

**SRI LANKA EXPORT CREDIT
INSURANCE CORPORATION
(SLECIC)**

**Annual Financial Statements for the
year ended December 31, 2018**

Audited

Sri Lanka Export Credit Insurance Corporation (SLECIC)

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL POSITION

CASH FLOW STATEMENT

STATEMENT OF CHANGE IN EQUITY

NOTES TO THE ACCOUNTS

ACCOUNTING POLICIES

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December

		31.12.2018	31.12.2017
	Note	Rs.	Rs.
Revenue			
Gross Written Premium	1	224,201,422.59	238,085,213.17
Net Change in Reserve for Unearned Premium	1a	646,334.16	-1,252,079.53
Gross Earned Premium		224,847,756.75	236,833,133.64
Revenue from Other Operations	2	14,076,803.76	29,216,450.30
Total Net Revenue from Operations		238,924,560.51	266,049,583.94
Other Income			
Investment Income	3	186,613,673.88	181,967,830.24
Other Income	4	157,105,514.41	22,073,902.72
		343,719,188.29	204,041,732.96
Total Net Revenue		582,643,748.80	470,091,316.90
Claims and Operating Expenses			
Net Claims	5	71,971,917.27	544,154,106.43
Status Reports		6,917,759.49	7,719,404.05
Establishment Expenditure	6	20,967,688.35	18,184,573.89
Administrative Expenditure	7	50,232,923.96	49,896,858.63
Selling & Marketing Expenditure	8	7,513,295.52	8,494,899.70
Finance Charges	9	6,453,174.32	998,300.11
Corporate Social Responsibility		0.00	1,594,900.00
Net Claims and Operating Expenses		164,056,758.91	631,043,042.81
Profit/Loss Before Value Added Tax		418,586,989.89	-160,951,725.91
VAT on Financial Services		31,982,459.00	867,355.97
Profit Before Income Tax		386,604,530.89	-161,819,081.88
Income Tax		77,516,204.00	17,667,576.73
Net Profit/Loss for the year		309,088,326.89	-179,486,658.61
Other Comprehensive Income			
Building Revaluation Gain		118,348,965.74	-
Total Comprehensive Income for the year		427,437,292.63	-179,486,658.61

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2018

Statement of Financial Position

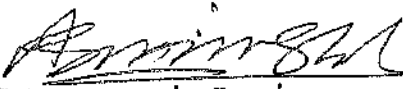
	Note	As at 31.12.2018 Rs.	As at 31.12.2017 Rs.	As at 01.01.2017 Rs.
ASSETS				
Cash and cash equivalents	10	4,866,533.09	4,948,981.84	7,595,725.14
Foreign currency savings accounts	11	4,791,507.19	5,194,374.17	4,190,782.38
Treasury Trust Fund		22,267,906.93	20,976,526.63	19,728,052.90
Investment fund		103,044.61	53,497.91	6,219.99
Short term financial investments	12	1,671,180,433.02	1,092,917,493.27	997,681,542.12
Long term financial investments	13	687,134,191.76	826,172,171.23	1,133,848,834.87
Interest receivable	14	185,545,699.84	165,884,673.13	122,155,092.24
Trade Debtors		5,689,790.59	3,186,192.92	3,110,193.36
Sundry Debtors, Deposits and Pre-payments	15	12,641,693.83	8,626,061.24	5,160,381.00
Property, Plant & Equipment	16	180,497,369.83	75,616,246.72	83,416,385.39
Stock of Stationery & Consumables		299,180.14	226,020.85	227,929.18
Library materials		39,527.50	39,527.50	39,527.50
Total Assets		2,775,056,878.33	2,203,841,767.41	2,377,160,666.07
LIABILITIES				
Outstanding claims	17	246,681,605.15	175,838,811.68	154,753,697.11
Premium Advances		11,711,685.41	6,471,825.43	4,603,367.06
Sundry Creditors, Accrued Expenses & Provisions	18	121,209,377.58	33,229,546.58	51,341,533.35
Staff gratuity payable	19	9,848,687.00	13,488,109.75	13,383,532.50
Total Liabilities		389,451,355.14	229,028,293.44	224,082,130.02
EQUITY				
Stated Capital	20	30,000,000.00	30,000,000.00	30,000,000.00
Reserves	21	2,355,605,523.19	1,944,813,473.97	2,123,078,536.05
Total Equity		2,385,605,523.19	1,974,813,473.97	2,153,078,536.05
Total Liabilities & Equity		2,775,056,878.33	2,203,841,767.41	2,377,160,666.07

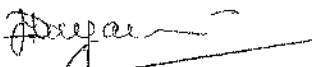
Audited

The Accounting Policies and Notes to the Accounts form an integral part of these Financial Statements.

The Board of Directors is responsible for the preparation and presentation of these Financial Statements

The Financial Statements were approved by the Board of Directors and signed on their behalf


 Chairman & Managing Director


 Director

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements - 2018

Cash Flow statement for the Year ending 31st December 2018

	Year Ending 31.12.2018 Rs.	Year Ending 31.12.2017 Rs.
Inflows from Operating Activities		
Profit Before Taxation	386,604,531	-161,819,082
Adjustments for Non- Cash Items		
Depreciation	13,534,720	9,531,331
Provision for Gratuity	625,168	716,624
Provision for Claims	71,971,927	544,154,106
VAT on Financial Services	31,982,459	867,356
Transfers from/(to) Reserves	-20,646,334	1,236,174
Operating Profit before Working Capital Changes	484,072,471	394,686,509
Decrease/(Increase) in Trade and Other Receivables	-26,180,257	-45,085,750
Decrease / (Increase) in Inventories	-73,159	1,908
Increase/ (decrease) in Trade and Other Payables	20,409,756	-308,154
Cash Generated from Operations	478,228,811	349,294,513
Claims Paid	-1,128,695	-523,068,992
Payment of VAT on FS	-12,623,531	-9,772,015
Income Tax Paid	-24,065,637	-26,883,803
Gratuity Paid	-263,500	-612,047
Net Cash Flow from Operating Activities	440,147,448	-211,042,344
Cash Flow from Investing Activities		
Purchase of Fixed Assets	-66,877	-1,745,767
Transfer to Long/Short Term Investments	-439,224,960	212,440,712
Transfer from/to Foreign Currency Savings Account	402,867	-1,003,592
Transfer to / from Treasury Trust Fund	-1,291,380	-1,248,474
Transfers from/to Investment Fund	-49,547	-47,278
Net Cash Flow from Investing Activities	-440,229,897	208,395,601
Net Increase/(Decrease) in Cash & Cash Equivalents	-82,449	-2,646,743
Cash & Cash Equivalents at the beginning of the period	4,948,982	7,595,725
Cash & Cash Equivalents at the end of the period	4,866,533	4,948,982

