

SLECIC

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ஆண்டறிக்கை - 2020

ANNUAL REPORT - 2020

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இலங்கை ஏற்றுமதி கடன் காப்புறுதி கூட்டுத்தாபனம்

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION



ANNUAL REPORT _2020

**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.

ANNUAL REPORT – 2020

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

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Our Vision

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

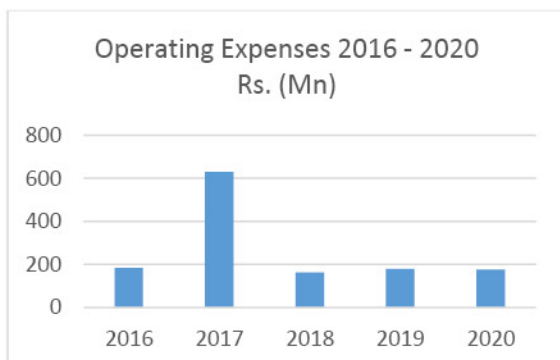
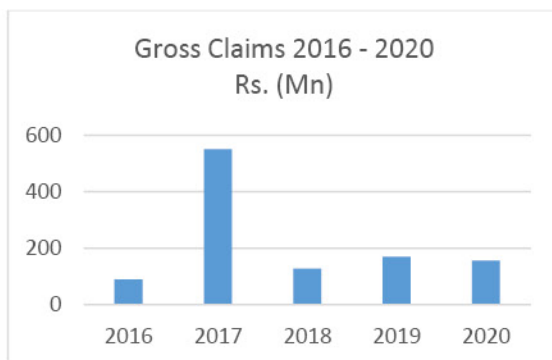
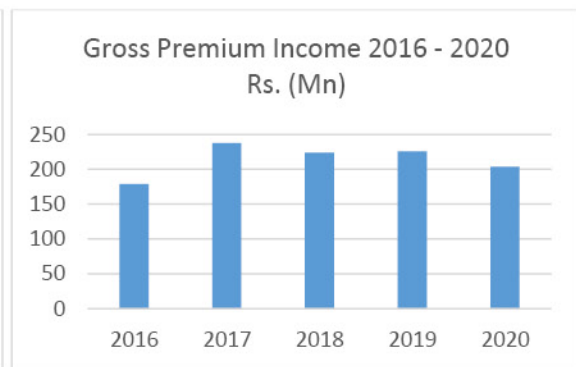
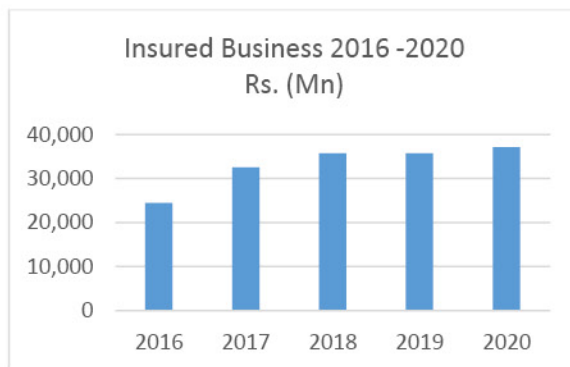
Our Mission

