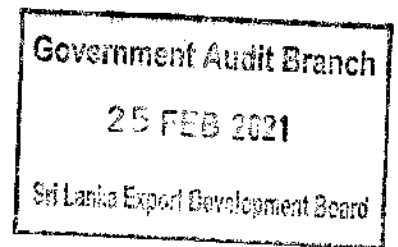


SRI LANKA EXPORT CREDIT INSURANCE CORPORATION (SLECIC)

Annual Financial Statements for the
Year ended December 31, 2020



Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER

	NOTE	31.12.2020 RS.	31.12.2019 RS.
REVENUE			
GROSS WRITTEN PREMIUM	1	204,184,325.34	226,066,266.58
NET CHANGE IN RESERVE FOR UNEARNED PREMIUM	1A	1,987,999.94	3,678,463.98
GROSS EARNED PREMIUM		206,172,325.28	229,744,730.56
REVENUE FROM OTHER OPERATIONS	2	12,837,220.42	15,337,726.67
TOTAL NET REVENUE FROM OPERATIONS		219,009,545.70	245,082,457.23
OTHER INCOME			
INVESTMENT INCOME	3	215,395,334.99	216,940,848.72
OTHER INCOME	4	31,065,746.79	-5,057,448.22
		246,461,081.78	211,883,400.50
TOTAL NET REVENUE		465,470,627.48	456,965,857.73
CLAIMS AND OPERATING EXPENSES			
NET CLAIMS	5	95,128,166.10	87,735,173.54
STATUS REPORTS		7,237,809.53	8,394,438.04
ESTABLISHMENT EXPENDITURE	6	19,769,909.03	21,009,402.72
ADMINISTRATIVE EXPENDITURE	7	50,811,906.12	50,778,765.93
SELLING & MARKETING EXPENDITURE	8	4,059,648.82	8,828,537.09
FINANCE CHARGES	9	89,456.28	3,314,284.54
NET CLAIMS AND OPERATING EXPENSES		177,096,895.88	180,060,601.86
PROFIT/LOSS BEFORE VALUE ADDED TAX		288,373,731.60	276,905,255.87
VAT ON FINANCIAL SERVICES		23,083,663.00	23,858,646.00
PROFIT BEFORE INCOME TAX		265,290,068.60	253,046,609.87
INCOME TAX	9A	41,941,136.57	10,795,764.44
NET PROFIT/LOSS FOR THE YEAR		223,348,932.03	242,250,845.43
OTHER COMPREHENSIVE INCOME			
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		223,348,932.03	242,250,845.43

Audited

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2020

STATEMENT OF FINANCIAL POSITION

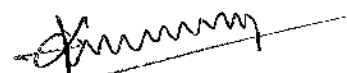
	NOTE	AS AT 31.12.2020 Rs.	AS AT 31.12.2019 Rs.	AS AT 01.01.2019 Rs.
ASSETS				
CASH AND CASH EQUIVALENTS	10	5,289,429.42	8,270,323.86	4,866,533.09
FOREIGN CURRENCY SAVINGS ACCOUNTS	11	682,942.81	1,987,326.53	4,791,507.19
TREASURY TRUST FUND		0.00	23,658,844.17	22,267,906.93
INVESTMENT FUND		32,497.95	1,054,937.04	103,044.61
SHORT TERM FINANCIAL INVESTMENTS	12	2,387,549,984.30	1,845,825,066.60	1,671,180,433.02
LONG TERM FINANCIAL INVESTMENTS	13	445,663,577.72	687,134,191.76	687,134,191.76
INTEREST RECEIVABLE	14	186,666,576.27	184,881,509.57	185,545,699.84
TRADE DEBTORS		5,564,833.73	5,490,208.97	5,689,790.59
SUNDRY DEBTORS, DEPOSITS AND PRE-PAYMENTS	15	8,324,841.89	8,685,474.40	12,641,693.83
PROPERTY, PLANT & EQUIPMENT	16	153,919,384.79	167,193,203.23	180,497,369.83
STOCK OF STATIONERY & CONSUMABLES		333,982.95	341,088.05	299,180.14
LIBRARY MATERIALS		39,527.50	39,527.50	39,527.50
TOTAL ASSETS		3,194,067,579.33	2,934,561,701.68	2,775,056,878.33
LIABILITIES				
OUTSTANDING CLAIMS	17	295,073,784.16	243,615,705.53	246,681,605.15
PREMIUM ADVANCES		13,444,971.76	8,508,652.96	11,711,685.41
SUNDRY CREDITORS, ACCRUED EXPENSES & PROVISIONS	18	46,629,068.77	46,688,020.95	121,209,377.58
STAFF GRATUITY PAYABLE	19	13,228,994.16	11,571,417.60	9,848,687.00
TOTAL LIABILITIES		368,376,818.85	310,383,797.04	389,451,355.14
EQUITY				
STATED CAPITAL	20	30,000,000.00	30,000,000.00	30,000,000.00
RESERVES	21	2,795,690,760.48	2,594,177,904.64	2,355,605,523.19
TOTAL EQUITY		2,825,690,760.48	2,624,177,904.64	2,385,605,523.19
TOTAL LIABILITIES & EQUITY		3,194,067,579.33	2,934,561,701.68	2,775,056,878.33

Audited

THE ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.
THE BOARD OF DIRECTORS IS RESPONSIBLE FOR THE PREPARATION AND PRESENTATION OF THESE FINANCIAL STATEMENTS.
THE FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON THEIR BEHALF


D P ALUTHGE
ASST. GENERAL MANAGER - FINANCE


A H W AMBAWATTA
CHAIRMAN & MANAGING DIRECTOR


K S M DE SILVA
DIRECTOR

25.02.2021

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
ANNUAL FINANCIAL STATEMENTS - 2020

CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST DECEMBER 2020

	YEAR ENDING 31.12.2020 Rs.	YEAR ENDING 31.12.2019 Rs.
INFLOWS FROM OPERATING ACTIVITIES		
PROFIT BEFORE TAXATION	265,290,069	253,046,610
ADJUSTMENTS FOR NON- CASH ITEMS		
DEPRECIATION	13,357,874	13,404,291
PROVISION FOR GRATUITY	1,844,827	1,882,031
PROVISION FOR CLAIMS	95,128,166	87,735,173
VAT ON FINANCIAL SERVICES	23,083,663	23,858,646
TRANSFERS FROM/(TO) RESERVES	-21,836,076	-3,678,464
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	376,868,523	376,248,287
DECREASE/(INCREASE) IN TRADE AND OTHER RECEIVABLES	286,008	4,155,801
DECREASE / (INCREASE) IN INVENTORIES	7,105	-41,908
INCREASE/ (DECREASE) IN TRADE AND OTHER PAYABLES	972,011	-22,189,895
CASH GENERATED FROM OPERATIONS	378,133,647	358,172,285
CLAIMS PAID	-43,670,087	-90,801,073
PAYMENT OF VAT ON FS	-26,201,907	-34,053,671
INCOME TAX PAID	-34,917,537	-56,135,233
GRATUITY PAID	-187,250	-159,300
NET CASH FLOW FROM OPERATING ACTIVITIES	273,156,866	177,023,008
CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	-84,056	-100,125
TRANSFER TO LONG/SHORT TERM INVESTMENTS	-302,039,371	-173,980,443
TRANSFER FROM/TO FOREIGN CURRENCY SAVINGS ACCOUNT	1,304,383	2,804,180
TRANSFER FROM TREASURY TRUST FUND	23,658,844	-1,390,937
TRANSFERS FROM/TO INVESTMENT FUND	1,022,439	-951,892
NET CASH FLOW FROM INVESTING ACTIVITIES	-276,137,761	-173,619,217
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	-2,980,895	3,403,791
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8,270,324	4,866,533
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	5,289,429	8,270,324

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
ANNUAL FINANCIAL STATEMENTS - 2020
RESERVES AS AT 31ST DECEMBER 2020

	CAPITAL CONTRIBUTED RS.	GENERAL RESERVE RS.	REVALUATION RESERVE RS.	INVESTMENT FUND RS.	UNEARNED PREMIUM RS.	TOTAL RS.
BALANCE AS AT 1ST JANUARY 2019	30,000,000.00	2,131,527,483.35	141,710,389.74	58,507,949.05	23,859,701.05	2,385,605,523.19
TRANSFERRED FROM REVALUATION RESERVE NET PROFIT FOR THE YEAR 2019		7,888,946.00	-7,888,946.00			0.00
TRANSFERRED DURING THE YEAR 2019		242,250,845.43			-3,678,463.98	242,250,845.43
						0.00
						0.00
BALANCE AS AT 31ST DECEMBER 2019	30,000,000.00	2,381,667,274.78	133,821,443.74	58,507,949.05	20,181,237.07	2,624,177,904.64
TRANSFERRED FROM REVALUATION RESERVE NET PROFIT FOR THE YEAR 2020		8,154,758.82	-8,154,758.82			0.00
TRANSFERRED DURING THE YEAR 2020		223,348,932.03			-1,987,999.94	223,348,932.03
SPECIAL LEVY FOR 2020		-19,848,076.25				-19,848,076.25
BALANCE AS AT 31ST DECEMBER 2020	30,000,000.00	2,593,322,889.38	125,666,684.92	58,507,949.05	18,193,237.13	2,825,690,760.48

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020

NOTE	31.12.2020	31.12.2019
	Rs.	Rs.
1 GROSS WRITTEN PREMIUM		
PRE-SHIPMENT CREDIT GUARANTEE	5,558,367.59	13,174,701.41
POST SHIPMENT CREDIT GUARANTEE	1,131,874.39	1,390,434.65
EXPORT PERFORMANCE GUARANTEE	0.00	1,055,082.00
COST OF PASSAGE GUARANTEE (APARA)	613,442.56	1,477,700.32
EXPORT PAYMENTS INSURANCE POLICY (SELLER'S RISK)	196,880,640.80	208,968,348.20
	<u>204,184,325.34</u>	<u>226,066,266.58</u>
DECREASE IN UNEARNED PREMIUM	1,987,999.94	3,678,463.98
GROSS EARNED PREMIUM	<u>206,172,325.28</u>	<u>229,744,730.56</u>
1A UNEARNED PREMIUM		
EXPORT PAYMENTS INSURANCE POLICIES GROSS UNEARNED PREMIUM		
BALANCE AS AT 1ST JANUARY	17,616,549.32	21,350,717.58
PREMIUM WRITTEN DURING THE YEAR	196,880,640.80	208,968,348.20
PREMIUM EARNED DURING THE YEAR	197,399,505.66	212,702,516.46
BALANCE AS AT 31ST DECEMBER	<u>17,097,684.46</u>	<u>17,616,549.32</u>
CREDIT GUARANTEE GROSS UNEARNED PREMIUM		
BALANCE AS AT 1ST JANUARY	2,564,687.76	2,508,983.47
PREMIUM WRITTEN DURING THE YEAR	7,303,684.54	17,097,918.38
PREMIUM EARNED DURING THE YEAR	8,772,819.62	17,042,214.10
BALANCE AS AT 31ST DECEMBER	<u>1,095,552.68</u>	<u>2,564,687.75</u>
TOTAL RESERVE AS AT 31ST DECEMBER	18,193,237.14	20,181,237.07
TOTAL RESERVE AS AT 1ST JANUARY	20,181,237.08	23,859,701.05
NET CHANGE IN UNEARNED PREMIUM RESERVE	<u>-1,987,999.94</u>	<u>-3,678,463.98</u>
2 OTHER OPERATIONAL INCOME		
GUARANTEE, POLICY, ADMINISTRATIVE, PROCESSING AND BLL FEES	8,771,612.74	9,983,380.07
BIZINFO INCOME	4,065,607.68	5,354,346.60
REPAYMENT OF CLAIMS PAID	-	-
	<u>12,837,220.42</u>	<u>15,337,726.67</u>
3 INVESTMENT INCOME		
TREASURY BILLS / BONDS	9,350,251.46	16,485,538.11
CALL DEPOSIT	713,085.35	519,323.28
SMIB DEPOSIT	23,792.80	22,966.02
DEBENTURES	62,511,910.51	66,236,873.90
US DOLLAR FIXED DEPOSITS	60,181,337.24	46,588,801.66
US DOLLAR SAVINGS	50,580.35	85,700.95
EURO FIXED DEPOSIT	1,066,463.63	862,470.97
TEMPORARY SURPLUS TRUST FUND	455,412.82	1,436,457.38
DIVIDENDS	320,000.00	280,000.00
SLR FIXED DEPOSIT	80,666,592.92	84,390,517.04
INTEREST ON INVESTMENT FUND	55,907.91	32,199.41
	<u>215,395,334.99</u>	<u>216,940,848.72</u>

