

SLECIC

ANNUAL REPORT - 2014

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

The Sri Lanka Export Credit Insurance Corporation (SLECIC) is an enterprise established by Act No. 15 of 1978 which also outlines a set of objectives that guide the operations of the organization.

Our Vision

“To be the catalyst in the promotion and development of international trade”

Our Mission

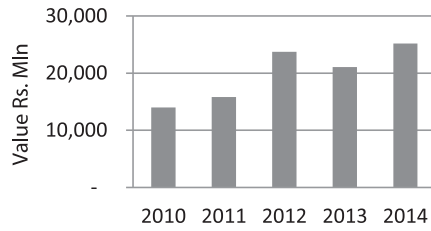
“We are in the business of providing information, support and protection for exporters, banks, other financial institutions and importers. We strive to exceed customer expectations by offering superior personalized services”

Five Years at a glance

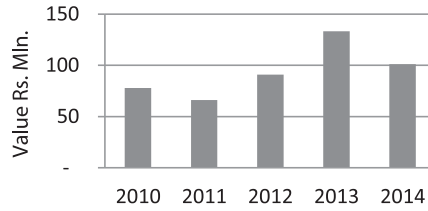
Performance Overview (Rs. Millions)

	2010	2011	2012	2013	2014
Insured Business	14,009	15,835	23,735	21,076	25,173
Gross Premium Income	133	143	174	163	195
Gross Claims	41	32	64	32	64
Operating Expenses	120	98	114	105	121
Operating Surplus	30	65	82	73	90
Investment Income	78	66	91	133	101
Net Surplus	54	89	101	139	162
Capital & Reserve	1,128	1,220	1,388	1,581	1,758
Taxes & Levies	67	42	73	67	29

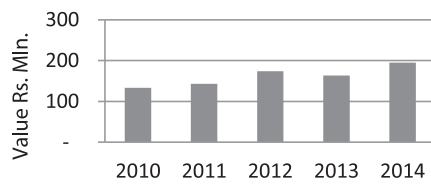
Insured Business



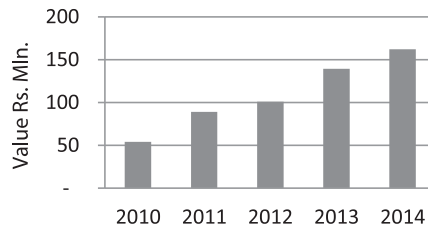
Other Comprehensive Income



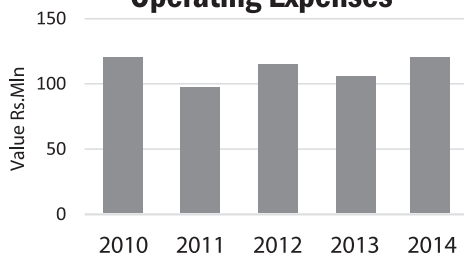
Gross Premium Income



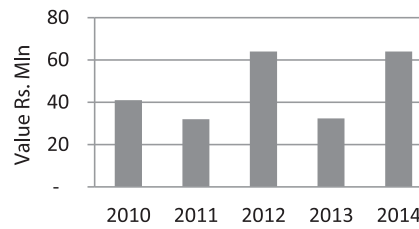
Net Surplus



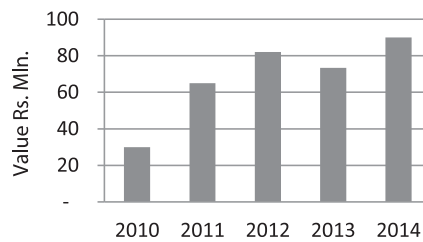
Operating Expenses



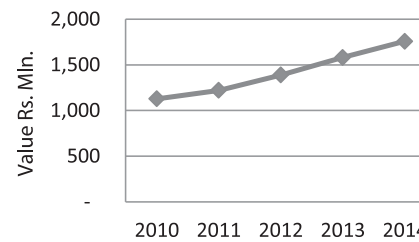
Gross Claims



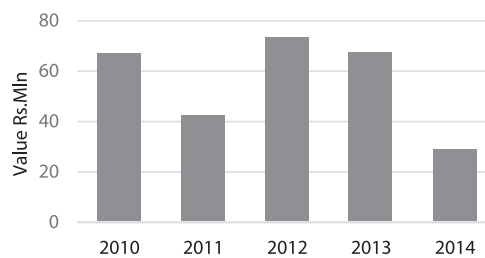
Operating Surplus



Capital & Reserve



Taxes and Levies





Chairman's Review

As the chairman of the Sri Lanka Export Credit Insurance Corporation (SLECIC), I am happy to declare that our corporation was able to conquer all the obstacles and challenges to perform admirably during a year, which was characterised by turbulences both globally and locally.

Global Economy

The global economic environment improved in 2014, but did not live up to the promise of late 2013. Global growth ended higher than in 2013 at 2.7%, but remained below expectations. Indeed, all regions except Asia performed better, but were still disappointing. The Euro zone grew by only 0.8% in 2014 as geopolitical tensions in the Ukraine hit household and business confidence.

Latin America posted a meagre 1.2% growth rate as the so called 'super cycle' of high commodity prices and abundant Chinese demand turned flat while US growth ended at 2.2%, although this was particularly due to an incidental factor; the bad winter weather. Asia performed slightly better than was envisaged; growing 4.8%. China's growth continued to slow, to 7.3% in 2014. Other countries, however, provided positive surprises. Spain grew by 1.3% while Greece emerged from 25 quarters of recession, posting 0.2% growth and Portugal grew by 0.9%. Outside the Euro zone, the United Kingdom grew by an unexpected 3.1%. As Europe came out of recession, its growth rates remained low.

As per the World Economic Outlook of the IMF, global growth in 2014 was lower than initially expected, with

noticeable divergence across major economies and lower growth momentum in emerging economies.

Global crude oil prices edged lower in 2014. Currencies of some advanced and emerging economies depreciated against the US dollar during 2014, due to the strong economic outlook in the US economy

According to the IMF, global growth is expected to remain moderate, weighed down by high debt, high unemployment and low investment, while the anticipated interest rate hike in the US and low inflation in some advanced economies raising additional challenges. Nevertheless, global growth is expected to rise to 3.5 per cent in 2015 and to 3.8 per cent in 2016, supported by gradual recovery in advanced economies, receding domestic headwinds in developing countries and the sharp decline in oil price

Sri Lankan Economy

The Sri Lankan economy achieved a real GDP growth of 7.4 per cent in 2014 in comparison to 7.2 per cent in 2013. Amidst diverse developments in the global economy, continued domestic economic activity helped sustain the growth in the Industry and Services sectors

The share of the Industry sector within GDP increased further to 32.3 per cent, with a sectoral growth of 11.4 per cent in 2014 compared to 9.9 per cent in the previous year. Meanwhile, affected by adverse weather conditions, the Agriculture sector, which represents 10.1 per cent of GDP, contributed only marginally to real GDP

growth. The growth of the Agriculture sector was 0.3 per cent in 2014, compared to 4.7 per cent recorded in the previous year

The Agriculture sector grew marginally by 0.3 per cent in 2014 reducing its share in GDP to 10.1 per cent from 10.8 per cent in 2013 Impacted by adverse weather conditions, several key sub sectors including paddy, rubber and minor export crops contracted, largely contributing to the deceleration of the growth in the Agriculture sector.

Rubber production declined for the third consecutive year, affected by weakened international demand for natural rubber as well as adverse weather conditions. The coconut sub sector registered an increase of 7.9 per cent in output in 2014 as against a decline of 16.1 per cent in the previous year.

The Manufacturing sub sector, which accounts for 53.4 per cent of the value addition in the Industry sector, grew by 8.0 per cent in 2014. Factory industry, which comprises the largest share of the manufacturing sub sector, grew by 8.5 per cent in 2014 with improved external and domestic demand alongside a conducive domestic macroeconomic environment.

The Services sector expanded by 6.5 per cent in 2014 bolstered by the performance in the wholesale and retail trade sub-sector, accounting for a share of 57.6 per cent of value added in GDP Improved external demand along with stable domestic macroeconomic environment supported the local industries in achieving enhanced export performance in 2014. Accordingly, earnings from exports increased by 7.1 per cent to a value of US dollars 11,130 million in 2014 compared to US dollars 10,394 million in 2013, with contributions from all major categories of exports.

Earnings from industrial exports increased by 6.6 per cent, year-on-year, to a value of US dollars 8,262 million in 2014, mainly due to a significant increase in textiles and garments exports, which increased by 9.4 per cent to a value of US dollars 4,930 million.

Earnings from agricultural exports increased by 8.2 per cent to a value of US dollars 2,794 million in 2014 led by exports of coconut products, tea and certain minor agricultural products. Exports of coconut products increased by 74.2 per cent to US dollars 356 million in 2014, mainly due to enhanced performance of kernel product exports, such as desiccated coconut and coconut oil, supported by the favourable weather conditions prevailed in the previous year.

Export earnings from tea, which account for about 15

per cent of total exports, grew by 5.6 per cent in 2014 compared to 9.2 per cent growth recorded in 2013. The slower growth of tea exports reflects decelerated demand from the main export destinations such as Russia and the Middle East which account for about 59 per cent of total tea exports. These countries experienced large revenue shortfalls, as oil prices declined, while Russia experienced large depreciation in the Rouble amidst economic sanctions due to geopolitical issues.

However, the export of spices which showed remarkable performance during the previous year slowed in 2014. Earnings on exports of spices declined by 25.6 per cent to a value of US dollars 265 million in 2014 compared to an increase of 38.8 per cent in 2013. This was mainly due to the lower harvest of main export crops i.e. cinnamon, pepper, cloves, mace and nutmeg in 2014 compared to the bumper harvest recorded in 2013. Further, export earnings on rubber also declined by 36.5 per cent to US dollars 45 million, reflecting a decline in both price and the quantity.

Concentration of export markets is a main concern as it can lead to instability in export earnings. Sri Lanka largely depends on a few markets namely, the EU and USA which account for around two thirds of total exports. Further, around 66 percent of the Sri Lanka's tea export to the Middle East and Commonwealth of Independent States (CIS) countries, which are highly dependent on oil exports. In this scenario, risk sharing products of the Corporation could be used by our exporters to export to new emerging markets with confidence.

Earnings from tourism continued to record a healthy growth in 2014. Inflows from tourism grew by 41.7 per cent to US dollars 2,431 million in 2014 from US dollars 1,715 million in 2013. The expansion in tourist arrivals together with higher spending and increased duration of stay by tourists supported this growth

Performance of SLECIC

During the year under review, SLECIC posted an outstanding performance by significantly increasing its total insured business to Rs. 25.17 billion, representing a growth of 19% over the previous year.