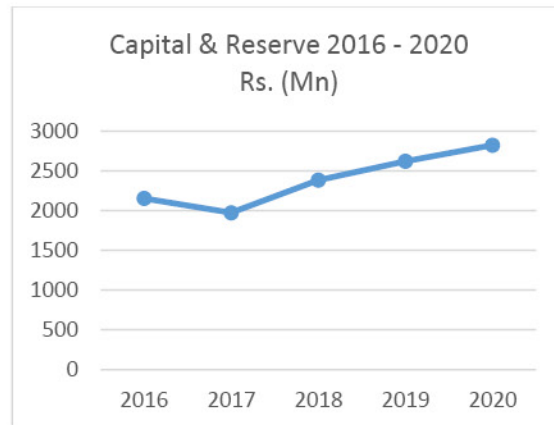
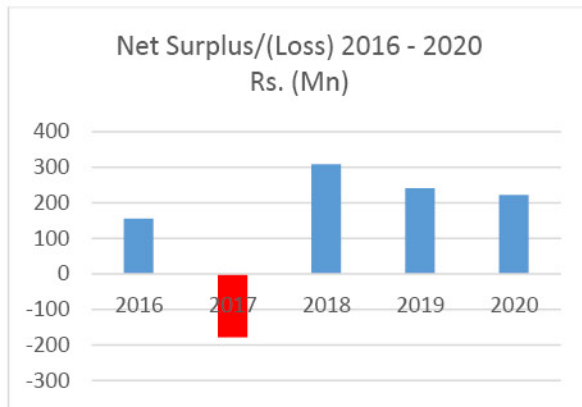
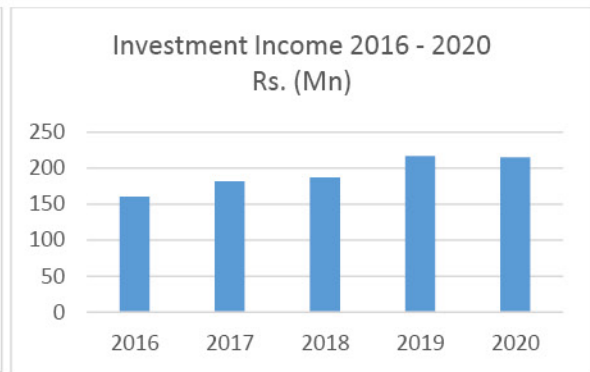
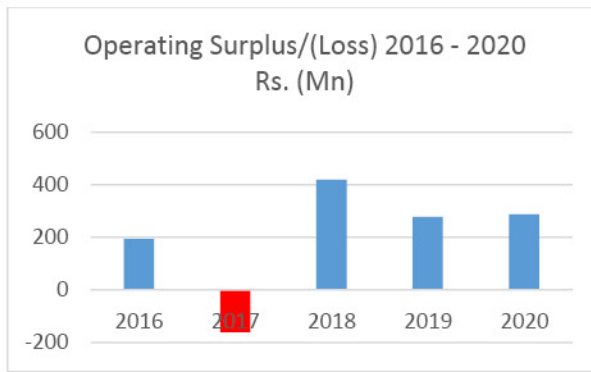
“We are in the business of providing information, support and protection for exporters, banks, other financial institutions and importers. We strive to exceed customer expectations by offering superior personalized services”

Five Years at a glance

Performance Overview (Rs. Million)

SLECIC Performance Overview 2016-2020 (Rs. Million)					
	2016	2017	2018	2019	2020
Insured Business	24,503	32,523	35,751	35,740	37,157
Gross Premium Income	179	238	224	226	204
Gross Claims	90	551	129	171	157
Operating Expenses	183	631	164	180	177
Operating Surplus/(Loss)	194	(161)	419	277	288
Investment Income	160	182	187	217	215
Net Surplus/(Loss)	156	(179)	309	242	223
Capital & Reserve	2153	1975	2386	2624	2826
Taxes & Levies	53	19	136	38	90





Chairman's Review



Global Economy

The new decade that began in 2020 was ushered in with the most severe global recession since the Second World War, triggered by the COVID-19 pandemic like earlier severe economic disruptions, the pandemic will likely leave lasting economic and financial scars.

Reflecting on both supply and demand side shocks, the World Economic Outlook (October 2020) of the International Monetary Fund (IMF) highlights that the world economy is expected to collapse by around 4.4 percent in 2020, with the United States expected to experience contractions in its economy by 4.3 percent, European economies on average by 8.3 percent with its largest economy Germany alone experiencing a contraction of 6.0 percent. India is expected to see a contraction of 10.3 percent, with Japan at 5.3 percent whereas China is expected a positive growth of 1.9 percent.

Although global trade in goods has largely rebounded, trade in services remains feeble. Continued impediments to international travel and tourism are contributing to persistent weakness in services. Global financial conditions are being supported by monetary policy accommodation, but financial systems in many countries are showing signs of underlying strain. Whereas most commodity prices, particularly those of base metals, rebounded in the second half of the year as demand firmed, particularly rising demand from China, and the recovery in oil prices has been more modest.

In advanced economies, a sharp resurgence of COVID-19 cut short an incipient economic rebound in the second half of 2020. The expected recovery in 2021 and beyond will depend heavily on the evolution of the pandemic, which will in turn be influenced by the possibility of widespread effective vaccination.