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020

NOTE	31.12.2020	31.12.2019
	Rs.	Rs.
4 OTHER INCOME		
INTEREST ON STAFF LOANS	153,959.43	145,030.91
PROFIT ON DISPOSAL OF FIXED ASSETS	0.00	0.00
TREASURY BILL INTEREST ON GRATUITY FUND	609,295.05	755,616.20
INTEREST ON GRATUITY SAVINGS ACCOUNT	4,862.94	5,113.98
SUNDRY INCOME	5,880.00	520.00
EXCHANGE GAIN/LOSS	30,291,749.37	-5,963,729.31
	<u>31,065,746.79</u>	<u>-5,057,448.22</u>
5 NET CLAIMS PAID		
CLAIMS PROVISION AS AT END OF THE YEAR - SPECIFIC	264,467,319.79	209,762,232.23
CLAIMS PROVIDED IN THE PREVIOUS YEARS	112,486,887.81	75,353,828.30
CLAIMS FOR THE YEAR 2020	151,980,431.98	134,408,403.93
LESS : EXCESS PROVISION MADE IN PREVIOUS YEAR	61,881,941.46	82,936,418.02
NET CLAIMS FOR THE YEAR 2020 - SPECIFIC	90,098,490.52	51,471,985.91
CONTINGENT PROVISION - 2020 (PLEASE REFER NOTE 17)	5,029,675.58	36,263,187.63
	<u>95,128,166.10</u>	<u>87,735,173.54</u>
6 ESTABLISHMENT EXPENDITURE		
RATES	762,300.00	762,300.00
WATER	86,080.14	109,807.77
ELECTRICITY	1,160,093.54	1,486,222.77
TELEPHONE	788,789.91	869,754.72
E-MAIL & INTERNET, WEBSITE	762,102.70	646,004.90
SECURITY	512,207.00	412,644.98
DEPRECIATION - BUILDING	8,825,000.00	8,825,000.00
MOTOR VEHICLES	2,680,000.00	2,680,000.00
OFFICE EQUIPMENT	296,217.37	272,843.37
COMPUTERS & PRINTERS	1,355,863.07	1,343,408.08
FURNITURE & FITTINGS	140,923.00	140,923.00
SOFTWARE	59,871.00	142,117.15
INSURANCE - BUILDING - OFFICE PREMISES (NAWAM MWT)	115,238.48	116,940.12
MOTOR VEHICLES	249,862.95	249,788.37
OFFICE EQUIPMENT, FURNITURE & FITTINGS	14,863.22	12,091.21
REPAIRS & MAINTENANCE - BUILDING	0.00	0.00
MOTOR VEHICLES	516,284.29	1,503,083.98
OFFICE EQUIPMENT, FURNITURE	58,471.89	9,299.22
COMPUTERS & PRINTERS	469,215.00	546,525.27
SOFTWARE	113,995.78	121,327.54
MAINTAINING OFFICE PREMISES	802,529.69	759,320.27
	<u>19,769,909.03</u>	<u>21,009,402.72</u>

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020

NOTE	31.12.2020 Rs.	31.12.2019 Rs.
7 ADMINISTRATIVE EXPENDITURE		
SALARIES & ALLOWANCES	24,173,770.78	24,094,489.11
OTHER STAFF BENEFITS	11,521,046.98	12,130,912.18
RECRUITMENT, LOCAL TRAINING & SUBSCRIPTIONS TO EDUCATIONAL INST.	20,975.00	531,703.10
TEA & RELATED EXPENSES	417,885.04	778,605.40
EMPLOYEES PROVIDENT FUND	6,248,583.39	6,131,827.10
EMPLOYEES TRUST FUND	781,073.10	766,478.56
GRATUITY	1,844,826.56	1,882,030.60
FOREIGN TRAINING	0.00	157,118.47
DIRECTORS FEES	320,000.00	80,000.00
TRAVELLING, TRANSPORT & SUBSISTENCE	1,192,706.00	445,558.10
POSTAGE	33,325.00	53,176.00
ANNUAL REPORT & OTHER PRINTING	994,022.00	112,586.05
STATIONERY	202,884.27	163,875.44
FUEL	755,603.00	830,639.00
EXTERNAL AUDIT FEES	364,320.00	901,037.84
INTERNAL AUDIT FEES	616,480.00	542,543.83
PROFESSIONAL, LEGAL & CONSULTANCY FEES	130,435.00	143,383.45
GENERAL EXPENSES	15,415.00	21,255.00
STAMP DUTY	10,025.00	10,125.00
NEWS PAPERS, BOOKS & MAGAZINES	21,982.00	48,770.00
ANNIVERSARY EXPENSES	739,500.00	952,651.70
EMPLOYEE SAFETY EXPENSES (COVID)	407,048.00	0.00
	50,811,906.12	50,778,765.93
8 SELLING & MARKETING EXPENDITURE		
PROMOTIONAL INVESTMENTS	540,000.00	1,524,814.04
ADVERTISING - PRINT & ELECTRONIC MEDIA		
ADVERTING IN NEWSPAPERS, MAGAZINES, JOURNALS AND RADIO	0.00	227,625.98
PRINTING COST OF BROCHURES, FORMS, APPLICATIONS ETC.	30,943.83	44,692.71
BUSINESS TRAVEL (FOREIGN) & CONFERENCES	2,414.19	2,386,964.89
TRADE EXHIBITIONS, CLIENT MEETINGS, GET-TOGETHER	0.00	777,153.66
FUEL COST	212,877.00	271,153.00
ANNUAL COMPLIMENTS, GREETING CARDS & GIFTS	0.00	20,189.08
ENTERTAINMENT	6,085.00	176,944.13
CORPORATE MEMBERSHIPS	167,628.80	195,049.60
SUBS. TO INT.PROFESSIONAL & EXPORT RELATED ORGN	3,099,700.00	3,203,950.00
	4,059,648.82	8,828,537.09

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020

NOTE	31.12.2020	31.12.2019
	Rs.	Rs.
9 FINANCE CHARGES		
BANK CHARGES	65,624.28	93,381.54
STAMP DUTY	23,700.00	39,750.00
NATION BUILDING TAX	132.00	3,181,153.00
	89,456.28	3,314,284.54

9A INCOME TAX

IN TERMS OF THE NEW INLAND REVENUE ACT NO.24 OF 2017 WHICH CAME INTO EFFECT FROM 1ST APRIL 2018 AND ITS SUBSEQUENT AMENDMENTS THE CORPORATION'S TOTAL INCOME BECAME LIABLE FOR INCOME TAX WHERE AS PREVIOUS IT WAS LIABLE ONLY FOR ITS INVESTMENT INCOME.

