

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION (SLECIC)

**Annual Financial Statements for the
year ended December 31, 2017**

Audited

Sri Lanka Export Credit Insurance Corporation (SLECIC)

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Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December

		31.12.2017	31.12.2016
	Note	Rs.	Rs.
Revenue			
Gross Written Premium	1	238,085,213.17	178,635,716.24
Net Change in Reserve for Unearned Premium	1a	-1,252,079.53	5,424,544.42
Gross Earned Premium		236,833,133.64	184,060,260.66
Revenue from Other Operations	2	29,216,450.30	28,770,323.13
Total Net Revenue from Operations		266,049,583.94	212,830,583.79
Other Income			
Investment Income	3	181,967,830.24	159,903,943.53
Other Income	4	1,197,024.77	4,443,796.71
		183,164,855.01	164,347,740.24
Total Net Revenue		449,214,438.95	377,178,324.03
Claims and Operating Expenses			
Net Claims	5	544,154,106.43	87,988,752.95
Status Reports		7,719,404.05	6,239,821.57
Establishment Expenditure	6	18,184,573.89	16,530,471.62
Administrative Expenditure	7	50,059,720.25	54,067,635.98
Selling & Marketing Expenditure	8	8,332,038.08	13,558,491.64
Finance Charges	9	998,300.11	970,040.77
Corporate Social Responsibility		1,594,900.00	4,100,000.00
Net Claims and Operating Expenses		631,043,042.81	183,455,214.53
Profit Before Value Added Tax		-181,828,603.86	193,723,109.50
VAT on Financial Services		867,355.97	12,397,483.25
Profit Before Income Tax		-182,695,959.83	181,325,626.25
Income Tax		17,667,576.73	25,214,051.46
Net Profit for the year		-200,363,536.56	156,111,574.79
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		-200,363,536.56	156,111,574.79

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Statement of Financial Position

	Note	As at 31.12.2017 Rs.	As at 31.12.2016 Rs.	As at 01.01.2016 Rs.
ASSETS				
Cash and cash equivalents	10	4,948,981.84	7,595,725.14	6,718,734.77
Foreign currency savings accounts	11	5,194,374.17	4,190,782.38	3,598,346.44
Treasury trust fund		20,976,526.63	19,728,052.90	18,601,102.28
Investment fund		53,497.91	6,219.99	8,155,200.44
Short term financial investments	12	1,092,917,493.27	997,681,542.12	1,631,544,016.32
Long term financial investments	13	826,172,171.23	1,133,848,834.87	321,047,482.64
Interest receivable	14	165,884,673.13	122,155,092.24	96,256,412.54
Trade Debtors		3,186,192.92	3,110,193.36	1,991,121.16
Sundry Debtors, Deposits and Pre-payments	15	8,626,061.24	5,160,381.00	4,269,796.63
Property, Plant & Equipment	16	75,616,246.72	83,416,385.39	78,078,693.35
Stock of Stationery & Consumables		226,020.85	227,929.18	223,774.46
Library materials		39,527.50	39,527.50	39,527.50
Total Assets		2,203,841,767.41	2,377,160,666.07	2,170,524,208.53
LIABILITIES				
Outstanding claims	17	175,838,811.68	154,753,697.11	126,405,784.37
Premium Advances		6,471,825.43	4,603,367.06	3,209,763.24
Sundry Creditors, Accrued Expenses & Provisions	18	33,229,546.58	51,341,533.35	48,703,418.01
Staff gratuity payable	19	13,488,109.75	13,383,532.50	14,052,089.75
Total Liabilities		229,028,293.44	224,082,130.02	192,371,055.37
EQUITY				
Stated Capital	20	30,000,000.00	30,000,000.00	30,000,000.00
Reserves	21	1,944,813,473.97	2,123,078,536.05	1,948,153,153.16
Total Equity		1,974,813,473.97	2,153,078,536.05	1,978,153,153.16
Total Liabilities & Equity		2,203,841,767.41	2,377,160,666.07	2,170,524,208.53

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

23-Feb-18

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Cash Flow statement for the Year ending 31st December 2017

