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4 වන මහල, එන්.ඩී.බී. - ඊ.ඩී.බී. ටවර්, නො-42, නවමී මාවත, කොළඹ 02
இலங்கை ஏற்றுமதி கடன் காப்புறுதிக் கூட்டுத்தாபனம்
4ம், மாடி, என்.டி.பி - ஊ.டி.பி. டவர், இல-42, நவம் மாவத்தை, கொழும்பு 02
SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Level 4, NDB-EDB Tower, No-42 Nawam Mawatha, Colombo 02
Tel : 2307519-23 Fax : 2307515 E-mail : info@slecic.lk
Website : www.slecic.lk

February 27, 2020

Our ref :
Your ref :

Auditor General
Auditor General's Department
No.306/72,Polduwa Road
Battaramulla

Attn : Mrs. T R M Weeraratne
Audit Superintendent

Dear Sir/Madam,

Annual Financial Statements of Sri Lanka Export Credit Insurance Corporation for the Year ended 31st December 2019.

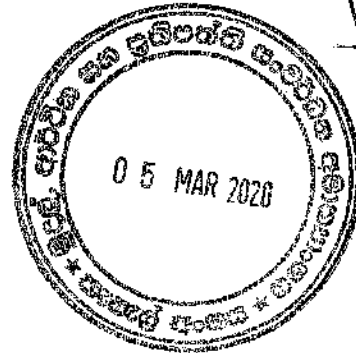
In terms of Section 13 (6) of the Finance Act No.38 of 1971, I am forwarding herewith two copies of the Board approved Annual Financial Statements of our Corporation for the year ended 31st December 2019.

Thanking you
Yours truly

Audited

A.H.W. Ambawatta
Chairman & Managing Director

- Copies to :
1. Secretary, Ministry of Finance
 2. Director General, Department of Public Finance, Ministry of Finance, General Treasury.
 3. Director General, Department of Public Enterprises, Ministry of Finance, General Treasury.
 4. Chief Accountant, Ministry of Finance, General Treasury



SRI LANKA EXPORT CREDIT INSURANCE CORPORATION (SLECIC)

Annual Financial Statements for the
Year ended December 31, 2019

Audited

Sri Lanka Export Credit Insurance Corporation (SLECIC)

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December

	Note	31.12.2019 Rs.	31.12.2018 Rs.
Revenue			
Gross Written Premium	1	226,066,266.58	224,201,422.59
Net Change in Reserve for Unearned Premium	1a	3,678,463.98	646,334.16
Gross Earned Premium		229,744,730.56	224,847,756.75
Revenue from Other Operations	2	15,337,726.67	14,076,803.76
Total Net Revenue from Operations		245,082,457.23	238,924,560.51
Other Income			
Investment Income	3	216,940,848.72	186,613,673.88
Other Income	4	-5,057,448.22	157,105,514.41
		211,883,400.50	343,719,188.29
Total Net Revenue		456,965,857.73	582,643,748.80
Claims and Operating Expenses			
Net Claims	5	87,735,173.54	71,971,917.27
Status Reports		8,394,438.04	6,917,759.49
Establishment Expenditure	6	21,009,402.72	20,967,688.35
Administrative Expenditure	7	50,778,765.93	50,232,923.96
Selling & Marketing Expenditure	8	8,828,537.09	7,513,295.52
Finance Charges	9	3,314,284.54	6,453,174.32
Net Claims and Operating Expenses		180,060,601.86	164,056,758.91
Profit/Loss Before Value Added Tax		276,905,255.87	418,586,989.89
VAT on Financial Services		23,858,646.00	31,982,459.00
Profit Before Income Tax		253,046,609.87	386,604,530.89
Income Tax	9a	10,795,764.44	77,516,204.00
Net Profit/Loss for the year		242,250,845.43	309,088,326.89
Other Comprehensive Income			
Building Revaluation Gain		-	118,348,965.74
Total Comprehensive Income for the year		242,250,845.43	427,437,292.63

