

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

**Annual Financial Statements for the
Year ended December 31, 2021**

Audited

Sri Lanka Export Credit Insurance Corporation (SLECIC)

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER

		31.12.2021	31.12.2020
	NOTE	RS.	RS.
REVENUE			
GROSS WRITTEN PREMIUM	1	261,398,426.22	204,184,325.34
NET CHANGE IN RESERVE FOR UNEARNED PREMIUM	1A	-1,810,543.14	1,987,999.94
GROSS EARNED PREMIUM		259,587,883.08	206,172,325.28
REVENUE FROM OTHER OPERATIONS	2	12,430,766.51	12,837,220.42
TOTAL NET REVENUE FROM OPERATIONS		272,018,649.59	219,009,545.70
OTHER INCOME			
INVESTMENT INCOME	3	208,974,659.64	215,395,334.99
OTHER INCOME	4	86,589,208.60	31,065,746.79
		295,563,868.24	246,461,081.78
TOTAL NET REVENUE		567,582,517.83	465,470,627.48
CLAIMS AND OPERATING EXPENSES			
NET CLAIMS	5	145,381,163.85	95,128,166.10
STATUS REPORTS		6,605,040.60	7,237,809.53
ESTABLISHMENT EXPENDITURE	6	19,823,989.57	19,769,909.03
ADMINISTRATIVE EXPENDITURE	7	52,147,193.58	50,811,906.12
SELLING & MARKETING EXPENDITURE	8	4,076,541.56	4,059,648.82
FINANCE CHARGES	9	5,142,578.09	89,456.28
NET CLAIMS AND OPERATING EXPENSES		233,176,507.25	177,096,895.88
PROFIT/LOSS BEFORE VALUE ADDED TAX		334,406,010.58	288,373,731.60
VAT ON FINANCIAL SERVICES		24,417,760.00	23,083,663.00
PROFIT BEFORE INCOME TAX		309,988,250.58	265,290,068.60
INCOME TAX	9A	61,320,278.00	41,941,136.57
NET PROFIT/LOSS FOR THE YEAR		248,667,972.58	223,348,932.03
OTHER COMPREHENSIVE INCOME			
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		248,667,972.58	223,348,932.03

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

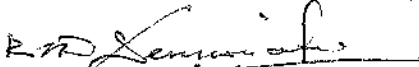
ANNUAL FINANCIAL STATEMENTS - 2021

STATEMENT OF FINANCIAL POSITION

		AS AT 31.12.2021	AS AT 31.12.2020	AS AT 01.01.2020
	NOTE	Rs.	Rs.	Rs.
ASSETS				
CASH AND CASH EQUIVALENTS	10	8,723,654.33	5,289,429.42	8,270,323.86
FOREIGN CURRENCY SAVINGS ACCOUNTS	11	482,210.09	682,942.81	1,987,326.53
TREASURY TRUST FUND		0.00	0.00	23,658,844.17
INVESTMENT FUND		516,041.16	32,497.95	1,054,937.04
SHORT TERM FINANCIAL INVESTMENTS	12	2,841,128,894.11	2,387,549,984.30	1,845,825,066.60
LONG TERM FINANCIAL INVESTMENTS	13	408,210,419.12	445,663,577.72	687,134,191.76
INTEREST RECEIVABLE	14	189,682,859.99	186,666,576.27	184,881,509.57
TRADE DEBTORS		5,107,330.72	5,564,833.73	5,490,208.97
SUNDRY DEBTORS, DEPOSITS AND PRE-PAYMENTS	15	6,571,114.54	8,324,841.89	8,685,474.40
PROPERTY, PLANT & EQUIPMENT	16	163,785,512.19	153,919,384.79	167,193,203.23
STOCK OF STATIONERY & CONSUMABLES		713,107.14	333,982.95	341,088.05
LIBRARY MATERIALS		39,527.50	39,527.50	39,527.50
TOTAL ASSETS		3,624,960,670.89	3,194,067,579.33	2,934,561,701.68
LIABILITIES				
OUTSTANDING CLAIMS	17	434,150,298.91	295,073,784.16	243,615,705.53
PREMIUM ADVANCES		33,966,404.95	13,444,971.76	8,508,652.96
SUNDRY CREDITORS, ACCRUED EXPENSES & PROVISIONS	18	69,685,695.83	46,629,068.77	46,688,020.95
STAFF GRATUITY PAYABLE	19	14,328,995.00	13,228,994.16	11,571,417.60
TOTAL LIABILITIES		552,131,394.69	368,376,818.85	310,383,797.04
EQUITY				
STATED CAPITAL	20	30,000,000.00	30,000,000.00	30,000,000.00
RESERVES	21	3,042,829,276.20	2,795,690,760.48	2,594,177,904.64
TOTAL EQUITY		3,072,829,276.20	2,825,690,760.48	2,624,177,904.64
TOTAL LIABILITIES & EQUITY		3,624,960,670.89	3,194,067,579.33	2,934,561,701.68

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


R.E.D. Senewiratne
Manager (Finance & Accounts)
Sri Lanka Export Credit
Insurance Corporation


A H W AMBAWATTA
CHAIRMAN & MANAGING DIRECTOR
28.02.2022


K S M DE SILVA
DIRECTOR

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
ANNUAL FINANCIAL STATEMENTS - 2021
CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST DECEMBER 2021