	Year Ending 31.12.2017 Rs.	Year Ending 31.12.2016 Rs.
Inflows from Operating Activities		
Profit Before Taxation	-182,695,960	181,325,626
Adjustments for Non- Cash Items		
Depreciation	9,531,331	8,512,731
Provision for Gratuity	716,624	1,067,738
Provision for Claims	544,154,106	87,988,753
Exchange Gain	20,876,878	27,044,933
{Profit}/Loss on disposal of assets	0	-3,258,998
VAT on FS	867,356	12,397,483
Transfers from/(to) Reserves	1,236,174	-5,424,544
Operating Profit before Working Capital Changes	394,686,509	309,653,722
Decrease/(Increase) in Trade and Other Receivables	-45,085,750	-27,921,386
Decrease / (Increase) in Inventories	1,908	-4,155
Increase/ (decrease) in Trade and Other Payables	-308,154	-28,404,075
Cash Generated from Operations	349,294,513	253,324,106
Claims Paid	-523,068,992	-59,640,840
Payment of VAT on FS	-9,772,015	-10,575,783
Income Tax Paid	-26,883,803	-9,586,907
Gratuity Paid	-612,047	-1,736,295
Net Cash Flow from Operating Activities	-211,042,344	171,784,281
Cash Flow from Investing Activities		
Purchase of Fixed Assets	-1,745,767	-1,657,005
Transfer to Long/Short Term Investments	212,440,712	-178,938,878
Transfer from/to Foreign Currency Savings Account	-1,003,592	-592,436
Transfer to / from Treasury Trust Fund	-1,248,474	-1,126,952
Transfers from/to Investment Fund	-47,278	8,148,980
Net Sale proceeds of Fixed Assets	0	3,259,000
Net Cash Flow from Investing Activities	208,395,601	-170,907,291
Net Increase/(Decrease) in Cash & Cash Equivalents	-2,646,743	876,990
Cash & Cash Equivalents at the beginning of the period	7,595,725	6,718,735
Cash & Cash Equivalents at the end of the period	4,948,982	7,595,725

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Statement of Changes in Equity As At 31st December 2017

	Capital Contributed Rs.	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Exchange Equalisation Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 1st January 2016	30,000,000.00	1,726,111,298.28	32,190,386.35	58,507,949.05	102,665,019.38	28,678,500.10	1,978,153,153.16
Transferred from Revaluation Reserve		4,750,000.00	-4,750,000.00				0.00
Net Profit for the Year 2016		156,111,574.79					156,111,574.79
Transferred during the year		0.00	12,193,419.21		27,044,933.31	-5,424,544.42	33,813,808.10
Special Levy to Treasury		-15,000,000.00					
Balance as at 31st December 2016	30,000,000.00	1,871,972,873.07	39,633,805.56	58,507,949.05	129,709,952.69	23,253,955.68	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		-200,363,536.56					-200,363,536.56
Transferred during the year 2017			0.00		20,876,877.95	1,252,079.53	22,128,957.48
Balance as at 31st December 2017	30,000,000.00	1,680,037,746.01	31,174,913.06	58,507,949.05	150,586,830.64	24,506,035.21	1,974,813,473.97

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Notes to the Annual Financial Statements for 2017

Note		31.12.2017 Rs.	31.12.2016 Rs.
1	Gross Written Premium		
	Pre-shipment Credit Guarantee	13,412,581.68	12,047,682.25
	Post Shipment Credit Guarantee	2,598,893.47	2,628,208.86
	Export Performance Guarantee	1,018,388.60	804,086.00
	Cost of Passage Guarantee (APARA)	7,860,209.74	5,708,407.25
	Export Payments Insurance Policy (Seller's Risk)	213,195,139.68	157,447,331.88
		<u>238,085,213.17</u>	<u>178,635,716.24</u>
	Decrease in Unearned Premium	1a. -1,252,079.53	5,424,544.42
	Gross Earned Premium	<u>236,833,133.64</u>	<u>184,060,260.66</u>
1a	Unearned Premium		
	Export Payments Insurance Policies Gross Unearned Premium		
	Balance as at 1st January	20,075,698.03	22,866,629.19
	Premium written during the year	213,195,139.68	157,447,331.88
	Premium earned during the year	212,498,313.52	160,238,263.04
	Balance as at 31st December	<u>20,772,524.19</u>	<u>20,075,698.03</u>
	Credit Guarantee Gross Unearned Premium		
	Balance as at 1st January	3,178,257.65	5,811,870.91
	Premium written during the year	24,890,073.49	21,188,384.36
	Premium earned during the year	24,334,820.12	23,821,997.62
	Balance as at 31st December	<u>3,733,511.02</u>	<u>3,178,257.65</u>
	Total Reserve as at 31st December	<u>24,506,035.21</u>	<u>23,253,955.68</u>
	Total Reserve as at 1st January	<u>23,253,955.68</u>	<u>28,678,500.10</u>
	Net Change in Unearned Premium Reserve	<u>1,252,079.53</u>	<u>-5,424,544.42</u>
2	Other operational Income		
	Guarantee, Policy, Administrative, Processing and B.I.L. Fees	9,936,145.54	8,051,453.77
	BizInfo Income	5,488,724.84	5,426,214.84
	Repayment of Claims Paid	13,791,579.92	15,292,654.52
		<u>29,216,450.30</u>	<u>28,770,323.13</u>
3	Investment Income		
	Treasury Bills / Bonds	53,073,501.76	100,167,885.39
	Call Deposit	472,456.41	783,645.59
	SMTB Deposit	22,525.07	34,143.81
	Debentures	68,897,833.96	19,154,179.09
	US Dollar Fixed Deposits	33,837,152.91	28,969,976.14
	US Dollar Savings	102,353.04	99,098.63
	Euro Fixed Deposit	583,718.72	908,591.29
	Temporary Surplus Trust Fund	1,262,643.24	1,194,910.01
	Dividends	200,000.00	65,000.00
	SLR Fixed Deposit	23,487,728.54	8,247,426.49
	Interest on Investment Fund	27,916.59	279,087.09
		<u>181,967,830.24</u>	<u>159,903,943.53</u>

