for all tourism service providers. In addition, a Tourism Development Levy (TDL) payment system was also introduced to speed up processing.

## Resort Development

### Kalpitiya

Kalpitiya product development is in stasis. A common observation of potential investors is the lack of common infrastructure and uneasy access. Resolution of these issues are pending as responsibility is shared and distributed among other ministries and authorities whose priorities are not aligned from a tourism angle.

Kalpitiya was originally conceptualized in 2014 as an Integrated Tourism Resort that targeted a new product in Sri Lanka, an 'Ocean Based Island Resort' that would be environmentally sensitive. In the first phase 12 islands were vested with Sri Lanka Tourism Development Authority and a development master plan was developed along with a strategic environmental study conducted. The resort is to consist of Dutch Bay, Portugal Bay and 9 of the most attractive islands; Karaiitive, Ippantive, Periyarachhci, Eramative and Sinnerarachchial, Oddakareltive, Battalangunduwa, Palliyawatta, and Vellai. It was envisioned the total development area would be ~5000 acres, and the resort would consist of 4000 rooms, generating 16000 direct employment opportunities and create a revenue opportunity of USD 175 m to the developer (at 80% occupancy at USD 150 per room night).

Due to changes in the government stance - with the cancellation of the process by the Ministry of Economic Development in 2010 - only 2 show interest in proceeding out of the original 14 companies selected for cabinet approval.

Currently, a total of 3 proposals are pending for differing reasons. The first, Sun Resort Lanka (Pvt) Ltd has expressed interest in constructing water bungalows off Vellai Island. However, this requires a lease on the sea-bed which has never been done in Sri Lanka previously and the matter on the sea bed lease is held up with the Divisional Secretary of Kalpitiya. The second, Qube Lanka Leisure (Pvt) Ltd., would like to build on Ippantive Island, and they continue to pay the lease rental – now for over 08 years. However, there is an outstanding issue in relation to a fishing community that occupies part of the Island during the season who are unwilling to move to an alternate location. The third, a new development proposal for Uchchamuni island meeting SLTDA requirements was forwarded to the Officials Committee on Economic Management (OCEM) and to the Cabinet Committee on Economic Management (CCEM) for approval.

### Kuchchaveli

Kuchchaweli is in stasis. A common complaint of potential investors is the high price of the upfront lease payment. Kuchchaweli was initially conceptualized in 2010 as a Beach Resort on the East Coast in close proximity to Trincomalee. The project encompasses 510 acres of beach front property located between the Irrakkandy and Salapayaru bridges. This location has good road, electricity and water. The project was expected to result in 3,500 rooms with an employment generation of 14,000 and a revenue stream of USD 150m (at 80% occupancy and USD 150 per room night)

However, Trincomalee is 08 hours by road from the main airport in Sri Lanka, a significant disincentive. The main complaint of potential investors is the requirement of an up-front payment of LKR 20m per 01acre plot, which they feel is overvalued. As a counter point however, it must be stressed that the sole resort operator at this location, Jungle Beach Resort operated by Uga Escapes Management (Pvt) Ltd as a high-end facility is fully booked 3 months in advance.

In order to understand the various bottlenecks and how to resolve these issues within the current context, a project was initiated in August 2016 with a team of experts from the Center for International Development (CID) at Harvard University headed by Professor Matt Andrews, under an initiative from the Prime Minister's office. The team consists of facilitators from Harvard along with officials from the BOI and SLTDA, and will run through April 2017.

### Yala Wildlife Resort

There has been significant development progress on Yala Wildlife Resort (YWR). The common access road to the northern part of the resort was completed, along with a new high tension electricity supply to the northern part of the resort. Chena huts by Uga Escapes Management (Pvt) Ltd commenced commercial operations.

YWR was conceptualized as a higher end product providing an immersive experience for wildlife enthusiasts. The resort is contiguous to the Yala national park and located just outside the 1 mile buffer zone. There are no fences or other separations between the wildlife park and YWR which

leads to the immersive experience. Of the 07 investors at YWR, Chena Huts is the first to commence commercial operations  Wild Coast Tented Lodge was under construction. Two of the approved investors, R&R Company (Ltd) and Ascot Leisure (Pvt) Ltd. have not commenced construction as yet.
Dedduwa Lake Resort

This project is in the early stages and land acquisition is progressing;  1732.03acres have been acquired out of a planned 1800 acres. Dedduwa borders Geoffrey Bawa's Lunuganga residence and property. It is located east of Bentota, comprises of water bodies, marshy lands, and abandoned paddy fields. The iconic Lunuganga property served as the model on which this resort is based.

## For International and Domestic Tourists

Tourism is a shared subject between the national government and the provincial councils. SLTDA, as the apex national tourism development and regulatory authority, actively funds the building of provincial tourism infrastructure, and elevating local tourism service delivery levels through the Domestic Tourism and Community Relations division that was formed in July 2015. Such efforts are typically executed in collaboration with the District Secretary and local authorities with significant funding coming from SLTDA.

This year, SLTDA spent LKR. 37 m across eight infrastructure development projects in six provinces that were budgeted at LKR. 100.3 m by working with the Provincial Tourism Ministries (PTM) and District Secretaries (DS):

| Province/ District, Authority | Project | Budget (LKR m) | Spent (LKR m) | Status |
|---|---|---|---|---|
| NWP (PTM) | Comfort Center, Madurankuliya | 15 | 3 | In progress |
| CP (PTM) | Agro tourism, Sandatenna | 14 | 8.5 | In progress |
| NCP (PTM) | • Rest rooms at Atamasthanaya<br>• Signboards<br>• Bus service | 20<br>10<br>1 | 4<br>2<br>0.2 | In progress |
| NP (PTM) | Beach infrastructure | 10 | 2 | In progress |
| WP (PTM) | Tourism villages at Madurawela, Ampitigala, Wallalawita | 5 | 1 | In progress |
| SP (PTM) | Sign boards at 12 sites | 2.8 | 2.637 | Completed |
| Kandy (DS) | Ticket counter, Dalada Maligawa | 5 | 8 | Completed |
| Hambantota (DS) | Comfort Center, Akurugoda Tissamaharama | 17.5 | 8.7 | In progress |

Table 6: Physical and Financial status of Provincial Tourism Development

Furthermore, in terms of elevating service delivery levels, SLTDA in conjunction with IFC conducted four training sessions at Arugam Bay, Passikudah, Batticaloa and Mannar. Out of the 200 participants, the 100 who successfully completed the program were issued Tourist Facilitator ID cards. Additionally, multiple awareness and sensitization programs for local youth were carried out throughout the year to ensure proper treatment of visitors.

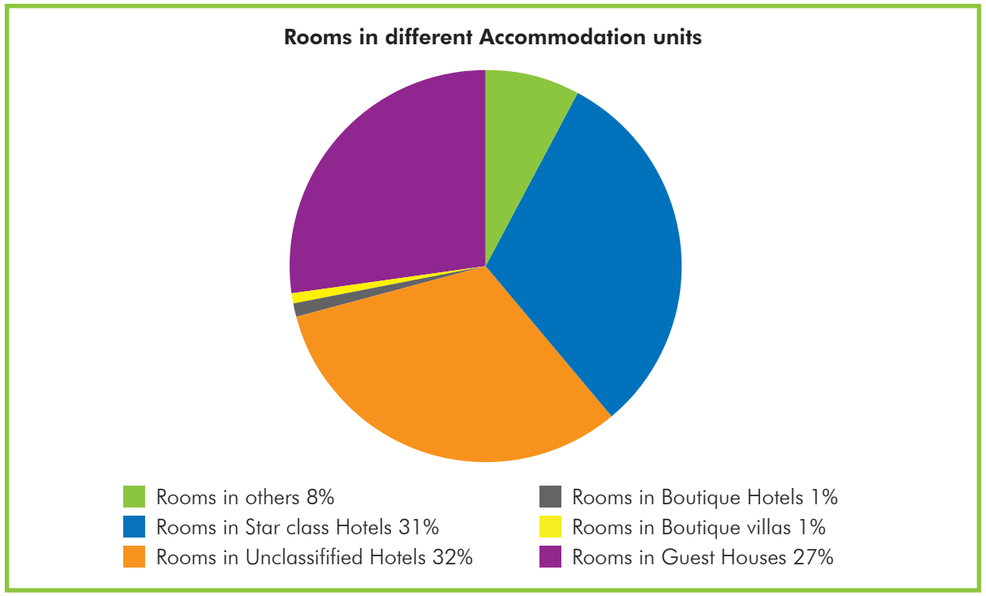
Multiple other activities were successfully conducted by the Domestic Tourism unit. These include a life guard station in Anuradhapura for the Poson season. Popular heritage activities were also funded such as the Dalada Perahera in Kandy (in August), the Kalaniya Perahera(in January), the Gatabaruwa Perahera (in September)and the Gangaramaya Perahera (in February). Beach clean ups and training tuk tuk drivers were additional programs that were conducted.



Another primary function of SLTDA is to register, regulate and ensure standards at establishments providing accommodation and other tourist services. A new Hotel Classification Committee was appointed on 20th June 2016 for a two year period. The committee inspected 56 establishments, determined 27 to be within the star class categorization, and downgraded six establishments to guesthouses. In the accommodation sector, the following were the registrations during the year, and at year end:

| Establishment Category | During the year | | At year end | |
|---|---|---|---|---|
| | Units | Rooms | Units | Rooms |
| Classified Tourist Hotel | | | | |
| Five Star | 04 | 769 | 17 | 3,513 |
| Four Star | - | - | 18 | 2,084 |
| Three Star | 01 | 243 | 16 | 1,712 |
| Two Star | 01 | 60 | 33 | 1,645 |
| One Star | - | - | 34 | 1,330 |
| Un-Classified Tourist Hotel | 28 | 1,728 | 239 | 10,596 |
| Boutique Hotel | - | - | 24 | 432 |
| Boutique Villa | 02 | 12 | 36 | 233 |
| Guest House | | | | |
| Grade 'A' | 27 | 265 | 420 | 5,210 |
| Grade 'B' | 24 | 198 | 378 | 3,361 |
| Grade 'C' | 02 | 23 | 36 | 301 |
| Home Stay Unit | | | | |
| Deluxe | 17 | 49 | 61 | 191 |
| Standard | 34 | 111 | 132 | 431 |
| Superior | 19 | 53 | 122 | 350 |
| Bungalow | | | | |
| Deluxe | 29 | 125 | 160 | 681 |
| Standard | 12 | 54 | 51 | 212 |
| Superior | 19 | 68 | 91 | 349 |
| Heritage Bungalow | | | | |
| Deluxe | - | - | 04 | 19 |
| Heritage Home | | | | |
| Deluxe | - | - | 01 | 07 |
| Rented Apartment | | | | |
| Deluxe | 06 | 23 | 11 | 35 |
| Standards | 04 | 16 | 17 | 42 |
| Superior | 04 | 09 | 29 | 75 |
| Rented Home | | | | |
| Standard | - | - | 5 | 13 |
| Superior | - | - | 2 | 09 |
| **Total** | **233** | **3,806** | **1,937** | **32,831** |

Table 7: Accommodation sector registration in 2016




In the Tourist services sector, the following were the registrations during the year and at year end:

| Establishment Category | During the year (units) | At year end (units) |
|---|---|---|
| Restaurant | | |
| A | 19 | 358 |
| B | 10 | 80 |
| Travel Agency | 97 | 855 |
| Spa & Wellness Center | 14 | 42 |
| Spice Garden | 01 | 34 |
| Tourist Shop | 04 | 70 |
| Water Sport Center | | |
| **Total** | **145** | **1,439** |

Table 8: Other tourism services registration in 2016

## Formalization of the informal sector

In addition, efforts to bring the informal sector in to the legal framework were initiated with several inspections and awareness programs conducted. This resulted in 96 establishments being registered.

## Tourism Friendly eating places

To upgrade the quality and service standards of eating places in tourism zones, a certificate scheme named as "Tourist Friendly Eating Places" were introduced. At present 96 tourist friendly eating places in Colombo, Galle, Unawatuna and Sigiriya have been registered.



## Celebration of 50 years of Sri Lanka Tourism

2016 was the 50th anniversary for Sri Lanka Tourism. This was celebrated through multiple events, some of which are described under other headings.

Sri Lanka Tourism celebrated World Tourism Day on September 27th, 2016 focusing on the UNWTO's theme for this year, "Tourism for all – Promoting Universal Accessibility." This year's theme was of special significance to Sri Lanka Tourism as it works towards implementing the statutory requirement of making the country's tourism sites accessible to all visitors.

This year's celebration unveiled the "50 best tourism experiences in Sri Lanka", launching of the documentary 'Adaraneeya Sri Lanka' and a seminar on 'Tourism for all - Promoting universal accessibility.' The documentary 'Adaraneeya Sri Lanka' program was launched at this event which is a domestic tourism promotional program designed to showcase lesser known tourist attractions in Sri Lanka. This programme consisted of a series of activities to promote domestic tourism along with the tagline in Sinhala "Dakimu, Widimu and Rakimu" (See, Feel, Protect). It has been planned to telecast 27 episodes by the Sri Lanka Rupavahini Corporation.

In addition, a seminar on "Tourism for all - Promoting universal accessibility" discussed the areas of policy and regulatory framework for accessible tourism, good practices and making an enabling environment for accessible tourism. The resource persons for the seminar were Mr. M. Ramamoorthy, Director (Planning), Ministry of Social Empowerment and Social Welfare, Mr. S. Hariharathamotharan, Lecturer, School of Social Work, National Institute of Social Development and Mr. Vijitha Perera, Member of the Tourist Hotels Classification Committee.