PRIOR TO 2018, THE CORPORATION PAID INCOME TAX AT THE RATE OF 28% WHILE WITH THE NEW AMENDMENTS THE CORPORATION WAS CATEGORISED AS A SME RESULTING IN TAX BEING PAID AT A REDUCED RATE OF 14%. HOWEVER, THIS RATE CHANGE WAS FINALISED AFTER THE PREPARATION OF FINAL ACCOUNTS 2018 RESULTING IN AN OVERPROVISION OF Rs.33,270,216/- INCOME TAX.

INCOME TAX LIABILITY FOR 2019 WAS COMPUTED AT Rs.44,065,981/- AT THE RATE OF 14% AND DUE TO THE ABOVE MENTIONED OVER PROVISION, THE INCOME TAX CHARGE FOR 2019 WAS ONLY Rs.10,795,765/-.

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020

NOTE	31.12.2020	31.12.2019	01.01.2019
	Rs.	Rs.	Rs.
10 CASH & CASH EQUIVALENT			
CASH AT BANK			
HATTON NATIONAL BANK CURRENT ACCOUNTS	833,186.30	2,914,982.32	2,952,847.24
HATTON NATIONAL BANK CALL DEPOSIT ACCOUNT	3,956,769.44	4,599,867.42	1,039,649.51
BANK OF CEYLON CURRENT ACCOUNT	303,541.03	656,841.87	690,569.69
PEOPLE'S BANK CURRENT ACCOUNT	193,932.65	96,632.25	181,466.65
	5,287,429.42	8,268,323.86	4,864,533.09
CASH IN HAND	2,000.00	2,000.00	2,000.00
	5,289,429.42	8,270,323.86	4,866,533.09
11 FOREIGN CURRENCY SAVINGS ACCOUNTS			
BANK OF CEYLON - US DOLLAR ACCOUNT	427,221.00	1,745,301.68	1,075,334.60
PEOPLE'S BANK - US DOLLAR ACCOUNT	219,592.56	209,974.03	3,683,261.55
EURO SAVINGS ACCOUNT	36,129.25	32,050.82	32,911.04
	682,942.81	1,987,326.53	4,791,507.19
12 SHORT TERM INVESTMENTS			
US DOLLAR FIXED DEPOSITS	1,094,313,602.04	1,002,677,864.30	949,327,865.33
EURO FIXED DEPOSIT	44,773,966.24	38,773,597.24	38,926,247.85
SLR FIXED DEPOSITS	1,238,656,249.70	795,200,000.00	674,533,380.82
GRATUITY SAVINGS ACCOUNT	135,363.49	130,500.55	125,642.28
TREASURY BILLS ON GRATUITY SAVINGS	9,670,802.83	9,043,104.51	8,267,296.74
	2,387,549,984.30	1,845,825,066.60	1,671,180,433.02
13 LONG TERM INVESTMENTS			
DEBENTURES	400,000,000.00	550,000,000.00	550,000,000.00
SHARES IN INGRIN LTD	10.00	10.00	10.00
SHARES IN CREDIT INFORMATION BUREAU	123,700.00	123,700.00	123,700.00
TREASURY BONDS	45,539,867.72	137,010,481.76	137,010,481.76
	445,663,577.72	687,134,191.76	687,134,191.76
14 INTEREST RECEIVABLE			
TREASURY DEPOSIT	67,154,144.92	67,154,144.92	67,154,144.92
TREASURY BILLS/BONDS	6,326,427.81	7,709,193.46	6,870,522.91
DEBENTURES	53,438,003.40	56,494,629.12	53,909,759.62
US DOLLAR FIXED DEPOSITS	24,318,212.96	21,354,679.38	15,766,425.71
TEMPORARY SURPLUS TRUST FUND	0.00	733,819.26	688,299.12
GRATUITY FUNDS - TREASURY BILLS	49,096.94	67,500.21	87,691.78
SLR FIXED DEPOSITS	35,380,690.24	31,367,543.22	41,066,576.19
EURO FIXED DEPOSIT	0.00	0.00	2,279.59
	186,666,576.27	184,881,509.57	185,545,699.84

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020

NOTE

	31.12.2020	31.12.2019	01.01.2019
	Rs.	Rs.	Rs.
15 SUNDRY DEBTORS, DEPOSITS & PRE PAYMENTS			
ADVANCES ON EXPORT BILL DISCOUNTING FACILITY	34,958,636.11	34,958,636.11	34,958,636.11
LESS : PROVISION FOR DOUBTFUL DEBTS	34,958,636.11	34,958,636.11	34,958,636.11
	0.00	0.00	0.00
STAFF LOANS & GENERAL ADVANCES	2,927,151.71	3,971,796.65	2,672,837.08
SUNDRY DEPOSITS	108,837.50	108,837.50	108,837.50
STATE MORTGAGE & INVESTMENT BANK DEPOSIT	614,833.29	591,040.49	570,371.07
REFUNDABLE DEPOSITS	56,500.00	56,500.00	56,500.00
SUNDRY DEBTORS	770.00	770.00	770.00
WITHHOLDING TAX RECOVERABLE	0.00	249,081.23	5,828,686.32
PRE-PAYMENTS	329,692.71	1,069,012.47	582,046.46
BIZINFO INCOME RECEIVABLE	2,101,545.68	363,012.00	636,134.40
DISHONOURD CHEQUES		89,913.06	0.00
VAT ON FINANCIAL SERVICES RECOVERABLE	2,185,511.00	2,185,511.00	2,185,511.00
	8,324,841.89	8,685,474.40	12,641,693.83
15 (A) SUNDRY DEPOSITS			
SRI LANKA TELECOM	57,700.00	57,700.00	57,700.00
ASSOCIATED NEWSPAPERS OF CEYLON LTD	27,625.00	27,625.00	27,625.00
DATA NET ELECTRONIC TELECOMMUNICATION SYSTEM	15,000.00	15,000.00	15,000.00
ICLP ARBITRATION CENTRE	8,512.50	8,512.50	8,512.50
	108,837.50	108,837.50	108,837.50
16 PROPERTY, PLAND & EQUIPMENT - PLEASE REFER ATTACHMENT (PAGE 13)			
17 OUTSTANDING CLAIMS			
SPECIFIC PROVISION	264,467,319.79	209,762,232.23	212,590,775.48
CONTINGENT PROVISION FOR CLAIMS			
BALANCE AS AT 1ST JANUARY	33,853,473.30	34,090,829.67	35,909,810.15
UTILISATION DURING THE YEAR	8,276,684.51	36,500,544.00	971,135.84
CHARGE FOR THE YEAR	5,029,675.58	36,263,187.63	-847,844.64
BALANCE PROVISION AS AT 31ST DECEMBER	30,606,464.37	33,853,473.30	34,090,829.67
TOTAL PROVISION FOR CLAIMS	295,073,784.16	243,615,705.53	246,681,605.15