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2019

Statement of Financial Position

		As at 31.12.2019	As at 31.12.2018	As at 01.01.2018
	Note	Rs.	Rs.	Rs.
ASSETS				
Cash and cash equivalents	10	8,270,323.86	4,866,533.09	4,948,981.84
Foreign currency savings accounts	11	1,987,326.53	4,791,507.19	5,194,374.17
Treasury Trust Fund		23,658,844.17	22,267,906.93	20,976,526.63
Investment fund		1,054,937.04	103,044.61	53,497.91
Short term financial investments	12	1,845,825,066.60	1,671,180,433.02	1,092,917,493.27
Long term financial investments	13	687,134,191.76	687,134,191.76	826,172,171.23
Interest receivable	14	184,881,509.57	185,545,699.84	165,884,673.13
Trade Debtors		5,490,208.97	5,689,790.59	3,186,192.92
Sundry Debtors, Deposits and Pre-payments	15	8,685,474.40	12,641,693.83	8,626,061.24
Property, Plant & Equipment	16	167,193,203.23	180,497,369.83	75,616,246.72
Stock of Stationery & Consumables		341,088.05	299,180.14	226,020.85
Library materials		39,527.50	39,527.50	39,527.50
Total Assets		2,934,561,701.68	2,775,056,878.33	2,203,841,767.41
LIABILITIES				
Outstanding claims	17	243,615,705.53	246,681,605.15	175,838,811.68
Premium Advances		8,508,652.96	11,711,685.41	6,471,825.43
Sundry Creditors, Accrued Expenses & Provisions	18	46,688,020.95	121,209,377.58	33,229,546.58
Staff gratuity payable	19	11,571,417.60	9,848,687.00	13,488,109.75
Total Liabilities		310,383,797.04	389,451,355.14	229,028,293.44
EQUITY				
Stated Capital	20	30,000,000.00	30,000,000.00	30,000,000.00
Reserves	21	2,594,177,904.64	2,355,605,523.19	1,944,813,473.97
Total Equity		2,624,177,904.64	2,385,605,523.19	1,974,813,473.97
Total Liabilities & Equity		2,934,561,701.68	2,775,056,878.33	2,203,841,767.41

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



Asst. General Manager - Finance

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements - 2019

Cash Flow statement for the Year ending 31st December 2019

	Year Ending 31.12.2019 Rs.	Year Ending 31.12.2018 Rs.
Inflows from Operating Activities		
Profit Before Taxation	253,046,610	386,604,531
Adjustments for Non- Cash Items		
Depreciation	13,404,291	13,534,720
Provision for Gratuity	1,882,031	625,168
Provision for Claims	87,735,173	71,971,927
Income Tax	10,795,764	77,516,204
VAT on Financial Services	23,858,646	31,982,459
Transfers from/(to) Reserves	-14,474,228	-98,162,538
Operating Profit before Working Capital Changes	376,248,287	484,072,471
Decrease/(Increase) in Trade and Other Receivables	4,155,801	-26,180,257
Decrease / (Increase) in Inventories	-41,908	-73,159
Increase/ (decrease) in Trade and Other Payables	-22,189,895	20,409,756
Cash Generated from Operations	358,172,285	478,228,811
Claims Paid	-90,801,073	-1,128,695
Payment of VAT on FS	-34,053,671	-12,623,531
Income Tax Paid	-56,135,233	-24,065,637
Gratuity Paid	-159,300	-263,500
Net Cash Flow from Operating Activities	177,023,008	440,147,448
Cash Flow from Investing Activities		
Purchase of Fixed Assets	-100,125	-66,877
Transfer to Long/Short Term Investments	-173,980,443	-439,224,960
Transfer from/to Foreign Currency Savings Account	2,804,180	402,867
Transfer to / from Treasury Trust Fund	-1,390,937	-1,291,380
Transfers from/to Investment Fund	-951,892	-49,547
Net Cash Flow from Investing Activities	-173,619,217	-440,229,897
Net Increase/(Decrease) in Cash & Cash Equivalents	3,403,791	-82,449
Cash & Cash Equivalents at the beginning of the period	4,866,533	4,948,982
Cash & Cash Equivalents at the end of the period	8,270,324	4,866,533

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements - 2019
Statement of Changes in Equity As At 31st December 2019

	Capital Contributed Rs.	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 1st January 2018	30,000,000.00	1,830,624,576.65	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				309,088,326.89
Transferred during the year 2018			118,248,965.74		-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	30,000,000.00	2,131,527,482.35	141,710,389.74	58,507,949.05	23,859,701.05	2,385,605,523.19
Transferred from Revaluation Reserve		7,888,946.00	-7,888,946.00			0.00
Net Profit for the Year 2019		242,250,845.43				242,250,845.43
Transferred during the year 2019					-3,678,463.98	-3,678,463.98
Balance as at 31st December 2019	30,000,000.00	2,381,687,274.78	133,821,443.74	58,507,949.05	20,181,237.07	2,624,177,904.64