Two successful street Food festivals were conducted in June and during the Christmas season in support of the 50th Anniversary of Sri Lanka Tourism.

## International Exposure and Capacity Building

SLTDA invested in growing internal team awareness of local and international best practices through a two pronged approach. The first was the participation in overseas tourism related conferences and by organizing an international UNWTO Conference locally.

Nominees of SLTDA attended 10 conferences in eight overseas locations with 10 people in total participating. The participants were from a variety of grades including the Honorable Minister and his support staff, the Chairman, the Director General, Director, Assistant Director, Legal Officer and Junior Manager Categories. It is hoped participation in these events serves as an educational tool and assists in implementing international best practices in Sri Lanka. The local UNWTO conference held in Passikudah was titled "Tourism: A Catalyst for Development, Peace and Reconciliation", and it enhanced Sri Lanka's reputation among the international participants at this conference. The conference also created a forum to springboard future collaboration and partnership in marketing and rebranding of post-conflict destinations. The conference drew a total of 60 participants from the countries of Australia, Bangladesh, Cambodia, China, Denmark, France, Haiti, Hong Kong, Hungary, India, Iran, Italy, Japan, Jordan, Macao, Malaysia, Maldives, Nepal, Romania, Seychelles, Thailand, UK, USA and South Africa. The conference was facilitated and moderated by experts in tourism at the national and international levels.



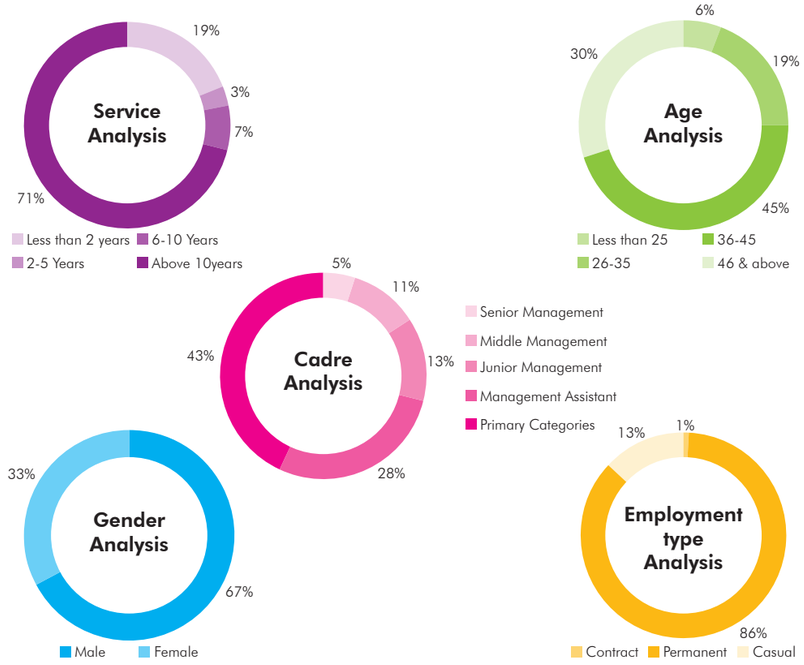


**Participants at UNWTO Conference at Passikudah**

In addition, under the aegis of the World Intellectual Property Organization (WIPO), an initial steering committee meeting was held on 4th May 2016 to discuss feasibility and next steps relating to the importance and applicability of Intellectual Property considerations in tourism.

## Our employees

The effectiveness of SLTDA ultimately depends on the caliber and output of our employees. The total cadre at year end stood at 177. Out of our employees, 71% have 10+ years of experience at SLTDA, almost 50% are between 36 and 45 years of age, 33% are female, and annual staff turnover is 2%. In this era of rapid change, the 10+ year experience at SLTDA and the low turnover is a double edged sword; we must work harder to incorporate new approaches and thinking to absorb industry best practices. While fostering an enabling workplace, we remained steadfast in our efforts to bring out the best in our employees; this year, 99 employees were trained over 1,340 hours at a cost of Rs. 2.57 million, and five new recruitments made.






The Welfare Society is an essential facet of our HR strategy. The Society was proactive and creative in nurturing our team spirit. The staff and their families participated in various events organized by the Welfare Society, building stronger bonds between our staff.

## Other Operational Details

To reduce manual workload of our employees, SLTDA launched an online travel inquiry management system, and a traveler feedback kiosk system. SLTDA also became the first government institution to move its' IT infrastructure to Sri Lanka Telecom "Akaza" cloud platform. The ICT division also initiated a three-year strategy (Blueprint) on Information Technology Deployment for Sri Lanka Tourism (2017-2019). As per the blueprint, SLTDA is in the process of deploying several projects which help entities in the tourism sector to use common technologies and share resources, aiming to reduce costs and increase overall productivity. This plan will broadly cover technologies related to organizational efficiency, customer experience enhancement and marketing / promotions, and delivery of services to our stakeholders.

The Internal Audit department ensures SLTDA complies with best financial and operational practices. The 18 Internal Audit reports issued contain suggestions and recommendations for improvements. Actions taken by the relevant officers have resulted in minimizing costs and in streamlining processes through better internal checks. Further, Internal Audit also convened three quarterly Audit & Management Committee Meetings during this year.

The legal department provides advice for the day to day functions of SLTDA, liaises with the Attorney General's department, the legal draftsman's department, and files action when required. In addition, it also conducts board meetings, audit and management committee meetings and functions as the board secretariat. This year, 12 lease agreements were signed and eight service agreements signed. In addition, gazette No: 1963/28 was issued on the Code of Conduct of Tourist Hotels under Section 49 (1) (a) of the Tourism Act No: 38 of 2005.



# SRI LANKA TOURISM DEVELOPMENT AUTHORITY
# ANNUAL ACCOUNTS - 2016

SRI LANKA TOURISM DEVELOPMENT AUTHORITY

# CONTENT


| | Page No |
|---|---|
| Statement of Financial Position | 28 |
| Income Statement | 30 |
| Statement of Changes in Equity | 31 |
| Cash Flow Statement | 32 |
| Notes to Accounts | 34 |
| **Annexure:** | |
| **Domestic Tourism Resorts & Rest House Operations** | |
| Summary of Resort Operations | 48 |
| **Domestic Tourism Resorts** | |
| Kataragama | 49 |
| Nuwara Eliya | 50 |
| Bandarawela | 51 |
| Anuradhapura | 52 |
| **National Holiday Resorts** | |
| Bentota | 53 |
| Polonnaruwa / Kalkudah | 54 |
| Budget Vs Actual | 55 |

## Sri Lanka Tourism Development Authority
## Statement of Financial Position
## as at 31 December 2016

| | Note | 2016 Rs. | 2015 Rs. (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash in Hand and at Bank | 04 | 1,080,158,814 | 1,017,291,721 |
| Trade & Other Receivables | 05 & 3.16 | 323,061,347 | 250,077,700 |
| Transfer Receivable | 3.16 | 78,096,574 | 65,124,651 |
| Inventories | | 2,266,313 | 2,387,481 |
| Pre payments | | 3,385,150 | 2,156,757 |
| Advances | 06 | 269,905,805 | 165,968,311 |
| W.H.T. / VAT Receivable | | 594,240 | 7,959,006 |
| Deposit Receivable | | 9,105,922 | 9,084,924 |
| Interest Suspense | | 866,338 | 2,535,795 |
| **Total Current Assets** | | **1,767,440,503** | **1,522,586,346** |
| **Non- Current Assets** | | | |
| Property, Plant & Equipment | 3.02 | 2,551,330,400 | 2,523,592,343 |
| Less : Provision for Depreciation | 3.02 | 433,753,991 | 375,905,249 |
| **Written down value** | | **2,117,576,408** | **2,147,687,095** |
| Add : Work in progress | 07 | 315,476,031 | 226,565,525 |
| Intangible Assets (Development cost Net) | 3.02 | 33,016,065 | 35,089,486 |
| Library Books | | 1,880,781 | 1,880,781 |
| Long Term Investments | 08 | 79,272,664 | 78,408,709 |
| **Total Non- Current Assets** | | 2,547,221,949 | 2,489,631,596 |
| **Total Assets** | | **4,314,662,452** | **4,012,217,942** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Creditors | 10 | 7,108,080 | 7,035,258 |
| Land Lease Rent Payable | | - | 61,398,750 |
| Transfer Payable | 3.16 | 86,305,593 | 71,274,981 |
| Deposit / Other payables | 3.16 | 40,895,614 | 29,871,015 |
| V. A. T. Payable | | 213,964 | 2,291,430 |
| Income Tax Payable | | 6,178,695 | - |
| Revenue in Advance | | 27,372,859 | 29,125,940 |
| Accrued Expenses | | 45,848,699 | 62,017,217 |
| Provision for Retirement Gratuity | 09 | 54,204,721 | 52,288,318 |
| **Total Current Liabilities** | | 268,128,225 | 315,302,909 |
| **Long Term Liabilities** | | 11,084,171 | 19,221,087 |
| **Net Assets** | | **4,035,450,056** | **3,677,693,946** |
| **NET ASSETS/EQUITY** | | | |
| Government Account | | 14,272,174 | 14,272,174 |
| Capital Reserves | | (243,736,884) | (243,736,884) |
| Kalpitiya Equity | | 93,480,041 | 91,073,378 |
| Revaluation Reserve | | 945,835,504 | 945,835,504 |
| Capital Contribution | | 1,636,043,833 | 1,636,043,833 |
| Revenue Account | | 1,587,866,366 | 1,232,516,920 |
| Sinking Fund | | 759,021 | 759,021 |
| Tourism Fund | | 930,000 | 930,000 |
| **Total Net Assets/Equity** | | **4,035,450,056** | **3,677,693,946** |

The Accounting policies on pages 30 to 41 and Notes on pages 42 to 56 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements.These Financial Statements were approved by the Board of Directors and signed on their behalf

**M.B. Kiriella**
Director General
Sri Lanka Tourism Development Authority

**P.N.Dissanayake**
Director/Financial Management
Sri Lanka Tourism Development Authority

**P.M.Withana**
Chairman
Sri Lanka Tourism Development Authority

## Sri Lanka Tourism Development Authority
## Income Statement
## For the period ended 31 December, 2016

| | Note | 2016 Rs. | 2015 Rs. |
|---|---|---|---|
| **Revenue** | | | |
| Embarkation Levy | 11 | 329,761,779 | 275,595,754 |
| Tourism Development Levy | 12 | 179,476,385 | 142,824,737 |
| Fees and Licenses | 13 | 123,421,078 | 111,758,601 |
| Surplus/(Deficit) from Resort Operation | 14 | (3,900,279) | (12,392,516) |
| Other Income | 15 | 49,178,126 | 26,849,439 |
| **Total Revenue** | | **677,937,088** | **544,636,014** |
| **Expenses** | | | |
| Wages,Salaries & Employee Benefits | 16 | 105,394,162 | 96,388,134 |
| Supplies and Consumables Used | 17 | 60,143,458 | 54,427,441 |
| Trade Related Expenditure | 18 | 86,168,720 | 42,564,789 |
| Depreciation and Amortization Expense | | 38,526,864 | 38,259,525 |
| Other Expenses | 19 | 1,426,785 | 1,320,112 |
| Finance Expenses | 20 | 2,777,550 | 3,363,490 |
| **Total Expenses** | | **294,437,539** | **236,323,490** |
| **Surplus/ (Deficit) for the Period before Tax** | | **383,499,550** | **308,312,524** |
| **Corporate Income Tax** | | **9,601,641** | **-** |
| **Net Surplus/ (Deficit) for the Period** | | **373,897,908** | **308,312,524** |
| Profit/ (Loss) brought forward | | 1,232,516,920 | 924,185,249 |
| Correction of a prior period error | | 1,153,147 | 19,147 |
| Corporate Income Tax | | 19,701,609 | - |
| **Total** | | **1,213,968,458** | **924,204,395** |
| **Profit/ (Loss) carried forward to general fund** | | **1,587,866,366** | **1,232,516,920** |



## Sri Lanka Tourism Development Authority
## Changes in equity statement for the year ended 31 December 2016

| | Government Account | Capital Reserves | Kalpitiya Equity | Revaluation Reserve | Capital Contribution | Revenue Account | Sinking Fund | Tourism Fund | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 01 January 2015** | **14,272,174** | **(243,736,884)** | **88,797,591** | **945,835,504** | **1,636,043,833** | **924,204,395** | **759,021** | **930,000** | **3,367,105,635** |
| Earlier Prior Year Adjustment - Income Tax | - | - | - | - | - | (17,738,127) | - | - | (17,738,127) |
| Earlier Prior Year Adjustment - E.S.C. set off against Income Tax | | | | | | 1,738,958 | | | 1,738,958 |
| Depreciation Written back | - | - | - | - | - | (252,171) | - | - | (252,171) |
| Receivable from Welfare Association | - | - | - | - | - | 1,435,607 | - | - | 1,435,607 |
| **Adjusted Balance as at 01 January 2015 ( Note No 3.15 (a)** | **14,272,174** | **(243,736,884)** | **88,797,591** | **945,835,504** | **1,636,043,833** | **909,388,662** | **759,021** | **930,000** | **3,352,289,902** |
| Profit for the Year | | | | | | 308,312,524 | | | 308,312,524 |
| Depreciation Written back | | | | | | (30,288.79) | | | (30,289) |
| Prior Year Adjustment - Income Tax | - | - | - | - | - | (4,187,693.94) | - | - | (4,187,694) |
| Prior Year Adjustment - E.S.C. set off against Income Tax | | | | | | 485,254.03 | | | 485,254 |
| Interest Income | - | - | 2,275,787 | - | - | - | - | - | 2,275,787 |
| **Adjusted Balance as at 01 January 2016 ( Note No 3.15 (b)** | **14,272,174** | **(243,736,884)** | **91,073,378** | **945,835,504** | **1,636,043,833** | **1,213,968,458** | **759,021** | **930,000** | **3,659,145,484** |
| Profit for the Year | - | - | - | - | - | 373,897,908 | - | - | 373,897,908 |
| Interest Income | - | - | 2,406,663 | - | - | - | - | - | 2,406,663 |
| **Balance as at 31 December 2016** | **14,272,174** | **(243,736,884)** | **93,480,041** | **945,835,504** | **1,636,043,833** | **1,587,866,366** | **759,021** | **930,000** | **4,035,450,056** |

