ANNUAL REPORT

2018

SRI LANKA EXPORT DEVELOPMENT BOARD

09.09.2019

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

Hon. Sir

<u>Annual Report and Statement of Accounts – 2018</u>

I am pleased to present on behalf of the Board of Directors, the Annual Report of the SLEDB together with the following documents for 2018 in term of section 13 (2) of the Finance Act No.38 of 1971.

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

Yours faithfully,

Indira Malwatte

Chairperson & CE

SRI LANKA EXPORT DEVELOPMENT BOARD

SENIOR MANAGEMENT STAFF - 2018

Chairperson and Chief Executive	-	Mrs. Indira Malwatte
Director General	-	Mrs. J. Siriwardana
Addl. Director General - Development	-	Mr. D. Jayawardane
Addl. Director General - Finance & Administration	-	Mrs. P. K. Sumithrarachchi (Up to 18.02.2018)
Finance Division	-	Ms. G.M. Herath (Director)
Human Resources Development Division	-	Mr. K. K. R. Kannangara (Director)
Trade Facilitation & Trade Information Division	-	Mr. S. R. P. Indrakeerthi (Director)
Information Technology Division	-	Mrs. I.C. Alahapperuma (Director)
Export Agriculture Division	-	Mrs. P.V.A.M. Baddegamage (Director)
Regional Development Division	-	Mrs. Anoma Karaliyadde (Director)
Policy & Strategic Planning Division	-	Mrs. U.K.D. Wegapitiya (Director)
Industrial Products Division	-	Ms. C. Dissanayake (Director)
Export Services Division	-	Mr. M.K.S.K. Maldeni (Director)
Market Development Division	-	Mrs. K.A.V. Premathilaka (Director)
Internal Audit Unit	-	Mrs. R N R Ranasinghe (Internal Auditor)
Legal Unit	-	Mrs. D.T. Wijayaratne (Legal Officer)
Auditor	-	Auditor General
Bankers	-	Bank of Ceylon Sampath Bank NDB Bank

<u>Registered Office</u>
No.42, Nawam Mawatha,
Colombo 02.

SRI LANKA EXPORT DEVELOPMENT BOARD
BOARD OF DIRECTORS – 2018

01.	Mrs. Indira Malwatte	- Chairperson
02.	Dr. Yousuf K. Maraikkar	- Director (January – October 2018)
03.	Mr. Bandula Egodage	- Director (January – October 2018)
04.	Mr. Sanath De Silva	- Director (January – October 2018)
05.	Mr. M.J.F. Cassim	- Director
06.	Mr. Rohan Abayakoon	- Director (January – October 2018)
07.	Mr. S.M.M. Salahudeen	- Director (January – October 2018)
08.	Mr. Prabash Subasinghe	- Director (From December 2018)
09.	Mr. Jeevan Gnanam	- Director (From December 2018)
10.	Mr. D.S. Wickremasinghe	- Director (From December 2018)
11.	Mr. L.P. Jayampathy	- Secretary Ministry of Ports and Aviation
12.	Mr. Bandula Wickramarachchi	- Secretary Ministry of Primary Industries (Up toOctober 2018)
13.	Mrs. S. Senaratne	- Addl. Secretary (Policy Planning) Ministry of Industry & Commerce (Up to October 2018)
14.	Mr. D.V. Bandulasena	- Secretary State Ministry of Agriculture
15.	Mr. W. A. D. S. Gunasinghe	- Addl. Secretary Ministry of Development Strategies & International Trade
16.	Mr. S. Senanayake	- Addl. Secretary (Planning & Dev) Ministry of Rural Economy (Up to October 2018)

17.	Mr. U. G. Ratnasiri	- Addl. Secretary Ministry of National Policies & Economic Affairs (Up to October 2018)
18.	Mrs. W.M.D.T. Wickremasinghe	- Addl. Secretary (Development) Ministry of Plantation Industries
19.	Mr. R.P. Ariyasinghe	- Secretary Ministry of Foreign Affairs
20.	Mr. S.N.B.K.S. Senarathne	- Addl. Secretary (Admin & Human Resources) Ministry of Fisheries & Aquatic Resources Dev.
21.	Mr. P.H.A.S. Wijeyarathna	- Addl. Director General Department of Public Enterprises Ministry of Finance
22.	Mr. Duminda Ariyasinghe	- Addl. Director General (Former) Board of Investment of Sri Lanka (Up to October 2018)

CONTENTS

Message from the Chairperson

The year 2018, was a successful one for the export industry of Sri Lanka, in multiple aspects. The efforts of the government towards closer integration with global markets was greatly facilitated by the formulation of the National Export Strategy (NES) to uplift the export sector of the country. In line with government policy, several initiatives were also taken to fast track the export process while successfully formulating and launching the NES, which is now in the process of implementation.

Since its inception, the Sri Lanka Export Development Board has been fully committed to accomplishing its vision of enhancing exports, diversifying the export basket, introducing innovation as well as generating employment opportunities that ensure the sustainable, enhanced economic growth of the country. We have been striving continuously to promote exports and facilitate the exporter community by creating an environment conducive to investment in Sri Lanka.

We are currently exploring new areas and identifying strategically important sectors such as IT/ BPM, Construction, Education and Wellness Tourism which have shown tremendous potential for the next level of development of exports in the country. EDB is also in the process of formulating assistance programmes to nature Innovation & Entrepreneurship targeting the global market under the Trade Support Function Strategy of the NES.

These new initiatives prompt us to leverage our strengths to achieve the targeted Foreign Exchange Earnings. Looking back at the EDB's performance in the preceding year, I wish to reiterate that the year has truly been a fruitful one to which the substantial growth in Foreign Exchange Earnings has added impetus.

I am confident that with the guidance of H.E. the President, the Hon. Prime Minister and our Ministers as well as the commitment of the EDB staff , I am well- equipped to continue to steer the EDB on a growth trajectory. In partnership with our esteemed exporters I plan to set a clear path that the organization could follow in the future, which will chart the course of Sri Lankan exports to greater heights of success.

Indira Malwatte
Chairperson
Sri Lanka Export Development Board

SRI LANKA EXPORT DEVELOPMENT BOARD

Introduction

The Sri Lanka Export Development Board [EDB] is the premier organization for the development and promotion of exports. It was established in 1979 under the Sri Lanka Export Development Act No. 40. The EDB plays its roles as Policy Advisor, Monitor, Promoter, Facilitator and Knowledge Provider in carrying out its responsibilities in implementing the strategies for achieving the national export targets.

Vision

The vision of the EDB, ***"Position Sri Lanka as a Prominent Export Hub for Innovative Products & Services"*** is aligned with the development vision of the Government and with the vision of the National Export Strategy.

Mission

The mission of the EDB, "***Enable export competitiveness through Innovation, Entrepreneurship & Global Integration"*** is focused on increasing foreign exchange earnings and thereby contributes more to the national economy.

KPIs of the EDB up to 2020

a) Increase exports to US$ 22 bn and export contribution to GDP to 20% by 2020
b) Create 100,000 Employment Opportunities [Quality Jobs] to educated/ skilled youth
c) Facilitate 20 established exporters to increase export turnover with EDB Assistance
d) Assist to develop 2,000 domestic entrepreneurs into Export businesses
e) Introduce 4 - 5 new products in to Global Value Chains and Global Production Networks.

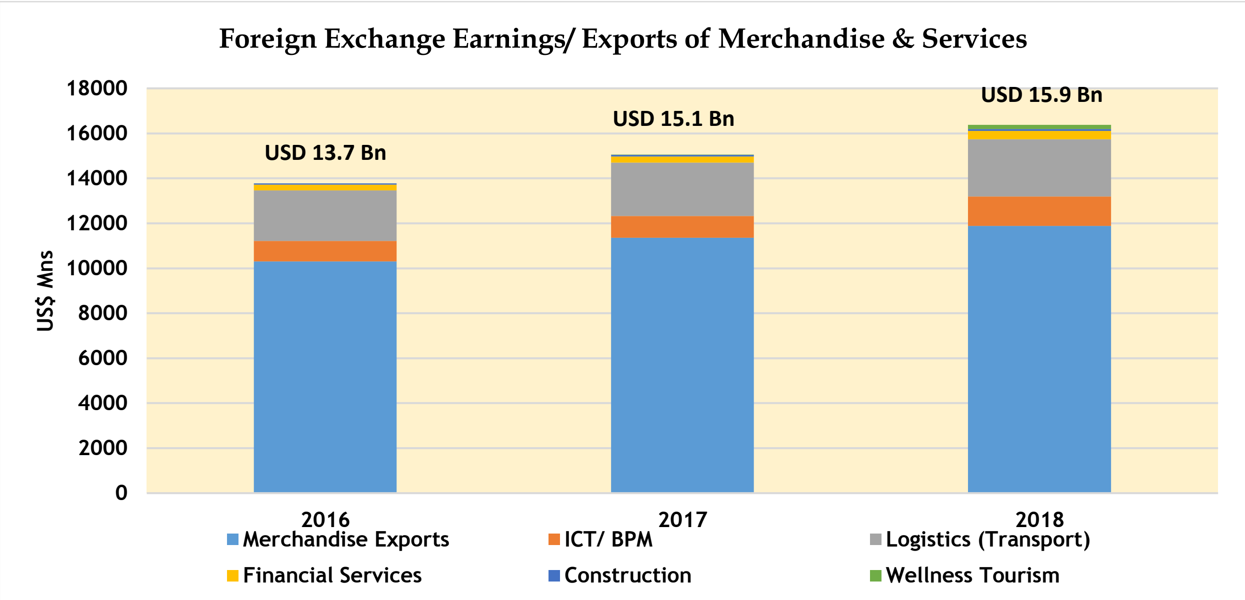
SRI LANKA EXPORT DEVELOPMENT BOARD
PERFORMANCE DURING THE PERIOD
JANUARY TO DECEMBER 2018

The Sri Lanka Export Development Board [EDB] is the premier state organization for the development and promotion of exports. The Board was established in 1979 under the Sri Lanka Export Development Act No. 40 and plays myriad roles in the export sector of the economy, as Policy Advisor, Monitor, Promoter, Facilitator and Knowledge Provider in carrying out its responsibilities of implementing strategies for achieving national export targets.

The vision of the EDB, ***"Position Sri Lanka as a Prominent Export Hub for Innovative Products & Services"*** is aligned with the development vision of the Government and with the vision of the National Export Strategy.

The mission of the EDB, ***"Enable export competitiveness through Innovation, Entrepreneurship & Global Integration"*** is focused on increasing foreign exchange earnings and thereby contributing to the national economy.

Export Performance – 2018

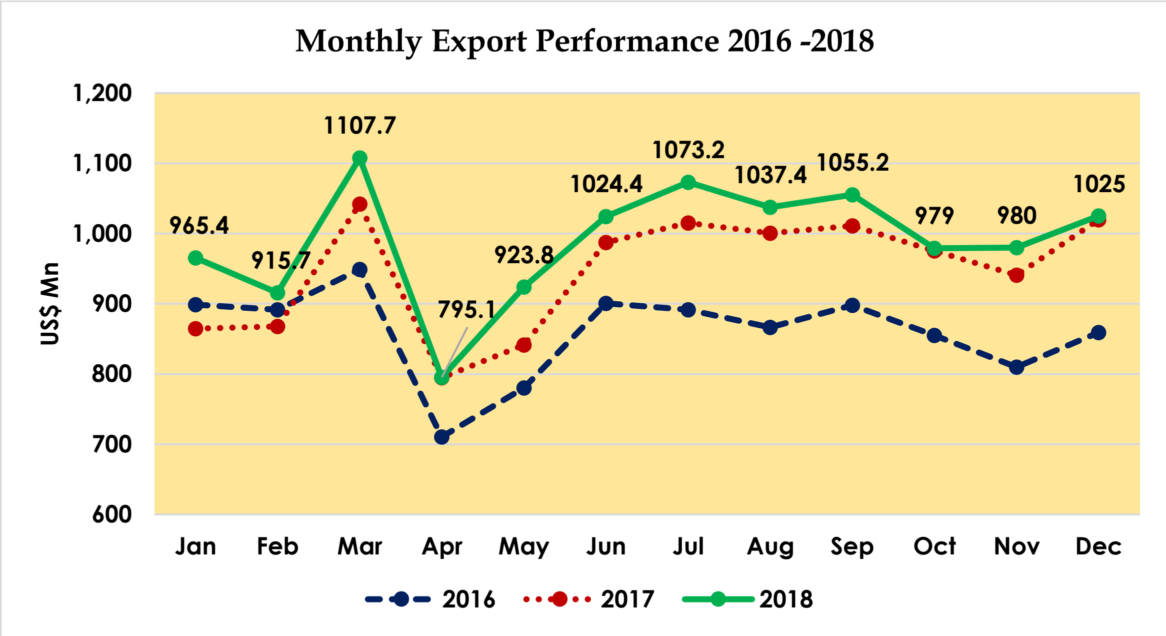


Sources: Sri Lanka Customs, Central Bank of Sri Lanka, Surveys done by EDB

Sri Lanka's foreign exchange earnings from exports of merchandise and services have grown by 5.3 % during 2018 reaching the US $ 15.9 Billion milestone, compared to US $ 15.1 Billion in 2017, recording a substantial increase in exports in the year of review.