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2019

Notes to the Annual Financial Statements for 2019

Note	31.12.2019	31.12.2018
	Rs.	Rs.
1 Gross Written Premium		
Pre-shipment Credit Guarantee	13,174,701.41	12,414,268.88
Post Shipment Credit Guarantee	1,390,434.65	1,121,400.42
Export Performance Guarantee	1,055,082.00	971,207.40
Cost of Passage Guarantee (APARA)	1,477,700.32	2,219,679.80
Export Payments Insurance Policy (Seller's Risk)	208,968,348.20	207,474,866.09
	<u>226,066,266.58</u>	<u>224,201,422.59</u>
Decrease in Unearned Premium	1a. 3,678,463.98	646,334.16
Gross Earned Premium	<u>229,744,730.56</u>	<u>224,847,756.75</u>
1a Unearned Premium		
Export Payments Insurance Policies Gross Unearned Premium		
Balance as at 1st January	21,350,717.58	20,772,524.19
Premium written during the year	208,968,348.20	207,474,866.09
Premium earned during the year	212,702,516.46	206,896,672.70
Balance as at 31st December	<u>17,616,549.32</u>	<u>21,350,717.58</u>
Credit Guarantee Gross Unearned Premium		
Balance as at 1st January	2,508,983.47	3,733,511.02
Premium written during the year	17,097,918.38	16,726,556.50
Premium earned during the year	17,042,214.10	17,951,084.05
Balance as at 31st December	<u>2,564,687.75</u>	<u>2,508,983.47</u>
Total Reserve as at 31st December	20,181,237.07	23,859,701.05
Total Reserve as at 1st January	23,859,701.05	24,506,035.21
Net Change in Unearned Premium Reserve	<u>-3,678,463.98</u>	<u>-646,334.16</u>
2 Other operational Income		
Guarantee, Policy, Administrative, Processing and BILL Fees	9,983,380.07	8,596,048.36
BizInfo Income	5,354,346.60	5,480,755.40
Repayment of Claims Paid	-	-
	<u>15,337,726.67</u>	<u>14,076,803.76</u>
3 Investment Income		
Treasury Bills / Bonds	16,485,538.11	17,201,870.57
Call Deposit	519,323.28	401,356.43
SMB Deposit	22,966.02	22,467.97
Debentures	66,236,873.90	66,961,719.42
US Dollar Fixed Deposits	46,588,801.66	38,425,884.41
US Dollar Savings	85,700.95	114,076.92
Euro Fixed Deposit	862,470.97	680,016.74
Temporary Surplus Trust Fund	1,436,457.38	1,345,769.72
Dividends	280,000.00	240,000.00
SLR Fixed Deposit	84,390,517.04	61,191,029.59
Interest on Investment Fund	32,199.41	29,782.11
	<u>216,940,848.72</u>	<u>186,613,673.88</u>

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2019

Notes to the Annual Financial Statements for 2019

Note	31.12.2019	31.12.2018
	Rs.	Rs.
4 Other Income		
Interest on Staff Loans	145,030.91	130,589.32
Profit on Disposal of Fixed Assets	-	-
Treasury Bill Interest on Gratuity Fund	755,616.20	692,201.38
Interest on Gratuity Savings Account	5,113.98	4,923.15
Sundry Income	520.00	29,058.07
Exchange Gain/Loss	-5,963,729.31	156,248,742.49
	-5,057,448.22	157,105,514.41
5 Net Claims Paid		
Claims Provision as at end of the year - Specific	209,762,232.23	212,590,775.48
Claims Provided in the previous years	75,353,828.30	82,770,263.41
Claims for the Year 2019	134,408,403.93	129,820,512.07
Less : Excess Provision made in previous year	82,936,418.02	57,000,750.16
Net Claims for the year 2019 - Specific	51,471,985.91	72,819,761.91
Contingent Provision - 2019 (Please refer Note 17)	36,263,187.63	-847,844.64
	87,735,173.54	71,971,917.27
6 Establishment Expenditure		
Rates	762,300.00	762,300.00
Water	109,807.77	106,453.37
Electricity	1,486,222.77	1,670,864.60
Telephone	869,754.72	960,608.28
E-Mail & Internet, Website	646,004.90	696,634.11
Security	412,644.98	311,675.48
Depreciation - Building	8,825,000.00	8,825,000.00
Motor Vehicles	2,680,000.00	2,680,000.00
Office Equipment	272,843.37	261,707.87
Computers & Printers	1,343,408.08	1,339,363.08
Furniture & Fittings	140,923.00	140,925.95
Software	142,117.15	287,722.73
Insurance - Building - Office Premises (Nawam Mwt)	116,940.12	114,136.89
Motor Vehicles	249,788.37	269,099.33
Office Equipment, Furniture & Fittings	12,091.21	14,305.79
Repairs & Maintenance - Building		45,293.75
Motor Vehicles	1,503,083.98	819,725.68
Office Equipment	9,299.22	87,284.41
Computers & Printers	546,525.27	428,150.00
Software	121,327.54	451,555.31
Maintaining Office Premises	759,320.27	694,881.72
	21,009,402.72	20,967,688.35