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements - 2018
Statement of Changes in Equity As At 31st December 2018

	Capital Contributed Rs.	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 1st January 2017	30,000,000.00	2,001,682,825.76	39,633,805.56	58,507,949.05	23,253,955.69	2,153,078,536.05
Transferred from Revaluation Reserve		8,428,409.50	-8,458,892.50			-30,483.00
Net Profit for the Year 2017		-179,486,658.61	0.00			-179,486,658.61
Transferred during the year		0.00	0.00		1,252,079.53	1,252,079.53
Balance as at 31st December 2017	30,000,000.00	1,850,624,576.65	31,174,913.06	58,507,949.05	24,506,035.21	1,974,813,473.97
Transferred from Revaluation Reserve		7,813,489.06	-7,813,489.06			0.00
Net Profit for the Year 2018		309,088,326.89	118,348,965.74			309,088,326.89
Transferred during the year 2018		4,001,090.75				4,001,090.75
Excess gratuity provision		-20,000,000.00			-646,334.16	-20,000,000.00
Special Levy to Treasury						
Balance as at 31st December 2018	30,000,000.00	2,131,527,483.35	141,710,389.74	58,507,949.05	23,859,701.05	2,385,605,523.19

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2018

Notes to the Annual Financial Statements for 2018

Note		31.12.2018	31.12.2017
		Rs.	Rs.
1	Gross Written Premium		
	Pre-shipment Credit Guarantee	12,414,268.88	13,412,581.68
	Post Shipment Credit Guarantee	1,121,400.42	2,598,893.47
	Export Performance Guarantee	971,207.40	1,018,388.60
	Cost of Passage Guarantee (APARA)	2,219,679.80	7,860,209.74
	Export Payments Insurance Policy (Seller's Risk)	207,474,866.09	213,195,139.68
		<u>224,201,422.59</u>	<u>238,085,213.17</u>
	Decrease in Unearned Premium	1a. 646,334.16	-1,252,079.53
	Gross Earned Premium	<u>224,847,756.75</u>	<u>236,833,133.64</u>
1a	Unearned Premium		
	Export Payments Insurance Policies Gross Unearned Premium		
	Balance as at 1st January	20,772,524.19	20,075,698.03
	Premium written during the year	207,474,866.09	213,195,139.68
	Premium earned during the year	206,896,672.70	212,498,313.52
	Balance as at 31st December	<u>21,350,717.58</u>	<u>20,772,524.19</u>
	Credit Guarantee Gross Unearned Premium		
	Balance as at 1st January	3,733,511.02	3,178,257.65
	Premium written during the year	16,726,556.50	24,890,073.49
	Premium earned during the year	17,951,084.65	24,334,820.12
	Balance as at 31st December	<u>2,508,983.47</u>	<u>3,733,511.02</u>
	Total Reserve as at 31st December	<u>23,859,701.05</u>	<u>24,506,035.21</u>
	Total Reserve as at 1st January	<u>24,506,035.21</u>	<u>23,253,955.68</u>
	Net Change in Unearned Premium Reserve	<u>-646,334.16</u>	<u>1,252,079.53</u>
2	Other operational Income		
	Guarantee, Policy, Administrative, Processing and BLL Fees	8,596,048.36	9,936,145.54
	BizInfo Income	5,480,755.40	5,488,724.84
	Repayment of Claims Paid	0.00	13,791,579.92
		<u>14,076,803.76</u>	<u>29,216,450.30</u>
3	Investment Income		
	Treasury Bills / Bonds	17,201,870.57	53,073,501.76
	Call Deposit	401,356.43	472,456.41
	SMIB Deposit	22,167.97	22,525.07
	Debentures	66,961,719.42	68,897,833.96
	US Dollar Fixed Deposits	38,425,884.41	33,837,152.91
	US Dollar Savings	114,076.92	102,353.04
	Euro Fixed Deposit	680,016.74	583,718.72
	Temporary Surplus Trust Fund	1,345,769.72	1,262,643.24
	Dividends	240,000.00	200,000.00
	SLR Fixed Deposit	61,191,029.59	23,487,728.54
	Interest on Investment Fund	29,782.11	27,916.59
		<u>186,613,673.88</u>	<u>181,967,830.24</u>

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2018

Notes to the Annual Financial Statements for 2018

Note		31.12.2018	31.12.2017
		Rs.	Rs.
4	Other Income		
	Interest on Staff Loans	130,589.32	113,829.46
	Profit on Disposal of Fixed Assets	0.00	-17.00
	Treasury Bill Interest on Gratuity Fund	692,201.38	701,732.19
	Interest on Gratuity Savings Account	4,923.15	4,732.85
	Sundry Income	29,058.07	376,747.27
	Exchange Gain	156,248,742.49	20,876,877.95
		157,105,514.41	22,073,902.72
5	Net Claims Paid		
	Claims Provision as at end of the year - Specific	212,590,775.48	139,929,001.53
	Claims Provided in the previous years	82,770,263.41	31,158,125.05
	Claims for the Year 2018	129,820,512.07	108,770,876.48
	Less : Excess Provision made in previous year	57,000,750.16	7,179,290.63
	Net Claims for the year 2018 - Specific	72,819,761.91	101,591,585.85
	Contingent Provision - 2018 (Please refer Note 17)	-847,844.64	442,562,520.58
		71,971,917.27	544,154,106.43
6	Establishment Expenditure		
	Rates	762,300.00	762,300.00
	Water	106,453.37	122,261.25
	Electricity	1,670,864.60	1,667,309.34
	Telephone	960,608.28	1,067,800.31
	E-Mail & Internet, Website	696,634.11	697,394.98
	Security	311,675.48	357,866.23
	Depreciation - Building	8,825,000.00	4,750,000.00
	Motor Vehicles	2,680,000.00	2,680,000.00
	Office Equipment	261,707.87	232,396.50
	Computers & Printers	1,339,363.08	1,146,270.91
	Furniture & Fittings	140,925.95	434,939.58
	Software	287,722.73	287,723.77
	Insurance - Building - Office Premises (Nawam Mwt)	114,136.89	114,309.75
	Motor Vehicles	269,099.33	266,623.85
	Office Equipment, Furniture & Fittings	14,305.79	18,421.79
	Repairs & Maintenance - Building	45,293.75	0.00
	Motor Vehicles	819,725.68	878,849.05
	Office Equipment	87,284.41	121,811.63
	Computers & Printers	428,150.00	777,769.72
	Software	451,555.31	928,140.06
	Furniture & Fittings	0.00	4,000.00
	Hiring of Motor Vehicles	0.00	0.00
	Maintaining Office Premises	694,881.72	868,385.17
		20,967,688.35	18,184,573.89

