

Annual Report

2018



**Agricultural and Agrarian Insurance
Board**

**No. 117, Subadrarama Road, Gangodawila,
Nugegoda**

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கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

஁டூரீ சஸீலி஁ } ரக்சனா
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Date }

Secretary,
Ministry of Agriculture,
No. 288,
Sri Jayawardanapura Mawatha,
Rajagiriya

Annual Report -2018

I submit herewith the Annual Report on the working of the administrative, operational, and financial activities of the Board which incorporates all its activities during the year 2018.

Panduka Weerasinghe
Director General
Agricultural and Agrarian Insurance Board

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Chairman

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பண஁஁஁஁஁஁஁஁஁஁
Director General

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Head Office

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Message of the Chairman

Upon a policy decision taken by the government in the year 2018, an insurance scheme for granting an insurance coverage of Rs. 40,000/- per acre, subject to the payment of insurance premium of Rs. 3,600/- per acre by the government without charging the insurance premium from farmers for six major crops, i.e. paddy, maize, big onions, potatoes, soy and chilli was operated from the Yala season of 2018. The operation of this insurance scheme was the most outstanding achievement in the year 2018 and was a landmark event in the history of the board as well as in the local agricultural sector. Though, this crop insurance scheme would have an adverse impact on the income generation of the Board, the primary objective of the government is to secure the local farming community and stabilize their economy.

Despite such challenging circumstances, the Board was able to post a net profit of Rs. 921 million through agricultural insurance schemes and the operation profit earned during the year was Rs. 1,144.7 million. The total insurance income of the Board in the year was Rs 2482 million which signified a growth of 1486.71% compared to year 2017.

Payment of compensation expeditiously to affected farmers is the principal function of the Board and the compulsory crop insurance indemnity liability of the Board for farmers affected by heavy rains and resultant flooding in key agricultural districts of the island in the year 2018 was approximately Rs. 2,930 million.

The committee of experts appointed consequent to a cabinet decision to revise the Farmers' Pension Scheme operated by the Board commenced preliminary discussions in the year 2018. Accordingly, until the establishment of new schemes, pensions and death and disability benefits were duly paid to the subscribers of the existing schemes in the year 2018.

Hence, 2018 can be termed as a year during which the functions of the Board took a new direction and the year is also significant in that it could play a crucial role in enhancing the financial stability of the Board and perform a host of functions for the protection of the farmer community and local agriculture.

Chairman
Agricultural and Agrarian Insurance Board

Agricultural and Agrarian Insurance Board

➤ Vision ..

To be the ideal Agricultural Insurance Institute in South Asia by being the foremost protector of local agriculture

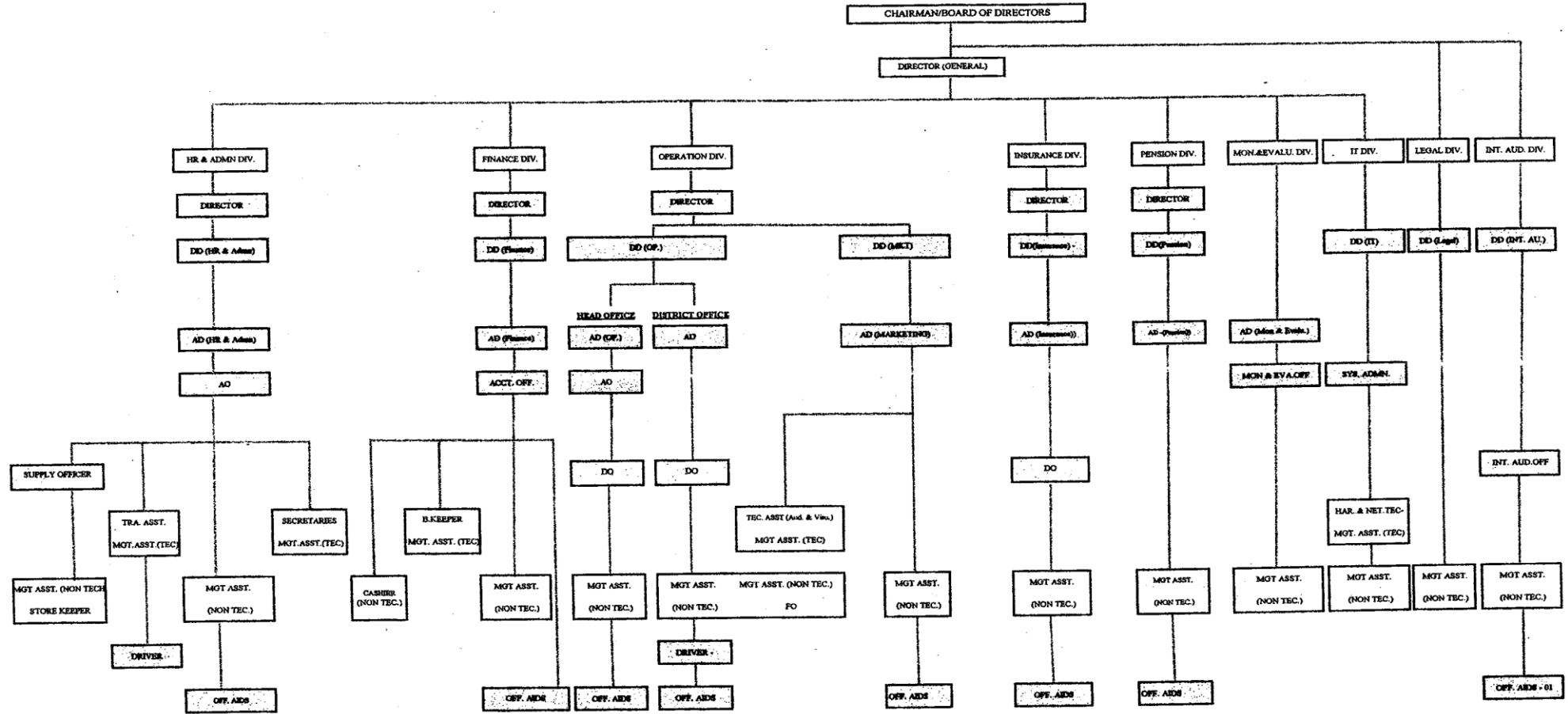
➤ Mission ..

To provide an internationally recognized excellent service through collective efforts and coordination with the relevant institutions for the provision of Agricultural Insurance and benefits

Board of Directors - 2018

	Name	Post
01	Mr. S. Wirithamulla Chairman Agricultural and Agrarian Insurance Board	Chairman
02	Dr. W.M. Weerakoon Director General of Agriculture Department of Agriculture	Member
03	Ms Champa Balasuriya Director Department of Public Enterprises General Treasury Colombo 01	Member
04	Mr. P.S.K.R. Weerakoon Additional Secretary (Administration and Human Resources Development) Ministry of Agriculture	Member
05	Dr. K.D. Ariyapala Additional Secretary (Livestock Development) Ministry of Fisheries and Aquatic Resources Development and Rural Economic Affairs	Member
06	Mr. N.B. Monty Ranatunga Director General (Technical) Ministry of Fisheries and Aquatic Resources Development New Secretariat Maligawatta Colombo 10	Member
07	W.M.M.B. Weerasekara Commissioner General of Agrarian Development Department of Agrarian Development	Member

ORGANIZATIONAL STRUCTURE AGRICULTURAL & AGRARIAN INSURANCE BOARD



Foreword

The year 2018 can be termed as a year in which special attention was focused on fulfilling the national responsibility entrusted to the Agricultural and Agrarian Insurance Board (AAIB) towards securing farmer community during unmanageable natural disasters thus uplifting local agriculture as well as enhancing financial viability of the Board. Accordingly, the Board earned a net profit of Rs. 921 million through agricultural insurance schemes and the operational profit posted during the year was Rs. 1144.7 million. Extensive damages were caused to cultivations due to torrential rains and resultant flooding in key agricultural districts of the island during the year and the compulsory crop insurance indemnity liability of the AAIB for affected farmers was approximately Rs. 2,930 million.

Annual income from 2014 to 2018

Insurance Scheme	2014 (Rs. Mn)	2015 (Rs. Mn)	2016 (Rs. Mn)	2017 (Rs. Mn)	2018 (Rs. Mn)
Crop insurance schemes	94.25	104.6	94.85	95.66	128.01
Livestock insurance scheme	13.74	9.00	10.56	13.39	10.59
Stores and agricultural implements insurance scheme	0.62	1.08	7.82	42.11	137.85
Suwasetha and accident insurance scheme	7.67	16.43	15.61	5.31	6.34
Fertilizer subsidy insurance scheme	0.00	1006.4.	608.19	0.00	-
Total (Rs Million)	116.28	1,137.51	737.03	156.47	282.79

Annual Net Profit from 2013 to 2017

	2014 (Rs. Mn)	2015 (Rs. Mn)	2016 (Rs. Mn)	2017 (Rs. Mn)	2018 (Rs. Mn)
Total income	122.5	1,156.10	782.20	5735.1	4,398.5
Operational expenditure	(75.50)	(1,116.10)	(404.50)	(5654.2)	(3,253.8)
Operational surplus	47.30	40.00	377.70	80.9	1,144.7
Government grants and other income	74.80	100.80	122.50	130.1	4.0
Total expenditure (including allocations)	(104.00)	(132.00)	(160.30)	168.7	(227.7)
Net annual profit/loss	17.80	8.80	339.90	42.3	921.0

Further, except for the livestock insurance scheme, all other insurance schemes have achieved a rapid growth during the year 2018 which amounted to year on year increase of 154.52%. In particular, the stores/agricultural implements and third party vehicle insurance scheme generated an income of Rs 137.85 million easily surpassing the total income of Rs. 42.11 million in 2017. The third party vehicle insurance scheme was the biggest contributor to this increase and significantly nothing was paid by way of benefits under this scheme. In addition to the external agents network of the Board maintained for the expansion of the third party vehicle insurance scheme, central to the success and rapid growth of the scheme was the appointment of Agricultural Research and Production Assistants under the Agrarian Development Department and the Divisional Secretariats as agents and the income thus generated was helpful in solidifying the financial stability of the Board.

Pursuant to a proposal submitted by the Board for the 2018 annual budget, an insurance scheme was implemented island-wide from the Maha Season of 2017/2018 subject to levying an insurance premium of Rs 675/= from the farmer per acre while the remaining amount of the premium of Rs. 2,925/= to be borne by the government for the payment of a maximum compensation of Rs. 40,000/= per acre for damages caused by droughts, floods and wild elephants to paddy, maize, soy, big onions, potatoes and chili cultivations. However, from the Yala season of 2018, the scheme was administered without charging any premium from farmers and the entire insurance premium of Rs. 3,600/- per acre was paid by the government. The operation of this insurance scheme marked a watershed in the local agricultural insurance sector as well as the performance of the Board.

In operating this new insurance scheme, the prime objective of the government is to secure the farmer community engaged in a national mission to produce local foods and uplift local agriculture. Though the new insurance scheme is immensely helpful in stabilizing economy of farmers in the event of damages to crops, it has had a detrimental impact on the financial viability of the board and the payment of indemnity will be a burden to the treasury.

As the compulsory insurance scheme is in operation under the new crop insurance programme for the six major crops cultivated in the island, the need for a new technical method has arisen for the assessment of crop damages in instances where extensive losses are caused. Accordingly, through the index based insurance scheme planned to be introduced by the Board with the technical assistance from the International Finance Company (IFC) affiliated to the World Bank, the damage will be assessed scientifically and technically and a scheme will be devised for the settlement of indemnity payable to farmers within a short period.

The expert committee appointed in terms of the Cabinet Memorandum submitted for the introduction of a new pension scheme for farmer and fishermen communities through the Agricultural and Agrarian Insurance Board initiated preliminary discussions in the year 2018 for the administration of a financially stable and sustainable farmers' pension scheme. The total number of subscribers of the existing farmers' pension scheme by the year 2018 was 959,254. By the end of the year 2018, a sum of Rs. 244,576,221/- has been paid to 154,907 farmers. In addition, the amount paid as death and disability benefits for 385 subscribers in the year 2018 was Rs 8,131,379/-.

By the end of year 2018, the total number of fishermen subscribed to the scheme stood at 69,049 and Rs. 62,553,368/- was paid as pension to 4,420 pensioners and a sum of Rs. 516,000/- was paid to 43 subscribers as death gratuity.

The officers of the Board of the relevant fields were made to participate in special training programmes in the year 2018 as well thus offering them further opportunities for training and the Board extended

full patronage for the New Year festival held with the participation of officers of the Board and their family members as well as for other welfare measures.

No new recruitments were made in the year 2018 for the existing vacancies and the number of officers who vacated their posts including retirements was 17. Though the approved cadre as per the staff composition of the Board is 421, the number currently employed is 285. Thus, the number of vacancies is 131.

The activities and performance of the Board in the year 2018 for achieving sustainable development goals including the operating of agricultural insurance as a method of risk management for indemnifying against crop damages caused by weather and climatic impacts, eradicating of poverty and transforming agriculture into a gainful and dignified occupation and for ensuring safe and secure life for local farming community are presented through this report.

Operations Division

Operations Division -2018

Agricultural and Agrarian Insurance Board operates with the prime objective of increasing local agro-production and protecting the agriculturist by introducing agricultural insurance to local agricultural field as a means of risk management. Agricultural insurance is a viable solution to economic problems faced by agriculturalists due to damages caused by droughts, floods and wild elephants to their cultivations. As a country with agriculture driven economy, the application of agricultural risk management in a practical manner has contributed to stabilize agriculture based domestic economy. The Board administers diverse and high benefit insurance schemes such as crop insurance, livestock insurance, Suwasetha and accident insurance, agricultural implements insurance, stores insurance and third party vehicle insurance.

The Operations Division is the division that plays the most critical role in expanding the services of the Board amongst the farmer community. The preparation of the Corporate Plan, Action Plan and all other institutional plans encapsulating the programme of work expected to be implemented by the Board, steering and controlling the district offices across the island for the implementation of plans so prepared and addressing all requirements that arise in implementing such plans are the major functions of the Operations Division.

As the sole public sector institution that provides insurance services in the agricultural sector, the Operations Division took the initiative to operate a slew of insurance schemes island-wide in the year 2018 with the objective of fulfilling its responsibility of uplifting the local agriculture and stabilizing the economy of the agriculturist to the maximum.

1. Crop insurance schemes

- Paddy cultivation insurance scheme
- Maize cultivation insurance scheme
- Big onion cultivation insurance scheme
- Potato cultivation insurance scheme
- Chilli cultivation insurance scheme
- Soy cultivation insurance scheme
- Supplementary crops (green gram, peanuts, black gram) cultivation insurance scheme
- Sugarcane cultivation insurance scheme
- Export crops cultivation insurance scheme (pepper, cinnamon)
- Plantation crops (tea) cultivation scheme
- Coconut cultivation insurance scheme
- Floriculture insurance scheme
- Ginger cultivation insurance scheme
- Vegetable cultivation insurance scheme
- Banana cultivation insurance scheme
- Fruit cultivation insurance scheme

2. Warehouse insurance scheme

3. Agricultural implements insurance scheme including tractors

4. Livestock insurance scheme

- Goat
 - Cattle
5. Accident insurance scheme
 6. Suwasetha health insurance scheme
 7. Third party insurance scheme
 8. Social security schemes
 - Farmers’ pension scheme
 - Fishermen’s pension scheme
 -

As a solution to difficulties faced by the farmer community due to damages caused to cultivations by droughts, floods and wild elephants, farmers had to subscribe to a compulsory insurance scheme with contributions from farmers and the government for the cultivations of paddy, maize, potatoes, big onions, soy and chilli and on a policy decision taken by the government, an insurance cover subject to a ceiling of Rs. 40,000 per acre was offered to an acre from the Yala season of 2018. This insurance scheme is implemented island-wide from the Yala season of 2018 with the coordination of all the relevant institutions including the Ministry of Agriculture, Agrarian Services Department, Mahaweli Development Authority, state and non-state banks.

Major programmes implemented by the Operations Division

- ❖ After reaping the harvest of the Maha season of 2016/17, the traditional “Aluth Sahal Mangalya” or new rice festival at the Sri Maha Bodhi premises was held on 07 and 08 April, 2018 under the patronage of His Excellency the President Maitrheepala Sirisena and the erection of the Pirith Mandapa, provision of public loudspeaker systems and other activities of the pirith chanting were sponsored by the Board and carried out by the officers of its staff.
- ❖ The 70th Independence Day celebration was commemorated with pomp and pageantry at the Royal Central College Grounds, Polonnaruwa on 04.02.2018. All non-governmental institutions of the district rendered maximum contribution and as independence of the nation contributes to the strengthening of livelihood of all people, the Board stepped in to provide loudspeaker facilities to the ceremony and the officials of the Board extended their fullest cooperation for the success of the event.
- ❖ The national programme for the launching of free insurance for paddy, maize, potato, big onion, chilli and soy cultivations with aim of motivating farmers for the advancement of the local agriculture was held at Nonagama Cultural Centre in the Hambantota District on 28.05.2019 under the patronage of Minister of Agriculture, Hon. Mahinda Amaraweera and with the participation of ministers, members of parliament and public officials.
- ❖ “V 2025 Enterprises Sri Lanka” exhibition organized by the Ministry of Finance and Media on the theme of sustainable development goals was from 17 to 19 August, 2018 in the Monaragala district and the Board maintained an exhibition stall. Action was

taken to create awareness among those who visited the exhibition on all programmes operated by the Board using handbills, banners, posters and multimedia projectors.

- ❖ “Exhibition of Agricultural Innovation and Farmers’ Felicitation Ceremony” was held from 11.12.2018 to 16.12.2018 at BMICH under the guidance of the Ministry of Agriculture and action was taken to create awareness among those who visited the exhibition on all programmes operated by the Board using handbills, banners, posters and multimedia projectors.
- ❖ Appointment of district agents for the propagation of the third party vehicle insurance scheme among farmers at the district level was carried out. Insurance agents were appointed for the districts of Thambuththegama, Anuradhapura, Gampaha, Badulla, Nuwaraeliya, Galle, Matara and Hambantota
- ❖ Arrangements were made through the district offices for the preparation of posters, banners and leaflets required for the special propaganda and promotion programmes conducted at the district level and upon requests made by the Matara, Anuradhapura, Badulla, Thambuththegama, Nuwaraeliya, Galle and Matale district offices, the Operations Division took necessary action to have such materials prepared and supplied to the relevant district offices.

Insurance Division

Agricultural Insurance Scheme & Livestock Insurance Scheme

Insurance Division -2018

As has been done in previous years, this year too, the Insurance Division had to discharge its duties laying greater emphasis on paying indemnity. Since insured crops were damaged in natural disasters during the Yala season of 2017 as well as Maha season of 2017/2018, prompt action was taken to release funds to enabling speedy payment of compensation to affected farmers.

The Board paid compensation to insured as well as uninsured cultivations in the Yala season of 2017 and Maha season of 2017/18. As it had been planned in terms of the budget proposals of 2018 to release compensation for crop losses under a maximum cover of Rs. 40,000 per acre, duties were carried out accordingly and the required indemnity documents were updated. However, since the entire amount could not be secured, the award was adjusted to a maximum of Rs. 20,000 per acre and action was taken to brief the Board of Directors about this.

Further, a new mechanism was devised for the payment of compensation for the Maha season of 2017/18 and necessary action was taken for the release of compensation. A higher amount had to be released for paddy, maize and potato cultivation. In addition, funds were also released for the damages caused to black gram cultivation which was implemented as a special programme in the Vavuniya district. For other supplementary crops, small amount of funds were released for the payment of compensation.

As the staff of the Board was not adequate for the speedy payment of compensation, 13 mobile programmes were conducted with the involvement of the district office staff and also the staff of the Agrarian Service when necessary for the release of funds for crop damages.

Some of these mobile programmes were held in Jaffna, Kilinochchi, Mulativu, Mannar, Vavuniya Batticaloa and Trincomalee districts where language problems existed and several mobile programmes were conducted in the Anuradhapura, Monaragala, Ampara and Kurunegala districts wherefrom a higher number of indemnity claims were reported.

Similarly, funds for the settlement of compensation for claims of indemnity submitted under livestock insurance and general insurance were also released.

	No of farmers	Compensation Rs. Million
Crop insurance	167,347	2,164
Livestock insurance	113	5
General Insurance	80	0.2
Total	167,540	2,169.2

Obtaining reports of crop damages over hotline 1918 was commenced. The number of farmers who reported damages using this facility was approximately 25,000. But it could not be employed as a successful method for crop insurance.

Moreover, necessary action was pursued to for the administration of a reinsurance scheme referred to this Division with the intervention of the upper management and the existing reinsurance scheme is due to come to an end on 31.03,2019.

Steps were taken to update the incentive scheme for general insurance activities which led to the increase in sales activities.