Merchandise export earnings recorded US$ 11.9 Billion in 2018, compared to US$ 11.4 Billion last year. Estimates in the services exports of ICT/ BPM, Construction, Financial services, Logistics and Wellness Tourism sectors show an overall growth of 8 %, reaching US $ 4.0 Billion during the period.

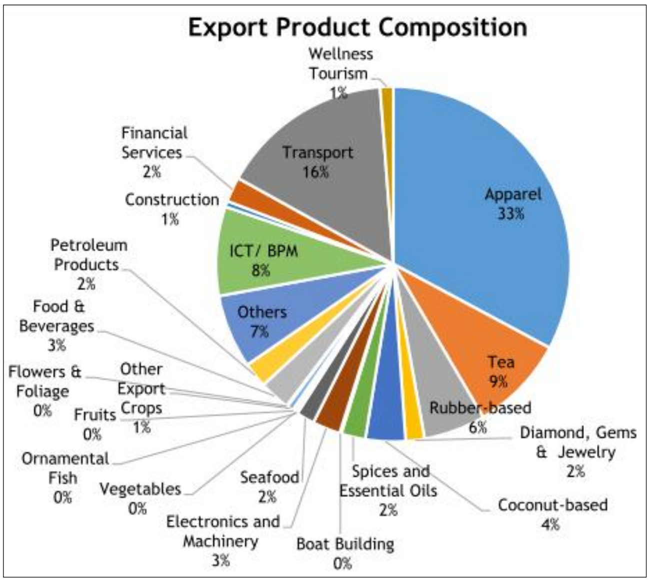
Furthermore, parallel to the year 2017, over US $ 1billion in monthly merchandize export earnings were recorded for six months of 2018, March (US$ 1,107.7 Mn), June (US$ 1,024.4 Mn), July (US$ 1,037.4 Mn), August (US$ 1,055.2 Mn) and December (US$ 1,025 Mn).



Sources: Central Bank of Sri Lanka & Sri Lanka Customs

Strong performance is evident in some of the 'focus sectors' identified under the new National Export Strategy; notably, electronics and electrical exports which increased by 16.2% and Food & Beverages which rose by 22.6%. However, Spices & Concentrates as well as Boat Building declined by 10.8% and by over 50% respectively as these orders are in the production stage.

The Apparel sector, which accounts for 33% of total exports, recorded an achievement of over 100% of its target during 2018 as new orders from the EU were secured as a result of the GSP+ benefit of 12% duty concession. Meanwhile, the export of Rubber finished products such as tyres, gloves, and automobile components etc. which account for 5% of total exports, increased significantly by 3.78% during the year.

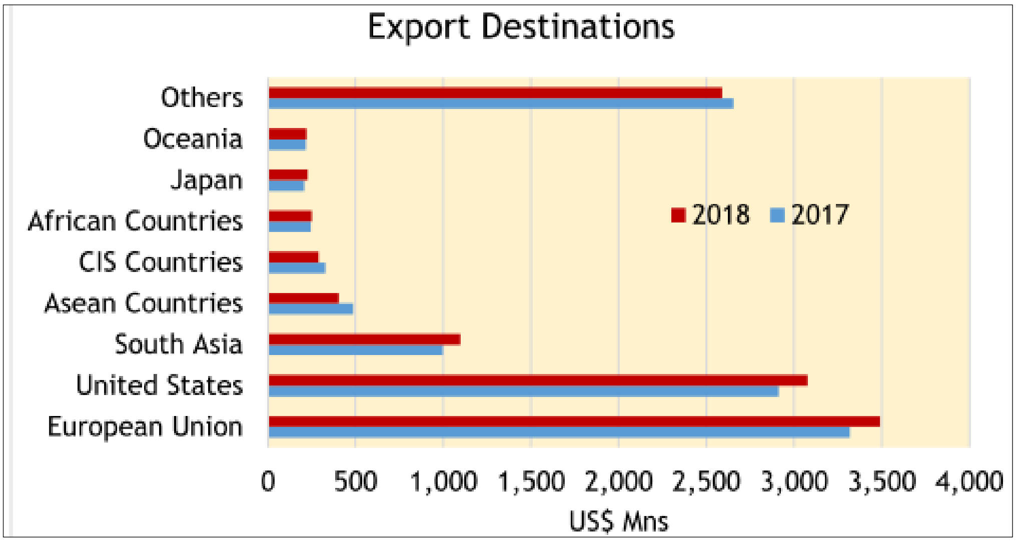


Sources: Sri Lanka Customs, Central Bank of Sri Lanka

Export destinations

By export destinations, exports to South Asian region grew substantially, by 10.12%, to reach US$ 1,097 Million (compared to US$ 996 Million in 2017). In particular, exports to India increased significantly, growing by 11.35%, from US$ 689.4 Million in 2017 to US$ 767.6

Million during the current year. Earnings from exports to the European Union increased by 5.15%, and exports to USA increased by 5.65%, compared to 2017. Meanwhile, exports to the UK declined by 5.15%, largely due to the depreciation of the GBP and consumer market uncertainty due to Brexit.



Source: Sri Lanka Customs

1. POLICY INITIATIVES

National Export Strategy (NES) for Sri Lanka

The commencement of the formulation of the National Export Strategy (NES) was a major policy- level activity undertaken by the EDB in 2017 with the assistance of the International Trade Centre, Geneva. The Hon. State Minister of International Trade was the Navigator of the NES process.

The NES for Sri Lanka developed under the direction of the Ministry of Development Strategies & International Trade, relevant Public and Private Institutions, Chambers and coordinated by the EDB, aims to make Sri Lanka an export hub and drive exports to the next level. Following several stakeholders consultations, the NES was completed and, with the approval of the Cabinet, was launched on 19 July 2018 at Temple Trees under the patronage of the Hon. Prime Minister.

The Strategic vision of the NES is to make "Sri Lanka – An Export Hub" driven by innovation and investment. The strategy will focus on six sectors viz Information Technology and Business Process Management (IT/BPM), Wellness Tourism, Spices & Concentrates, Boating Processed Food & Beverages, Electrical & Electronic Components. In addition, trade support functions will comprise the extension of trade information and promotion, national quality infrastructure, innovation, R & D and logistics to all product sectors.

Implementation of the NES by the respective implementing agencies has commenced in close collaboration with the Advisory Committees established under the EDB and NES Monitoring Unit of the MODSIT.

2. IMPLEMENTATION OF THE NATIONAL BUDGET PROPOSALS 2018

The EDB was entrusted to implement six budget proposals in the year of review - viz: the Market Access Support Scheme, IT Initiative, Multinational Corporation Outreach programme for the Electronic and Electrical Components sector, Boat Building - Establishment of Infrastructure Facilities and Development of a Regulatory Framework, Establishment of the Trade Promotion Platform and the Erambuma Credit Scheme.

Market Access Support Scheme

Under the Market Access Support Scheme, companies were assisted to undertake development and promotional programmes based on their Business Development Plans. The scheme covered the areas of Rubber and Rubber- based products, Ornamental Fish, Footwear, Light Engineering and Coconut & Coconut fibre - based products, Fisheries products, Garments, Spices and allied products to date. The assistance covered the geographical areas of Colombo, Kalutara, Kandy, Polonnaruwa, Gampaha, Puttalam, Kurunegala, and Hambantota. Since the scheme became operative in August last year, assistance was extended on a cost- sharing basis towards the procurement of machinery, establishment of quarantine facilities, quality improvement, capacity development and market development, implementation of the barcode system, etc.

This programme strengthens not only individual companies but those of product specific Associations as well.

IT Initiative programme

The IT Initiative focuses on six key areas and plant to achieve the target of US$ 5 Bn in 2022, namely “Champion Builder Initiative” – to enable the accelerated growth of high potential ICT/BPM companies, and the execution of a Digital Branding campaign to strengthen the country positioning in target markets in order to make Sri Lanka a sourcing destination of knowledge services. This also includes Non-digital Branding through Inward and Outward Missions and Roadshows, Country Positioning reports, etc. While promoting global reach, the IT Initiative also focuses on developing the supply of the future skill requirement of the sector, identification of the future skill demand as well as addresses the needs and set- up incubation facilities for ICT Start-ups (Developing regional entrepreneurship).

Sri Lanka’s National ICT/BPM Brand IoI – “Island of Ingenuity” was launched in February 2018 to create more value additions and to position Sri Lanka as a centre of excellence in the global arena.

Multi-National Corporation Outreach Programme

The Multi-National Corporation Outreach Programme has been formulated with the objective of attracting three (3) to five (5) global Electronics and Electrical Multi-National Companies (MNCs) to Sri Lanka during the period 2018 to 2020, thus enabling Sri Lankan Electronics and Electrical companies to plug into the global MNC supply chains, develop Joint Ventures (JVs), and act as contract manufacturers engaged in design- driven work in Sri Lanka. Selection of an Expert to undertake this assignment is in progress.

Boat Building - Establishment of Infrastructure Facilities and Development of Regulatory Framework

Boat building and nautical tourism are multi-billion dollar industries around the world and Sri Lanka should take full advantage of the emerging trend before losing its competitive advantage to other countries in the region. Sri Lanka has huge potential to develop this industry if the necessary infrastructure and regulations are in place.

Lack of standardization and quality assurance system for leisure boats below 24 meters has been identified as being one of the main constraints for the development of the industry. Although, there is a registration procedure for fishing boats, there is no proper registration system for leisure/recreational boats. Most of the passenger boats operated in the country do not fulfil safety requirements. Establishment of a regulatory framework has been undertaken as one a major intervention under this program, to regulate the boat manufacturing industry, yachting and nautical activities in the country, attract more foreign yachts to the Sri Lankan waters, develop yacht tourism with yacht based spending, and stimulate more charter operations.

Although Sri Lanka is well positioned to be a yachting hub in the region due to its strategic location and scenic coastline, very few yachting/nautical activities are taking place due to the lack of infrastructure facilities.

The Boat building industry lacks infrastructure facilities for manufacturing (especially vessels over 20M), berthing (anchorages/marinas), launching and testing (slipways/launching pads) and dock facilities for repairing purposes. All these affect the competitiveness of the sector in the global market and has also resulted in a lack of FDI and local investments in the boat building and marine tourism industry.

The EDB and the Boat Building Technology Improvement Institute (BTI), have identified Koggala and Weligama in the south coast as feasible areas for building the necessary infrastructure to facilitate existing players in the industry, and construction of a breakwater in Kapparathota (Weligama) to facilitate the boat builders for berthing, launching and testing has been proposed.

A feasibility study and detailed design to construct the breakwater in Weligama (Kapparathota) is underway. The Boat Show and Boating Festival Sri Lanka was also held successfully in Galle in October 2018. Sri Lankan boat builders were successful in obtaining orders for pleasure crafts, ferry boats, naval vessels, cargo boats, tank boats, taxi boats, etc. mainly from Burundi and are in negotiations on the design and the prices.

Establishment of a Trade Promotion Platform (TPP)

The platform is underway to promote our exports internationally in a single platform. The platform is designed to cater to prospective and current buyers to source products and services from Sri Lanka and for Sri Lankan entrepreneurs to obtain relevant and timely trade information. This Platform to be launched in mid-2019 will also promote the SME sector through the eMARKETPLACE on-line product selling Platform and facilitate B2B matchmaking.

"Erabuma" Credit Scheme

"Erabuma" Credit Scheme is under the Enterprise Sri Lanka Programme. Financial support for Innovative Business Start-Ups will provide an opportunity for young graduates to build their own businesses, which will commercialize and accelerate export growth. This loan is provided on the merits of a viable business idea supported by a business plan. It is extended to young university graduates below the age of 35 years or to certificate holders of NVQ level 5, 6 and 7. EDB has, to date, recommended and forwarded 262 applicants to be considered for loans to the Bank of Ceylon and Peoples Bank in the areas of Agriculture, Manufacturing, ICT/BPM, Tourism, Retail businesses, etc.

Advisory Committees

To facilitate the smooth implementation of NES, sixteen new Advisory Committees have been established and gazetted for Apparel, Boat & Ship Building, Coconut & Coconut based products, Electronics & Electrical Components, Gems, Diamonds & Jewellery, ICT/BPM, Light Engineering, Logistics, National Quality Infrastructure, Processed Food & Beverages, Professional Services, Rubber & Rubber based products & Plastics, Seafood, Spices &Concentrates, Trade Promotion & Trade Information and Wellness Tourism/Ayurveda Sectors. The Advisory Committees established collaborations between the private and public sectors which will identify priority issues and opportunities to improve the performance of selected export sectors.

3. CREATING THE NEXT GENERATION OF LOCAL ENTREPRENEURS

National Programme to Establish 2000 New Exporters – Be an # EXPORT CHAMPION

The government's national programme for the establishment of 2000 New Exporters during the 2017 to 2020 period was launched in 2017 in Jaffna and the second programme was held in Kandy for Central Province entrepreneurs in 2017. The third phase was held for Southern Province entrepreneurs on 11 May 2018 in Matara. The programme targeted sectors such as Spices, Gem & Jewellery, Processed Food & Beverages, Coir products & Fisheries. The fourth awareness seminar was held in Kurunegala for Northwestern entrepreneurs on 17 August 2018. The programmes comprised Awareness Seminars, Mini Exhibitions and round table discussions with local established business leaders in addition to a Regional Entrepreneurs Forum.