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2018

Notes to the Annual Financial Statements for 2018

Note	31.12.2018	31.12.2017
	Rs.	Rs.
7 Administrative Expenditure		
Salaries & Allowances	24,591,656.97	25,672,529.33
Other Staff Benefits	11,143,164.36	9,906,351.34
Recruitment, Local training & Subscriptions to educational inst.	114,989.07	49,595.28
Tea & Related Expenses	645,391.63	634,758.76
Employees Provident Fund	6,269,577.78	6,554,583.65
Employees Trust Fund	783,697.40	819,323.15
Gratuity	625,168.00	716,624.50
Foreign Training	40,517.00	1,100,666.21
Directors Fees	310,000.00	530,000.00
Travelling, Transport & Subsistence	327,493.00	442,661.34
Postage	85,600.00	150,147.00
Annual Report & Other Printing	270,677.01	683,886.43
Stationery	269,869.15	289,425.51
Fuel	807,598.80	809,292.80
External Audit Fees	2,012,923.53	232,295.75
Internal Audit Fees	416,375.44	361,802.58
Professional, Legal & Consultancy Fees	107,950.00	17,500.00
General Expenses	0.00	38,535.00
Stamp Duty	10,650.00	11,250.00
News Papers, Books & Magazines	11,224.82	21,010.00
News Papers Notifications	0.00	25,220.00
Anniversary Expenses	926,650.00	829,400.00
Valuation of Fixed Assets	461,750.00	0.00
	50,232,923.96	49,896,858.63
8 Selling & Marketing Expenditure		
Promotional Investments	1,501,503.59	1,695,649.20
Advertising - Print & Electronic Media		
Adverting in Newspapers, Magazines, Journals and Radio	176,641.85	116,721.99
Printing Cost on Brochures, Forms, Applications etc.	115,562.36	416,354.00
Business Travel (Foreign) & Conferences	1,963,779.53	2,192,477.63
Client Meetings, get-together	0.00	89,149.42
Fuel Cost	250,993.80	343,922.80
Annual Compliments, Greeting Cards & Gifts	0.00	136,256.86
Entertainment	241,810.67	162,861.62
Corporate Memberships	168,329.72	137,172.98
Subs. To Int. Professional & Export Related Orgn	3,078,850.00	2,615,382.30
Exporters / Bank Clients Programs	15,824.00	293,950.90
Development of Website	0.00	295,000.00
	7,513,295.52	8,494,899.70

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2018

Notes to the Annual Financial Statements for 2018

Note		31.12.2018	31.12.2017
		Rs.	Rs.
9	Finance Charges		
	Bank Charges	407,934.32	379,842.11
	Stamp Duty	37,200.00	44,275.00
	Nation Building Tax	6,008,040.00	574,183.00
		6,453,174.32	998,300.11

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2018

Notes to the Annual Financial Statements for 2018

Note	31.12.2018	31.12.2017	01.01.2017
	Rs.	Rs.	Rs.
10 Cash & Cash Equivalent			
Cash at Bank			
Hatton National Bank Current Accounts	2,952,847.24	1,178,309.12	3,521,855.56
Hatton National Bank Call Deposit Account	1,039,649.51	3,524,680.00	3,159,164.60
Bank of Ceylon Current Account	690,569.69	228,920.81	783,130.33
People's Bank Current Account	181,466.65	15,071.91	130,574.65
	4,864,533.09	4,946,981.84	7,594,725.14
Cash in Hand	2,000.00	2,000.00	1,000.00
	4,866,533.09	4,948,981.84	7,595,725.14
11 Foreign Currency Savings Accounts			
Bank of Ceylon - US Dollar Account	1,075,334.60	2,141,540.36	1,270,507.39
People's Bank - US Dollar Account	3,683,261.55	3,024,060.48	2,895,456.75
EURO Savings Account	32,911.04	28,773.33	24,818.24
	4,791,507.19	5,194,374.17	4,190,782.38
12 Short Term Investments			
Treasury Bills	0.00	0.00	274,298,676.23
US Dollar Fixed Deposits	949,327,865.33	749,638,590.43	688,004,199.59
EURO Fixed Deposit	38,926,247.85	33,468,147.35	28,364,449.61
SLR Fixed Deposits	674,533,380.82	302,095,640.27	0.00
Gratuity savings account	125,642.28	120,905.18	116,172.33
Treasury Bills on Gratuity savings	8,267,296.74	7,594,210.04	6,898,044.36
	1,671,180,433.02	1,092,917,493.27	997,681,542.12
13 Long Term Investments			
Debentures	550,000,000.00	550,000,000.00	562,000,000.00
Shares in Ingrin Ltd	10.00	10.00	10.00
Shares in Credit Information Bureau	123,700.00	123,700.00	123,700.00
Treasury Bonds	137,010,481.76	276,048,461.23	571,725,124.87
	687,134,191.76	826,172,171.23	1,133,848,834.87
14 Interest Receivable			
Treasury Deposit	67,154,144.92	67,154,144.92	67,154,144.92
Treasury Bills/Bonds	6,870,522.91	16,703,937.83	37,980,291.83
Debentures	53,909,759.62	56,549,931.32	3,604,982.14
US Dollar Fixed Deposits	15,766,425.71	13,280,991.59	12,731,562.33
Temporary Surplus Trust Fund	688,299.12	633,909.70	619,746.19
Gratuity Funds - Treasury Bills	87,691.78	68,577.40	63,010.89
SLR Fixed Deposits	41,066,576.19	11,491,575.73	0.00
Euro Fixed Deposit	2,279.59	1,604.64	1,359.94
	185,545,699.84	165,884,673.13	122,155,092.24