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020

NOTE	31.12.2020 Rs.	31.12.2019 Rs.	01.01.2019 Rs.
18 SUNDRY CREDITORS, ACCRUED EXPENSES AND PROVISIONS			
SUNDRY CREDITORS			
GENERAL VAT (CHARGED FROM POLICY PREMIUM)		32,662.00	190,455.06
STAFF MEDICAL FUND	612,978.00	570,378.00	397,073.00
REFUNDABLE DEPOSITS	1,465,700.00	1,574,900.00	1,535,000.00
ACCRUED EXPENSES			
EMPLOYEES PROVIDENT FUND	1,170,380.98	1,030,753.26	1,089,079.04
EMPLOYEES TRUST FUND	115,701.35	100,050.21	104,928.03
PAYE TAX	0.00	5,617.00	13,290.00
STAMP DUTY	8,525.00	12,000.00	12,450.00
NATION BUILDING TAX	0.00	1,221,854.00	4,275,815.00
OTHER PAYABLES	8,728,879.49	6,901,608.66	7,568,784.17
CHARGES ON STATUS REPORTS	1,790,343.30	1,868,712.17	1,839,170.16
PROVISIONS			
AUDIT FEES PAYABLE	1,440,000.00	1,853,280.00	2,137,633.92
INCOME TAX PAYABLE	23,425,901.65	16,402,302.65	61,741,771.20
VAT ON FINANCIAL SERVICES	6,045,659.00	9,163,903.00	19,358,928.00
ANNUAL REPORT PRINTING CHARGES	1,825,000.00	950,000.00	945,000.00
SPECIAL LEVY PAYABLE		5,000,000.00	20,000,000.00
	46,629,068.77	46,688,020.95	121,209,377.58
19 GRATUITY PAYABLE			
MOVEMENT IN THE ACCOUNT			
BALANCE AS AT 1ST JANUARY	11,571,417.60	9,848,687.00	13,488,109.75
PAID DURING THE YEAR	187,250.00	159,300.00	263,500.00
PROVISION FOR THE YEAR	1,844,826.56	1,882,030.60	625,168.00
EXCESS PROVISION TRANSFERRED TO GENERAL RESERVE	0.00	0.00	4,001,090.75
BALANCE AS AT 31ST DECEMBER	13,228,994.16	11,571,417.60	9,848,687.00
<p style="font-size: 2em; opacity: 0.5;">Audited</p>			
<p>THE DEFINED BENEFIT PLAN - GRATUITY : THE CORPORATION'S NET OBLIGATION IN RESPECT OF THE DEFINED BENEFIT PLAN IS CALCULATED BY ESTIMATING THE AMOUNT OF FUTURE BENEFITS THAT EMPLOYEES HAVE EARNED IN RETURN FOR THEIR SERVICE IN THE CURRENT PERIOD AND DISCOUNTED TO DETERMINE ITS PRESENT VALUE. WITH THE ADOPTION OF LKAS 19 - EMPLOYEE BENEFITS FROM 2018, THE CURRENT SERVICE COST OF Rs.770,207/- AND THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION OF Rs.13,228,994/- HAS BEEN RECOGNIZED UNDER THE PROJECT UNIT CREDIT METHOD.</p> <p>THE ACTUARIAL CALCULATION WAS COMMENCED WITH EFFECT FROM 2018 AND THE VALUES FOR 2020 HAS BEEN DERIVED BY USING THE AMOUNTS OF 2019 INFLATED BY THE DISCOUNT FACTOR CONSIDERED IN THE ORIGINAL CALCULATION AS THE STANDARD REQUIRES THE ACTUARIAL VALUATION TO BE DONE ONCE IN THREE YEARS.</p>			
20 CAPITAL EMPLOYED			
CAPITAL CONTRIBUTED - TREASURY	30,000,000.00	30,000,000.00	30,000,000.00
21 RESERVES - PLEASE REFER ATTACHMENT (PAGE 14)			
22 EXCHANGE RATE			
<p>THE FOLLOWING EXCHANGE RATES HAVE BEEN USED TO CONVERT THE FOREIGN CURRENCY AS AT END DECEMBER 2020</p>			
US DOLLARS	-	184.12	
EURO	-	225.54	

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020

23 DISCLOSURE ON REVALUATION OF FIXED ASSETS

- EFFECTIVE DATE OF REVALUATION

BUILDING	01.01.2018
MOTOR VEHICLES	31.12.2016
COMPUTERS AND PRINTERS	31.12.2016
OFFICE EQUIPMENT	31.12.2016
FURNITURE AND FITTINGS	31.12.2016

- VALUATION WAS CARRIED OUT BY THE GOVERNMENT VALUATION DEPARTMENT
- VALUATION HAS BEEN DONE AS ACCURATELY AS POSSIBLE AFTER INSPECTION AND OBSERVATION AND CONSIDERING ALL THE RELEVANT FACTORS THAT AFFECT THE VALUE.
- THE VALUE ARRIVED BY THE REVALUATION IS THE MARKET VALUE OF THE ASSETS.
- CARRYING VALUE OF THE REVALUED ASSETS UNDER THE COSR MODEL.