Financial Results

Financial results at a glance (Rs. Million) Year ending 31st December 2014

	2014	2013
Gross Premium Income	194.55	163.36
Operating Surplus	89.79	73.35
Net Claims	37.81	30.68
Investment Income	99.79	132.54
Capital & Reserves	1757.92	1581.42
Net Surplus	161.69	139.36
Taxes & Levies	29.00	67

The gross premium income of SLECIC grew to Rs. 194.55 million in 2014 from Rs. 163.36 million in 2013. The corporation's net surplus for the year increased to Rs. 161.69 million from Rs. 139.36 million in the previous year. Total assets and equity of the corporation stood at Rs. 1,882.25 million and Rs. 1,757.93 million respectively at the end of the year.

The Corporation's operating surplus for the year grew to Rs. 89.79 million from Rs. 73.35 million year ago whilst its net cash flow from operating activities stood at Rs. 192.43 million in 2014.

Premium Income

The premium rates structure is based on the no-profit no loss principle. The Gross Premium Income of the corporation grew tremendously during the year under review to Rs. 194.55 million from Rs. 163.36 million in the previous year. The premium income of our core product, the Seller's Risk, posted a significant increase of 22% over a year ago to earn Rs. 151.72 million from Rs. 124.69 million a year ago. Similarly the premium income from pre – shipment credit guarantees, post shipment credit guarantees also experienced increased revenue during the year under review.

Net Income from operations

The net operating income of the corporation grew to Rs. 167.7 million in 2014 from Rs. 143.21 million in 2013, helped by impressive growth in premium income, and reduction in claim expenses.

Investment Income

A significant proportion of the investment portfolio was in government securities and the interest rates of such securities continued to receive low yields during the year under review. As a result it recorded an investment income of Rs. 99.79 Million in the year under review, representing a decrease of Rs. 22.76 (or 24 percent) against previous year.

Taxes & Levies

Although, SLECIC was required to build an adequate fund over the years from their earnings to cushion the future liabilities, With a View to facilitate this objective, the legislators at that time exempted SLECIC from paying various taxes to the Government. However, the Tax Authorities do not consider SLECIC as an export Supporting Agency hence the Corporation continued to contribute to the Government Taxes.

During the period under review the Corporation paid Rs. 28.78 Million as Value Added Tax (VAT) on Financial Services and Income Tax as compared with Rs. 43.09 Million due to lower investment income generated in 2014.

New Initiatives

As businesses grow and expand into new markets, opportunities are measured against the risks that they carry. As a result, there is a growing need for ever-more sophisticated ways to monitor and manage the risks to which businesses are expose, In order to facilitate this, we develop an Underwriting Manual to facilitate our underwriters to take timely decision to assist our exporters. We intend to do the Claims Manual next year likewise over the period of next 3 years, the Corporation will document all its processes to serve our clients effectively and timely manner.

New Products Developments

There is no value in creating products that do not serve customers' needs. That is why we work closely with our customers to ensure that we can offer them the very finest support for their businesses that suits them how and where they trade. During the year .the Corporation issued first Turn over based Insurance policy with most simplified procedures. Going by this experience, the Corporation should more focus on customized covers to suits our exporters in future as many exporters still believe that they still deals with buyers in safe markets.

Policy Changes

During the year under review the Corporation adopted revenue received from the premium income on “Accrual basis” to reflect more realistic premium.

Strengthening International Co-operation

When we were preparing this year Action Plan, the Corporation gave some priority to develop few external linkages to obtain technical assistance to build our capacities besides working with Commonwealth Secretariat (COM SEC) on the ongoing project. The study prepared by technical partner of COM SEC, Exim Bank of India gave us impetus to re think our products & services and to do the required changes to suit our client’s requirement.

We applied for membership of the Asian Credit Supplementation Institutions Confederation (ACSIC) in May 2014 and our membership was discussed at the Chief Delegates Meeting held in October 2014, Kuala Lumpur, Malaysia and enrolled as an Observer institution for 2 years.

On the invitation of the Import- Export Bank of India, SLECIC had the opportunity of interacting with members of the Asian Exim Banks Forum and also benefited to receive technical assistance from Asian Development Bank during the year and this help us to build capacities of the Corporation in the future.

Outlook for 2015

The outlook for 2015 is for increased growth but there are several caveats; there is caution due to the threat of deflation, geopolitical tensions and the falling price of oil and commodities

In 2015 the world economy is expected to show a 3.2% GDP growth rate, with all regions contributing. Asia is expected to continue to be the largest contributor, with forecast growth of 4.8%. That is significantly above the growth rates of Latin America and Eastern Europe at 1.8% and 1.7% respectively.

The US will step up its contribution with a decent growth figure of 3.0% with the Euro zone considerably lower, but still positive, at 1.1%.

Meanwhile, global trade growth of 4.0% is expected. Further tension in Syria and Iraq may jeopardise the oil supply from the Middle East, putting upward pressure on the current lower prices and hindering the recovery.

While Chinese growth is carefully managed by the authorities, a hard landing at around 5% cannot be discarded. That would reinforce the impact that China has had on commodity prices and commodity exports, especially from Latin America, over the past year and hamper global growth.

In this background, Customer service excellence remains crucial in 2015 to ensure quality of service and high retention levels for the Corporation.

Acknowledgement

I wish to thank our valued clients, the exporter community of Sri Lanka and commercial banks for the trust and the confidence they have placed in SLECIC. We look forward to their active involvement and co-operation in our endeavours to promote Sri Lankan exports.

I extend my foremost gratitude to His Excellency the Honourable Finance Minister for his endeavours in promoting international trade and his continuing interest in the activities and development of SLECIC, during the period under review. I also appreciate the guidance & support of Hon. Deputy Minister of Finance & Planning, Dr. Sarath Amunugama. His personal commitment certainly helped us to get the technical assistance from the Commonwealth Secretariat for Phase 11 of the capacity building of SLECIC is well appreciated.

I also wish to place on record my appreciation for the services rendered by the members of the Board of Directors.

My sincere thanks go to officials of the Berne Union Secretariat and our overseas counterparts and other business partners who have readily assisted us when called upon. Their combined wealth of knowledge and resources in technical areas of Export Credit Insurance has been a tower of strength to SLECIC.

I thank the Secretary, Additional Secretaries and other officers of the Ministry of Finance & Planning for the cooperation extended to us towards carrying out the duties of SLECIC.

I also wish to place on record our appreciation for the officials of the Central Bank of Sri Lanka, the Department of Commerce and members and officials of the many trade chambers for the assistance they provided to SLECIC in fulfilling its duties. Further, stakeholders’ involvement in Capacity Building program

is commendable as they many have given their valuable time to the Exim Bank team and suggested many constructive ideas for us to take it forward to improve our services.

On behalf of SLECIC and the Sri Lankan exporter community, we thank the Sri Lankan missions abroad and in particular the Trade Attaches and also the debt collecting agencies worldwide for their cooperation and for the facilitation of international trade.

I also appreciate the technical support extended by Commonwealth Secretariat in building capacity of the Export Credit Insurance Industry and assurance given to us to support the phase 2 of the project as well.

In addition, my special appreciation and thanks should also go to the Commonwealth Secretariat as they came willing to sponsor the National Symposium on Export Finance held from 25-26 March 2014 at Taj Samudra Hotel.

I would like to express my deepest appreciation to the management and staff for their unwavering loyalty and commitment to achieve excellence .Despite the pressure on resources; they worked tirelessly over the past year to deliver better services to our policyholders and exporters at a time of need. This spirit of dedication is an important part of the success of the Corporation.



D.P. Mendis

Presidents' Counsel

Chairman & Managing Director

Board of Directors

1. D.P. Mendis
Presidents' Counsel
Chairman & Managing Director

Mrs .Kusum Dassanayake
Director of the Governor's Secretariat
Central Bank of Sri Lanka

2. Mr. A.K. Seneviratne
Additional Secretary
Ministry of Industry and Commerce

3. Mr. K.M.M. Siriwardena
Director General
Department of Fiscal Policy
Ministry of Finance & Planning

Senior Management of SLECIC

D.P. Mendis P.C.

Chairman & Managing Director

D.H.J. Ranasinghe

General Manager

Mrs. R.M.U.N. Peiris

Deputy General Manager

Dammika Aluthge

Assistant General Manager

Mohan Silva

Assistant General Manager

Mrs. Mayuri Mudalige

Assistant General Manager

Products & Services of SLECIC

Export Credit Insurance, branded as the Seller's Risk and Credit Guarantees to banks constitute the main thrust of services provided by SLECIC to the well-being of the exporter community in the country. Our services protect the financial security of exporters whilst enabling them to expand the scope of their operations by making it easier to obtain loans from commercial banks without much hassle and inconvenience.

Seller's Risk

Seller's Risk is the fundamental cornerstone of our products and services to the exporter community. Seller's Risk serves the purpose of protecting the exporter from the risk of non-payment or delayed payment by the overseas buyer due to commercial and political risks.

Commercial Risks

- Insolvency and bankruptcy
- Payment default
- Contract repudiation

Political Risks

- Delays in foreign exchange remittance
- Cancellation of import license
- Import ban
- Payment moratorium
- War, revolution, riot and natural disasters

Of the wide range of policies offered by the corporation, the most popular is its Whole Turnover cover policies. Tailor made facilities are also available to cater for the unique needs of specific sectors.

Following are the categories of Export Credit Insurance offered to exporters.

Seller's Risk Insurance Policy-WHOLE TURNOVER - ALL BUYERS

Insurance to protect the exporter from commercial risk & political risk. Under this we will cover the total shipments on deferred payment terms.

Seller's Risk Insurance Policy-BUYER SPECIFIC

Insurance to protect the exporter from commercial risk & political risk of one or more specific buyers.

Seller's Risk Insurance Policy-COUNTRY SPECIFIC

Insurance to protect the exporter from commercial risk & political risk of buyers of a specific country.

Seller's Risk Insurance Policy-POLITICAL RISK

Insurance to protect the exporter from political risk of a specific country.

Seller's Risk Insurance Policy-GLOBAL COVER

Insurance is provided for off-shore export companies' domicile in Sri Lanka.

Seller's Risk Insurance Policy-SUBSIDIARY RISK

Cover the risk of the exporters of a subsidiary company domicile in another country where the parent company is in Sri Lanka.

Seller's Risk Insurance Policy-COVERING ULTIMATE BUYERS

Insurance to protect Sri Lankan exporters, covering commercial & political risk of ultimate buyers where shipments have been effected to a fully owned subsidiary in the buyer's country.

Seller's Risk Insurance Policy-CONSIGNMENT OF STOCKS

Cover the Sri Lankan exporter on commercial risk & political risk of consignment of stocks.

Seller's Risk Insurance Policy-ENTREPOT TRADE

Cover the commercial risk & political risk of a Sri Lankan exporter arising from entrepot trade.

Seller's Risk Insurance Policy-SELLER'S RISK COMPREHENSIVE SERVICE POLICY

Insurance to protect the service sector exporters from the commercial risk & political risk.