About 1500 applications were received from entrepreneurs and 516 were selected for grooming from which 282 profiles were developed. Under this programme, 44 Direct Exporters have created exports valued at nearly US$ 3 Mn. 55 Indirect exporters created have supplied export products valued at around US$ 4.4 Mn .

Workshops were held on "How to Develop a Business Plan" with the assistance of M/s. Ernst & Young on 28 and 29 March 2018 for 30 identified entrepreneurs from the Kurunegala District, on 7 and 8 June 2018 for 14 entrepreneurs from the Jaffna District and on 13 and 14 August 2018 for 30 entrepreneurs in the Kandy District. Subsequent to the initial workshops, the entrepreneurs with the support of the EDB Regional Office and the Development Officers are preparing their own Business Plans.

International Exporter programme

Three companies from the 2000 New Exporter programme were assisted to participate as Observers at the GULFOOD 2018 Exhibition held in Dubai from 18 to 22 February 2018, which gave them an exposure to an international event. Another 13 SMEs with export potential in the Food & Beverage sector registered under the 2000 New Exporter Programme and participated at an exposure programme in Thailand from 28 May to 2 June 2018. The programme consisted of factory visits, a training programme at the Thai Packaging Centre and visiting the THAIFEX Exhibition. The participants gained valuable information on packaging and product development.

A 10 member business delegation, comprising export – ready SME enterprises of the Food and Beverage industry was supported to participate at the Production Process Improvement and Market Penetration Programme which coincided with "Annapoorana" – the World Food India 2018 held in Mumbai, India, from 26 September to 2 October 2018. The programme consisted of an Exhibition Visit and B2B Meetings, a Seminar on Packaging, Meetings with Super Market Chains as well as Factory Visits.

Sri Lanka was well represented at the 15th International Small and Medium Enterprise Fair (CISMEF) held from 10th to 13th October at Guangzhou, China, by a 30 member delegation of Small and Medium enterprises organized by the EDB. This fair has become an effective and strong platform to connect participating entrepreneurs with potential partners in overseas markets. A trade seminar was organized on the sidelines of the CISMEF by the Consulate General on 12 October 2018, to create awareness on Sri Lankan Products that are ready to enter the Chinese market.

Eight SMEs identified from the Northern Province were also given the opportunity to participate and display their products at the Jaffna International Trade Fair 2018 held in Jaffna from 26 to 28 January 2018. An EDB Pavilion was organized at Sri Lanka Print 2018 to facilitate 10 SME printers to display their products/services. Two companies were assisted to participate at the Sri Lanka Print Conference 2018 held on 15 March 2018 in Colombo. Ten companies were also facilitated to exhibit their products at the V2025 exhibition in Monaragala.

Nine companies were supported to participate at the workshop on WTO Trade Facilitation on 15 and 16 March 2018 in Jaffna. Four potential companies in the Western Province participated at an Awareness Training on "Quality Assurance and Food Safety Standards & Practices for increasing SMEs Export Competitiveness of the Food Value Chain" organized by UNIDO.

A Technical transfer programme was organized in consultation with PUM Netherlands Senior Experts, for coir-based product exporters and potential exporters in the North

Western and Southern provinces to develop the supply base of quality coir based products for the export markets, to make them aware of the current trends in product development requirements in the International market.

Under the Technical Assistance programme, 21 Food & Beverage and Spice companies from the Central Province were assisted to apply for International Standard Certifications i.e. ISO 9001, ISO 14001, ISO 2200 & ISO 50001 through the Ministry of Industry & Commerce.

Women Entrepreneurs into Export Business

Six women Entrepreneurs engaged in footwear manufacturing were trained on design development and facilitated to participate at the Footwear & Leather Fair 2018 held from 2 to 4 February 2018. They obtained spot sales valued at Rs. 1 Mn and were also successful in negotiating the supply the shoes of DSI, DI, Bata, VKC and other suppliers / distributors.

An Export Marketplace Programme was held on 8 March 2018 to coincide with World Women's Day with the participation of 19 women entrepreneurs and 12 service organizations. The women entrepreneurs displayed their products at the fair and the marketplace provided an opportunity for the entrepreneurs, exporter firms and service providers to network under one roof. The best three women entrepreneurs were selected by a five- member panel of judges and received financial assistance valued at Rs. 300,000/=, Rs. 200,000/= and Rs. 100,000/= for 1st , 2nd and 3rd places respectively to strengthen their export value proposition. Seven women entrepreneurs were also identified for UNIDO assistance. Three companies were introduced to the "SheTrade" website of ITC.

A Business Plan workshop for 20 women entrepreneurs was held in Colombo on 30 and 31 May 2018, which was conducted by E&Y with the support of ITC.

Export Supply base development through One Village One Product (OVOP) Programme

The period under review facilitated the setting up of farmer clusters and market linkage programmes for Ginger and Turmeric in Nuwaragampalatha East for 51 growers. A Seminar / technical session for cut foliage farmers was also held in the Ratnapura District and 28 growers were linked with exporters.

Three Awareness seminars were held for 60 pepper farmers and 40 cut foliage farmers in Maspotha DS Division, and a programme on handicrafts and natural dying had a total of 128 participants from Kegalle, Udunuwara and Doluwa .

A design development programme was conducted for 22 jewellery manufacturers of the Neelawala Handicrafts Society and the Liyanawela Jewellery Village on 29 and 30 March 2018. A supply development programme for 120 growers of spices & allied products was held in the Haguranketha DS Division in the Nuwara Elieya District.

Image Building Programme for the Apparel Industry

Despite the growth in apparel exports, the industry faces many challenges due to worker shortages. To address this issue, the industry and the EDB undertook a survey to understand the factors behind the reluctance of workers to engage in the trade as well as the social stigma that associated with the sector that prevails at present.

The survey identified the necessity of changing the mindset of society at large. The key stakeholders comprised stakeholders such as community leaders, influencers and the people who live in the vicinity of the potential labour force who, today, do not participate in the industrial activities but look for alternative methods for earning a livelihood. In order to address these issues, it was proposed to carry out an image building programme by commissioning a PR company to draw up a strategy and plan of action for an aggressive promotional campaign that will change the mindset of society and the potential workers as well as attract more workers to the sector.

Workshop on Design development for provincial Jewellery Designers/ Manufacturers

The EDB organized a two-day workshop in the Central province for 16 members of the Neelawala and Liyanwala craft villages to upgrade their design capabilities, with the services of two local design experts who were trained in Thailand in 2016 by the EDB.

4. CREATING GLOBAL MARKET ACCESS FOR SRI LANKAN PRODUCTS AND SERVICES

Food & Beverages

Organized Sri Lanka's participation at GULFOOD 2018 Exhibition in Dubai held from 18th to 22nd February 2018 with the participation of 21 exhibitors from the food & beverage sector and 3 observers from the "2000 new exporter programme". As per the 06 months evaluation, the participated companies were able to receive confirmed orders to the value of US$ 7.24 Mn, Orders under negotiation is valued at US$ 8.69 Mn and orders executed is US$ 3.83 Mn

Exhibitors benefited through exposure to new markets for tea and food supplements, identification of new technologies, opportunities for joint venture and collaborative investment, identification of new products, observation of new market trends etc. Exhibitors also had the opportunity of introducing their new product range to the Middle East and North Africa (MENA) markets.

A few companies had the opportunity of introducing the company brand to the international market. Parallel to that, B2B sessions were also held with existing and new buyers.
In order to promote Sri Lankan food and beverage products, the EDB organized national pavilion at the "World's largest food innovation exhibition – SIAL France" from 21st to 25th October 2018 in Paris, France. 14 Sri Lankan companies participated at the fair to promote a range of food and beverage products. Along with the exhibition, EDB organized successful business meetings with leading buyers in France for companies promoting coconut products. The BIO Group, a major coconut based products importing company in France made a visit to Sri Lanka to outsource organic coconut based ingredients. Participants received US$ 285,000 worth of confirmed orders.

Organic Food Products

A market development programme was organized for organic food products in collaboration with GIZ and IFOAM in Germany from 14th to 20th February 2018 with the participation of 6 organic sector companies.

The participants were able to visit BioFach 2018 which is the world leading trade fair for organic products. Further, they got the opportunity to meet with key players in the organic market in Germany such as growers, importers, supermarkets, certification bodies and regulatory authorities. The visit made to a certified organic farm provided good experience to the participants on integrated organic farming systems. Visits to the BioFach 2018, production facilities, organic wholesale supermarkets, meetings with buyers helped to identify new business opportunities, to see the products offered by competitor countries, storage of products imported from various destinations, value addition, product positioning and packaging done according to targeted consumers. Awareness on new EU regulations for the organic sector is another opportunity acquired.

Seafood

With the removal of the Illegal Unreported and Unregulated (IUU) fish ban and regaining the GSP plus concession, Sri Lanka could increase her export volume, bringing additional revenue to the country and once again for Sri Lankan seafood to be placed on the threshold of being the number one tuna exporter from Asia to EU. Therefore considering the importance of this global event to the Sri Lankan seafood industry and also to reap the full benefit of GSP plus concessions, EDB organized the Sri Lanka Pavilion at the Seafood Expo Global from 24th to 26th April 2018 in Brussels, Belgium with the participation of 9 seafood exporting companies. The Sri Lanka stand attracted around 1,200 visitors and the exhibitors were able to receive US$ 1.4 Mn worth of confirmed order and around US$ 300,000 Mn

worth of orders are under negotiation. Innovations in product development and market potential were among the topics covered during the global business core meeting.

Three (03) Seafood companies were also assisted by the EDB to participate at the Tuna Conference held from 28th to 30th May 2018 in Thailand. The participants were able to gain knowledge on new trends and developments in the global Tuna Industry.

Spices & Concentrates

Two (02) companies were assisted to participate at the IFEAT Conference held in Colombia from 9th to 13th September 2018 at which they were able to establish linkages with global producers. Participant companies received US$ 111,000 worth of orders for essential oils and also currently negotiating orders of US$ 330,000.

Floriculture

The EDB organized a Technology Transfer programme for production of live plants for exports on 4th December 2018 at the EDB. The workshop was conducted in collaboration with National Plant Quarantine Service (NPQS) and Department of National Botanical Gardens (DNBG) and industry experts. 100 participants benefitted from the programme. The participants included, potential exporters identified under 2000 exporter programme at regional level, women entrepreneurs, applicants of Erambuma credit scheme, Suwahas flower growers and investors and SME level floriculture producers. Participants were able to widen their network of contacts in the industry and gained knowledge on the quarantine requirements to be followed when exporting live plants.

Apparel Sourcing Paris, France

EDB in its efforts to maximize utilization of GSP+ benefits and increase exports to EU, organized an apparel promotion programme in France by participating at the "Apparel Sourcing Paris 2018" which is the leading sourcing trade fair held in Europe, for the second consecutive year. Six Sri Lankan companies participated at the Apparel Sourcing Paris 2018 held from 17th – 20th September 2018 at the Paris Le Bourget Exhibition Centre.

Sri Lanka got the opportunity to organize a Sri Lanka conference where a presentation was made on the opportunities in the apparel industry for enhancing trade between the two countries highlighting benefits of GSP+ .The excellent quality , ethical manufacturing and speed to the market, Sri Lanka's connectivity to many developed markets due to its location was also highlighted.

EDB also had the opportunity to promote the Fashion Designing sector which is an upcoming and promising sector. Promotion of this sector commenced at the Apparel Sourcing, Paris in 2017. In 2018, 2 Sri Lankan fashion designers were given the opportunity to display their products at the event and to showcase their Designs, Labels, and Brands at the Sri Lanka catwalk held parallel to the man exhibition.

Promotion of Sri Lankan Fashion Designers at the IFDS, Hong Kong Fashion Week

Four Sri Lankan designers promoted their labels and brands at the International Fashion Design Showcase (IFDS) held parallel to the Hong Kong Fashion Week held from 9th to 12th July 2018. They also got the opportunity to participate at the fashion show and develop contacts with the buyers met at the fair. The programme provided an exposure for the designers to meet buyers from various countries and meet potential fabric vendors, suppliers of high quality handmade materials etc.

Catwalk - Apparel Sourcing Paris

As a result of participating at the IFDS, the brand Pigeon Island received a good response from an influential retail buyer based in Hong Kong and promoted the brand for one month at a Pop-Up retail store in Shanghai. This is an excellent opportunity received for a Sri Lankan brand in a progressive market like Shanghai.

Wellness Tourism

A seminar was organized on "Wellness Tourism" with Dr. Franz Linser, an international Wellness Tourism expert from Austria on 27th February 2018 at the EDB. Around 70 participants from the Ayurveda resorts, Spa centers, Private hospitals, travel companies and tourism consultants participated at this seminar along with some government officials who are involved in this sector. The seminar enlightened the audience on wellness tourism trends in the European region and the opportunities for Sri Lankan service providers. The Wellness sector has been identified as a key focus sector and a strategy was developed as part of the National Export Strategy (NES) of Sri Lanka.