## Sri Lanka Tourism Development Authority
## Cash Flow Statement
## For the Year Ended 31 December 2016

| | | |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net Surplus/ (Deficit) for the Period | | **373,897,908** |
| **Adjustments for** | | |
| Depreciation | 74,356,763 | |
| Corporate Income Tax paid | (19,701,609) | |
| Increase/(Decrease) in Provision for Doubtful debts | 1,279,718 | |
| Correction of a prior period error | 1,435,607 | |
| Staff loan & Deposit Interest | (571,126) | |
| (Gain)/ Loss on Disposal of Assets | (4,805,362) | |
| Bank Interest Received | (33,540,449) | |
| Provision for Gratuity | 4,712,134 | 23,165,674 |
| **Operating Surplus/(Deficit) before working capital changes** | | **397,063,583** |
| | | |
| **Changes in working capital-Inflow/(Outflow)** | | |
| | | |
| (Increase)/Decrease in Inventories | 121,168 | |
| (Increase)/Decrease in Trade Receivables | (74,263,365) | |
| (Increase)/Decrease in Transfer receivables | (12,971,923) | |
| (Increase)/Decrease in Prepayments | (1,228,393) | |
| (Increase)/Decrease in Advances | (103,937,493) | |
| (Increase)/Decrease in W.H.T. / V.A.T. Receivable | 7,364,766 | |
| (Increase)/Decrease in Deposit Receivables | (20,999) | |
| (Increase)/Decrease in Interest Suspense | 1,669,456 | |
| Increase/(Decrease) in Trade Payables | 72,822 | |
| Increase/(Decrease) in Transfer payables | 15,030,612 | |
| Increase/(Decrease) in Land Lease Rent Payables | (61,398,750) | |
| Increase/(Decrease ) in Deposit / Other Payables | 11,024,599 | |
| Increase/(Decrease ) in V.A.T. Payable | (2,077,465) | |
| Increase/(Decrease ) in Income Tax Payable | 6,178,695 | |
| Increase/(Decrease) in Revenue in Advance | (1,753,081) | |
| Increase/ (Decrease) in Accrued Expenditure | (16,168,518) | (232,357,869) |
| **Net cash from operating activities** | | **164,705,714** |
| | | |
| **Cash flow s from investing activities** | | |
| Gratuity paid | (2,795,731) | |
| Staff loan & Deposit Interest | 571,126 | |
| Purchase of Property,Plant and Equipment | (131,365,621) | |
| Sale of Property,Plant and Equipment | 4,805,362 | |
| Increase in Long Term Investment | (863,955) | |
| Bank Interest Received | 33,540,449 | |
| **Net cash used in investing activities** | | **(96,108,369)** |
| | | |
| **Cash flows from financing activities** | | |
| Increase in Kalpitiya Equity | 2,406,663 | |
| Decrease in Long Term Liabilities | (8,136,915) | |
| **Net cash used in financing activities** | | **(5,730,252)** |
| **Net Increase in cash and cash equivalents** | | 62,867,093 |
| **Cash and cash equivalents at beginning of period (Note 22)** | | 1,017,291,721 |
| **Cash and cash equivalents at end of period ( Note 21 )** | | **1,080,158,814** |

# Notes to Accounts

## 1. General Information

**Name**
Sri Lanka Tourism Development Authority (SLTDA)

The Sri Lanka Tourism Development Authority (SLTDA) is a leading economic development agency in tourism, one of Sri Lanka's key service sectors. SLTDA is known for partnership, innovation and excellence, the Authority champion's tourism and builds it into a key economic driver for Sri Lanka.

**Legal Form**
A Statutory organization incorporated under Tourism Act No. 38 of 2005

**Head Office Address**
No 80, Galle Road, Colombo 03

**Location of National Holiday Resorts**
Passikudah , Kuchchaveli,Kalpitiya , Bentota,Giritala,Polonnaruwa & Yala

**Location of Domestic Holiday Resorts**
Anuradhapura, Bandarawela ,Bentota , Kataragama & Nuwara Eliya

## 2. Basis of Preparation

The Financial Statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards. No adjustments have been made for inflationary factors affecting the Financial Statements.

### 2.1 Presentation and Functional Currency
These Financial Statements are presented in Sri Lankan Rupees (Rs.) and all financial information presented in Sri Lankan Rupees has been rounded to nearest rupee.

### 2.2 Going concern
Financial statements are prepared based on the going concern assumption.

## 3. Valuation of assets and their basis of measurement

### 3.1 Inventories/Stocks:
Stocks have been generally measured at cost or net realizable value whichever is lower.

### 3.2 Depreciation

(a) Depreciation has been provided on cost or valuation of the assets on straight line method as follows.

| | | | |
|---|---|---|---|
| Land | - | No Depreciation | |
| Building | - | 5% | (20 Years) |
| Roads & connected work | - | 12.5% | (08 Years) |
| Water Services & Drainage | - | 12.5% | (08 Years) |
| Electrical Installations | - | 12.5% | (08 Years) |
| Telecommunication Installations | - | 12.5% | (08 Years) |
| Fixtures & Fittings | - | 10% | (10 Years) |
| Furniture | - | 10% | (10 Years) |
| Miscellaneous Equipment | - | 10% | (10 Years) |
| Plant & Machinery | - | 20% | (05 Years) |
| Motor Vehicles | - | 20% | (05 Years) |
| Data Processing Equipment | - | 20% | (05 Years) |
| Glassware & Crockery | - | 33 1/3% | (03 Years) |
| Cutlery & Silverware | - | 25% | (04 Years) |
| Linen | - | 50% | (02 Years) |
| Application Software | - | 50% | (02 Years) |
| Development Cost | - | 10% | (10 Years) |

Depreciation begins when it is available for use.

**(b) Application Software**
Application software comprises License Registration Process System and MS office software at acquisition cost.

**(c) Valuation of Lands**
The process of valuing all the lands belongs to the SLTDA with the government valuation department is underway. When the valuation of entire assets class of lands is completed the new value will be recognized in the books of accounts. In addition identification of all the lands of SLTDA with their supporting documents is to be done.

### 3.3 Assets on lease

**(a) Lands on operating lease**
All the government owned lands and rest houses vested to SLTDA are leased out o n operating lease by entering to a formal lease agreement after following the due government procedures.

Operating lease rate is 4% of the land value based on the valuation done by the government valuation department subject to applying the presidential circular dated 12 July 1995 (SEI/A/4/34) is the minimum basis of deciding the monthly lease rent.

Lease income from operating leases has been recognized in revenue statement on straight-line basis.

**(b) Finance Lease**
During the financial year 2014, the authority acquired (05) five motor vehicles through finance lease facility provided by the Bank of Ceylon. The lease period is four years (48 Months). The initial cost of leased asset has been recognized based on the fair value.

Net Carrying Amount of the leased motor vehicle as at December 31, 2016 is depicted below.

| Vehicle | Cost | Acc. Depreciation | Net Carrying Amount as at 31/12/2016 |
|---|---|---|---|
| Mitsubishi Double Cab | 6,962,441 | 4,293,506 | 2,668,935 |
| Toyota Hiace Van - 03 Nos | 21,155,643 | 11,283,010 | 9,872,633 |
| Toyota Corolla Car | 6,961,311 | 3,712,699 | 3,248,612 |

The total minimum lease payments relevant to the leased assets as at 31st December 2016, is as follow.

| Vehicle | Future Minimum Lease Payments |
|---|---|
| Mitsubishi Double Cab | 1,884,281 |
| Toyota Hiace Van - 03 Nos | 6,933,909 |
| Toyota Corolla Car | 2,265,981 |
| Total | 11,084,171 |

### 3.4 Provision for Doubtful Debts

Provisionfor doubtful debts was estimated on Trade and other receivable balances after deducting the rent deposits of particular customers and considering the pattern of receipts on the following basis.

| | | |
|---|---|---|
| More than one year but less than two yea | - | No provision |
| More than two years but less than three years | - | 05% |
| More than three years but less than four years | - | 25% |
| Four years & above | - | 50% |

### 3.5 Contingent Liabilities

There are no contingent liabilities available to disclose as per the SLPSAS 8

### 3.6 Taxation

The Board was exempted from income tax under section 8(a)(xx) of the Inland Revenue Act No. 28 of 1979. However, as per the Inland Revenue amendment Act No. 10th of 2002 returns should be furnished to the Inland Revenue Department and as per the directions given by the Inland Revenue Department SLTDA shall pay income tax on the interest and dividend income.

### 3.7 Foreign Currency Transactions

These transactions are converted on the following rates.

| | | |
|---|---|---|
| Receipts & payments | - | Actual |
| Remittance | - | Actual |

### 3.8 Capitalization of Assets

There were no items to capitalize during the year 2016.

### 3.9 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an Authority pays fixed contribution in to a separate entity. Obligation for contribution to defined contribution plans are recognized as an employee benefit expenses in the statements of financial performance in the period during which services are rendered by employees.

**(a) Employees' Provident Fund (E.P.F.)**

The Authority and employees contribute 15% and 10% respectively on the salary of each employee to the approved provident fund.

**(b) Employees' Trust Fund (E.T.F.)**

The Authority contributes 3% of the salary of each employee to the Employees'Trust Fund.



### 3.10 Advances

The following advances are shown under current assets

| | | Amount (Rs) |
|---|---|---|
| 1. | Acquisition of the land - Dedduwa project | 30,000,000 |
| 2. | Acquisition of the land – Kalpitiya Dutch bay | 41,000,000 |
| 3. | Acquisition of the land - Dedduwa project - (2016) | 104,040,000 |

The advance of Rs.30,000,000 was released to the Divisional Secretary Bentota in order to acquire lands from the private parties. The processing of land acquisition has been carried out by the Divisional Secretary in consultation with the Ministry of Land and the Survey Department.

The other advance, amounting to Rs.41,000,000 was released to the Divisional Secretary Kalpitiya for acquisition of land from the private parties. Divisional Secretary Kalpitiya has taken necessary steps to acquire lands from private parties after obtaining assistance from the Ministry of Land and Survey Department.

During the year 2016 an amount of Rs. 104,040,000 released to Divisional Secretary Bentota to pay the balance compensation for land acquired for Dedduwa Tourism Development Project.

Note: Present position of the above three advances

**(a) Dedduwa Project**

| | |
|---|---|
| Initial Advance | 30,000,000 |
| Accrued Interest | 39,124,674 |
| Total Advance | 69,124,674 |

The Divisional Secretary has proceeded with acquisition process and paid compensation to the tenant whose ownership was proven, and balance has to be paid for the remaining lands, when the process is completed the divisional secretary will issue a land vesting order to SLTDA.

Until we receive the vested right to lands, total advance has been recognized in the advance account.

**(b) Kalpitiya Project**

According to a Bank confirmation as at 31st December 2016, the value of the advance has been increased in the following manner.

| | |
|---|---|
| Initial Advance | 41,000,000 |
| Accrued Interest | 20,314,891 |
| Total Advance | 61,314,891 |

The amount of Rs. 20,314,891 interests added to the value of the initial advance, total amount will be utilized for land acquisition.

### 3.11 Investments

Board has invested Rs.4.0 million (Rs.10/- shares x 400,000) at Taj Exotica Ltd in 1991 and the company's shares are not listed. The net book value per share was Rs.12.87 as per 2016 financial statements of the company.

In addition SLTDA has invested Rs.750, 000/- with the Sri Lanka Hotel Tourism Training (Pvt) Ltd which is presently not in operation and the said training institution is to be liquidated according to the available information.

### 3.12 Related party transactions

No related party transaction available to disclose

### 3.13 Work in Progress

Projects under construction are representing the value of work in progress amounting to Rs.315, 476,031 (please refer note 7).

### 3.14 Comparative information

Comparative financial information with the last year financial statements has been provided. The previous year's figures and phrases are re-arranged wherever necessary to conform to the current year's presentation.

### 3.15 Changes in Equity

**(a) Adjustment for Prior Periods**

As presented in the Statement of changes in equity, the opening retained earnings was adjusted by Rs. 14,815,733 which represented the amount of changes in income tax expenditure Rs. 17,738,127 (F/Y 2010 - 2014), depreciation adjustment for application software and development cost Rs. 252,171 (F/Y 2014) , Economic Service Charge (E.S.C.) Expenses of Rs. 1,738,958 ( F/Y 2010 - 2014) set off against income tax liability and changes in community relation expenses Rs. 1,435,607 relevant to the year 2014.

The comparative amounts in the statement of financial performance relevant for earliest prior period were not restated.