	YEAR ENDING 31.12.2021 Rs.	YEAR ENDING 31.12.2020 Rs.
INFLWS FROM OPERATING ACTIVITIES		
PROFIT BEFORE TAXATION	309,988,251	265,290,069
ADJUSTMENTS FOR NON- CASH ITEMS		
DEPRECIATION	11,937,890	13,357,874
PROVISION FOR GRATUITY	2,080,420	1,844,827
PROVISION FOR CLAIMS	145,381,164	95,128,166
VAT ON FINANCIAL SERVICES	24,417,760	23,083,663
UNEARNED PREMIUM ADJUSTMENT	1,810,543	-1,988,000
FOREIGN EXCHANGE GAIN	-85,890,156	-30,291,749
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	409,725,872	366,424,850
DECREASE/(INCREASE) IN TRADE AND OTHER RECEIVABLES	2,211,230	286,008
DECREASE / (INCREASE) IN INVENTORIES	-379,124	7,105
INCREASE/ (DECREASE) IN TRADE AND OTHER PAYABLES	26,107,288	972,010
CASH GENERATED FROM OPERATIONS	437,665,266	367,689,973
CLAIMS PAID	-6,304,649	-43,670,088
PAYMENT OF VAT ON FS	-23,153,694	-26,201,907
INCOME TAX PAID	-45,113,573	-34,917,537
GRATUITY PAID	-980,419	-187,250
SPECIAL LEVY PAID	-25,000,000	-19,848,076
NET CASH FLOW FROM OPERATING ACTIVITIES	337,112,931	242,865,115
CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	-144,017	-84,056
TRANSFER TO LONG/SHORT TERM INVESTMENTS	-333,251,879	-271,747,620
TRANSFER FROM TREASURY TRUST FUND	0	23,658,844
TRANSFERS FROM/TO INVESTMENT FUND	-483,543	1,022,439
NET CASH FLOW FROM INVESTING ACTIVITIES	-333,879,439	-247,150,393
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	3,233,492	-4,285,278
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,972,372	10,257,650
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	9,205,864	5,972,372

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
ANNUAL FINANCIAL STATEMENTS - 2021
STATEMENT OF CHANGES IN EQUITY AS AT 31ST DECEMBER 2021

	CAPITAL CONTRIBUTED Rs.	GENERAL RESERVE Rs.	REVALUATION RESERVE Rs.	INVESTMENT FUND Rs.	UNEARNED PREMIUM Rs.	TOTAL Rs.
BALANCE AS AT 1ST JANUARY 2020	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 SPECIAL LEVY FOR 2020		223,348,932.03			-1,987,999.94	223,348,932.03
		-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
TRANSFERRED FROM REVALUATION RESERVE NET PROFIT FOR THE YEAR 2021		10,018,276.65	-10,018,276.65			0.00
TRANSFERRED DURING THE YEAR 2021 SPECIAL LEVY FOR 2021		248,667,972.58	21,660,000.00		1,810,543.14	248,667,972.58
		-25,000,000.00				23,470,543.14
						-25,000,000.00
BALANCE AS AT 31ST DECEMBER 2021	30,000,000.00	2,827,009,138.61	137,308,408.27	58,507,949.05	20,003,780.27	3,072,829,276.20

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
ANNUAL FINANCIAL STATEMENTS - 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2021

NOTE	31.12.2021 Rs.	31.12.2020 Rs.
I GROSS WRITTEN PREMIUM		
PRE-SHIPMENT CREDIT GUARANTEE	6,853,859.61	5,558,367.59
POST SHIPMENT CREDIT GUARANTEE	722,178.26	1,131,874.39
EXPORT PERFORMANCE GUARANTEE	0.00	0.00
COST OF PASSAGE GUARANTEE (APARA)	1,071,084.96	613,442.56
EXPORT PAYMENTS INSURANCE POLICY (SELLER'S RISK)	252,751,303.39	196,880,640.80
	<u>261,398,426.22</u>	<u>204,184,325.34</u>
(INCREASE)/DECREASE IN UNEARNED PREMIUM	1A. -1,810,543.14	1,987,999.94
GROSS EARNED PREMIUM	<u>259,587,883.08</u>	<u>206,172,325.28</u>
1A UNEARNED PREMIUM		
EXPORT PAYMENTS INSURANCE POLICIES GROSS UNEARNED PREMIUM		
BALANCE AS AT 1ST JANUARY	17,097,684.46	17,616,549.32
PREMIUM WRITTEN DURING THE YEAR	252,751,303.39	196,880,640.80
PREMIUM EARNED DURING THE YEAR	251,142,275.99	197,399,505.66
BALANCE AS AT 31ST DECEMBER	<u>18,706,711.86</u>	<u>17,097,684.46</u>
CREDIT GUARANTEE GROSS UNEARNED PREMIUM		
BALANCE AS AT 1ST JANUARY	1,095,552.68	2,564,687.76
PREMIUM WRITTEN DURING THE YEAR	8,647,122.83	7,303,684.54
PREMIUM EARNED DURING THE YEAR	8,445,607.09	8,772,819.62
BALANCE AS AT 31ST DECEMBER	<u>1,297,068.42</u>	<u>1,095,552.68</u>
TOTAL RESERVE AS AT 31ST DECEMBER	20,003,780.28	18,193,237.14
TOTAL RESERVE AS AT 1ST JANUARY	18,193,237.14	20,181,237.08
NET CHANGE IN UNEARNED PREMIUM RESERVE	<u>1,810,543.14</u>	<u>-1,987,999.94</u>
2 OTHER OPERATIONAL INCOME		
GUARANTEE, POLICY, ADMINISTRATIVE, PROCESSING AND BLI FEES	8,665,824.00	8,771,612.74
BIZINFO INCOME	3,764,942.51	4,065,607.68
REPAYMENT OF CLAIMS PAID	-	-
	<u>12,430,766.51</u>	<u>12,837,220.42</u>
3 INVESTMENT INCOME		
TREASURY BILLS / BONDS	2,494,914.55	9,350,251.46
CALL DEPOSIT	625,114.11	713,085.35
SMIB DEPOSIT	18,558.38	23,792.80
DEBENTURES	52,561,996.60	62,511,910.51
US DOLLAR FIXED DEPOSITS	72,669,697.03	60,181,337.24
US DOLLAR SAVINGS	46,481.01	50,580.35
EURO FIXED DEPOSIT	1,082,978.94	1,066,463.63
TEMPORARY SURPLUS TRUST FUND	0.00	455,412.82
DIVIDENDS	240,000.00	320,000.00
SLR FIXED DEPOSIT	79,223,028.81	80,666,592.92
INTEREST ON INVESTMENT FUND	11,890.21	55,907.91
	<u>208,974,659.64</u>	<u>215,395,334.99</u>