Seller's Risk Insurance Policy-DOMESTIC CREDIT INSURANCE

Insurance to protect the policy holder from commercial risk associated with dispatching goods & rendering services to their buyers in Sri Lanka.

Export Credit Guarantees offered to Banks

The credit guarantees to banks mitigate the losses suffered by banks on account of non-payment of advances by the exporter owing to protracted default and insolvency of exporters. Our credit guarantees to banks facilitate the financial requirements of exporters by removing the necessity to place collaterals and expensive deposits. SLECIC undertakes to reimburse 66.66% to 85% of losses suffered by banks, caused by insolvency of exporters or protracted default on their part.

Following are the categories of Export Credit Guarantees offered to banks.

Pre Shipment Credit Guarantees (Individual)

Individual counter party risk can be covered up to 66.66% in Rupees and other foreign currencies. These guarantees facilitate financial institutions to grant pre shipment facilities to exporters against letters of credit or confirmed orders for purchasing of raw materials, manufacturing and processing of goods and packing of exports.

Post Shipment Credit Guarantees (Individual)

These guarantees are offered to commercial banks. These guarantees ensure exporters can access banks to obtain finance in order to meet their working capital requirements at the post shipment stage by way of purchase, negotiate or discount of export bills.

Whole Turnover Pre/Post Shipment Credit Guarantees

These guarantees facilitate banks to cover the entire export credit portfolio granted by way of Pre/Post shipment advances to the exporter or an indirect exporter at a higher coverage and a lower premium rate.

Export Production Credit Guarantees

This scheme facilitates financial institutions to finance working capital to producers to manufacture goods and services for exporters without much emphasis on collaterals.

Export Performance Guarantees

This is a counter guarantee issued to commercial banks against the guarantees and bonds that they issue on

behalf of their clients to overseas buyers or government authorities guaranteeing the due performance of contracts entered into for the export of goods and services from Sri Lanka. The areas include benchmark performance export contracts via construction work as well as the export of goods and services.

Export Performance Credit Guarantee covering the due performance of Freight Forwarders

This guarantee is a counter guarantee issued to a bank, in consideration of the bank issuing a bank guarantee to an airline that extends credit facilities to a freight forwarder.

Export Performance Guarantees covering ATA Carnet System

These guarantees are issued to the International Chamber of Commerce (ICC) Sri Lanka for exporters to obtain ATA Carnet documents from ICC – Sri Lanka. ATA Carnet is an international customs document that permits duty free temporary import of goods abroad for a specific purpose for a specified period of time.

Whole Turnover Bank Guarantee covering Cost of Passage Advances to Sri Lankans going abroad for Employment “APARA”

This guarantee scheme extends coverage to banks on entire Pre – departure loans granted to Sri Lankans going abroad for employment.

Other Services

BiZinfo – Credit and financial information

This product provides Credit and Status reports on overseas customers of Sri Lankan exporters and importers to the banking sector. SLECIC functions as a provider of Credit and Status reports from a network of principals worldwide.

Cross Border Debt Collection Service

SLECIC has entered into partnership with a team of global Debt Collection Agencies to undertake the process of recovery of uncollected debts on behalf of exporters. A Recovery Assessment service as well as advice on receivable management is provided by SLECIC.

Export Credit Insurance

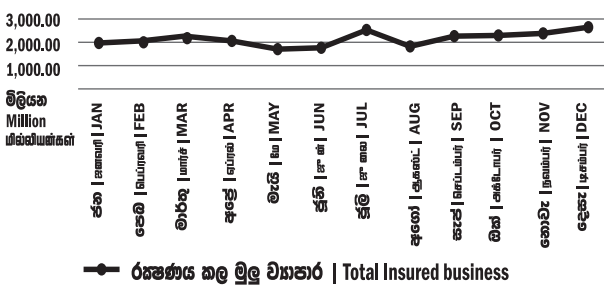
The value of credit insurance as a risk mitigation tool in cross-border trade has gained in global recognition which has led to increased demand for the product. In Short Term business, covered exports represent the turnover or the value of shipments made while being covered under a credit insurance policy. Covered exports are not identical with credit limits issued. During the year under review, SLECIC put its weight behind all types of exporters, backing over twenty five billion rupees worth of exports through its Export Credit Insurance.

Insured Business

The total insured business showed a growth of 21 percent, reaching Rs 25.5 billion for the period January to December 2014, compared to the Rs. 21.07 billion in the corresponding period in 2013.

The below graph shows the growth of insured business of SLECIC over the period of January to December 2014

Insured Business - Monthly



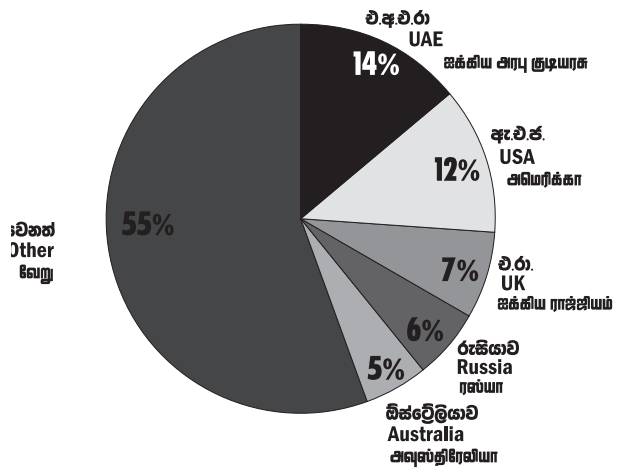
Major markets

During 2014, UAE, USA, UK, Russia and Australia were held considerable share of the SLECIC exposure which is account for 45% of the total insured business of 2014. UAE was the largest insured market accounting for 14% of the total insured business of the SLECIC and recording a growth of 24% reaching at Rs 3.6 billion. This is mainly due to the Tea exports of Sri Lanka.

USA was the second largest market for SLECIC insured business contributing 12% of the total insured business. UK and Russia held a share of 7% & 6% respectively of the total insured business where exposure in Russia was increased substantially by 134% in 2014. Since Russia is a major export destination for Sri Lankan Tea exports, SLECIC expanded its business in this market to support Sri Lankan exporters.

Australia was among the top 5 markets holding a 5% share and growing at a rate of 6% compared to the year 2013 with a value of Rs 1.2 billion. Export of Rubber gloves, tea, ceramic ware & coir fibre were supported for this growth.

Country	Insured business 2014	% change of value compared to 2013
(Rs Mn) UAE	3,660,495,762	24%
USA	3,149,856,742	-10%
UK	1,669,156,603	10%
Russia	1,645,930,086	134%
Australia	1,277,001,069	6%
other	14,149,743,798	26%
Total	25,552,184,060	21%



Review of Country Risk Profiles

Risk levels of countries are changed time to time based on the political & economic situation of the country & in the region. Therefore to reflect the actual risk levels exist in countries, it is necessary to review country risk profiles periodically and make the necessary changes. Country risk profiles are reviewed in view of customer request & changes in the country risk profiles/ considering the increasing trend in exports. Economic & political situation of a country is being evaluated by analysing macroeconomic indicators, current economic issues and ongoing political issues. Also export trend in Sri Lanka is analysed and the evaluations of other ECAs are considered when arriving at a decision.

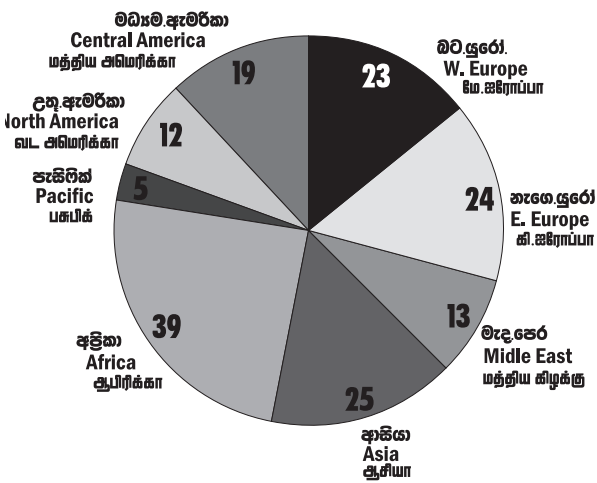
Coverage of SLECIC

To facilitate Sri Lankan exporters, SLECIC decided to open up cover for new markets since it enable exporters to enter into new markets with greater confidence. After a detailed analysis & review, 11 new markets were open up recently for SLECIC insurance cover including the risky African & Asian markets.

At present SLEIC covers political risk of 160 countries under “Sellers’ Risk policy” including the Middle East countries despite the political uncertainties in the region to support the Sri Lankan exporters.

Distribution of coverage across 8 regions by 2014 is shown in the chart.

By looking at the chart, it is visible that SLEIC has a good coverage especially in the high risk African & Middle East region. We cover 39 countries in the African region, Asia 25, Eastern Europe 24 and Middle East 13 countries. This can be considered as favourable sign for Sri Lankan exporters who are willing to enter into risky markets to gain higher returns with confidence.



Credit Limits

Underwriting is a comprehensive system of insurance risk assessment, which includes assessing the level of risk, as well as defining the extent and conditions of insurance coverage. The purpose of underwriting is to identify risks and the possibility of insuring against them (and under what conditions), in accordance with the Agency’s underwriting policy.

A wide range of information sources are used while carrying out underwriting work in order to identify the level of risk, both in terms of the insured party, as well as of a particular project

The Corporation continued to support exporters by issue of Seller’s Risk Insurance cover, underwriting buyers and countries and by issuing credit limits on creditworthy buyers.

Credit limits represent the amounts an insurer has committed to insure. These are credit limits on buyers, set by the insurer, which are influenced by various factors.

The following table illustrates the credit limits issued value wise under Seller’s Risk Credit insurance during the period under review.

Export Credit Guarantees

Export Credit Guarantees of SLEIC do not involve the actual provision of funds to exporters. It is to safeguard export financing banks against losses resulting from financing to exporters. By providing the necessary support to financial institutions, they are thereby encouraged to participate more actively in financing the export sector. Like last year, the Pre Shipment Credit Guarantee Scheme continues to play the most popular guarantee among banks.

ATA Carnet System

The Corporation continued to issue Direct Export performance Guarantee covering the ATA carnet System to the International Chamber of Commerce –Sri Lanka (ICC-SL) enabling exporters, especially the Gem and Jewelry sector to obtain the ATA Carnet custom document without collateral security.

During the period under review, the Corporation has issued Demand Guarantees to ICC-SL to the value of Rs 37.51 Million during the year.

The ATA Carnet guarantees are immensely beneficial in particularly to the Gem & Jewelry exporter community to participate in trade exhibitions overseas and develop new markets thereby paving the path to bring in the much needed foreign currency to the country.

Cost of Passage - APARA

Our Guarantee scheme intends to alleviate some constraints faced by migrant workers regarding their cost of their air passage and related expenses and cushion the risk for the bank in granting facilities to this sector.