In China, the economic rebound has been rapid but uneven, with consumer services trailing industrial production.

The IMF forecasts that nearly 80 percent of Emerging Market and Developing Economies EMDEs would experience negative growth, particularly, economies that heavily depend on tourism, deeply embedded in global value chains, and major exporters of industrial commodities.

Global trade is projected to contract by 9.5 percent in 2020—comparable to the decline during the 2009 global recession but affecting a markedly larger share of economies—before growing by an average of 5.1 percent in 2021-22.

Sri Lankan Economy

Like many other economies globally, the Sri Lankan economy was also severely affected by the mobility restrictions imposed to limit the spread of the pandemic, particularly during its first wave within the country.

Sri Lanka imposed full lockdown measures at end-March, which was gradually removed by May and the country operated under a “new normal”, However, during the latter part of October 2020, with the identification of two major clusters; Minuwangoda and Peliyagoda restrictions has been re-imposed but have been more localized in nature.

The Government implemented a series of relief measures including fiscal and monetary policy stimuli to facilitate businesses and relief the vulnerable groups of the society. The fiscal reforms initiated in the latter part of 2019 counted as a fiscal stimulus provided to fight against the COVID-19 in addition to the other relief measures granted to the affected people.

Reflecting the decline in Industry and Agriculture sectors despite the increase in growth in Services sector, the economy exhibited a contraction of 1.6 percent in the first quarter of 2020, compared to the growth of 3.7 percent in the same quarter of 2019. Industry sector contracted by 7.8 percent in the first quarter of 2020 from the growth of 3.9 percent in the first quarter of 2019 which was largely driven by the deceleration of construction activities and manufacturing activities. Agriculture sector contracted by 5.6 percent in the first quarter of 2020, compared to the growth of 5.0 percent in the same quarter of 2019 due to the moderate growth in tea, coconut, and fishing sectors. However, Services sector expanded by 3.1 percent in the first quarter.

Tea, rubber and coconut production declined in the first eight months of 2020. The tea production declined by 16.0 percent to 177.3 million Kg in the first eight months of 2020 due to the unfavourable weather conditions and the impact of COVID-19 on the sector

Economic growth is expected to rebound in 2021, and maintain the upward trajectory over the medium term, supported by pro-growth policies of the Government. Policies to boost domestic production are also expected to ease the pressure on the external sector of the economy on a sustained basis. Nevertheless, the success of containing COVID-19 locally and globally remains critical in determining the pace and the magnitude of domestic economic recovery and revival in the period ahead.

Export Performance

Sri Lanka's external sector exhibited a mixed performance during the year. The external sector that was severely affected at the initial stages of the COVID 19 pandemic, marked a notable rebound from second half of 2020.

In the second of the year, merchandise exports surpassed US dollars one billion in July for the first time since January 2020 and recorded a positive year on year growth for the first time since February 2020.

Merchandise exports in September 2020 increased, both on a year on year basis as well as on a month on month basis and showed resilience of the export sector in the midst of the current market conditions in the world. Merchandise exports of US dollars 1000 million in September 2020 were higher by 4.8 percent than the exports of US dollars 954 million in September 2019. This was also 5.6 percent higher than the **export of US dollars 947 million recorded in August 2020.**

Earnings from merchandise exports suffered in October 2020 due to impact of the resurgence of COVID 19 cases. Earnings from merchandise exports in October 2020 were lower compared to October 2019 as well as September 2020, due to the sudden outbreak of the second wave of the pandemic that resulted in disruptions to planned production and support services in the country, especially in the garment industry. Further, adverse global market conditions, for Sri Lanka's key exports were aggravated by the second wave of the COVID 19 pandemic experienced by many countries, leading to low demand for exports of Sri Lanka. As a result, earnings from exports in October 2020 and November 2020 amounted to US dollars 1667 million, which was 14.7 per cent lower than October and November in 2019.

Earnings from merchandise exports estimated at US dollars 10,077 million in the year, recording a decline of 15.6 per cent from the previous year.