Farmers' Pension Division

Farmers' Pension and Social Security Benefit Scheme

Fishermen's Pension and Social Security Benefit Scheme

Farmers' Pension Division -2018

The total number of farmers subscribed to the Farmers' pension and social security benefit scheme established by the Farmers' Pension and Social Security Benefit Scheme No. 12 of 1987 by the year 2018 was 959,254. The number of farmers to be provided with benefits under this scheme by the year 2018 was 154,907. By the end of the year 2018, Rs. 2,924,813,696 had been paid to 154,907 farmers.

The fund of the Farmers' Pension and Social Security Benefit Scheme became zero by mid 2010 as result of the increase of the pension paid to those over 60 years from Rs 200/- which was the amount prescribed under the provisions laid down for higher age categories at the introduction of the scheme to Rs 1000/- on the basis of two separate cabinet decisions, payment of pension to the surviving spouse from the date of the death of the pensioner until the age of 80 of the pensioner had he lived, and the extension of two year period for those in the age category of 46 years to 59 years to join the scheme until the year 2007. Nevertheless the Board continued to pay pension entitlements using the provisions allocated by the Treasury and other funds maintained by the Board until December 2011. However, due to exhaustion of funds, pension entitlements could not be paid from January 2012 to December 2013. Still, the death and disablement benefits were paid continually to subscribers. Up to the year 2012, the amount credited to the fund of the scheme as subscriptions was Rs. 3228 million and the amount paid as pension was Rs. 6,868 million. When the payment of pension was suspended in the year 2012, the total number of beneficiaries of the scheme was 90,573.

A restructuring of the scheme was implemented under the guidance of the Ministry of Finance and Planning, offering a sustainable solution to the financial crisis of the scheme while ensuring the continuity of same. Consequently, necessary measures were taken as per the budget proposals of 2014 to enact this scheme as a new scheme with enhanced benefits and to resume the payment of pension from January 2014 with increased benefits corresponding to the new scheme.

Accordingly, steps were taken to pay pension entitlements from January 2014 up to now to 128,659 subscribers who have become entitled to pension upon reaching the age of 60 as at 31 December 2013.

Introduction of a new pension scheme for farming and fisheries communities

The committee of experts appointed in terms of the decision number CP/16/1908/728/044 dated 18.10.2016 of the Cabinet of Ministers given in respect of Cabinet Memorandum for the introduction of a new pension scheme for the farming and fisheries communities through the AAIB, held its first round of discussion on 04.01.2018 and the next meeting of the expert committee is scheduled to be held in March 2019.

Payment of Death and Disability Benefits

Though the payment of pension was suspended from January 2012 due to the financial crisis with regard to the payment of farmers' pension, in the year 2018 Rs. 8,131,378/- was paid as death and disablement benefits to 385 subscribers who have subscribed to the scheme.

Fishermen's Pension Scheme

The total number of fishermen to whom subscription has been granted by the end of the year 2018 was 69,049. Rs 62,553,368/= was paid as pension to 4,420 pensioners. These payments are disbursed through 390 post offices.

Payment of death and disability benefits

Rs. 516,000 was paid as death gratuity for 43 subscribers of the Fishermen's pension scheme who passed away during the year.

Payment of farmers' pension -2018

District	No of subscribers	Amount paid
Ampara	3,918	72,705,846.00
Anuradhapura	7,488	132,645,444.00
Badulla	6,533	122,480,518.00
Batticaloa	1,115	20,213,284.00
Colombo	5,178	106,828,619.00
Galle	13,807	285,733,723.00
Gampaha	11,035	210,346,878.00
Hambantota	8,515	150,976,588.00
Jaffna	2,412	48,023,229.00
Kalutara	8,644	172,286,399.00
Kandy	15,593	302,133,149.00
Kegalle	9,854	179,446,846.00
Kurunegala	18,685	336,166,105.00
Mannar	87	1,364,650.00
Matale	4,670	83,200,365.00
Matara	9,753	188,897,240.00
Monaragala	5,212	95,760,987.00
Mullativu	131	2,796,444.00
Nuwaraeliya	3,014	57,364,342.00
Polonnaruwa	5,095	95,553,032.00
Puttalam	5,465	98,913,224.00
Ratnapura	7,267	135,138,940.00
Trincomalee	892	16,621,133.00
Vavuniya	544	9,216,711.00
Total	154,907	2,924,813,696.00

Payment of death gratuity and net subscription- 2018

District	No of persons	Gratuity Rs.	Net subscription Rs	Total Rs.
Kandy	24	130,700.00	459,365.00	590,065.00
Kurunegala	31	154,400.00	574,744.00	729,144.00
Kegalla	18	88,000.00	283,660.00	371,116.00
Thambuttegama	13	77,000.00	241,116.00	318,116.00
Anuradhapura	18	90,000.00	324,401.00	414,401.00
Nuwaraeliya	30	117,820.00	311,248.00	429,068.00
Puttalam	12	83,000.00	220,922.00	303,922.00
Polonnaruwa	11	69,000.00	223,145.00	292,145.00
Jaffna	6	26,000.00	148,495.00	175,495.00
Maho	28	183,000.00	567,379.00	750,379.00
Mannar	2	12,000.00	35,518.00	47,518.00
Matale	10	36,000.00	160,751.00	196,751.00
Galle	25	116,000.00	365,291.00	481,291.00
Matara	18	86,640.00	242,787.00	329,427.00
Hambantota	17	95,820.00	228,083.00	323,903.00
Monaragala	14	96,700.00	173,582.00	270,282.00
Gampaha	29	187,000.00	355,339.00	542,339.00
Ratnapura	11	63,000.00	162,501.00	225,501.00
Kalutara	16	101,000.00	208,526.00	309,526.00
Colombo	9	45,880.00	116,772.00	162,652.00
Udawalawa	3	28,000.00	66,187.00	94,187.00
Manampitiya	13	66,000.00	196,866.00	262,866.00
Badulla	19	121,560.00	247,244.00	368,804.00
Ampara	8	32,000.00	109,937.00	141,937.00
	385	2,106,520.00	6,024,859.00	8,131,379.00

**Fishermen's Pension and Social Security Benefit Scheme
Subscriptions as at 31.12.2018**

District Fisheries Extension Division	Subscribers according to the age						Total number of contributors 2018
	18-29	30-35	36-45	46-50	51-54	55-59	
Kalutara	1,213	721	772	197	105	59	3,067
Galle	1,082	676	840	221	118	95	3,032
Mahawewa	3,253	1,702	2,036	613	256	240	8,100
Matara	1,750	980	1,232	346	201	164	4,673
Colombo	576	360	478	140	63	38	1,655
Tangalle	2,514	1,389	1,629	412	201	169	6,314
Puttlam	2,167	1,156	1,222	255	107	61	4,968
Negombo	2,538	1,599	2,167	735	419	378	7,836
Batticaloa	2,248	1,390	1,630	555	272	266	6,361
Trincomalee	654	516	550	129	81	78	2,008
Mannar	2,066	1,227	1,343	429	222	257	5,544
Kalmunai	1,565	1,109	1,515	479	244	207	5,119
Mulative	88	79	141	50	27	44	429
Kilinochchi	519	340	540	250	185	183	2,017
Jaffna	2,185	1,117	1,444	668	402	617	6,433
Freshwater reservoirs							
Nuwareliya	29	28	47	7	1	3	115
Polonnaruwa	45	35	27	11	2	1	121
Ratnapura	27	15	9	1	3	-	55
Monaragala	17	14	10	1	-	-	42
Kurunegala	45	24	24	1	-	2	96
Anuradhapura	169	81	84	17	7	5	363
Matale	31	14	23	5	2	3	78
Kandy	13	12	25	5	3	3	61
Kegalle	1	1	2	-	-	-	4
Badulla	59	33	33	3	-	3	131
Vavuniya	59	33	41	15	4	-	152
Batticaloa-Freshwater	84	52	67	27	20	25	275
Total	24,997	14,703	17,931	8,872	2,945	2,901	69,049

Fishermen's pension and social security benefit scheme

District Extension	Fisheries Division	Death and disability gratuity payments	
		No of subscribers	Amount Rs.
Kalutara		5	58,000.00
Galle			
Mahawewa		1	8,000.00
Matara		1	8,000.00
Colombo			
Tangalle		2	16,000.00
Puttlam			
Negombo		4	16,000.00
Batticaloa		1	8,000.00
Trincomalee			
Mannar		10	109,000.00
Kalmunai		3	8,000.00
Mulative			
Kilinochchi		5	90,000.00
Jaffna		11	175,000.00
Freshwater reservoirs			
Nuwaraeliya			
Polonnaruwa			
Ratnapura		-	-
Monaragala		-	-
Kurunegala		-	-
Anuradhapura		-	-
Matale		-	-
Kandy		-	-
Kegalle		-	-
Badulla		-	-
Vavuniya		-	-
Batticaloa-Freshwater		-	-
Total		43	516,000.00

Fishermen's pension and social security benefit scheme

District Extension Division	Fisheries	Payment of pension	
		No of subscribers	Amount Rs.
Kalutara		108	1,466,735.00
Galle		128	1,,768,743.00
Mahawewa		372	5,364,381.0
Matara		307	4,227,212.00
Colombo		58	796,503.00
Tangalle		242	3,338,532.00
Puttlam		57	853,507.00
Negombo		589	8,152,301.00
Batticaloa		458	6,489,204.00
Trincomalee		101	1,558,818.00
Mannar		398	5,515,855.00
Kalmunai		355	5,112,822.00
Mulative		67	1,003,615.00
Kilinochchi		289	4,685,551.00
Jaffna		831	11,360,164.00
Freshwater reservoirs			
Nuwaraeliya		7	103,754.00
Polonnaruwa		3	42,050.00
Ratnapura		3	54,365.00
Monaragala			
Kurunegala		2	34,004.00
Anuradhapura		5	67,248.00
Matale		6	119,184.00
Kandy		7	93,000.00
Kegalle			
Badulla		4	52,200.00
Vavuniya		1	15,204.00
Batticaloa-Freshwater		22	278,416.00
Total		4,420	62,553,368.00

Administrative and Human Resources Division

Administrative and Human Resources Division- 2018

Staff

The staff of the Agricultural and Agrarian Insurance Board was as follows as at 31.12.2018.

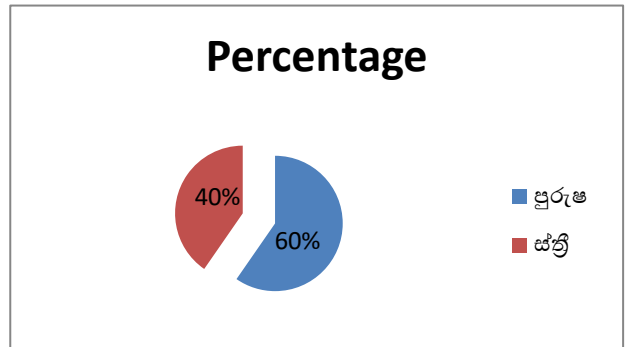
Composition of the staff

Service Category	Designation	Approved Cadre	Existing Cadre	Vacancies
Senior Management				
HM	Director General	1	1	-
HM	Director	5		5
Management				
MM	Deputy Director / Assistant Director	45	37	8
Junior Management				
JM	Administrative Officer	2	-	2
	Systems Administrator	1	-	1
	Financial Officer	1	-	1
	Planning Officer	1	-	1
Associated Officer				
ASS.O	Development Officer	55	38	17
	Supplies Officer	1	-	1
	Internal Audit Officer	1	-	1
Management Officer (Technical)				
MA - Tech	Transport Assistant	1	1	-
	Secretary	1	1	-
	Book Keeper	4	1	3
	Hardware & Networking Technician	1	1	-
	Technician (Audio/Visual)	1	-	1
Management Assistant (Non-technical)				
MA - NonTech	Management Assistant	220	153	67
Primary (Technical)				
PL - Skilled	Driver	38	25	13
Primary (Non Technical)				
PL - Non Skilled	Office Assistant	42	27	15
		421	285	136

Analysis of Staff as at 31.12.2018

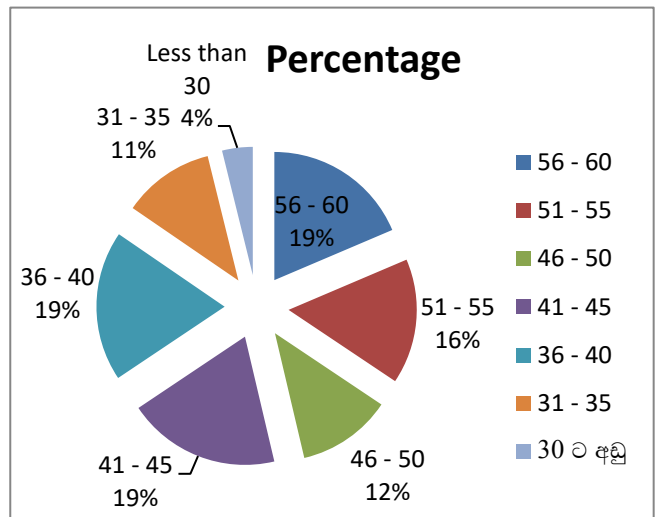
Staff- Gender Analysis

Male - 170
 Female - 115
 Total - 285



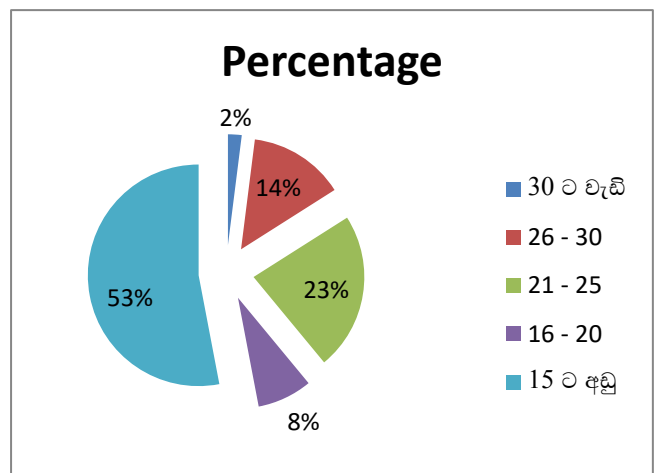
Age analysis

Age group	No of employees	Percentage
56 - 60	53	19%
51 - 55	45	16%
46 - 50	34	12%
41 - 45	55	19%
36 - 40	54	19%
31 - 35	33	11%
Less than 30	11	4%
Total	285	100%



Analysis as per period of service

Years	No of employees	Percentage
Above 30	49	2%
26 - 30	27	14%
21 - 25	24	23%
16 - 20	10	8%
Less than 15	175	53%
Total	285	100%



Retirement, deaths and vacation of posts in 2018

Male- 09
 Female- 08
 Total- 17

Employee Training and Academic Activities

Eighteen (18) officers of the Board participated in the training programme on Risk Based Capital organized by the International Financial Corporation affiliated to the World Bank.

Assistant Director Mr. E.M.N.B. Ekanayake and Development Officer K.Dixon participated in the one-day training workshop on agro-insurance conducted by the International Water Management Institute.

Assistant Director Mr. S.M.U.G.S.K. Subasinghe, Assistant Director Mrs. Jenith Waruni and Assistant Director Mrs. Dinusha Priyadarshani attended on-day seminar on Payee Tax and Withholding Tax conducted by the Sri Lanka Institute of Chartered Accountants.

Training workshop on Index Based Insurance as a method of agricultural risk management and its principles was held from September 25 -28, 2018 at Shangri La Hotel, Colombo and 09 officers of the Board participated in the workshop.

New Opportunities in a Digitally Connected World – Towards “No Poverty” and “Zero Hunger” workshop was held on 06th December 2018 Deputy Director I.U.K. Kaluarachchi and Assistant Director Mrs. D.K. Dissanayake were the participants of the Board.

Employee welfare

The programme of supplying morning and evening tea and the medical insurance scheme for the staff of the Board continued this year too as was done during the previous year. The New Year festival -2018 was held on 27th April 2018 at Samanalawewa ‘Divi Neguma’ Training Centre, Watawala, Mulgama, Balangoda with the participation of the staff and their family members.

Procurement and Transport

Supplies Divison

The printing of receipt books, third party insurance coverage books, third party insurance certificate cards, third party applications, insurance certificates, banners and leaflets in respect of insurance schemes operated by the board was awarded to the supplier institutions in line with the formal procurement procedures. Steps were taken to purchase an insurance card printing machine for the Kalutara District Office.

Uniforms for the employees holding posts of drivers and KKSs were provided in the year 2018.

Action was taken to dispose of condemned office equipment and furniture from the Embilipitiya, Ratnapura and Galle district offices adopting the proper procurement procedure.

As per requests made by the head office and district offices items of furniture, office equipment and computer accessories were purchased employing the procurement procedure.

Office Buildings

The Head Office of the Board was maintained at No. 117, Subhadrarama Road, Gangodawila, Nugegoda . The Board maintains 29 Regional Offices and action was taken to open a new office in the Kilinochchi district in the year 2018. Of the district offices, six are housed in buildings owned by the Board. Other offices are maintained in buildings owned by either the government or private parties on monthly rent basis.

Internal Audit Division

Internal Audit Division – 2018

Internal Audit Inspections

For the year 2018, internal audit activities were carried out in accordance with the annual internal audit plan prepared in respect of each division and district office and insurance schemes and social security programmes of the Board currently in operation.

Accordingly, during the year 2018, 27 internal audits centered on each division of the head office and 27 district offices scattered island-wide had been conducted by the Assistant Director and the Audit Officer (Acting) and Development Officer and a trainee audit officer of the Internal Audit Unit.

Internal audits were planned and implemented in respect of each of the following fields for the evaluation of adequacy, accuracy and functioning of the internal controls implemented for efficient and effective discharge of functions of each division and district offices with the prime objective of managing risks existing for the Agricultural and Agrarian Insurance Board.

Computing the interest and fines recoverable from Mr. Terrance Warushawithana who has been interdicted, computing the interest and fines recoverable from Mr. K. Heen Bandara who has been interdicted, making recommendations on the granting of medical assistance to Mr. Induil Jayasuriya and Mr. W.Gamage who have met with accidents while on duty, inspecting the payment of office rent-2017, inspecting the payment of salary increments to Field Officer Mr. Ranjith Kadurugamuwa, inquiring into the negligence of duties entrusted to by Mr. P. Priyankara of the Puttalam District, inspecting the payment of salary increments were the fields in the Administrative Division that were covered under the internal audits.

In respect of the Affairs of the Finance Division, the inspection of administrative accounts of the Kalutara district office, inspection of collection accounts of the Ampara district office, inspection of bank reconciliation statements of livestock insurance scheme and fishermen's pension scheme, inspection of administrative account and bank reconciliations of the death and disability pension scheme, inspection of the premia of the compulsory crop insurance scheme, inspection of petty cash balance as at 31.12.2018 were carried out.

Covering the activities of the Insurance Division, inspecting the payment of livestock insurance compensation at the Kandy district office and the operation of the third party insurance scheme in Galle was carried out while covering the activities of the Operations Division audits were carried out on the performance of 2017 and the payment of commuted travel allowance.

Inspecting the payment of pensions in respect of the Fishermen's Pension and Social Security Benefit Scheme, inspecting the obtaining of pensions fraudulently and unfairly by Mrs. K. Gnanawathi, (Anuradhapura) were the audit inspections carried out with respect to the Farmers' Pension Division.

Under the inspection of district offices, activities of the Kandy, Colombo and Ratnapura district offices were inspected.

Maintenance of coordinating activities with the Auditor General's Department, the Ministry of Agriculture and the Department of Public Enterprises has been carried out by the Internal Audit Division.

Conducting audit management committee meetings

The Audit Management Committee of the Agricultural and Agrarian Insurance Board for year 2018 comprised the following three member of the Board of Directors and 04 meetings of the Committee were held during the year.

Mrs Champa Balasuriya	- Chairman of the Committee	-Director, Public Enterprises Department
Mr. P.S.K.R. Weerakoon	- Member of the Committee	- Assistant Secretary, Ministry of Agriculture
Mr. D.V. Bandulasena	- Member of the Committee	-Commissioner General- Department of Agrarian Development
Internal Auditor	- Ministry of Agriculture	

The preparation of the annual audit plan, the review of the audits conducted by the Internal Audit Division, the review of government audit queries and the review of the Auditor General's report in respect of the financial reports were carried out at the Audit Management Committee meetings.

Planning Division

Planning Division – 2018

The Planning Division aligning itself with the vision and mission of the AAIB, coordinated with all divisions of the Board and made plans and designed projects and schemes required to achieve objectives and goals, collected data and statistics in chronological order analyzed same, submitted conclusions and recommendations and conducted research activities.

The Planning Division of the AAIB plays a crucial role in the preparation of the corporate plan, the action plan and all institutional plans incorporating the future programme of work expected to be implemented by the Board and is responsible for addressing all requirements in the implementation of plans so designed.