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Notes to the Annual Financial Statements for 2017

Note		31.12.2017	31.12.2016
		Rs.	Rs.
4	Other Income		
	Interest on Staff Loans	113,829.46	102,372.17
	Profit on Disposal of Fixed Assets	-17.00	3,258,998.00
	Treasury Bill Interest on Gratuity Fund	701,732.19	525,838.62
	Interest on Gratuity Savings Account	4,732.85	4,559.80
	Other Income	376,747.27	552,028.12
		1,197,024.77	4,443,796.71
5	Net Claims Paid		
	Claims Provision as at end of the year - Specific	139,929,001.53	127,465,168.17
	Claims Provided in the previous years	31,158,125.05	44,580,723.05
	Claims for the Year 2017	108,770,876.48	82,884,445.12
	Less : Excess Provision made in previous year	7,179,290.63	1,785,915.60
	Net Claims for the year 2017 - Specific	101,591,585.85	81,098,529.52
	Contingent Provision - 2017 (Please refer Note 16)	442,562,520.58	6,890,223.43
		544,154,106.43	87,988,752.95
6	Establishment Expenditure		
	Rates	762,300.00	813,120.00
	Water	122,261.25	128,466.28
	Electricity	1,667,309.34	1,612,015.66
	Telephone	1,067,800.31	1,017,036.97
	E-Mail & Internet	697,394.98	649,354.08
	Security	357,866.23	389,888.19
	Depreciation - Building	4,750,000.00	4,750,000.00
	Motor Vehicles	2,680,000.00	1,803,154.00
	Office Equipment	232,396.50	93,109.69
	Computers & Printers	1,146,270.91	1,253,980.00
	Furniture & Fittings	434,939.58	384,635.19
	Software	287,723.77	227,851.77
	Insurance - Building - Office Premises (Nawam Mwt)	114,309.75	115,402.51
	Motor Vehicles	266,623.85	230,922.92
	Office Equipment, Furniture & Fittings	18,421.79	8,367.30
	Repairs & Maintenance - Building	0.00	26,600.00
	Motor Vehicles	878,849.05	878,663.18
	Office Equipment	121,811.63	214,604.86
	Computers & Printers	777,769.72	407,304.01
	Software	928,140.06	819,514.69
	Furniture & Fittings	4,000.00	125,400.00
	Hiring of Motor Vehicles	0.00	58,500.00
	Maintaining Office Premises	868,385.17	522,580.32
		18,184,573.89	16,530,471.62

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Notes to the Annual Financial Statements for 2017

Note	31.12.2017	31.12.2016
	Rs.	Rs.
7 Administrative Expenditure		
Salaries & Allowances	25,672,529.33	26,528,037.74
Other Staff Benefits	9,906,351.34	11,474,604.17
Recruitment, Local training & Subscriptions to educational inst.	49,595.28	351,204.56
Tea & Related Expenses	634,758.76	676,032.53
Employees Provident Fund	6,554,583.65	6,848,099.61
Employees Trust Fund	819,323.15	856,012.91
Gratuity	716,624.50	1,067,737.75
Foreign Training	1,100,666.21	2,170,872.25
Directors Fees	530,000.00	570,000.00
Travelling, Transport & Subsistence	442,661.34	357,825.50
Postage	150,147.00	172,057.00
Annual Report & Other Printing	683,886.43	803,458.28
Stationery	289,425.51	226,588.79
Fuel	809,292.80	834,315.00
External Audit Fees	232,295.75	154,428.07
Internal Audit Fees	361,802.58	281,194.18
Professional, Legal & Consultancy Fees	17,500.00	100,555.00
Entertainment	162,861.62	81,667.71
General Expenses	38,535.00	25,130.00
Stamp Duty	11,250.00	11,625.00
News Papers, Books & Magazines	21,010.00	22,230.00
News Papers Notifications	25,220.00	0.00
Anniversary Expenses	829,400.00	666,137.22
Valuation of Fixed Assets	0.00	87,822.71
	50,059,720.25	54,067,635.98
8 Selling & Marketing Expenditure		
Promotional Investments	1,695,649.20	1,941,154.88
Advertising - Print & Electronic Media		
Advertising in Newspapers, Magazines, Journals and Radio	116,721.99	704,785.59
Printing Cost on Brochures, Forms, Applications etc.	416,354.00	4,159.21
Business Travel (Foreign) & Conferences	2,192,477.63	6,538,703.75
Client Meetings, get-together	89,149.42	130,486.60
Fuel Cost	343,922.80	395,235.00
Annual Compliments, Greeting Cards & Gifts	136,256.86	134,427.43
Subscriptions to Business Institutions & Corporate Memberships	137,172.98	198,859.18
Subs. To Int. Professional & Export Related Orgn	2,615,382.30	3,278,582.00
Exporters / Bank Clients Programs	293,950.90	0.00
International relations	0.00	232,098.00
Development of Website	295,000.00	0.00
	8,332,038.08	13,558,491.64