The impact on the reported profit for the year 2014 is described below.

| Description | Amount reported as at 31.12.2014 | Adjustment | Amount (Restated) 31.12.2014 |
|---|---|---|---|
| Income Tax | - | 6,899,382 | 6,899,382 |
| Depreciation | 35,276,601 | 252,171 | 35,528,772 |
| Other Expenses (Economic Service Charges | 593,664 | (114,164) | 479,500 |
| Resort Surplus - (E.S.C. Expenses) | 1,529,201 | (58,683) | 1,587,884 |
| Trade Related Expenses (Community Relation Expenses ) | 38,762,327 | (1,435,607) | 37,326,720 |
| **Surplus Deficit Brought Forward as of 01.01.2014**<br>Income Tax<br>E.S.C. | 599,155,987 | -<br>10,838,745<br>(1,566,111) | 589,883,353 |
| **Total Adjustment** | **-** | **14,815,733** | **-** |
| **Adjusted Revenue Account Balance as of 01.01.2015** | **924,204,395** | **14,815,733** | **909,388,662** |

**(b) Adjustment for Prior Period – F/Y 2015**

As presented in the Statement of changes in equity, the opening retained earnings was adjusted by Rs. 3,732,729 which represented the amount of changes in income tax expenditure Rs. 4,187,694, depreciation adjustment for application software and development cost Rs. 30,289 and E.S.C. Expenses of Rs. 485,254 set off against income tax liability relevant to the year 2015.



The comparative amounts in the statement of financial performance were not restated. The impact on the reported profit for the year 2015 is described below.

| Description | Amount reported as at 31.12.2015 | Adjustment | Amount (Restated) 31.12.2015 |
|---|---|---|---|
| Income Tax | - | 4,187,694 | 4,187,694 |
| Depreciation | 38,259,525 | 30,289 | 38,289,814 |
| Other Expenses (Economic Service Charges | 1,320,112 | (289,446) | 1,030,666 |
| Resort Surplus - E.S.C. Expenses | (12,392,516) | (195,808) | (12,196,708) |
| **Total Adjustment** | - | 3,732,729 | - |
| **Surplus/ (Deficit) for the Period** | 308,312,524 | 3,732,729 | 304,579,795 |
| **Adjusted Revenue Account Balance as of 01.01.2016** | 1,217,701,186 | 3,732,729 | 1,213,968,458 |

### 3.16 Transfer Receivable & Payable

**(a) Transfer receivable**

Transfer receivable comprises the receivable balance from the hoteliers which is to be transferred to the service provider of sewage plant at Passikudah. Nature of this transaction is SLTDA collect and transfers the amount to the service provider without any gain to SLTDA hence this transaction is recognized as a transfer receivable in the statement of financial position. However in the year 2015 an amount of Rs 65,124,651 had been recognized under Trade and receivable of the statement of financial position now re classified as follows.

| Item | Amount as per the published financial statement in 31.12.2015 | Amount Re classified | Amount with re classification in financial Statement as at 31.12.2015 |
|---|---|---|---|
| Trade & Other Receivables | 315,202,351 | (65,124,651) | 250,077,700 |
| Transfer Receivable | - | 65,124,651 | 65,124,651 |
| **Total** | **315,202,351** | **-** | **315,202,351** |

**(b) Transfer Payable**

Transfer Payable comprises the balance to be transferred to the service provider of sewage plant at Passikudah. However In the year 2015 an amount of Rs 71,274,981 had been recognized under Deposit/other payable of the statement of financial position now been re classified as follows.

| Item | Amount as per the published financial statement in 31.12.2015 | Amount Re classified | Amount with re classification in financial Statement as at 31.12.2015 |
|---|---|---|---|
| Deposit/Other Payables | 101,145,996 | (71,274,981) | 29,871,015 |
| Transfer Payables | - | 71,274,981 | 71,274,981 |
| **Total** | **101,145,996** | **-** | **101,145,996** |

## Property,Plant & Equipment
## Note No. 03.02

| Note | Code | Description | Balance as at 01.01.2016 | Additions 2016 | Transfers / Adjustments | Balance as at 31.12.2016 | Acc.Depre-ciation as at 01.01.2016 | Depreciation 2016 | Transfers / Adjustments | Acc.Depre-ciation as at 31.12.2016 | Net Book Value as at 31.12.2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 3.02 | 101 | Land | 1,647,762,676 | 1,498,593 | - | 1,649,261,269 | - | - | - | - | 1,649,261,269 |
| 3.02 | 102 | Buildings | 453,608,961 | 1,863,357 | - | 455,472,318 | 129,186,489 | 21,243,652 | - | 150,430,141 | 305,042,177 |
| 3.02 | 102A | Road & Works | 39,022,804 | - | - | 39,022,804 | 22,482,781 | 2,808,715 | - | 25,291,495 | 13,731,308 |
| 3.02 | 102B | Water Ser & Drainage | 140,810,523 | 4,527,364 | - | 145,337,887 | 74,293,878 | 15,643,984 | - | 89,937,862 | 55,400,025 |
| 3.02 | 102C | Electrical Installation | 21,895,787 | - | - | 21,895,787 | 8,350,216 | 247,580 | - | 8,597,796 | 13,297,990 |
| 3.02 | 102D | Telecom Installation | 17,023,301 | 11,186 | - | 17,034,487 | 6,658,331 | 1,736,860 | - | 8,395,191 | 8,639,297 |
| 3.02 | 103 | Fixtures & Fittings | 11,517,400 | 239,785 | - | 11,757,185 | 6,479,826 | 617,525 | - | 7,097,351 | 4,659,834 |
| 3.02 | 104 | Furniture | 26,363,987 | 2,312,237 | (4,900) | 28,671,324 | 11,449,907 | 2,608,924 | (4,900) | 14,053,931 | 14,617,393 |
| 3.02 | 105 | Miscellaneous Equipment | 30,069,614 | 8,779,771 | (7,250) | 38,842,135 | 12,958,163 | 3,469,446 | (7,250) | 16,420,358 | 22,421,776 |
| 3.02 | 106 | Plant & Machinery | 10,344,034 | - | - | 10,344,034 | 8,502,613 | 514,637 | - | 9,017,250 | 1,326,784 |
| 3.02 | 110 | Motor Vehicles | 59,503,268 | 2,538,270 | (6,264,901) | 55,776,636 | 38,533,189 | 7,444,052 | (6,264,901) | 39,712,340 | 16,064,296 |
| 3.02 | 111 | Data Processing Equipment | 52,556,314 | 6,464,613 | (1,117,353) | 57,903,574 | 48,026,799 | 3,356,278 | (446,266) | 50,936,811 | 6,966,763 |
| 3.02 | 107 | Glassware & Crockery | 1,363,867 | 147,586 | (15,370) | 1,496,083 | 938,625 | 60,266 | (15,370) | 983,521 | 512,562 |
| 3.02 | 108 | Cutlery & Silverware | 1,229,735 | 94,314 | - | 1,324,049 | 680,346 | 200,876 | - | 881,223 | 442,826 |
| 3.02 | 109 | Linen | 10,520,074 | 5,208,235 | (54,710) | 15,673,598 | 7,364,086 | 3,547,386 | (54,710) | 10,856,762 | 4,816,836 |
| 3.02 | 112 | Application Software | - | 400,126 | 1,117,103 | 1,517,229 | - | 375,271 | 766,686 | 1,141,957 | 375,271 |
| | | **Sub Total** | **2,523,592,343** | **34,085,438** | **(6,347,381)** | **2,551,330,400** | **375,905,249** | **63,875,454** | **(6,026,711)** | **433,753,991** | **2,117,576,408** |
| 3.02 | 211L | Development Cost | 176,222,765 | 8,369,677 | - | 184,592,443 | 141,133,280 | 10,481,309 | (38,210) | 151,576,378 | 33,016,065 |
| | | **Total** | **2,699,815,109** | **42,455,115** | **(6,347,381)** | **2,735,922,843** | **517,038,528** | **74,356,763** | **(6,064,921)** | **585,330,369** | **2,150,592,473** |



### 3.17 Kalpitiya Project

Funds received for the project from all the sources and expenditure for the project activities and project office administration have been listed in the following statement. All the expenses have been categorized under the project work in progress account in the SLTDA Ledger and funds received has been categorized under the project equity and income received by selling biding document of Rs.1,743,000 & 1% of contract price of Rs.1,500,000 have also been identified directly in the equity account. Further expenditure has been identified on accrual basis.

Receipts

| Description | Amount/Rs |
|---|---|
| Sri Lanka Tourism Development Authority | 45,680,603 |
| Sri Lanka Tourism Promotion Bureau | 47,500,000 |
| Sri Lanka Institute of Tourism & Hotel Management | 1,800,000 |
| Sri Lanka Convention Bureau | 600,000 |
| Qube Lanka Leisure Properties (Pvt) Ltd - 1% out of the bid price | 1,000,000 |
| Sun Resort Investment (Pvt) Ltd - 1% out of bid price | 500,000 |
| Bidding Fee at Rs.2,000 | 18,000 |
| Bidding Fee at Rs.25,000 | 1,725,000 |
| **Total** | **98,823,603** |

Expenditure

| Description | Amount/Rs |
|---|---|
| Payments Programme/Project expenses | 66,306,642 |
| Administrative expenses | 32,558,833 |
| Capital expenditure | 1,807,049 |
| **Total** | **100,672,524** |

### 3.18 Events after the Reporting Date:

The materiality of events occurring after the reporting date has been considered and appropriate adjustments were made in the accounts, where necessary.

**Sri Lanka Tourism Development Authority**
**Notes to the Financial Statements**
**For the period ended 31 December, 2016**

### 04. Cash in Hand and at Bank

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Cash in Hand - Petty Cash | 35,673 | 83,838 |
| Cash at Bank - HO & Resorts | (2,547,516) | 530,762 |
| Cash at Bank - Fund Management Account * | 1,082,638,960 | 1,016,645,426 |
| Cash in Hand - Petty Cash (Kalpitiya Project) | 15,000 | 15,000 |
| Cash at Bank - (Kalpitiya Project) | 16,695 | 16,695 |
| **Total of cash in hand & bank balance** | **1,080,158,814** | **1,017,291,721** |

* Funds in the bank account has been invested on daily basis with in a fund management account with Bank of Ceylon ,please refer note no 15 for the interest earned.

### 05. Trade & Other Receivable

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Trade Receivable | 45,330,449 | 34,898,458 |
| Other Receivable | 263,642,538 | 201,566,084 |
| Employees - Loans & Advances | 18,934,339 | 17,179,419 |
| Sub Total | 327,907,326 | 253,643,961 |
| Less : Provision for bad & doubtful debts | (4,845,979) | (3,566,262) |
| **Total** | **323,061,347** | **250,077,700** |

**The following amounts were included to the Trade & Other Receivable**

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Item | 2016 (Rs) | 2015 (Rs.) |
| Trade Debtors | 45,330,449 | 34,898,458 |
| Sundry Debtors | 8,348,355 | 6,460,645 |
| Sri Lanka Tourism Promotion Bureau | 24,448,523 | 13,559,157 |
| Sri Lanka Institute of Tourism & Hotel Mgt | 5,849,528 | 5,059,700 |
| Kalpitiya Project | 83,682 | 83,682 |
| TDF Current Account | 203,265,671 | 156,595,837 |
| Water Service - Passikudah | 11,247,165 | 11,166,093 |
| Debtor - NPCL | 9,627,113 | 7,889,141 |
| Current A/c - Head office | 42,631 | 42,631 |
| Returned Cheques | 596,221 | 709,199 |
| Credit Sales | 117,412 | - |
| Auction Receivable | 16,238 | - |
| **Sub Total** | **263,642,538** | **201,566,084** |
| Festival Advance | 100,000 | 75,000 |
| Special Loan | 1,864,295 | 1,771,980 |
| Distress Loan | 16,968,044 | 15,332,439 |
| Miscellaneous Advance | 2,000 | - |
| **Sub Total** | **18,934,339** | **17,179,419** |



| | | |
|---|---|---|
| Less: Provision for bad debts | (4,845,979) | (3,566,262) |
| **Total** | **323,061,347** | **250,077,700** |

**Provision for Doubtful Debts**

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Balance at the Beginning | 3,566,262 | 2,406,273 |
| (Over)/ Under Provision for the year | 1,279,718 | 1,159,988 |
| **Balance at the End** | **4,845,979** | **3,566,262** |

### 06. Advances

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Advances - Expenses | 35,431,005 | 37,935,409 |
| Advances - Acquisition of Land ( Dedduwa ) | 69,124,675 | 69,124,675 |
| Advances - Acquisition of Land ( Kalpitiya ) | 61,314,891 | 58,908,228 |
| Advances - Acquisition of Land ( Dedduwa - F/Y 2016) | 104,035,234 | - |
| **Total** | **269,905,805** | **165,968,311** |

### 07. Work in Progress

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| NHR - B'wela ( Consultancy fee ) | 62,955 | 62,955 |
| Passikudah Development Projects | | |
| **Passikudah - Infrastructure Development Project** | **6,547,556** | **6,547,556** |
| Passikudah - Earth Filling | 31,544,824 | 27,741,704 |
| Laying Water Line at NHR Passikudah | 47,432,500 | 47,432,500 |
| Passikudah - Construction of Ground Reservoir, Pump House, Security Hut & Site Works | 16,262,999 | - |
| Passikudah - Design & construction of proposed 210 Nos of Street Light Posts | 37,760,220 | - |
| Passikudah - Construction of Main Access Road | 54,133,756 | 39,114,111 |
| Passikudah - Design & construction of 04 no of Life Guard Units | 2,737,748 | - |
| Anuradhapura | 200,000 | 200,000 |
| Sulanka Bentota | 250,000 | 250,000 |
| Tourist Police Information Centre | 2,553,668 | 2,553,668 |
| Bentota -Laying Asphalt Concrete | 2,376,805 | 2,376,805 |
| Construction of Generator Room - Kataragama | 304,762 | 304,762 |
| Calido Beach Development Project | 1,247,206 | 1,247,206 |
| Fixing of Table Top Touch Screen | 784,642 | - |
| Refurbishment of Head Office Building | 361,000 | |
| **Domestic Tourism Projects** | | |
| Sadatenna Agro Farm | 8,543,316 | - |
| Construction of comfort centre at Akurugoda - Tissamaharama | 3,506,600 | - |
| Kalpitiya Development Project | 98,865,474 | 98,734,258 |
| **Total** | **315,476,031** | **226,565,525** |