While maintaining sound relationships with other divisions of the Board, it is responsible for coordinating with the Ministry of Agriculture which is the line ministry, the Ministry of Finance, the Ministry of National Policies and Economic Affairs and one of the key duties of the division is the preparation of monthly, quarterly and annual progress reports that should be presented to the respective ministries and institutions.

In addition, the other major function of the division is the planning of the project for the introduction of the index based insurance scheme (Project No. 600663) with technical support from the International Finance Company (IFC) affiliated to the World Bank. The primary objective of this project is to enhance the effectiveness of agricultural insurance and to expand Sri Lanka's agricultural insurance within the insurance market.

Based on factors such as the ability to obtain weather data, distribution of farmer community and agricultural lands, the districts of Anuradhapura, Polonnaruwa, Kurunegala, Vavuniya and Ampara were selected for the pilot project of the index based insurance scheme. After conducting workshops and training sessions for the exchange of information and raise awareness on the index based insurance scheme with the participation of staff members of the district offices of the Board, the Department of Agriculture, Department Agrarian Development, Sri Lanka Mahaweli Authority and the Department of Meteorology, action was taken in the year 2018 to further improve the index based insurance scheme. The programmes of the Vavuniya district and Mahaweli H Zone are being implemented successfully on trial basis as of now.

Further, the Planning Division of the AAIB, exchanged information with the Department of Meteorology.

The main objective of the index based insurance scheme is to uplift agriculture which is constantly affected by natural disasters as a self-sustained economic model and to ensure farming community which tends to move away from farming remains in agriculture. This program is being implemented in partnership with other dedicated public sector institutions, the Department of Meteorology which provides rainfall data and the AAIB and the fundamental objective of this exercise is to network the data information received from the said institutions enabling the farmer community and other interested entities to have access to such information and establish regular linkages with districts for the constant exchange of information.

Since the introduction of an index based insurance scheme enables prompt indemnification through scientific and technical assessment of the impact on agriculture caused by weather conditions, a system will be put in place whereby indemnification can be carried out within a week for the aggrieved parties instead of the existing method under which the aggrieved parties are compensated after a lapse of a few months. In addition, by providing information on preventable agricultural risks to the agricultural sector, an early warning system for the management of risks will be established.

Further, the Planning Division is putting in place necessary arrangements to fulfill the sustainable development goals implemented jointly by the Ministry of Wildlife and Sustainable Development and the Ministry of Agriculture.

Finance Division

Financial Summary

The agricultural Insurance scheme of the Board posted a net profit of Rs 921 million in the year 2018, and the operational profit made during the year was Rs 1,144.7 million.

In terms of the budget proposals of 2018, “Kethata Aruna” insurance scheme was further expanded with the addition of five more crops to the paddy for which it was originally designed and it was operated as a compulsory crop insurance scheme. It was proposed to offer a cover subject to a ceiling of Rs. 40,000 per acre for the crops of paddy, maize, big onions, potato, soy and chilli.

Taking into consideration the severe drought that lasted several cultivation seasons and the impact of changes in climatic and weather patterns, it was decided not to charge the hitherto charged premium from farmers and instead the government paid the premia which amounted to Rs. 2,200 million.

Other insurance schemes have achieved a rapid growth during the year 2018 which amounted to year on year increase of 154.52%.

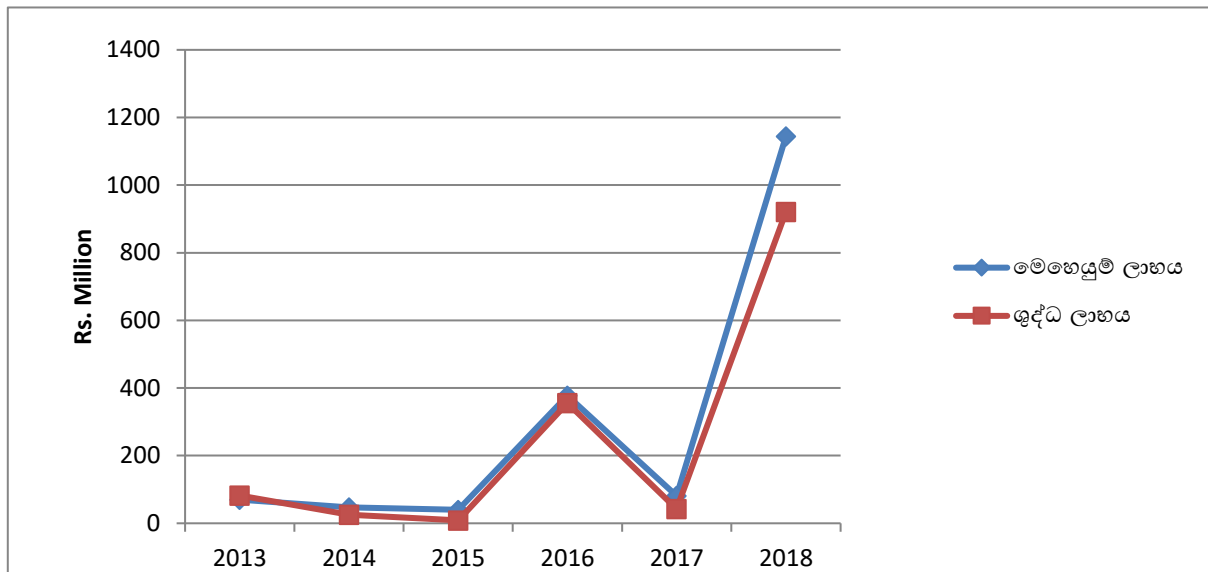
During the year 2018, the compulsory crop insurance indemnity liability of the AAIB was approximately Rs. 2,930 million.

During the year 2018, a net amount of Rs. 3,059 million was paid as pension to 15,907 farmers under the farmers’ pension scheme and the amount paid as pension under the Fishermen’s Pension Scheme to 50,464 fishermen was Rs 62.5 million.

**Financial Information of the five
preceding years**

Profitability

- Agricultural Insurance Scheme

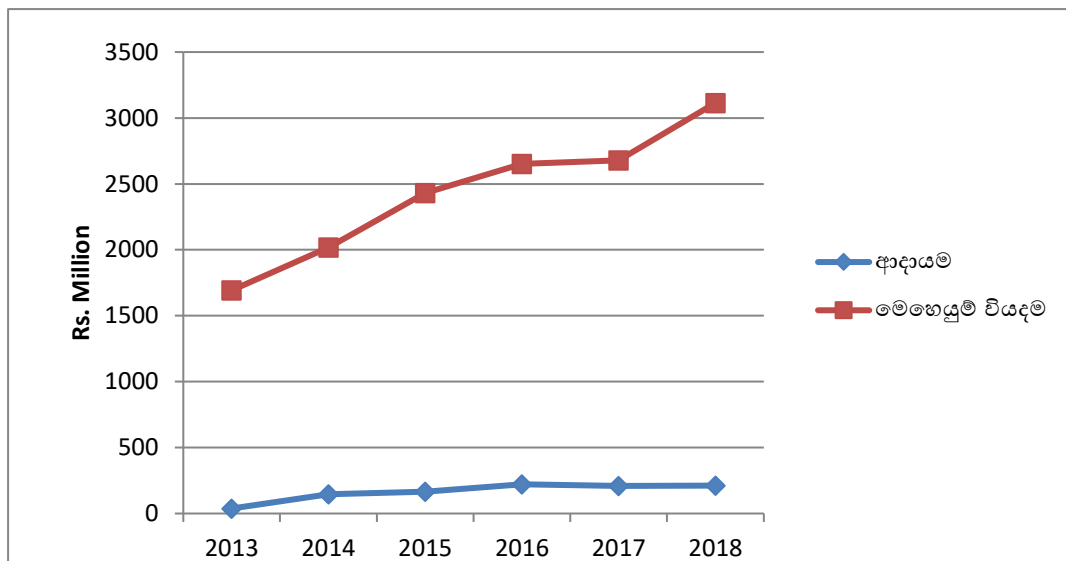


Year	2014	2015	2016	2017	2018
Operational profit	46.9	39.9	377.7	80.9	1,144.7
Net profit	25.3	8.7	355.8	42.3	921

In the year 2018, a net profit of Rs. 921 million was earned through the Agricultural Insurance Scheme which was a growth of 2,074.49% compared to the year 2017. The key contributory factor for this growth was the decision of the government to pay the premia for 06 crops under the compulsory crop insurance scheme introduced in the year 2018. Accordingly, a financial provision of Rs. 2,200 million was allocated to the Board by the government which resulted in the total insurance income of the Board reaching Rs. 2,482 million signifying a growth of 1486.71%. The income from insurance witnessed this increase consequent to the expansion of the previous insurance scheme as a mandatory scheme to cover 06 more crops island-wide.

In addition, the third party insurance scheme and other insurance schemes administered by the Board recorded impressive gains compared to the previous year. The income generated by the Board from these insurance schemes in the year 2018 was Rs 154.7 million which was a growth of 154.52% compared to year 2017. Accordingly, the Board was able to achieve the expected progress from all insurance schemes during the year 2018.

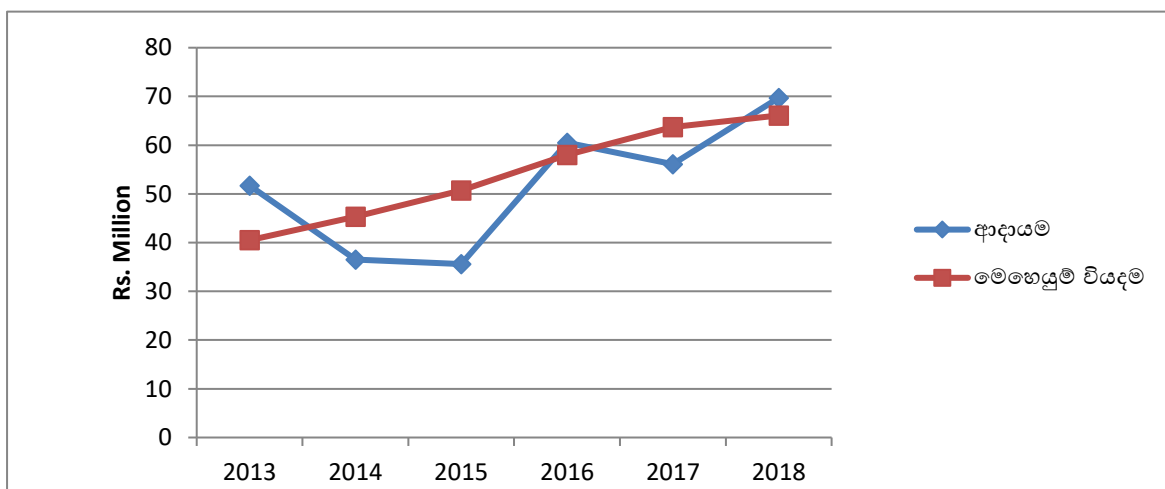
- Farmers Pension Scheme



Year	2014	2015	2016	2017	2018
Income	147	166	221.6	208.4	211.9
Operational expenditure	2,019	2,432	2,653	2,679	3,114

Under the new Farmers’ Pension Scheme introduced in year 2014, a net pension amounting to Rs. 3,059 million was paid to 154,907 farmers in 2018. The total operational expenditure of the Farmers’ Pension Scheme during the year was Rs 3,114 million and as in the previous year, this year too, the Treasury allocated Rs 2725 million as provisions for the payment of pension.

- **Fishermen’s Pensions Scheme**



Year	2014	2015	2016	2017	2018
Income	36.5	35.6	60.5	56.1	69.7
Operational Expenditure	45.3	50.7	58	63.7	66.1

During the year 2018, the amount paid as pension to fishermen was Rs 69.7 million and the funds available with the Board was used for this purpose. However if the existing pensions scheme for fishermen is to be continued further, it has been computed that by 2021 it will reach zero.

**Consolidated Financial Statements
for overall schemes
2018**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD						
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
FOR THE YEAR ENDED 31 st DECEMBER 2018						
	Notes	Scheme As at 31-12-2018			Group	
		AIS	FPS	FIPS	31-Dec-18	31-Dec-17
ASSETS						
<i>Non Current Assets</i>						
Plant, Property & Equipment		25,413,661	1,191,587	145,982	26,751,230	32,423,064
<i>Held to maturity Investment</i>						
Treasury Bond			1,053,000,000		1,053,000,000	1,072,068,692
		25,413,661	1,054,191,587	145,982	1,079,751,230	1,104,491,756
<i>Current Assets</i>						
Stocks		5,096,698	3,916,331	160,745	9,173,775	7,270,337
Receivables		1,051,179,368	14,733,099	613,272,812	258,315,948	338,915,211
Receivable Premium		1,763,743,052	2,364,791	-	1,766,107,843	21,808,076
Deposits & Pre Payments		432,864,800	-	-	432,864,800	4,637,672
Advances		671,432	-	-	671,432	670,334
Financial Instruments Held to Maturity		1,091,921,920	78,661,139	95,698,670	1,266,281,729	1,634,650,443
Cash at Bank		38,970,089	2,401,247	1,227,279	42,598,615	37,232,455
		4,384,447,360	102,076,607	710,359,506	3,776,014,141	2,045,184,527
TOTAL ASSETS		4,409,861,021	1,156,268,193	710,505,488	4,855,765,371	3,149,676,283
EQUITY & LIABILITIES						
<i>Capital & Reserve</i>						
AIB Accumulated (Deficit) / Surplus		1,288,286,716			1,288,286,716	367,207,363
Government Grant Capital		9,956,994	1,191,588		9,956,994	11,798,919
Government Grant		50,000,000			50,000,000	50,000,000
Farmer's Pension Fund			(71,617,229,871)		(71,617,229,871)	(67,774,374,701)
Group Insurance Fund - FPS		956,861,045			956,861,045	878,651,397
F.A.O. Grant			547,885		547,885	547,885
Group Insurance Contribution			1,000,000		1,000,000	1,000,000
Fishermen's Pension Fund				(2,947,929,045)	(2,947,929,045)	(2,656,607,635)
Staff Medical Insurance Fund		5,752,936			5,752,936	6,010,043
Group Insurance fund - FHS				26,661,515	26,661,515	25,315,775
<u>Other Fund</u>					-	-
AAIB Reserve Fund		100,397,962			100,397,962	43,161,366
Kethata Aruna Compulsory Insurance		706,503,600			706,503,600	706,503,600
		3,117,759,253	(71,614,490,399)	(2,921,267,530)	(71,419,190,263)	(68,340,785,987)
<i>Non Current Liabilities</i>						
Fisheries Pension Liability				3,590,887,004	3,590,887,004	3,297,559,198
Farmers Pension Liability			66,508,205,596		66,508,205,596	63,220,697,989
Government Grant on Treasury Bond			1,081,488,000		1,081,488,000	1,081,488,000
Provision For Gratuity		32,966,269	47,395,858	1,773,659	82,135,787	79,636,266
		32,966,269	67,637,089,454	3,592,660,663	71,262,716,386	67,679,381,453
<i>Current Liabilities</i>						
Provision For Printing		916,059	921,771	590,000	2,427,830	2,194,642
Pre Premium Receipts		30,274,270	-	-	30,274,270	5,540,783
Other Payables		82,285,293	5,128,869,061	37,272,653	3,828,749,264	3,369,167,778
Accrued Expenses		5,184,154	3,878,305	1,249,702	10,312,161	13,177,614
Provision For Indemnity		1,140,475,723	-	-	1,140,475,723	421,000,000
		1,259,135,499	5,133,669,138	39,112,355	5,012,239,248	3,811,080,818
TOTAL EQUITY & LIABILITIES		4,409,861,021	1,156,268,193	710,505,488	4,855,765,371	3,149,676,283

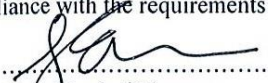
AGRICULTURAL AND AGRARIAN INSURANCE BOARD						
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
FOR THE YEAR ENDED 31st DECEMBER 2018						
	Notes	Scheme As at 31-12-2018			Group	
		AIS	FPS	FIPS	31-Dec-18	31-Dec-17
REVENUE						
Insurance Premium		282,791,000			282,791,000	156,474,160
Insurance Premium-Treasury Contribution		2,200,000,000			2,200,000,000	
Grants for Indemnities - NITF Crop Levy		1,790,322,777			1,790,322,777	1,816,320,000
Grants for Indemnities - Treasury		-			-	3,640,040,000
Farmer's Pension Collection			114,402,726		114,402,726	114,406,680
Interest - AAIB		125,396,022			125,396,022	122,341,957
Interest - FPS			97,556,670		97,556,670	94,067,526
Fishermen's Pension Collection				284,063	284,063	920,023
Interest - FSH				72,880,418	72,880,418	58,753,600
		4,398,509,799	211,959,396	73,164,480	4,683,633,675	6,003,323,946
Less : Operating Expenditure						
Indemnity - AAIB		(2,969,626,308)			(2,969,626,308)	(5,642,239,298)
Operational expenses - AAIB		(36,372,563)			(36,372,563)	(11,995,426)
Pension payments & commission			(3,072,162,966)	(63,299,471)	(3,135,462,437)	(2,689,287,933)
Group Insurance Paid - FPS			(19,853,880)		(19,853,880)	(21,175,440)
Reinsurance Premium		(247,779,000)			(247,779,000)	-
Other Operational expenses - FPS			(1,228,863)		(1,228,863)	(1,298,487)
Refund of Contribution & Net Interest			(21,408,429)	(989,243)	(22,397,672)	(29,684,778)
Group Insurance Paid - FSH				(1,775,740)	(1,775,740)	(1,766,725)
Incentive of - FSH				(5,258)	(5,258)	(44,926)
		(3,253,777,871)	(3,114,654,138)	(66,069,712)	(6,434,501,721)	(8,397,493,014)
Operational surplus / (Deficit)		1,144,731,928	(2,902,694,742)	7,094,768	(1,750,868,046)	(2,394,169,068)
Amortization Of Gov: Grant		3,996,919	516,933		4,513,852	3,404,934
ADD:						
Govt. Grant for Pension Payments			2,725,000,000		2,725,000,000	2,520,000,000
Govt. Grant for Admin Expenses		-	110,000,000		110,000,000	240,000,000
Farmers Contribution for Admin Exp.			1,523,535		1,523,535	1,773,165
Grant for Admin: Expenses - FSH				1,500,000	1,500,000	1,500,000
Other Income			20,400	-	20,400	44,911,158
		-	2,836,543,935	1,500,000	2,838,043,935	2,808,184,323
		1,148,728,848	(65,633,874)	8,594,768	1,091,689,741	417,420,189
Less : Expenses						
Admin Expenses		(169,042,621)	(131,656,888)	(6,347,218)	(307,046,727)	(293,127,879)
Finance & Others		(690,340)	(114,719,686)	-	(115,410,026)	(88,110,721)
		(169,732,961)	(246,376,573)	(6,347,218)	(422,456,752)	(381,238,600)
NET SURPLUS / (DEFICIT)		978,995,887	(312,010,448)	2,247,550	669,232,989	36,181,589
Less : Provision for A.A.I.B Reserve fund		(57,236,596)			(57,236,596)	(4,047,070)
Net Surplus (deficit) After Provision		921,759,290	(312,010,448)	2,247,550	611,996,393	32,134,519
Other comprehensive income						
Gratuity gains / (losses)		(679,937)	687,767	(241,154)	(233,325)	(12,132,063)
Increase in Pension Liability			(3,287,507,607)	(293,327,806)	(3,580,835,413)	(3,915,420,834)
		(679,937)	(3,286,819,840)	(293,568,960)	(3,581,068,738)	(3,927,552,897)
Net Surplus /Deficit of the Comprehensive inc		921,079,353	(3,598,830,288)	(291,321,410)	(2,969,072,345)	(3,895,418,378)
		921,079,352.83	(3,598,830,287.64)	-291321410.4	(2,969,072,345.18)	-3895418378
		-	-	-	-	0.00

**Financial Statements as at 31
December 2018
Agricultural Insurance Scheme**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

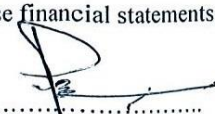
	Notes	31.12.2018		31.12.2017	
		Rs.	Cts.	Rs.	Cts.
<u>ASSETS</u>					
<u>Non- Current Assets</u>					
Property, Plant & Equipment	1	25,413,661.29		30,569,606.02	
		<u>25,413,661.29</u>		<u>30,569,606.02</u>	
<u>Current Assets</u>					
Stocks	2.1	5,096,698.44		4,414,703.49	
Receivables	2.2	1,051,179,367.54		983,371,790.18	
Receivable Premium	2.3	1,763,743,052.09		18,639,911.06	
Deposits & Pre Payments	2.4	432,864,799.56		4,637,672.00	
Advances	2.5	671,432.49		670,333.69	
Financial Instruments Held to Maturity	2.6	1,091,921,920.45		1,545,570,138.37	
Cash at Bank	2.7	38,970,089.05		33,872,222.42	
Total current Assets		<u>4,384,447,359.62</u>		<u>2,591,176,771.21</u>	
TOTAL ASSETS		<u>4,409,861,020.91</u>		<u>2,621,746,377.23</u>	
<u>EQUITY & LIABILITIES</u>					
<u>Capital & Reserve</u>					
Initial Capital Contributed by the Treasury		50,000,000.00		50,000,000.00	
A.A.I.B. Accumulated Fund	3	1,288,286,716.11		367,207,363.28	
Government Grant - Capital	4	9,956,993.57		11,798,919.21	
A.A.I.B Reserve Fund	5	100,397,962.35		43,161,365.93	
Farmer's Death Gratuity Fund	6	956,861,044.93		878,651,396.82	
Staff Medical Insurance Fund		5,752,936.35		6,010,043.35	
Kethata Aruna Compulsory Insurance Fund		706,503,600.00		706,503,600.00	
		<u>3,117,759,253.31</u>		<u>2,063,332,688.59</u>	
<u>Non - Current Liabilities</u>					
Provision For Gratuity		32,966,268.90		33,365,067.80	
		<u>32,966,268.90</u>		<u>33,365,067.80</u>	
<u>Current Liabilities</u>					
Provision For Printing		916,058.80		907,871.30	
Pre Premium Receipts	7.1	30,274,270.03		5,540,783.06	
Other Payables	7.2	72,831,230.60		89,085,282.61	
Accrued Expenses	7.3	14,638,216.27		8,514,683.87	
Provision For Indemnity	7.4	1,140,475,723.00		421,000,000.00	
Total Current Liabilities		<u>1,259,135,498.70</u>		<u>525,048,620.84</u>	
TOTAL EQUITY & LIABILITIES		<u>4,409,861,020.91</u>		<u>2,621,746,377.23</u>	

These financial statements are in compliance with the requirements of the Sri Lanka Accounting Standards.