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION**Annual Financial Statements - 2017****Notes to the Annual Financial Statements for 2017**

Note		31.12.2017	31.12.2016
		Rs.	Rs.
9	Finance Charges		
	Bank Charges	379,842.11	340,155.77
	Stamp Duty	44,275.00	40,550.00
	Nation Building Tax	574,183.00	589,335.00
		<u>998,300.11</u>	<u>970,040.77</u>

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Notes to the Annual Financial Statements for 2017

Note	31.12.2017	31.12.2016	01.01.2016
	Rs.	Rs.	Rs.
10 Cash & Cash Equivalent			
Cash at Bank			
Hatton National Bank Current Accounts	1,178,309.12	3,521,855.56	3,208,657.52
Hatton National Bank Call Deposit Account	3,524,680.00	3,159,164.60	2,706,790.26
Bank of Ceylon Current Account	228,920.81	783,130.33	557,436.04
People's Bank Current Account	15,071.91	130,574.65	244,850.95
	<u>4,946,981.84</u>	<u>7,594,725.14</u>	<u>6,717,734.77</u>
Cash in Hand	2,000.00	1,000.00	1,000.00
	<u>4,948,981.84</u>	<u>7,595,725.14</u>	<u>6,718,734.77</u>
11 Foreign Currency Savings Accounts			
Bank of Ceylon - US Dollar Account	2,141,540.36	1,270,507.39	849,661.36
People's Bank - US Dollar Account	3,024,060.48	2,895,456.75	2,724,004.61
EURO Savings Account	28,773.33	24,818.24	24,680.47
	<u>5,194,374.17</u>	<u>4,190,782.38</u>	<u>3,598,346.44</u>
12 Short Term Investments			
Treasury Bills	0.00	274,298,676.23	635,029,190.84
US Dollar Fixed Deposits	749,638,590.43	688,004,199.59	616,700,409.53
EURO Fixed Deposit	33,468,147.35	28,364,449.61	27,304,806.16
SLR Fixed Deposits	302,095,640.27	0.00	346,000,000.00
Gratuity savings account	120,905.18	116,172.33	111,612.53
Treasury Bills on Gratuity savings	7,594,210.04	6,898,044.36	6,397,997.26
	<u>1,092,917,493.27</u>	<u>997,681,542.12</u>	<u>1,631,544,016.32</u>
13 Long Term Investments			
Debentures	550,000,000.00	562,000,000.00	192,000,000.00
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	276,048,461.23	571,725,124.87	128,923,772.64
	<u>826,172,171.23</u>	<u>1,133,848,834.87</u>	<u>321,047,482.64</u>
14 Interest Receivable			
Treasury Deposit	67,154,144.92	67,154,144.92	67,154,144.92
Treasury Bills/Bonds	16,703,937.83	37,980,291.83	13,656,328.01
Debentures	56,549,931.32	3,604,982.14	3,319,475.28
US Dollar Fixed Deposits	13,280,991.59	12,731,562.33	11,076,889.16
Temporary Surplus Trust Fund	633,909.70	619,740.19	551,780.80
Gratuity Funds - Treasury Bills	68,577.40	63,010.89	37,219.37
SLR Fixed Deposits	11,491,575.73	0.00	460,575.00
Euro Fixed Deposit	1,604.64	1,359.94	0.00
	<u>165,884,673.13</u>	<u>122,155,092.24</u>	<u>96,256,412.54</u>

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Notes to the Annual Financial Statements for 2017

Note

	31.12.2017	31.12.2016	01.01.2016
	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	2,807,179.37	2,463,613.15	2,342,576.41
Sundry Deposits	108,837.50	108,837.50	108,837.50
State Mortgage & Investment Bank Deposit	550,419.90	880,545.31	849,815.88
Refundable Deposits	56,500.00	6,500.00	6,500.00
Sundry Debtors	770.00	25,821.25	770.00
Withholding Tax Recoverable	1,236,835.22	400,553.57	86,954.12
Pre-payments	960,831.82	873,502.22	591,788.54
Bizinfo Income Receivable	719,176.43	393,993.60	283,454.18
Dishonoured Cheques	0.00	7,014.40	0.00
VAT on Financial Services Recoverable	2,185,511.00	0.00	0.00
	8,626,061.24	5,160,381.00	4,269,796.63

15 (a) Sundry Deposits

Audited

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 13)

17 Outstanding Claims

Specific Provision	139,929,001.53	127,465,168.17	92,585,165.80
Contingent Provision for Claims			
Balance as at 1st January	27,288,528.94	33,820,618.57	28,487,258.64
Utilisation during the year	433,941,239.38	13,422,313.06	5,204,909.00
Charge for the year	442,562,520.59	6,890,223.43	10,538,268.93
Balance provision as at 31st December	35,909,810.15	27,288,528.94	33,820,618.57
Total Provision for Claims	175,838,811.68	154,753,697.11	126,405,784.37

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Notes to the Annual Financial Statements for 2017