Performance of agricultural exports which accounted for 23.2 percent of total exports, deteriorated further in 2020. Earnings from agricultural exports declined by 5.1 percent to US dollars 2336.2 million in 2020 in comparison to 2019 driven lower earnings from tea, unmanufactured tobacco and sea foods. Earnings from tea exports, second largest contributor to the total exports earnings of Sri Lanka accounting for 12.3 percent, declined by 7.5 percent to US dollars 1240.9 million in 2020. Sri Lanka Tea Exports for the period January-December 2020 totalled 265.5 million kilos vis-à-vis 292.6 million kilos of January-December 2019, showing a decline of 27.0 million kilos. When analysing the exports category-wise, exports in all segments i.e. Bulk tea, tea in packets, tea in bags, green tea and instant tea have declined in 2020.

Earnings from spices exports increased by 6.7 percent to US dollars 333.5 million due to higher exports volume of cinnamon and essential oils. Earnings from sea foods exports declined by 27.7 percent mainly due to the significant decline in demand from the US Market .In contrast, earnings from coconut products increased by 4.8 percent to USD 345.2 million due to higher exports of coconut oil from coconut kernel products and higher exports of coconut fibre of coconut non kernel products .

Earnings from industrial exports, which accounted for around 76.5 per cent of total export earnings, decreased in 2020, mainly due to drop in exports of textiles and garments. Accordingly, industrial exports decreased by 18.3 per cent to US dollars 7701.7 million in 2020 from US dollars 9426.3 million in 2019.

Similarly, earnings from petroleum products exports, which mainly comprise bunker and aviation fuel, declined by 28.3 per cent to US dollars 373.6 million in 2020. Lower export volumes driven by closure of airports and cancellation of flights due to COVID 19 caused the decline in export earnings from bunker and aviation fuel. Despite the increase in earnings from rubber glove exports, earnings from rubber product exports declined by 9.2 per cent to US dollars 786.1 million during 2020, driven by lower tyre exports.

Earnings from Tourism

The outbreak of COVID 19 and its global spread impacted the global tourism industry significantly from February 2020 onwards. Sri Lanka also experienced the same trend, with the suspension of all passenger flights and ship movements to Sri Lanka from mid-March, no tourist arrivals were recorded from April to November 2020. However, with the launch of the pilot project to resume tourism, 393 tourists from Ukraine visited Sri Lanka in December 2020. Consequently, total tourist arrivals were recorded at 507704 in 2020, compared to 1,913,702 in 2019. Cumulative earnings from tourism was amounted to US dollars 957 million in 2020 as compared to US dollars 3607 million in 2019.

Worker Remittances

Worker remittances were impacted by the geopolitical developments in the Middle Eastern countries, where most workers remittances originate from amid volatility in international petroleum prices. Worker remittances also got affected by the pandemic outbreak in the months of March, April and May in 2020 as notable number of returnees from countries such as South Korea and Italy, prior to the closure of airports in March 2020. On a cumulative basis, however, workers' remittances recorded a decline by 8.9 percent to US dollars 2980 million during the first six month of 2020, in comparison to the corresponding period of 2019.

Worker's remittances recorded a notable increase in November and December 2020. The improvement observed from June 2020 helped worker's remittances to record a year on year growth of 5.8 percent in 2020, to reach US dollars 7104 million during the year.

External Sector Developments amidst the COVID-19 Outbreak The initial pressure created by both global and domestic market uncertainties was felt in the domestic foreign exchange market, particularly in the second half of the month of March 2020. A notable depreciation of the Sri Lanka rupee was observed, primarily due to speculative market behaviour and foreign investment outflows from the government securities market. The Central Bank undertook a number of emergency operational and policy measures, including some intervention in the domestic foreign exchange market, suspension of all personal motor vehicle and non-essential consumer goods imports, limiting issuance of foreign currency notes as travel allowance up to a maximum of US dollars 5,000 and suspension of purchase of Sri Lanka International Sovereign Bonds by licensed banks in Sri Lanka. Even amidst such intermittent volatile periods, particularly driven by speculative market behaviour, the overall depreciation of the rupee was limited to 2.6 per cent against the US dollar in 2020.