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2019

Notes to the Annual Financial Statements for 2019

Note	31.12.2019	31.12.2018
	Rs.	Rs.
7 Administrative Expenditure		
Salaries & Allowances	24,094,489.11	24,591,656.97
Other Staff Benefits	12,130,912.18	11,143,164.36
Recruitment, Local training & Subscriptions to educational inst.	531,703.10	114,989.07
Tea & Related Expenses	778,605.40	645,391.63
Employees Provident Fund	6,131,827.10	6,269,577.78
Employees Trust Fund	766,478.56	783,697.40
Gratuity	1,882,030.60	625,168.00
Foreign Training	157,118.47	40,517.00
Directors Fees	80,000.00	310,000.00
Travelling, Transport & Subsistence	445,558.10	327,493.00
Postage	53,176.00	85,600.00
Annual Report & Other Printing	112,586.05	270,677.01
Stationery	163,875.44	269,869.15
Fuel	830,639.00	807,598.80
External Audit Fees	901,037.84	2,012,923.53
Internal Audit Fees	542,543.83	416,375.44
Professional, Legal & Consultancy Fees	143,383.45	107,950.00
General Expenses	21,255.00	0.00
Stamp Duty	10,125.00	10,650.00
News Papers, Books & Magazines	48,770.00	11,224.82
Anniversary Expenses	952,651.70	926,650.00
Valuation of Fixed Assets	-	461,750.00
	50,778,765.93	50,232,923.96
8 Selling & Marketing Expenditure		
Promotional Investments	1,524,814.04	1,501,503.59
Advertising - Print & Electronic Media		
Adverting in Newspapers, Magazines, Journals and Radio	227,625.98	176,641.85
Printing Cost on Brochures, Forms, Applications etc.	44,692.71	115,562.36
Business Travel (Foreign) & Conferences	2,386,964.89	1,963,779.53
Trade Exhibitions, Client Meetings, get-together	777,153.66	0.00
Fuel Cost	271,153.00	250,993.80
Annual Compliments, Greeting Cards & Gifts	20,189.08	0.00
Entertainment	176,944.13	241,810.67
Corporate Memberships	195,049.60	168,329.72
Subs. To Int. Professional & Export Related Orgn	3,203,950.00	3,078,850.00
Exporters / Bank Clients Programs	-	15,824.00
	8,828,537.09	7,513,295.52

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2019

Notes to the Annual Financial Statements for 2019

Note	31.12.2019	31.12.2018
	Rs.	Rs.
9 Finance Charges		
Bank Charges	93,381.54	407,934.32
Stamp Duty	39,750.00	37,200.00
Nation Building Tax	3,181,153.00	6,008,040.00
	3,314,284.54	6,453,174.32

9a Income Tax

In terms of the new Inland Revenue Act No.24 of 2017 which came into effect from 1st April 2018 and its subsequent amendments the Corporation's total income became liable for income tax where as previous it was liable only for its Investment Income.

Prior to 2018, the Corporation paid income tax at the rate of 28% while with the new amendments the Corporation was categorised as a SME resulting in tax being paid at a reduced rate of 14%. However, this rate change was finalised after the preparation of final accounts 2018 resulting in an overprovision of Rs.33,270,216/- income tax.

Income Tax liability for 2019 was computed at Rs.44,065,981/- at the rate of 14% and due to the above mentioned over provision, the income tax charge for 2019 is only Rs.10,795,765/-.