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2018

Notes to the Annual Financial Statements for 2018

Note

	31.12.2018	31.12.2017	01.01.2017
	Rs.	Rs.	Rs.
15 Sundry Debtors, Deposits & Pre Payments			
Advances on Export Bill Discounting Facility	34,958,636.11	34,958,636.11	34,958,636.11
Less : Provision for Doubtful Debts	34,958,636.11	34,958,636.11	34,958,636.11
	0.00	0.00	0.00
Staff Loans & General Advances	2,672,837.08	2,807,179.37	2,463,613.15
Sundry Deposits	108,837.50	108,837.50	108,837.50
State Mortgage & Investment Bank Deposit	570,371.07	550,419.90	880,545.31
Refundable Deposits	56,500.00	56,500.00	6,500.00
Sundry Debtors	770.00	770.00	25,821.25
Withholding Tax Recoverable	5,828,686.32	1,236,835.22	400,553.57
Pre-payments	582,046.46	960,831.82	873,502.22
BizInfo Income Receivable	636,134.40	719,176.43	393,993.60
Dishonoured Cheques	0.00	0.00	7,014.40
VAT on Financial Services Recoverable	2,185,511.00	2,185,511.00	0.00
	12,641,693.83	8,626,061.24	5,160,381.00
15 (a) Sundry Deposits			
Sri Lanka Telecom	57,700.00	57,700.00	57,700.00
Associated Newspapers of Ceylon Ltd	27,625.00	27,625.00	27,625.00
Data Net Electronic Telecommunication System	15,000.00	15,000.00	15,000.00
ICLP Arbitration Centre	8,512.50	8,512.50	8,512.50
	108,837.50	108,837.50	108,837.50
16 Property, plant & equipment - Please refer attachment (Page 14)			
17 Outstanding Claims			
Specific Provision	212,590,775.48	139,929,001.53	127,465,168.17
Contingent Provision for Claims			
Balance as at 1st January	35,969,810.15	27,288,528.94	33,820,618.57
Utilisation during the year	971,135.84	433,941,239.38	13,422,313.06
Charge for the year	-847,844.64	442,562,520.59	6,890,223.43
Balance provision as at 31st December	34,090,829.67	35,909,810.15	27,288,528.94
Total Provision for Claims	246,681,605.15	175,838,811.68	126,405,784.37

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2018

Notes to the Annual Financial Statements for 2018

Note	31.12.2018	31.12.2017	01.01.2017
	Rs.	Rs.	Rs.
18	Sundry Creditors, Accrued Expenses and Provisions		
	Sundry Creditors		
	0.00	0.00	0.00
Final Payment Due			
General VAT (Charged from Policy Premium)	196,455.06	30,982.23	4,683.00
Staff Medical Fund	397,073.00	374,938.00	351,588.00
Refundable Deposits	1,535,000.00	1,355,000.00	1,502,500.00
	Accrued Expenses		
Employees Provident Fund	1,089,079.04	1,164,076.54	1,484,810.30
Employees Trust Fund	194,928.03	112,142.12	123,734.20
PAYE Tax	13,290.00	26,166.00	42,147.00
Stamp Duty	12,450.00	14,250.00	13,850.00
Nation Building Tax	4,275,815.00	33,270.00	68,770.00
Other Payables	7,568,784.17	3,740,622.69	5,594,854.51
Charges on Status Reports	1,839,170.16	1,308,700.60	931,973.75
	Provisions		
Audit Fees Payable	2,137,633.92	888,733.92	880,333.92
Income Tax Payable	61,741,771.20	8,290,764.48	17,506,990.64
VAT on Financial Services	19,358,928.00	0.00	6,719,148.03
Annual Report Printing Charges	945,000.00	890,000.00	1,116,150.00
Special Levy Payable	20,000,000.00	15,000,000.00	15,000,000.00
	121,209,377.58	33,229,546.58	51,341,533.35

Audited

19	Gratuity Payable		
	Movement in the Account		
Balance as at 1st January	13,488,109.75	13,383,532.50	14,052,089.75
Paid during the year	263,500.00	612,047.25	1,736,295.00
Provision for the year	625,168.00	716,624.50	1,067,737.75
Excess provision transferred to General Reserve	4,001,090.75	0.00	0.00
	9,848,687.00	13,488,109.75	13,383,532.50

The defined benefit plan - Gratuity : The Corporation's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current period and discounted to determine its present value. With the adoption of LKAS 19 - Employee Benefits from 2018, the current service cost of Rs.625,168/- and the present value of The defined benefit obligation of Rs.9,848,687/- has been recognized under the project unit credit method. As a result, the excess provision of Rs.4,001,090.75 has been transferred to the General Reserve.

20	Capital Employed		
	Capital Contributed - Treasury		
	30,000,000.00	30,000,000.00	30,000,000.00

21 Reserves - Please refer attachment (Page 15)

22 Exchange Rate

The following exchange rates have been used to convert the foreign currency as at end December 2018

US Dollars	-	180.72
Euro	-	205.45

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2018

Notes to the Annual Financial Statements for 2018

23 Disclosure on revaluation of Fixed Assets

- Effective date of revaluation

Building	01.01.2018
Motor Vehicles	31.12.2016
Computers and Printers	31.12.2016
Office Equipment	31.12.2016
Furniture and Fittings	31.12.2016

- Valuation was carried out by the Government Valuation Department
- Valuation has been done as accurately as possible after inspection and observation and considering all the relevant factors that affect the value.
- The value arrived by the revaluation is the market value of the assets.
- Carrying value of the revalued assets under the cost model.

Building	7,334,316.50
Motor Vehicles	1,761,712.00
Computers and Printers	26,390.00
Office Equipment	2,569.75
Furniture and Fittings	103,784.37

24 Contingent Liabilities

(a) Lawsuits against the Corporation

Southern Son Teas (Pvt) Ltd Vs Sri Lanka Export Credit Insurance Corporation ; HC (CIVIL) 193 2004 (1)
The case was instituted by the exporter on a rejection of a claim for a value of Rs.17.02 Million in the Commercial High Court of Colombo
Present Position : The judgement was given in favour of the exporter and exporter was required to fulfil certain conditions prior to receipt of the compensation. Since the exporter has so far failed to meet the stipulated conditions the payment is withheld.

(b) The total liability underwritten by the Corporation as at 31st December 2018.

- Export Payments Insurance Policies in Force	Rs. 19,346,000,000.00
- Credit Guarantees in Force	Rs. 4,645,122,074.77
Maximum Liability	Rs. 23,991,122,074.77

25 Investment Fund Account

An Investment Fund Account was established in November 2011 to transfer funds equivalent to the total of 8% of the Value Added Tax on Financial Services and 5% of the Income Tax on an annual basis on a Treasury Directive. Since the Corporation is not involved in lending funds, as per the guidelines issued by the Central Bank of Sri Lanka, the funds in the Investment Fund Account has been invested in Treasury Bonds over 7 years. The Corporation has invested a sum of Rs.45.54 Million with a face value of Rs.51 Million in over 7 years Treasury Bonds and these investments have been listed under the Long Term Investments.