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2021

NOTE		31.12.2021	31.12.2020
		Rs.	Rs.
4	OTHER INCOME		
	INTEREST ON STAFF LOANS	146,277.42	153,959.43
	TREASURY BILL INTEREST ON GRATUITY FUND	492,915.94	609,295.05
	INTEREST ON GRATUITY SAVINGS ACCOUNT	4,117.11	4,862.94
	SUNDRY INCOME	55,741.68	5,880.00
	EXCHANGE GAIN/LOSS	85,890,156.45	30,291,749.37
		<u>86,589,208.60</u>	<u>31,065,746.79</u>
5	NET CLAIMS PAID		
	CLAIMS PROVISION AS AT END OF THE YEAR - SPECIFIC	395,083,140.33	264,467,319.79
	CLAIMS PROVIDED IN THE PREVIOUS YEARS	210,474,573.44	112,486,887.81
	CLAIMS FOR THE YEAR 2021	184,608,566.89	151,980,431.98
	LESS : EXCESS PROVISION MADE IN PREVIOUS YEAR	47,688,097.27	61,881,941.46
	NET CLAIMS FOR THE YEAR 2021 - SPECIFIC	136,920,469.62	90,098,490.52
	CONTINGENT PROVISION - 2021 (PLEASE REFER NOTE 17)	8,460,694.23	5,029,675.58
		<u>145,381,163.85</u>	<u>95,128,166.10</u>
6	ESTABLISHMENT EXPENDITURE		
	RATES	762,300.00	762,300.00
	WATER	69,997.05	86,080.14
	ELECTRICITY	1,044,424.94	1,160,093.54
	TELEPHONE	739,162.76	788,789.91
	E-MAIL & INTERNET, WEBSITE	1,205,690.22	762,102.70
	SECURITY	549,806.40	512,207.00
	DEPRECIATION - BUILDING	8,825,000.00	8,825,000.00
	MOTOR VEHICLES	2,680,000.00	2,680,000.00
	OFFICE EQUIPMENT	73,978.50	296,217.37
	COMPUTERS & PRINTERS	217,988.19	1,355,863.07
	FURNITURE & FITTINGS	140,923.00	140,923.00
	SOFTWARE	0.00	59,871.00
	INSURANCE - BUILDING - OFFICE PREMISES (NAWAM MWT)	112,423.23	115,238.48
	MOTOR VEHICLES	242,026.49	249,862.95
	OFFICE EQUIPMENT, FURNITURE & FITTINGS	2,565.33	14,863.22
	REPAIRS & MAINTENANCE - BUILDING	46,789.66	0.00
	MOTOR VEHICLES	1,206,223.61	516,284.29
	OFFICE EQUIPMENT, FURNITURE	60,779.74	58,471.89
	COMPUTERS & PRINTERS	421,643.50	469,215.00
	SOFTWARE	580,740.45	113,995.78
	MAINTAINING OFFICE PREMISES	841,526.50	802,529.69
		<u>19,823,989.57</u>	<u>19,769,909.03</u>

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS – 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2021