**08. Long Term Investments**

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Depreciation Investment - Tourist Bureau | 976,509 | 976,509 |
| Depreciation Investment - Tourist Board | 52,154,738 | 52,154,738 |
| Sinking Fund Investment | 759,021 | 759,021 |
| Sri Lanka Hotel Tourism (Pvt) Ltd | 750,000 | 750,000 |
| Exotica Resorts Ltd- Ord. Shares of Rs. 10/= (each) | 4,000,000 | 4,000,000 |
| Investment for gratuity | 20,632,396 | 19,768,441 |
| **Total** | **79,272,664** | **78,408,709** |

**09. Provision for Retirement Gratuity**

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Gratuity payable brought forward | 52,288,318 | 42,827,463 |
| Less : Gratuity paid during the year 2016 | 2,795,731 | 1,740,855 |
| **Sub Total** | **49,492,587** | **41,086,608** |
| Add : Provision for gratuity - 2016 | 4,712,134 | 11,201,710 |
| **Total Gratuity payable as on 31/12/2016** | **54,204,721** | **52,288,318** |
| Gratuity was provided in the account before completion of minimum period of service (minimum 5 years) | | |

**10. Creditors**

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Sundry Creditors | 193,181 | 190,566 |
| Sri Lanka Tourism Promotion Bureau | 62,906 | 47,906 |
| Sri Lanka Institute of Tourism & Hotel Mgt | 6,512,810 | 6,512,810 |
| Sri Lanka Convention Bureau | 103,046 | 103,046 |
| Gratuity payable | 67,102 | 67,102 |
| TDF C/A (Payable) | 62,844 | 7,637 |
| Kalpitiya Project Payables | 106,191 | 106,191 |
| **Total** | **7,108,080** | **7,035,258** |

**11. Embarkation Levy**

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Embarkation Levy for the year | 329,761,779 | 275,595,754 |
| **Total** | **329,761,779** | **275,595,754** |

**12. Tourism Development Levy**

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Tourism Development Levy for the year | 179,476,385 | 150,403,573 |
| Less : Over Provision ( Change in Estimates ) | - | (7,578,836) |
| **Total** | **179,476,385** | **142,824,737** |

**13. Fees and Licenses**

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Land lease rent income - Head Office | 41,445,274 | 36,919,859 |
| License Fee/Administration Fee / Visa Fee | 68,064,450 | 61,847,963 |
| Unit for National Tourism Investment | 7,469,273 | 7,862,757 |
| TDF Administration Fee | 6,442,081 | 5,128,023 |
| **Total** | **123,421,078** | **111,758,601** |

**14. Surplus / (Deficit) - Domestic Tourism Resorts Operation**

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Kataragama | (2,671,177) | (3,067,262) |
| Nuwara Eliya | (2,554,366) | (5,997,379) |
| Bandarawela | (2,188,086) | (870,483) |
| Anuradhapura | (3,126,060) | (6,485,628) |
| Bentota | 21,944,985 | 16,927,929 |
| Polonnaruwa / Giritale | 3,003,045 | 3,021,836 |
| Kalkudah | (18,308,620) | (15,921,528) |
| **Surplus / (Deficit) - National Holiday Resorts Operation** | **(3,900,279)** | **(12,392,516)** |

**15. Other Income**

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Interest Income - Staff Loans | 571,126 | 536,598 |
| Bank Interest | 886,108 | 963,476 |
| Bank Interest - Fund Management Account * | 32,654,342 | 13,455,975 |
| Gain on Disposal of Assets | 4,805,362 | 338,332 |
| Other income | 1,745,742 | 2,800,942 |
| Accrued Expenditure written back | 8,325,722 | 8,754,115 |
| Dividend Income | 180,000 | - |
| Exchange Gain | 9,724 | - |
| **Total** | **49,178,126** | **26,849,439** |

**16. Wages,Salaries & Employee Benefits**

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Salaries & Allowances | 67,552,713 | 58,814,502 |
| Holiday & Other Allowances | 475,093 | 535,927 |
| Overtime | 2,860,631 | 2,964,193 |
| EPF - Contribution | 7,095,037 | 4,115,286 |
| ETF - Contribution | 1,412,914 | 823,057 |
| Staff Welfare | 17,703,699 | 15,170,759 |
| Uniforms to Staff | 301,014 | 290,394 |
| Travelling local | 515,314 | 631,191 |
| Gratuity | 4,844,049 | 11,469,689 |
| Attendance Incentive | 2,633,699 | 1,573,135 |
| **Total** | **105,394,162** | **96,388,134** |

### 17. Supplies and Consumables Used

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Entertainment local | 1,678,740 | 1,325,074 |
| Misc. supplies | 1,736,103 | 1,288,454 |
| Security Charges | 3,858,070 | 5,560,079 |
| Janitorial Charges | 4,449,547 | 3,018,465 |
| Stationery | 3,844,893 | 3,421,092 |
| Telephones | 7,391,727 | 6,339,932 |
| Postage & Stamp Duty | 3,211,009 | 2,522,824 |
| Electricity | 9,380,687 | 8,930,247 |
| Rates & Licenses | 1,054,820 | 873,051 |
| Insurance - Fixed Assets | 1,489,468 | 1,355,141 |
| Maintenance - Buildings | 1,097,622 | 1,117,542 |
| Maintenance - Equipment | 4,416,584 | 3,971,708 |
| Advertising General | 3,579,760 | 1,504,397 |
| Legal Expenses | 505,819 | 1,094,650 |
| Hire of Vehicles | 2,452,888 | 1,972,428 |
| Maint. & Repair vehicles | 7,743,701 | 8,107,427 |
| Water | 972,303 | 864,940 |
| Provision for Bad & Doubtful Debt | 1,279,718 | 1,159,988 |
| **Total** | **60,143,458** | **54,427,441** |

### 18. Trade Related Expenditure

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Statistical Surveys | 1,307,420 | 1,177,100 |
| Hotel Classification | 5,047,293 | 8,681,780 |
| Travelling Overseas | 3,773,006 | 2,436,145 |
| Printing & Publications | 1,000,655 | 1,544,193 |
| Conference & Special Events | 38,267,286 | 4,776,166 |
| Sub Int'l Organization | 8,265,645 | 9,610,058 |
| Community Relations | 1,757,244 | 1,303,575 |
| Unit for National Tourism investment | 1,032,099 | 1,273,925 |
| Staff Training /Consultancy services | 2,575,328 | 763,856 |
| Books & Periodicals | 278,480 | 643,073 |
| ICT Maintenance | 9,239,875 | 9,201,883 |
| Kalpitiya Expenses | 1,171,908 | 795,420 |
| Yala Wild Resorts Project Expenses | 235,354 | 329,548 |
| Kuchchaveli Project Expenses | - | 28,067 |
| New Product Development Projects | 866,301 | - |
| Development Expenses - NHR | 42,235 | - |
| Promotion & Advertising | 11,308,588 | - |
| **Total** | **86,168,720** | **42,564,789** |



### 19. Other Expenses

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Board Member Allowance | 620,000 | 329,500 |
| Audit Fees | 806,785 | 699,890 |
| Economic Service Charge | - | 289,446 |
| Exchange Gain/Loss | - | 1,275 |
| **Total** | **1,426,785** | **1,320,112** |

### 20. Finance Costs

| Item | 2016 (Rs) | 2015 (Rs.) |
|---|---|---|
| Finance Charges | 2,639,989 | 3,271,216 |
| Bank Charges | 137,561 | 92,274 |
| **Total** | **2,777,550** | **3,363,490** |

### Notes to Cash Flow Statement

### 21. Composition of cash and cash equivalents at the end of the Period

| | |
|---|---|
| Cash in hand and at bank - (S.L.T.D.A. ) | 1,080,127,118 |
| Cash in hand and at bank - Kalpitiya Project | 31,695 |
| | **1,080,158,814** |

### 22. Opening Cash Balance

| | |
|---|---|
| Cash Balance of S.L.T.D.A. as at 01.01.2016 | 1,017,260,026 |
| Cash Balance of Kalpitiya Project as at 01.01.2016 | 31,695 |
| **Cash Balance as at 01.01.2016** | **1,017,291,721** |

## SUMMARY OF RESORTS OPERATIONS
## For the period ended 31st December 2016

| | 2016 Rs. | 2015 Rs. |
|---|---|---|
| **Domestic Tourism at Resorts** | | |
| Kataragama | (2,671,177) | (3,067,262) |
| Nuwara Eliya | (2,554,366) | (5,997,379) |
| Bandarawela | (2,188,086) | (870,483) |
| Anuradhapura | (3,126,060) | (6,485,628) |
| **Sub Total** | **(10,539,689)** | **(16,420,753)** |
| **National Holiday Resorts** | | |
| Bentota | 21,944,985 | 16,927,929 |
| Polonnaruwa / Giritale | 3,003,045 | 3,021,836 |
| Kalkudah | (18,308,620) | (15,921,528) |
| **Sub Total** | **6,639,409** | **4,028,237** |
| **Surplus/(Deficit)** | **(3,900,279)** | **(12,392,516)** |



## National Holiday Resort - KATARAGAMA
## Income Statement
## For the period ended 31 December, 2016

| | Note | 2016 Rs. | 2015 Rs. |
|---|---|---|---|
| Restaurant sales | | 9,572,624 | 8,286,472 |
| Less : Cost of sales | | 4,957,953 | 5,436,363 |
| **Gross Income** | | **4,614,672** | **2,850,109** |
| Room Sales | | 13,875,017 | 13,016,184 |
| Other income | | 520 | 8,324 |
| **Gross profit** | | **18,490,209** | **15,874,617** |
| Less: Adm. & Est. Expenses | | 17,338,641 | 15,145,028 |
| Depreciation | | 3,822,744 | 3,796,852 |
| **Surplus/(Deficit)** | | **(2,671,177)** | **(3,067,262)** |
| **Administration & Establishment Expenditure** | | | |
| Salaries & Allowances | | 7,298,494 | 6,748,309 |
| Overtime | | 398,228 | 432,617 |
| EPF - Contribution | | 770,751 | 431,381 |
| ETF - Contribution | | 154,150 | 86,276 |
| Staff Welfare / Entertainment Local | | 461,136 | 366,853 |
| Staff Meals | | 579,911 | 213,500 |
| Travelling local | | - | 3,060 |
| Uniforms to staff | | 168,540 | 103,318 |
| Cleaning Supplies | | 103,741 | 185,786 |
| Misc. supplies | | 144,588 | 171,860 |
| Security Charges | | 1,386,030 | 1,002,310 |
| Janitorial Charges | | 1,689,168 | 1,446,106 |
| Telephone | | 134,340 | 137,094 |
| Stationery | | 102,834 | 94,632 |
| Postage & Stamps | | 56,855 | 57,355 |
| Electricity | | 1,372,046 | 1,396,620 |
| Rates & Licenses | | 23,728 | 35,657 |
| Insurance Fixed assets | | 2,789 | 3,501 |
| Laundry | | 516,308 | 485,350 |
| Maintenance - Buildings | | 107,659 | 213,955 |
| Maintenance - Equipments | | 115,036 | 112,787 |
| Transport & Freight | | - | 300 |
| Bank Charges | | 2,000 | 6,500 |
| Maint. & Repair vehicles | | 51,780 | 57,581 |
| Books & Periodicals | | 13,618 | 9,772 |
| Attendance Incentive | | 467,059 | 224,740 |
| Economic Service Charge | | - | 42,483 |
| Water | | 1,217,851 | 1,075,325 |
| **Total** | | **17,338,641** | **15,145,028** |

**NATIONAL HOLIDAY RESORT - NUWARA ELIYA**
**Income Statement**
**For the period ended 31 December, 2016**

| | Note | 2016 Rs. | 2015 Rs. |
|---|---|---|---|
| Restaurant sales | | 7,504,180 | 5,608,922 |
| Less : Cost of sales | | 3,086,119 | 3,589,343 |
| **Gross Income** | | **4,418,061** | **2,019,579** |
| Room Sales | | 9,415,629 | 7,184,487 |
| Other income | | 241,711 | 168,124 |
| **Sub total** | | **9,657,341** | **7,352,612** |
| **Gross profit** | | **14,075,401** | **9,372,191** |
| Less: Adm. & Est. Expenses | | 14,651,472 | 14,379,455 |
| Depreciation | | 1,978,295 | 990,115 |
| **Surplus/(Deficit)** | | **(2,554,366)** | **(5,997,379)** |
| **Administration & Establishment Expenditure** | | | |
| Salaries & Allowances | | 6,225,169 | 6,782,193 |
| Overtime | | 359,807 | 452,290 |
| Board's contribution to EPF | | 658,075 | 458,189 |
| Board's contribution to ETF | | 131,615 | 91,638 |
| Staff Welfare | | 428,377 | 376,500 |
| Entertainment Local | | 17,806 | - |
| Staff Meals | | 224,793 | 271,837 |
| Uniforms to staff | | 112,380 | 90,813 |
| Cleaning Supplies | | 149,512 | 250,480 |
| Misc. supplies | | 237,452 | 244,466 |
| Security Charges | | 1,225,101 | 801,462 |
| Janitorial Charges | | 1,830,535 | 1,398,962 |
| Stationery | | 70,246 | 25,189 |
| Telephones | | 184,186 | 182,701 |
| Postage & Stamps | | 56,189 | 54,260 |
| Electricity | | 1,797,890 | 1,658,298 |
| Rates & Licenses | | 88,549 | 163,283 |
| Insurance - Fixed Assets | | 8,685 | 10,905 |
| Laundry | | 227,468 | 196,634 |
| Maintenance - Buildings | | 74,794 | 114,960 |
| Maintenance - Equipments | | 50,260 | 192,765 |
| Transport & Freight | | 44,850 | 81,746 |
| Bank Charges | | 10,060 | 4,250 |
| Maint. & Repair vehicles | | 16,629 | 2,530 |
| Books & Periodicals | | 12,160 | 9,310 |
| Attendance Incentive | | 268,349 | 217,545 |
| Water | | 140,537 | 227,929 |
| Economic Service Charge | | - | 18,321 |
| **Total** | | **14,651,472** | **14,379,455** |