.....
Head of Finance

The Board of Directors are responsible for the preparation and presentation of these financial statements.
Signed for on behalf of the Board by:


.....
Member of Director Board
Agricultural & Agrarian Insurance Board


.....
Member of Director Board
Agricultural & Agrarian Insurance Board

AGRICULTURAL & AGRARIAN INSURANCE BOARD					
AGRICULTURE INSURANCE SCHEME					
STATEMENT OF COMPREHENSIVE INCOME					
FOR THE YEAR ENDED 31ST DECEMBER 2018					
		31.12.2018		31.12.2017	
REVENUE	Notes	Rs.	Cts.	Rs.	Cts.
Premium - Insurance	8.1	282,790,999.84		156,474,160.43	
Insurance Premium-Treasury Contribution		2,200,000,000.00		-	
Grants for Indemnities - NITF Crop Levy		1,790,322,777.09		1,816,320,000.00	
Grants for Indemnities - Treasury		-		3,640,040,000.00	
Interest	8.2	125,396,022.36		122,341,956.56	
TOTAL REVENUE		4,398,509,799.29		5,735,176,116.99	
OPERATING EXPENSES					
Indemnity	9.1	(2,969,626,308.14)		(5,642,239,298.42)	
Reinsurance Premium		(247,779,000.00)			
Operating Expenses	9.2	(36,372,562.80)		(11,995,426.04)	
		(3,253,777,870.94)		(5,654,234,724.46)	
OPERATING SURPLUS/(DIFICIT)		1,144,731,928.35		80,941,392.53	
Govt. Grant for Admin Expenses		-		120,000,000.00	
Other Income	10	3,996,919.16		10,122,789.68	
		3,996,919.16		130,122,789.68	
		1,148,728,847.51		211,064,182.21	
EXPENSES					
Administrative Expenses	11	(169,042,620.74)		(160,849,213.53)	
Finance & Other Expenses	12	(690,340.26)		(284,760.34)	
TOTAL EXPENSES		(169,732,961.00)		(161,133,973.87)	
NET SURPLUS/ (DEFICIT)		978,995,886.51		49,930,208.34	
Provision For A.A.I.B Reserve Fund		(57,236,596.42)		(4,047,069.63)	
NET SURPLUS/ (DEFICIT) AFTER PROVISION		921,759,290.09		45,883,138.71	
COMPREHENSIVE INCOME					
Gratuity Gain/Loss		(679,937.26)		(3,524,752.30)	
		(679,937.26)		(3,524,752.30)	
NET SURPLUS/ (DEFICIT) AFTER COMPREHENSIVE INCOME		921,079,352.83		42,358,386.41	

AGRICULTURE & AGRARIAN INSURANCE BOARD					
AGRICULTURE INSURANCE SCHEME					
STATEMENT OF CHANGES IN EQUITY AS AT 31ST DECEMBER 2018					
	Govt. Grant for Capital	Accumulated Surplus/ Deficit	AAIB Reserve Fund	Farmer's Death Gratuity Fund	Staff Medical Insurance
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st Dec 2016	11,203,853	324,889,782	39,114,296	815,461,274	5,077,451
Addition during the year:			4,047,070	63,190,123	932,592
Govt. Grant	4,000,000				
Amortization Gov. Grant Farmers Pension	(3,404,934)				
Prior year adjustment		(40,805)			
Net Surplus /(Deficit)		42,358,386			
Balance as at 31st Dec 2017	11,798,919	367,207,363	43,161,366	878,651,397	6,010,043
Addition during the year:	2,000,000		57,236,596	78,209,648	(257,107)
Govt. Grant	(3,841,926)				
Amortization Gov. Grant Farmers Pension					
Net Surplus /(Deficit)		921,079,353			
Balance as at 31st Dec 2018	9,956,994	1,288,286,716	100,397,962	956,861,045	5,752,936

AGRICULTURAL & AGRARIAN INSURANCE BOARD				
AGRICULTURE INSURANCE SCHEME				
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2018				
	31.12.2018		31.12.2017	
	Rs.	Cts.	Rs.	Cts.
Cash Flows from Operating Activities				
Net Surplus / (Deficit)	921,079,352.83		42,358,386.41	
Adjustment for				
Depreciation	8,744,992.83		8,367,285.90	
Adjustments in respect of Prior year		-	(40,805.21)	
Provision For A.A.I.B Reserve Fund	57,236,596.42		4,047,069.63	
Gratuity Gain/Loss	679,937.26		3,524,752.30	
	66,661,526.51		15,898,302.62	
Profit / loss on disposal of Property, Plant & Equip.	(28,653.96)		(6,695,565.22)	
Provision for Retiring Gratuity	4,982,837.14		4,176,285.44	
Operating Surplus before working capital changes	992,695,062.52		55,737,409.25	
(Increase)/ Decrease in Inventories	(681,994.95)		(884,850.43)	
(Increase)/ Decrease in Receivables	(67,807,577.36)		(294,565,853.79)	
(Increase)/ Decrease Receivable Premium	(1,745,103,141.03)		(7,800,089.61)	
(Increase)/ Decrease in Deposits & Prepayments	(428,227,127.56)		(70,000.00)	
(Increase)/ Decrease in Advances	(1,098.80)		51,391.55	
Increase /(Decrease) Provision For Indemnity	719,475,723.00		189,198,036.68	
Increase /(Decrease) Provision For Printing	8,187.50		150,000.00	
Increase /(Decrease) Pre-premium advance	24,733,486.97		3,268,234.61	
Increase /(Decrease) Other Payables	(16,254,052.01)		32,739,172.95	
Increase /(Decrease) Accrued expenses	6,123,532.40		2,948,499.12	
	(1,507,734,061.84)		(74,965,458.92)	
Cash Generated from Operations	(515,038,999.32)		(19,228,049.67)	
Retiring Gratuity - Paid	(6,061,573.29)		(5,395,906.00)	
Net Cash Flows from Operating Activities	(521,100,572.61)		(24,623,955.67)	
Cash Flows from Investing Activities				
Medical Fund	(257,107.00)		932,592.39	
Farmer's Death Gratuity Fund	78,209,648.11		63,190,123.08	
Kethata Aruna Compulsory Insurance Fund		-	706,503,600.00	
Investments during the year	453,648,217.92		(732,091,099.24)	
Purchases of Property, Plant & Equipment	(3,591,379.15)		(6,649,515.50)	
Proceeds from sale of Property, Plant & Equipment	30,985.00		6,716,615.00	
Net Cash Flows from Investing Activities	528,040,364.88		38,602,315.73	
Cash Flows from Financing Activities				
Government Grant for Capital expenditure	2,000,000.00		4,000,000.00	
Amortization of Government Grant	(3,841,925.64)		(3,404,933.84)	
Net Cash Flows from Financing Activities	(1,841,925.64)		595,066.16	
Net Increase / (Decrease) in Cash & Cash Equivalents	5,097,866.63		14,573,426.22	
Cash & cash equivalents at the beginning of the year	33,872,222.42		19,298,796.20	
Cash & cash equivalents at the end of the year	38,970,089.05		33,872,222.42	

**Agricultural and Agrarian Insurance Board
Agriculture Insurance Scheme
Significant Accounting Policies
For the Year Ended 31st December 2018**

1. General Policies

1.1 Reporting Entity

Agricultural and Agrarian Insurance Board of Sri Lanka (hereafter referred to as the 'Board') was incorporated by Act No.20 of 1999 and is situated at 117, Subadharama Road, Gangodawila, Nugegoda.

1.2 Principal Activities and Nature of Operations

The board is primarily involved in the Agricultural Insurance including agricultural and horticultural crops, medical plants, livestock, fisheries and forestry, agricultural equipment and implements and the storage and preservation of agricultural & horticultural produce and the products of medicinal plants, fisheries and forest produce. Further the board is also engaging in providing medical benefits, operating social security schemes and fertilizer insurance scheme for agriculturists. There were no changes in the nature of the principal activities of the board during the financial year under review.

1.3 Basis of Preparation

(a) Statement of Compliance

The financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves, statement of cash flows and notes to the financial statements. These statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.

(b) Basis of Measurement

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes.

(c) Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter- period comparability.

When the presentation or classification of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

(d) Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of the board.

(e) Use of Estimates and Judgments

The preparation and presentation of financial statements in conformity with SLFRS/LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments used.

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.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the notes to the financial statements.

(f) Going Concern

The management has made an assessment of the board's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

2. Assets and the Bases of their Valuation

2.1 Property, Plant and Equipment

(a) Recognition and Measurement

Items of property, plant and equipment are stated at cost or at fair value less accumulated depreciation or impairment losses.

All items of property, plant and equipment are initially recorded at cost less accumulated depreciation or impairment losses. Significant components of an asset are identified and depreciated separately. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognized in the income statement as incurred.

Fully depreciated assets with a total historical cost of Rs.55,412,275.16 has been included in property plant and equipment.

(b) Cost

The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

Subsequent expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or increase the earning capacity of the assets has been treated as capital expenditure.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied within the part will flow to the Board and its cost can be measured reliably.

(c) Depreciation

Depreciation is charged to the statement of comprehensive income on the straight line method at the following rates per annum in order to write off the cost of such assets over their estimated useful lives.

Building	4%
Motor Vehicle	20%
Furniture & Fitting	10%
Publicity Equipment	10%
Loss Preventive Equipment	10%
Crop Cutting Equipment	10%
Bicycles	20%
Survey Equipment	10%
Weighing Scale	10%
Welfare Equipment	10%
Telephone	20%
Computer	20%
Motor Bicycles	20%

2.2 Intangible Assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 – Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortization and any accumulated impairment loss.

Computer software is amortized over a period of 5 years on the straight line method.

2.3 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

2.4 Financial Assets

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Board determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Board initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Board becomes a party to the contractual provisions of the instrument.

The Board derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset is transferred. Any interest in transferred financial assets that is created or retained by the Board is recognized as a separate asset or liability.

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

The financial assets of the Board include cash and short term investments and trade and other receivables.

(a) Financial Assets at Fair Value through Profits or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance expense in the statement of comprehensive income.

(b) Loans & Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

Loans and receivables comprise trade receivables, employee loans, deposits, advances, other receivables and cash and cash equivalents.

(c) Held-to-Maturity Investments (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Board has the positive intention and ability to hold them to maturity. After initial measurement, held-to maturity investments are measured at amortized cost using the effective interest rate (EIR) method, less impairment. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in financial costs.

Investments in government securities and in fixed deposits have been classified under HTM investments.

(d) Available-for-Sale Financial Investment

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserved in funds and reserves. Interest income on available-for-sale debt securities is calculated using the effective interest rate method (EIR) and is recognized in profit or loss. When an investment is derecognized, the gain or loss accumulated in funds and reserves reclassified to profit or loss.

The board has not designated any financial asset upon initial recognition as available-for sale investment.

2.5 Impairment of Financial Assets

The board assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such impairment has occurred, that amount of impairment is calculated by taking the difference between the assets carrying amount and the present value of estimated future cash flow.

3. Liabilities and Provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognized when the Board has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.1 Provision for Claims

Liability for outstanding claims are recognized based on the risk factors of crop and insured subject matter. Following table shows the indemnity provision made for the financial year 2018.

Insured Subject	Provision for Indemnity (Rs.)
Kethata Aruna	1,105,000,000.00
Livestock	8,000,000.00
Suwasetha and Agri Equipment	500,000.00
Subsidiary Crops	15,000,000.00
Moveable Property	11,975,723.00
	1,140,475,723.00

3.2 Provision for Bad Debts

A 5% provisions has been made from the total staff loan as the Provision for Doubtful Debts.

3.3 Retirement Benefits

A Provision has been made for retiring gratuities from the completion of the first year of service for all permanent employees in conformity with Sri Lanka Accounting Standard 19 Retirement Benefits costs. However, according to the Payment of Gratuity Act No.12 of 1983 the liability to an employee arises only on completion of five years of continued service. The liability is not externally funded.

3.4 Capital Commitments and Contingent Liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitments and contingent liabilities of the Board are disclosed in the respective notes to the financial statements.

4. Statement of Comprehensive Income

4.1 Revenue

1. The revenue of the board represents the income from insurance premium and interest income from treasury bills and loans of employees, and other miscellaneous income.
2. All income has been recognized on accrual basis.
3. Insurance Premium have been received from the Government as subsidy on behalf of the farmers.
4. Government Grants received for capital expenditure has been recognized as income on systematic basis.

4.2 Revenue Recognition

1. Insurance premium revenue has been recognized based on the time of insured.
2. The above revenue is on accrual basis & matched with related expenditure.
3. Interest income is accrued on time basis.

4.3 Accounting for Government Grants

Grants that compensate the Board for expenses incurred are recognized as revenue in the statement of comprehensive income in the same period in which the expenses are recognized. Grants that compensate the Board for the cost of an asset are recognized in the statement of comprehensive income on a systematic basis over the useful life of the related asset.

4.4 Expenditure

Expenses are recognized in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the board and in maintaining the capital assets in a state of efficiency has been charged against revenue in arriving at the surplus for the year.

The indirect expenses of the board apportioned on the following rates by the board paper No: 401/4 - 2008.10.15

Expenditure	Rates
Salaries, EPF, ETF, Gratuity	50%
Medical Expenses	50%
Consultancy Fees	60%
Welfare	50%
Uniform	50%
Entertainment	60%
Printing	60%
Legal Fees	40%
Allowances to B/Members	60%
Rent	55%
Telephone	55%
Postage	40%
Electricity	55%
Travelling, Over Time	50%
Water Bill	55%
Daily Pay	50%
Security	75%
Main Office Equipment	75%
Main. Vehicle	57%
Computer Expenses	75%
Fuel Expenses	68%
Stationery	50%
Main. Building	55%
Publicity & Training	80%

4.3 Surplus

The surplus will be computed after making provisions for all the liabilities, bad and doubtful debts and depreciation for property, plant and equipment.

4.4 Reserve Fund

A contingency reserved fund was created year in the 2002 & the policy is to provide 5% from the operational surplus.

4.5 Pre-Premium

Insurance premium receipts for livestock and compulsory insurance have been treated as pre-premium, if received in advance.

5. Statement of Cash Flows

The cash flow statement of the scheme has been presented using the indirect method, in accordance with the LKAS 7.

6. Events After the Reporting Date

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

7. Related Party Transactions

Famers Pension Scheme and the Fisheries Pension Scheme are considered as related parties of Agricultural Insurance Scheme. The transactions carried out with these related parties are been disclosed based on fair value. Agricultural Insurance Scheme has granted a loan amounting to Rs. 295,230,441.79 to Farmers Pension Scheme.

8. Prior Year Adjustments

No prior year adjustments in reporting period.

9. Re insurance Payment

Obtain reinsurance coverage from HLAP Ltd (As the Broker on record) and National Insurance Trust Fund for Paddy, Maize, Potato, Big Onion, Soya and Chilly for the period from 31 March 2018 to 31 March 2019. Total Reinsurance premium amounting is Rs. 675,760,000 paid between HLAP Ltd and National Insurance Trust Fund 70% and 30% respectively.

10. Contingencies

Six legal cases have been examined and the current status of the cases are disclosed in the following table.

Current Status of the Legal Cases of AAIB

	Court	Case No	Petitioner / Defendant	Subject	Current Status
1	Colombo District Court	21843 MR 21844 MR 21845 MR	AAIB vs. Bank Of Ceylon	Investments and Investment Interest	Ordered for Reinvestigation
2	Anuradhapura Magistrate Court	B/2171/2002	Police vs. Mr.K.A.Heen Bandara	Fraudulent of farmers pension premium	The case is kept down
3	Anuradhapura Magistrate Court	B/520/2013	Police vs. Mr.K.G.Sudath Bandara	Fraudulent of farmers pension premium	Directed for attorney general
4	Anuradhapura Magistrate Court	61467	Police vs. Mr. T. A. Ratnasiri and Mr. Kamal Uduwana	Engaged in illegal pyramid schemes	Trial is on. Have been released under a bail on 20 th Jan 2016
5	Colombo High Court	3/8/2 M. C./2006	Police vs. AAIB	Mawillaru crop indemnity	Directed to Attorney- at-Law
6	Elpitiya Magistrate Court	91838	Police vs. Mr. P.M. D. Dammika Chandranath	Southern highway accident	Trial is on

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31ST DECEMBER 2018

NOTE 1 - NON CURRENT ASSETS

	Rs. Cts.								
	Cost as at 31.12.2017	Cost Addition	Disposal Assets 31.12.2018	Cost as at 31.12.2018	Accum.Dep as at 31.12.2017	Disposal Assets Accum.Depn 31.12.2018	Dep For the Year	Accum.Dep as at 31.12.2018	W.D.V as at 31.12.2018
ASSETS									
FURNITURE & FITTINGS	10,612,046.33	944,855.87	221,198.40	11,335,703.80	8,549,519.90	219,366.11	366,260.61	8,696,414.40	2,639,289.40
OFFICE EQUIPMENTS	12,644,647.38	354,355.00	664,476.00	12,334,526.38	9,772,501.73	664,476.00	439,222.93	9,547,248.66	2,787,277.72
MOTOR VEHICLE	58,832,592.28	-	-	58,832,592.28	43,921,758.94	-	5,420,000.00	49,341,758.94	9,490,833.34
WELFARE EQUIPMENTS	596,191.00	122,940.00	13,150.00	705,981.00	440,955.37	12,651.25	38,273.92	466,578.04	239,402.96
COMPUTER EQUIPMENTS	14,795,575.45	2,152,228.27	922,189.14	16,025,614.58	8,426,046.36	922,189.14	2,114,858.11	9,618,715.33	6,406,899.25
TELEPHONE	1,510,807.50	-	-	1,510,807.50	1,488,054.83	-	14,721.25	1,502,776.08	8,031.42
MOTOR BICYCLE	146,300.00	-	-	146,300.00	146,300.00	-	-	146,300.00	-
BUILDING	8,079,299.28	-	-	8,079,299.28	4,201,278.87	-	268,224.85	4,469,503.72	3,609,795.56
PUBLICITY EQUIPMENTS	2,012,819.29	-	-	2,012,819.29	1,714,256.48	-	80,456.17	1,794,712.65	218,106.64
BICYCLE	121,227.95	17,000.00	388.75	137,839.20	121,227.95	388.75	2,975.00	123,814.20	14,025.00
CROP CUTTING EQUIPMENTS	60,371.00	-	-	60,371.00	60,371.00	-	-	60,371.00	-
LOSS PREVENTIVE EQUIP:	41,280.00	-	-	41,280.00	41,280.00	-	-	41,280.00	-
SURVEY EQUIPMENTS	4,399.00	-	-	4,399.00	4,399.00	-	-	4,399.00	-
WEIGHING SCALE	1,036.35	-	-	1,036.35	1,036.35	-	-	1,036.35	-
NORAD EQUIPMENTS	344,423.50	-	-	344,423.50	344,423.50	-	-	344,423.50	-
	109,803,016.30	3,591,379.14	1,821,402.29	111,572,993.16	79,233,410.28	1,819,071.25	8,744,992.84	86,159,331.87	25,413,661.29

Note

Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs.55,412,275.16 as at 31st December 2018