For a brand promotion programme for the Sri Lanka Wellness Tourism Industry in target markets a detailed proposal with a three year cost component / implementation plan and its deliverables were obtained from Dr. Linser.

Aligned with the NES, the EDB invited Ms. Stella Photi, Founder & Managing Director of "Wellbeing Escapes" and wellnesss tourism expert from UK to obtain her expertise to develop the industry. The EDB held a seminar with Ms. Stella Photi covering the topic "Product Positioning and Marketing to the International Wellness Travelers" on 31st October 2018 at the EDB.

Exposure visit cum Business Matching Programme in Malaysia and Singapore

An exposure visit and business matchmaking programme was organized for 6 electronics and electrical sector exporters in Malaysia and Singapore from 16th to 21st July 2018. 47 Malaysian and 77 Singaporean electronics and electrical companies participated in the one to one business meetings held in Malaysia and Singapore respectively. The Sri Lankan companies gained more than 28 business leads, about 15 business alliances, joint venture opportunities coupled with market exposure and awareness in new trends in technology and innovation.

Inward Trade Delegations to Sri Lanka

Malaysia-An 11 member trade delegation from Federation of Malaysian Manufacturers (FMM), visited EDB on 23rd January 2018 and had discussions on potential business, joint ventures, and export and import opportunities between the two countries. As the largest private sector economic organization in Malaysia representing over 3000 manufacturing and industrial services companies of varying sizes, FMM is the officially recognized voice of the industry. The delegation comprised of leading Malaysian companies from the sectors of food and beverages, apparel, office furniture, logistics, packaging and construction material.

HiStyle Apparel Sdn Bhd is a company in the fashion industry with 30 chain stores in Malaysia and Singapore was interested in sourcing products from Sri Lanka such as t-shirts, cotton pants, jeans and bags. B2B meetings were organized for this company with Sri Lankan apparel sector companies.

Japan-A trade delegation from the Nagano Employers' Association of Nagano Prefecture in Japan organized by JETRO visited EDB and had discussions on opportunities and potential of increasing trade between the two countries. Product sectors namely electrical and electronics, rubber based products, tea, coconut based products and services such as construction and ICT/BPO received much focus during the discussion. The delegation is interested in starting import and export business as well as investing in avenues such as technology transfer through joint ventures with the Sri Lankan business community.

The EDB organized the second delegation from Japan from 3rd – 5th December 2018. There was immense interest from the Sri Lankan business community for this event and more than 80 companies registered for more than 250 B2B meetings. This event was a great opportunity for Sri Lankan export oriented companies and for potential exporters to enhance their knowledge on the Japanese market and develop & extend their business network. As a follow up to the B2B meetings, some of the buyers have visited factories as well.

Thailand-In collaboration with Thai Trade Center Chennai, 25 Thai business persons visited Sri Lanka and 100 B2B meetings were held with 52 Sri Lankan counterparts.

Pakistan -Trade delegation from Pakistan visited Sri Lanka 26th & 27th April 2018 following the Sri Lanka participation and at Expo Pakistan and research done by EDB in 2017 on Trade. The mission also focused on maximizing trade under the Pakistan -Sri Lanka Free Trade Agreement (PSFTA). The delegation participated in the Sri Lanka-Pakistan business forum, Business Seminar in Colombo and Matara followed by B2B sessions to meet Sri Lankan exporters.

With the conclusion of the B2B meetings business under negotiation included – One company in Pakistan has placed an import order for tamarind through a Sri Lankan company and intends to continue with this order.

A Pakistan company has requested samples of Virgin Coconut Oil from a Sri Lankan company for future business consideration. Another Pakistan company is in liaison with a Sri Lankan company for import of Pineapple Jam. They are also in the process of submitting a project proposal to BOI for setting up of their cold storage unit and ice cream manufacturing plant in Sri Lanka.

Further a Pakistan company was able to make fruitful contacts with Sri Lankan counterparts to explore the Sri Lankan market of Gems and Jewellery. They are also keen to import Virgin Coconut oil from Sri Lanka. In addition importers in Pakistan of tea, spices, fruits, cinnamon & handmade jewellery have been sent to Sri Lankan companies to establish contacts.

South Korea- B2B meetings and factory visits were organized for South Korean Automobile Component Buyers with 10 Sri Lankan companies in April 2018. The delegation also had meetings with the BOI, Sri Lanka Automobile Component Manufacturers Association, Sri Lanka Association of Rubber Product Manufacturers and Foundry Development & Services Institute. As a result of the meetings a Sri Lankan company has sent samples developed based on the requirements of the Korean buyer.

Trade Exhibitions Organized in Sri Lanka

Boat Show & Boating Festival 2018

Boat Show & Boating Festival Sri Lanka 2018 organized by Sri Lanka Export Development Board (EDB) and Boat Building Technology Improvement Institute (BTI) in association with Ministry of Development Strategies and International Trade, Ministry of Ports and Shipping and Sri Lanka Ports Authority was held on 26th, 27th and 28thOctober 2018 at Galle Yacht Marina, Port of Galle. This was the first ever Boating festival held in Sri Lanka to showcase the country's capabilities in marine tourism, recreational boating, yachting and boat building which is mainly focused on exports.

40 stalls and 15 outdoor displays including on water displays were organized at the show. The show attracted more than 8,000 visitors including foreign visitors from India, UAE, Maldives, Sweden, and Italy. Orders are being negotiated with Burundi, Australia and Sweden.

An inward buyer delegation was organized from Maldives, Sweden, Italy, UAE, India, Poland, Belgium, Pakistan, Seychelles, and Mauritius etc. to visit the show and organized B2B meetings with Sri Lankan Boat builders. They received several positive inquiries and negotiations are being done for boats such as fishing boats, Catamarans etc.

The First Vice President of the Republic of Burundi, Minister of Transport, Public Works, Equipment and Territory Management graced the inauguration of the show as the Guests of

Honour. The 12 member delegation had several discussions with the Sri Lankan Boat building companies including Sri Lanka Navy for future business ventures.

A Conference on "Sri Lanka – a hub for the marine industry, challenges and opportunities for marine tourism and manufacturing" was organized on 27 October 2018 parallel to the Boat Show & Boating Festival 2018 at the Jetwing Lighthouse Hotel in Galle. The Conference mainly focused on Marine tourism with an objective to raise the International Profile of Sri Lanka as a Marine Tourism destination and a boat manufacturing hub.

Eminent international experts; Ms. Sandrine Devos from European Boating Industry, Dr Bose from Saertex , India and Lanka Composites, Mr. Michal Bak the Secretary General of Polboat, Mr. Mike Derret, International Marina Expert, UK and local industry experts made presentations at the conference.

Footwear & Leather Fair 2018, Colombo

The 10th Edition of the Footwear & Leather Fair 2018 was organized by the Sri Lanka Footwear & Leather Products manufacturers Association together with the EDB, Ministry of Industry & Commerce and the IDB was held from 2nd to 4th February 2018 in Colombo.

This exhibition was an ideal platform to identify creative and skilled local talents in the industry. The main objective of the exhibition was to build a strong image of Sri Lanka footwear & leather products internationally. Specially, Small & Medium exporters were given an opportunity to showcase their products.

110 local companies and 23 foreign companies exhibited their products in 230 stalls. Six stalls were organized by the EDB for women entrepreneurs manufacturing footwear. The fair attracted around 16,000 visitors and local sales worth over Rs 50 Mn done during the fair.

Two foreign journalists – Modainpelle, Italy and Indian Leather visited the fair. Post event publicity was given in the Indian Leather Magazine and Style Modainpelle Magazine.

Facets International Gem & Jewellery Show 2018

EDB co-organized FACETS Sri Lanka 2018 in collaboration with National Gem & Jewellery Authority and Sri Lanka Gem & Jewellery Association and organized the EDB pavilion for 13 SME jewellery manufacturers and students of Sri Lanka College of Technology - Maradana, Technical College - Beliatta and University of Vocational Technology.

In order to upgrade the design and product quality of these selected SME jewellery manufacturers 4 workshops were held prior to the event. The participants were able to record spot sales worth of RS. 3.3 Mn and confirmed orders worth of Rs. 4.0 Mn.

5. LINKING EXPORTERS WITH GLOBAL VALUE CHAINS AND GLOBAL PRODUCTION SHARING NETWORKS

Technical and Market Exposure Programme for Red Clay Manufacturers held in Belgium & Germany

Considering the increased demand for green products in the international market specially in EU, EDB identify clay roof tile industry that can be promoted in the international market. Therefore, EDB organized several Product and Market Development programmes to upgrade and promote red clay products.

The EDB with the assistance of the Sri Lanka Embassy in Belgium and Germany organized Technical and Market Exposure programme for red clay products manufacturers from 9th to 13th April 2018. Nine (09) red clay manufacturing companies participated at the programme which consisted of factory visits to 3 leading red clay product factories in Belgium and met Red Clay Manufacturers Association. The delegation also visited the CERAMITEC Exhibition in Germany and participated at a seminar organized by Association of Red clay industry in Europe. The companies obtain firsthand exposure on the latest technologies, innovative products, automated processes and new machines developed by the European Machinery manufacturers especially bricks and roofing tiles. As a result of participation some of participation some of the companies are experimenting in new products such as hollow bricks, solar red clay roof, sound barriers etc.

Automobile Components Manufacturing Industry

A product development programme was conducted for 6 companies from 8th February to 6th March 2018 by Prof. Patrick Kelly Product Development Expert from SS Germany. The programme gave an insight for the participants to understand the international requirements and also to identify the weaknesses of their production processes, product quality and standards, marketing and sales etc. Participants were also visit to the workshop of Vega Innovation, to get an in-depth understanding of their operations and possible collaboration to supply component parts for the cars manufactured by them.

Feasibility Study and Investor Prospectus Boat & Ship Building Sector

In order to attract local and foreign investors for Boat & Ship Building and waterfront development, an Investor Prospectus and Feasibility Report for the Boat & Ship Building sector was compiled. Investor Prospectus have been sent to the Foreign Missions of Singapore, Germany, Netherlands, Norway, Maldives, South Africa, Mauritius, Seashells, Tanzania, Madagascar, Djibouti, Kenya, Uganda in order to forward same to the potential investors.

6. FACILITATING MARKET ACCESS THROUGH FTAs AND ECONOMIC CO-OPERATION AGREEMENTS

Processed Food

<u>Effective utilization of provisions under the Free Trade Agreement (FTA) signed between Sri Lanka & India</u>.

India is known as one of the fastest growing economies in the world. The Indian non- tariff barriers, procedural delays, approvals and clearances issues could be mentioned as barriers for doing business with the Indian market. Market access that has been provided under FTA by lowering tariff and opportunities could be further expanded to acquire full potential of FTA by resolving the above non- tariff issues. Following 2 actions were carried out by the EDB in promoting exports to India.

EDB in collaboration with FSSAI (Food Safety & Standard Authority in India) made arrangements to recommend 03 Sri Lankan laboratories to conduct conformity assessment of Indian Standards for identified Sri Lankan Food & Beverage products. (Bureau Veritas Consumer Products Services Lanka (Pvt) Ltd, SGS Lanka (Pvt.) Ltd, Industrial Technology Institute (ITI))

This will facilitate the exporters to conduct conformity assessment with above 3 laboratories to test Indian standards in Sri Lanka avoiding the samples to be sent for Indian laboratories for same tests which they previously adopted.

EDB organized an awareness workshop on "Import Regulations & Clearance Process for Food & Beverage Products to India" to create the exporters/ interested entrepreneurs aware on food regulations in India, facilitating Sri Lankan exporters to reap the full potential on the Indian market.

Market Diversification programme for Spices & Concentrates in Japan

In order to deviate from the traditional spice market and diversify into the high end market in Asia a Market Diversification programme for spices and Concentrates was organized in Japan from 21st to 25th August 2018 with the participation of 4 companies.

Three Factories and one R&D facility was visited by the participants. B2B meetings were held with 55 Japanese companies and as a follow up two Japanese companies visited Sri Lanka to visit the factories of the participated companies. Orders to the value of US$ 10,000 are under negotiation.

China International Import Expo

The EDB organized Sri Lanka's participation at the Frist China International Import Expo held in Shanghai from 5th – 10th November 2018 with 29 companies. This exhibition provided an excellence platform for the participant companies to enter into the Chinese market and further consolidate the existing market linkages. Participants were able test market for demand, acceptance & competitiveness, identified & appoint agents and distributors, entered into agreements and some of them had introduce new products to the market. Participant companies were initially able to receive confirmed orders to the value of US$ US$251,290 and orders to the value of US$15,852,815 are under negotiation. Further many companies were able to appoint agents and entered into MOU's.