Note	31.12.2017 Rs.	31.12.2016 Rs.	01.01.2016 Rs.
18 Sundry Creditors, Accrued Expenses and Provisions			
Sundry Creditors			
Final Payment Due	0.00	0.00	18,176.46
General VAT (Charged from Policy Premium)	30,982.23	4,683.00	57,306.03
Staff Medical Fund	374,938.00	351,588.00	327,248.00
Refundable Deposits	1,355,000.00	1,502,500.00	2,106,256.12
Accrued Expenses			
Employees Provident Fund	1,164,076.54	1,484,810.30	1,491,796.97
Employees Trust Fund	112,142.12	123,734.20	124,316.20
PAYE Tax	26,166.00	42,147.00	62,925.00
Stamp Duty	14,150.00	13,850.00	13,675.00
Nation Building Tax	33,270.00	68,770.00	11,985.00
Other Payables	3,740,622.69	5,594,854.51	9,423,658.04
Charges on Status Reports	1,308,700.60	931,973.75	400,460.00
Provisions			
Audit Fees Payable	888,733.92	880,333.92	1,988,670.92
Income Tax Payable	8,290,764.48	17,506,990.64	1,879,846.49
VAT on Financial Services	0.00	6,719,148.03	4,897,447.78
Annual Report Printing Charges	890,000.00	1,116,150.00	899,650.00
Special Levy Payable	15,000,000.00	15,000,000.00	25,000,000.00
	33,229,546.58	51,341,533.35	48,703,418.01
19 Gratuity Payable			
Movement in the Account			
Balance as at 1st January	13,383,532.50	14,052,089.75	10,480,917.75
Paid during the year	612,047.25	1,736,295.00	0.00
Provision for the year	716,624.50	1,067,737.75	3,571,172.00
Balance as at 31st December	13,488,109.75	13,383,532.50	14,052,089.75
20 Capital Employed			
Capital Contributed - Treasury	30,000,000.00	30,000,000.00	30,000,000.00
21 Reserves - Please refer attachment (Page 14)			
22 Exchange Rate			
The following exchange rates have been used to convert the foreign currency as at end December 2017			
US Dollars	-	151.31	
Euro	-	179.62	

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Notes to the Annual Financial Statements for 2017

23 Disclosure on revaluation of Fixed Assets

- Effective date of revaluation

Building	31.12.2009
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	9,359,587.25
Motor Vehicles	3,523,424.00
Computers and Printers	49,712.00
Office Equipment	34,070.86
Furniture and Fittings	128,124.68

24 Contingent Liabilities

(a) Lawsuits against the Corporation

Southern Son Teas (Pvt) Ltd Vs Sri Lanka Export Credit Insurance Corporation ; HC (CIVIL) 193 2004 (I)
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 2017.

- Export Payments Insurance Policies in Force	Rs. 19,696,500,000.00
- Credit Guarantees in Force	Rs. 6,885,008,215.00
Maximum Liability	Rs. 26,581,508,215.00

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 2017.

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Property Plant and Equipment - 2017

Item	Assets at Cost as at 01.01.2017 Rs	Assets at Revaluation 01.01.2017 Rs	Additions 2017 Rs	Disposals 2017 Rs	Net Value as at 30.12.2017 Rs	Depreciation as at 01.01.2017 Rs	Depreciation 2017 Rs	Depreciation on Disposals	Accumulated Depreciation As at 31.12.2017 Rs	WDV As at 31.12.2017 Rs
Buildings	-	95,000,000.00	-	-	95,000,000.00	33,250,000.00	4,750,000.00	-	38,000,000.00	57,000,000.00
Motor vehicle	-	13,400,000.00	-	-	13,400,000.00	-	2,680,000.00	-	2,680,000.00	10,720,000.00
Software	6,672,949.77	-	-	-	6,672,949.77	5,895,503.12	287,723.77	-	6,183,226.89	489,722.88
Computers & Printers	-	2,877,000.00	-	30,500.00	2,846,500.00	-	711,625.00	-	711,625.00	2,134,875.00
Computers & Printers	945,924.58	-	1,565,027.75	-	2,510,952.33	-	434,645.91	-	434,645.91	2,076,306.42
Furniture & Fixings	3,641,444.11	-	50,939.75	-	3,692,583.86	2,180,040.85	300,419.58	-	2,480,460.43	1,212,123.43
Furniture & Fixings	-	1,345,200.00	-	-	1,345,200.00	-	134,520.00	-	134,520.00	1,210,680.00
Office Equipment	-	668,750.00	-	-	668,750.00	-	167,187.50	-	167,187.50	501,562.50
Office Equipment	206,385.49	-	129,800.00	-	336,185.49	-	65,209.00	-	65,209.00	270,976.49
TOTAL	11,466,903.95	113,290,956.00	1,745,767.50	30,500.00	126,473,121.45	41,325,543.97	9,531,330.76	-	50,856,874.73	75,616,246.72