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2019

Notes to the Annual Financial Statements for 2019

Note	31.12.2019	31.12.2018	01.01.2018
	Rs.	Rs.	Rs.
10 Cash & Cash Equivalent			
Cash at Bank			
Hatton National Bank Current Accounts	2,914,982.32	2,952,847.24	1,178,309.12
Hatton National Bank Call Deposit Account	4,599,867.42	1,039,649.51	3,524,680.00
Bank of Ceylon Current Account	656,841.87	690,569.69	228,920.81
People's Bank Current Account	96,632.25	181,466.65	15,071.91
	8,268,323.86	4,864,533.09	4,946,981.84
Cash in Hand	2,000.00	2,000.00	1,000.00
	8,270,323.86	4,866,533.09	4,947,981.84
11 Foreign Currency Savings Accounts			
Bank of Ceylon - US Dollar Account	1,745,301.68	1,075,334.60	2,141,540.36
People's Bank - US Dollar Account	209,974.03	3,683,261.55	3,024,060.48
EURO Savings Account	32,050.82	32,911.04	28,773.33
	1,987,326.53	4,791,507.19	5,194,374.17
12 Short Term Investments			
Treasury Bills		0.00	0.00
US Dollar Fixed Deposits	1,002,677,864.30	949,327,865.33	749,638,590.43
EURO Fixed Deposit	38,773,597.24	38,926,247.85	33,468,147.35
SLR Fixed Deposits	795,200,000.00	674,533,380.82	302,095,640.27
Gratuity savings account	130,500.55	125,642.28	120,905.18
Treasury Bills on Gratuity savings	9,043,104.51	8,267,296.74	7,594,210.04
	1,845,825,066.60	1,671,180,433.02	1,092,917,493.27
13 Long Term Investments			
Debentures	550,000,000.00	550,000,000.00	550,000,000.00
Shares in Ingrim Ltd	10.00	10.00	10.00
Shares in Credit Information Bureau	123,700.00	123,700.00	123,700.00
Treasury Bonds	137,016,481.76	137,010,481.76	276,048,461.23
	687,134,191.76	687,134,191.76	826,172,171.23
14 Interest Receivable			
Treasury Deposit	67,154,144.92	67,154,144.92	67,154,144.92
Treasury Bills/Bonds	7,709,193.46	6,870,522.91	16,703,937.83
Debentures	56,494,629.12	53,909,759.62	56,549,931.32
US Dollar Fixed Deposits	21,354,679.38	15,766,425.71	13,280,991.59
Temporary Surplus Trust Fund	733,819.26	688,299.12	633,909.70
Gratuity Funds - Treasury Bills	67,500.21	87,691.78	68,577.40
SLR Fixed Deposits	31,367,543.22	41,066,576.19	11,491,575.73
Liuro Fixed Deposit	0.00	2,279.59	1,604.64
	184,881,509.57	185,545,699.84	165,884,673.13

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2019

Notes to the Annual Financial Statements for 2019

Note

	31.12.2019	31.12.2018	01.01.2018
	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	3,971,796.65	2,672,837.08	2,807,179.37
Sundry Deposits	108,837.50	108,837.50	108,837.50
State Mortgage & Investment Bank Deposit	591,040.49	570,371.07	550,419.90
Refundable Deposits	56,500.00	56,500.00	56,500.00
Sundry Debtors	770.00	770.00	770.00
Withholding Tax Recoverable	249,081.23	5,828,686.32	1,236,835.22
Pre-payments	1,069,012.47	582,046.46	960,831.82
BizInfo Income Receivable	363,012.00	636,134.40	719,176.43
Dishonoured Cheques	89,913.06	0.00	0.00
VAT on Financial Services Recoverable	2,185,511.00	2,185,511.00	2,185,511.00
	8,685,474.40	12,641,693.83	8,626,061.24

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 14)

17 Outstanding Claims

Specific Provision	209,762,232.23	212,590,775.48	139,929,001.53
Contingent Provision for Claims			
Balance as at 1st January	34,090,829.67	35,909,810.15	27,288,528.94
Utilisation during the year	36,500,544.00	971,135.84	433,941,239.38
Charge for the year	36,263,187.63	-847,844.64	442,562,520.59
Balance provision as at 31st December	33,853,473.30	34,090,829.67	35,909,810.15
Total Provision for Claims	243,615,705.53	246,681,605.15	175,838,811.68