BUILDING	3,327.35
MOTOR VEHICLES	0.00
COMPUTERS AND PRINTERS	0.00
OFFICE EQUIPMENT	0.00
FURNITURE AND FITTINGS	8,951.62

24 CONTINGENT LIABILITIES

(A) LAWSUITS AGAINST THE CORPORATION

SOUTHERN SON TEAS (PVT) LTD VS SRI LANKA EXPORT CREDIT INSURANCE CORPORATION ; HC (CIVIL) 193 2004 (I)
THE CASE WAS INSTITUTED BY THE EXPORTER ON A REJECTION OF A CLAIM FOR A VALUE OF RS.17.02 MILLION IN THE COMMERCIAL HIGH COURT OF COLOMBO

PRESENT POSITION : THE JUDGEMENT WAS GIVEN IN FAVOUR OF THE EXPORTER AND EXPORTER WAS REQUIRED TO FULFIL CERTAIN CONDITIONS PRIOR TO RECEIPT OF THE COMPENSATION. SINCE THE EXPORTER HAS SO FAR FAILED TO MEET THE STIPULATED CONDITIONS THE PAYMENT IS WITHHELD.

(B) THE TOTAL LIABILITY UNDERWRITTEN BY THE CORPORATION AS AT 31ST DECEMBER 2020

- EXPORT PAYMENTS INSURANCE POLICIES IN FORCE	Rs.	12,677,000,000.00
- CREDIT GUARANTEES IN FORCE	Rs.	1,635,323,479.00
MAXIMUM LIABILITY	Rs.	14,312,323,479.00

25 INVESTMENT FUND ACCOUNT

AN INVESTMENT FUND ACCOUNT WAS ESTABLISHED IN NOVEMBER 2011 TO TRANSFER FUNDS EQUIVALENT TO THE TOTAL OF 8% OF THE VALUE ADDED TAX ON FINANCIAL SERVICES AND 5% OF THE INCOME TAX ON AN ANNUAL BASIS ON A TREASURY DIRECTIVE. SINCE THE CORPORATION IS NOT INVOLVED IN LENDING FUNDS, AS PER THE GUIDELINES ISSUED BY THE CENTRAL BANK OF SRI LANKA, THE FUNDS IN THE INVESTMENT FUND ACCOUNT HAS BEEN INVESTED IN TREASURY BONDS OVER 7 YEARS. THE CORPORATION HAS INVESTED A SUM OF RS.45.54 MILLION WITH A FACE VALUE OF RS.51 MILLION IN OVER 7 YEARS TREASURY BONDS AND THESE INVESTMENTS HAVE BEEN LISTED UNDER THE LONG TERM INVESTMENTS.

26 RELATED PARTY INTEREST

THERE WERE NO RELATED PARTY INTEREST DURING THE YEAR 2020

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

PROPERTY PLANT AND EQUIPMENT - 2020

ITEM	ASSETS AT COST	ASSETS AT REVALUATION	ADDITIONS	DISPOSALS	NETT VALUE	DEPRECIATION	DEPRECIATION	ACCUMULATED DEPRECIATION	WRITTEN DOWN VALUE
	AS AT 01.01.20 Rs	01.01.20 Rs	2020 Rs	2020 Rs	AS AT 31.12.20 Rs	AS AT 01.01.20 Rs	2020 Rs	AS AT 31.12.20 Rs	AS AT 31.12.20 Rs
BUILDINGS	0.00	176,500,000.00	0.00	0.00	176,500,000.00	17,650,000.00	8,825,000.00	26,475,000.00	150,025,000.00
MOTOR VEHICLE	0.00	13,400,000.00	0.00	0.00	13,400,000.00	8,040,000.00	2,680,000.00	10,720,000.00	2,680,000.00
SOFTWARE	6,672,949.77	0.00	0.00	0.00	6,672,949.77	6,613,066.77	59,871.00	6,672,937.77	12.00
COMPUTERS & PRINTERS	0.00	2,846,500.00	0.00	0.00	2,846,500.00	2,134,875.00	711,625.00	2,846,500.00	0.00
	2,576,952.33	0.00	0.00	0.00	2,576,952.33	1,694,167.07	644,238.07	2,338,405.14	238,547.19
FURNITURE & FITTINGS	64,059.75	0.00	0.00	0.00	64,059.75	15,779.53	6,403.00	22,182.53	41,877.22
	0.00	1,345,200.00	0.00	0.00	1,345,200.00	403,560.00	134,520.00	538,080.00	807,120.00
OFFICE EQUIPMENT	0.00	668,750.00	0.00	0.00	668,750.00	501,562.50	167,187.50	668,750.00	0.00
	437,187.49	0.00	84,056.00	0.00	521,243.49	265,385.24	129,029.87	394,415.11	126,828.38
TOTAL	9,751,149.34	194,760,450.00	84,056.00	0.00	204,595,655.34	37,318,396.11	13,357,874.44	50,676,270.55	153,919,384.79

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
ANNUAL FINANCIAL STATEMENTS - 2020
RESERVES AS AT 31ST DECEMBER 2020

	GENERAL RESERVE Rs.	REVALUATION RESERVE Rs.	INVESTMENT FUND Rs.	UNEARNED PREMIUM Rs.	TOTAL Rs.
BALANCE AS AT 1ST JANUARY 2019	2,131,527,483.35	141,710,389.74	58,507,949.05	23,859,701.05	2,355,605,523.19
TRANSFERRED FROM REVALUATION RESERVE	7,888,946.00	-7,888,946.00			0.00
NET PROFIT FOR THE YEAR 2019	242,250,845.43				242,250,845.43
TRANSFERRED DURING THE YEAR 2019				-3,678,463.98	-3,678,463.98
					0.00
					0.00
BALANCE AS AT 31ST DECEMBER 2019	2,381,667,274.78	133,821,443.74	58,507,949.05	20,181,237.07	2,594,177,904.64
TRANSFERRED FROM REVALUATION RESERVE	8,154,758.82	-8,154,758.82			0.00
NET PROFIT FOR THE YEAR 2020	223,348,932.03				223,348,932.03
TRANSFERRED DURING THE YEAR 2020				-1,987,999.94	-1,987,999.94
SPECIAL LEVY FOR 2020	-19,848,076.25				-19,848,076.25
BALANCE AS AT 31ST DECEMBER 2020	2,593,322,889.38	125,666,684.92	58,507,949.05	18,193,237.13	2,795,690,760.48

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION (SLECIC)

Significant Accounting Policies

General Information

Sri Lanka Export Credit Insurance Corporation was established by the Sri Lanka Export Credit Insurance Corporation Act No. 15 of 1978 and commenced commercial operations on 8th February 1979.