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2017

Statement of Changes in Reserves As At 31st December 2017

	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Exchange Equalisation Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 1st January 2016	1,726,111,298.28	32,190,386.35	58,507,949.05	102,665,019.38	28,678,500.10	1,946,153,153.16
Transferred from Revaluation Reserve	4,750,000.00	-4,750,000.00				0.00
Net Profit for the Year 2016	156,111,574.79			27,044,933.31	-5,424,544.42	156,111,574.79
Transferred during the year	0.00	12,193,419.21				33,813,808.10
Special Levy to Treasury	-15,000,000.00					-15,000,000.00
Balance as at 31st December 2016	1,871,972,873.07	39,643,805.56	58,507,949.05	129,709,952.69	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	-200,363,536.56					-200,363,536.56
Transferred during the year 2017		0.00		20,876,877.95	1,252,079.53	22,128,957.48
Balance as at 31st December 2017	1,680,037,746.01	31,174,913.06	58,507,949.05	150,586,830.64	24,506,035.21	1,944,813,473.97

Audited

Sri Lanka Export Credit Insurance Corporation – 2017

The audit of financial statements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 20(2) of Sri Lanka Export Credit Insurance Corporation Act, No. 15 of 1978. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act had been issued to the Chairman of the Corporation on 19 July 2018.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Export Credit Insurance Corporation as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Financial Reporting Standard 4

In terms of Paragraph 15 of the Standard, at the end of each reporting period an insurer shall assess whether the recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. Even though the total utilization of the Maximum Liability Limits issued to the exporters as at 31 December 2017 was Rs. 6,517,011,842, the provision for claims as per financial statements was Rs. 175,838,112 and the insurance liability had not been assessed according to the Standard as it was adequate.

(b) Sri Lanka Accounting Standard 16

- (i) Actions had not been taken to revalue the building owned by the Corporation with a revalued amount of Rs. 95,000,000 after the year 2009 and account its fair value as per the Paragraph 34 of the Standard.
- (ii) In terms of Paragraph 41 of the Standard, some of the surplus may be transferred to retained earnings as the asset is used by the entity, as such the amount of surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. However, in contrary to that an amount of Rs.8, 428,409 which was equal to annual depreciation charged based on the revalued carrying amount of the Property Plant and Equipment had been transferred from the revaluation reserve to retained earnings.

(c) Sri Lanka Accounting Standard 21

In terms of Paragraph 28 of the Standard, the exchange differences arising on translating monetary items at rates different from those at which they were translated in previous financial statements shall be recognized in profit or loss in the period in which they arise. The exchange differences as at 31 December 2017 amounting to Rs. 150,586,830 arising on translating the foreign currency denominated financial assets at the rates on the balance sheet date had been credited to an Exchange Equalization Reserve by the Corporation.

(d) Sri Lanka Accounting Standard 39

A treasury bond with a cost of Rs 295,676,664 and a face value of Rs. 310,169,000 had been discounted for Rs. 314,800,133 by the Corporation on 07 June 2017 and it was 52 per cent of total treasury bond investment. Even though the Paragraph 9 of the Standard states as “An entity shall not classify any financial asset as Held- To- Maturity, if the entity has during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amounts of Held to maturity investments before maturity”, actions had not been taken according to the Accounting Standard after discounting of that part of investment before its maturity.

2.2.2 Accounts Receivable and Payable

The debtor balances of Rs.48,265 had been receivable for more than 3 years as at 31 December 2017 from four private companies.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with Laws, Rules, and Regulations were observed.

Reference to Laws, Rules, and Regulations, etc.	Non-compliance
-----	-----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	Actions in terms of financial regulation had not been taken in respect of two balances totaling Rs. 336,500 included in the refundable deposit balance remained for more than 5 years.
(b) The decision of the Board of Directors No. 08/2010 dated 24 September 2010	Even though the policy fees should be charged based on the Maximum Liability Limit issued to the exporters, a sum of Rs. 22,500 had been overcharged in issuing insurance policies in respect of 3 exporters.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result for the year under review had been a deficit of Rs. 200,363,537 as compared with the surplus of Rs.156,111,575 for the preceding year, thus observing a deterioration of Rs.356,475,112 or 228 per cent in the financial result of the year under review as compared with the preceding year. Increase of expenditure for insurance claims for the year under review as compared with the preceding year by Rs.456, 165,353 or 518 per cent had mainly attributed to the above deterioration.

In analyzing the financial results of the year under review and 04 preceding years, even though the surplus of the year 2013 amounting to Rs. 163,411,762 had continuously improved to Rs. 199,076,131 by the year 2015, it had decreased gradually since the year 2016 and a deficit of Rs. 200,363,537 had occurred by the end of the year under review. However, in re-adjusting the employee remuneration, taxes paid to the Government and depreciation on non-current assets to the financial result, the contribution had been Rs. 231,115,321 in the year 2013 and then that contribution had fluctuated annually. Although the contribution had been a positive value up to the year 2016, a negative contribution of Rs.146, 050,561 had occurred during the year under review.