**NATIONAL HOLIDAY RESORT - BANDARAWELA**
**Income Statement**
**For the period ended 31 December, 2016**

| | Note | 2016 Rs. | 2015 Rs. |
|---|---|---|---|
| Restaurant sales | | 9,139,450 | 9,605,700 |
| Less : Cost of sales | | 3,781,521 | 5,043,406 |
| **Gross Income** | | **5,357,929** | **4,562,293** |
| Room Sales | | 9,043,813 | 7,847,300 |
| Other income | | 382,752 | 410,650 |
| **Sub total** | | **9,426,565** | **8,257,950** |
| **Gross profit** | | **14,784,494** | **12,820,243** |
| Less: Adm. & Est. Expenses | | 13,946,223 | 12,406,771 |
| Depreciation | | 3,026,357 | 1,283,956 |
| **Surplus/(Deficit)** | | **(2,188,086)** | **(870,483)** |
| **Administration & Establishment Expenditure** | | | |
| Salaries & Allowances | | 6,073,827 | 5,644,927 |
| Overtime | | 292,926 | 358,809 |
| Board's contribution to EPF | | 628,864 | 336,719 |
| Board's contribution to ETF | | 125,773 | 67,344 |
| Staff Welfare/ Entertainment Local | | 637,326 | 272,958 |
| Travelling local | | - | 3,586 |
| Staff Meals | | 501,778 | 263,667 |
| Uniforms to Staff | | 139,648 | 68,577 |
| Cleaning Supplies | | 89,704 | 161,177 |
| Misc. supplies | | 118,321 | 171,063 |
| Security Charges | | 1,266,133 | 1,005,310 |
| Janitorial Charges | | 1,790,032 | 1,470,943 |
| Stationery, Printing & Publications | | 28,591 | 48,012 |
| Telephones | | 91,929 | 108,314 |
| Postage & Stamps | | 47,840 | 48,010 |
| Electricity & Gas | | 1,327,988 | 1,400,924 |
| Rates & Licenses | | 17,281 | 17,786 |
| Insurance - Fixed Assets | | 4,379 | 5,423 |
| Laundry | | 249,365 | 245,309 |
| Maintenance - Buildings | | 108,170 | 306,028 |
| Maintenance - Equipment | | 11,780 | 66,790 |
| Transport & Freight | | 16,330 | 4,710 |
| Bank Charges | | 16,000 | 14,250 |
| Maint. & Repair vehicles | | 48,345 | 96,235 |
| Books & Periodicals | | 12,480 | 8,980 |
| Attendance Incentive | | 293,968 | 165,380 |
| Water | | 7,447 | 22,332 |
| Economic Service Charge | | - | 23,210 |
| **Total** | | **13,946,223** | **12,406,771** |

**REST HOUSE - ANURADHAPURA**
**Income Statement**
**For the period ended 31 December, 2016**

| | Note | 2016 Rs. | 2015 Rs. |
|---|---|---|---|
| Restaurant sales | | 3,698,440 | 1,922,547 |
| Less : Cost of sales | | 1,874,598 | 1,283,203 |
| **Gross Income** | | **1,823,842** | **639,343** |
| Room Sales | | 4,632,925 | 2,583,066 |
| Other income | | 0 | - |
| **Sub total** | | **4,632,925** | **2,583,066** |
| **Gross profit** | | **6,456,767** | **3,222,409** |
| Less: Adm. & Est. Expenses | | 8,033,399 | 8,425,905 |
| Depreciation | | 1,549,428 | 1,282,133 |
| **Surplus/(Deficit)** | | **(3,126,060)** | **(6,485,628)** |
| **Administration & Establishment Expenditure** | | | |
| Salaries & Allowances | | 3,018,549 | 3,650,597 |
| Overtime | | 108,918 | 37,175 |
| Board's contribution to EPF | | 316,695 | 246,247 |
| Board's contribution to ETF | | 63,339 | 49,250 |
| Staff Meals/ Staff Welfare | | 393,459 | 258,060 |
| Travelling local | | 1,056 | 21,450 |
| Entertainment local | | - | 3,700 |
| Uniforms to Staff | | 59,805 | 64,156 |
| Cleaning Supplies | | 73,582 | 43,481 |
| Misc. supplies | | 88,833 | 97,181 |
| Security Charges | | 1,081,008 | 1,064,807 |
| Janitorial Charges | | 1,239,607 | 1,484,742 |
| Stationery, Printing & Publications | | 35,641 | 56,195 |
| Telephones | | 171,102 | 94,930 |
| Postage & Stamps | | 46,685 | 38,075 |
| Electricity | | 671,857 | 575,843 |
| Rates & Licenses | | 100,194 | 95,185 |
| Insurance Fixed Assets | | 10,155 | 4,191 |
| Laundry | | 119,696 | 69,562 |
| Maintenance - Buildings | | 55,991 | 44,403 |
| Maintenance - Equipment | | 51,007 | 23,224 |
| Transport & Freight | | 6,210 | 29,933 |
| Bank Charges | | 3,625 | 9,375 |
| Maintenance & Repair Vehicle | | 81,390 | 41,049 |
| Books & Periodicals | | 15,851 | 13,880 |
| Attendance Incentive | | 154,315 | 94,455 |
| Water | | 64,831 | 203,109 |
| Economics Service Charge | | - | 11,651 |
| **Total** | | **8,033,399** | **8,425,905** |



**NATIONAL HOLIDAY RESORT - BENTOTA**
**Income Statement**
**For the period ended 31 December, 2016**

| | Note | 2016 Rs. | 2015 Rs. |
|---|---|---|---|
| Room Sales | | - | 7,500 |
| Rent income (lease of land/buildings) | | 32,351,735 | 29,934,688 |
| Other Income | | 5,947,526 | 4,194,184 |
| **Sub Total** | | **38,299,261** | **34,136,371** |
| Less: Adm. & Est. Expenses | | 12,043,038 | 12,754,438 |
| Depreciation | | 4,311,238 | 4,454,004 |
| **Surplus/(Deficit)** | | **21,944,985** | **16,927,929** |
| **Administration & Establishment Expenditure** | | | |
| Salaries & Allowances | | 5,898,824 | 6,213,447 |
| Overtime | | 74,306 | 133,660 |
| Board's contribution to EPF | | 638,351 | 421,930 |
| Board's contribution to ETF | | 127,670 | 84,386 |
| Staff Welfare | | 447,950 | 451,525 |
| Traveling local | | 766 | 200 |
| Entertainment local | | 10,875 | 3,043 |
| Uniforms to staff | | 60,080 | 84,386 |
| Misc. supplies | | 67,954 | 69,396 |
| Security Charges | | 1,869,468 | 1,464,015 |
| Stationery | | 48,803 | 31,879 |
| Telephones | | 96,707 | 99,434 |
| Postage & Stamps | | 46,800 | 47,393 |
| Electricity | | 1,698,408 | 2,589,167 |
| Rates & Licenses | | 122,028 | 106,206 |
| Insurance - Fixed Assets | | 2,579 | 3,177 |
| Rent (Land) | | 90,000 | 120,000 |
| Maintenance - Buildings | | 171,959 | 392,474 |
| Maintenance - Equipment | | 147,301 | 98,980 |
| Transport & Freight | | 11,630 | 7,586 |
| Bank Charges | | 4,055 | 3,750 |
| Maint. & Repair vehicles / Fuel | | 780 | 5,080 |
| Books & Periodicals | | 22,540 | 20,020 |
| Attendance Incentive | | 383,205 | 218,539 |
| Economic Service Charge | | - | 84,766 |
| **Total** | | **12,043,038** | **12,754,438** |

**NATIONAL HOLIDAY RESORT - POLONNARUWA**
**Income Statement**
**For the period ended 31 December, 2016**

| | Note | 2016 Rs. | 2015 Rs. |
|---|---|---|---|
| Rent Income | | 2,967,045 | 2,991,090 |
| Other Income (Water & Garbage) | | 36,000 | 36,000 |
| **Gross profit** | | **3,003,045** | **3,027,090** |
| Economic Service Charge | | - | 5,254 |
| **Surplus/(Deficit)** | | **3,003,045** | **3,021,836** |

**NATIONAL HOLIDAY RESORT - KALKUDAH**
**Income Statement**
**For the period ended 31 December, 2016**

| | Note | 2016 Rs. | 2015 Rs. |
|---|---|---|---|
| Rent Income | | 5,219,760 | 5,979,794 |
| Other Income | | 265,862 | 707,663 |
| **Sub Total** | | **5,485,622** | **6,687,457** |
| Less: Adm. & Est. Expenses | | 2,783,623 | 2,180,460 |
| Depreciation | | 21,010,620 | 20,428,525 |
| **Surplus/(Deficit)** | | **(18,308,620)** | **(15,921,528)** |
| **Administration & Establishment Expenditure** | | | |
| Salaries & Allowances | | 1,612,391 | 1,130,443 |
| Overtime | | 89,750 | 170,572 |
| Board's contribution to EPF | | 137,329 | 58,262 |
| Board's contribution to ETF | | 27,466 | 11,652 |
| Staff Welfare | | 65,050 | 88,350 |
| Traveling local | | 13,317 | 10,800 |
| Uniforms to staff | | 11,595 | 12,182 |
| Misc. supplies | | 59,195 | 53,848 |
| Security | | 515,264 | 453,452 |
| Stationery | | 12,330 | 7,803 |
| Telephones | | 31,130 | 45,268 |
| Postage & Stamps | | 20,590 | 11,345 |
| Electricity | | 119,736 | 70,490 |
| Maintenance - Buildings | | 12,400 | 4,625 |
| Maintenance - Equipment | | 14,980 | 12,000 |
| Transport & Freight | | - | 6,000 |
| Bank charges | | 4,105 | 750 |
| Attendance Incentive | | 36,994 | 22,495 |
| Economic Service Charge | | - | 10,123 |
| **Total** | | **2,783,623** | **2,180,460** |



## Budgetary vs Actual

The overall variations between the budget and the actual for the year 2016 were 3% and 30% for income and expenditure respectively. Details of the variations are given below.

### 1. Income

| Income Sources | Budget 2016 | Actual | % Change |
|---|---|---|---|
| Embarkation Levy | 325.86 | 329.76 | 1 |
| Tourism development Levy | 158.25 | 179.48 | 13 |
| Administration fee - TDF | 5.68 | 6.44 | 13 |
| Land Lease Rent Income | 41.02 | 41.45 | 1 |
| Interest on loans to employees / Bank Interest | 32.04 | 34.11 | 7 |
| Registration and license fee & Visa Fee | 69.90 | 68.06 | 3 |
| Unit for National Tourism Investments | 9.06 | 7.47 | 18 |
| Surplus from Resorts Operation **(Income before depreciation - Rs. 10.38 Mn)** - Trading Resorts | 12.62 | (0.16) | 101 |
| Surplus from Resorts Operation **(Income before depreciation - Rs.25.32 Mn)** - Service Resorts | 31.81 | 31.96 | - |
| Other Income & Profit on Disposal of Assets | 1.40 | 6.74 | 381 |
| **Total** | **687.62** | **705.31** | **3** |

*** Rupees in million**

Domestic Tourism Resorts / Service Resorts surplus have been taken by adding back the depreciation amounts charged (Rs. 35.70 million) to compare with the budget.