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
FOR THE 31ST DECEMBER 2018			
		31.12.2018	31.12.2017
		Rs. Cts.	Rs. Cts.
<u>NOTE 2 - CURRENT ASSETS</u>			
<u>Note 2.1 - Stock</u>			
Printing Materials		3,649,599.17	3,431,058.88
Stationary		1,447,099.27	983,644.61
		5,096,698.44	4,414,703.49
<u>Note 2.2 - Receivables</u>			
Staff Loans & Advance		43,476,587.79	42,273,090.48
Motor cycle loan		1,572,637.53	632,955.90
Salary Receivables		342,023.38	342,023.38
Staff Special Loan - 2004		4,800.00	4,800.00
Life insurance premium Receivable		212,449,360.00	194,619,125.00
Sundry Debtors		51,542.75	51,542.75
Receivables from C. W. E		256,520.00	256,520.00
NITF		200,000,000.00	223,000,000.00
Motor cycle Expenses (Staff) -		2,566.70	2,566.70
Farmers Pension Scheme (Admin)		116,771,772.45	96,560,052.88
Fisheries Pension Scheme		34,353,102.71	27,780,919.99
Farmers Pension Scheme (Capital)		1,191,587.68	1,687,840.49
Farmers Pension Advance		442,880,695.94	398,274,007.14
Provision for bad debtors		(2,173,829.39)	(2,113,654.53)
		1,051,179,367.54	983,371,790.18
<u>Note 2.3 Receivable Premium</u>			
Paddy		-	8,518,638.10
Subsidiary Crop		529,484.39	8,862,342.94
Livestock		1,033,245.20	1,181,720.02
Suwasettha and Personal		60,322.50	77,210.00
Insurance Premium-Treasury Contribution		1,762,120,000.00	-
		1,763,743,052.09	18,639,911.06
<u>NOTE 2.4 - Deposits & Pre Payment</u>			
Deposit - (Fuel)		150,000.00	150,000.00
Deposit - (Transport)		5,000.00	5,000.00
Insurance		50,877.56	-
Re-Insurance		427,981,000.00	-
Rent		4,677,922.00	4,482,672.00
		432,864,799.56	4,637,672.00

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31ST DECEMBER 2018</u>			
		31.12.2018	31.12.2017
		Rs. Cts.	Rs. Cts.
<u>Note 2.5 - Advances</u>			
Traveling Advance		12,000.00	10,500.00
Fuel Advance		41,626.95	42,028.15
Salary Advance		50,261.41	50,261.41
Miscellaneous Advance		1,035.00	1,035.00
Capital Advance		565,800.00	565,800.00
District Admin.acct		709.13	709.13
		671,432.49	670,333.69
<u>Note 2.6 - Financial Instruments Held to Maturity</u>			
Treasury Bills		1,091,921,920.45	1,545,570,138.37
		1,091,921,920.45	1,545,570,138.37
<u>Note 2.7 - Cash at Bank</u>			
B. O C A/C -164811		1,530,799.21	302,878.29
B.O.C A/C - 164667		1,422,336.06	865,467.07
B.O.C A/C -164693		1,013,699.89	302,117.30
B.O.C A/C -1622		440,465.90	665,282.93
B.O.C A/C -1616		92,223.06	11,134,688.87
B.O.C A/C -8600879		125,134.91	331,767.32
B.O.C A/C -8600818		258,814.16	30,683.84
P.B A/C -112352		247,267.80	194,053.10
P.B. A/C -112343		90,119.30	59,816.30
P.B A/C - 100440112349		74,505.69	26,568.00
P.B A/C - 100260112349		53,040.00	-
P.B A/C - 100350112349		156,799.62	-
P.B A/C - 100170112349		392,948.34	288,997.86
P.B A/C -335100190008791		381,247.40	1,115,257.22
P/B A/C - 335100280008791		858,021.08	245,084.24
P/B A/C - 100530112349		1,250,865.21	187,594.01
RDB A/C- 134010103277		30,581,801.42	18,121,966.07
		38,970,089.05	33,872,222.42

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31ST DECEMBER 2018</u>			
		31.12.2018	31.12.2017
		Rs. Cts.	Rs. Cts.
<u>NOTE 3 - A.A.I.B. ACCUMULATED SURPLUS</u>			
B / F Balance		367,207,363.28	324,889,782.08
Prior Year Adjustment		-	(40,805.21)
Adjusted Balance on 31.12.2017		367,207,363.28	324,848,976.87
Less:			
Surplus(Deficit) for the year		921,079,352.83	42,358,386.41
Balance as at 31.12.2018		<u>1,288,286,716.11</u>	<u>367,207,363.28</u>
<u>NOTE 4 - CAPITAL</u>			
Govt. Grant For Capital			
Balance as at 01.01.2018		11,798,919.21	11,203,853.03
Add:			
Grant for the year		2,000,000.00	4,000,000.00
Amortizations Gov. Grant		(3,841,925.64)	(3,404,933.82)
Balance as at 31.12.2018		<u>9,956,993.57</u>	<u>11,798,919.21</u>

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31ST DECEMBER 2018</u>			
		31.12.2018	31.12.2017
		Rs. Cts.	Rs. Cts.
<u>NOTE 5 - A.I.B. RESERVE FUND</u>			
Balance as at 01.01.2018		43,161,365.93	39,114,296.31
Add:			
Provision for the year		57,236,596.42	4,047,069.63
Balance as at 31.12.2018		<u>100,397,962.35</u>	<u>43,161,365.93</u>
<u>NOTE 6 - FARMERS DEATH GRATUITY FUND</u>			
Balance as at 01.01.2018		878,651,396.82	815,461,273.74
Add :			
Death Gratuity Premium		19,853,880.00	21,175,440.00
Interest Income		60,379,413.11	44,813,008.08
		<u>80,233,293.11</u>	<u>65,988,448.08</u>
Less :			
Death Gratuity Payment		2,023,645.00	2,783,325.00
Disablement Gratuity Payment		-	15,000.00
		<u>2,023,645.00</u>	<u>2,798,325.00</u>
Balance as at 31.12.2018		<u>956,861,044.93</u>	<u>878,651,396.82</u>

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31ST DECEMBER 2018</u>			
		31.12.2018	31.12.2017
		Rs. Cts.	Rs. Cts.
<u>NOTE 7 - CURRENT LIABILITIES</u>			
<u>Note 7.1 - Pre - Premium Receipts</u>			
Pre - Premium - Livestock		2,960,947.18	1,925,525.84
Pre - Premium - Kethata Aruna		27,313,322.85	3,615,257.22
		30,274,270.03	5,540,783.06
<u>Note 7.2 - Other Payables</u>			
Provision for Employee Allowance		1,560,000.00	1,550,000.00
Refundable Tender deposits		471,030.60	455,530.60
Payable EPF & ETF		-	4,152,202.01
Unclaimed Indemnities		70,800,200.00	82,927,550.00
		72,831,230.60	89,085,282.61
<u>Note 7.3 - Accrued Expenses</u>			
Admin. Expenses	7.3.1	5,184,154.29	7,115,906.99
Incentive - Crop Insurance		7,949,964.97	1,398,776.88
Incentive - Movable Property		1,504,097.01	-
		14,638,216.27	8,514,683.87
<u>Note 7.4 - Provision For Indemnity</u>			
Livestock		8,000,000.00	8,000,000.00
Movabale Property & Suwasetha		12,475,723.00	5,000,000.00
Subsidiary Crops		15,000,000.00	37,000,000.00
Kethata Aruna (Compulsory Crop Insurance)		1,105,000,000.00	371,000,000.00
		1,140,475,723.00	421,000,000.00

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31ST DECEMBER 2018</u>			
		31.12.2018	31.12.2017
		Rs. Cts.	Rs. Cts.
<u>Note 7.3.1 - Accrued Expenses</u>			
Electricity		3,663.15	-
Security Charges		7,500.00	68,850.00
Rent		1,039,516.00	438,665.51
Maintenance of Motor Vehicles		149,940.00	412,227.00
Traveling & Subsistence		283,721.00	584,926.95
Salaries		1,106,137.07	605,699.52
E.P.F		92,851.69	48,747.98
E.T.F		23,212.92	12,187.00
Publicity		24,972.00	90,700.00
Stationary		419,017.66	567,570.79
Telephone		62,642.42	712,550.12
Water Bill		10,801.86	-
Audit Fees		1,540,444.00	1,925,074.00
Fuel		160,208.10	153,109.50
Uniform		-	675.00
Welfare		-	672.00
Payable Computer Expenses		-	67,750.00
Transport Expenses		-	29,315.00
Translation Fees		-	11,552.50
Bank Charges		3,310.39	5,151.20
Payable Main Building		16,590.00	3,000.00
Payable Printing		1,500.00	1,091,461.14
Payable Postage		3,511.00	-
Sundry Creditors		162,880.03	162,880.03
Payable Office Equipment		17,735.00	120,026.75
Payable Entertainment		-	3,115.00
Payable Legal fees		54,000.00	-
		5,184,154.29	7,115,906.99

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE INCOME STATEMENT			
FOR THE 31ST DECEMBER 2018			
		31.12.2018	31.12.2017
		Rs. Cts.	Rs. Cts.
<u>NOTE 8 - REVENUE</u>			
<u>Note 8.1 - Premium - (Insurance)</u>			
Livestock		10,591,321.75	13,391,254.45
Suwasetha Insurance/ Personal Accidents		6,343,970.00	5,313,361.70
Subsidiary Crops		8,037,615.80	30,014,334.99
Movable Property		137,852,780.34	41,912,237.99
Stores Insurance		-	198,100.00
Kethata Aruna (Compulsory Crop Insurance)		119,965,311.95	65,644,871.30
		282,790,999.84	156,474,160.43
Kethata Aruna -Operational Income		-	-
		282,790,999.84	156,474,160.43
<u>Note 8.2- Interest Income</u>			
Interest - Treasury bills (Crops & Other)		123,548,217.07	121,184,016.30
- Loans to employees		1,847,805.29	1,157,940.26
		125,396,022.36	122,341,956.56
<u>NOTE 9 - OPERATIONAL EXPENDITURE</u>			
<u>Note 9.1 - Indemnity - Insurance</u>			
Livestock		4,993,850.25	5,246,389.00
Movable Property and Suwasetha		7,642,485.89	4,261,770.90
Subsidiary Crops		26,354,304.80	62,743,288.90
Kethata Aruna (Compulsory Crop Insurance)		2,930,635,667.20	5,569,987,849.62
		2,969,626,308.14	5,642,239,298.42
<u>Note 9.2 - Other Operational Expenses</u>			
Insurance Incentive		14,769,388.73	4,403,733.62
Movabale Property & Suwasetha		17,843,603.09	4,568,064.54
Admin. Allowances		18,720.00	18,540.00
Crop Assessment		2,224,594.60	376,640.46
Livestock		1,516,256.38	2,628,447.42
		36,372,562.80	11,995,426.04
<u>NOTE 10 - OTHER INCOME</u>			
Disposal of Fixed assets		28,653.96	6,695,565.22
Amortization of Government Grant		3,324,992.83	2,907,378.30
Sundry Income		643,272.37	519,846.16
		3,996,919.16	10,122,789.68

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE INCOME STATEMENT			
<u>FOR THE 31ST DECEMBER 2018</u>			
		31.12.2018	31.12.2017
		Rs. Cts.	Rs. Cts.
<u>NOTE 11 - ADMINISTRATIVE EXPENSES</u>			
Salaries & Wages		77,970,730.52	77,700,202.40
Contribution E.P.F.		8,323,757.47	7,788,971.64
Contribution E.T.F.		2,080,963.91	1,947,267.92
Traveling & Subsistence		3,275,166.51	2,535,717.97
Overtime		2,064,278.80	1,210,170.00
Daily Pay		212,681.52	79,814.00
Medical Expenses		627,795.00	666,972.00
Allowance to Board Members		189,660.00	267,338.40
Gratuity		4,982,837.14	4,176,285.44
Welfare		1,138,534.21	466,811.45
Allowance to employees		6,651,440.44	4,395,500.00
Fuel		5,835,268.05	6,332,532.63
Stationery		3,899,518.76	2,982,270.55
Entertainment Allowance		206,867.45	235,039.20
Legal Fees		287,892.00	32,898.40
Transport		284,358.82	362,522.80
Printing		7,915,544.97	5,946,895.93
Publicity & Training		10,229,546.54	7,705,451.96
Uniform		155,010.75	153,945.12
Rent		7,989,010.02	7,051,313.61
Telephone		3,997,671.52	2,436,357.84
Postage		961,407.44	867,899.48
Water		269,478.72	245,645.48
News paper & Advertisement		515,734.00	558,917.55
Security		719,962.50	581,747.25
Electricity		1,922,237.28	1,854,494.06
Maintenance - Motor Vehicles		5,767,793.53	7,965,763.65
Maintenance - Buildings		300,364.90	1,014,272.05
Maintenance - Office Equipments		312,564.09	500,366.24
Labour Charges		300,746.95	337,935.00
Translation Fees		114,860.00	253,912.50
Computer Expenses		75,149.24	1,192,361.21
Miscellaneous Expenses		25,120.00	144,980.00
Depreciation		8,744,992.83	8,367,285.90
Bad Debts		60,174.86	175,744.75
Audit Fees		600,000.00	500,000.00
Foreign Travelling		33,500.00	1,415,574.15
Consultation Fees		-	398,035.00
		169,042,620.74	160,849,213.53
<u>NOTE 12 - FINANCE CHARGES</u>			
Bank Charges		690,340.26	284,760.34
		690,340.26	284,760.34

**Financial Statements as at
31 December 2018**

**Farmers' Pension and Social Security
Benefit Scheme**

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018**


<u>ASSETS</u>	<u>Note</u>	<u>31.12.2018</u>		<u>31.12.2017</u>	
		Rs.	Cts.	Rs.	Cts.
<u>Non - Current Assets</u>					
Plant, Property & Equipment	1	1,191,586.64		1,687,839.45	
		<u>1,191,586.64</u>		<u>1,687,839.45</u>	
<u>Held to maturity Investment</u>					
Treasury Bond		1,053,000,000.00		1,072,068,692.47	
		<u>1,053,000,000.00</u>		<u>1,072,068,692.47</u>	
<u>Current Assets</u>					
Stock	2	3,916,331.12		2,679,511.66	
Receivables	3	14,733,099.20		74,415,366.20	
Held to maturity Investment	4	78,661,138.76		54,053,381.70	
Receivable Income	5	2,364,790.50		3,168,164.79	
Cash at Bank	6	2,401,246.99		2,697,850.86	
		<u>102,076,606.57</u>		<u>137,014,275.21</u>	
TOTAL ASSETS		<u><u>1,156,268,193.21</u></u>		<u><u>1,210,770,807.13</u></u>	
<u>EQUITY & LIABILITIES</u>					
<u>Capital & Reserves</u>					
Farmer's Pension Accumulated Fund	7	(71,617,229,871.45)		(67,774,374,700.81)	
Govt. Grant for Capital	8	1,191,587.68		1,687,840.49	
F.A.O Grant		547,885.14		547,885.14	
Group Insurance Contribution		1,000,000.00		1,000,000.00	
		<u>(71,614,490,398.63)</u>		<u>(67,771,138,975.18)</u>	
<u>Non - Current Liabilities</u>					
Pension Liability		66,508,205,596.00		63,220,697,989.00	
Government Grant on Treasury Bond		1,081,488,000.00		1,081,488,000.00	
Provision for Staff Gratuity		47,395,858.33		44,888,619.65	
		<u>67,637,089,454.33</u>		<u>64,347,074,608.65</u>	
<u>Current Liabilities</u>					
Current Payables	9	5,128,869,061.35		4,625,284,190.46	
Accrued Expenses	10	4,800,076.16		9,550,983.20	
		<u>5,133,669,137.51</u>		<u>4,634,835,173.66</u>	
TOTAL EQUITY & LIABILITIES		<u><u>1,156,268,193.21</u></u>		<u><u>1,210,770,807.13</u></u>	

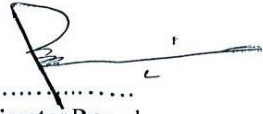
These financial statements are in compliance with the requirements of the Sri Lanka Accounting standards.


.....
Head of Finance

The Board of Directors are responsible for the preparation and presentation of these financial statements.

Signed for on behalf of the Board by;


.....
Member of Director Board
Agricultural & Agrarian Insurance Board


.....
Member of Director Board
Agricultural & Agrarian Insurance Board

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
STATEMENT OF COMPREHENSIVE INCOME					
FOR THE YEAR ENDED 31ST DECEMBER 2018					
		31.12.2018		31.12.2017	
		Rs.	Cts.	Rs.	Cts.
<u>REVENUE</u>	<u>Note</u>				
Interest Income		97,556,670.29		94,067,526.28	
Farmers Contribution		19,982,355.64		24,062,149.84	
Pensioner's Contribution		91,373,300.00		86,798,200.00	
Farmers Contribution for Life Insurance Premium		3,047,070.00		3,546,330.00	
		211,959,395.93		208,474,206.12	
<u>Expenses</u>					
Refund of Contribution		(12,905,393.00)		(17,574,246.00)	
Refund of Net Interest		(8,503,036.00)		(10,755,917.00)	
Disablement Gratuity Payment		(1,228,863.00)		(1,298,487.00)	
Group Insurance Premium		(19,853,880.00)		(21,175,440.00)	
Pension Payments & Commission					
- Pension Payments		(3,059,370,767.00)		(2,616,581,105.34)	
- Commission Payments		(12,792,199.00)		(12,109,986.00)	
Total Expenditure		(3,114,654,138.00)		(2,679,495,181.34)	
Operating Surplus/(Deficit)		(2,902,694,742.07)		(2,471,020,975.22)	
Government Grant-Recurrent		2,725,000,000.00		2,520,000,000.00	
		(177,694,742.07)		48,979,024.78	
Amortization of Govt. Grant		516,932.81		497,555.52	
		(177,177,809.26)		49,476,580.30	
<u>INCOME - for Administration</u>					
Farmer's Contribution for Admin. Expenses		1,523,535.00		1,773,165.00	
Govt. Grant for Admin Expenses		110,000,000.00		120,000,000.00	
Other Income	11	20,400.00		22,836.00	
		111,543,935.00		121,796,001.00	
<u>Expenses</u>					
Administration & Establishment Expenses	12	(131,656,887.84)		(126,094,222.04)	
Financial Expenses	13	(114,007,953.57)		(86,989,466.73)	
Commission for Collection Agents		(711,732.00)		(828,954.00)	
Total Admin Expenses		(246,376,573.41)		(213,912,642.77)	
		(134,832,638.41)		(92,116,641.77)	
Surplus/Deficit for the year		(312,010,447.67)		(42,640,061.47)	
Other comprehensive income					
Gratuity gains / (losses)		687,767.03		(8,366,156.19)	
Increase in Pension Liability		(3,287,507,607.00)		(3,648,533,110.00)	
		(3,286,819,839.97)		(3,656,899,266.19)	
Net Surplus /Deficit of the Comprehensive income		(3,598,830,287.64)		(3,699,539,327.66)	
(Transferred to Farmer's Pension Fund)					

AGRICULTURAL & AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2018

		Rs.
Description	Farmer's Pension Fund	Govt. Grant for Capital Expenses
Balance as at 01 January 2016	(60,714,518,840)	1,961,461
Additions		753,246
Amortization of Govt. Grant		(837,349)
Profit/Loss for the year	(3,357,153,831)	-
Prior Adjustment	(3,339,138)	
Balance as at 31st December 2016	(64,075,011,809)	1,877,358
Additions	-	308,038
Amortization of Govt. Grant		(497,556)
Prior Adjustment	176,436	-
Profit/Loss for the year	(3,699,539,328)	-
Balance as at 31st Dec. 2017	(67,774,374,701)	1,687,840
Prior year adjustment	(244,024,883)	-
Adjusted Balance as at 31st Dec. 2017	(68,018,399,584)	1,687,840
Additions		20,680
Amortization of Govt. Grant		(516,933)
Profit/Loss for the year	(3,598,830,288)	-
Balance as at 31st Dec. 2018	(71,617,229,871)	1,191,588

AGRICULTURE & AGRARIAN INSURANCE BOARD		
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME		
CASH FLOW STATEMENT		
FOR THE YEAR ENDED 31ST DECEMBER 2018		
	<u>31.12.2018</u>	<u>31.12.2017</u>
<u>Cash Flows from Operating Activities</u>		
Net Surplus / (Deficit)	(3,598,830,288)	(3,699,539,328)
Adjustment for		
- Depreciation	516,933	497,556
- (Gain) /Loss on sale of Property Plant & Equipment	(3,150)	(7,575)
- Adjustments in respect of Prior Year	(244,024,883)	176,436
-Gain /loss on gratuity	(687,767)	8,366,156
	<u>(244,198,867)</u>	<u>9,032,572</u>
Provision for Retiring Gratuity	6,698,438	4,887,694
Pension Liability	3,287,507,607	3,648,533,110
	<u>3,294,206,045</u>	<u>3,653,420,804</u>
Operating Profit before working capital changes	<u>(548,823,110)</u>	<u>(37,085,951)</u>
(Increase)/ Decrease in Inventories	(1,236,819)	(748,835)
(Increase)/ Decrease in Receivables	59,682,267	(50,273,701)
(Increase)/ Decrease in Receivable Income	803,374	733,078
Increase / (Decrease) Other Payables	503,584,871	92,918,151
Increase / (Decrease) Accrued Expenses	(4,750,907)	(10,082,420)
	<u>558,082,786</u>	<u>32,546,273</u>
Cash Generated from Operations	<u>9,259,676</u>	<u>(4,539,678)</u>
Retiring Gratuity - Paid	(3,503,432)	(3,912,268)
Net Cash Flows from Operating Activities	<u>5,756,244</u>	<u>(8,451,946)</u>
<u>Cash Flows from Investing Activities</u>		
Investments during the year	(24,607,757)	(8,634,690)
Proceeds from the disposal of property, plant and Equipment	3,150	7,575
Purchases of Property, Plant & Equipment	(20,680)	(308,038)
Net Cash Flows from Investing Activities	<u>(24,625,287)</u>	<u>(8,935,153)</u>
<u>Cash Flows from Financing Activities</u>		
Government Grant for Capital Expenditure	20,680	308,038
Amortization for government grant	(516,933)	(497,556)
Government Bond	19,068,692	17,569,898
Government Grant for Treasury Bond	-	-
Net Cash Flows from Financing Activities	<u>18,572,440</u>	<u>17,380,381</u>
Net Increase / (Decrease) in Cash & Cash Equivalents	<u>(296,604)</u>	<u>(6,718)</u>
Cash & Bank Balance at the Beginning of the year	2,697,851	2,704,569
Cash & Cash equivalents at the End of the year	<u>2,401,247</u>	<u>2,697,851</u>
Cash & Bank Balance at the end of the year		
Cash at Bank - End of the year	<u>2,401,247</u>	<u>2,697,851</u>

**Agricultural and Agrarian Insurance Board
Farmer's Pension & Social Security Benefits Scheme
Significant Accounting Policies
For the Year Ended 31st December 2018**

1. General Policies

1.1 Reporting Entity

Agricultural and Agrarian Insurance Board of Sri Lanka (hereafter referred to as the 'Board') was incorporated by Act No.20 of 1999 and is situated at 117, Subadharama Road, Gangodawila, Nugegoda and the Farmer's Pension and Social Security Benefits Scheme was established in accordance with the provision of Farmer's Pension and Social Security Benefits Scheme Act No.12 of 1987.