NOTE	31.12.2021 Rs.	31.12.2020 Rs.
7 ADMINISTRATIVE EXPENDITURE		
SALARIES & ALLOWANCES	21,859,485.43	24,173,770.78
OTHER STAFF BENEFITS	12,672,665.12	11,521,046.98
RECRUITMENT, LOCAL TRAINING & SUBSCRIPTIONS TO EDUCATIONAL INST.	9,470.00	20,975.00
TEA & RELATED EXPENSES	208,167.95	417,885.04
EMPLOYEES PROVIDENT FUND	5,608,442.17	6,248,583.39
EMPLOYEES TRUST FUND	701,055.37	781,073.10
GRATUITY	2,080,420.09	1,844,826.56
DIRECTORS FEES	310,000.00	320,000.00
TRAVELLING, TRANSPORT & SUBSISTENCE	3,778,658.00	1,192,706.00
POSTAGE	29,288.00	33,325.00
ANNUAL REPORT & OTHER PRINTING	1,131,750.00	994,022.00
STATIONERY	235,055.95	202,884.27
FUEL	1,008,595.50	755,603.00
EXTERNAL AUDIT FEES	720,000.00	364,320.00
INTERNAL AUDIT FEES	546,480.00	616,480.00
PROFESSIONAL, LEGAL & CONSULTANCY FEES	43,900.00	130,435.00
GENERAL EXPENSES	33,500.00	15,415.00
STAMP DUTY	8,950.00	10,025.00
NEWS PAPERS, BOOKS & MAGAZINES	10,935.00	21,982.00
ANNIVERSARY EXPENSES	923,480.00	739,500.00
EMPLOYEE SAFETY EXPENSES (COVID)	226,895.00	407,048.00
	52,147,193.58	50,811,906.12
8 SELLING & MARKETING EXPENDITURE		
PROMOTIONAL INVESTMENTS	-35,000.00	540,000.00
ADVERTISING – PRINT & ELECTRONIC MEDIA		
ADVERTISING IN NEWSPAPERS, MAGAZINES, JOURNALS AND RADIO	7,500.00	0.00
PRINTING COST ON BROCHURES, FORMS, APPLICATIONS ETC.	333.36	30,943.83
BUSINESS TRAVEL (FOREIGN) & CONFERENCES	0.00	2,414.19
TRADE EXHIBITIONS, CLIENT MEETINGS, GET-TOGETHER	0.00	0.00
FUEL COST	383,085.00	212,877.00
ANNUAL COMPLIMENTS, GREETING CARDS & GIFTS	0.00	0.00
ENTERTAINMENT	0.00	6,085.00
CORPORATE MEMBERSHIPS	182,798.20	167,628.80
SUBS. TO INT.PROFESSIONAL & EXPORT RELATED ORGN	3,537,825.00	3,099,700.00
	4,076,541.56	4,059,648.82

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2021

NOTE	31.12.2021	31.12.2020
	Rs.	Rs.
9	FINANCE CHARGES	
	BANK CHARGES	82,903.09
	STAMP DUTY	27,225.00
	NATION BUILDING TAX	0.00
	VALUE ADDED TAX	5,032,450.00
		132.00
		0.00
	5,142,578.09	89,456.28

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 PREVIOUSLY 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%.

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2021

NOTE	31.12.2021 Rs.	31.12.2020 Rs.	01.01.2020 Rs.
10 CASH & CASH EQUIVALENT			
CASH AT BANK			
HATTON NATIONAL BANK CURRENT ACCOUNTS	444,554.69	833,186.30	2,914,982.32
HATTON NATIONAL BANK CALL DEPOSIT ACCOUNT	7,830,776.70	3,956,769.44	4,599,867.42
BANK OF CEYLON CURRENT ACCOUNT	361,101.81	303,541.03	656,841.87
PEOPLE'S BANK CURRENT ACCOUNT	85,221.13	193,932.65	96,632.25
	8,721,654.33	5,287,429.42	8,268,323.86
CASH IN HAND	2,000.00	2,000.00	2,000.00
	8,723,654.33	5,289,429.42	8,270,323.86
11 FOREIGN CURRENCY SAVINGS ACCOUNTS			
BANK OF CEYLON - US DOLLAR ACCOUNT	204,719.00	427,221.00	1,745,301.68
PEOPLE'S BANK - US DOLLAR ACCOUNT	241,576.49	219,592.56	209,974.03
EURO SAVINGS ACCOUNT	35,914.60	36,129.25	32,050.82
	482,210.09	682,942.81	1,987,326.53
12 SHORT TERM INVESTMENTS			
US DOLLAR FIXED DEPOSITS	1,263,404,042.18	1,094,313,602.04	1,002,677,864.30
EURO FIXED DEPOSIT	45,590,978.08	44,773,966.24	38,773,597.24
SLR FIXED DEPOSITS	1,521,873,638.25	1,238,656,249.70	795,200,000.00
GRATUITY SAVINGS ACCOUNT	139,480.60	135,363.49	130,500.55
TREASURY BILLS ON GRATUITY SAVINGS	10,120,755.00	9,670,802.83	9,043,104.51
	2,841,128,894.11	2,387,549,984.30	1,845,825,066.60
13 LONG TERM INVESTMENTS			
DEBENTURES	400,000,000.00	400,000,000.00	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	8,086,709.12	45,539,867.72	137,010,481.76
	408,210,419.12	445,663,577.72	687,134,191.76
14 INTEREST RECEIVABLE			
TREASURY DEPOSIT	67,154,144.92	67,154,144.92	67,154,144.92
TREASURY BILLS/BONDS	463,113.03	6,326,427.81	7,709,193.46
DEBENTURES	52,998,809.79	53,438,003.40	56,494,629.12
US DOLLAR FIXED DEPOSITS	26,304,687.29	24,318,212.96	21,354,679.38
TEMPORARY SURPLUS TRUST FUND	0.00	0.00	733,819.26
GRATUITY FUNDS - TREASURY BILLS	92,060.71	49,096.94	67,500.21
SLR FIXED DEPOSITS	42,670,044.25	35,380,690.24	31,367,543.22
	189,682,859.99	186,666,576.27	184,881,509.57