7. MARKET ACCESS FOCUS ON ASIA

ICT/ BPM

The EDB in collaboration with JETRO, JISA and Sri Lanka Embassy in Tokyo organized this market promotion programme at the Japan IT Week 2018 from May 9th -11th ,2018 for 10 companies. EDB introduced 04 companies to the Japanese market and 06 companies who have already have business engagements in Japanese market. The value of contracts generated during the program is in the range of US$ 500,000 and more contracts are currently under negotiations and expect to convert into real business in next 3-12 months which will be worth of USD 1,000,000. Moreover, the expected outcome of the companies such as, expanding business further in Japan, finding new business opportunities in Japan, lead generation, strengthen the footprint in North East Asia were achieved successfully through the programme. There were four companies selected through 2000 Exporter Development Program to participate for the fair.

One company launched their new product in to the Japanese market "MyMed" and open an office in Tokyo. Another company was signed a contract worth of Japanese Yen 3.2Mn to develop a Virtual Reality application for remote exhibitions. And also one company was able to sign a contract with Japanese company worth of Japanese Yen 350,000 to produce digital marketing solution.

B2B Meeting Programme in India for Sri Lankan Rubber Glove Manufacturers / Exporters

EDB with the assistance of Sri Lanka High Commission in New Delhi, India organized a B2B meeting programme in India for Sri Lankan rubber glove manufacturers and exporters by obtaining the services of a marketing consultancy firm from India to explore market opportunities and establish direct contacts with prospective buyers in India particularly North India, from 10th to 12th October 2018. Two Sri Lankan companies participated at the programme. 20 buyer meetings were organized. Visit to M/s Medanta Hospital, a renowned hospital chain in India was also organized during this programme.

Confirmed order of US $ 28,000 for Industrial Gloves was received by one company and they are negotiating with 4 other customers for NBR/ Latex gloves, which are in the order finalization level.

The other company is in the process of sending samples of supported gloves. Further this buyer has requested to provide a unique glove positioned between premium and economical segments.

Technical Exposure Study Tour for Plastic Products Manufactures Parallel to Chinaplas 2018, China

In order to obtain firsthand information on the latest development and technical know-how for upgrading the Sri Lankan plastic industry a technical exposure / study programme was organized parallel to Chinaplas 2018 from 24th to 27th April 2018 with the participation of 10 exporters.

The programme included visits to ChinaPlas 2018 Exhibition at the National Convention and Exhibition Centre in Shanghai, China and Factory Visits to manufacturing units of plastic products Suppliers of Machinery i.e. M/s Tonva Plastic Machine Factory in Shenzhen, M/s Nantong Huasheng Plastic products Co. Ltd. , and M/s Ruian Chang Hornng Machinery in Ruian Area in China.

Two companies who participated at the programme have ordered a 60 L Blow Moulding Machine at a cost of US$ 58,000 and a new 6 color flexo press machine with advanced technology.

Participants gained knowledge on latest machinery (injection moulding, blow moulding and film extrusion), new technology, innovative products, bio plastic materials, Chemicals, new suppliers, latest quality standards for plastics products and testing methods.

Technical Training and Exposure Programme for Manufacturers /Exporters of Latex Products in Malaysia

Given the importance of upgrading the technical capabilities of the sector and to gain knowledge on latex products and technological developments in the International market, EDB organized a Technical Training Programme for latex rubber product sectors from 27th - 30th August 2018 at Academy of Hevea Malaysia, Malaysian Rubber Board in Malaysia.12 representatives were given the opportunity to participate at the programme. The participants were able to learn latex technology, Nano material application for latex products, specialty lattices, heath related issues, rubber latex thread

and draft for polymerization, waste management for latex processing and manufacturing, latex paints and adhesive, synthetic latex, foam manufacturing and lab visits.

As a result of participation, companies are exploring the possibility of investing in new products and product adaptation.

Bangkok Gem & Jewellery Fair 2018

EDB in collaboration with Sri Lanka Embassy in Thailand and the Department of International trade Promotion Thailand organized the Sri Lanka pavilion with the participation of six (6) exporters for the second consecutive year in 2018.

The participating companies were able to showcase capabilities of the industry by displaying a wide range of natural gem stones, especially Blue Sapphires in this exhibition.

The total business generated was around US 300,000/- and one participant received a continuous order worth of USD 8,000/- for Rainbow line Sapphires from a leading Hong Kong Jewellery manufacturer.

8. PROGRAMMES TO MAXIMIZE BENEFITS THROUGH EU GSP+ CONCESSION

Market Exposure Programme for Footwear Manufacturers

As a follow up to the Product Development Programme implemented in 2017, EDB organized a Market Exposure Programme in Italy from 25th to 29th September 2018, s recommended by the experts for the selected four participants. Half day seminar on fashion design and trends and one to one sessions with the marketing expert, to advise them on the suitability of the samples they have manufactured for the EU market was conducted at M/s Style Modainpelle Academy.

Participants visited Lineapelle Exhibition in Millan & Milan shopping District on a market assessment assignment for shoe products and they were able to gain knowledge & experience on advanced technology, fashion, shoe designing and trends forecast to achieve the required quality standards. Participants were able to get the exposure on how to manage a factory with high quality and productivity using minimum number of machines and human resources.

A knowledge sharing session was conducted by the participants of the above programme on 10th December 2018 at EDB for a selected group of fifteen SME footwear manufacturers registered under the 2000 New Exporter Programme and Women Entrepreneur Development Programme implemented by the EDB.

Outward Mission to the Netherlands, Belgium and Luxembourg

Nineteen companies from the sectors of apparel, seafood, ICT, Tea, Herbal products and Wellness tourism participated at the programme. Sixty (60) B2B meetings were organized for the Sri Lankan companies in the Netherlands, Belgium and Luxembourg. The Apparel sector companies visited Trade Mart Belgium, the permanent display and business to business platform for worldwide apparel. Based on a proposal submitted by Trade Mart five (05) Sri Lankan apparel companies have applied for permanent space of 1500 sq.mt at Trade Mart to display and promote Sri Lankan apparel.

Further to the business meetings held in Luxembourg an ICT sector company has paid a second visit to Luxembourg to establish a Sri Lankan office in "House of Fintec" in Luxembourg, which is a major agency in Europe to develop solutions for the financial services industry

They have also entered into a partnership agreement in cross border payment with Bancontact, Belgium a major agency providing electronic payment solutions to the world.

Five (05) orders for the seafood sector, six (06) for the apparel sector and four (04) for the wellness sector to the value of approximately US$ 1.2 Mn are under negotiation.

World Export Development Forum

Considering the importance of exploring the opportunities for Sri Lanka's exports in the African Region, the EDB organized a trade delegation consisting of 6 private sector export companies to participate at the World Export Development Forum held from 10th -12th September in Lusaka, Zambia and business meetings held in Kenya from 05th – 07th September 2018.

A Business Forum followed by B2B meetings were organized for the Sri Lanka delegation by the Kenya Chamber of Commerce and Industries (KNCCI) and Kenya Manufacturers Association (KMA) in partnership with the Sri Lanka High Commission in Kenya on 5th September 2018. Around 30 companies from Kenya attended the program. As a result of the programme 5 orders are at the negotiation level for the sectors of confectionery, processed foods and coconut products. Discussions are going to establish 02 joint ventures in the engineering sector and wellness tourism sector.

The delegation participated at the World Export Development Forum (WEDF) and B2B meetings organized by the ITC held from 10th -12th September in Zambia.

9. BRANDING SRI LANKA AND POSITIONING SRI LANKAN PRODUCTS GLOBALLY

Branding of Spices

The EDB has initiated a Brand Promotion Programme for Sri Lankan Spices, mainly cinnamon and pepper, to position Ceylon spices in the international market. The branding strategy, communication recommendations and the activity plan were completed by the EDB with the support of a leading brand Consultancy Company. To successfully complete the task a Steering Committee comprising members of the government and private sectors was formed by the EDB to advice on the project. Members were from the Department of Export Agriculture, Ministry of Primary Industries, Spice Council, The Spices & Allied Products Producers' and Traders' Association, Sri Lanka Institute of Marketing, Cinnamon Training Academy, the Plantation industry, processors/ exporters etc.

Several workshops were held at the EDB with relevant stakeholders and members of the Steering Committee. This includeda brand position workshop held at the EDB which was led by Mr. Guido van Gardern, Strategy Director of Interbrand, the world renowned branding firm.

Accordingly in collaboration with the government and private sectors, the EDB finalized the branding preposition for Spices. The branding of ‘Ceylon Spices’ will be carried out under a common logo and the tagline "Born In Sri Lanka".

Geographical Indication for Ceylon Cinnamon

EDB is also working with stakeholders in the Cinnamon Industry to obtain Geographical the Indication (GI) for Ceylon Cinnamon in the European Union (EU). EDB in coordination with UNIDO recruited an international expert to obtain guidance to implement the Ceylon Cinnamon GI application process and to establish the traceability system.

EDB has also finalized the “Ceylon Cinnamon specifications” with government and private sector cinnamon stakeholders to fulfill the technical requirements to obtain GI in the European Union for identified products, namely, cut quills, powder, leaf oil & bark oil.

EDB assisted cinnamon industry stakeholders including growers, manufacturers, traders and exporters in Galle, Matara, Kalutara, Rathnapura and Hambanthota Districts to initially establish the GI Association which will implement an internal control mechanism to monitor their members to meet the specifications stated in the cinnamon GI Specifications.

The member of the GI Association who initially represented and originated from among the abovementioned 5 districts that process cinnamon and who maintained the original specifications as stipulated in the cinnamon GI specifications will be eligible to export the said product categories of cinnamon using the name “Ceylon Cinnamon” and the GI logo on their products.

Electronics & Electrical Sector

To promote the Sri Lankan Electronics & Electrical Sector globally through Sri Lanka foreign missions and the social media, a digital marketing campaign in Audio Visual was prepared and disseminated. It is available through the EDB Web Portal and on YouTube.

ICT/BPM

“IOI – Island of Ingenuity, Sri Lanka Knowledge Solutions” Sri Lanka’s national brand for the ICT/BPM sector was initiated by EDBwith its stakeholders and launched on 15 February 2018 at BMICH in collaboration ADB. Technical assistance and funding from the Japan Fund was utilized and PwC served as consultants.

This launch was at a critical juncture when a strong national brand for the ICT/BPM industry was identified as being essential to create more value additions and position Sri Lanka as a center of excellence in the ICT/BPM industry in the global arena,

10. TRADE FACILITATION & TRADE INFORMATION

Exporters Forum

The EDB in collaboration with the Ministry of Development Strategies & International Trade, held four Exporters' Forums in 2018. The forums were held on 5th April, 22nd June, 14th August and 16th October.

The Forums provided a platform for the exporters, representing a cross- section of industries to interact with the relevant government institutions and obtain their support to resolve trade-related issues.

The representatives from government institutions and the private sector were present at the forums and addressed issues that ranged from export- related operational matters to policy matters.

Workshop on Product Innovation, Technology and R&D, for the Sri Lankan Tyre Industry

The EDB in collaboration with the Sri Lanka Association of Manufacturers and Exporters of Rubber Products (SLAMERP) and Plastic and Rubber Institute of Sri Lanka (PRISL) organized a two (2) day workshop from 13 to 14 July 2018. This was the first collaborative tyre workshop and was conducted successfully with the participation of over 100 technical personnel of leading tyre manufacturing and exporting companies in Sri Lanka.

The workshop was on the areas of Product Innovation, Technology and R & D and aimed to upgrade the knowledge of the tyre manufacturers/exporters by obtaining the services of international technical experts.

The objective of this workshop was to enhance the technical knowledge of the tyre industry personnel and provide exposure on latest developments on product and R&D in the international tyre industry.

The participants were able to gain knowledge on rubber processing and mixing technology, compound design and development, application of different polymers as engineering materials in tyre and non tyre applications, designs to alleviate stress concentrations and excessive deformations, case studies and best practices and the necessary initial motivations for the industries to use modern tool such as FEAS more extensively.

"Shilpa Saviya" Entrepreneurial Promotional Programme for Outstanding Handicraftsmen

In collaboration with the National Crafts Council (NCC), the EDB implemented "Shilpa Saviya" an entrepreneurial promotional programme which has as its objective the improvement of the capabilities of a selected 27 handicraftsmen. EDB's involvement in the programme included evaluating craftsmen, design inputs, evaluating product design as well as organizing the final exhibitions. The test marketing programme for the products developed was held in December 2018 and the final exhibition will be held in January 2019, at Galle in parallel with the Galle Literary Festival.

National Organic Control Unit (NOCU)

NOCU has been established at the EDB to protect the credibility and safeguard the image of Sri Lankan organic products by the proper monitoring /control of all organic related activities such as cultivation, processing, certification, labelling and marketing

Four (04) workshops were conducted in Kandy, Kurunegala, Matara and Colombo for more than 470 stakeholders engaged in organic agriculture- related activities to educate them on the role of NOCU and international market prospects for organic agriculture products.

NOCU has established two (2) committees to advice on decisions in policy issues and technical matters in relation to the standards and certifications relevant to the organic sector. These committees have commenced registering all organic- related individuals/ entities with the NOCU for the proper monitoring/ facilitation, and has begun working to obtain separate HS codes for organic- related agriculture products.

Training & Awareness Programmes

Four courses on Import & Export Procedures were conducted, which had a total of 162 participants, as well as 02 courses on the Operational Aspects of International Trade in which 97 persons participated.