3.2 Analytical Financial Review

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From the total premium income of Rs. 238,085,213 in the year under review, the Export Payments Insurance Policy income was Rs. 213,195,140 or 90 per cent and out of that a sum of Rs. 58,988,550 or 28 per cent had been received from one exporter. Further, 23 exporters who proving a higher contribution had contributed to a sum of Rs. 124,680,768 or 59 per cent of the Export Payments Insurance Policy income whilst a sum of Rs. 29,416,949 or 13 per cent of income had been received from 91 other exporters. Since 79 per cent of the total exporters had contributed for 13 per cent of income, it was observed that the propagation and regularization of the awareness of exporters in order to improve the productivity and existence of the Corporation is topical.

4. Operating Review

4.1 Performance

4.1.1 Planning

The following observations are made.

- (a) 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 and it had been prepared only up to the year 2010 for the last time.

- (b) According to the general practices, even though the Action Plan need to be prepared and approved prior to the year begins, the Action Plan for the year 2017 had been approved by the Board of Directors on 22 March 2017.
- (c) According to the procurement plan prepared by the Corporation for the year 2017, the procurement relating to purchase of computer hardware and software of Rs. 19.5 million had been planned to be completed by the month of August 2017. However, the procurement works had not been completed as scheduled.

4.1.2 Performance and Review

The following observations are made.

- (a) The attention had not been paid on following objectives among the stablishing objectives of the Corporation according to the Section 5 of the Sri Lanka Export Credit Insurance Corporation Act, No. 15 of 1978 during the year under review.
 - (i) To provide guarantees to exporters against losses that may be sustained in undertaking market surveys, publicity and any other promotional measures in foreign countries;
 - (ii) To undertake market studies abroad for promotion of exports from Sri Lanka and to conduct seminars and courses on various aspects of export promotion and to collect and disseminate information relating to marketing possibilities and procedures;
 - (iii) To help exporters to diversify and expand export, find new markets and sell their goods abroad on competitive terms of payment;
- (b) As per the Action Plan presented for the year under review, the activities of fixing CPA (Cost of Passenger Air fare) sign boards at 6 main Railway Stations, publishing E-newsletter quarterly, Developing a new corporate video, preparation of a claims manual on export credit insurance, preparation of a new corporate plan for 2017-2020, visits high exposure foreign buyers periodically to monitor risk profiles, Development of insurance and credit guarantee for startup export firms, preparation and finalization of organizational structure, development of job description and two activities in information technology which had allocations of Rs. 3 million and Rs. 15 million had not been implemented in the year under review.
- (c) A formal procedure for the progress review in operational activities of the Corporation had not been implemented and only the financial progress had been reviewed monthly.

4.2 Management Activities

The following observations are made.

- (a) In terms of section 3 of the Sri Lanka Export Credit Insurance Corporation Act, No. 15 of 1978, the Board of Directors shall consist of an officer appointed by the Monetary Board of the Central Bank of Sri Lanka. According to that, even though an officer had been appointed by the Monetary Board and that officer had not participated in any Board Meetings after the date of 28 September 2016 and the officer appointed as successor to that officer had participated only in 3 meetings in the year 2017. Accordingly, 12 board meetings had been held in the year 2017 and out of that 07 meetings had been held without an officer representing the Central Bank of Sri Lanka.
- (b) Even though an officer appointed to the Board of Directors on 07 April 2015 as an officer of the Ministry of the Minister of in charge of the subject of Trade had retired from the government service on 18 December 2016, that officer had participated in 4 board meetings even after his retirement.
- (c) Since the Maximum Liability Limit approved for 6 exporters was Rs. 680,000,000 and the total of the Buyers Liability Limits approved for respective exporters was Rs. 2,421,395,000, the Buyers Liability Limits had been approved exceeding the Maximum Liability Limits of exporters by Rs. 1,741,395,000.

4.3 Operating Activities

The following observations are made.

- (a) The credit limits for the buyer had been approved by the Corporation without paying an adequate consideration on the recommended opinion and the credit limit approved by the Credit Report Supplying Agency in respect of the buyer, as well as the unstable economic and political situation in the Middle East countries and having obtained few information about the financial stability of the respective business enterprises in evaluating the buyer. Therefore, a claim totalling to Rs. 69,641,971 had to be paid to two exporters by the Corporation in respect of an Iranian buyer during the year 2017.
- (b) In approving credit limits for an American buyer, even though the small amounts of credit with secured guarantees had been recommended according to the status report, disregarding those recommendations and the other adverse information in respect of the buyer, the credit limits had been approved by the Corporation. Accordingly the buyer had been bankrupt within a short span of time of 6 months and a claim of Rs. 13,125,826 had to be paid to the exporter by the Corporation on 21 November 2017.

- (c) Since the credit limits had been approved without paying an adequate consideration on the adverse position stated in the status reports of two Russian buyers who had newly formed business enterprises with no financial statements presented, a claim totaling to Rs. 45,821,592 had to be paid to the exporters during the year under review.
- (d) According to the test checks, the percentage of coverage of the approved Buyers Liability Limits by insurance policies had ranged from 60 per cent to 90 per cent. As such, it was observed that further attention should be paid on existence of the Corporation by minimizing the claim expenditure which has to be borne by the Corporation through implementing a formal procedure in approving credit limits for buyers as well as the protection of exporters.
- (e) A suitable methodology had not been implement to recover the dues from the respective foreign buyers after being paid the insurance claims to the exporters as the buyer had defaulted payments relevant to the exports and to find out that the buyer had subsequently paid the exporter.