1.2 Principal Activities and Nature of Operations

The principal activity is to operate a pension and social security benefits scheme for farmers.

1.3 Basis of Preparation

(g) Statement Of Compliance

The financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves, statement of cash flows and notes to the financial statements. These statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.

(h) Basis of Measurement

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes.

(i) Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter- period comparability.

When the presentation or classification of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

(j) Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of the board.

(k) Use of Estimates and Judgments

The preparation and presentation of financial statements in conformity with SLFRS/LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments used.

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.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the notes to the financial statements.

(l) Going Concern

The management has made an assessment of the board's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

2. Assets and the Bases of their Valuation

2.1 Property, Plant and Equipment

(d) Recognition and Measurement

Items of property, plant and equipment are stated at cost or at fair value less accumulated depreciation or impairment losses.

All items of property, plant and equipment are initially recorded at cost less accumulated depreciation or impairment losses. Significant components of an asset are identified and depreciated separately. When significant parts of property, plant and equipment are required to

be replaced at intervals, the entity derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognized in the income statement as incurred.

Fully depreciated assets with a total historical cost of Rs. 28,078,358.56 has been included in property plant and equipment

(e) Cost

The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

Subsequent expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or increase the earning capacity of the assets has been treated as capital expenditure.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied within the part will flow to the Board and its cost can be measured reliably.

(f) Depreciation

Depreciation is charged to the statement of comprehensive income on the straight line method at the following rates per annum in order to write off the cost of such assets over their estimated useful lives.

Furniture and Fittings		10%
Office Equipment		10%
Welfare Equipment		10%
Publicity Equipment		10%
Computers		20%
Computer Software		20%
Motor Vehicles		20%
Air Condition		20%

2.2 Intangible Assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 – Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortization and any accumulated impairment loss.

Computer software is amortized over a period of 5 years on the straight line method.

2.3 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

2.4 Financial Assets

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Board determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Board initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Board becomes a party to the contractual provisions of the instrument.

The Board derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the

financial asset is transferred. Any interest in transferred financial assets that is created or retained by the Board is recognized as a separate asset or liability.

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

The financial assets of the Board include cash and short term investments and trade and other receivables.

(e) Financial Assets at Fair Value through Profits or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance expense in the statement of comprehensive income.

(f) Loans & Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

Loans and receivables comprise trade receivables, employee loans, deposits, advances, other receivables and cash and cash equivalents.

(g) Held-to-Maturity Investments (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Board has the positive intention and ability to hold them

to maturity. After initial measurement, held-to maturity investments are measured at amortized cost using the effective interest rate (EIR) method, less impairment. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in financial costs.

Investments in government securities and in fixed deposits have been classified under HTM investments.

(h) Available-for-Sale Financial Investment

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserved in funds and reserves. Interest income on available-for-sale debt securities is calculated using the effective interest rate method (EIR) and is recognized in profit or loss. When an investment is derecognized, the gain or loss accumulated in funds and reserves reclassified to profit or loss.

The board has not designated any financial asset upon initial recognition as available-for-sale investment.

2.5 Impairment of Financial Assets

The board assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such impairment has occurred, that amount of impairment is calculated by taking the difference between the assets carrying amount and the present value of estimated future cash flow.

3. Liabilities and Provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognized when the Board has a legal or constructive obligation

as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.1 Retirement Benefits

A Provision has been made for retiring gratuities from the completion of the first year of service for all permanent employees in conformity with Sri Lanka Accounting Standard 19 Retirement Benefits costs. However, according to the Payment of Gratuity Act No.12 of 1983 the liability to an employee arises only on completion of five years of continued service. The liability is not externally funded.

3.2 Capital Commitments and Contingent Liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitments and contingent liabilities of the Board are disclosed in the respective notes to the financial statements.

3.3 Liability of Farmer's Pension Fund

Liability of farmer's pension scheme has been accounted in the financial statements on present value basis considering the actuarial calculation, which was done in the year of 2007.

4. Statement of Comprehensive Income

4.1 Revenue

- a) The revenue of the scheme represents the income from pension premium, interest income from treasury bills and other miscellaneous income.
- b) All income from premium collection has been recognized on a cash basis.

4.2 Revenue Recognition

- a) Pension premium revenue is recognized for the time of enrollment.
- b) The above revenue is on a cash basis and matched with related expenditure.
- c) Interest income is accrued on a time basis.

4.3 Accounting for Government Grants

Grants that compensate the Board for expenses incurred are recognized as revenue in the statement of comprehensive income in the same period in which the expenses are recognized. Grants that compensate the Board for the cost of an asset are recognized in the statement of comprehensive income on a systematic basis over the useful life of the related asset.

4.4 Expenditure

Expenses are recognized in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the board and in maintaining the capital assets in a state of efficiency has been charged against revenue in arriving at the surplus for the year.

The indirect expenses of the board apportioned on the following rates by the Board Paper No.401/04. The rates are as follows;

Expenditure	Rates
Salaries, EPF, ETF, Gratuity	50%
Medical Expenses	50%
Consultancy Fees	40%
Welfare	50%
Uniform	48%
Entertainment	40%
Printing	40%
Legal fees	60%
Awareness & Training	20%
Allowances to B/M	40%
Rent, Telephone	40%
Postage	55%
Electricity	40%
Traveling, Over Time	50%
Water Charges	40%
Daily Pay	50%
Security	20%

Main. Office Equipment	20%
Main. Vehicle	40%
Main. Computer	25%
Fuel Expenses	30%
Main. Building	40%
Stationery	48%

5. Cash Flow Statement

The cash flow statement of the scheme has been presented using the indirect method, in accordance with the LKAS 7.

6. Events After The Reporting Date

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

9. Related Party Transactions

Agricultural Insurance Scheme and the Fisheries Pension Scheme are considered as related parties of Farmers Pension Scheme. The transactions carried out with these related parties are been disclosed based on fair value. Farmers Pension Scheme has taken a loan from Agricultural Insurance Scheme and Fisheries Pension Scheme mounting to Rs. 295,230,441.79 and Rs. 518,000,000 respectively.

10. Prior Year Adjustments

The details of the prior year adjustments are as follows.

Prior year omission of Payable Arrears Pension Payment amounting to Rs. 244,024,883.00

7. Contingencies

A court case in connection with the payment of compensation to the farmer's affected by the closing of the MavilAruAnicut is pending at Magistrate Court Colombo for misappropriating MavilAru Funds and 3 officers of the board are to be indicated in high court for misappropriating a sum of nearly 7 Mn. Rupees.

AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2017

NOTE - 01

PLANT, PROPERTY & EQUIPMENT AS AT 31ST DECEMBER 2018

DESCRIPTION	MOTOR VEHICLE	OFFICE EQUIPMENT	WELFARE EQUIPMENT	FURNITURE & FITTINGS	AIR CONDITONERS	COMPUTERS	PUBLICITY EQUIPMENT	COMPUTER SOFTWARE	TOTAL
COST AS AT 1 ST JANUARY 2018	2,102,060.70	1,501,033.04	22,330.75	1,512,069.53	836,217.74	24,554,007.65	422,837.14	1,475,000.00	32,425,556.55
ADDITION		-	5,180.00	-	-	15,500.00	-	-	20,680.00
LESS: DISPOSAL	-	(231,656.25)	-	(23,735.00)		(1,332,401.17)	-	-	(1,587,792.42)
TOTAL COST	2,102,060.70	1,269,376.79	27,510.75	1,488,334.53	836,217.74	23,237,106.48	422,837.14	1,475,000.00	30,858,444.13
DEPRECIATION RATE %	20%	10%	10%	10%	20%	20%	10%	20%	
ACCUMULATED DEP : AS AT 1st JANUARY 2018	2,102,060.70	1,487,653.04	22,330.75	915,216.72	485,348.90	23,827,269.85	422,837.14	1,475,000.00	30,737,717.10
LESS: DISPOSAL		(231,656.25)		(23,735.00)		(1,332,401.17)			(1,587,792.42)
DEPRECIATION FOR THE YEAR 2018	-	1,440.00	43.17	71,959.60	95,216.22	348,273.82	-	-	516,932.81
TOTAL DEPRECIATION	2,102,060.70	1,257,436.79	22,373.92	963,441.32	580,565.12	22,843,142.50	422,837.14	1,475,000.00	29,666,857.49
NET VALUE	-	11,940.00	5,136.83	524,893.21	255,652.62	393,963.98	-	-	1,191,586.64

Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs. 28,078,358.56 as at 31st December 2018

AGRICULTURAL AND AGRARIAN INSURANCE BOARD				
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME				
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018				
	<u>31.12.2018</u>		<u>31.12.2017</u>	
	Rs.	Cts.	Rs.	Cts.
<u>NOTE 02 - STOCKS</u>				
Printing Materials	3,845,130.57		2,581,303.79	
Stationary Stock	71,200.55		98,207.87	
	3,916,331.12		2,679,511.66	
<u>NOTE 03 - RECEIVABLES</u>				
Receivables from Collection Agents	686,979.20		686,979.20	
Receivable from Postal Department	14,046,120.00		13,728,387.00	
Receivable Government Grant from AAIB	-		60,000,000.00	
	14,733,099.20		74,415,366.20	
<u>NOTE 04 - HELD TO MATURITY INVESTMENT</u>				
Treasury Bills - P.B	78,661,138.76		54,053,381.70	
	78,661,138.76		54,053,381.70	
<u>NOTE 05 - RECEIVABLE INCOME</u>				
Farmer's Contribution	1,926,490.50		2,591,489.79	
Farmer's Contribution for Life Insurance Premium	292,200.00		384,450.00	
Farmer's Contribution for Admin. Income	146,100.00		192,225.00	
	2,364,790.50		3,168,164.79	
<u>NOTE 06 - CASH AT BANK</u>				
A/C No.100150112345 - P/B Union Place	1,369,798.28		1,934,647.42	
A/C No. 100180112344 - P/B Union Place	451,897.56		368,093.81	
A/C No. 100130112351 - P/B Union Place	345,362.27		235,761.50	
A/C No. 100110112347 - P/B Union Place	205,103.38		84,674.63	
A/C No. 8403704 - B.O.C Union Place	28,163.50		74,673.50	
Collection Accounts	922.00		-	
	2,401,246.99		2,697,850.86	
<u>NOTE - 07 - FARMER'S PENSION ACCUMULATED FUND</u>				
Balance B/F	(67,774,374,700.81)		(64,075,011,808.80)	
Prior Year Adjustment	(244,024,883.00)		176,435.65	
	(68,018,399,583.81)		(64,074,835,373.15)	
<u>Add/ (Less)</u>				
Total Revenue over Expenditure	(3,598,830,287.64)		(3,699,539,327.66)	
	(71,617,229,871.45)		(67,774,374,700.81)	

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018			
		<u>31.12.2018</u>	<u>31.12.2017</u>
		Rs. Cts.	Rs. Cts.
<u>NOTE - 8 - GOVT. GRANT FOR CAPITAL EXPENDITURE</u>			
Balance B/F		1,687,840.49	1,877,357.56
Add / (Less):			
Amortization of Govt. Grant		(516,932.81)	(497,555.52)
Addition during the year		20,680.00	308,038.45
Balance C/F		<u>1,191,587.68</u>	<u>1,687,840.49</u>
<u>NOTE 9 - PAYABLES</u>			
Agency Commission		68,180.00	89,705.00
Staff Security Deposit		149,800.00	152,100.00
A.A.I.B. Current A/C		116,771,772.45	96,560,052.88
Pension Payment		3,729,229,532.00	3,257,634,639.00
Pension Commission		14,096,909.00	14,049,155.00
Group Insurance Premium		212,449,360.00	194,619,125.00
Loan for Pension Payment			
- Fisheries Pension Scheme		613,222,811.96	663,905,406.44
- AAIB		442,880,695.94	398,274,007.14
		<u>5,128,869,061.35</u>	<u>4,625,284,190.46</u>
<u>NOTE 10- ACCRUED EXPENSES</u>			
Provision for Printing Charges		921,771.16	771,771.16
Accrued Expenses		834,675.00	1,331,725.40
Staff ETF & EPF Payable		-	4,152,201.64
Provision for Audit fees		3,043,630.00	3,295,285.00
		<u>4,800,076.16</u>	<u>9,550,983.20</u>

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018					
		31.12.2018		31.12.2017	
		Rs.	Cts.	Rs.	Cts.
<u>NOTE 11 - OTHER INCOME</u>					
Sundry Income		17,250.00		15,261.00	
Disposal Income		3,150.00		7,575.00	
		20,400.00		22,836.00	
<u>NOTE 12 - ADMINISTRATION EXPENSES</u>					
Salaries & Wages		77,970,730.53		77,700,202.40	
E.P.F.		8,323,757.48		7,788,971.65	
E.T.F.		2,080,963.92		1,947,267.92	
Traveling & Subsistence		3,275,166.51		2,535,717.97	
Over Time		2,426,441.80		1,453,316.00	
Daily Pay		248,984.53		120,430.00	
Medical Expenses		627,795.00		666,972.00	
Gratuity		6,698,438.19		4,887,694.03	
T.A.C. Allowances		-		-	
Staff welfare		1,138,534.22		466,811.45	
Legal Fees		431,838.00		49,347.60	
Staff Uniform		148,810.32		147,787.32	
Allowance to Board Members		126,440.00		178,225.60	
Consultation Fees		-		120,000.00	
Labour Charges		-		-	
Rent		5,810,189.10		5,128,228.08	
Telephone		2,907,397.47		1,771,896.62	
Postage		3,158,985.23		3,606,246.80	
Security		191,990.00		155,132.60	
Electricity		1,397,990.75		1,348,722.96	
Water Bill		195,984.52		178,651.26	
Audit Fees		300,000.00		250,000.00	
Translation Fees		-		-	
Fuel		2,574,382.97		2,802,764.40	
Awareness & Training		2,557,386.63		1,926,362.99	
Printing		32,673.07		540,561.52	
Stationery & Consumables		3,973,501.33		2,822,671.63	
Entertainments		137,911.64		158,752.80	
Main. of Motor Vehicle		4,047,574.40		5,590,009.58	
Main. of Building		218,447.20		737,652.40	
Main. of Office Equipment		83,350.42		133,431.00	
Main. of Computer & Software		54,289.80		382,837.94	
Depreciation		516,932.81		497,555.52	
		131,656,887.84		126,094,222.04	
<u>NOTE 13 - FINANCE & OTHER</u>					
Loan Interest		113,924,094.32		86,944,261.84	
Bank Charges		83,859.25		45,204.89	
		114,007,953.57		86,989,466.73	

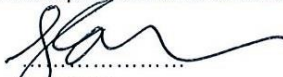
**Financial Statements as at
31 December 2018**

**Fishermen's Pension and Social
Security Benefit Scheme**

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018**

	<u>Note</u>	<u>31.12.2018</u>		<u>31.12.2017</u>	
		Rs.	Cts.	Rs.	Cts.
<u>ASSETS</u>					
<u>Non - Current Assets</u>					
Plant , Property & Equipment	1	145,982.12		165,618.12	
		<u>145,982.12</u>		<u>165,618.12</u>	
<u>Current Assets</u>					
Stock	2	160,745.22		176,121.67	
Receivables	3	613,272,811.96		663,955,406.44	
held to Maturity Investment	4	95,698,669.85		35,026,923.08	
Cash at Bank	5	1,227,278.89		662,381.59	
		<u>710,359,505.92</u>		<u>699,820,832.78</u>	
TOTAL ASSETS		<u>710,505,488.04</u>		<u>699,986,450.90</u>	
<u>EQUITY & LIABILITIES</u>					
<u>Capital & Reserves</u>					
Fishermen's Pension Accumulated Fund	6	(2,947,929,044.87)		(2,656,607,634.50)	
Death Gratuity Fund	7	26,661,514.70		25,315,774.70	
		<u>(2,921,267,530.17)</u>		<u>(2,631,291,859.80)</u>	
<u>Non - Current Liabilities</u>					
Pension Liability		3,590,887,003.60		3,297,559,197.58	
Provision for Staff Gratuity		1,773,659.44		1,382,578.67	
		<u>3,592,660,663.04</u>		<u>3,298,941,776.25</u>	
<u>Current Liabilities</u>					
Total Payables	8	37,272,653.17		30,386,837.45	
Accrued Expenses	9	1,839,702.00		1,949,697.00	
		<u>39,112,355.17</u>		<u>32,336,534.45</u>	
TOTAL EQUITY & LIABILITIES		<u>710,505,488.04</u>		<u>699,986,450.90</u>	

These Financial Statements are in compliance with the requirements of the Sri Lanka Accounting standards.


.....
Head Of Finance

The Board Of Directors are responsible for the preparation of these Financial Statements.