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2019

Notes to the Annual Financial Statements for 2019

Note	31.12.2019	31.12.2018	01.01.2018
	Rs.	Rs.	Rs.
18 Sundry Creditors, Accrued Expenses and Provisions			
Sundry Creditors			
General VAT (Charged from Policy Premium)	32,662.00	190,455.06	30,982.23
Staff Medical Fund	570,378.00	397,073.00	374,938.00
Refundable Deposits	1,574,900.00	1,535,000.00	1,355,000.00
Accrued Expenses			
Employees Provident Fund	1,030,753.26	1,089,079.04	1,164,076.54
Employees Trust Fund	100,050.21	104,928.03	112,142.12
PAYE Tax	5,617.00	13,290.00	26,166.00
Stamp Duty	12,000.00	12,450.00	14,150.00
Nation Building Tax	1,221,854.00	4,275,815.00	33,270.00
Other Payables	6,901,608.66	7,568,784.17	3,740,622.69
Charges on Status Reports	1,868,712.17	1,839,170.16	1,308,700.60
Provisions			
Audit Fees Payable	1,853,280.00	2,137,633.92	888,733.92
Income Tax Payable	16,402,302.65	61,741,771.20	8,290,764.48
VAT on Financial Services	9,163,903.00	19,358,928.00	0.00
Annual Report Printing Charges	950,000.00	945,000.00	890,000.00
Special Levy Payable	5,000,000.00	20,000,000.00	15,000,000.00
	46,688,020.95	121,209,377.58	33,229,546.58

19 Gratuity Payable

Movement in the Account

Balance as at 1st January	9,848,687.00	13,488,109.75	13,383,532.50
Paid during the year	159,300.00	263,500.00	612,047.25
Provision for the year	1,882,030.60	625,168.00	716,624.50
Excess provision transferred to General Reserve	0.00	4,001,090.75	0.00
Balance as at 31st December	11,571,417.60	9,848,687.00	13,488,109.75

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.700,188/- and the present value of The defined benefit obligation of Rs.11,571,417/- has been recognized under the project unit credit method.

The Actuarial calculation was commenced with effect from 2018 and the values for 2019 has been derived by using the amounts of 2018 inflated by the discount factor considered in the original calculation as the standard requires the actuarial valuation to be done once in three years.

20 Capital Employed

Capital Contributed - Treasury	30,000,000.00	30,000,000.00	30,000,000.00
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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 2019

US Dollars	-	179.66
Euro	-	200.07

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	3,122,080.65
Motor Vehicles	0.00
Computers and Printers	0.00
Office Equipment	0.00
Furniture and Fittings	93,405.93

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 2019

- Export Payments Insurance Policies in Force	Rs.	19,061,500,000.00
- Credit Guarantees in Force	Rs.	3,846,598,984.00
Maximum Liability	Rs.	22,908,098,984.00

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 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.

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Property Plant and Equipment - 2019

Item	Assets at Cost as at 01.01.19 Rs	Assets at Revaluation 01.01.19 Rs	Additions 2019 Rs	Disposals 2019 Rs	Nett Value as at 31.12.19 Rs	Depreciation as at 01.01.19 Rs	Depreciation 2019 Rs	Accumulated Depreciation As at 31.12.19 Rs	Written Down Value As at 31.12.19 Rs
Buildings	0.00	176,500,000.00	0.00	0.00	176,500,000.00	8,825,000.00	8,825,000.00	17,650,000.00	158,850,000.00
Motor vehicle	0.00	13,400,000.00	0.00	0.00	13,400,000.00	5,360,000.00	2,680,000.00	8,040,000.00	5,360,000.00
Software	6,672,949.77	0.00	0.00	0.00	6,672,949.77	6,470,949.62	142,117.15	6,613,066.77	59,883.00
Computers & Printers	0.00	2,846,500.00	0.00	0.00	2,846,500.00	1,423,250.00	711,625.00	2,134,875.00	711,625.00
Furniture & Fittings	64,059.75	1,345,200.00	0.00	0.00	1,345,200.00	1,062,383.99	631,783.08	1,694,167.07	882,785.26
Office Equipment	403,062.49	668,750.00	0.00	0.00	668,750.00	334,375.00	167,187.50	501,562.50	167,187.50
TOTAL	9,651,024.34	194,760,450.00	100,125.00	0.00	204,511,599.34	23,914,104.51	13,404,291.60	37,318,396.11	167,193,203.23

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements - 2019
Reserves As At 31st December 2019

	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 1st January 2018	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 Net Profit for the Year 2018	7,813,489.06	-7,813,489.06			0.00
Transferred during the year 2018	309,088,326.89				309,088,326.89
Excess gratuity provision	4,001,090.75	118,348,965.74		-646,334.16	117,702,631.58
Special Levy to Treasury	-20,000,000.00				4,001,090.75
Special Levy to Treasury					-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
Transferred from Revaluation Reserve Net Profit for the Year 2019	7,888,946.00	-7,888,946.00			0.00
Transferred during the year 2019	242,250,845.43				242,250,845.43
Transferred during the year 2019				-3,678,463.98	-3,678,463.98
Balance as at 31st December 2019	2,381,667,274.78	133,821,443.74	58,507,949.05	20,181,237.07	2,594,177,904.64

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION (SLECI)

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.