26 Related Party Interest

There were no related party interest during the year 2018.

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2018

Notes to the Annual Financial Statements for 2018

27 Applying Changes in Accounting Policy

Effect of Changes in Foreign Exchange Rates - LKAS 21.

The Accounting Policy in regard to accounting for Exchange Gain/Loss up to the financial year 2017 was to recognise the exchange gain/loss into a Exchange Equilisation Reserve. With effect from the financial year 2018, in complying with the LKAS 21, the Accounting Policy was changed and the Exchange Gain/ Loss has been recognised in the profit and loss account.

Due to change in this Accounting Policy, the following changes to the Financial Statements were made with retrospective effect. Accordingly, the last three years Financial Statements were restated and the changes made are given below.

The exchange gain of Rs.20,876,877.95 for 2017 and Rs.27,044,933.31 for 2016 were restated in the Profit and Loss Statement retrospectively and the respective balances in the Exchange Equilisation Reserve were transferred to the General Reserve for the respective years.

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Property Plant and Equipment - 2018

Note 16

Item	Assets at Cost as at 01.01.18 Rs	Assets at Revaluation 01.01.18 Rs	Additions 2018 Rs	Disposals 2018 Rs	Nett Value as at 31.12.18 Rs	Depreciation as at 01.01.18 Rs	Depreciation 2018 Rs	Accumulated Depreciation As at 31.12.18 Rs	Written Down Value As at 31.12.18 Rs
Buildings	0.00	176,500,000.00	0.00	0.00	176,500,000.00	0.00	8,825,000.00	8,825,000.00	167,675,000.00
Motor vehicle	0.00	13,400,000.00	0.00	0.00	13,400,000.00	2,680,000.00	2,680,000.00	5,360,000.00	8,040,000.00
Software	6,672,949.77	0.00	0.00	0.00	6,672,949.77	6,183,226.89	287,722.73	6,470,949.62	202,000.15
Computers & Printers	0.00 2,510,952.33	2,846,500.00 0.00	0.00 0.00	0.00 0.00	2,846,500.00 2,510,952.33	711,625.00 434,645.91	711,625.00 627,738.08	1,423,250.00 1,062,383.99	1,423,250.00 1,448,568.34
Furniture & Fittings	64,059.75 0.00	0.00 1,345,200.00	0.00 0.00	0.00 0.00	64,059.75 1,345,200.00	2,970.58 134,520.00	6,405.95 134,520.00	9,376.53 269,040.00	54,683.22 1,076,160.00
Office Equipment	0.00 336,185.49	668,750.00 0.00	0.00 66,877.00	0.00 0.00	668,750.00 403,062.49	167,187.50 65,209.00	167,187.50 94,520.37	334,375.00 159,729.37	334,375.00 243,333.12
TOTAL	9,584,147.34	194,760,450.00	66,877.00	0.00	204,411,474.34	10,379,384.88	13,534,719.63	23,914,104.51	180,497,369.83

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION					
Annual Financial Statements - 2018					
Reserves As At 31st December 2018					
	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 1st January 2017	2,001,682,825.76	39,633,805.56	58,507,949.05	23,253,955.68	2,123,078,536.05
Transferred from Revaluation Reserve	8,428,409.50	-8,458,892.50			-30,483.00
Net Profit for the Year 2017	-179,486,658.61				-179,486,658.61
Transferred during the year	0.00	0.00		1,252,079.53	1,252,079.53
Balance as at 31st December 2017	1,830,624,576.65	31,174,913.06	58,507,949.05	24,506,035.21	1,944,813,473.97
Transferred from Revaluation Reserve	7,813,489.06	-7,813,489.06			0.00
Net Profit for the Year 2018	309,088,326.89				309,088,326.89
Transferred during the year 2018		118,348,965.74		-646,334.16	117,702,631.58
Excess gratuity provision	4,001,090.75				4,001,090.75
Special Levy to Treasury	-20,000,000.00				-20,000,000.00
Balance as at 31st December 2018	2,131,527,483.35	141,710,389.74	58,507,949.05	23,859,701.05	2,355,605,523.19

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION (SLECIC)

Significant Accounting Policies

General Information

Sri Lanka Export Credit Insurance Corporation was established by the Sri Lanka Export Credit Insurance Corporation Act No. 15 of 1978 and commenced commercial operations on 8th February 1979. The registered office of the Corporation is situated at Level 4, NDB-EDB Tower, No.42, Nawam Mawatha, Colombo 02.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

01. Basis of Preparation

1.1 Principal Activities and Nature of Operations

Principal activities of the Corporation are undertaking risks in export trade by issue of Export Payments Insurance Policies to Exporters covering the risk of non-payment by their foreign buyers due to commercial and political reasons and issue of guarantees to the banks and other financial institutions mainly to facilitate granting of liberal finances to exporters to meet their fund requirements for their export businesses.

1.2 Basis of measurement

The Balance sheet, Income and Expenditure account, changes in equity and cash flows together with accounting policies and notes (Financial Statement) of the Corporation as at 31st December 2018 and for the year ended, complies with the Sri Lanka Accounting Standards. These Financial Statements are presented in Sri Lankan Rupees. The Financial Statements are prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements.

1.3 Use of Estimates and Judgments

The preparation of Financial Statements are in conformity with LKAS (Lanka Accounting Standards) which requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments on the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

1.4 Going Concern

When preparing the Financial Statements, we have made an assessment of the liability of the organization to continue as a going concern in the foreseeable future. We do not foresee a need for liquidation or cessation of trading, taking into account all available information about the future.

02. Comparative Information

The accounting policies have been consistently applied by the Corporation and are consistent with those used in the previous year.

03. Significant Accounting Policies.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and have been applied consistently by the Corporation.

3.1 Foreign Currency Transactions

Items included in the financial statements are measured using Sri Lanka rupees (LKR). Foreign Currency transactions are translated into the reporting currency using the rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the income statement. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to Sri Lankan Rupees at the foreign exchange rate ruling at that date. Foreign exchange gains and losses from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account with effect from the financial year 2018 conforming to LKAS 21

Prior to 2018, the net exchange gain/loss was recognized in a separate Foreign Currency Equalization Reserve which has ceased to be in effect from 2018.

3.2 Property, Plant and Equipment

a) Recognition and Measurement

Property, Plant and Equipment are stated at cost/revaluation less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Where an item of Property, Plant and Equipment comprise major components having different useful lives, they are accounted for as separate items of Property, Plant and Equipment.