The registered office of the Corporation is situated at Level 4, NDB-EDB Tower, No.42, Nawam Mawatha, Colombo 02.

Summary of significant accounting policies

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

01. Basis of Preparation

1.1 Principal Activities and Nature of Operations

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

1.2 Basis of measurement

The Balance sheet, Income and Expenditure account, changes in equity and cash flows together with accounting policies and notes (Financial Statement) of the Corporation as at 31st December 2020 and for the year ended, complies with the Sri Lanka Accounting Standards. These Financial Statements are presented in Sri Lankan Rupees. The Financial Statements are prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements.

1.3 Use of Estimates and Judgments

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

1.4 Going Concern

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

02. Comparative Information

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

03. Significant Accounting Policies.

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

3.1 Foreign Currency Transactions

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

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

3.2 Property, Plant and Equipment

a) Recognition and Measurement

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

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

b) Depreciation

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

The principal annual rates used are as follows.

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

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

c) Disposal

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

d) Impairment

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

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

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

3.4 Capital Work in Progress

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

3.5 Intangible Assets

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

a) Basis of Recognition

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

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b) Subsequent Expenditure

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

c) Retirement and Disposal

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

d) Amortization

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

e) Impairment

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

3.6 Investment Properties

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

3.7 Short term Investments

a) Short term Investments in Local currency

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

b) Short term Investments in Foreign currency

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

3.7.1 Financial Investments: Held-to-Maturity

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

3.7.2 Risk arising from Financial Instruments

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

3.8 Trade and Other Receivables

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

3.9 Inventories

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

3.10 Cash and Cash Equivalents

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

3.11 Cash Flow Statements

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

4 Employee Benefits

a) Defined Benefit Plan - Retirement Gratuity

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

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

b) Define Contribution Plan

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

5. Liabilities and provisions

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

a) Trade and Other Payables

Trade and other payables are stated at their cost.

b) Contingent Provision for Claims

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

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

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

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

c) Provision for Reported Claims

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

d) Reserve for Unearned Premium on Unexpired Risk

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

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

6. Revenue

6.1 Premium Income

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

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

6.2 Other Operating Income

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

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

6.3 Expense Recognition

a) Revenue Expenditure

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

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

b) Capital Expenditure

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

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

6.4 Taxation

Income Tax Expenses

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

6.5 Borrowing costs

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

6.6 Comparative information

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

6.7 Commitments and Contingencies

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

6.8 Events Occurring After the Balance Sheet Date

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

Sri Lanka Export Credit Insurance Corporation - 2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income statement, 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, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

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

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

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

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

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

1.4 Audit Scope

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Corporation, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation;
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Unreconciled Control Accounts or Records

Item	As per Financial Statements	As per corresponding Record	Difference	Management Comment	Recommendation
	Rs.	Rs.	Rs.		
Chas P Hayleys & Co. Ltd	599,718	1,075,783	(476,065)	The corporation is expected to carry out a complete system study and seek the possibility of introducing compatible system where both systems will capture data from a single source.	Balances should be reconciled
CBL Natural Foods (Pvt) Ltd	(1,720,780)	(1,440,354)	(280,426)		
Royal Fernwood Porcelain	(258,072)	(112,354)	(145,718)		
Ultracarb (Pvt) Ltd	109,389	115,202	(5,813)		
HJS Condiments Ltd	1,360,505	1,609,843	<u>(249,338)</u>		
			<u>1,157,360</u>		

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
(a) An amount of Rs.2,185,511 for VAT on financial services recoverable had been remained more than 03 years without recovering.	The Inland Revenue Department have intimated that this has to be refunded but the corporation has to wait until their audit and the internal process is completed to release the refund.	Should take action to recover the outstanding balances.
(b) Advances of export bill discounting facility amounting to Rs.34,958,636 had been remained more than 10 years and a provision was made for this entire amount.	The total amount of Rs.34,958,636/- has been provided as bad debts but the Corporation maintains this amount in the balance sheet without completely being written off for the reason that at least the outstanding recoverable amount remains in records for future reference to use in case some recovery opportunity triggers due to some other facility.	Action should be taken to recover outstanding balances.

Audited

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
32 excesses and 05 shortfalls amounting to Rs.1,518,436 and Rs.82,310 respectively remained more than 03 years without taking necessary action for clearance.	Measures will be taken to clear the above balances after verification that there are no pending recoveries of dues from these customers.	Actions should be taken to settle the balances.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions.

Reference to Laws, Rules Regulations	Non-compliance	Management Comment	Recommendation

(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka			
(i) Paragraph 13.3 of Chapter II	Although the temporary appointment should only be done until the permanent appointment, the post of Manager (Marketing) had been vacant for more than 10 years and paid an amount totalling to Rs.1,054,900 as an acting allowance up to 31 December 2020.	The regulation of the entire HR function of the Corporation with the assistance of a consultancy firm as planned, the corporation will take measures to fill the necessary vacancies.	Should comply with the Establishment Code
(ii) Paragraph 10 of Chapter VIII	The Corporation had paid holiday pay amounted to Rs. 789,247 and Rs.462,076 for year 2019 and 2020 respectively for working hours less than 8 hours as it is required to have minimum 8 hours of work to pay holiday pay for executive officers.	The Corporation follows the Administrative Circular no. 5 dated 12.08.1994 in regard to payment for working on holidays.	Should comply with the Establishment Code

(b) Public Administration Circular			
(i) No. 21/2015 dated on 17 August 2015	Although an advance of Rs.10,000 can be given for annual festival with	It was the practice and the custom of the Corporation for many long years to make this payment with the	Should comply with the Circulars issued on time to time.

Audited

recoverable basis for employees, the Corporation had paid Rs. 52,000 per employee for festive season without recovery basis as financial assistance to employees. The corporation had paid Rs. 879,750 as balance payment of year 2019 and Rs. 1,716,000 as payment for year 2020 even without the approval of the Treasury.

approval of the board which is empowered to approve such payments in terms of the provisions of the SLECIC act.