Signed for and on behalf of the Board by;


.....
Member of Director Board
Agricultural & Agrarian Insurance Board


.....
Member of Director Board
Agricultural & Agrarian Insurance Board

AGRICULTURAL AND AGRARIAN INSURANCE BOARD							
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME							
STATEMENT OF COMPREHENSIVE INCOME							
FOR THE YEAR ENDED 31ST DECEMBER 2018							
		31.12.2018		31.12.2017		31.12.2016	
		Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
	Note						
Interest Income		72,880,417.59		58,753,599.89		63,046,647.85	
Fishermen's Contribution		<u>284,062.50</u>		<u>920,022.50</u>		<u>928,732.00</u>	
		73,164,480.09		59,673,622.39		63,975,379.85	
Less:							
Interest Income trf. to Admin Exp.		<u>(3,500,000.00)</u>		<u>(3,500,000.00)</u>		<u>(3,500,000.00)</u>	
Total Revenue for Fund		69,664,480.09		56,173,622.39		60,475,379.85	
Less: EXPENDITURE							
Refund of Net Contribution		(657,067.00)		(756,157.00)		(778,647.00)	
Refund of Net Interest		(332,176.00)		(598,458.00)		(907,875.00)	
Incentive Payment		(5,258.00)		(44,926.00)		(63,361.00)	
Group Insurance Premium		(1,775,740.00)		(1,766,725.00)		(1,761,650.00)	
Pension Payments & Commission							
- Pension Payments		(62,525,861.00)		(59,897,422.00)		(53,821,700.00)	
- Commission for Pension Payments		<u>(773,610.00)</u>		<u>(699,420.00)</u>		<u>(636,915.00)</u>	
Total Expenditure		(66,069,712.00)		(63,763,108.00)		(57,970,148.00)	
Operational Surplus/ Deficit		3,594,768.09		(7,589,485.61)		2,505,231.85	
INCOME - for Administration							
Interest Income for Admin. Expenses		3,500,000.00		3,500,000.00		3,500,000.00	
Govt. Grant for Admin Expenses		<u>1,500,000.00</u>		<u>1,500,000.00</u>		<u>1,500,000.00</u>	
		5,000,000.00		5,000,000.00		5,000,000.00	
Sundry Income	12	<u>-</u>		<u>37,672,911.04</u>		<u>-</u>	
		5,000,000.00		42,672,911.04		5,000,000.00	
		8,594,768.09		35,083,425.43		7,505,231.85	
Less: Expenses							
Admin: & Establishment Expenses	10	6,347,217.98		6,184,443.64		5,077,139.86	
Finance Charges	11	<u>-</u>		<u>7,540.00</u>		<u>7,500.00</u>	
Total Admin Expenses		6,347,217.98		6,191,983.64		5,084,639.86	
Profit/ (loss) for the year		2,247,550.11		28,891,441.79		2,420,591.99	
Other Comprehensive Income							
Gratuity gains/ (loss)		(241,154.46)		(241,154.46)		357,981.89	
Increase of Pension Liability		<u>(293,327,806.02)</u>		<u>(266,887,723.71)</u>		<u>(246,515,112.73)</u>	
		(293,568,960.48)		(267,128,878.17)		(246,157,130.84)	
Total Comprehensive Income For the year		(291,321,410.37)		(238,237,436.38)		(243,736,538.85)	

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
STATEMENT OF CHANGES IN EQUITY			
FOR THE YEAR ENDED 31ST DECEMBER 2018			
	Fishermen's Pension Fund	Death Gratuity Fund	Total
Balance as at 31 st December 2016	(2,174,633,659.27)	22,780,199.70	(2,151,853,459.57)
Net Surplus	(243,736,538.85)		(243,736,538.85)
Income Over Expenditure - life Insurance		1,232,650.00	1,232,650.00
Balance as at 31st Dec. 2016	(2,418,370,198.12)	24,012,849.70	(2,394,357,348.42)
<u>Additions during the year - 2017</u>			
Net Surplus	(238,237,436.38)		(238,237,436.38)
Income Over Expenditure - life Insurance		1,302,925.00	1,302,925.00
Balance as at 31st Dec. 2017	(2,656,607,634.50)	25,315,774.70	(2,631,291,859.80)
		-	-
<u>Additions during the year - 2018</u>			
Net Surplus	(291,321,410.37)		(291,321,410.37)
Income Over Expenditure - life Insurance		1,345,740.00	1,345,740.00
Balance as at 31st Dec 2018	(2,947,929,044.87)	26,661,514.70	(2,921,267,530.17)

AGRICULTURAL AND AGRARIAN INSURANCE BOARD						
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME						
CASH FLOW STATEMENT						
FOR THE YEAR ENDED 31 ST DECEMBER 2018						
	31.12.2018		31.12.2017		31.12.2016	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
Cash flows from Operating actives						
Net Surplus	(291,321,410.37)		(238,237,436.38)		(243,736,538.85)	
Adjustments For						
Depreciation	19,636.00		12,402.50		5,169.00	
Adjustments in respect of Prior Year	-		-		-	
Deficit/ Gain on Gratuity	241,154.46		241,154.46		(357,981.89)	
Increase Pension Liability	293,327,806.02		266,887,723.71		246,515,112.73	
Provision for Retiring Gratuity	149,926.31		149,926.31		166,594.56	
Operating profit before working capital changes	2,417,112.42		29,053,770.60		2,592,355.55	
(Increase) / Decrease in Inventories	15,376.45		15,123.45		(161.79)	
(Increase) / Decrease in Receivables	50,682,594.48		(12,894,779.16)		(21,188,373.24)	
(Increase) / Decrease in Other Payables	6,885,815.72		6,623,427.38		4,891,578.09	
(Increase) / Decrease in Accrued expenses	(109,995.00)		(138,328.00)		250,000.00	
	57,473,791.65		(6,394,556.33)		(16,046,956.94)	
Cash Generated from operation Activities	59,890,904.07		22,659,214.27		(13,454,601.39)	
Retiring Gratuity - Paid	-		-		-	
Net Cash Flows from Operating Activities	59,890,904.07		22,659,214.27		(13,454,601.39)	
Cash Flows from Investing Activities						
Financial Instrument	(60,671,746.77)		(23,816,345.86)		11,466,898.74	
Purchases of Property, Plant & Equipment	-		(144,670.00)		-	
Contribution for group insurance scheme	1,775,740.00		1,766,725.00		1,761,650.00	
Benefits during the year	(430,000.00)		(463,800.00)		(529,000.00)	
Net Cash flows from Investing Activities	(59,326,006.77)		(22,658,090.86)		12,699,548.74	
Cash Flows from financing Activities						
	-		-		-	
Net Cash Flows from Financing Activities	-		-		-	
Net Increase / (Decrease) in cash & Cash Equivalents	564,897.30		1,123.41		(755,052.65)	
Cash & Cash equivalents at Beginning of the year	662,381.59		661,258.18		1,416,310.83	
	1,227,278.89		662,381.59		661,258.18	
Cash & Bank balance at the end of the year	1,227,278.89		662,381.59		661,258.18	
Cash at Bank - 31.12.2018	1,227,278.89		662,381.59		661,258.18	

Agricultural and Agrarian Insurance Board
Fisherman's Pension & Social Security Benefits Scheme
Significant Accounting Policies
For the Year Ended 31st December 2018

6. General Policies

6.1 Reporting Entity

Agricultural and Agrarian Insurance Board of Sri Lanka (hereafter referred to as the 'Board') was incorporated by Act No.20 of 1999 and is situated at 117, Subadharama Road, Gangodawila, Nugegoda. Fishermen's Pension and Social Security benefits Scheme established according to the provision of Fishermen's Pension and Social Security Benefits Scheme Act (No.23 of 1990).

6.2 Principal Activities and Nature of Operations

Operating a pension and social security benefits scheme for fishermen.

6.3 Basis of Preparation

(m) Statement of Compliance

The financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves, statement of cash flows and notes to the financial statements. These statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.

(n) Basis of Measurement

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes.

(o) Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter- period comparability.

When the presentation or classification of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

(p) Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of the board.

(q) Use of Estimates and Judgments

The preparation and presentation of financial statements in conformity with SLFRS/LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments used.

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.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the notes to the financial statements.

(r) Going Concern

The management has made an assessment of the board's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

7. Assets and the Bases of their Valuation

7.1 Property, Plant and Equipment

(g) Recognition and Measurement

Items of property, plant and equipment are stated at cost or at fair value less accumulated depreciation or impairment losses.

All items of property, plant and equipment are initially recorded at cost less accumulated depreciation or impairment losses. Significant components of an asset are identified and depreciated separately. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognized in the income statement as incurred.

Fully depreciated assets with a total historical cost of Rs. 686,080.42 has been included in property plant and equipment.

(h) Cost

The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

Subsequent expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or increase the earning capacity of the assets has been treated as capital expenditure.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied within the part will flow to the Board and its cost can be measured reliably.

(i) Depreciation

Depreciation is charged to the statement of comprehensive income on the straight line method at the following rates per annum in order to write off the cost of such assets over their estimated useful lives.

Office Equipment	10%
Furniture & Fitting	10%
Welfare Equipment	10%
Computer	20%

7.2 Intangible Assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 – Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortization and any accumulated impairment loss.

Computer software is amortized over a period of 5 years on the straight line method.

2.3 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

2.4 Financial Assets

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Board determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Board initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Board becomes a party to the contractual provisions of the instrument.

The Board derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset is transferred. Any interest in transferred financial assets that is created or retained by the Board is recognized as a separate asset or liability.

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

The financial assets of the Board include cash and short term investments and trade and other receivables.

(i) Financial Assets at Fair Value through Profits or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance expense in the statement of comprehensive income.

(j) Loans & Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is

included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

Loans and receivables comprise trade receivables, employee loans, deposits, advances, other receivables and cash and cash equivalents.

(k) Held-to-Maturity Investments (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Board has the positive intention and ability to hold them to maturity. After initial measurement, held-to maturity investments are measured at amortized cost using the effective interest rate (EIR) method, less impairment. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in financial costs.

Investments in government securities and in fixed deposits have been classified under HTM investments.

(l) Available-for-Sale Financial Investment

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserved in funds and reserves. Interest income on available-for-sale debt securities is calculated using the effective interest rate method (EIR) and is recognized in profit or loss. When an investment is derecognized, the gain or loss accumulated in funds and reserves reclassified to profit or loss.

The board has not designated any financial asset upon initial recognition as available-for sale investment.

2.4.1 Impairment Of Financial Assets

The board assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such impairment has occurred, that amount of impairment is calculated by taking the difference between the assets carrying amount and the present value of estimated future cash flow.

8. Liabilities and Provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognized when the Board has a legal or constructive obligation

as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

8.1 Retirement Benefits

A Provision has been made for retiring gratuities from the completion of the first year of service for all permanent employees in conformity with Sri Lanka Accounting Standard 19 Retirement Benefits costs. However, according to the Payment of Gratuity Act No.12 of 1983 the liability to an employee arises only on completion of five years of continued service. The liability is not externally funded.

8.2 Capital Commitments and Contingent Liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitments and contingent liabilities of the Board are disclosed in the respective notes to the financial statements.

8.3 Liability of Fishermen's Pension Fund

Liability of Fishermen's Pension Scheme has been accounted in the financial statement at present value base on the actuarial calculation which was done in the year 2007.

9. Statement of Comprehensive Income

9.1 Revenue

c) The revenue of the scheme represents the income from Pension Premium, Interest Income from Treasury Bills and other miscellaneous income.

d) All income from collection of premier has been recognized on as cash basis.

9.2 Revenue Recognition

d) Pension premier revenue is recognized at the time of enrollment.

e) The above revenue is on cash basis and matched with the related expenditure.

f) Interest income is accrued on a time basis.

9.3 Accounting for Government Grants

Grants that compensate the Board for expenses incurred are recognized as revenue in the statement of comprehensive income in the same period in which the expenses are recognized.

Grants that compensate the Board for the cost of an asset are recognized in the statement of comprehensive income on a systematic basis over the useful life of the related asset.

9.4 Expenditure

All expenditure incurred in the operation of the fishermen's pension insurance scheme activities and in maintaining the capital assets in state of efficiency has been charged to revenue on an accrual basis in arriving at the surplus or deficit for the year.

The indirect expenses of the board apportioned on the following rates by the Board Paper No.401/04. The rates are as follows;

Expenditure	Rates
Rent, Telephone	5%
Postage, Water Charges	5%
Electricity	5%
Head Office Equipment	5%
Main. Building	5%
Main M/V	3%
Fuel	2%
Stationery	2%
Uniform	2%
Security	5%
Computer Expenses	5%

10. Cash Flow Statement

The cash flow statement of the scheme has been presented using the indirect method, in accordance with the LKAS 7.

8. Events After the Reporting Date

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

9. Related Party Transactions

Farmers Pension Scheme and the Agricultural Insurance Scheme are considered as related parties of Fisheries Pension Scheme. The transactions carried out with these related parties are been disclosed based on fair value. Fisheries Pension Scheme has granted a loan amounting to Rs. 518,000,000 to Farmers Pension Scheme.

10. Contingencies

Receivable Interest

The board has filed a case in District Court Colombo, against the Bank of Ceylon for the loss of interest on investment on treasury bills in 1996.

The details as follows.

Case No	Amount (Rs)
MR 21843	1,454,670.84
MR 21844	1,172,602.46
MR 21845	2,784,657.55

The Appeal was dismissed with costs.

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**

NOTES TO THE FINANCIAL STATEMENTS

Note - 01

PLANT, PROPERTY & EQUIPMENT AS AT 31ST DECEMBER 2018

Description	Office Equipment	Welfare Equipment	Furniture & Fittings	Computers	Total
Cost of as at 1 st Jan. 2018	528,648.50	1,325.00	78,876.92	269,485.00	878,335.42
Add. Addition	-	-	-	-	-
Less. Disposals	-	-	-	4,540.00	-
Total Cost as at 31st Dec. 2018	528,648.50	1,325.00	78,876.92	264,945.00	873,795.42
Depreciation Rate	10%	10%	10%	20%	
Accumulated Dep. As at 1 st January 2018	388,760.96	1,325.00	58,214.42	264,416.92	712,717.30
Less. Disposals	-	-	-	4,540.00	4,540.00
Depreciation for the year	14,792.00		2,850.00	1,994.00	19,636.00
Total Depreciation	403,552.96	1,325.00	61,064.42	261,870.92	727,813.30
Net Value	125,095.54	-	17,812.50	3,074.08	145,982.12

Property Plant & Equipment include fully depreciated assets that are still in use having a historical cost amounts to 686,080.42 as at 31st December 2018.

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
NOTES TO THE FINANCIAL STATEMENTS			
AS AT 31.12.2018			
		31.12.2018	31.12.2017
		Rs. Cts.	Rs. Cts.
NOTE 02 - STOCKS			
Printing Materials		160,745.22	176,121.67
		<u>160,745.22</u>	<u>176,121.67</u>
NOTE 03 - RECEIVABLES			
A.A.I.B Current A/C		-	-
Farmers Pension Loan		613,222,811.96	663,905,406.44
Death Gratuity Advance		50,000.00	50,000.00
		<u>613,272,811.96</u>	<u>663,955,406.44</u>
NOTE 04 -			
FINANCIAL INSTRUMENTS HELD TO MATURITY			
Treasury Bills - B.O.C		95,698,669.85	35,026,923.08
		<u>95,698,669.85</u>	<u>35,026,923.08</u>
NOTE 05 - CASH AT BANK			
A/C No. 164790 BOC Union Place		399,609.07	144,211.79
A/C No. 164795 BOC Union Place		735,036.82	451,683.80
Collection Accounts		92,633.00	66,486.00
		<u>1,227,278.89</u>	<u>662,381.59</u>
NOTE 06 - FISHERMEN'S PENSION ACCUMULATED FUND			
Balance B/F		(2,656,607,634.50)	(2,418,370,198.12)
Less : Receivable Admin exp.			
PV of Pension Liability - Up to 2009			
Previous Year Adjustment		-	-
		<u>(2,656,607,634.50)</u>	<u>(2,418,370,198.12)</u>
<u>Addition during the year</u>			
Total Surplus/(Deficit) for the year		<u>(291,321,410.37)</u>	<u>(238,237,436.38)</u>
		<u>(2,947,929,044.87)</u>	<u>(2,656,607,634.50)</u>
		<u>(2,947,929,044.87)</u>	<u>(2,656,607,634.50)</u>

Reports of the Auditor General

My No: AGL/E/AIB/02/2018/11

Date: 30th May 2019

Chairman
Agricultural and Agrarian Insurance Board

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2019 of Agricultural and Agrarian Insurance Scheme

The above report is sent herewith.

.....
W.P.C. Wickremaratne
Auditor General

Copies : (1) Secretary 0 Ministry of Agriculture, Rural Economic Affairs, Livestock Development,
Irrigation and Aquatic Resources Development

(2) Secretary- Ministry of Finance

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2019 of Agricultural and Agrarian Insurance Scheme

1. Financial Statements

1.1 Opinion

The audit of the financial statement of Agricultural and Agrarian Insurance Board for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and 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 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 reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in the basis for qualified opinion of my report, the accompanying financial statements give a true and fair view of the financial position of the Scheme as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for the qualified opinion

1.2.1 Noncompliance with Sri Lanka Accounting Standards

- a) Even though 24 vehicles costing Rs. 31,732,585 that had been fully depreciated in terms of Standard 16 were still being used, action had not been taken to revalue the said vehicles considering their useful lifetime and take into accounts.
- b) Even though a actuarial assessment should be carried out periodically to identify active subscribers in terms of paragraph 59 of standard 37, without doing so, a provision of Rs. 19,853,880 for the death gratuity fund of farmers had been indicated as at 31 December 2018.

1.2.2 Accounting Deficiencies

- (a) The value of the land belonging to the scheme in extent of 76.5 perches within the official quarters situated in Mahiyanganaya, Embilipitiya and Anuradhapura and the value of the buildings of the Embilipitiya official quarters had not been evaluated and accounted.
- (b) The value of motor vehicles transferred to the Ministry of Agriculture from the Ministry of Finance and Planning in the years 2013 and 2014 had not been taken into accounts.

1.2.3 Accounts Receivable and Payable

- (a) Employees' loans and advances totaling Rs. 857,406 had been brought forward in the accounts over a period from 5 to 25 years without being recovered. Action had not been taken to recover those loan balances from the employees' gratuity or the guarantors.
- (b) Salary receivables, salary advances and mixed creditor balances totalling Rs.708,347 had been brought forward in accounts over a period from 5 to 12 years without being settled.
- (c) Although a provision of Rs. 2,200,000,000 had been approved from the Treasury for the payment of compensation for the Yala and Maha seasons of the year 2018, only Rs. 437,980,000 had been received during the year under review. This total amount was accounted as an income in the statement of comprehensive income and the balance amount of Rs. 1,762,120,000 was shown in the balance sheet as receivable. This amount has not been remitted up to the scheme until date of the audit and there was any confirmation letter that indicating this amount would be provided by the treasury. There is profit by increase of 1860 per cent in the present year when compared to the preceding year due to the accounting of this amount.

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

1.3 Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector 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 ability to continue the scheme and disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Auditor's Responsibility in Auditing Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional 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 scheme'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 scheme'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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

2. Report on other legal and regulatory requirements

Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

- In terms of the requirements of section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the 'Basis for the Audit Opinion' of this report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the scheme had maintained proper financial reports.
- In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the scheme presented are consistent with the preceding year.
- In terms of the requirement indicated in Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018, except for the observations indicated in paragraphs 1.2.1(a),(b) 1.2.2(b) and 1.2.3 (a),

(b) of 1.2 of this report, the recommendations made by me in the previous year have been included in the submitted financial statements.

On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements did not come to my attention.

- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the scheme has any interest, direct or otherwise, outside normal business status in any contract entered into by the scheme.
- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether the scheme has not complied with any applicable written law, or other general or special directions issued by the governing body of the scheme;

Reference to Laws, Rules, Regulations etc.	Description
(a) Department of Management Services Circular No. DMS/34 (ii) dated 30 March 2010.	Without the approval of the Department of Management Services, Subsistence Allowance of Rs.2,500 per day had been paid to the executive officers of the Board engaged in field duties
(b) Paragraph 4.2 of the Public Enterprise Circular No. 1/2015 dated 25th May 2015	Rs. 3,083,490 has been paid during the year under review and the 03 preceding years as monthly allowance of Rs. 8,000 for a Divisional Head and Rs. 4,000 for an Executive Officer who are not entitled to the official vehicles and transport allowances.

- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, whether the scheme has not performed according to its powers, functions and duties, except for the following observations.
- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, except for the following observations, whether the resources of the scheme had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

- (a) Official quarters situated at Mahiyanganaya and Embilipitiya were idling for more than 10-20 years without carrying out necessary repairs.
- (b) Although lands had been acquired by the respective divisional secretariats to construct district offices of agrarian insurance board in the districts of Kandy, Ampara, Manampitiya and Mahawa without taking steps to construct buildings in those lands, the officers had been maintained in the rented out buildings for 1 -11 years from the said date.
- (c) Nearly 50,000 farmer almanacs relevant to the year 2015 valued at Rs. 228,000 were decaying in the Kurunegala District Office without being distributed.