Gains and losses upon disposal of items of Property, Plant and Equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant and Equipment, and are recognized net within "Other Operating Income" in the Income Statement.

Audited

b) Depreciation

The provision for depreciation is calculated using a straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives of all Property, Plant and Equipment other than freehold land.

The principal annual rates used are as follows.

1. Building	5%
2. Office Equipment	25%
3. Motor Vehicles	20%
4. Software	25%
5. Furniture & Fittings	10%

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the surplus in the revaluation to the Accumulated Profit. The assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

c) Disposal

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognized in determining operating profit or loss in the Income Statement. When revalued assets are sold, the amount included in the revaluation reserve is transferred to retained earnings.

d) Impairment

The carrying value of property, plant and equipment is reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognized in the income statement unless it reverses a previous revaluation surplus for the same asset.

e) Profit / Loss from Sales of Property, Plant and Equipment.

Any gains or losses on retirement or disposal of Property, Plant and Equipment are recognized in the period in which the sale occurs and is classified as other Income.

3.4 Capital Work in Progress

Capital expenses incurred during the year, which are not completed as at the Balance Sheet date are shown as advance payments, whilst the capital assets which have been completed during the year and put to use have been transferred to Property, Plant and Equipment.

3.5 Intangible Assets

Intangible assets that are acquired by the Corporation, which have substantial useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products implemented and controlled by the Corporation are recognized as intangible assets.

a) Basis of Recognition

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the assets will flow to the entity and cost can be measured reliably and carried at cost less accumulated amortization and accumulated impairment losses.

b) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relate. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the income Statement as incurred.

c) Retirement and Disposal

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal.

d) Amortization

Amortization is recognized in the income Statement on a straight-line basis over the estimated useful lives of intangible Assets, from the date that they are available for use.

e) Impairment

The carrying amounts of the Corporation's assets are reviewed at each balance sheet date to determine where there is any indication of impairments. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the Income Statement.

3.6 Investment Properties

Property that is held for long-term yields or for capital appreciation for both and that is classified as investment property. After initial recognition investment property is carried at cost.

3.7 Short term Investments

a) Short term Investments in Local currency

The Corporation has made short term surplus funds in Government Treasury bills and other fixed income investments and accounted at cost except for the foreign currency denominated fixed deposits which are valued at the exchange rate prevailing on the Balance Sheet date. The interest accrued on these investments is recognized in the income statement.

b) Short term Investments in Foreign currency

The funds required to meet future claims obligation in foreign currency have been set aside and deposited in foreign currency account earning interest. The interests accrued have been recognized in the Income statement translated at the rate prevailing at the date of the transaction. The values of the investments recognized in the financial statement are translated at the rate prevailing at the Balance Sheet date.

3.7.1 Financial Investments: Held-to-Maturity

All the Rupee short term and long terms investments made in Treasury Bills, Treasury Bonds, Fixed Deposits and Debentures are held to maturity and are stated at cost plus interest receivable.

3.7.2 Risk arising from Financial Instruments

The short term and long term investments comprise of investments made in Treasury Bills, Treasury Bonds, State Bank Fixed Deposits and Debentures. Debentures carry the interest rate risk, reinvestment risk, default risk and liquidity risk. As the fixed deposits are held up to maturity it carries only the default and liquidity risks except for the foreign currency denominated fixed deposits which are exposed to the risk of currency fluctuations in addition to the other risks inherent to the local currency fixed deposits. In the context of holding these investments in state banks, all the stated risks are at its minimal except for foreign currency value fluctuation risk.

3.8 Trade and Other Receivables

Trade and other receivables are stated at the amount estimated to be realized. Provision has been made in the Financial Statements for bad and doubtful debts which are outstanding for more than three years period.

3.9 Inventories

Inventories comprised of stock of stationery and consumable items. Inventories are valued at lower of cost or net realizable value, after making provision for obsolete and repairable items. Net realizable value is the price at which inventories can be sold in the ordinary course of business.

3.10 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand and short term highly liquid investments, readily convertible to known amounts of cash for the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and net of outstanding bank overdrafts, short term borrowings and short term investments.

3.11 Cash Flow Statements

The Cash Flow Statements have been prepared using the indirect method in accordance with Lanka Accounting Standard (LAKAS) No. 09 -Cash Flow Statements.

4 Employee Benefits

a) Defined Benefit Plan - Retirement Gratuity

The defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation in respect of defined benefit plans is calculated by using project unit credit method for determining the required provisions. The calculation is performed annually by a qualified independent Actuary. The measurement of the net defined benefit liability which comprise actuarial gains/losses are recognized immediately in the statement of profit or loss and other comprehensive income.

Under the payment of Gratuity Act, No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

b) Define Contribution Plan

Employee's Provident Fund & Employee's Trust Fund. Employees are eligible for Employees Provident Fund contribution and Employees Trust Fund contributions in line with respective statutes and regulation.

5. Liabilities and provisions

Liabilities and provisions are recognized in the Balance sheet when there is a present legal /constructive obligation as a result of the past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the Balance Sheet date are treated as current liabilities in the Balance Sheet. Liabilities payable after one year from the Balance Sheet date are treated as non- current liabilities in the Balance Sheet.

a) Trade and Other Payables

Trade and other payables are stated at their cost.

b) Contingent Provision for Claims

Our past experiences in claims payout ratio for cost of passage guarantees have been in the range of 30 percent of premium received. The premium received will have a claim liability, spread over a period of 3 years from the date of premium received. In keeping with the past experience a provision up to 30 percent of the premium received spread over the three years period on the proportion of 15%, 10% and 5% respectively for cost of passage Credit Guarantees have been provided as a provision for contingent claims.

The provision may be adjusted every year to keep pace with the balances reflecting as at the end of the year.

Provisions for other products have been created according to the following basis.

Seller's Risk Insurance Policy	15%
Direct Guarantee on the ATA Carnet System	2%
Pre Shipment Credit Guarantee	12%
Post Shipment Credit Guarantee	5%

c) Provision for Reported Claims

Claims reported have been recognized and taken into account when creating this provision. A specific provision for claims have been made on the situations prevailed as at the Balance Sheet date where reasonable. Evidences and assurances are available as to the fact that there is a probability that a claim would have to be made. The payment of claims subsequently will be set off against the provision made. The continuity of the provision made will be based on the existence of the probable occurrences of a liability for claims.

d) Reserve for Unearned Premium on Unexpired Risk

Premium written and received during the year under review and the unexpired risk on the premium so collected will spread over the cover period in which part of the premium is related to the next financial year. A reserve has been created by segregating the proportionate premium for the cover period after the end of the current financial year in keeping with industry norms. In determining the reserve 1/365 method have been applied.