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| (ii) No.30/2008 dated on 31 December 2008 | Although the distress loan should be paid to the amount which is lower from maximum liability of Rs.250,000 or 10 month basic salary, the Corporation had paid loans to the employees exceeding the valid limits. | The Corporation has not adopted this circular because the purpose of this circular is not applicable to SLECIC as the Corporation does not depend on the National Budget for funds and loans are granted from its own funds. | Should comply to with the Circulars issued on time to time. |
| (iii) No. 02/2018 dated on 24 January 2018 | Human Resource Development Plan had not been prepared and further, the Board also stated that a Performance Evaluation Scheme should be implemented for employees by 02/2020 Board Meeting on 09/06/2020. | The Board with the view to streamline and regularize the HR function of the Corporation, which was defunct for a long time due to non-availability of required staff, conceptually approved deployment of the services of a suitable consultancy firm to handle and complete all the long pending HR matters including all | Should be prepared and implemented the Human Resource Development plan. |

the regulatory requirements, at its Meeting No. 04/2021 held on 03.05.2021. Accordingly, the Corporation intends to establish a comprehensive HR System which will address all the pending HR issues.

(c) Public Enterprises
Circular No. PED
12/2003 dated on 02nd
June 2003

(i) Chapter 3.7.5

Although senior management team should consist of an Internal Audit Manager to review systems and procedures to ensure that operations are carried in a true and fair manner, the post of internal auditor had not been in the approved cadre. However the Corporation had outsourced the internal audit function by incurring cost of Rs. 616,480 for the year 2020. An internal audit report for first quarter had only issued in the year under review.

The Corporation is expected to operate as a commercially viable venture and also requires to build up its own "Fund" to meet the liabilities. In this context, the Management and the Board always evaluate any option in terms of costs and benefits to the Corporation. The Corporation has so far felt that it is economically beneficial to outsource the internal audit function in view of the costs, specialized service provided by a professional team, etc. Therefore, the option of having a separate internal audit division has not gained ground for favorable consideration as yet and the present arrangement has worked well for the institution.

Corporation should comply with the circular & instructions.

(ii) Chapter 5

Although Annual Action Plan, Annual Budget, Annual Procurement Plan and Updated Corporate Plan should be approved 15 days before the commencement of the financial year, it had not been done so.

It may be noted that the Corporation did not have adequate Board Members to constitute the required quorum to hold Board Meetings from October 2019 until end February 2020. This is evident from the fact that the last meeting of 2019 was held on 16.09.2019 and the first meeting of 2020 was held on 27.02.2020. The referred documents were submitted to the first meeting of 2020 but due to certain amendments proposed by the Board to the action plan and the budget, the approvals were postponed, the Corporation was not in a position to get the said documents approved by the Board until September 2020.

Corporation should comply with the circular instructions.

Audited

(iii) Chapter 6.5.3

Although the Annual reports should be tabled in Parliament after obtaining the approval of Cabinet of Ministers within 150 days from the closing date of the financial year, the Corporation had not tabled the Annual Reports of 2017, 2018 and 2019 within aforesaid period.

There was a delay on the part of the Corporation to some extend but the total delay was not caused by the Corporation.

Corporation should comply with the circular instructions.

(iv) Chapter 9.3

The Scheme of Recruitment and

All these schemes will be put in place with the

Corporation should comply with the

	Promotion had not been prepared and approved. Accordingly, employees who have work experience of more than 15 years have missed the opportunity for promotions.	completion of the total HR system.	circular instructions.the circular.
(d) National Policies and Economic Affairs Circular No. NP/SP/SDG/17 dated on 14 August 2017	Actions had not been taken to identify indicators for the sustainable goals and targets.	The Corporation has firmly established its sustainable goals by means of operating its Cost of Passage Guarantee (APARA), whereby it provides assistance to the migrant workers to secure the pre departure finance needs from banks, and thereby engages directly in the country's poverty alleviation process which is considered as one of the main Sustainable Development Goals.	Corporation should identify indicators to measure the performance of implementation of sustainable development goals.

Audited

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.223,348,932 and the corresponding profit in the preceding year amounted to Rs.242,250,845 Therefore an deterioration amounting to Rs.18,901,913 of the financial result was observed. The reasons for the deterioration are decrease in the gross written premium income and increase in net claims due to COVID 19 by limiting exports.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) The accounting system and the operating system of the corporation was not interconnected. The customers outstanding as per the two systems are difference from each other.	The Corporation will take measures to improve the system gradually so that finally the two systems will be linked to generate common information on a compatible platform.	Should take action to establish IT system
(b) It was observed that income from operations has been deteriorated over the last 4 years from 59 per cent to 50 per cent and the income from investments of the Corporation was in the range of 40 per cent to 50 per cent from total income by showing growth over the period.	The drop in operational income in 2018 compared to 2017 was mainly due to significant drop in repayment of claims paid of Rs.13.79 Million. The generation of this income does not fall within the control of the Corporation. The drop in operational income in 2020 compared to 2019 was mainly due to general drop in all the operational income due to the adverse impact of COVID 19 where in certain months there was hardly any export transactions in the country.	Should take action to increase the income from operations.
(c) There were 06 outstanding claim applications amounting to Rs.241,807,798 as at 31 December 2020 and out of that, 02 applications with claimed amount of Rs.1,9487,887 which were received in year 2019 had not been settled yet.	The two claims of 2019 details of settlements were not submitted by the exporter until recently. Therefore, this claim was in abeyance. However, since information has been received, the claim is scheduled to be submitted to the next Board Meeting. In regard to other claims lodged in 2020, will be submitted to the next Board Meeting. The other three claims are still being processed.	Should speed up the existing process of claim payment.

3.2 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
(a) The Corporation had paid Rs. 1,245,556 and Rs. 1,520,509 as leave encashment for year 2019 and 2020 respectively for employees. However, at the same time, the Corporation had paid Rs. 208,969 & Rs. 121,984 as attendance incentive for year 2019 and 2020 respectively. Accordingly, the Corporation had paid two benefits for the same purpose.	Leave encashment is paid for the unutilized leave and the attendance incentive is paid for punctuality where the employees are required to report to work on time for at least 15 days to qualify for the minimum amount. Therefore these two payments are made for two different purposes.	Should be pay only one benefits for the same purpose.
(b) It was observed that an employee was interdicted and paid half month salary amounting to Rs.19,480 since May 2012 and so far it was paid Rs.2,006,440 to that employee as at 31/12/2020. Actions had not taken to expedite the disciplinary action process by the end of the year under review.	The inquiry in regard to this employee is yet to be completed. This was discussed at the last Board Meeting held on 03.05.2021.	Should speed up the disciplinary action procedure.

Audited