Desk Research on markets and Market Reports

Three product reports for specific markets i.e. Czech Republic, UK and Pakistan were completed in collaboration with the Inter-governmental Task Force on Promotion of Economic Diplomacy.

Fifteen market briefs were updated in order to identify priority markets for Sri Lanka and to identify potential products to each selected market. Desk research for 10 markets for Thailand, India, Pakistan, Malaysia, Indonesia, Bangladesh, Vietnam, Taiwan, Philippine and Australia were also completed and disseminated to Chambers, Associations and to the regions.

Nine (09) Model project reports for specific products such as Fisheries Products – Seabass Cultivation and Seaweed Cultivation, Coconut- based value added products – Centrifuged Virgin Coconut Oil (VCO), Coconut Milk, Coconut based confectionary, De-colourized Coconut Oil, Coconut Water and Fractionated Coconut Oil and Rice based value added products – Production of Rice Pasta were compiled and published. Two feasibility reports on the Construction sector for exports and Entrepot Trade in Sri Lanka were also compiled and published.

Three issues of the Business Lanka Magazine 2018 were published as well. The issues focused respectively on the Emerging Trends in Export, Wellness Tourism and National Export Strategy.

Twelve issues of the EXPO-NEWS Monthly Bulletin were also published, which facilitated the local trade community with national / international trade information

The Export Performance Indicator 2017, a publication which contains comprehensive data relating to the export sector of Sri Lanka was published in print and CD forms and were distributed among the relevant institutions, trade chambers, universities and other stakeholder's organizations.

11. PRESIDENTIAL EXPORT AWARDS

The 22nd Presidential Export Awards Ceremony was held on 18 September 2018 under the patronage of H.E. the President of Sri Lanka at the Bandaranaike Memorial International Conference Hall (BMICH), Colombo. Several Cabinet Ministers and Deputy Ministers also participated. The Presidential Export Awards are the highest form of recognition given to exporters for their contribution towards the export efforts of the country.

A total of 59 Awards consisting of 11 Overall (Special) Awards, 47 Sectoral Awards (38 Awards for High Foreign Exchange Earner and 9 Awards for Emerging Exporter) were presented to exporters at this ceremony, for their exceptional performance in 2017. The Award winners were presented with a prestigious Trophy and a Certificate and were also accorded the privilege of using the "Award Logo" as a marketing tool for a period of three (3) years.

SRI LANKA EXPORT DEVELOPMENT BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31 ST DECEMBER 2018

	Note	SLFRS 31.12.2018 Rs. Cts.	SLFRS 31.12.2017 Rs. Cts.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment (net)	(9)	52,536,442.45	61,652,670.48
Investments in Associates - Unquoted	(10)	997,488,451.76	1,088,674,019.00
		1,050,024,894.21	1,150,326,689.48
Other non-current financial assets	(11)	25,033,150.00	38,828,250.00
Total Non-Current Assets		1,075,058,044.21	1,189,154,939.48
Current Assets			
Inventories	(12)	2,880,646.22	2,123,332.25
Trade and Other Receivables	(13)	166,358,845.80	169,914,195.88
Advance and Prepayments	(14)	40,375,493.91	19,025,319.66
Cash and Cash Equivalents	(15)	27,562,559.10	3,052,305.92
		237,177,545.03	194,115,153.71
Total Assets		**1,312,235,589.24**	**1,383,270,093.19**
EQUITY AND LIABILITIES			
Capital and Reserves			
Grants Received - Equity Contribution	(16)	10,014,284.00	10,014,284.00
Accumulated Income over Expenditure		1,010,789,603.57	1,093,329,045.03
Total Equity		1,020,803,887.57	1,103,343,329.03
Grants			
Grants Received - Other	(17)	31,695,603.21	33,046,261.17
		31,695,603.21	33,046,261.17
Non-Current Liabilities			
Provisions and Other Liabilities	(18)	52,387,870.60	19,428,056.57
Retirement Benefits Obligation	(19)	78,998,235.75	89,981,884.30
		131,386,106.35	109,409,940.87
Current Liabilities			
Other Payables	(20)	128,349,992.11	99,243,923.67
Bank Overdraft	(21)	-	38,226,620.45
		128,349,992.11	137,470,544.12
Total Equity and Liabilities		**1,312,235,589.24**	**1,383,270,093.19**

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

………………………..			………………………
Indira Malwatte	Y.K. Marikkar	P.H.A.S. Wijerathna	G.M. Herath
CHAIRPERSON & CE	**BOARD MEMBER**	**BOARD MEMBER**	**DIRECTOR FINANCE**

SRI LANKA EXPORT DEVELOPMENT BOARD
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31ST DECEMBER 2018

	Note	SLFRS 31.12.2018 Rs. Cts.	SLFRS 31.12.2017 Rs. Cts.
Income			
Income	(3)	598,941,650.93	430,305,985.15
Other Income	(4)	53,958,505.63	150,526,909.55
Total Income		652,900,156.56	580,832,894.70
Expenditure			
Export Development Expenses	(5)	(255,842,018.46)	(227,356,965.19)
Administration Expenses	(6)	(404,302,610.60)	(371,931,635.89)
Loss from the Investment in Associate Company		(91,185,567.24)	-
Income Over Expenditure from Operating Activities		(98,430,039.74)	(18,455,706.38)
Finance Cost	(7)	(985,362.28)	(1,826,767.26)
Excess of Income Over Expenditure from Ordinary Activities		(99,415,402.02)	(20,282,473.64)
Other Comprehensive Income			
- Gain on Revaluation of Property, Plant and Equipment	(8)	-	-
Other Comprehensive Income for the year		-	-
Total Comprehensive Income for the year		**(99,415,402.02)**	**(20,282,473.64)**

SRI LANKA EXPORT DEVELOPMENT BOARD
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2018

		Government Grants	Accumulated Profit	Total
Balance as at 31st December 2016		10,014,284.00	1,114,175,562.99	1,124,189,846.99
Excess of Income Over Expenditure		-	(20,282,473.64)	(20,282,473.64)
Prior Year Adjustments		-	(564,044.32)	(564,044.32)
Balance as at 31st December 2017		**10,014,284.00**	**1,093,329,045.03**	**1,103,343,329.03**
Excess of Income Over Expenditure		-	(99,415,402.02)	(99,415,402.02)
Prior Year Adjustments	**(24)**	-	16,875,942.56	16,875,942.56
Balance as at 31st December 2018		**10,014,284.00**	**1,010,789,603.57**	**1,020,803,887.57**

SRI LANKA EXPORT DEVELOPMENT BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Notes	2018 Rs.	2017 Rs.
Cash Flows from Operating Activities			
Surplus for the year before taxation		(99,415,402)	(20,282,474)
Adjustments for			
Depreciation		13,781,736	12,789,848
Income from Investments		49,138,346	(138,631,888)
Prior Year Adjustment		16,875,943	(564,044)
Finance Costs		362,324	355,113
Amortization Of Government Grants		(6,052,691)	(5,312,349)
Provision for Gratuity		11,095,902	12,490,723
Provision for Impairment in Value		13,795,100	1,719,900
Operating Profit/(Loss) before Working Capital Changes		**(418,742)**	**(137,435,172)**
(Increase)/Decrease in Inventories		(757,314)	(282,704)
(Increase)/Decrease in Trade and Other Receivables		3,555,350	(22,560,108)
(Increase)/Decrease in Advances and Prepayments		(21,350,174)	(1,727,866)
Increase/(Decrease) in Provision and Other Liabilities		32,959,814	(21,465,455)
Increase/(Decrease) in Other Payable		29,106,068	35,458,582
Cash generated from operations		**43,095,003**	**(127,205,356)**
Finance Costs Paid		(362,324)	(355,113)
Defined Benefit Plan Costs Paid		(22,079,551)	(10,565,856)
Net cash from Operating Activities		**20,653,128**	**(138,126,325)**
Cash Flows from Investing Activities			
Acquisition of Property, Plant & Equipment	9	(4,665,508)	(3,486,901)
Dividend Received	4	40,197,528	60,166,344
Interest Received	4	1,849,692	2,259,399
Net cash used in Investing Activities		**37,381,713**	**58,938,842**
Net Cash Flows from/(Used in) Financing Activities			
Government Grant Received		4,702,033	5,390,622
Net cash used in Financing Activities		**4,702,033**	**5,390,622**
Net Increase/(Decrease) in Cash and Cash Equivalents		**62,736,874**	**(73,796,861)**
Cash and Cash Equivalents at the beginning of the year		**(35,174,315)**	**38,622,546**
Cash and Cash Equivalents at the end of the year		**27,562,559**	**(35,174,315)**
Analysis of Cash & Cash Equivalents			
Cash in hand	15	62,047	71,357
Cash at Bank - Favorable	15	27,500,512	2,980,948
Bank Overdrafts	21	-	(38,226,620)
		27,562,559	**(35,174,315)**

SRI LANKA EXPORT DEVELOPMENT BOARD
GENERAL INFORMATION AND ACCOUNTING POLICIES
YEAR ENDED 31ST DECEMBER 2018

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

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

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

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

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

SRI LANKA EXPORT DEVELOPMENT BOARD
GENERAL INFORMATION AND ACCOUNTING POLICIES
YEAR ENDED 31ST DECEMBER 2018

1. GENERAL INFORMATION

1.1 Domicile & Legal Form

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

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorization for Issue

The Financial Statements of the Board for the year ended 31st December 2018 have been approved by the Board of Directors at its meeting held on 26th February 2019.

1.4 Statement of Compliance

The Statement of Financial Position, Comprehensive Income, Changes in Equity, Cash Flow and notes together with Summary of Significant Accounting Policies and notes (Financial Statements") of the Board as at 31st December 2018 has been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (CA),which represent International Financial Reporting Standards (IFRS) as issued by the Sri Lanka Accounting Standards Board.

1.5 Responsibility for Financial Statements

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

1.6 Basis of Measurement

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

1.7 Going Concern

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

1.8 Adoption of SLFRS/LKAS

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

For all periods, up to and including the year ended 31 December 2011, the Board prepared its financial Statements in accordance with local generally accepted accounting practice (Local GAAP). The financial statements for the year ended 31 December 2012 are the first the Board has prepared in accordance with SLFRS and the continuation is done for the year ended 31st December 2013, 2014, 2015, 2016, 2017 & 2018.

Accordingly, the Board has prepared Financial Statements which comply with SLFRS applicable for periods ending on or after 31 December 2018, together with the comparative period data as at and for the year ended 31 December 2017, as described in the accounting policies.

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

1.9 Reconciliations of Previous GAAP to SLFRS

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

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

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

SLFRS 16 Leases

1.11 Functional and Presentation Currency

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

1.12 Significant Accounting Judgments, Estimates and Assumptions

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

1.13 Estimates and assumptions

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

(a) ***<u>Fair value of financial instruments</u>***

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

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

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

The cost of defined benefit pension plans is determined using the Half a month method. The carrying value at the balance sheet date of defined benefit obligation is Rs. 78,998,235.75 (2017 - Rs. 89,981,884.30)

(c) ***Fair Value***

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

2. SPECIFIC ACCOUNTING POLICIES

2.1 Assets and bases of their valuation

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

2.2 Financial Instruments

2.2.1 Financial Assets (Non-derivative)

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

2.2.2 Classification, Recognition and Measurement

The board classifies its financial assets into the following categories

- Loans and receivables.
- Available for Sale.

Loans and Receivables

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

Available-for-sale financial assets

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

2.2.3 Determination of fair value

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

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

2.2.4 Reclassification

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

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

2.2.5 Impairment

(a) Financial assets carried at amortized cost

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

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

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

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

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

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

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

2.2.6 De-recognition

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

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

(a) The Board has transferred substantially all the risks and rewards of the asset, or

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

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

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

2.3 Property, Plant and Equipment

2.3.1 Recognition & measurement

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

2.3.2 Subsequent costs

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

2.3.3 Depreciation

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

Motor Vehicles Less than 10 years old	10%	Motor Vehicles Over 10 years old	20%
Computers	20%	Computer Software	25%
Computer Equipment	25%	TV Equipment	10%
Telephone Installation	20%	Furniture and fittings	10%
Residential Telephone	10%	Office Equipment	10%
PABX System	10%	KIOSK System	20%
Other Equipment	33 1/3%		

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

2.3.4 De-recognition

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

2.3.5 Impairment of Tangible Assets

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

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

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

2.4 Investments in Associates- Development Holdings (Pvt) Ltd

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

2.5 Inventories

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

2.6 Other Assets

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

(a) Advances, Deposits, Prepaid Expenditure

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

(b) Other Debtors

Other debtors are recognized at cost less impairment loss.

(c) VAT Receivable

Taxation receivable is recognized at cost.