In recognition of the reserve actual cover period on unexpired risks have been taken into account on the premium collected on Export Payments Insurance Policies. 15% of the premium collected on the guarantees during the year under review have been set aside as a reserve for the unexpired risks considering the complexity, nature and quantum of risks associated within the cover period.

6. Revenue

6.1 Premium Income

Revenue received from the Premium Income has been recognized on 'Accrual Basis' by taking account of all the declarations submitted up to the end of the year. Transfer of risks and rewards vary depending on the

individual terms of the contract. All the expenditure items are accounted on 'Accrual Basis.' The accounting policies applied are consistent with those applied in the previous years.

6.2 Other Operating Income

a) Profit & Loss from Sale of Property, Plant and Equipment.

Any gains or losses on retirement or disposal of Property, Plant and Equipment are recognized in the period in which the sale occurs and is classified as other Operating Income.

6.3 Expense Recognition

a) Revenue Expenditure

The profit earned by the Corporation as shown in the Income Statement is after providing for all known liabilities and for depreciation of Property, Plant and Equipment.

For the purpose of presentation of the Income Statement, the Directors are of the opinion that the function of expenses method present fairly the elements of the enterprise's performance, hence this presentation method is adopted.

b) Capital Expenditure

Expenditure incurred for the purposes of extending or improving assets of a permanent nature by means to carry on the business or for the purposes of increasing the earning capacity of the business has been treated as Capital Expenditure.

Gains or losses of revenue nature on the disposal of property, plant and Equipment have been accounted for in the Income statement.

6.4 Taxation

Income Tax Expenses

Income tax expenses for the year comprise of tax on total operation of the Corporation. Income tax is recognized in the Income Statement for the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustments to tax payable in respect of previous years. Provision for taxation is based on the net profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No.24 of 2017.

6.5 Borrowing costs

Borrowing costs are recognized as an expense in the year in which they are incurred.

6.6 Comparative information

Comparative information has been reclassified where necessary to confirm to the current year's presentation.

6.7 Commitments and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrences or non- occurrence of uncertain future events, which are beyond the Corporation's control.

6.8 Events Occurring After the Balance Sheet Date

All material post Balance Sheet events have been considered disclosed and adjusted where applicable.

Sri Lanka Export Credit Insurance Corporation - 2018

1.1 Opinion

The audit of the financial statements of the Sri Lanka Export Credit Insurance Corporation 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 comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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 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 determine 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 Corporation'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 intend to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Corporation 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 Corporation.

1.4 Audit Scope

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 skepticism 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 Company'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 Company'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 auditor's report. However, future events or conditions may cause the Company 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.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Corporation and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation ;
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Sri Lanka Export Credit Insurance Corporation Act No 15 of 1978 - Section 3 (1)	Board Meetings had not been held for nearly 5 months during the year 2018.	This situation was due to delaying appointments of the chairman and the board members after ending of their terms of offices. Hence the Corporation has no relevant authority, such situations are beyond the control of the Corporation.	Relevant responsible authorities should take immediate actions in this regard.
(b)	Establishment Code Paragraph 13.2 and 13.3 of Chapter II	Since the both positions of Deputy General Manager Marketing and Manager Marketing had been vacant from the year 2009 to 2018, acting arrangements had been made for 2 positions on long term basis.	According to the MSD Circular No 03/2018 dated 18 July 2018, the recruitments are not permitted to make without prior approval of the Department of Management Services and it is unable to make recruitments, since the approval requested by the letter dated 21 September 2018 has not yet received.	Actions should be taken as per the provisions of the Establishment Code and relevant Circulars.

- | | | | | |
|-----|--|---|---|---|
| (c) | Public Enterprises
Circular No. PED/55
dated 14 December
2010 | According to the
Circular, 04 Audit
Committee Meetings
should be held during the
year 2018, and only 02
meetings had been held.
For the year 2019, no
meetings had been held
up to the date of 30 June
2019. | Even though 04 meetings
were planned to be held
during the year, it was
unable to hold meetings
due to the absence of the
Board. | Authorities should
take actions in
accordance with
relevant provisions
of the Circular. |
| (d) | Public Administration
Circular No 02/2018
dated 24 January 2018 | Annual Performance
Agreements for
improving performance of
the staff had not been
signed with the whole
staff of the institute
according to the circular
and a suitable
methodology to identify
the gap between the
competencies already
gained relevant to the
assigned responsibilities
and the competencies to
be gained for the
performance of duties had
not been prepared.
Further, a Human
Resources Development
Plan had not been
prepared as unique to the
institute in order to
minimize the competency
gap. | Once the approval of
Department of
Management Services is
received, actions will be
taken to recruit for
relevant vacant
positions and complied
with the circular. | The Corporation
should comply with
the relevant
Circular. |
| (e) | Public Enterprises
Circular No. PED/12
dated 02 June 2003 | | | |
| | (i) Section 9.3 | A recruitment
procedure and a
promotions scheme had
not been prepared. | The Human Resources
Manager, who had been
assigned the task, left the
Corporation and necessary
actions will be taken to
perform this task once a
new officer is recruited. | The Corporation
should comply with
the provisions of the
circular. |

(ii) Paragraph 6.5.3	Even though Annual Reports should be tabled in Parliament within 150 days from the end of the financial year, Annual Reports for the years of 2016 and 2017 had not been tabled up to the date of 30 June 2019.	Annual Report of the year 2016 has been submitted to the Ministry on 08 August 2018, and required documents have not been received from the Ministry up to now. Report for the year 2017 is being prepared in three languages.	The Corporation should comply with the provisions of the circular.
-------------------------	---	--	--

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 309,088,327 and the corresponding deficit in the preceding year amounted to Rs. 179,486,659. Therefore an improvement amounting to Rs. 488,574,986 of the financial result was observed. The reason for the improvement is reducing the expenditure by 74 per cent as compared with the preceding year.