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2021

NOTE

	31.12.2021 Rs.	31.12.2020 Rs.	01.01.2020 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	2,937,557.25	2,927,151.71	3,971,796.65
SUNDRY DEPOSITS	108,837.50	108,837.50	108,837.50
STATE MORTGAGE & INVESTMENT BANK DEPOSIT	633,391.67	614,833.29	591,040.49
REFUNDABLE DEPOSITS	56,500.00	56,500.00	56,500.00
SUNDRY DEBTORS	770.00	770.00	770.00
WITHHOLDING TAX RECOVERABLE	0.00	0.00	249,081.23
PRE-PAYMENTS	445,680.12	329,692.71	1,069,012.47
BIZINFO INCOME RECEIVABLE	202,867.00	2,101,545.68	363,012.00
DISHONOURD CHEQUES	0.00	0.00	89,913.06
VAT ON FINANCIAL SERVICES RECOVERABLE	2,185,511.00	2,185,511.00	2,185,511.00
	6,571,114.54	8,324,841.89	8,685,474.40
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	395,083,140.33	264,467,319.79	209,762,232.23
CONTINGENT PROVISION FOR CLAIMS			
BALANCE AS AT 1ST JANUARY	30,606,464.37	33,853,473.30	34,090,829.67
UTILISATION DURING THE YEAR	0.00	8,276,684.51	36,500,544.00
CHARGE FOR THE YEAR	8,460,694.21	5,029,675.58	36,263,187.63
BALANCE PROVISION AS AT 31ST DECEMBER	39,067,158.58	30,606,464.37	33,853,473.30
TOTAL PROVISION FOR CLAIMS	434,150,298.91	295,073,784.16	243,615,705.53

Audited

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2021

NOTE	31.12.2021 Rs.	31.12.2020 Rs.	01.01.2020 Rs.
18 SUNDRY CREDITORS, ACCRUED EXPENSES AND PROVISIONS			
SUNDRY CREDITORS			
GENERAL VAT (CHARGED FROM POLICY PREMIUM)	5,032,450.00	0.00	32,662.00
STAFF MEDICAL FUND	651,338.00	612,978.00	570,378.00
REFUNDABLE DEPOSITS	1,465,700.00	1,465,700.00	1,574,900.00
ACCRUED EXPENSES			
EMPLOYEES PROVIDENT FUND	1,028,598.01	1,170,380.98	1,030,753.26
EMPLOYEES TRUST FUND	100,070.37	115,701.35	100,050.21
PAYE TAX	0.00	0.00	5,617.00
STAMP DUTY	10,425.00	8,525.00	12,000.00
NATION BUILDING TAX	0.00	0.00	1,221,854.00
OTHER PAYABLES	10,984,009.39	8,728,879.49	6,901,608.66
CHARGES ON STATUS REPORTS	750,773.45	1,790,343.30	1,868,712.17
PROVISIONS			
AUDIT FEES PAYABLE	720,000.00	1,440,000.00	1,853,280.00
INCOME TAX PAYABLE	39,632,606.61	23,425,901.65	16,402,302.65
VAT ON FINANCIAL SERVICES	7,309,725.00	6,045,659.00	9,163,903.00
ANNUAL REPORT PRINTING CHARGES	2,000,000.00	1,825,000.00	950,000.00
SPECIAL LEVY PAYABLE			5,000,000.00
	69,685,695.83	46,629,068.77	46,688,020.95

19 GRATUITY PAYABLE

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MOVEMENT IN THE ACCOUNT

BALANCE AS AT 1ST JANUARY	13,228,994.16	11,571,417.60	9,848,687.00
PAID DURING THE YEAR	980,419.25	187,250.00	159,300.00
PROVISION FOR THE YEAR	2,080,420.09	1,844,826.56	1,882,030.60
UNDER PROVISION TRANSFERRED TO GENERAL RESERVE	0.00	0.00	0.00
BALANCE AS AT 31ST DECEMBER	14,328,995.00	13,228,994.16	11,571,417.60

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.767,836/- AND THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION OF RS.14,328,995/- HAS BEEN RECOGNIZED UNDER THE PROJECT UNIT CREDIT METHOD.