During the period under review, SLEIC assisted 1032 applicants to obtain bank loans to the value of Rs 138.34 Million from financial Institutions and facilitated many Sri Lankans from all parts of the country to go abroad for employment.

The APARA scheme enables the ambitious and aspirant citizens in the nation to obtain employment abroad and lift themselves out of poverty. SLEIC is pleased to assist

these determined Sri Lankans to improve their standard of living and contribute towards safeguarding the well-being of economy by enhancing the remittances and boosting the foreign reserves, notwithstanding the social and family problems caused by the migration of women for work in abroad.

International Relations

In the context of globalization, trade patterns of economic blocs are under the dynamic, reciprocal influence of their counterparts. To cope with international market changes, the exchange and cooperation between the Corporation, local trade associations and overseas export credit agencies (ECAs) have been growing, strengthening the links and communication as well as helping exporters manage country and buyer risks.

The Corporation is a member of the International Union of Credit & Investment Insurers (Berne Union), the leading international association for the export credit and investment insurance industry. Members of the Berne Union cover about 10% of the world's total cross-border trade.

The Corporation actively participates in the work of the Berne Union as SLECIC was elected to the Management Committee of the Berne Union as a rotating member for 2 years and attended the all the meetings held in 2014. In addition, we also attended Spring Meeting and the Annual General Meeting, both held in London, the UK.



During these meetings, members exchanged professional views on various aspects related to international trade, and shared experiences on underwriting specific industry sectors and countries.

The Regional Co-operation Group (RCG) is the group 12 member institutions of the Berne Union which was formed in 1991 to develop the international relationships among the members in Asian Region. The Regional Co-operation Group (RCG) of the Berne Union which consists of Asian Export Credit Agencies

from Australia, India, China, Indonesia, Japan, Malaysia, Singapore, Sri Lanka, South Korea, Taiwan, Thailand and Hong Kong.

Apart from participating in the RCG Meetings held concurrently with the Berne Union Meetings, representatives also attended at the 7th CEOs Meeting held in Hong Kong in July 2014. At these meetings members exchanged ideas on important current global issues affecting the Credit Insurance market and shared expert advice on topics of common interest.



Joining Asian Credit Supplementation Institution Confederation (ACSIC)

Asian Credit Supplementation Institution Confederation (ACSIC) has been the largest Asian Cooperative body for the Small & Medium Sized Enterprises (SMEs) since 1987. At present there are 11 countries with 16 member institutions.

The objective of ACSIC is to promote the sound development of Credit supplementation system for SMEs in the Asian Region through exchange of information, discussions and interchange of personnel among small business credit supplementation institutions in Asia.

In Sri Lanka SME sector constitute about 80 percent of all the industries. One of the biggest impediments faced by the SME sector is limited access to credit.

It is observed that banks are reluctant to extend credit to SME sector due to number of reasons such as non-availability of collateral, informal nature and small size. In this scenario, credit guarantee institutions play a vital role by sharing the risk of the banks and thereby enhancing the availability of credit to the SME sector.

With a view to assist SMEs SLECIC applied for membership of this association in April 2014 and our application was accepted by the members at Annual Chief Delegates Meeting held in November in Malaysia and given the observer status of this association.

The Chairman & Managing Director Mr. D.P. Mendis P.C and the Assistant General Manager Finance Mr. D.P. Aluthge represented the Corporation at 27th ACSIC Conference held in Kuala Lumpur, Malaysia from 16th to 19 November 2014 as an observer.

Association with the Asian Exim Banks Forum

The Asian Exim Bank Forum (AEBF) was initiated by Exim Bank of India in 1986 for Asian Export Credit Agencies (ECAs) to exchange information and share ideas in a structured manner and to develop and enhance regional cooperation among member institutions. The AEBF is a voluntary and informal grouping with no membership fees or other obligations. The Asian Exim Bank Forum includes ten regular member institutions from Australia, China, India, Indonesia, Japan, Korea, Malaysia, Philippines, Thailand and Vietnam. The Asian Development Bank is a permanent Observer since 1999. The General Manager of SLECIC represented the 20th Technical Working Group (TWG) Meeting of the Asian Exim Bank's Forum (AEBF) as an observer from 9 to 11 March 2014 in New Delhi and made a presentation to the members. Our participation derived immediate results by way of technical assistance from the Asian Development Bank to train our staff in capacity building program organized by Asian Exim Banks members.

20th Annual meeting of the Asian Exim banks Forum from 17-19 November 2014, Jodhpur, State of Rajasthan, India and Visit to ECGC Ltd. Mumbai on 21 November 2014

This year's Annual Meeting was attended by all the CEOs of ten regular members and the permanent observer ADB. Besides SLECIC there were observer Institutions from Iran, Lao PDR and Myanmar.

The General Manager made a presentation on Sri Lanka's banking System including progress of the consolidation plan of banks and the role and services provided by SLECIC to the members. He had made many contacts with ADB, JBIC and the Training Committee chair in particular and assured their assistance to improve and develop existing products and capacity building of our Staff.

By participating in this meeting SLECIC could build required networking for the future development of SLECIC thereby enabling us to train our staff in these institutions. As a result we have already received a sponsored training opportunity for our staff in next year. Since the General Manager was in Mumbai in transit he stayed in Mumbai 2 nights to make a courtesy official visit to our counterpart, ECGC Ltd. on 21 November 2014 to strengthen our relationship with ECGC. He met the Executive Director and the other General Managers of ECGC Ltd. The discussions were held with them were very successful and shared many developments in Risk Management and ECGC agreed to conduct a training programme for our staff in June 2015.

Marketing and Awareness

The marketing initiatives of SLECIC focused on a customer oriented approach. Activities launched were closer to the customer needs. The aim was to improve quality services, speed and delivery of credit insurance and of course customer service and satisfaction. We are in close association with trade and industry chambers and export promotion institutions to promote our export support services. In this regard SLECIC organized participated in and sponsored various seminars and workshops held many parts of the country. The Corporation has been associated with NCE Awards in the past and now recommenced the association with this event by extending principal sponsorship for "service providers to export sector" this year's NCE Awards Ceremony.

Details of policy & product developments initiated in 2014

- To strengthen the exporters who are engaged in domestic trade as well, the Corporation commenced a Domestic Insurance Policy which covers the losses arising from the insolvency & protracted default of the local buyers.
- To support service exporters SLECIC introduced a new Services policy for consultative projects which is done on milestone basis over the medium term, covering the losses arising from non-payment by the foreign buyers over the transaction period.
- During 2014, SLECIC has introduced the flexible coverage option to its customers where customers can select the coverage that they want between the ranges of 70% - 90%.

- Also simplified declarations scheme is another change initiated by SLECIC recently enabling the customers to send shipment declarations quarterly with the advance premium payment to save the time of the customers and make the administration easy.

New Initiatives

To share the information on country risk, the Corporation has commenced a Monthly Risk Outlook, new initiative, in September 2014 which is distributed among SLECIC customers and Non – customers as a monthly risk bulletin. This seems to be very useful for customers since it provides valuable information on country risk in advance & gives a clear picture on level of credit risk that will have in key export markets in the future.

Apart from that detailed research on specific product or markets is carried out to share information & guide the exporters with regards to potential markets, products, export trends & competitors. Research on Sri Lankan Tea export markets were carried out during the 2014, and information was shared among customers & Tea exporters as a Market Bulletin which analyses the existing markets, trend in tea exports, importing markets & potential African tea markets

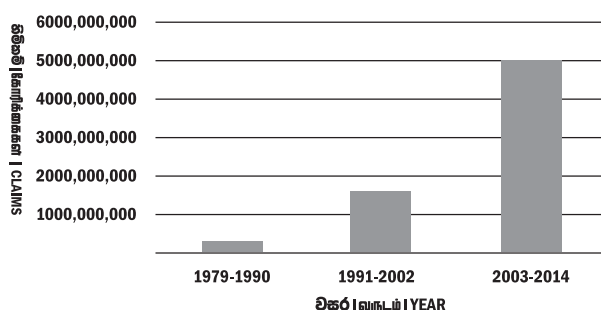
Claims Paid

The global economy and trade environment continued to improve during the year, while corporate failures stabilized in major export markets. In tandem, the Corporation’s overall claims trend remained stable, which was attributable to the Corporation’s continually strengthening risk-monitoring and debt recovery activities.

We make provision for claims not yet intimated to SLECIC on some insurable shipments which still have the potential to turn into claims

The total net claims paid in 2014 amounted to Rs 37.81 million as compared to Rs. 30.86 million in corresponding period in last year.

Claims 1970-2014



The claims paid by SLECIC would have provided an immense comfort to the exporters during an year in which exporters had to contend with an extremely unfavourable international trading environment. Payments of the claims paid helped our exporters to continue their export activities whilst banks were ready to reimburse such exporters of the claims paid. Analysis by events of loss, revealed that protracted defaults remained the single largest event of loss amounting for the entire claims paid under credit insurance. From the inception to the current financial year, Corporation had paid claims to the value of Rs. 685.44 million, which shows SLECIC’s commitment to commercial risk mitigation. These claim payments were made through internally generated funds, without any recourse to any public funds.

Capacity Building Program

Capacity Building of Export Credit Insurance Industry to enhance international Competitiveness of Sri Lanka continued during 2014. As an extension to the project the technical team visited again Sri Lanka from 22-31 January 2014 and met exporters, bankers including the Central Bank of Sri Lanka, trade chambers, product associations and other governmental authorities and conducted the second Stakeholder Meeting on 30 January 2014 at the Kingsbury Hotel. The meeting was well attended and received very good constructive feedback from participants enabling us to improve our services.

At our request Hon. Deputy Minister of Finance has approach the Commonwealth Secretariat and requested to continue the phase 11 of the project as well.

Based on the study, EXIM team submitted the report with recommendations covering the three areas such as Export Finance Policy, SLECIC Products, SLECIC –Strategy and organisation which some of them have already taken into action. Considering the recommendations made, the SLECIC is in the process of making necessary changes with regards to its products & process and implement the recommendations to support the Sri Lankan exporters

During the year we organized the National Symposium on Export Finance with the financial support of the Commonwealth Secretariat in March 2014 at Taj Samudra. The Symposium was inaugurated by the governor of the central bank of Sri Lanka.



The details of the Symposium are as follows:
Technical Session I was on “Export Finance – Role of the Regulator”. The session was chaired by Mrs. T. M. J. Y. P. Fernando, Director, Bank Supervision, Central Bank of Sri Lanka. The speakers were Mr. Michael Peiris, Chairman, and Banking Committee of ICC-Sri Lanka, Mr. Parama Dharmawarene, Financial Consultant and Mr. S. Sridhar, Consultant



The Technical Session II “Export Finance Market – Present & Future” was chaired by Mr. R. Nadarajah, Executive Director, Seylan Bank PLC. The speakers were Dr. Jagath Peiris – Managing Director, Royal Fernwood Porcelain Ltd and Mr. Lalith Kahatapitiya, Chairman & Managing Director, KIK Engineering Group of Companies

The Technical Session III “Export Credit Insurance & Export Finance” was chaired the General Manager, SLECIC, We had 3 the speakers, namely Mr. Rohan Fernando Managing Director- HVA Group, President – Tea Exporters Association of Sri Lanka, Mr. Wasaba Jayasekera – Chief Executive Officer, Hayleys Fibre Mr. Niraj de Mel, Former Chairman-Sri Lanka Tea Board & Tea Exporters Association of Sri Lanka.