2.7 Cash and Cash Equivalents

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

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

2.8 Financial Liabilities

2.8.1 Initial recognition and measurement

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

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

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

2.8.2 Subsequent measurement

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

2.8.3 Financial liabilities at fair value through profit or loss

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

2.8.4 Other Financial Liabilities

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

2.9 Other Liabilities

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

2.10 Government Grants

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

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

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

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

Government Contribution	-	Rs.	7,904,002.00
UNDP Contribution	-	Rs.	2,110,282.00
Government Grant Motor Vehicles	-	Rs.	20,137,951.67
Government Grant – Other	-	Rs.	11,558,701.54
Total	-	Rs.	41,710,937.21

2.11 Employee Benefits

Defined Contribution Plans

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

Defined benefit plans

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

2.12 Income Tax

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

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

2.13 Income Recognition

a. Government Grant

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

b. Other Income

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

c. Interest Income

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

d. Dividend Income

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

2.14 Expenses Recognition

All expenses are measured at fair value of the consideration given and recognize in the period to which those expenses related. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period and are treated as a change in an accounting estimate.

2.15 Borrowing Costs

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

2.16 Foreign Currency Translation/Transactions

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

2.17 Related Party Transactions

The Board has related party relationship with its Associate company i.e. Development Holdings (Pvt) Ltd. The Board has paid monthly Rental for the space occupied and also the auditorium hire charges as per the valuation of the Government Valuer to the Associate Company. Mrs. Indira Malwatte - Chairperson & Chief Executive, Ms. G. M. Herath - Director Finance and Mrs. D T Wijayaratne - Legal Officer of the Board are functioning as EDB nominee directors of the Board of Directors of Development Holdings (Pvt) Ltd. Three Board meetings were held during the year 2018 and a sitting allowance of Rs. 10,000 less applicable PAYE tax was paid per sitting.

Transactions with Key Managerial Personnel

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

2.18 Events after Balance Sheet Date

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

2.19 Contingent Liabilities

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

b) The Board has initiated legal actions against 18 parties in- order to recover dues to the Board in-connection with different transactions carried out with the Board. Details of those transactions are mentioned in the Note No.26 to the Notes to the Financial Statements.

2.20 Cash Flow Statement

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

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

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2018

		Note	SLFRS 31.12.2018 Rs. Cts.	SLFRS 31.12.2017 Rs. Cts.
(3)	**Income**			
	Grant Received		529,907,492.28	352,643,377.60
	Revenue from Services to Exporters		57,360,883.70	59,963,966.00
	Income from branches		100,773.79	92,119.82
	e-Services Income		379,070.00	577,429.00
	EDB e-Market Place		308,019.16	557,729.87
	Income from WEDF		-	750,000.00
	Seminars and Course Fee		5,752,100.00	5,249,544.81
	Sales of Books		233,362.00	232,946.00
	Miscellaneous Income	**(3.1)**	4,899,950.00	10,238,872.05
			598,941,650.93	**430,305,985.15**
(3.1)	**Miscellaneous Income**			
	Footwear & Leather Fair		110,000.00	40,000.00
	Product Development Activities		-	15,000.00
	Market Deve Assistant Scheme		854,000.00	5,925,000.00
	Registration of Pure Cey. Cinnamon Logo		165,000.00	159,000.00
	Non Refundable Deposits		50,000.00	58,000.00
	Legal Fees		11,000.00	213,300.00
	Bulletin Boards-9th Floor		700,000.00	1,000,000.00
	Provisions & Adjustments		3,009,950.00	2,828,572.05
			4,899,950.00	**10,238,872.05**
(4)	**Other Income**			
	Interest Income		1,849,692.46	2,259,399.30
	Share of Associate Company Profit		-	76,206,145.00
	Dividend Income		40,197,528.33	60,166,343.52
	Other Sundry Income	**(4.1)**	1,185,438.81	2,158,379.62
	Amortization Of Government Grants		6,052,690.68	5,312,349.48
	Interest Income from Staff Loans (IFRS)		4,673,155.35	4,424,292.63
			53,958,505.63	**150,526,909.55**

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2018

		Note	SLFRS 31.12.2018 Rs. Cts.	SLFRS 31.12.2017 Rs. Cts.
(4.1)	**Other Sundry Income**			
	Exporter Registration		-	807,500.00
	Sponsorship of SL Expo		750,000.00	-
	Miscellaneous Receipts		231,134.23	1,122,884.65
	Income-Registration/Services		158,075.75	80,146.25
	Difference in Exchange		46,228.83	147,848.72
			1,185,438.81	**2,158,379.62**
(5)	**Export Development Expenses**			
	Product/Market Development Programmes		94,468,461.97	76,408,185.53
	Export Marketing Promotion – overseas		123,580,333.09	124,959,153.76
	Export Market Promotion- Local		13,372,985.11	9,331,035.42
	WEDF		712,093.37	1,552,325.10
	Local Trade Fairs		2,275,329.60	2,456,888.96
	Policy and Planning Expenses		8,101,669.79	2,221,120.84
	Regional Development Expenses		5,928,661.89	7,005,857.70
	Trade Information and Services Expenses		7,194,915.37	3,403,181.88
	Trade Promotion Platform		-	1,375.00
	Ceylon Cinnamon Logo		207,568.27	17,841.00
			255,842,018.46	**227,356,965.19**
(6)	**Administration Expenses**			
	Salaries and Wages		142,808,241.17	138,409,028.75
	Over Time and Holiday Pay		9,318,771.02	6,552,924.53
	Bonus		3,093,155.50	2,560,467.00
	EPF		19,368,961.45	17,884,441.25
	ETF		3,909,643.88	5,622,626.35
	Gratuity		11,095,902.25	12,490,722.80
	Staff Welfare		13,535,976.41	10,757,304.82
	Encashment of Medical & Vacational Leave		11,089,554.79	10,254,176.59
	Recruitment Charges		1,866,125.48	1,963,607.63
	Staff Cost -(IFRS Adjustments)		4,673,155.35	4,424,292.63
	Electricity		16,952,769.10	20,154,823.66
	Water		919,457.28	804,555.82
	Legal and Other Professional Fee		323,179.76	80,627.50

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2018

	Note	SLFRS 31.12.2018 Rs. Cts.	SLFRS 31.12.2017 Rs. Cts.
Advertising		414,996.20	917,037.59
Security		4,466,242.85	7,255,348.17
Audit Fee		1,614,600.00	700,000.00
Printing Charges		636,757.34	604,845.50
Transport & Travelling Charges		18,024,092.60	13,809,986.34
Entertainment		145,216.70	182,968.12
Other General Expenses		1,488,302.51	1,532,242.92
Board Member Fees		1,270,819.00	1,164,579.06
Maintenance of Office Equipment		1,462,874.04	3,453,626.24
Rent		72,520,044.13	63,545,733.86
Fuel and Lubricants		3,529,143.19	5,190,773.70
Repairs and Maintenance of Vehicles		4,210,573.78	4,423,394.54
Private Hiring Charges		7,513,720.90	7,443,849.90
Communication and Subscriptions		8,692,230.33	9,161,319.09
ISO Implementation Expenses		59,241.55	-
Depreciation		13,782,260.75	13,292,731.86
Local Training		1,382,327.19	928,587.10
Supplies Requisites		4,756,280.85	4,217,798.02
Overseas Training		3,119,443.25	2,147,214.55
Provisions for Impairment in Value of Investments		16,258,550.00	-
		404,302,610.60	**371,931,635.89**

(7) Finance Cost

Interest Expenses	362,324.15	355,113.32
Stamp Fees	100,284.76	728,028.76
Financial Charges	522,753.37	743,625.18
	985,362.28	**1,826,767.26**

(8) Revaluation Of Motor Vehicles

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

NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2018

(9) Property, Plant and Equipments

(9.1) Cost

Balance as at 01/01/2017	Assets	Balance as at 01/01/2018	Additions	Revaluation	Disposals	Balance as at 31/12/2018
99,364.00	Residential Telephone	116,442.00	-	-	-	116,442.00
75,343,100.00	Motor Vehicle	75,376,450.00	-	-	-	75,376,450.00
36,802,808.52	Computer	38,755,708.52	3,083,800.00	-	-	41,839,508.52
6,066,080.50	Computer Software	5,751,681.00	800.00	-	18,000.00	5,734,481.00
1,053,894.45	Computer Equipments	1,362,942.85	397,967.72	-	-	1,760,910.57
735,930.00	Kiosk System	735,930.00	-	-	-	735,930.00
4,816,845.01	TV Equipments	4,816,845.01	-	-	-	4,816,845.01
65,549.00	PABX Equipments	65,549.00	-	-	-	65,549.00
1,540,830.14	Telephone Installation	1,632,002.14	88,100.00	-	-	1,720,102.14
15,595,618.57	Furniture and Fittings	15,844,307.07	482,300.00	-	-	16,326,607.07
15,734,150.59	Office Equipment	16,867,974.09	648,540.00	-	18,000.00	17,498,514.09
-	Other Equipment	15,240.00	-	-	-	15,240.00
157,854,170.78		**161,341,071.68**	**4,701,507.72**	**-**	**36,000.00**	**166,006,579.40**

(9.2) Depreciation

Balance as at 01/01/2017	Depreciation	Balance as at 01/01/2018	Charge for the year	Depreciation for Disposals	Balance as at 31/12/2018
82,610.70	Residential Telephone	68,757.15	7,121.64	-	75,878.79
27,287,269.99	Motor Vehicle	35,543,353.32	8,257,645.00	-	43,800,998.32
30,345,411.54	Computer	32,541,802.82	2,174,879.45	-	34,716,682.27
3,682,713.82	Computer Software	3,805,430.49	879,815.50	375.00	4,684,870.99
732,927.67	Computer Equipment	884,623.84	230,249.97	-	1,114,873.81
12,265.50	Kiosk System	159,451.50	147,186.00	-	306,637.50
3,753,808.78	TV Equipment	3,984,519.89	230,711.11	-	4,215,231.00
40,752.01	PABX Equipment	47,306.91	6,554.90	-	53,861.81
1,505,217.02	Telephone Installation	1,543,935.43	36,396.98	-	1,580,332.41
7,275,394.00	Furniture and Fittings	8,050,759.73	824,285.06	-	8,875,044.79
12,180,182.58	Office Equipment	13,058,155.12	982,335.65	150.00	14,040,340.77
-	Other Equipment	305.00	5,079.49	-	5,384.49
86,898,553.61		**99,688,401.20**	**13,782,260.75**	**525.00**	**113,470,136.95**

	Written Down Value	2018	2017
157,854,170.78	Cost	166,006,579.40	161,341,071.68
(86,898,553.61)	Accu: Depreciation	113,470,136.95)	(99,688,401.20)
70,955,617.17	WDV	**52,536,442.45**	**61,652,670.48**

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2018

		SLFRS 31.12.2018 Rs. Cts.	SLFRS 31.12.2017 Rs. Cts.
(10)	**Investments in Associates - Unquoted**		
	Investments in Associates Company - DHPL	997,488,451.76	1,088,674,019.00
		997,488,451.76	**1,088,674,019.00**
(11)	**Other non-current financial assets**		
	Redeemable Preference Shares	105,066,208.78	105,066,208.78
	Ordinary Shares	58,312,483.61	58,312,483.61
	(-) Provision for impairment in Value	(138,345,542.39)	(124,550,442.39)
		25,033,150.00	**38,828,250.00**
(12)	**Inventories**		
	Stationery	2,502,172.55	2,123,332.25
	Tyre and Tube	378,473.67	-
		2,880,646.22	**2,123,332.25**
(13)	**Trade and Other Receivables**		
	Exporters Loan	40,801,501.60	41,348,001.60
	(-) Provision for Impairment in debts	(40,801,501.60)	(41,348,001.60)
	Staff Loans	42,460,357.59	40,453,916.07
	Less: Deferred Staff Cost	(4,116,730.92)	(556,424.43)
	VAT Receivable	104,676,878.80	104,676,878.80
	UPEPV - control Accounts	10,403,683.00	10,403,683.00
	Other Debtors	12,934,657.33	14,936,142.44
		166,358,845.80	**169,914,195.88**
(14)	**Advance and Prepayments**		
	Prepayments	24,449,872.17	2,463,069.30
	Advances	8,845,240.66	13,125,175.77
	Bank Guarantee	300,000.00	300,000.00
	Deposits for Services	1,572,260.00	1,497,260.00
	Refundable Security Deposits	969,390.16	969,390.16
	Returned Cheques	122,000.00	114,000.00
	Prepaid Staff Cost	4,116,730.92	556,424.43
		40,375,493.91	**19,025,319.66**