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.

Audited

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 one 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 - 2019

1.1 Opinion

The audit of the financial statements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 2019, 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) National Audit Act No 19 of 2018 - Section 41 (1)	Though the Audit and Management Committees should be appointed by the Chief Accounting Officer or the respective governing body and the Committee should review the operations of the institution on a continuous basis and report to the respective governing body periodically, Corporation had not held audit committee meetings during the year 2019.	This is due to the occasional appointment of members of the Board of Directors who are not sufficient to maintain required quorum.	Actions should be taken in accordance with laws, rules and regulations.
(b) Establishment Code of the Democratic Socialist Republic of Sri Lanka Paragraph 13.3 of Chapter II	It was observed that the both positions of Deputy General Manager (Marketing) and Manager (Marketing) had been vacant for 11 years, and acting arrangements had been made for those positions and paid acting	Answer had not been submitted.	Actions should be taken as per the provisions of the Establishment Code.

allowances of Rs.2,264,691 and Rs.945,700 respectively during the acting period.

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| (c) Circular No. NP/SP/SDG/17 dated 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs | Even though every public institution should act in compliance with the circular and the United Nations Sustainable Development Agenda for the year 2030, with respect to the year under review, the 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, targets and milestones in respect of achieving those targets and the indicators to measure the target achievement of such targets. | It was noted to identify the sustainable development goals relevant to the organization and allocate the necessary resources through a strategic action plan. | The Corporation should comply with the relevant Circulars. |
| (d) Public Administration Circular No 02/2018 dated 24 January 2018 | The activities of signing the performance agreements with entire staff to enhance the performance of the staff as per the circular, developing a suitable methodology to identify the gap between the competencies already gained relevant to the responsibilities and the competencies required for the successful performance of duties, and preparation of a unique Human Resources Development Plan for the institute had not been done for the year 2019. | This is due to the fact that there is no a permanent officer to carry out the human resource activities of the institution for a considerable period of time since the officer assigned by the corporation has left the corporation without completing the work assigned to him. | The Corporation should comply with the relevant Circular. |

(e) Public Enterprises
Circular No.
PED/12 dated 02
June 2003

(i) Section 4.2.2	Although the Board of Directors should review the actual performance with Corporate Plan and Budget from time to time, and monthly performance statement, operating statement, cash flow statement, Liquidity status and borrowing statement, monthly procurement and staff statements should be reviewed at board meetings, actions had not been taken accordingly during the year 2019.	Board meetings regarding a few special issues were held on four occasions during the year 2019 with a minimum number of Board Members and monthly accounts could not be able to discuss in those occasions.	The Corporation should comply with the provisions of the circular.
(ii) Section 5.1	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.	Noted. Actions will be taken to prepare the corporate plan during the year 2020.	The Corporation should comply with the provision of the circular.
(iii) Section 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 2017 and 2018 had not been tabled up to the date of 30 June 2020.	All copies of the Annual Report for the year 2017 have been submitted to the Ministry of Finance by November 2019 for the necessary actions and the Annual Report for the year 2018 is being prepared and action is being taken to submit it to the Ministry of Finance as soon as possible.	The Corporation should comply with the provision of the circular.
(iv) Section 9.3	Even though the recruitment procedure and a promotion scheme should be prepared and submitted to the	It is expected to establish all the requirements of the Human Resources	The Corporation should comply with the provisions of the circular.

Management Service after recruiting a Department for approval, it Human Recourse had not been done and manager. qualified officers with more than 15 years of service experience also lost the opportunity to apply for vacancies / promotions.

2. Financial Review

2.1 Financial Result

The operating result of the year under review was a profit of Rs. 242,250,845 and the corresponding profit in the preceding year was Rs. 309,088,327, thus observing a deterioration of Rs.66, 837,482 in financial result. Increase in the expenditure by Rs. 16,003,843 or 9.75 per cent of the year under review as compared to the preceding year, had mainly reasoned for the deterioration of the financial result, although the revenue had decreased by Rs. 125,677,891 or 21.57 per cent of the year under review as compared to the preceding year.