### 2. Recurrent Expenditures

| Function / Account | Budget 2016 | Actual | % Change |
|---|---|---|---|
| **Research and Development Expenditure** | | | |
| Statistical Surveys & Market Intelligence | 4.00 | 1.31 | 67 |
| Quality assurance, Informal sector interaction | 13.24 | 5.05 | 62 |
| Unit for National Tourism Investments | 1.00 | 1.03 | (3) |
| Kalpitiya Project Expenses | 1.20 | 1.17 | 3 |
| Yala Project Expenses | 0.55 | 0.24 | 56 |
| New Product Development Projects | 1.40 | 0.87 | 38 |
| Development Expenses – National Holiday Resorts | 2.00 | 0.04 | 98 |
| Conference /Special Events | 56.46 | 38.27 | 32 |
| Community Relations | 2.50 | 1.76 | 30 |
| Travelling Overseas | 4.50 | 3.77 | 16 |
| Subscription - int'l Organization | 8.50 | 8.27 | 3 |
| Promotion and Advertising | 11.31 | 11.31 | - |
| **Sub Total** | **106.66** | **73.09** | **31** |
| **General Administration Expenditure** | | | |
| Salaries & Allowances | 68.75 | 67.55 | 2 |
| Holiday Allowance | 0.37 | 0.47 | (27) |

| | | | |
|---|---|---|---|
| Overtime | 3.44 | 2.86 | 17 |
| E.P.F. | 6.81 | 7.09 | (4) |
| E.T.F. | 1.36 | 1.41 | (4) |
| Staff Welfare (Incl.Staff Insurance) | 17.33 | 17.70 | (2) |
| Travelling - Local | 0.79 | 0.52 | 34 |
| Entertainment Local | 1.58 | 1.67 | (6) |
| Uniforms to Staff | 0.79 | 0.30 | 62 |
| Miscellaneous Supplies | 2.18 | 1.74 | 20 |
| Security Charges | 4.40 | 3.86 | 12 |
| Janitorial Service | 3.80 | 4.44 | (17) |
| Stationery | 4.55 | 3.84 | 16 |
| Printing & Publication | 2.50 | 1.00 | 60 |
| Telephone , Faxes ,E-mail & Internet | 7.92 | 7.39 | 7 |
| Postage & Stamp Duty | 3.03 | 3.21 | (6) |
| Electricity | 12.38 | 9.38 | 24 |
| Rates & Licenses | 1.05 | 1.05 | - |
| Insurance Fixed Assets | 2.00 | 1.49 | 26 |
| Building Maintenance | 3.60 | 1.10 | 69 |
| Maintenance of Equipment | 3.19 | 4.42 | (39) |
| Advertising General | 2.70 | 3.58 | (33) |
| Bank Charges | 0.13 | 0.14 | (8) |
| Legal Fees | 1.50 | 0.51 | 66 |
| Maintenance, Fuel & Repair of Vehicle | 8.00 | 7.74 | 3 |
| Finance Charges of Lease of Vehicles | 2.60 | 2.64 | (2) |
| Hire of Vehicles | 2.20 | 2.45 | (11) |
| Board Member Allowance | 0.55 | 0.62 | (13) |
| Training / Consultancy services | 2.69 | 2.58 | 4 |
| Books & Periodicals | 0.55 | 0.28 | 49 |
| Audit Fees | 0.79 | 0.81 | (3) |
| Gratuity Payment | 11.85 | 4.84 | 59 |
| Attendance Incentive | 3.58 | 2.63 | 27 |
| Water Charges | 1.05 | 0.97 | 8 |
| Economic Service Charges | 0.80 | - | 100 |
| Income Tax | 19.60 | 18.52 | 6 |
| E.P.F. & E.T.F. ( Jan 2006 to Jun 2016) | 65.93 | - | 100 |
| Data Processing /ICT Maintenance | 8.40 | 9.24 | (10) |
| **Sub Total** | **284.74** | **200.04** | **30** |
| **Grand Total** | **391.40** | **273.13** | **30** |



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය எனது இல. My No. TIP/A/SLTDA/1/16/01 ඔබේ අංකය உமது இல. Your No.

දිනය திகதி Date 19 February 2018

The Chairman,
Sri Lanka Tourism Development Authority.

**Report of the Auditor General on the Financial Statements of Sri Lanka Tourism Development Authority for the year ended 31 December 2016 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.**

The audit of financial statements of the Sri Lanka Tourism Development Authority for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of 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 20 of the Tourism Act, No. 38 of 2005. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14 (2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Authority on 17 January 2018.

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

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector 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).

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. .- இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை.- No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
+94-11-2887028-34 +94-11-2887223 oaggov@sltnet.lk www.auditorgeneral.gov.lk

1.4 **Basis for Disclaimer of Opinion**

As a result of the matters described in paragraph 2.2 of this report I am unable to determine whether any adjustments might have found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, statement of income and statement of changes in equity and cash flow statement.

## 2. Financial Statements

### 2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

### 2.2 Comments on Financial Statements

#### 2.2.1 Sri Lanka Public Sector Accounting Standards

The following instances of non-compliance were observed in audit.

**(a) Sri Lanka Public Sector Accounting Standard 2**

Even though a sum of Rs.19,701,609 had been stated as paid income tax in the financial statements, a difference of Rs.7,364,766 indicated on the income tax paid in cash being a sum of Rs.12,336,843 in the year under review.

**(b) Sri Lanka Public Sector Accounting Standard 3**

(i) The nature and amount of change in an accounting estimate that could make an effect in the current period should be disclosed in the financial statements by the Institution, in terms of paragraph 44 of the Standard. However, the sum of Rs.7,285,607 received exceeding the tourism development tax amount estimated for the year 2015 had not been disclosed in the financial statements.





(ii) Even though the prior period errors should be rectified by reinstating the comparative amounts presented for the period in which the error occurred in the first set of financial statements authorized for issuing after the discovery of the prior period errors in terms of paragraph 47 of the Standard, action had not been taken accordingly relating to income tax amounting to Rs.2,589,072 payable for the year 2015.

**(c) Sri Lanka Public Sector Accounting Standard 7**

All property, plant and equipment should be revalued in the entire class in which the relevant assets belong to, if property, plant and equipment are revalued in terms of paragraph 49 of the Standard. However, the revaluation value amounting to Rs.1,378 million had been stated in the financial statements by revaluating only the land and the building in which the Head Office is located in the year 2008 without revaluating all the lands and buildings belonging to the Authority. The fair value of the lands and buildings of the Authority had not been indicated on not revaluating the other lands and buildings.

**(d) Sri Lanka Public Sector Accounting Standard 8**

(i) The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the reporting date, in terms of paragraph 44 of the Standard. However, the Institution had considered only the debtors time analysis in allocating bad debts and doubtful debts amounting to Rs.4,845,979 and it had not been considered on the individual debtors balances.

(ii) Provisions should be made when an entity has a present obligation (legal or constructive) as a result of a past event in terms of paragraph 22 of the Standard. However, it had been informed by the Employees' Trust Fund even by 16 February 2017 that a total sum of Rs.8,481,931 is payable as contribution money amounting to Rs.5,695,393 and the Fines relating thereto Rs.2,786,538 on not considering the cost of living allowance and the special budget allowance in making payments of contribution money to the Employees' Trust Fund from January 2006 to June 2016 and provisions had not been made relating to this matter in the financial statements of the year under review.

(iii) A brief description of the nature of every contingent liability remaining as at the reporting date should be disclosed in terms of paragraph 100 of the Standard. It was revealed that a total sum of Rs.67,573,667 remained further payable to the Employee Provident Fund as a sum of Rs.18,129,721 as clients' contribution money a sum of Rs.27,194,581 as employees' contribution and a sum of Rs.22,249,365 as surcharges for the above amounts due to making payments without considering the cost of living allowance and the special budget allowance in calculating the Employee Provident Fund from January 2006 to June 2016. It had not been disclosed in the financial statements of the year under review in this connection.

2.2.2 **Accounting Deficiencies**

---

The following observations are made.

(a) The surplus of the year under review had been overstated by that amount due to including the license and administration fees amounting to Rs.2,809,068 relating to the preceding years in the financial statements considering it as the income of the year under review.

(b) The surplus of the current year had been overstated by that amount on crediting over- provisions of the accrued expenditure relating to the preceding years amounting to Rs.8,325,722 to the Other Income of the current year instead of bringing to account as adjustments of the prior years.

(c) According to the financial statements presented as at 31 December 2016, 09 types of assets that are currently in use costing Rs.99,821,327 that had been stated under non- current assets and action had not been taken to revaluate them and include them into Accounts.

(d) The expenditure incurred for the construction activities carried out in other institutions by the Authority had been identified as development expenditure and had been brought to account under property, plant and equipment and had annually depreciated 10 per cent each. However, the Authority did not acquire legal ownership or possession relating to those assets and sums of Rs.184,592,443





and Rs.33,016,065 had been stated in the financial statements as the cost relating to those assets and as their net value respectively. As such, an Accounting Policy for the Development Expenditure incurred relating to the assets not being owned and possessed by the Authority had not been prepared and had not been disclosed in the financial statements.

(e) Even though the lands and Resorts belonging to the Authority had been leased to other parties, it had not been disclosed in the financial statements relating thereto.

2.2.3 **Unexplained Differences**

---

The following observations are made.

(a) A sum of Rs.24,448,523 had been stated as Miscellaneous Debtors Balances receivable from the Sri Lanka Tourism Promotion Bureau in the financial statements of the Authority and an unexplained difference of Rs.5,698,219 observed due to stating that balance as a sum of Rs.18,750,304 in the Accounts of the Sri Lanka Tourism Promotion Bureau.

(b) The closing stocks balance of the Head Office as at 31 December 2016 had been a sum of Rs.1,974,930 according to the Boards of Survey Reports and it had been a sum of Rs.1,597,783 according to the financial statements and as such, a difference of Rs.377,147 was observed.

2.2.4 **Lack of Evidence for Audit**

---

The following items shown in the financial statements could not be satisfactorily vouched or accepted due to non- submission of evidence for audit indicated against each item.

| Item | Value | Evidence not made Available |
|---|---|---|
| | Rs. | |
| (a) Investments | 55,570,268 | Certificates of Investments or other written evidence of confirmation. |
| (b) Debtors | 152,421,620 | Letters of Confirmation of Balances. |
| (c) Property, Plant and Equipment | 2,735,922,843 | Register of Assets, Title Deeds/ other registers of confirmation of ownership. |
| | 2,943,914,731 | |

## 2.3 Accounts Receivable and Payable

The following observations are made.

(a) Sums of Rs.5,070,248, Rs.2,633,997, Rs.7,260,519 and Rs.30,365,685 of the receivable trade debtors balance consisted of outstanding balances remained for periods of over 4 years, over 3 years and less than 4 years, over one year and less than 3 years and less than one year respectively.

(b) A total sum of Rs.8,348,414, of miscellaneous debtors consisted of outstanding balances including a sum of Rs.2,888,105, Rs.3,572,047 and Rs.1,888,262 remained for periods of over 4 years, over one year and less than 4 years and less than one year respectively.

(c) A sum of Rs.6,945,855 receivable for the recovery of the Pasikuda Sewage Services Maintenance and sums of Rs.37,117,725 and Rs.34,032,995 consisted of outstanding balances remaining for periods of over 3 years, over one year and less than 3 years and less than one year respectively.





(d) The balance over 3 years, over one year and less than 3 years and the balance of less than one year recoverable from Pasikuda Water Consumer Debtors had been sums of Rs.3,295,560, Rs.5,029,290 and Rs.2,922,314 respectively.

(e) The creditors' balance which had lapsed over 3 years amounted to Rs.176,063 of the balance amounting to Rs.193,181 payable to Miscellaneous Creditors.

(f) Deposits and other payable balances shown valued at Rs.40,895,614 consisted of payable retention money amounting to Rs.6,446,012 and Rs.9,120,936 remaining for periods of over 3 years and less than 4 years and over 4 years respectively.

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

The following instances of non-compliance were observed in audit.

| Reference to laws, Rules and Regulations | Non- compliance |
|---|---|
| (a) Sub- section 26(1) of Chapter IV of the Tourism Act No.38 of 2005 | Orders had not been prepared assigning the tourism activities, commercial and other activities that could be carried out within a declared and a tourism development area. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | |
| (i) Financial Regulation 169(2) | It had not been able to recover money relating to 21 cheques valued at Rs.585,221 due to providing services before cheques are being realized. |

| | | |
|---|---|---|
| (ii) | Financial Regulation 757 | A Board of Survey had not been conducted in terms of library books valued at Rs.1,880,781. |
| (iii) | Financial Regulation 757(2) | Even though surpluses in 67 goods and deficits in 133 goods had been identified, action had not been taken in terms of Financial Regulations relating thereto. |
| (c) | Sections 9.14.1 and 9.14.2 of Chapter 9 of the Public Enterprises Circular No.PED/12 of 02 June 2003 | Even though a Handbook on Human Resources Management including all information on the rules and regulations relating to Human Resources Management should be prepared and should be approved by the Board of Control with the approval of the Secretary to the Treasury, action had not been taken by the Authority in compliance with those requirements. |

## 3. Financial Review

### 3.1 Financial Results

According to the financial statements presented, the financial result of the Authority for the year ended 31 December 2016 had indicated a surplus of Rs.373,897,908 as compared with the corresponding surplus of Rs.308,312,524 for the preceding year, thus indicating an improvement of Rs.65,585,384 in the financial result in the year under review as compared with the preceding year. The increase of the Embankment Levy by a sum of Rs.54,166,025 and the tourism development tax revenue by a sum of Rs.36,651,648 had been the main reason for the improvement of the above financial result.





In analyzing financial results of the year under review and of 04 preceding years, an improvement in the financial result had been indicated from the year 2012 to the year 2014. However, a deterioration had been indicated in the financial result in the year 2015 as compared with the year 2014 and it had again improved in the year under review. However, in adjusting personnel emoluments and depreciation on non-current assets and government tax again to the financial result, the contribution of the Authority amounting to Rs.286,603,801 in the year 2012 had been continuously improved and had been a sum of Rs.527,420,576 in the year under review.

### 3.2 Analytical Financial Review

The revenue of the Authority for the year under review amounted to Rs.678 million as compared with the revenue of Rs.545 million for the preceding year representing an improvement of 24.4 per cent. The expenditure for the tourism development activities during the year under review amounted to Rs.236 million as compared with Rs.294 million of the preceding year thus indicating an improvement of 24.6 per cent.

### 3.3 Legal Actions instituted against and by the Institution

Lawsuits had been filed in Court against 11 external persons by the Authority relating to the misuse of Government Property and 08 lawsuits had been filed in Court by external institutions and persons against the institution.