20 CAPITAL EMPLOYED

CAPITAL CONTRIBUTED - TREASURY	30,000,000.00	30,000,000.00	30,000,000.00
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21 RESERVES - PLEASE REFER ATTACHMENT (PAGE 14)

22 EXCHANGE RATE

THE FOLLOWING EXCHANGE RATES HAVE BEEN USED TO CONVERT THE FOREIGN CURRENCY AS AT END DECEMBER 2021

US DOLLARS	-	198.5
EURO	-	224.2

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

ANNUAL FINANCIAL STATEMENTS - 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2021

23 DISCLOSURE ON REVALUATION OF FIXED ASSETS

- EFFECTIVE DATE OF REVALUATION

BUILDING	01.01.2018
MOTOR VEHICLES	31.12.2021
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	0.00
MOTOR VEHICLES	0.00
COMPUTERS AND PRINTERS	0.00
OFFICE EQUIPMENT	0.00
FURNITURE AND FITTINGS	0.00

24 CONTINGENT LIABILITIES

(A) LAWSUITS AGAINST THE CORPORATION

- 1 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.
- 2 ANVERALLY & SONS LIMITED VS. SRI LANKA EXPORT CREDIT INSURANCE CORPORATION; DMR 1155/21
THE CASE IS LODGED TO RECOVER USD 65,174.72 O/A OF KHAVARE KAVIR OF IRAN
- 3 TROPICAL FISHERY (PVT) LIMITED VS. SRI LANKA EXPORT CREDIT INSURANCE CORPORATION;CHC 47/2020/MR
CASE LODGED AGAINST PART PAYMENT MADE O/A OF SURIYA LLC OF USA CLAIMING RS. 27.5 MLN.

(B) THE TOTAL LIABILITY UNDERWRITTEN BY THE CORPORATION AS AT 31ST DECEMBER 2021

- EXPORT PAYMENTS INSURANCE POLICIES IN FORCE	Rs.	12,000,000,000.00
- CREDIT GUARANTEES IN FORCE	Rs.	1,684,669,855.00
MAXIMUM LIABILITY	Rs.	13,684,669,855.00

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. 8.086 MILLION WITH A FACE VALUE OF RS. 8.089 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 2021

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
PROPERTY PLANT AND EQUIPMENT - 2021

ITEM	ASSETS AT COST AS AT 01.01.21 Rs	ASSETS AT REVALUATION 01.01.21 Rs	ADDITIONS 2021 RS	DISPOSALS/ REVALUATION 2021 RS	NET VALUE AS AT 31.12.21 RS	DEPRECIATION AS AT 01.01.21 RS	DEPRECIATION 2021 RS	ACCUMULATED DEPRECIATION ON DISPOSALS/ REVALUATION (RS)	ACCUMULATED DEPRECIATION AS AT 31.12.21 RS	WRITTEN DOWN VALUE AS AT 31.12.21 RS
BUILDINGS	0.00	176,500,000.00	0.00	0.00	176,500,000.00	26,475,000.00	8,825,000.00	0.00	35,300,000.00	141,200,000.00
MOTOR VEHICLE	0.00	21,660,000.00	0.00	0.00	21,660,000.00	0.00	0.00	13,400,000.00	0.00	21,660,000.00
SOFTWARE	6,672,949.77	0.00	0.00	0.00	6,672,949.77	6,672,937.77	0.00	0.00	6,672,937.77	12.00
COMPUTERS & PRINTERS	0.00	2,846,500.00	0.00	0.00	2,846,500.00	2,846,500.00	0.00	0.00	2,846,500.00	0.00
FURNITURE & FITTINGS	2,576,952.33	0.00	41,000.00	0.00	2,617,952.33	2,338,405.14	217,988.19	0.00	2,556,393.33	61,559.00
	64,059.75	0.00	0.00	0.00	64,059.75	22,182.53	6,403.00	0.00	28,585.53	35,474.22
	0.00	1,345,200.00	0.00	0.00	1,345,200.00	538,080.00	134,520.00	0.00	672,600.00	672,600.00
OFFICE EQUIPMENT	0.00	668,750.00	0.00	0.00	668,750.00	668,750.00	0.00	0.00	668,750.00	0.00
	521,243.49	0.00	103,017.09	0.00	624,260.58	394,415.11	73,978.50	0.00	468,393.61	155,866.97
TOTAL	9,835,205.34	216,420,450.00	144,017.09	134,000,000.00	212,999,672.43	50,676,270.55	11,937,889.69	13,400,000.00	49,214,160.24	163,785,512.19

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
ANNUAL FINANCIAL STATEMENTS - 2021
RESERVES AS AT 31ST DECEMBER 2021

	GENERAL RESERVE RS.	REVALUATION RESERVE RS.	INVESTMENT FUND RS.	UNEARNED PREMIUM RS.	TOTAL RS.
BALANCE AS AT 1ST JANUARY 2020	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
SPECIAL LEVY FOR 2020	-19,848,076.25			-1,987,999.94	-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
TRANSFERRED FROM REVALUATION RESERVE	10,018,276.65	-10,018,276.65			0.00
NET PROFIT FOR THE YEAR 2021	248,667,972.58				248,667,972.58
TRANSFERRED DURING THE YEAR 2021					23,470,543.14
SPECIAL LEVY FOR 2021	-25,000,000.00	21,660,000.00		1,810,543.14	-25,000,000.00
BALANCE AS AT 31ST DECEMBER 2021	2,827,009,138.61	137,308,408.27	58,507,949.05	20,003,780.27	3,042,829,276.20