Performance of SLEIC

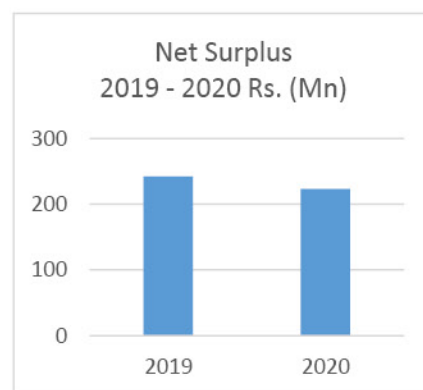
As a reliable business partner for Sri Lankan exporters, the Corporation provides credit advisory services and Insurance protection. This has always been an essential component of successful yet prudent enterprise, never more so than in times of economic belt tightening due to COVID 19 pandemic.

Despite export earnings undergoing a substantial contraction in 2020, Shipment covered under "Seller's Risk Credit insurance, reached Rs. 37.15 Billion for the period, representing an increase of around Rs. 1400 Million over the total declarations of 35.74 Billion in 2019.

The Corporation believes strongly in cultivating long term relationships with its policyholders, and this has brought considerable stability to its business.

Financial Results

The Corporation's Net profit for the year ended 31 December 2020 was Rs 223.35 Million as against the last year's profit of Rs.242.25 million which was subjected to low income tax deduction due to the large over provision of income tax made in 2018 prior to the determination of the final income tax rate proposed by the then National Budget. The Tax rate fell by half to 14 percent compared to the previous 28 percent. Total assets and equity of the Corporation stood at Rs.3194 million and Rs. 2934 million respectively at the end of the year.



Financial results at a glance (Rs. Million)Year ending 31st December 2020

	2019	2020
Gross Premium Income	226.07	204.18
Other Operational Income	15.34	12.83
Operating Surplus	276.90	288.37
Net Claims	87.74	95.13
Investment Income	216.94	215.39
Total Expenditure	180.06	177.10
Total Income	456.97	465.47
Capital & Reserves	2624.18	2825.69
Net Surplus	242.25	223.35
Taxes & Levies	37.82	89.87

Premium Income

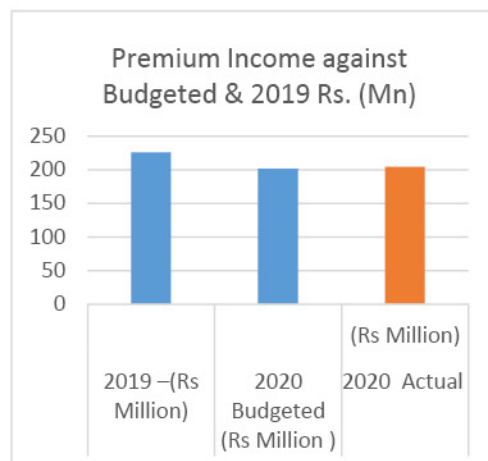
The premium rates structure is based on the profit no loss principle. In spite of rapidly weakening business environment with major trading markets, the Corporation continued to maintain the same country classifications with a view to assist local exporter clients to be competitive during the pandemic.

The Corporation has managed to achieve premium income of Rs 204.18 Million during 2020 in comparison to the last year's corresponding amount of Rs.226.07 Million. However, the Corporation surpassed the budgeted premium of Rs 201 million in 2020.

Composition of Premium

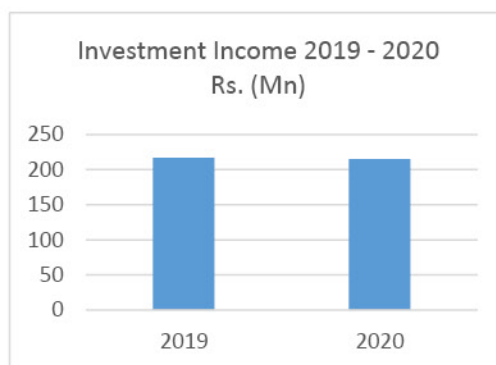
Product Category	2019 –(Rs Million)	2020 Budgeted (Rs Million)	2020 Actual (Rs Million)
Credit Insurance	208.97	187.80	196.88
Credit Guarantees	17.10	13.20	7.30
Total	226.07	201.00	204.18

The premium income of our core product, the Seller's Risk, posted Rs. 196.88 million in 2020 as against budgeted premium of 187.80 in 2020. Credit Guarantee income drop drastically due to drop in export finance under our guarantees and lower demand for other credit Guarantee products due to the pandemic during the year.