2.2 Trend Analysis of major Income and Expenditure items

As compared with the preceding year, other income had increased by Rs. 139,677,455 and it was 68 per cent. Increase of the foreign exchange gain had mainly attributed to this increase of revenue. Even though the financial expenditure had increased by Rs. 5, 454,874 or 546 per cent during the year 2018 as compared with the year 2017, the net claim expenditure had decreased by Rs.472, 182,189 or 87 per cent.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
-----	-----	-----
Although an internal system study for establishing a new Information Technology System had been planned to be completed by the end of the year 2017 as per a board decision, it had not been completed by the date of 30 June 2019.	The corporation sought the assistance from SLIIT in this regard, and since the SLLIT informed that they did not undertake such assignments, the actions were being taken to select a suitable institution following procurement guidelines as instructed by the Director Board.	Methods for assuring the accuracy of comparing the data of finance division and operational division should be established.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
--------------------	---------------------------	-----------------------

Revenue from issuing Export Payment Insurance policies was around 87 per cent of the total income of the Corporation. A contribution to total premium income provided by an exporter, who made a contribution of Rs. 58,988,550 or 28 per cent of the total premium income in the year 2017, had decreased during the year 2018. Furthermore, 19 exporters had made a contribution of Rs. 142,666,310 or 69 percent to the total premium income. However, the Corporation had not implemented a regular programme required for propagation and regularization of the awareness of such exporters in order to improve the productivity and the existence of the Corporation.

The reasons for dropping the income from the above mentioned exporter in 2018 compared to 2017 are completely beyond the control of the Corporation. A general decrease in tea exports during the year 2018 and revision of the terms of payment by the exporter had caused for this.

Suitable steps required to solve the reasons affected to drop the income should be taken.

3.3 Human Resources Management

Audit Issue	Management Comment	Recommendation
--------------------	---------------------------	-----------------------

The carder position as at 31 December 2018 approved by the Department of Management Service was 56 and actual carder was 34 thus existing 22 vacancies as at 31 December 2018. Among those vacancies, there were 16 vacancies in Executive level too.

The Corporation is awaiting for approval of the Department of Management Services to fill the existing vacancies.

Actions should be taken to fill vacancies or amend the approved carder.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Issue -----	Management Comment -----	Recommendation -----
Even though the financial statements should be submitted to the Auditor General within 60 days from the end of the financial year in terms of Paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, financial statements had been submitted to the audit on 10 May 2019.	Due to the absences of the Board the financial statements signed by the Chairman and Managing Director were submitted on 28 February 2019. After the appointment of the Board of Directors, the financial statements approved by the Board have been submitted with all the necessary schedules and other documents on 10 May 2019.	Actions should be taken according to the Circular.

4.2 Corporate Plan

Audited

Audit Issue -----	Management Comment -----	Recommendation -----
In terms of Section 5.1 of the Public Enterprises circular No. PED/12 dated 02 June 2003, a corporate plan had not been prepared relevant to the year under review, and the last corporate plan had been prepared for the year 2010.	The provisions have been made for preparation of the corporate plan for 3 years commencing from 2019 to 2021 in the budget 2019 which was approved in May 2019. Accordingly, actions will be taken to prepare the corporate plan during the year 2019.	Action should be taken according to the Circular.

4.3 Annual Action Plan

Audit Issue -----	Management Comment -----	Recommendation -----
(i) The functions of the Corporation as per the Section 5 of the Sri Lanka Export Credit Insurance Corporation Act No. 15 of 1978 had not been done.	Hence the Sri Lanka Export Development Board has been established to perform those functions efficiently as a specialized and resourced	Attention should be made for achieving the establishing objectives of the Corporation.

export development body, the involvement of the Sri Lanka Export Credit Insurance Corporation in same activities will lead to uneconomical use of resources.

(ii) Ten activities planned in the action plan for the year under review, had not been implemented.

- Product development and modification - This is practiced on a daily basis as the Corporation strived to meet the ever changing needs of the exporters.
- Development of the Organizational structure and job descriptions - This will be commenced immediately upon the recruitments for the vacant positions.
- Focus group meetings - Meetings were unable to be held due to the difficulty in gathering the exporters.
- Awareness programmes - It was unable to hold due to coordination problems.
- CPA Hoardings - Due to the cost escalations, it led to the abandonment of the Project.
- Preparation of the Claims Manual - Completed and the Board approval is yet to be received.
- Product Manuals for Pre/Post shipments - Not undertaken as yet.
- Reinsurance - Due to the absence of a Chairman and a Board, the

The Management should take actions to achieve the targets set in the annual action plan in their best.

Audited

approval process was not taken place during the year 2018.

(iii) Even though 12 meetings for gem and jewelers, and 48 awareness programmes for migrant workers registered in Foreign Employment Bureau had been scheduled to be held during the year 2018, only one and five programmes had been held during the year 2018 respectively.

Due to the absence and change of the Chairman during the year 2018 and the coordination issues, it was unable to attend the meetings as scheduled. However, the Corporation has attended several meetings in 2019.

The Management should take actions to achieve the targets set in the annual action plan in their best.

4.4 Internal Audit

Audit Issue

Actions had not been taken to obtain the approval for a post of Internal Auditor within the approved carder, and the internal audit had been done by a private audit firm. However, the internal audit reports for the period from October 2018 to December 2018 had not been submitted up to the date of 30 June 2019.

Management Comment

As the Corporation concerns about the cost and benefits, the internal audit function has been outsourced for a professionally qualified Company at a low cost and a separate internal audit unit has not been established. Internal Audit reports up to September 2018 have been submitted.

Recommendation

According to the Audit Act, an Internal Audit unit should be established and internal audit reports should be submitted without any delay.

4.5 Budgetary Control

Audit Issue

Variations between the budgeted income and expenditure and the actuals of 34 items ranging from 30 per cent to 100 per cent were observed and as such the budget had not been made use of as an effective instrument of Management control.

Management Comment

The international trade was severely affected by the world economic crisis particularly in 2018. This situation affected the Corporation, and was compelled to take stern decisions than the decisions taken under general situation. As the Corporation does not depend on the General Treasury for funds,

Recommendation

Budget should be prepared accurately as much as possible.

certain marketing expenses have not been incurred due to the non-suitability of prevailed market conditions.

4.6 Sustainable Development Goals

Audit Issue

Every public institution should act in compliance with the letter No. NP/SP/SDG/17 dated 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs and the United Nations Sustainable Development Agenda for the year 2030. With respect to the year under review, the Sri Lanka Export Credit Insurance Corporation had not been aware as to how to take measures relating to the activities under purview of their scope. Therefore, actions had not been taken to identify the sustainable development goals and targets relating to the activities thereof, along with the milestones in respect of achieving those targets and the indicators for evaluating the achievement of such targets.

Management Comment

The overall objectives of the Corporation are in line with the sustainable economic development of the country. However, actions will be taken to recognize the specific sustainable development goals relevant to the Corporation, and to plan targets along with the milestones.

Recommendation

Every public institution should comply with the United Nations Sustainable Development Agenda for the year 2030.

Audited