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 a side 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 - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, 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 Corporation as at 31 December 2021, 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 Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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 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 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 Corporation 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 Non-Compliance with Sri Lanka Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) According to paragraph 33 of Sri Lanka Accounting Standard on Statement of Cash Flows, (LKAS 07) the Corporation had not accounted the Interest Income of Rs.208, 974,660 and the Interest Received Balance -of Rs.205,958,376 in the cash flow statement.	Measures will be taken to rectify the presentation error.	Financial Statements should be prepared in accordance with Sri Lanka Accounting Standards.
(b) Contrary to paragraph 41 of Sri Lanka Accounting Standard on Accounting Policies, Changes in Accounting Estimates and Errors, (LKAS 08) a Value Added Tax amounting to Rs. 5,032,450 related to the year 2017 had been identified as an expense for the year under review.	The VAT for 2017 arose due to a genuine error in the recognition of liable income and was not intentional.	Financial Statements should be prepared in accordance with Sri Lanka Accounting Standards.
(c) According to paragraph 39 of Sri Lanka Accounting Standard on Property, Plant and Equipment, (LKAS 16) the Corporation had not recognized the re-valued surplus of Rs.21, 660,000 on Motor Vehicles.	However all other accounting treatments regarding the Revaluation have been complied with keeping in line with the standard.	Financial Statements should be prepared in accordance with Sri Lanka Accounting Standards.

(d) According to the paragraph 4.1.2 of Sri Lanka Financial Reporting Standard on Financial Instruments (SLFRS 09), two financial assets amounting to Rs. 18,207,464 had not been measured at amortized cost. The Treasury bills & bonds for 2021 were shown at their actual values in the financial statements but will be adjusted in future to keep in line with the reporting standard. Standards. Financial Statements should be prepared in accordance with Sri Lanka Accounting Standards.

1.5.3 Documentary Evidences not made available for Audit

Item	Amount	Evidence not made available	Management Comment	Recommendation
	Rs			
Gratuity Provision	14,328,995	Accurate actuarial assumptions to the actuary to calculate the correct value of the Gratuity Provision.	The Corporation hopes to carry out annual actuarial valuation for Gratuity in the future.	The Corporation should submit the accurate actuarial assumptions.

1.6 Accounts Receivable and Payable

1.6.1 Payables

Audit Issue	Management Comment	Recommendation
An excess amount of Rs. 2,053,944 had remained in premium advance for more than one year without settling. Out of this balance; Rs. 1,020,003 had remained for more than 5 years.	These balances are not cleared from our books due to the fact that although the customer is not active in our records they are in operation and have not requested for the payments, if they request for any policies, these balances could be utilized against their premium payments and regularized.	Prompt actions should be taken to settle the balances.

1.6.2 Advances

Audit Issue	Management Comment	Recommendation
Advances of export bill discounting facility amounted to Rs.34, 958,636 had	The total amount of Rs. 34,958,636 has been provided as a provision for bad debts but the Corporation maintains this amount in the	Prompt actions should be taken to recover outstanding

remained for more than 10 years. 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 from these defaulted accounts. However provision has been made in full in this regard. balances.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 9.3.1 (vi), (vii) & (viii) of the Public Enterprises Circular No. PED 12/2003 of 02 June 2003.	Even though the vacant posts should not be filled with acting posts for indefinite periods, the Corporation had given acting position for Marketing Manager from 2009 to date, and Rs. 1,164,100 had been paid as an acting allowance up to 31 December 2021.	The Corporation has made this acting arrangement with the approval of the Board to ensure an uninterrupted customer service to those clients who had been serviced by the vacant position. However with the regularization of the entire HR function of the Corporation with the assistance of a consultant as planned, the Corporation will take measures to fill all the necessary vacancies in 2022.	The Corporation should comply with the Circular.
(b) Paragraph No. 4.2 .1 (a) & (b) of the Government Procurement Guideline 2006.	Every procurement entity should have to prepare a Master Procurement Plan which including at least three years expected procurement activities shall be listed in. However the Corporation had not prepared a Master Procurement Plan	The Corporation hopes to comply with this requirement in the future.	The Corporation should comply with the Procurement guideline.
(c) Section10 of the Chapter VIII of the	The minimum 08 hours of work is compulsory	The Corporation’s general administration is carried out	Corporation Should comply with the

<p>Establishment Code of the Democratic Socialist Republic of Sri Lanka</p>	<p>for the entitlement of the holiday pay for executive officers. However, the Corporation had paid Rs.233, 849 to 07 officers, who had worked less than 8 hours (per working day) as holiday pay during the year 2021</p>	<p>in terms of the Internal Administrative Circulars issued from time to time with the approval of the Board in line with its Act. The Corporation follows the conditions and guidelines of the Establishment Code only under the circumstances where the Corporation does not have any internal administrative circular to govern any particular matter. Accordingly, the Corporation follows the Administrative Circular No 5 dated 12.08.1994 in regard to payment for working on holidays which was approved by its then line Ministry of Trade & Commerce by their letter dated 02.07.1991.</p>	<p>Establishment Code.</p>
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2. Financial Review