4.4 Transactions of Contentious Nature

Even though the Credit Report Supplying Agency had recommended a credit limit of Euro 130,000 equivalent to Rs. 22,000,000 with proper secured guarantees in their report on 21 August 2014 in respect of a Russian buyer relevant to an exporter, the Corporation had approved a credit limit of Rs. 60,000,000 for the buyer on 28 August 2014 and then it had been increased up to Rs. 650,000,000 or 984 per cent under the covering approval of the Board of Directors. Nevertheless, the credit limits had been approved by the Corporation disregarding the economic situations in Russia by that time and the highest amount of claim in the history amounted to Rs. 374,507,710 had to be paid to the respective exporter in the year under review. Further, the evidences on whether the attention had been paid on the liability of the Corporation in respect of the whole credit limits approved for all exporters prior to that date when enhancing that credit limit were not presented to the audit.

4.5 Staff Administration

The following observations are made.

- (a) According to the letter No. DMS/E4/30/4/201/1 of Department of Management Services dated 24 September 2008, the approved cadre of the Corporation was 56 and the actual cadre as at 31 December 2017 was 37, thus existing 19 vacancies as at 31 December 2017.
- (b) A Scheme of recruitments and promotions had not been introduced in terms of section 9.3 of Public Enterprises Circular No. PED/12 dated 02 June 2003 and the staff who had more than 15 years' service experience and qualifications had no opportunity for promoting for vacant posts.

- (c) According to the decision of the Board of Directors, without following a formal recruitment procedure, an officer had been recruited on 02 January 2017 for a post of Management Trainee which had not been approved by the Department of Management Services and a sum of Rs. 360,900 had been paid in the year under review. Further, on 02 January 2018 that officer had been appointed for the post of Assistant Manager which had not been approved by the Department of Management Services.
- (d) Even though the actions had been taken to recruit officers for the post of Marketing Executive which included in the approved cadre having called applications by newspaper advertisements, in giving appointment letters, the recruitment had been done changing the designation as Management Trainee which was not in the approved cadre instead of the post of Marketing Executive based on the decision of the Board of Directors No. 03/2017 dated 02 March 2017.
- (e) The both positions of Deputy General Manager Marketing and Manager Marketing which are important for the functions and the sustainability of the Corporation had been vacant from the year 2009 to the end of the year 2017 and contrary to the Paragraph 13.2 and 13.3 of the Chapter 11 of the Establishment Code, having appointed officers for those two positions on long term acting basis and the payments amounted to Rs.270,000 and Rs. 109,200 had been made respectively as acting allowances during the year under review. It was observed in audit that existing such vacancies could be adversely affected to the functions of the marketing division of the Corporation and to the sustainability of the Corporation.
- (f) There was no a post of Internal Auditor within the approved cadre and the internal audit had been performed by a private audit firm.

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5. Sustainable Development

5.1 Achievement of Sustainable Development Goals

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.

6. Accountability and Good Governance

6.1 Presentation of Financial Statements

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 Enterprise Circular No. PED/12 dated 02 June 2003, the financial statements approved by the Board of Directors had been submitted to audit on 14 May 2018 and delaying the appointment of a new chairman due to the ending of the term of office of the chairman had caused for that.

6.2 Procurement

Even though a hardware firewall system had been purchased at a cost of Rs. 1,177,700 by the Corporation in the year under review, recording the Procurement Committee meeting proceedings in a standard format in terms of the guideline no. 2.11.3 of the Government Procurement Guideline 2006, providing sign declarations by the members of Procurement Committees and Technical Evaluation Committees at its first meetings according to the guideline no. 2.12 and using standard formats in bid opening had not been done.

6.3 Budgetary Control

Variations between the budgeted income and expenditure and the actuals ranging from 29 per cent to 444 per cent were observed and as such the budget had not been made use of as an effective instrument of management control.

6.4 Tabling of Annual Reports

Even though the Annual Reports should be tabled in Parliament within 150 days from the end of the financial year in terms of Paragraph 6.5.3 of the Public Enterprise Circular No. PED/12 dated 02 June 2003, there had been a long delay in tabling those reports in Parliament since the annual reports for the years 2013 to 2015 had been tabled at the end of the year 2017 and annual report for the year 2016 had not been tabled by the month of July 2018.

7. Systems and Controls

Weaknesses in systems and controls observed in audit were brought to the attention of the Chairman of the Corporation from time to time. Special attention is needed in respect of the following areas of control.

Area of System and Control	Observations
-----	-----

- | | |
|--|---|
| (a) Evaluation process of the foreign buyers | Not paying a sufficient attention in the evaluation of status reports and the determination of credit limits. |
|--|---|

- | | |
|------------------------------|--|
| (b) Personnel Administration | Non-regularization of recruitments and promotions of employees. |
| (c) Operational Control | Not achieving the targets set in the action plan. |
| (d) Maintaining Registers | Not entering the revalued figures of the assets in fixed asset register. |

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