The Panel Discussion was on Export and Export Finance in Sri Lanka – Way Forward, moderated by Mr. S. Sridhar, Consultant .The Panelists were Mr. Mohan Mendis – Director, Heritage Teas (Pvt) Ltd. & Ms. Subhashini Abeysinghe, Senior Economic Analyst – Verite Research

Training and Development

SLECIC continued to invest substantially in training. Training goes hand in hand with staff development ensuring that people at every level are familiar with new industry trends and development. Training is structured in keeping with this needs based approach

The Corporation obtained the services of former General Manager, of ECGC Ltd Mr. M.Vaidyanathan to develop the Buyer underwriting Manual of SLECIC. During the year the Corporation get him down many times to understand the concepts and for better implementation of the manual.

To further enhance technical skills, the corporation has launched a series of structural staff training and development program for senior and middle managers on underwriting and risk management. Some staff are sent on overseas workshops to keep pace with international practices and learn about the latest developments in export credit insurance.

Leadership development and training has also been provided to senior and middle management staff to help them take on a higher level of responsibility.

4th Capacity Building Program organized by Regional Co-operation Group of the Berne Union 24-26 September 2014 in Mumbai, India

This program of RCG was held in Mumbai from 24-26th September and hosted by ECGC –India Ltd, Export Credit Agency of India under the theme of “Trade Finance and Credit Insurance.

The Corporation sent 6 officers for the above training one Assistant General Manager and 5 Assistant Managers who were recruited under the Competitive Management Trainee program in May/June 2013. The Board felt that SLECIC need to train our future leaders at SLECIC and decided to send 5 officers newly recruited officers who are adding value to SLECIC processors to enhance their subject knowledge. Mr. S.M.T. Silva –Assistant General Manager and Assistant managers Ms. Ruvini Kumudu Wijemanna, Ms. Lakmie R.N.Gamhewa, Mr. Ishan M. Guruge, Ms. K.A.J. Maheshi Pieris, Ms. T.M. Sachithri N.Silva attended the program.



Challenges and Instruments in Trade Finance, risk mitigation techniques in trade finance, local currency invoicing by exporters, implications of Basle 111 regulations, impact of solvency 11 requirements for credit insurers were the key topics discussed during the programme. Our officers intimated to the Management that apart from the key facilitators of the programme, participants also made some valuable presentations about their experiences in trade Credit Insurance in their respective countries and what are the techniques & process they use in the course of business backed by series of round table discussions which led to knowledge sharing.

27th Training program of Asian EXIM Banks Forum on Project Finance Focusing on Syndication, Security, Legal Documentation 18 - 21 June, Manila, Philippines

Mrs. R.M.U.N. Peris, Deputy General Manager-Operations and Mr. Asela Gunawardena, Assistant Manager attended this training programme and the entire cost of the program was sponsored by ADB. This program has given new insights to documentation on insurance contract and to find new ways of analyzing country risks and ways of risk migration by members of this forum.

28th Training Programme of Asian Exim Banks Forum on Rating of Corporation 3-5 September 2014 in Tokyo, Japan

Japan Bank for International Cooperation (JBIC) organized the 28th Training Program on Credit Rating of Corporation of Asian Exim Bank Forum (AEBF) in Tokyo, Japan from 3-5 September 2014. Mrs. Mayuri N. Mudalige Assistant General Manager Operations and Ms. Sharmila P. Abeygunawardena, Assistant Manager represented SLECIC at this training session. The officers attended already added value to our system. They intend to introduce well-structured credit rating system to evaluate exporters/SMEs which will

lead to an effective management of credit risk and the other suggestions certainly will contribute to up lift the business of SLECIC which will in return support the our mandate of promoting exports of the economy



The 28th Training Committee of Asian Exim Banks Forum
3-5 September 2014, Tokyo, Japan

Looking Ahead

Business Acquisition and Retention

The prevailing trading environment remains challenging and the Corporation will look to assist exporters in capturing every opportunity and growing their business with peace of mind. In the New Year, the Corporation will continue to strengthen relationships and cooperation with its business partners including banks, trade-supporting organizations, and trade and industry associations; and carry out publicity and marketing activities to reach out to more exporters.

Soft commodity prices, increasingly divergent monetary policies across major economies, and weaker growth along with low inflation in the Eurozone, Japan and China etc. are significantly influencing the global economy.

In particular, the sharp decline in oil prices since mid-2014 will support global activity and help offset some of the headwinds to growth in oil-importing developing economies. However, risks to this slow-moving global recovery remain significant and tilted to the downside.

Against this backdrop, the Corporation will continue to devote resources to helping exporters cope with the challenges and manage their risk portfolios

To strengthen its credit information network and improve the speed and reliability of the information it receives so as to speed up the underwriting process, the Corporation will continue to look for the most effective credit information sources available in the coming year

The future

As we look forward, we will seek to expand our understanding of all of those stakeholders on whom, as a business, we have an impact – and continue to address the sustainability challenges that our industry faces. We will continue to be open and transparent in informing our stakeholders of the way that we conduct ourselves within our professional and financial environment.

Audit and management committee report for the year ended 31st December 2014.

The Audit and Management Committee of the Sri Lanka Export Credit Insurance Corporation (SLECIC) came into effect in November 2002 and is chaired by a Non-Executive Director representing the Ministry of Finance and Planning. The Committee comprises of Three Members, the Non-Executive Directors of the Corporation. On invitation a representative from the Auditor General's Department attends the meetings as an observer.

The members of the committee were; Mr.K.M. Mahinda Siriwardana – Chairman of the Committee, Board Director of SLECIC, Director General, Department of Discal Policy – Ministry of Finance and Planning, Mr.A.K.Senewiratne – Board of Director of SLECIC, Additional Secretary , Ministry od Industry and Commerce, and Mrs.K.Dassanayake – Board Director of SLECIC, Secretary to the Governor – Central Bank of Sri Lanka.

The AMC held Four Meetings during the year 2013. It functioned in accordance with the Terms of Reference stipulated for such committees by the Department of Public Enterprises. The Committee assisted the Board of Directors in discharging its responsibilities over the accounting and financial reporting process and audit of financial statement of the Corporation in terms of reliability and integrity of the financial statements adequacy and effectiveness of internal controls and compliance with statutory and regulatory requirements.

In the period under consideration, the Committee regularly reviewed the External Audit Reports by the Auditor Generals Department and took numerous steps to improve the internal controls of the Corporation based on the recommendations contained in the said reports. The audits carried out by Internal Auditor were also reviewed by the Committee and followed up the recommendations for corrective measures. The Committee laid especial emphasis on the compliance by SLECIC of laws, rules and regulations applicable to the Corporation and reviewed the level of adherence to the requirements stipulated by the Treasury and other relevant Circulars issued by relevant Government Authorities to ensure a satisfactory level of compliances.



K.M.Mahinda Siriwardane
Chairman

Audit and Management Committee
Sri Lanka Export Credit Insurance Corporation

Sri Lanka Export Credit Insurance Corporation (SLECIC)

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements- 2014

Statement of Comprehensive Income

For the year ended 31st December

	Note	31.12.2014 Rs.	31.12.2013 Rs.
Income			
Gross Earned Premium Income	1	182,311,829.65	145,220,981.35
Other Operational Income	2	28,451,611.22	33,203,709.31
Total Operating Income		210,763,440.87	178,424,690.66
Direct Cost of Operations			
Less : Net Claims	3	37,818,563.41	30,683,835.42
Status Reports		5,244,840.45	4,523,014.96
		<u>43,063,403.86</u>	<u>35,206,850.38</u>
Net Operating Income		167,700,037.01	143,217,840.28
Operating Expenses			
Less : Establishment Expenditure	4	16,469,932.50	17,628,595.34
Administrative Expenditure	5	46,657,886.41	38,097,266.55
Selling & Marketing Expenditure	6	13,299,369.52	13,025,407.86
Finance Charges	7	827,053.11	369,263.37
Corporate Social Responsibility		651,018.01	742,176.75
Total Operating Expenses		77,905,259.55	69,862,709.87
Operating Surplus		89,794,777.46	73,355,130.41
Add : Other Comprehensive Income	8	100,686,071.20	133,144,025.88
Surplus Before Value Added Tax (VAT)		190,480,848.66	206,499,156.29
Less : Value Added Tax on Financial Services		11,984,339.00	13,538,178.00
Net Surplus Before Income Tax		178,496,509.66	192,960,978.29
Less : Income Tax		16,803,869.00	29,549,216.00
Net Surplus after Income Tax & before Appropriations		161,692,640.66	163,411,762.29
Less : Investment Fund Transfer	9	0.00	24,043,448.00
Net Surplus for the Year		161,692,640.66	139,368,314.29

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements- 2014

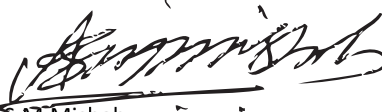
Statement of Financial Position

	Note	As at 31.12.2014 Rs.	As at 31.12.2013 Rs.	As at 01.01.2013 Rs.
ASSETS				
Cash and cash equivalents	10	7,584,466.57	4,185,213.99	3,026,503.71
Foreign currency savings accounts	11	4,651,187.44	1,692,659.56	6,596,006.58
Treasury trust fund		17,490,144.89	17,803,815.58	39,356,562.24
Investment fund		5,962,556.69	1,973,774.48	8,428,046.52
Short term financial investments	12	1,378,568,132.75	1,203,659,160.12	1,019,472,690.89
Long term financial investments	13	79,576,868.60	81,576,868.60	44,123,710.00
Interest receivable	14	84,915,930.99	85,703,261.46	84,223,405.20
Property proceeds receivable	15	208,973,030.00	208,973,030.00	208,973,030.00
Trade Debtors		3,610,218.55	0.00	0.00
Sundry Debtors, Deposits and Pre-payments	16	4,376,172.47	6,993,987.27	5,490,278.12
Property, Plant & Equipment	17	86,272,847.60	83,366,608.29	86,943,135.75
Stock of Stationery & Consumables		235,243.44	321,207.52	374,759.17
Library materials		39,527.50	39,527.50	39,527.50
Total Assets		1,882,256,327.49	1,696,289,114.37	1,507,047,655.68
LIABILITIES				
Outstanding claims	18	91,798,735.74	83,983,245.12	67,760,957.65
Premium Advances		2,357,904.62	0.00	0.00
Sundry Creditors, Accrued Expenses & Provisions	19	19,690,199.49	22,230,272.24	44,267,534.16
Staff gratuity payable	20	10,480,917.75	8,651,515.75	7,314,985.75
Total Liabilities		124,327,757.60	114,865,033.11	119,343,477.56
EQUITY				
Stated Capital	21	30,000,000.00	30,000,000.00	30,000,000.00
Reserves	22	1,727,928,569.89	1,551,424,081.26	1,357,704,178.12
Total Equity		1,757,928,569.89	1,581,424,081.26	1,387,704,178.12
Total Liabilities & Equity		1,882,256,327.49	1,696,289,114.37	1,507,047,655.68