2.2 Trend Analysis of major Income and Expenditure items

As compared with the preceding year, other income had decreased by Rs. 131,835,787 and as a percentage, it was 38.35 per cent. Since the foreign exchange gain of preceding year amounting to Rs. 156,248,742 had become a loss of Rs. 5,963,729 in the year under review, the difference of that as a percentage was 104 per cent. Furthermore, net claims paid in the year 2019 had increased by Rs. 15,763,257 or 22 per cent as compared to the year 2018.

3. Operational Review

3.1 Management Inefficiencies

	Audit Issue -----	Management Comment -----	Recommendation -----
(a)	Although 115 exporters and 98 exporters had paid premiums for export payment insurance policies in the year 2017 and 2018, number of exporters paying premiums had decreased to 87 in the year 2019.	Noted. This is due to the facts which are beyond the control of the Corporation, such as, making no regular shipments by exporters, downturn the global economy, the decline in tea exports, the increase in the risk of buyers in international trade, and obtaining the service of Corporation by, only a very limited portion of the export market.	Promoting exporter awareness activities is favorable to the existence of the Corporation.

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| (b) | A proper system for recovery of money from buyers in respect of compensated exports and ascertaining whether the buyer had paid money to the exporter after paying compensation to the exporters had not been implemented within the Corporation. Although Rs. 33.7 million was recovered during the period of 2015-2017, no refund was reported from compensation payments in 2018 and 2019. | Noted. It is expected to introduce an effective debt recovery system in the future. | A methodology for identifying recoveries should be introduced. |
| (c) | According to the Action Plan of the year under review, Activities of conducting product awareness programmes on Cost of Passenger Airfare Guarantees facilitating foreign workers and its changes to Banks, implementing a Risk Management Process in the Corporation, preparing a new corporate plan for the period 2019-2021, product diversification and development and monitoring the paid claims which were scheduled to be implemented during the year 2019 had not been completed in the year under review. | Although the bank awareness programs were not aimed solely at Cost of Passenger Airfare Guarantees for foreign workers, it was done with other services such as pre and post shipment guarantees. Actions have been made to prepare the corporate plan of the Corporation from the year 2020. | Attention must be paid to perform the function of Acton Plan. |
| (d) | Although 34 export payment insurance policies were planned to be issued during the year under review, only 13 policies were issued during the year. | International trade has been severely hampered as most of the world's economies have been in crisis since 2018. Under this unfavorable situation, based | Attention must be paid to perform the function of Acton Plan. |

That is 38 per cent of the expected target. Furthermore, it was planned to issue 10 pre-shipment credit guarantees, 08 post-shipment credit guarantees, and 455 'Apara' guarantees under the issuing of bank guarantees and only 04, 01 and 136 of those guarantees were issued during the year under review respectively. The target achieved was 40 per cent, 12.5 per cent and 30 per cent, respectively.

on the steps taken by the Corporation regarding the buyers in risk countries and their credit limits, issuing new export insurance policies had decreased as targeted.

- (e) Even though the 192 potential customer meetings were planned, it was limited to 76 meetings during the year under review. Furthermore, 40 meetings with existing policyholders of the Corporation had been scheduled to be held, only 19 such meetings were held during the year under review. In addition, 40 discussions with bank officials on credit enhancement products and 12 ICC meetings were scheduled to be held during the year under review, only 12 discussions and 06 meetings were held in 2019 respectively.

Before meeting the potential customers, the Corporation makes enquiries regarding their requirements, out of the large amount of such enquiries made, only 76 had expressed their interest in the service of the Corporation. Marketing officers are individually well aware of existing customers and visits are made only when necessary. Under the prevailing risk situation, the Corporation has restricted the Credit Guarantee Promotion activities. Only six ICC meetings has been held due to the limited number of exhibitions in China.

Attention must be paid to perform the function of Acton Plan.

- (f) Though the internal audit had been performed by a private audit firm as there was no a post of Internal Auditor within the approved cadre, the internal audit reports for the period from October to December

Outsourcing the internal audit function is economically more beneficial to the Corporation than maintaining a separate internal audit unit within the organization. The

Approved staff should be revised and reporting should be expedited.

2019 had not been submitted even up to 10 August 2020.

internal audit reports for the third quarter of 2020 are being finalized and the audit for the last quarter is completed and hope to submit the relevant reports to you as soon as possible.

- (g) 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 since the actual cadre as at the date of the audit of 30 June 2020 was 33, the number of vacancies was 23.

Noted. The Corporation has requested permission for new recruitments by letters addressed to the Director General of the Department of Management Services dated 21.09.2018 and 20.02.2019 and expects to fill the vacancies once the relevant approvals are received.

Actions should be taken to amend the approved cadre or to recruit.

Audited