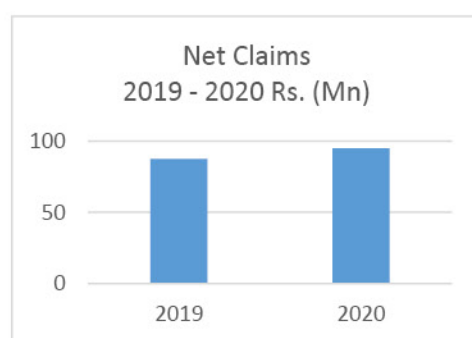
Investment Income

The Corporation's investment portfolio is managed within a very restrictive regulatory frame work where all the investments of the Corporation have to be rooted through one of the state banks and the number of instruments available for making investments are limited in terms of the Treasury Guidelines. So significant proportion of the investment portfolio was in State bank fixed deposits and debentures. The investment income accounted for Rs.215.69 Million in 2020 as against Rs 216.94 million in previous year.



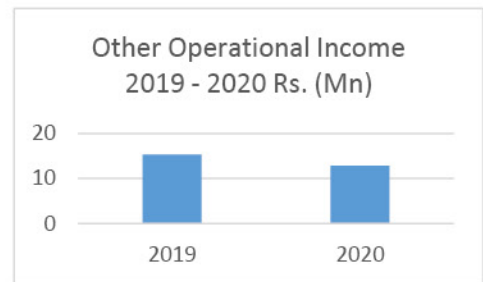
Net Claims

The current year has been a challenging year with a high level of claims seen, in particular, in the traditional retailing space in certain export markets. The substantial increase claims payment was attributable to protracted default and bankruptcy of buyers. The net claims for the year amounted to Rs.95.13 Million as compared to Rs. 87.73 Million in 2019.



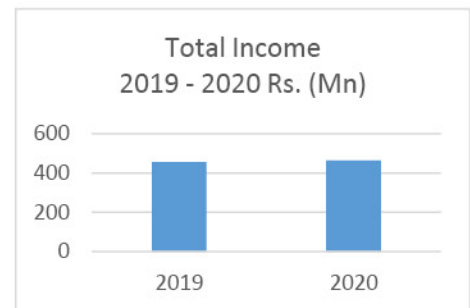
Other Operational Income

The other operational income consists of all types of fees charged on our facilities, Bizinfo income and repayment of claims paid. It has recorded a total income of Rs 12.84 million as against the last year's income of Rs 15.34 million. The fee income and biz info income have shown a marginal drop due to the scaling down of operations due to the COVID 19 pandemic.



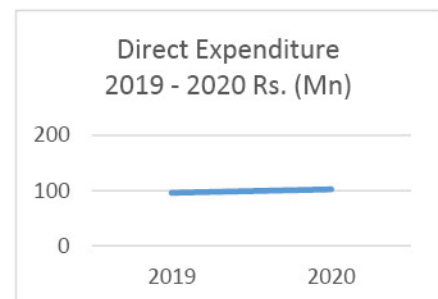
Total Income

The total income, which is comprised of premium income, other operational income and investment income and other income for the year 2020 amounted to Rs.465.47 Million as compared to Rs.456.97 Million in 2019. The Corporation need to recognize Exchange gain/Loss in the Profit and Loss account as per LKAS 21. During the year, the Corporation had recorded an exchange gain of Rs 30.29 as the local currency depreciated during the year.

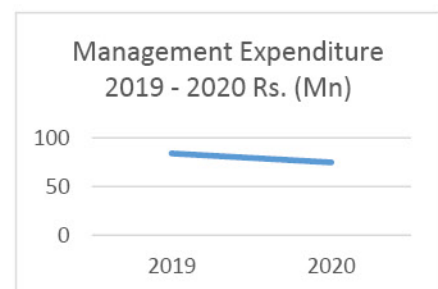


Total Expenditure

The total expenditure consists of direct expenditure and other management expenditure. The direct expenditure comprises of Claim Expenditure and Status Report Costs. The total direct expenditure for the year 2019 amounted to Rs.102.36 Million in comparison to Rs.96.12 Million in 2019.