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


A.S.M. Misbah

Chairman & Managing Director

Date : April 08, 2015


A.K. Senewiratne
Director

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements- 2014
Cash Flow Statement for the Year ending 31st December 2014

	Year Ending 31.12.2014 Rs.	Year Ending 31.12.2013 Rs.
Inflows from Operating Activities		
Profit Before Taxation	178,496,510.00	192,960,978.00
Adjustments for Non- Cash Items		
Depreciation	6,590,299.00	8,519,203.89
Provision for Gratuity	2,432,307.00	2,723,492.50
Provision for Claims	37,818,563.00	32,360,927.00
Exchange Gain	136,688.00	10,118,044.00
Loss/(Profit) on disposal of assets	0.00	42,291.81
VAT on Financial Services	11,984,339.00	13,538,178.00
Transfers to reserves	14,675,161.00	20,190,096.00
Operating Profit before Working Capital Changes	<u>252,133,867.00</u>	<u>280,453,211.20</u>
Decrease/(Increase) in Trade and Other Receivables	-2,433,660.00	-2,983,565.00
Decrease / (Increase) in Inventories	85,964.00	53,552.00
Increase/ (decrease) in Trade and Other Payables	3,331,859.00	2,996,388.00
Cash Generated from Operations	<u>253,118,030.00</u>	<u>280,519,586.20</u>
Claims Paid	-27,774,485.00	-14,461,548.00
Payment of VAT on Financial Services for prior years	-8,980,608.00	-13,699,273.00
Gratuity Paid	-602,904.00	-1,386,962.68
Income Tax Paid	-23,321,627.00	-25,033,650.00
Net Cash Flow from Operating Activities	<u>192,438,406.00</u>	<u>225,938,152.52</u>
Cash Flow from Investing Activities		
Purchase of Fixed Assets	-9,496,539.00	-4,984,968.24
Transfer to Long/Short Term Investments	-172,908,973.00	-206,152,093.00
Transfer to / from Foreign Currency Savings Account	-2,958,528.00	4,903,347.00
Transfers from Treasury Trust Fund	313,670.00	-25,000,000.00
Transfers to Investment Fund	-3,988,783.00	6,454,272.00
Net Cash Flow from Investing Activities	<u>-189,039,153.00</u>	<u>-224,779,442.24</u>
Net Increase in Cash & Cash Equivalents	<u>3,399,253.00</u>	<u>1,158,710.28</u>
Cash & Cash Equivalents at the beginning of the period	<u>4,185,214.00</u>	<u>3,026,503.71</u>
Cash & Cash Equivalents at the end of the period	7,584,467.00	4,185,213.99

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements- 2014

Statement of Changes in Equity As At 31st December 2014

	Capital Contributed Rs.	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Exchange Equalisation Rs.	Technical Replacement Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 1st January 2013	30,000,000.00	1,228,144,122.50	48,376,282.86	34,464,501.05	44,549,129.91	2,170,141.80	0.00	1,357,704,178.12
Transferred from Revaluation Reserve		6,680,897.61	-6,680,896.51					1.10
Net Profit for the Year 2013		139,368,314.29						139,368,314.29
Surplus on Revaluation done on Office Equipment				24,043,448.00	10,118,044.01	2,042,112.08	18,147,984.71	54,351,588.80
Transferred during the year								
Balance as at 31st December 2013	<u>30,000,000.00</u>	<u>1,374,193,334.40</u>	<u>41,695,386.35</u>	<u>58,507,949.05</u>	<u>54,667,173.92</u>	<u>4,212,253.88</u>	<u>18,147,984.71</u>	<u>1,551,424,082.31</u>
Transferred from Revaluation Reserve		4,755,000.00	-4,755,000.00					0.00
Net Profit for the Year 2014		161,692,640.66						161,692,640.66
Transferred during the year 2014				0.00	136,685.61	2,431,938.16	12,243,223.15	14,811,846.92
Balance as at 31st December 2014	<u>30,000,000.00</u>	<u>1,540,640,975.06</u>	<u>36,940,386.35</u>	<u>58,507,949.05</u>	<u>54,803,859.53</u>	<u>6,644,192.04</u>	<u>30,391,207.86</u>	<u>1,727,928,569.89</u>

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements- 2014
Notes to the Annual Financial Statements for 2014

Note	31.12.2014 Rs.	31.12.2013 Rs.
1 Gross Earned Premium		
Pre-shipment Credit Guarantee	27,319,489.38	24,731,376.83
Post Shipment Credit Guarantee	4,447,894.33	2,485,546.97
Export Performance Guarantee	3,461,800.00	3,754,847.20
Cost of Passage Guarantee (APARA)	7,605,290.40	7,701,377.00
Export Payments Insurance Policy (Seller's Risk)	151,720,578.69	124,695,818.06
	<u>194,555,052.80</u>	<u>163,368,966.06</u>
Unearned Premium	1a. 12,243,223.15	18,147,984.71
	<u>182,311,829.65</u>	<u>145,220,981.35</u>
1a Unearned Premium		
Export Payments Insurance Policies Gross Unearned Premium		
Balance as at 1st January	12,347,012.51	0.00
Premium written during the year	151,720,578.69	124,695,818.06
Premium earned during the year	140,101,554.46	112,348,805.55
Balance as at 31st December	<u>23,966,036.74</u>	<u>12,347,012.51</u>
Credit Guarantee Gross Unearned Premium		
Balance as at 1st January	5,800,972.20	0.00
Premium written during the year	42,834,474.11	38,673,148.00
Premium earned during the year	42,210,275.19	32,872,175.80
Balance as at 31st December	<u>6,425,171.12</u>	<u>5,800,972.20</u>
Total Reserve as at 31st December	30,391,207.86	18,147,984.71
Total Reserve as at 1st January	18,147,984.71	0.00
Total Reserve for Unearned Premium	<u>12,243,223.15</u>	<u>18,147,984.71</u>
2 Other operational Income		
Guarantee, Policy, Administrative, Processing and BLL Fees	9,683,766.98	9,004,860.76
BizInfo Income	2,883,520.39	2,263,099.55
Repayment of Claims Paid	15,884,323.85	12,312,250.25
Profit Commission on Re-insurance	0.00	9,623,498.75
	<u>28,451,611.22</u>	<u>33,203,709.31</u>
3 Net Claims Paid		
Claims Provision as at end of the year - Specific	63,311,477.10	60,007,618.83
Claims Provided in the previous years	17,020,611.00	27,646,691.70
Claims for the Year 2014	<u>46,290,866.10</u>	<u>32,360,927.13</u>
Less : Excess Provision made in previous year	28,149,968.68	205,298.82
	<u>18,140,897.42</u>	<u>32,155,628.31</u>
Add : Excess Provision on recoverables from Reinsurer	2,228,588.00	0.00
Net Claims for the year 2014 - Specific	<u>20,369,485.42</u>	<u>32,155,628.31</u>
Contingent Provision - 2014 (Please refer Note 18)	17,449,077.99	-1,471,792.89
	<u>37,818,563.41</u>	<u>30,683,835.42</u>

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements- 2014
Notes to the Annual Financial Statements for 2014

Note	31.12.2014 Rs.	31.12.2013 Rs.
4 Establishment Expenditure		
Rates	609,840.00	660,660.00
Water	106,131.54	97,285.36
Electricity	1,697,941.94	1,714,606.40
Telephone	740,815.29	710,920.62
E-Mail & Internet	555,844.62	550,025.00
Security	285,578.77	310,187.08
Depreciated Building	4,750,000.00	4,750,000.00
Motor Vehicles	71,048.00	1,454,385.20
Office Equipment	158,868.60	380,908.38
Computers & Printers	1,213,175.00	1,495,439.00
Furniture & Fittings	397,207.63	438,471.31
Insurance - Building - Office Premises (Nawam)	113,272.38	116,172.03
Motor Vehicles	179,535.05	185,677.40
Office Equipment, Furniture & Fitt	20,794.70	17,480.04
Repairs & Maintenance Building	523,800.00	167,183.13
Motor Vehicles	763,779.80	1,198,079.92
Office Equipment	84,100.34	97,164.67
Computers & Printers	480,974.41	269,195.69
Software	891,140.41	498,345.17
Furniture & Fittings	0.00	23,175.00
Maintaining Office Premises	394,145.86	451,121.86
Technical Replacement Cost	2,431,938.16	2,042,112.08
	16,469,932.50	17,628,595.34

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements- 2014
Notes to the Annual Financial Statements for 2014

Note	31.12.2014 Rs.	31.12.2013 Rs.
5 Administrative Expenditure		
Salaries & Allowances	19,195,468.89	16,002,266.10
Other Staff Benefits	12,659,969.56	9,626,983.49
Recruitment, Local training & Subscriptions to educational inst.	675,099.97	892,008.65
Tea & Related Expenses	666,073.28	624,680.12
Employees Provident Fund	4,995,786.47	4,066,472.47
Employees Trust Fund	624,473.37	508,309.06
Gratuity	2,432,309.14	2,723,492.50
Foreign Training	1,771,566.41	460,530.85
Directors Fees	390,000.00	325,500.00
Travelling, Transport & Subsistence	75,356.00	57,258.00
Postage	204,440.18	175,164.00
Annual Report Printing	415,808.00	58,770.00
Stationery	270,643.99	342,542.53
Fuel	904,038.50	1,011,548.00
External Audit Fees	239,904.00	132,048.00
Internal Audit Fees	229,521.05	293,226.57
Professional, Legal & Consultancy Fees	28,867.76	297,381.80
Entertainment	49,425.00	25,214.41
General Expenses	28,058.00	22,920.00
Stamp Duty	11,025.00	10,275.00
News Papers, Books & Magazines	25,271.84	21,350.00
Anniversary Expenses	764,780.00	419,325.00
	<u>46,657,886.41</u>	<u>38,097,266.55</u>
6 Selling & Marketing Expenditure		
Sponsorships	805,945.62	1,503,504.54
Advertising - Print & Electronic Media		
Advertising in Newspapers, Magazines, Journals and Radio	1,041,422.09	925,464.30
Printing Co Brochures, Forms, Applications etc.	140,288.09	25,000.00
Annual Report (Marketing)		
Business Travel (Foreign) & Conferences	5,522,998.92	5,045,039.90
SLECIC News Letter	25,000.00	0.00
Client Meetings, get-together	182,300.73	423,392.00
Fuel Cost	528,558.50	599,944.00
Annual Compliments, Greeting Cards & Gifts	573,862.48	832,444.80
Subscriptions to Business Institutions & Corporate Memberships	137,736.10	114,981.74
Subs. To Int. Professional & Export Related Orgn	3,356,718.75	2,842,644.75
Exporters / Bank Clients Programs	15,000.00	196,460.72
Visiting high exposure buyers	169,446.40	0.00
Cost of Manuals	0.00	516,531.11
Product development	250,091.84	0.00
Promoting ATA Carnet	250,000.00	0.00
International relations	300,000.00	0.00
	<u>13,299,369.52</u>	<u>13,025,407.86</u>