## 4. Operating Review

### 4.1 Performance

The objectives of the Tourism Act No.38 of 2005 are as follows:

(a) Developing Sri Lanka as a tourist and travel destination both in Sri Lanka and abroad;

(b) Advising the Minister in charge of the subject of Tourism on matters relating to travel and tourism industry, within the policy formulated by the Cabinet of Ministers, in relation to this sector;

(c) Providing guidance to the Sri Lanka Tourism Bureau to develop, promote and market Sri Lanka as a tourist and travel destination both in Sri Lanka and abroad;

(d) Providing guidance to the Sri Lanka Institute of Tourism and Hotel Management to undertake human resource training and development activities;

(e) Working towards the enhancement of the tourism and travel sectors in order to secure a contribution for the expansion and development of Sri Lanka's economy;

(f) Developing and promoting adequate, attractive and efficient tourist services, inclusive of the hospitality industry in a sustainable manner;

(g) Licensing and accrediting tourist enterprises in order to develop, enforce and maintain locally and internationally accepted standards in relation to the tourism industry and other related industries;

(h) Encouraging persons or bodies of persons in private sector to participate in the promotion of tourism industry and the promotional and training activities connected with such industry;

(i) Doing all such other acts as may be necessary to conductive to the attainment of all or any of the above objectives.

The following observations are made.

(i) Four Tourist Holiday Resorts and 03 Tourist Resorts remained under the ownership and management of the Authority. A deficit amounting to Rs.28,848,309 had been generated in 05 Holiday Resorts due to the excessive cost overhead and the net loss of all the Resorts in the year under review amounted to Rs.3,900,279.







(ii) Only 49 activities or 91 per cent had been implemented in the year out of 54 activities intended to be implemented in the year according to the Annual Action Plan. Three projects of which less than 10 per cent of the amount allocated and 03 projects of which less than 50 per cent of the amount allocated, for the projects initiated in the year being spent, was observed. Even though a sum of Rs.687.62 million had been allocated for the execution of the projects under 7 strategies of the Annual Action Plan, only a sum of Rs.355.99 million or 52 per cent had been spent in the year.

(iii) Even though any amount whatsoever had been spent out of the sum of Rs.158.80 million allocated for 18 activities, the physical progress of those activities ranged from 05 per cent to 100 per cent as at 31 December 2016.

## 4.2 Management Activities

### (a) Management of Lands and Properties

The following observations are made.

(i) Action had been taken to develop only land less than 50 per cent in extent even by the end of the year under review out of the land 510 acres in extent acquired by the Authority few years ago, from Kuchchaweli area in Trincomalee.

(ii) Out of the land of the Yala Palatupana Wild Life area of 448.3 hectares in extent vested with the Sri Lanka Tourism Development Authority, only an extent of 26.8 hectares in extent had been given on lease basis to investors up to 31 December of the year under review.

(iii) Even though the Gazette Notification had been issued to acquire 56 Guest Houses and 166 plots of land with an area of 6,495 acres, according to the audit test check conducted by the audit, only a portion of it had been acquired up to the end of the year under review.

(b) Even though a sum of Rs.1,166,349 had been paid for the repair activities of the Nuwara Eliya Holiday Resort, it had not been ensured that the repair activities had been properly carried out and it was revealed at the audit test check that the repair activities being carried out, had not been carried out in terms of the agreement.

(c) Action had not been taken to acquire the land 22 acres, 1 rude, 17.23 perches in extent in which the Bandarawela Holiday Resort is located, to the Authority and action had not been taken to protect about 200 trees with high price and value in the Resort premises by entering into inventories.

(d) Even though a sum of Rs.65,104,138 had been paid to the Urban Development Authority in the year 2015 for the acquisition of a land 11 acres, 03 rude, 13 perches in extent located in Sri Jayawardanepura Kotte, the land had not been acquired and that money had been returned to the Authority in the year 2017. However, a sum of Rs.843,772 for security expenses of this land and a sum of Rs.551,155 for the boundary fence of the land, clearing the shrubs, installing name boards and for obtaining a copy of the plan of the land, had been spent by the Authority.

(e) An agreement had been entered into with a Service Providing Institution for the maintenance of the Drainage System of the Pasikuda Holiday Resort and, the fees charged from the Hotels of which the service had been obtained accordingly should be paid to the Service Providing Institution within a month. However, a difference of Rs.8,209,019 was observed on the amount receivable from Hotels for the above service being a sum of Rs.78,096,574 and the amount payable to the Service Providing Institution being a sum of Rs.86,305,593 as at 31 December 2016 and reasons for that difference were not revealed.

Moreover, it had been stated that a sum of Rs.95,323,810 remained receivable from the Authority as at 31 December 2016 according to the confirmations received from the Service Providing Institution and it had been a sum of Rs.86,305,593 according to the Payable Account of the Authority. As such, a difference of Rs.9,018,217 was observed.







## 4.3 Transactions of Contentious Nature

The Authority had granted a sum of Rs.5,738,075 to the Sri Lanka Tourism Welfare Association on 03 September 2014 for the implementation of Tourism Promotion Programmes. A sum of Rs.4,302,468 had been spent out of that amount for the implementation of the above Promotion Programme in Balangoda, Dehiatthakandiya, Padiyathalawa, Hasalaka, Lunugam Wehera and Nuwara Eliya and the remaining amount of Rs.1,435,607 had been left to be held under the custody of the Welfare Society without taking action to be received by the Authority even up to the date of this report.

## 4.4 Idle and Underutilized Assets

The following observations are made.

(a) Out of the land of approximately 94 acres in extent belonging to the Bentota Tourist Resort vested in the Ceylon Tourist Board in the year 1969 and afterwards in the Tourism Development Authority for the tourism industry, only an extent of a land of approximately 54 acres had been utilized up to 31 December in the year under review. As such, an extent exceeding 40 acres of land had remained idle for over a period of 46 years.

(b) Building space of approximately 2880 square feet located in the Bentota National Holiday Resort premises remained idle without being utilized for any economic activity whatsoever from the year 2006 to the end of the year under review.

## 4.5 Uneconomic Transactions

A sum of Rs.9,940,380 approximately had been spent for the security services of 7 Holiday Resorts from a period of 04 years in the areas of Bibila, Ragala, Horowpathana, Mahiyanganaya , Weeraketiya, Batthuluoya and Nikaweratiya. However, action had not been taken to earn income by effectively utilizing these resorts.

4.6 **Procurement and Contract Process**

---

The following observations are made.

(a) It was observed in the audit that water had retained in the drainage system due to not carrying out constructions considering the geographical aspects of the relevant land, in physically examining the construction of the rainwater Drainage System in the Pasikuda Tourist Resort Project and it was observed in audit that a sum of Rs.3,792,420 had been overpaid to the contractor in comparing the actual measurement sheets calculated, with the amounts of payment in the bills.

(b) A sum of Rs.699,300 had been overpaid relating to the designing of the Web Site for the promotion of "One Stop" investments of the Authority and that amount had not been recovered up to the end of the year under review.

(c) The labour contract of the implementation of the Bentota Sewage System had been handed over to a private institution from the year 2009 to 31 December of the year under review without the procurement procedure, contrary to the recommendations for awarding contracts in Paragraph 8 of the National Implementation Agencies Circular dated 25 January 2006.

(d) The contractor had been selected without following the procurement procedure by fraudulently preparing the Cost Estimate of carpeting the Entrance Road stretching 1.126 kilometers in the National Holiday Resort in the Pasikuda Tourist Zone, for 04 Phases and a sum of Rs.22,013,564 had been overpaid to the contractor for constructions. This amount had not been recovered up to 31 December of the year under review.

4.7 **Delayed Projects**

---

The following observations are made relating to the Kalpitiya Integrated Tourist Project of which the estimated cost being a sum of Rs.5,521 million initiated for the construction of Holiday Resorts with 4,000 additional rooms and for making available infrastructure facilities.





(a) Even though approval had been obtained from the Cabinet of Ministers and from the Department of National Planning of the Treasury in the year 2008 for the completion of the project within 5 years, any construction whatsoever had not been carried out even by 31 December of the year under review.

(b) A Detailed Budget had not been prepared in a manner that covers a plan for the Implementation of the project and the management expenditure, consultative and Capital Work of the project.

(c) It had been entrusted under the Authority to give 14 islands to the investors under the project and only 3 islands had been given to the investors up to the year under review.

(d) Even though Advances amounting to Rs.71 million had been provided in the year 2007 to the Divisional Secretariat Offices in the areas of Kalpitiya and Dedduwa for the acquisition of lands in those areas relating to the implementation of the project, those lands had not been acquired even up to 31 December of the year under review.

4.8 **Personnel Administration**

---

The staff of the Authority had been approved as 218 posts under 19 names of posts by the Department of Management Services and the actual cadre of the year under review and of the preceding year had been 177 and 180 respectively.

5. **Accountability and Good Governance**

---

5.1 **Action Plan**

---

Even though an Action Plan had been prepared for the year under review, a procedure had not been introduced for timely examining the progress of the execution of those functions.

5.2 **Internal Audit**

Even though audit activities had been planned in 18 Items according to the Internal Audit Plan, an audit had not been carried out in 11 Items out of them.

5.3 **Procurement Plan**

A Master Procurement Plan had not been prepared in terms of the Guideline 4.2.1(a) of the Government Procurement Guidelines 2006.

5.4 **Budgetary Control**

As variances ranging from 20 per cent to 368 per cent between the budgeted and the actual figures were observed in 23 Expenditure Objects in the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.5 **Tabling of Annual Reports**

The Annual Report of the year 2015 of the Sri Lanka Tourism Development Authority had not been tabled in Parliament up to date in terms of Section 6.5.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

5.6 **Unresolved Audit Paragraphs**

The following observations are made.

(a) The Authority had paid a sum of Rs.7,382,305 of the interest from the year 2011 to the year 2013 relating to the loan amounting to Rs.100 million provided to a Private Hotel from a State Bank without the approval of the relevant Minister in terms of Section 12(4)(iii) of Chapter 1 of the Tourism Act, No.38 of 2005.

(b) The following observations are made relating to the construction of the Thoraiadi Jetty in Kalpitiya and for the supply of granite, gravel and ABC for applying tar nearby the Wannimundalama Lagoon.







(i) A sum of Rs.824,000 had been incurred more than the estimated amount on purchasing 1648 cubes of granite on an excessive price an external person instead of the supplier selected to supply granite on the discretion of the Project Director, under the Shopping Method and that amount had not been recovered even up to 31 December of the year under review.

(ii) Action had not been taken to recover a sum of Rs.2,549,000 overpaid on making payments considering that materials were supplied 4 cubes each, despite the capacity of the Tipper Vehicle that had been mentioned as being deployed for the supply of granite, gravel and ABC to the Kalpitiya Site being 3 cubes.

(iii) Payments had been made by the Authority for the value of the materials not physically accepted as 1648 cubes of granite, 368 cubes of ABC and 40 cubes of gravel, being a sum of Rs.10,196,000.

(c) A sum of Rs.11,089,228 overpaid for the repair activities carried out in the Kataragama Holiday Resort had not been recovered from the officers responsible up to date.

(d) A sum of Rs.3,226,950 had been paid for 941.7 hours based on three letters furnished by the suppliers that dozers were supplied for the construction activities of the Mohottuwarama Jetty in Kalpitiya. However, these payments had been made without noting the working hours by reading the meters daily that the service of these dozers were obtained and without getting certified those Reports on Working Hours by an officer of the Authority. However, the Supervisor had certified in the above three letters that the service of the tractors was satisfactorily obtained.

(e) Sixty- five and half no- pay leave had been obtained in the years 2012 and 2013 by the Manager of the Bentota Holiday Resort without being documented and had obtained a sum of Rs.80,960 as allowances for saved leave in those two years without informing the Management.

(f) A total sum of Rs.608,226 had been paid contrary to the laws, rules and regulations by the Manager of the Bentota Holiday Resort as a sum of Rs.480,000 as the vehicle rent and a sum of Rs.128,226 for fuel respectively to two institutions for a period of one year for a vehicle with a fraudulent number.

(g) A sum of Rs.2,659,875 had been spent by the Authority to purchase 55 sofa chairs without evaluating the requirement. Even though limited quotations had been called to purchase these chairs, quotations had not been obtained from the Institution which supplied the prototype chair. Fifty per cent of the total supply value had been paid as Advances in purchasing chairs contrary to the Guideline 5.4.4 of the Government Procurement Guidelines and even a fruitless expenditure amounting to Rs.211,000 had been incurred for the transportation of the chairs in several instances. Moreover, 03 chairs valued at Rs.159,803 had been misplaced.

(h) Action had not been taken to recover the sum of Rs.3,780,253 to the Authority that had been overpaid to the officers from the year 2009 to the year 2011 due to making payments of the salaries and allowances by categorizing the Kalpitiya Integrated Tourist Development Project as a project that had exceeded US$ 30 million even up to 31 December of the year under review.

(i) The Building of the Cultural Centre (Dutch Hospital) located in Colombo belonging to the Authority had been transferred to the Urban Development Authority a sum of Rs.7,274,715 less than the value of the value decreased from the depreciation provisions.

## 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 Authority from time to time. Special attention is needed in respect of the following areas of systems and control.







| Areas of Systems and Control | Observations |
|---|---|
| (a) Operating Control | Carrying out in compliance with the Action Plan of the Development Programmes Authority and not preparing a procedure to report on the physical progress. |
| (b) Control of Projects | Monitoring the projects in the implementation of projects and making payments without examining the Work Done Reports in recommending and approving payments. |
| (c) Assets Management | Not maintaining and updating Registers of Assets and not taking action to acquire the right of the assets. |
| (d) Control of Receivable and Payable Balances | Not taking action to settle the receivable and payable balances. |
| (e) Accounting | Errors remaining in following Sri Lanka Public Sector Accounting Standards, non- disclosure of accounting policies and accounting being carried out without the preliminary documents relating to accounting Capital Assets. |

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M Gamini Wijesinghe
Auditor General



**SRI LANKA TOURISM DEVELOPMENT AUTHORITY**
No. 80, Galle Road, Colombo 03, Sri Lanka.

PRINTEC | 0112 815816