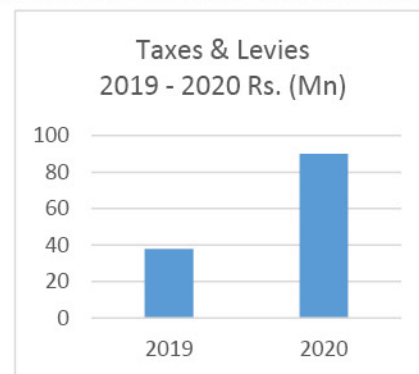
The total management expenditure amounted to Rs.74.74 Million in 2020 compared to Rs.83.91 Million in 2019. Therefore, the Corporation has been able to curtail and effectively manage its controllable costs significantly.



Contributions to the Government Revenue

SLECIC continued to contribute to the government revenue during the year under review, despite challenging business conditions. 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.

With winding of the State Institutions Temporary Surplus Trust Fund(SITSTF),the balance investment worth Rs 24,848,072.67(including the interest accrued) of the Corporation was transferred to the Consolidated funds and the Public Enterprise Department ,requested the Corporation to consider the above amount as a Special Levy remitted to the General Treasury in 2020 under Finance Act No 38 of 1971 .In addition Taxes paid during the year under review was increased to Rs 65.02 million as compared to Rs 37.82 Million in 2019. The break up of tax liability comprises of VAT on Financial Services of 23.08 million and income tax of Rs 41.94 million . Therefore total tax liability including Special Levy amounted to Rs 89.87 million in 2020.



New Initiatives

With increasing risks in international trade, Insurers are constantly required to improve the underwriting methodologies followed by them. The underwriting methodology should help the insurers to assess the risk more realistically and take decision quickly to meet the demands of the international trade.

- **Introduction of Buyer Score Card Model**

With the technical assistance of Commonwealth Secretariat, the Corporation commenced developing a score card model for buyer underwriting latter part of 2019 and now adopt the score card model for fixing of credit limits and to ensure consistency in decision making.

- **Development of Claim Manual.**

The preparation of Claims Manual was commenced in latter part of 2018 with partial technical assistance of Commonwealth Secretariat and the Corporation was able to finish the job in December 2019 and implemented the same for claims processing in 2020.

Outlook for 2021

Following a collapse in 2020 caused by the COVID-19 pandemic, global economic output is expected to expand 4 percent in 2021 but still remain more than 5 percent below pre-pandemic projections. Global growth is projected to moderate to 3.8 percent in 2022, weighed down by the pandemic's lasting damage to potential growth.

Advanced economies are projected to recover, with growth reaching 3.3 percent and 3.5 percent in 2021 and 2022, respectively, on the back of pandemic containment aided by widespread vaccination and sustained monetary policy accommodation, which is expected to more than offset the partial unwinding of fiscal support

Growth in Emerging Market and Developing Economies (EMDEs) is envisioned to firm to 5 percent in 2021, but EMDE output is also expected to remain well below its pre-pandemic projection. The pandemic has exacerbated the risks associated with a decade-long wave of global debt accumulation. Debt levels have reached historic highs, making the global economy particularly vulnerable to financial market stress. The pandemic is likely to steepen the long-expected slowdown in potential growth over the next decade, undermining prospects for poverty reduction. The East Asia and Pacific region is envisioned to show notable strength in 2021 due to a solid rebound in China, whereas activity is projected to be weakest in the Middle East and North Africa and Sub-Saharan Africa regions.

In the coming year, the Corporation will continue to underwrite the risks prudently and provide advice to exporters so that they could trade safely and securely. It will also look to further strengthening its risk monitoring system consolidate its credit information network, build capacity among underwriters, and improve efficiency through improved work methods and technology systems.

Acknowledgement

I wish to thank the community of exporters of Sri Lanka, especially the clients of SLECIC and the commercial banks for the continued trust they have showed in SLECIC over the years. You have made us grow to what we are today.

I sincerely thank the Minister of Finance for his dynamic approach to work, his guidance, commitment and the keen interest in the activities and growth of SLECIC.

The Board of Directors continued to guide the Corporation during the year in numerous ways with expertise in ideas and innovative thinking .Their dedication and commitment to SLECIC is greatly appreciated.