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements- 2014
Notes to the Annual Financial Statements for 2014

Note	31.12.2014	31.12.2013
	Rs.	Rs.
7 Finance Charges		
Bank Charges	342,961.11	111,859.37
Stamp Duty	42,525.00	38,200.00
Nation Building Tax	441,567.00	219,204.00
	<u>827,053.11</u>	<u>369,263.37</u>
8 Other Comprehensive Income		
Interest on Staff Loans	80,868.49	74,302.43
Investment Income	8 (a) 99,796,400.41	132,554,803.74
Profit on Disposal of Fixed Assets	0.00	-42,291.81
Treasury Bill Interest on Gratuity Fund	422,118.15	552,285.22
Interest on Gratuity Savings Account	4,198.16	4,033.80
Other Income	382,485.99	892.50
	<u>100,686,071.20</u>	<u>133,144,025.88</u>
8 (a) Investment Income		
Treasury Bills / Bonds	31,367,189.93	4,542,367.63
Call Deposit	371,532.42	577,972.31
SMIB Deposit	31,930.66	30,702.55
Debentures	4,874,678.32	5,560,412.17
US Dollar Fixed Deposits	25,137,305.14	23,127,105.50
US Dollar Savings	66,154.77	101,963.86
Euro Fixed Deposit	1,128,970.08	1,180,335.11
Temporary Surplus Trust Fund	1,165,156.81	2,592,682.40
Dividends	40,000.00	18,000.00
SLR Fixed Deposit	35,469,013.14	94,667,863.11
Interest on Investment Fund	144,469.14	155,399.10
	<u>99,796,400.41</u>	<u>132,554,803.74</u>
9 Investment Fund Transfer		
On account of - VAT 8%	0.00	18,734,400.00
- Income Tax 5%	0.00	5,309,048.00
	<u>0.00</u>	<u>24,043,448.00</u>

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements- 2014
Notes to the Annual Financial Statements for 2014

Note	31.12.2014 Rs.	31.12.2013 Rs.	01.01.2013 Rs.
10 Cash & Cash Equivalent			
Cash at Bank			
Hatton National Bank Current Accounts	2,680,436.98	1,061,094.88	212,068.94
Hatton National Bank Call Deposit Account	4,582,000.00	2,665,936.58	2,233,121.98
Bank of Ceylon Current Account	320,779.55	347,336.23	678,376.97
People's Bank Current Account	250.04	109,846.30	99,158.20
	<u>7,583,466.57</u>	<u>4,184,213.99</u>	<u>3,222,726.09</u>
Cash in Hand	1,000.00	1,000.00	1,000.00
	<u>7,584,466.57</u>	<u>4,185,213.99</u>	<u>3,223,726.09</u>
11 Foreign Currency Savings Accounts			
Bank of Ceylon - US Dollar Account	2,200,079.20	834,167.02	1,141,379.09
People's Bank - US Dollar Account	2,451,108.24	858,492.54	5,454,627.49
	<u>4,651,187.44</u>	<u>1,692,659.56</u>	<u>6,596,006.58</u>
12 Short Term Investments			
Treasury Bills	789,978,164.07	0.00	34,409,037.39
US Dollar Fixed Deposits	518,378,155.16	466,163,236.86	408,769,273.72
EURO Fixed Deposit	27,027,998.52	29,110,000.00	26,449,972.86
SLR Fixed Deposits	37,000,000.00	702,637,990.02	544,687,176.06
Gratuity savings account	107,243.37	103,045.21	99,011.41
Tresury Bills on Gratuity savings	6,051,274.43	5,616,454.31	5,058,219.45
EURO Savings Account	25,297.20	28,433.72	
	<u>1,378,568,132.75</u>	<u>1,203,659,160.12</u>	<u>1,019,472,690.89</u>
13 Long Term Investments			
Debentures	42,000,000.00	44,000,000.00	44,000,000.00
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	37,453,158.60	37,453,158.60	0.00
	<u>79,576,868.60</u>	<u>81,576,868.60</u>	<u>44,123,710.00</u>
14 Interest Receivable			
Treasury Deposit	67,154,144.92	67,154,144.92	67,154,144.92
Treasury Bills/Bonds	5,049,127.36	1,051,446.51	2,458,784.96
Debentures	295,397.80	696,164.84	565,526.37
US Dollar Fixed Deposits	11,305,744.21	10,453,871.78	8,322,972.79
Temporary Surplus Trust Fund	569,330.65	1,137,759.51	1,992,330.45
Gratuity Funds - Treasury Bills	31,087.60	43,789.57	49,739.21
SLR Fixed Deposits	511,098.45	5,166,084.33	3,645,935.72
	<u>84,915,930.99</u>	<u>85,703,261.46</u>	<u>84,189,434.42</u>

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements- 2014
Notes to the Annual Financial Statements for 2014

Note

15 The Investment Property, Vilasitha Niwasa Building, was taken over by the Divisional Secretariat, Thimbirigasyaya on 15th June 2010 and the proceeds are due from the Treasury.

	31.12.2014	31.12.2013	01.01.2013
	Rs.	Rs.	Rs.

16 **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	1,959,933.86	2,462,582.60	1,497,497.42
Sundry Deposits 16 (a)	108,837.50	108,837.50	108,837.50
State Mortgage & Investment Bank Deposit	820,154.26	791,416.67	763,784.38
Refundable Deposits	6,500.00	6,500.00	6,500.00
Sundry Debtors	770.00	770.00	770.00
Withholding Tax Recoverable	89,610.70	620,247.15	62,836.26
Claims Recoverable from Reinsurer	0.00	2,228,588.00	2,228,588.00
Pre-payments	956,181.26	428,152.31	428,037.71
BizInfo Income Receivable	358,490.00	316,739.68	393,426.85
Dishonoured Cheques	75,694.89	30,153.36	0.00
	4,376,172.47	6,993,987.27	5,490,278.12

16 (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

17 Property, plant & equipment - Attachment (Next page)

18 **Outstanding Claims**

Specific Provision	63,311,477.10	60,007,618.83	42,313,538.47
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Contingent Provision for Claims

Balance as at 1st January	23,975,626.29	25,447,419.18	0.00
Utilisation during the year	12,937,445.64	0.00	0.00
Charge for the year	17,449,077.99	-1,471,792.89	25,447,419.18
Balance provision as at 31st December	28,487,258.64	23,975,626.29	25,447,419.18

Total Provision for Claims	91,798,735.74	83,983,245.12	67,760,957.65
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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Note 17

Item	Assets at Cost as at 01.01.14 Rs	Assets at Revaluation 01.01.14 Rs	Additions 2014 Rs	Disposals 2014 Rs	Nett Value as at 31.12.14 Rs	Depreciation as at 01.01.14 Rs	Depreciation 2014 Rs	Accumulated Depreciation As at 31.12.14 Rs	Written Down Value As at 31.12.14 Rs
Buildings	0.00	95,000,000.00	0.00	0.00	95,000,000.00	19,000,000.00	4,750,000.00	23,750,000.00	71,250,000.00
Motor vehicle	0.00	6,855,000.00	0.00	0.00	6,855,000.00	6,854,996.00	0.00	6,854,996.00	4.00
Motor vehicle	3,573,023.49	0.00	8,808,552.00	0.00	12,381,575.49	3,389,481.49	71,048.00	3,460,529.49	8,921,046.00
Software	5,522,054.73	0.00	523,395.05	0.00	6,045,449.78	5,522,045.73	0.00	5,522,045.73	523,404.05
Computers & Printers	5,766,251.54	0.00	145,900.00	0.00	5,912,151.54	1,791,047.54	1,213,175.00	3,004,222.54	2,907,929.00
Furniture & Fittings	8,204,272.28	0.00	0.00	0.00	8,204,272.28	5,391,798.53	397,207.63	5,789,006.16	2,415,266.12
Office Equipment	761,357.37	0.00	18,691.50	0.00	780,048.87	366,039.83	158,868.60	524,908.43	255,140.44
	0.00	637,250.00	0.00	0.00	637,250.00	637,220.00	0.00	637,220.00	30.00
TOTAL	23,826,959.41	104,990,916.67	9,496,538.55	0.00	138,314,414.63	45,451,267.79	6,590,299.23	52,041,567.02	86,272,847.61

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements- 2014
Notes to the Annual Financial Statements for 2014

Note	31.12.2014 Rs.	31.12.2013 Rs.	01.01.2013 Rs.
19 Sundry Creditors, Accrued Expenses and Provisions			
Sundry Creditors			
Final Payment Due	18,176.46	18,176.46	18,176.46
General VAT (Charged from Policy Premium)	30,594.00	62,614.12	84,554.07
Staff Medical Fund	303,408.00	283,188.00	266,688.00
Refundable Deposits	1,444,756.12	1,153,656.12	1,772,606.12
Accrued Expenses			
Employees Provident Fund	1,192,944.99	839,651.50	697,007.53
Employees Trust Fund	99,412.00	69,970.95	58,083.92
Salary Recovery	2,044.00	5,738.00	0.00
PAYE Tax	213,187.00	23,237.00	242,572.00
Stamp Duty	15,300.00	12,625.00	11,100.00
Nation Building Tax	32,465.00	15,642.00	20,244.00
Other Payables	3,062,219.88	2,903,455.73	2,774,508.10
Charges on Status Reports	335,520.00	828,021.75	1,326,750.71
Provisions			
Audit Fees Payable	1,755,570.92	1,515,666.92	1,813,835.00
Income Tax Payable	3,241,916.12	9,759,674.69	5,244,109.25
VAT on Financial Services	7,042,685.00	4,038,954.00	4,200,049.00
Annual Report Printing Charges	900,000.00	700,000.00	737,250.00
	<u>19,690,199.49</u>	<u>22,230,272.24</u>	<u>19,267,534.16</u>
20 Gratuity Payable			
Movement in the Account			
Balance as at 1st January	8,651,512.75	7,314,985.75	8,471,874.75
Paid during the year	602,904.14	1,386,965.50	1,811,367.00
Provision for the year	2,432,309.14	2,723,492.50	654,478.00
Balance as at 31st December	<u>10,480,917.75</u>	<u>8,651,512.75</u>	<u>7,314,985.75</u>
21 Capital Employed			
Capital Contributed - Treasury	<u>30,000,000.00</u>	<u>30,000,000.00</u>	<u>30,000,000.00</u>
22 Reserves - Attachment			