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2018

		SLFRS 31.12.2018 Rs. Cts.	SLFRS 31.12.2017 Rs. Cts.
(15)	**Cash and Cash Equivalents**		
	Bank Of Ceylon -Deposit Cashier	2,500.00	2,500.00
	Bank Of Ceylon - Lake View (306605)	24,400,925.19	-
	National Development Bank	2,746,062.27	2,535,581.62
	Bank Of Ceylon - Corporate Branch	135,091.82	212,229.35
	DFCC - Corporate Branch	148,890.00	198,890.00
	Bank of Ceylon - Call Deposit	10,000.00	-
	Sampath Bank - Kandy	5,551.03	5,181.92
	Sampath Bank - Galle	7,494.08	7,332.63
	Bank Of Ceylon - Mannar	26,639.01	2,125.26
	Sampath Bank - Kurunegala	17,358.71	17,107.67
	Cash in Hand	62,046.99	71,357.47
		27,562,559.10	**3,052,305.92**
(16)	**Grants Received - Equity Contribution**		
	Capital Contributed by the Treasury	7,904,002.00	7,904,002.00
	UNDP Contribution	2,110,282.00	2,110,282.00
		10,014,284.00	**10,014,284.00**
(17)	**Grants Received**		
	Government Contribution - Motor Vehicle	38,826,450.00	38,826,450.00
	Government Contribution - Other	14,436,642.63	10,674,134.92
	ITC Contribution	12,716.35	12,716.35
	Export Promotion Secretariat	202,677.32	202,677.32
	MODSIT Contribution	939,000.00	-
	(-) Amortization Of Government Grants	(22,721,883.09)	(16,669,717.42)
		31,695,603.21	**33,046,261.17**
(18)	**Provisions and Other Liabilities**		
	Loan Scheme Contribution	7,820,688.23	7,796,197.30
	UPEPV	2,108,251.77	2,108,251.77
	Exporter contribution	34,480,276.00	1,852,791.00
	Refundable Deposits	7,978,654.60	7,670,816.50
		52,387,870.60	**19,428,056.57**

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2018

		SLFRS 31.12.2018 Rs. Cts.	SLFRS 31.12.2017 Rs. Cts.
(19)	**Retirement Benefits Obligation**		
	Balance B/F	89,981,884.30	88,057,017.00
	Provision during the year	11,095,902.25	12,490,722.80
	Paid during the year	(22,079,550.80)	(10,565,855.50)
	Balance C/F	**78,998,235.75**	**89,981,884.30**
(20)	**Trade Payables**		
	Stamp Fees Payables	20,125.00	24,575.00
	PAYE Payable	95,829.00	-
	Unclaimed Sundry Payments	165,739.98	165,835.70
	EPF Payable	2,567,672.87	36,323,276.18
	ETF Payable	308,120.77	306,222.56
	Employees Final Payments	85,807.19	22,605.36
	WHT Payable	4,513,260.00	-
	Salaries Payable	93,845.80	242,843.13
	Audit Fee Payables	1,994,672.00	1,994,672.00
	Repayable Security Deposit- Cashier	2,500.00	2,500.00
	Refundable Deposit for Tenders	243,000.00	243,000.00
	Unpresented Cheques	586,047.34	388,340.16
	Other Accrued Expenses	104,336,647.41	59,530,053.58
	Control A/C - NES	1,372,984.67	-
	Control A/C - BSU -IT Initrative	5,771,436.28	-
	Control A/C - Infras. Develop Boat Building	6,192,303.80	-
		128,349,992.11	**99,243,923.67**
(21)	**Bank Overdraft**		
	Bank Of Ceylon - Lake View	-	38,226,620.45
		-	**38,226,620.45**

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2018

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

(23) **(23.1)** **Staff Loan**

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

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

(23.2)

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

Staff Loan	Rs.	556,424.43
IFRS Adjustments	Rs.	(4,673,155.35)
	Rs.	(4,116,730.92)

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

Prepaid Staff Cost	Rs.	4,673,155.35

(24) **Prior Year Adjustments**

Errors that have been made in respect of the recognition and measurement of elements of financial statements have been corrected in the financial statements for the year 2017. Since it is impracticable to restate the financial statements for the periods in which the errors have been occurred, current year financial statements have been adjusted accordingly.

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2018

Nature of the Prior period error	FSs' line item affected	Amount (Rs)
Correction of ledger posting errors	Relevant expenditure accounts	(5,008,685.19)
Expenses paid in 2018 which are related to 2017	Relevant expenditure accounts	184,821.43
Reversal of Over Provision	Relevant expenditure accounts	(8,280,711.69)
Correction of Gratuity Provision made in 2017	Gratuity Expenditure A/C	(8,422,211.80)
Making Provisions relating to previous years	Relevant expenditure accounts	5,131,222.54
Cancelling of Cheques due to expiration of the cheque date	Relevant ledger accounts	(480,377.85)
		(16,875,942.56)

(25) Related Party Transactions

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

Name	Transactions	2018 Amount (Rs)	2017 Amount (Rs)
Development Holdings	Rental Paid	39,312,500.00	60,000,000.00
	Parking Fees Paid	698,214.30	394,285.68
(Pvt) Ltd.	Electricity	13,982,726.65	These expenses were not disclosed in 2017.
	Water	211,032.52	
	AC Paid	125,414.57	
	Janitorial Expenses	182,181.07	
	Auditorium hire charges Paid	353,322.77	405,303.74
	Dividend Received	36,244,971.00	36,244,971.00

SRI LANKA EXPORT DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENT
YEAR ENDED 31ST DECEMBER 2018

(26) Contingent Assets and Liabilities

There are no any other contingent assets or liabilities as at the balance sheet date except the details mentioned below.

	Nature of Contingent Asset as at 31.12.2018	Name of the Party from whom the Contingent Asset arose	Probable/Estimated cash inflow in future Rs. Cts.	If unable to measure the cash inflow
i.	Case filed to recover outstanding rent, electricity and janitorial charges - Chennai Trade Centre	PIMA Holding (Pvt) Ltd	1,284,515.00	Legal Fees to AG's Department
		Gem Nation (Pvt) Ltd	2,226,596.78	Legal Fees to AG's Department
		Unique Multi Artist	194,142.50	-
		Sara Oos Leather (Pvt) Ltd	2,125,000.00	-
ii.	Loan Defaulter	International Paper Products	476,973.00	-
		Works of Arts	42,000.00	-
		Rajas Jewelry	90,418.00	-
		Srimic Sea Food	169,620.00	-
		Ceylon Ornamental Ceramics	299,720.00	-
		Cocunut Husk Chips	44,800.00	-
		Saman Gems & Jewelers	252,912.02	-
		Unicycle Marketing	278,455.58	-
		World Fashion	30,000.00	-
		Unique Multi Artists	287,006.54	-
iii.	Recovery of overpaid travel expenses	Mrs. S Weerakoon	USD 1,598.46	-
iv.	Repayment of Bond	Sirikumara	104,725.45	-
v.	Case filed to recover outstanding advance payment paid by the EDB	Solar Green Plantations (Pvt) Ltd	1,505,932.00	-

TCM/F/EDB/1/18/10 31 May 2019

The Chairman

Sri Lanka Export Development Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Export Development Board for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Export Development Board for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act, No. 19 of 2018 and Finance Act, No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the financial statements give a true and fair view of the financial position of the Sri Lanka Export Development Board as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the following matters.

1.2.1 Accounting Deficiencies

(a) According to the General Matters Notes No.2.3.3 of the financial statements of the Board, computers and equipment should be depreciated by 25 per cent. However, it had been depreciated by 20 per cent in the year under review and as such, depreciation for computers and equipment had been understated in accounts by Rs.126,485.

(b) A sum of Rs.2,323,225 recoverable to the Board from a project which had been completed by 31 December 2018 had been brought to account as advances instead of being accounted as debtors.

(c) The expenditure on printing of official badges and purchase of toners totalling Rs.158,853 made relating to preceding years, had been brought to account as expenditure of the year under review.

(d) Motor vehicles revalued at Rs.12,900,000 in the year 2012 but fully depreciated by now had been depreciated by Rs.2,010,000 in the year under review.

(e) According to the General Matters Notes No.2.3.3 of the financial statements of the Board, depreciation for motor vehicles which were used over a period of 10 years should be made by 20 per cent. However, Motor vehicles revalued at Rs.24,200,000 as at 01 January 2013 and used for 10 years had been depreciated by 10 per cent, thus understating the depreciation by Rs.2,420,000.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's reporting process.

As per Section 16(1) of the National Audit Act, No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that is required for the audit and as far as appears from my examination, proper accounting records have been kept by the Board as per the requirement of Sub-section 12 (a) of the National Audit Act, No. 19 of 2018.

The financial statements presented is consistent with the preceding year as per the requirement of Sub-section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Sub-section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

- to state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal cause of business as per the requirement of Sub-section 12 (d) of the National Audit Act, No. 19 of 2018;
- to state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of Sub- section 12 (f) of the National Audit Act, No. 19 of 2018;

Reference to Law/ Direction	Description
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 396	Instead of taking action in terms of Financial Regulations relating to dishonoured cheques issued to creditors as at 31 December 2018 valued at Rs.586,047 expired for over a period of 06 months, it had been shown in the financial statements as cheques not presented for payment.
(b) Public Enterprises Circulars Section 4.2.6 of Circular No. PED 12 of 02 June 2003	Even though quarterly performance reports should be submitted to the line Ministry and the Department of Public Enterprises within 30 days after the closure of a quarter, action had not been taken accordingly in the year under review.

- to state that the Board has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018

- to state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018

3. Other Audit Observations

(a) Accounts Receivable and Payable

(i) The balance receivable amounting to Rs.104,676,878 brought forward from the year 2013 in the Value Added Tax Account, had not been settled.

(ii) An amount of Rs.10,403,683 receivable from the Uva Provincial Agro Export Zone brought forward from the year 2009, had not been recovered.

(iii) Twelve other debtors totalling Rs.4,441,903 from the year 1999 to the year 2017 had not been recovered even by the end of the year under review.

(iv) The annual rent for the DHPL building in which the office of the Board is being functioned, amounts to Rs.60,750,000. However, the building rent payable at the end of the year under review amounted to Rs.30,375,000 due to understatement of Rs.12,750,000 in the preparation of the annual budget and allocation of less provisions from the Treasury in the preceding year as well.

(b) Underutilization of Funds

Sixteen programmes not implemented were observed in the year 2018 even though included in the annual Action Plan and the provision made therefor was Rs.15.25 million. The reasons for non-implementation of these programmes had been indicated as the delay in the decisions of the Procurement Committee and the issues on the cost.

(c) Management and Operating Inefficiency

(i) The Board has invested in ordinary shares of 35 companies and preference shares of 29 companies and those balances as at 31 December 2018 amounted to Rs.58,312,483 and Rs.105,066,208 respectively. Dividends of Rs.3,952,557 had been received for the investment of Rs.14,418,550 on ordinary shares made in three companies alone in the year under review while no dividend whatsoever had been received from the remaining companies in which investments had been made in ordinary shares and from 29 companies in which investments had been made in preference shares. Moreover, 3 companies in which investments totalling Rs.17,315,000 had been made, were dissolved in the years 2002, 2007 and 2009 and the liquidator had informed of an unavailability of assets to repay the monies invested in shares. Further, a sum of Rs.58,587,917 invested in 25 companies that had been struck off from the Register of Companies, could not be recovered and the Board had not taken action to avoid possible capital losses by timely review of investments.

(ii) Even though provisions of Rs.6.8 million had been allocated to participate 25 exporters under the Export Promotion Programme held in Netherland from 14 May to 17 May 2018, only 19 persons had been made to participate by spending a sum of Rs.4.5 million. Moreover, it had been indicated by the performance reports they submitted that 08 persons out of the participants could not claim shares of the export market and that their objectives could not be achieved by participating in the said programme. Further, the participants had not entered into an agreement with the Board on the progress to be fulfilled and achieved.

(iii) A National Organic Control Unit had been established in the Board by Gazette Extraordinary No.1870/71 dated 11 July 2014 and after a lapse of 3 years, a Consultant had been recruited therefor on the basis of paying Rs.750,000 in terms of the relevant agreement according to Director Board's Paper No.2017/8/74 dated 31 August 2017. Even though it had been mentioned in the Gazette Notification that the National Organic Unit should be operated as an independent unit, it had been operated under the Agro Unit. Moreover, the Consultation Committee and the Technical Committee should be met once in a quarter. However, only one meeting of the Consultation Committee had been held in the year under review while no meeting of the Technical Committee had been held. Moreover, sums of Rs.155,149 and Rs.136,149 had been spent therefor in the years 2017 and 2018 respectively and even though 100 applications had been received, no registration certificates had been issued to any institution.

(iv) A sum of Rs.11.67 million had been spent for the Gulf Food Exhibition held from 18 February to 22 February 2018 and made to participate 24 companies with the motive of promoting market shares for the food of Middle Eastern and African regions and out of those companies, the quantity of export of 09 companies had declined from 1 per cent to 51 per cent.

(v) Nine exporters had been made to participate in the trade exhibition (Seafood Expo Gold) held in Brussels in Belgium from 24 April to 26 April 2018 with the motive of increasing trade transactions relating to fish and fish products and 5 companies out of them had been sponsored more than four times. Accordingly, the Board had not paid attention in giving opportunities to new exporters. Further, exporters who had participated only once should be 100 per cent sponsored for exhibition ground rent and exhibition stalls cost. Nevertheless, only 50 per cent had been sponsored for two such companies. Moreover, the quantity of export of 5 companies which participated at the exhibition had declined ranging from 6 per cent to 52 per cent as compared with the preceding year.

(vi) The approved cadre and the actual cadre of the Board as at 31 December 2018 stood at 272 and 224 respectively and as such, there were vacancies in 48 posts comprising of 15 posts in Senior Level, 18 posts in Junior Level and 11 posts in Primary Level.

W.P.C. Wickramaratne
Auditor General