3. Other Audit Observations

- (a) Although the reinsurance value is Rs. 3,500,000,000 for the maximum insurance liability amount which is likely to be about Rs. 5,000,000,000 to provide free insurance for mandatory 06 crops for the period between 01st April 2018 to 31st March 2019, due to the incorrect application of the Central Bank Report the said insurance liability has been determined as Rs. 7,500,000,000 and the institution has entered in to a reinsurance liability of Rs. 5,315,000,000 thereby there was an over estimation of Rs. 1,815,000,000.
- (b) According to the above mentioned agreement relating to reinsurance, the Board has to bear a compensation amount of up to Rs. 2,185,000,000 and is entitled to go for reinsurance after bearing the compensation amount of Rs. 1,500,000,000 by the National Insurance Trust Fund. Upon the payment of reinsurance premia value of Rs 675,760,000 by the Board, Rs. 4,360,760,000 will be incurred on the payment of compensation locally. Up to 30th April 2019 the total compensation value paid for 2018 yala and 2018/19 maha seasons was Rs. 412,617,374 and therefore Rs. 473,032,000 which paid as foreign reinsurance premia has become a payment in vain.
- (c) 16,466 calls from farmers have been recorded by the Board during 03rd January 2018 to 16th March 2018 deploying 43 officers of the Board taking them out of their regular services using office 15,587 hours and although they have recorded farmer's name, crop damage period, number of acres, area and identity card number in a document, that was not compared with the farmer's applications at the time of calculating compensation thereby it has become a time consumed in vain.
- (d) Rs. 70,800,200 paid to 8185 farmers as 'Kethata Aruna' compensation for the 2016/2017 maha season had been rejected by the banks due to the mismatch of the account numbers, farmer's name and the identity card number and the said amount had been retained by the board till the end of the year under review without taking steps to pay the same after identifying farmers, informing them and finding out the information.
- (e) Without making a formal plan to scan and computerize applications of farmers obtaining fertilizers Island wide, only 281,250 farmer applications of 5 districts had been scanned and computerized. Although an expenditure of Rs. 2,757,809 had been incurred for this during August 2017 to July 2018, the said expenditure can be identified as an expenditure in vain due to the utilization of the officers of the board to relevant district offices to calculate compensation without using the said data in the compensation payment procedure.
- (f) In the 2016/2017 maha season although the compensation should be paid only up to Rs. 10,000 to one farmer, Rs. 3,148,600 has been paid to 364 farmers in 07 districts who bears the same name and identity card number and Rs. 432,500 has been twice paid to 50 farmers in 05 districts who bears the same name and different identity card numbers contrary to the circular directives and steps has not been taken to recover the said monies overpaid. Further, Rs 268,150 entitled to 31 farmers from Kurunegala whose interim crops had been damaged had still not been paid.
- (g) Despite 5 posts of Directors, 7 posts of Deputy Assistant Directors, 2 posts of Administrative officers, 16 posts of Development Officers, 65 posts of Management

Assistants and 12 posts of Drivers remaining vacant as a result of steps not being taken during the year under review to fill vacancies in the approved cadre for several years, hindering the activities of the institution, no action has hitherto been taken to fill those vacancies.

W.P.C. Wickremaratne

Auditor General

**Chairman
Agricultural and Agrarian Insurance Board**

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2019 of Farmers' Pension and Social Security Benefit Scheme

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Farmer's pension and social security benefit scheme for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and statement of comprehensive income, statement of 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 reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the scheme as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for the qualified opinion

1.2.1 Noncompliance with Sri Lanka Accounting Standards

The following observations are made.

- (a) Though a motor vehicle costing Rs. 2,102,060 which has been fully depreciated is still being used, steps had not been taken in terms of Standard 08 to revalue the said vehicle and include that in the financial statements after considering its useful lifetime.
- (b) In terms of paragraph 59 of standard 20, capital donation of Rs. 547,885 received prior to 1989 from United Nations Food and Agriculture Organization has not been amortized against the income on a regular basis during the useful lifetime of the said asset.
- (c) In terms of paragraph 37 of standard 39 although the actuarial valuation has to be carried out periodically for pensions liability of active subscribers and retired farmers, the pensions liability as at 31st December 2018 was shown as Rs. 66,508,205,596 in the financial statements without carrying out such actuarial valuation.

1.2.2 Going concern of the scheme

Farmers had been paid pensions in terms of the farmers pensions and social protection benefits scheme Extraordinary Gazette No. 1853/49 dated 14th March 2014 but contributions were not recovered under that. Therefore farmer contributions were Rs. 29,381,645 and Rs. 24,552,961 in the year of 2017 and 2018 respectively and the pension payments were Rs. 2,616,581,105 and Rs. 3,059,370,767 respectively. In the years of 2017 and 2018 the Treasury has granted Rs. 2,520,000,000 and Rs. 2,725,000,000 due to the increase of pension payments and therefore the scheme is in a situation where it cannot continue without the contributions of the Treasury.

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

1.3 Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management 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 Farmer's pension and social security benefit scheme'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 Farmer's pension and social security benefit scheme or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Farmer's pension and social security benefit scheme's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Farmer's pension and social security benefit scheme 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 scheme.

1.4 Auditor's responsibility of auditing the financial statements

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional 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.
- Obtained 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.

I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

2. Report on other legal and regulatory requirements

Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

- In terms of the requirements of section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the 'Basis for the Audit Opinion' of this report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the scheme had maintained proper financial reports.
- In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the scheme presented are consistent with the preceding year.
- In terms of the requirement indicated in Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018, except for the observations indicated in paragraphs 1.2.1(a),(b) 1.2.2(b) and 1.2.3 (a), (b) of 1.2 of this report, the recommendations made by me in the previous year have been included in the submitted financial statements.

On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements did not come to my attention.

- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the scheme has any interest, direct or otherwise, outside normal business status in any contract entered into by the scheme.
- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether the Company has not complied with any applicable written law, or other general or special directions issued by the governing body of the scheme;

Reference to Laws, Rules Regulations etc.	Description
Farmer's pension and social security benefit scheme Act No. 12 of 1987 (a) Section 15(2),(3)	In instances where a contributor is deprived of the claims on the certificate issued to him, a notice should be issued to the said contributor informing same. Due to such notices not being issued, 1606 subscribers loss the opportunity to re-validate a certificate which had been invalidated.
(b) Section 20	Even though the Board Advisory Committee has to be comprised of 12 members, only 09 members had been appointed for the year 2018.

- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, whether the scheme has not performed according to its powers, functions and duties,
- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, except for the following observations, whether the resources of the scheme had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.
 - (a) Steps have not been taken up to now to pay pension arrears of 19283 retired farmers for the period from April 2017 to December 2018 totaling Rs. 451,324,111 and Rs. 3,033,329,200 being the arrears of pensions of 90573 farmers for the period of 2012 – 2013.
 - (b) At the end of 2012, the number of active farmers of the scheme was 959,254 but due to information on subscribers not being maintained updated after 2012, the number of active members, annually receivable contribution and the correct amount of pension payable could not be calculated.

W.P.C. Wickremaratne
Auditor General

**Chairman
Agricultural and Agrarian Insurance Board**

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2019 of Fishermen's Pension and Social Security Benefit Scheme

- 1. Financial statements**
- 2. Qualified Opinion**

The audit of the financial statements of the Fishermen's pension and social security benefit scheme for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and statement of comprehensive income, statement of 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 reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the scheme as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.1 Basis for Qualified Opinion

(a) Non-compliance with Sri Lanka Accounting Standards

In terms of paragraph 59 of Standard 37, though an actuarial valuation should be carried out periodically in order to ascertain the pension liability of the active subscribers and retired fishermen, without carrying out such actuarial valuation, the pension liability has been shown in the financial statements as Rs. 3,590,887,004 as at 31st December 2018.

(b) Going concern of the scheme

Pension liability was Rs.3,590,887,004 as at the last date of the year under review and it is an increase of 8.9 percent compared to the preceding year. The minus balance of the fisherman's pensions accumulated fund has increased to Rs.2,947,927,045 as at 31st December 2018 and it has adversely affected the ability of the scheme to continue as a going concern. Though this position could exacerbate further in the coming years, the Institution has not taken steps to restructure the scheme and to operate it with financial feasibility.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities

for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management 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 Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Auditor's responsibility of auditing the financial statements

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional 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.
- Obtained 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 Corporation'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 Corporation'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.

I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

2 Report on other legal and regulatory requirements

Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

- In terms of the requirements of section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the 'Basis for the Audit Opinion' of this report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the scheme had maintained proper financial reports.
- In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the scheme presented are consistent with the preceding year.
- In terms of the requirement indicated in Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018, except for the observations indicated in paragraphs 1.2.1(a),(b) 1.2.2(b) and 1.2.3 (a), (b) of 1.2 of this report, the recommendations made by me in the previous year have been included in the submitted financial statements.

On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements did not come to my attention.

- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the scheme has any interest, direct or otherwise, outside normal business status in any contract entered into by the scheme.
- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether the Company has not complied with any applicable written law, or other general or special directions issued by the governing body of the scheme;

Reference to Laws, Rules Regulations etc.	Description
(a) Fishermen's pension and social security benefit scheme Act No. 23 of 1990 i) Section 16	In instances where a subscriber is deprived of benefits under a certificate issued to him, a notice should be issued to the said contributor informing same. Due to such notices not being sent, 35 subscribers loss the opportunity to re-validate a certificate which had been invalidated.
ii) Section 20	Even though the Advisory Committee of the Board should consist of 12 members, only 09 members had been appointed for the year 2018.

- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, whether the scheme has not performed according to its powers, functions and duties,
- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, except for the following observations, whether the resources of the scheme had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

For 95 fishermen retired in January 2011, pension payments had been calculated and paid from January 2017 but steps had not been taken to pay their pension arrears amounting to Rs. 2,793,811 payable for the period from January 2011 to December 2016 even by the end of the year under review.

W.P.C. Wickramaratne
Auditor General



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23.05.2019

Audit Superintendent
 Auditor General's Department,
 Colombo

Responding to audit queries

The responses for the Auditor General's report presented in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements for the year ended 31 December 2018 of the Agricultural and Agrarian Insurance Scheme are submitted herewith.

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Answers for the Report of the Auditor General presented in terms of section 12 of the National Audit Act No. 19 of 2018 on the financial statements of the Agricultural Insurance Scheme for the year ended 31 December 2018

1. Financial Statements

1.1 Opinion

1.2 Basis for the qualified opinion

1.2.1 Non-compliance with Sri Lanka Accounting Standards

- (a) In accounting fixed assets, the policy of the Board is to account assets on the value of the cost. Accordingly all fixed assets have duly accounted and at present valuation reports have been obtained on all the vehicles based on the current market value and the relevant adjustments are expected to be carried out next year.
- (b) Allocations for the payment of farmers' death and disablement gratuity is calculated by the Farmers' Pension Fund and credited to the Death and Disablement Gratuity Fund and the information relating thereto has been disclosed through journal notes number 43.

1.2.2 Accounting Deficiencies

- (a) Subsequent to discussions with the Deputy/Assistant District Secretaries for the valuation of lands of the Mahiyanganaya, Embilipitiya & Anuradhapura official quarters and the valuation of the official quarters of Embilipitiya and necessary activities have been commenced and action will be taken to finalize these activities expeditiously and account the valuation amount.
- (b) Action will be taken to include these vehicles in the accounts under property, plant and equipment in the coming year and valuation reports have been obtained by now.

1.2.3 Accounts receivable and payable

- a. Letters of demand have been sent for the recovery of defaulted loans and interests thereof of employees who have either left the service of the Board or retired and in the event of failure to comply with them, legal action will be initiated. Further, action was taken to recover the loan balances of most of the officers who have defaulted loans when they visited the Board to obtain the documents required to claim Employees' Provident Fund and action is being pursued to recover the balances of other officers from their guarantors.
- b. Measures have already been taken to recover this balance of Rs 708,347/- receivable from various parties to the Board.
- c. In allocating budgetary provisions in respect of the year 2018, Rs. 2,200 million was allocated for the mandatory crop insurance and of this installment, the amount not received was Rs. 1,762,120,000/- and letters of request have been sent to the Treasury soliciting this amount and necessary submissions have been made to the Treasury. The Treasury has informed us verbally that measures would be taken to provide this amount.

1.4 Auditor’s responsibility of auditing the financial statements

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

2. Report on other legal and regulatory requirements

- (a) The officers have to work mostly in the field as per the nature of business of the Board and the executive officers have to regularly undertake duties in other districts in the aftermath of floods, droughts and other disasters. When officers are deployed for work in other districts, they have to find lodging and a sufficient allowance has to pay for this purpose and these allowances are paid with the approval of the Board of Directors. If proper lodging facilities are not made available, it will hinder the duties of the Board.
- (b) Since the vehicles in possession of the Board are not sufficient to provide transport facilities to officers entitled to transport facilities, this allowance was paid as per Public Enterprises Circular No. PED1/2015 subject to the approval of the Board of Directors.
- (c) Necessary measures will be taken to restore the relevant assets and put to use.
- (d) The ownership of these lands will be duly acquired and action will be taken to construct district officers after securing funds.
- (e) These almanacs were planned to be distributed in the year 2015, but the distribution such items during an election period was illegal they were stored in the office. This matter will be looked into and action will be taken to dispose of them.

3. Other audit observations

- (a) Compensation paid for an acre for natural disasters was increased from Rs. 10,000 to Rs. 40,000 and the insurance liability was also increased simultaneously. During this reinsurance process the government liability has been decided considering the gross cultivation area as 2,751,244 acres of the crop cultivation included in the mandatory crop insurance (paddy, corn, Soya, B Anion, Potatoes) during the year of 2018 and the government liability has been decided on calculating the expected crop damage area as 15% out of the total cultivation which is 412,686 acres in terms of the Central Bank Reports. Total liability for this number of acres has been considered as Rs. 82,537 million. The total liability for this acreage was considered as Rs. 82,537 million.

Crop	Extent (Acres)	Insured amount (Rs:)	Total liability (Rs Mn)
Paddy	2,500,000	30,000	75,000
Maize	174,928	30,000	5,242
Soy	15,958	30,000	4,787
Chilli	32,573	30,000	9,771
Big onions	14,045	30,000	4,213
Potato	13,740	30,000	4,122
Total			82,537

It was expected that 15% of this cultivation area would be damaged and the total insurance liability is considered as Rs. 7,500 million on the basis that generally all the damages might be caused on the second stage of the cultivation. According to Central Bank Report this is Rs. 15,000/-million. (82537x15%=12380x60%)

Total Liability	= Rs. Million 82537.
Likely amount of damage 15%	= Rs. Million 12,380
Second stage on the assumption of damage stage	= 60%
Expected liability	= Rs. Million 7,500 (12,380x60%)

Therefore there is no over estimation in the insurance liability.

- (b) Reinsurance has been obtained as there was a high risk due to climatic conditions prevailed at the time and as there was a high risk when compared to past seasons under the same conditions. This reinsurance was based on a projected liability according to the insurance procedure. If damages were caused as expected, it could have been indemnified from the reinsurance. In obtaining this reinsurance, action was taken to carry out it through a cabinet appointed tender board and technical committee consisting of experts in this field and as the insurance procedure has been followed, this installment cannot be identified as a expense in vain.
- (c) Even though steps were taken to submit damage applications to farmers having compared with this data, after the receipt of records about heavy damages the said system was not implemented due to practical difficulties and information received for damages was used to pay compensation.
- (d) Agrarian service centers and district offices were notified to prepare amended documents of the farmers whose payments were rejected and payments were made for the amended documents thus received. No sooner the correct documents are received, payments will be made.
- (e) The database for the computation of compensation was created on the basis of this data and the register of farmers to whom fertilizer sudy was granted.
- (f) Payment of compensation to farmers affected by the drought that prevailed in the country since 2016 was carried out. The responsibility of recommending and approving compensation having inspected the damaged farming lands was entrusted to the Assistant District Commissioner of the Agrarian Development Department, Development Officers of the Agrarian Service Centres and Agricultural Research and Production Assistants and the documents were finally approved by the District Secretary. There has not been a duplication of damaged farming lands in respect of the payment of compensation indicated in the audit inquiry. In inspecting the Application Number (DO Serial Number), which is the basic primary document used by the Agrarian Service Centres for the identification of the cultivated land, the farmer, the ownership of the land and the bank in respect of the list of compensation, the existence of separate basic documents was confirmed. The above situation has arisen due to the existence of minor discrepancies in the national identity card numbers in making payments to these farmers and as per the circulars the same procedure was used to pay fertilizer subsidies and the payments have been made using the same data system.

- (g) Approval of the Management Services Department has been sought to recruit the required number of employees and as soon as the approval is received, recruitment will be made following the proper procedure.



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தி஁தி
Date

10.04.2019

Audit Superintendent
Auditor General's Department,
Colombo

Responding to audit queries

The responses for the Auditor General's report presented in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements for the year ended 31 December 2018 of the Farmers' Pension Scheme are submitted herewith.

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Agricultural and Agrarian Insurance Board

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Answers for the Report of the Auditor General presented in terms of section 12 of the National Audit Act No. 19 of 2018 on the financial statements of the Farmers' Pension Scheme for the year ended 31 December 2018

1. Financial Statements

1.1 Opinion

1.2 Basis for the qualified opinion

1.2.1 Non-compliance with Sri Lanka Accounting Standards

- (a) Revaluation of the Board's motor vehicles has been commenced as of now and necessary adjustments are expected to be made in the coming year.
- (b) Action will be taken in the coming year to amortize this amount which was a grant by the United Nations Food and Agricultural Organization.
- (c) Pension liability has been accounted on the basis of the actuarial valuation conducted in the year 2007 on the liability of the farmer's pension scheme. As this pension scheme is not on a self-financing basis, steps will be taken to restructure this scheme in the future and properly value the liability.

1.2.2 Going concern of the scheme

Through Gazette Notification Extraordinary No.153/49, measures were taken to amend the Farmers' Pension Scheme and a new Farmers' Pension scheme that could be maintained on a self-financing basis was introduced. Though the Farmers' Pension Fund became zero, necessary action has been taken to secure provisions from the fund for the payment of pension. It is expected to take necessary action in consultation with the Treasury to build the fund in relation to the pension liability.

1.3 Auditor's responsibility of auditing the financial statements

1.4 Responsibilities of management and those harged with governance for the Financial Statements

2. Report on other legal and regulatory requirements

Reference to laws rules and regulations

(a) Section 15(2), (3)

If the farmers who have subscribed to the farmers pension scheme defaulted 05 consecutive premiums, their subscription is cancelled and necessary awareness in this regard has been made. Action is taken to reimburse the premium paid by farmers whose subscription is thus cancelled when they reach the age of 60 years.

(b) Section 20

A cabinet memorandum has been presented to the Cabinet of Ministers for the commencement of a new pension scheme for the farming and fisheries communities. A committee of experts was appointed to further analyze these schemes and instruct the cabinet. Concurrently, it is expected to appoint the remaining members to the Advisory Council and convene a meeting thereof to submit these proposals.

- (c) Since there were more than 20,000 farmers in the waiting list to receive pensions, necessary measures were taken to include these farmers in the pension register for the expeditious

payment of pensions to them. This enabled the payment of pensions to 20,503 farmers in the waiting list. Action is being pursued to enter the names in the pension register at the time of becoming entitled for the pension so as to prevent the existence of any arrears. Measures will be taken to gradually pay off this amount in arrears upon the receipt of provisions from the Treasury and the pensions in arrears have been accounted in financial statements as a payable pension and are removed from that liability at the time of the payment.

- (d) It is expected to take necessary measures computerize all details regarding subscribers and upgrade the computer system.



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Date

10.04.2019

Audit Superintendent
Auditor General's Department,
Colombo

Responding to audit queries

The responses for the Auditor General's report presented in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements for the year ended 31 December 2018 of the Fishermen's Pension Social Security Benefit Scheme are submitted herewith.

Chairman
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Answers for the Report of the Auditor General presented in terms of section 12 of the National Audit Act No. 19 of 2018 on the financial statements of the Fishermen's Pension and Social Security Benefit Scheme for the year ended 31 December 2018

1. Financial Statements

1.1 Opinion

1.2 Basis for the qualified opinion

Non-compliance with Sri Lanka Accounting Standards

- (a) The pension liability has been accounted on the basis of the actuarial assessment carried out in year 2007 as regards the liability of the Fishermen's Pension Scheme. Since this pension scheme is not based on self-financing, action will be taken in future to restructure the scheme and assess the liability properly.
- (b) Future liability of the Fisherman's Pensions scheme is disclosed in the financial statements according to accounting standards. The future liability has been increased because this scheme is depending on the government subsidies and has no financial feasibility. As soon as the recommendations are received pertaining to the restructuring of this scheme from the already appointed expert committee hoping to operate the Fisherman's Pensions scheme with financial feasibility after restructuring it.

1.3 Auditor's responsibility of auditing the financial statements

1.5 Responsibilities of management and those charged with governance for the Financial Statements

3. Report on other legal and regulatory requirements

Reference to laws rules and regulations

(a) (i) Section 16

At the time fishermen are enrolled to the scheme, a notice is given by the Department of Fisheries in advance on the cancellation of the subscription of subscribers who fail to pay 10 consecutive premiums. Further, such cancellation of subscription is conveyed by the Department and the fishermen whose subscription is thus cancelled can subscribe again to the Fishermen's Pension Scheme as a new subscriber through the district offices of the Fisheries Department.

(ii) Section 20

A cabinet memorandum has been presented to the Cabinet of Ministers for the commencement of a new pension scheme for the farming and fisheries communities. A committee of experts was appointed to further analyze these schemes and instruct the cabinet. Concurrently, it is expected to appoint the remaining members to the Advisory Council and convene a meeting thereof to submit these proposals.

- This situation has occurred due to the temporary cancelation of the paying of overdue arrears pensions in paying the pensions for the fishermen who have made applications to get the fisherman's pensions after a long delay after finding out the reasons for the delays. There were long delays in the war torn districts when applying for fisherman's pensions

and after obtaining confirmations for the reasons for the said delays from the District Government Officials like Grama Niladhari and Divisional Secretary, steps will be taken to pay the relevant monies.