(Next page)

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements- 2014
Statement of Changes in Reserves As At 31st December 2014

	General Reserve	Revaluation Reserve	Investment Fund	Exchange Equalisation	Technical Replacement	Unearned	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January 2013	1,228,144,122.50	48,376,282.86	34,464,501.05	44,549,129.91	2,170,141.80	0.00	1,357,704,178.12
Transferred from Revaluation Reserve	6,680,897.61	-6,680,896.51					1.10
Net Profit for the Year 2013	139,368,314.29						139,368,314.29
Surplus on Revaluation done on Office Equipment							
Transferred during the year			24,043,448.00	10,118,044.01	2,042,112.08	18,147,984.71	54,351,588.80
Balance as at 31st December 2013	1,374,193,334.40	41,695,386.35	58,507,949.05	54,667,173.92	4,212,253.88	18,147,984.71	1,551,424,082.31
Transferred from Revaluation Reserve	4,755,000.00	-4,755,000.00					0.00
Net Profit for the Year 2014	161,692,640.66						161,692,640.66
Transferred during the year 2014			0.00	136,685.61	2,431,938.16	12,243,223.15	14,811,846.92
Balance as at 31st December 2014	1,540,640,975.06	36,940,386.35	58,507,949.05	54,803,859.53	6,644,192.04	30,391,207.86	1,727,928,569.89

Sri Lanka Export Credit Insurance Corporation

Annual Financial Statements - 2014

Notes To The Annual Financial Statements For 2014

Notes

23. Exchange Rate

The following exchange rates have been used to convert the foreign currency as at end December 2014.

US Dollars	130.36
Euro	157.92

24. Disclosure on Revaluation of Office Equipment

1. Effective Date of Revaluation

Building	- 31.12.2009
Motor Vehicles	- 31.12.2008
Computers and Printers	- 01.01.2010
Office Equipment	- 01.01.2010

2. Valuation was done by The Valuation Department.

3. Valuation has been done as accurately as possible after inspection and observation and after considering all relevant factors that affect the Value.

4. The Value arrived by Revaluation is the Current Market Values.

5. Carrying value of the revalued assets under the cost model

Building	- Rs.18,715,846/-
Motor Vehicles	- Rs.5.00
Computers and Printers	- Rs.28.00
Office Equipment	- Rs.30.00

25. Contingent Liabilities

a) Cases filed against the Corporation

(1) Southern Sun Teas (Pvt) Ltd Vs. SLECIC - H.C (CIVIL) 193/2004 (I)

The Case was instituted by the Exporter on a rejection of a Claim and action was filed for Rs. 17.02 Mln in the Commercial High Court of Colombo.

Present position - Appeal is fixed for hearing

(2) P N H R Silva Vs SLECIC.-LT Case No.25/2014

For vacation of post, an employee of SLECIC filed a LT Case against the Corporation seeking reinstatement, back wages and other benefits.

Present position -Case is being heard.

Value of Policies & Guarantees in force as at 31.12.2014

	Rs.
Guarantees	1,769,351,324/-
Policies	17,306,000,000/-

26. Investment Fund Account

An Investment Fund Account has been established by opening an Account with Bank of Ceylon. Since the Corporation does not involve in lending activities, the only means of utilizing the funds in the said account is to invest in long term Treasury Bonds which carry maturity periods beyond 7 years.

27. Related Party Interests

There were no Related Party Interests during the year.

Sri Lanka export credit insurance corporation

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.

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 and issue of guarantees related to the export marketing activities.

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 2014 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 separately into a exchange rate equalization reserve in the Balance Sheet.

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%
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 Operating 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.

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 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 liability for Retirement Benefit Obligation under the payment of Gratuity Act, No. 12 of 1983 is a defined benefit plan covering employees of the organization. In order to meet this liability a provision is carried forward in the balance sheet equivalent to an amount calculated based in a half month salary of the last month of the financial year of all employees for each completed year of service commencing from the first year of service. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt with in the income statement. The amounts so recognized have been invested separately.

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) Exchange Rate Equalization Reserve

Premium received in foreign currencies in respect of Pre/Post Shipment Credit Guarantees issued to Commercial banks have been deposited in the interest bearing savings /investments. The exchange rates are fluctuating on daily basis. The Values of savings and investments are also changing from time to time. These investments are set aside to meet any future claims obligation payable in foreign currencies. If the gains or losses arising out of the fluctuations in value charged to the income statement the results may represent misleading financial results. Hence the fluctuations in value of the currencies have been recognized as a separate reserve. Any future changes in the value of the investments will be charged and adjusted against this reserve.

c) Contingent Provision for Claims

Our past experiences in claims pay out 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%

d) 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.

e) Technical Replacement Reserve

In order to keep face with the fast changes and developments taking place in the technological environment, it has been identified and recognized that a provision should be made for future technology replacements .Accordingly a provision have been made by providing 1.25% of the total premium income as technology replacement reserve, whenever the need arises to replace the technology, the reserve will be utilized to meet the necessary requirement. It is expected that funds reserve for this purpose would be identified and invested separately to meet any future obligations.

f) 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 Investment Income. 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 investment income for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and the amendments thereto.

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



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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Date }

23 November 2015

Chairman,
Sri Lanka Export Credit Insurance Corporation

Report of the Auditor General on the Financial Statements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2014 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 20(2) of Sri Lanka Export Credit Insurance Corporation Act, No. 15 of 1978. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act will be issued in due course.

1.2 Management's Responsibility for the Financial Statements

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

අංක 306/72, පොල්දඬු පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

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.3 Auditor's Responsibility

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

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

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

Financial statements

.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Export Credit Insurance Corporation as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



2.2 Comments on Financial Statements

2.2.1 Non - Adhering with Sri Lanka Accounting Standards (LKAS)

The following observations are made in this connection.

- (a) **LKAS 16 - Property, Plant and Equipment.** The depreciation of an asset begins when it is availability for use. However, two vehicles purchased and registered by the Corporation during the month of December 2014 had not been depreciated. Therefore, depreciation for the year under review had been understated by Rs. 38,612.
- (b) **LKAS 37 - Provision, Contingent Liabilities and Contingent Assets.** A provision should be made in the financial statements when an entity has a present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits may be required to settle the obligation. Nevertheless, without completing those condition a provision of Rs. 6,644,192 had been made in the financial statements by the Corporation as Technician Replacement Reserve

3 Non –compliance with Laws, Rules, Regulations and Management Decisions

The following non - compliance were observed during the course of audit.

Reference to laws, Rules, Regulations and Management Decisions	Non - compliance
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(a) Section 3 of the Sri Lanka Export Credit Insurance Corporation Act, No. 15 of 1978	In terms of provisions in the Act, the Head Office of the Corporation shall be in Colombo and the Branches may be established with the prior approval of the relevant Minister to facilitate the exporters outside the country. Nevertheless, the Corporation had not established any Branch outside the country during the past 27 years.



- (b) Section 8.1 of the Finance Act, No. 38 of 1971
- Even though a draft Annual Budget should be prepared and submitted for the approval of the Minister of Finance three months before commencing the financial year by every Public Enterprises, the Corporation had prepared the said Budget only on 22 January 2014.
- (c) Section 3.1(a) of the Payment of Gratuity Act, No.12 of 1983
- Fourteen days wage or salary of an employee for who completed 5 year service period, should be provided as Gratuity. However, the Corporation had provided a sum of Rs. 113,020 for 13 employees in excess of that requirement.
- (d) Public Enterprises Circular No. 95 of 14 June 1994
- Approved allowances by the Cabinet, Ministry of Public Administration or the General Treasury only should be paid by the Corporation to its staff. However, festival allowances and gift vouchers amounting to Rs. 760,000 and Rs. 764,780 respectively had been paid on the approval of the Board of Directors.
- (e) Section 5.2.2 of Chapter 5 of the Public Enterprises Circular No. PED/12 of 02 June 2003
- The approval of the appropriate Ministry, and the concurrence of the Department of Public Enterprises, General Treasury should be obtained before incurring expenditure for the purchase of motor vehicles. In contrary to this provision, the Corporation had purchased 2 vehicles valued at Rs.8,808,552 after obtaining the approval of the Board of Directors.



- (f) Section 24 of the Public Finance Circular No PF/PE/6 of 31 January 2000
- Even though the Pay As You Earn Tax should be borne by the relevant employees, the Pay As You Earn Tax amounting to Rs. 640,017 for the year under review had been paid by the Corporation in contrary to this requirement.

Financial Review

1 Financial Results.

According to the financial statements presented, the operations of the Corporation for the year under review had resulted in a pre-tax net surplus of Rs.190,480,849 as compared with the corresponding a pre-tax net surplus of Rs.206,499,156 for the preceding year, thus indicating a deterioration of Rs. 16,018,307 in the financial results of the year under review. The decrease of other comprehensive income by Rs. 32,457,955 or 24 per cent as compared with the previous year was the main reason attributed for this deterioration.

2 Legal Action Instituted Against and by the Corporation

The following observations are made

- (a) An external party had filed a case in a Commercial High Court against the Corporation claiming compensation amounting to Rs.17,020,611 for the non – payment of insurance indemnity payable to a private company.
- (b) The Corporation had filed four cases against 04 external institutions claiming compensation amounting to Rs.27,556,624 for the recovery of advances granted by the Corporation



I. Accountability and Good Governance

I.1 Internal Audit

The approval for the post of Internal Auditor had not been obtained from the Department of Public Enterprises in terms of Chapter 9.2 of the Public Enterprises Circular No PED/12 dated 02 June 2003 and Financial Regulation 133. Instated a private audit firm had been carried out the internal audit activities of the Corporation and an amount of Rs.239,904 had been paid as internal audit fees during the year under review.

I.2 Budgetary Control

Significant variances were observed between the budgeted and actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

I.3 Unresolved Audit Matters

The receivable income of Rs. 208,973,030 which had been disclosed in the financial statements as compensation for acquisition of an asset in the year 2010 and interest amounting to Rs.67,154,144 receivable from the Treasury Deposits for the year 2003 had not been collected or taken any appropriate action up to the end of the year under review.

I.5 Tabling of Annual Report

The final audited accounts together with the Auditor General's Report, in all three languages, should be tabled in Parliament within 150 days after the close of the financial year in terms of Section 6.5.3 of the Public Enterprises Circular No. PED/12 dated 02 June 2003. However, the Corporation had not tabled the report of the year 2013 in Parliament even up to end of the year under review.



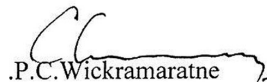
6 Human Resources Management

Even though there were 15 vacancies in executive level and 05 vacancies in non-executive level, no action had been taken to fill these vacancies even by 31 December 2014.

Systems and Controls

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

- a) Budgetary control
- b) Internal Audit


 P.C. Wickramaratne
 Acting Auditor General