Audited

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 248,667,973 and the corresponding profit in the preceding year amounted to Rs. 223,348,932. Therefore an improvement amounting to Rs.25, 319, 041 of the financial result was observed. The reasons for the improvement are increase in the gross written premium income and increase in the other income.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
<p>The Corporation had planned 08 Product awareness on CPA for Grama Niladaries & Divisional Secretariat officers (Physically or via Webinar) under “Achieving Sustainable Development Goals (Poverty Alleviation)” for the first three quarters. But the Corporation had not been</p>	<p>The product awareness programs on CPA for Grama Niladaries & Divisional Secretariat officers too could not be conducted as they could not be facilitated due to the Covid pandemic situation that prevailed in the country.</p>	<p>The awareness programmes should be compatible with the action plan.</p>

conducted any programmes under this activity.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>The following objectives had not been achieved according to SLECIC Act.</p> <ul style="list-style-type: none"> • To provide guarantees to exporters against losses that may be sustained in undertaking market surveys, publicity and any other promotional measures in foreign countries. • To undertake market studies abroad for promotion of exports from Sri Lanka and to conduct seminars and courses on various aspects of export promotion to collect and disseminate information marketing possibilities and procedure. • To help exporters to diversify and expand exports, find new markets in sell their goods abroad on competitive terms of payments. 	<p>In 1978 when this Corporation was established, it was the only organization that was meant to deal with export development and promotion of the country. However, with the establishment of Sri Lanka Export Development Board (EDB) in 1979 by Act No. 40 of 1979, the functions of export development and promotion were assigned to EDB with the required resources enabling them to specialize in that field. As a result, some objectives of SLECIC overlap with that of EDB.</p> <p>Therefore, while SLECIC mainly concentrates on Export Credit Insurance Activities with its limited personnel and other resources, the EDB, the specialized body for export promotion, carries out the other export promotional activities necessary to boost the exports of the country.</p> <p>Therefore the promotional activities do not need to be duplicated by both organizations.</p>	<p>Should work in accordance with the SLECIC Act.</p>

3.3 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>(a) The cadre of the Corporation had been approved for 37 posts with 56 vacancies but there were 27 number of vacancies related to 36</p>	<p>Not Responded</p>	<p>The vacancies should be filled appropriately.</p>

posts as at 31 December 2021.

(b) 08 positions had been filled in addition to the approved cadre as at 31 December 2021. The Corporation made many request in writing and had extensive discussions regarding the approval of the revised cadre positions with the Management Services Department in 2018, 2019, & 2020. The Corporation hopes to finalize the revised cadre by 2022 in order to resolve this matter. Further the Board has decided to regularize of the entire HR function of the Corporation with the assistance of a consultant in order to resolve all the matters. Action should be taken to approved the revised cadre.

(c) An employee of the Corporation was interdicted and paid half a month's salary amounting to Rs. 19,480 since May 2012 to date, and the total payment made as salary to the above mentioned employee up to 31 December 2021, was Rs.2,240,200. Actions had not been taken to speed up the disciplinary action process of the above mentioned interdicted employee, by the end of the year under review. The last summoned date regarding this matter had been in 2018, and no further progress had been made as at 31 December 2021. The inquiry in regard to this employee is yet to be completed therefore the half months salary has been paid continuously. This matter was discussed at the Board Meeting held on 03.05.2021 but no further action could be taken, but an inquiry officer has been contacted recently in this regard and the Corporation is awaiting his response. Action should be taken to speed up the disciplinary action procedure.

Audited

4. Accountability and Good Governance

4.1 Internal Audit

Audit Issue -----	Management Comment -----	Recommendation -----
(a) According to Section 3.7.5 of the Public Enterprises Circular No. PED 12/2003 of 02 June 2003, the Internal Audit Manager is responsible for review systems and procedures, to ensure that the operations are carried out in a true and	The Corporation is expected to operate as a commercially viable venture and also requires to build up its own "Fund" to meet the liabilities. The Corporation has so far felt that it is economically beneficial to outsource a specialized internal audit service provided by a professional team. Therefore, the option of having a separate internal audit	The Corporation should adhere to the Management Audit Circular No. DMA/01-2019 dated 12 January 2019.

fair manner, thus there is no Internal Auditor position made in the approved cadre of the Corporation. However, the Corporation had outsourced the service of an Internal Audit firm to continue with the Internal Audit functions of the Corporation without entering to an agreement and provided Rs.546,480 as audit fees, but no audit reports had been issued during the year 2021.

division has not gained ground for favorable consideration as yet and the present arrangement has worked well for the institution.

When preparing its final accounts for the period 2021 the Corporation made a provision for Internal audit fees, but no payment had been made for 2021.

4.2 Budgetary Control

Audit Issue

Even through Rs.27, 590,000 had been allocated under the current year budget for IT division, only Rs.1, 176,375 (as a percentage of 4.26%) had been spent during the year under review.

Management Comment

The Corporation budgeted to purchase 03 new servers together with the software and firewalls which amounted to Rs.14.9 Mn. in 2021. But approval for the purchase was only received from ICTA in June 2021 although the request had been made in 2020. As a result the cost of the items had almost doubled by that time and therefore the servers and related costs were not incurred.

A cost of Rs. 8.75 Mn. was approved for the system study and upgrading of the operating system but only a modification costing Rs.630,000/- was carried out in 2021 while the system study was not carried out due to the non-availability of adequate human resources within the organization. Further Rs.1.5 Mn. was budgeted for the new accounting system too was not utilized due to the same reasons.

All other IT related expenses were incurred based on their requirement in 2021 due to the non-availability of goods and the high costs in the market.

Recommendation

Action should be taken to utilize the budget efficiently.