I thank the Secretary, Additional Secretaries and other officers of the Ministry of Finance & Mass Media for the cooperation extended to us towards fulfilling its duties of SLECIC. I also thank the officials of the Central Bank of Sri Lanka, the Department of Commerce and members and officials of the many trade chambers for the support extended to SLECIC in so many diverse ways. A special word of thanks is also due to the Sri Lankan missions abroad and in particular the Trade Attaches for their cooperation extended to SLECIC.

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 to do so. Their combined wealth of knowledge and resources in technical areas of Export Credit Insurance has been a tower of strength to SLECIC.

I would like to express my deepest appreciation to the management and staff for their unwavering loyalty and commitment to 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.



A. H. Wijesiri Ambawatta
Chairman & Managing Director

The Board of Directors

Mr. A. H. Wijesiri Ambawatta - Chairman & Managing Director
Attorney at Law
(Appointed w.e.f 02.01.2020)

Mr. K. S. M. De Silva
Deputy Director,
Department of Public Enterprises
(Appointed with effect from 11.01.2020)

Mrs. E. A. Ekanayake
Assistant Director
Ministry of Internal Trade, Food Security and Consumer Welfare
(Appointed with effect from 21.02.2020)

Mr. S. M. Paranavitana
Chief Officer –Life Insurance
Sri Lanka Insurance Corporation Ltd
(Appointed with effect from 29.05.2020)

Mr A. A. M. Thassim
Assistant Governor
Central Bank of Sri Lanka
(Appointed with effect from 06.07.2020)

Senior Management of SLECIC

Mr. A. H. Wijesiri Ambawatta	-	Chairman & Managing Director
Mr. D. H. J. Ranasinghe	-	General Manager
Mrs. R.M.U.N. Peiris	-	Deputy General Manger
Mr. Dammika Aluthge	-	Assistant General Manager
Mr. 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
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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

Biz info – 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.

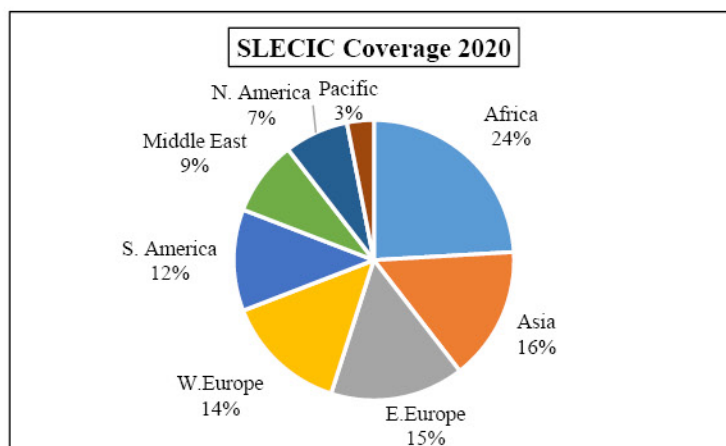
Export Credit Insurance

SLECIC Coverage

At present SLECIC covers political risk of 162 countries under various “Sellers’ Risk” credit insurance policies, 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 2020 is shown in the chart.

Region	No of countries
Africa	39
Asia	25
E.Europe	25
W. Europe	23
Central America	19
Middle East	14
North America	12
Pacific	5
Total	162

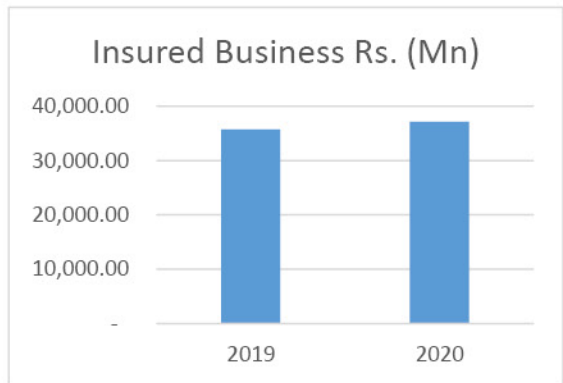


By looking at the above chart, it is visible that SLECIC has a good coverage especially in the high risk African & Middle East region. We cover 39 countries in the African region, Asia 25, Eastern Europe 24 and Middle East 13 countries. This can be considered as favourable sign for Sri Lankan exporters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

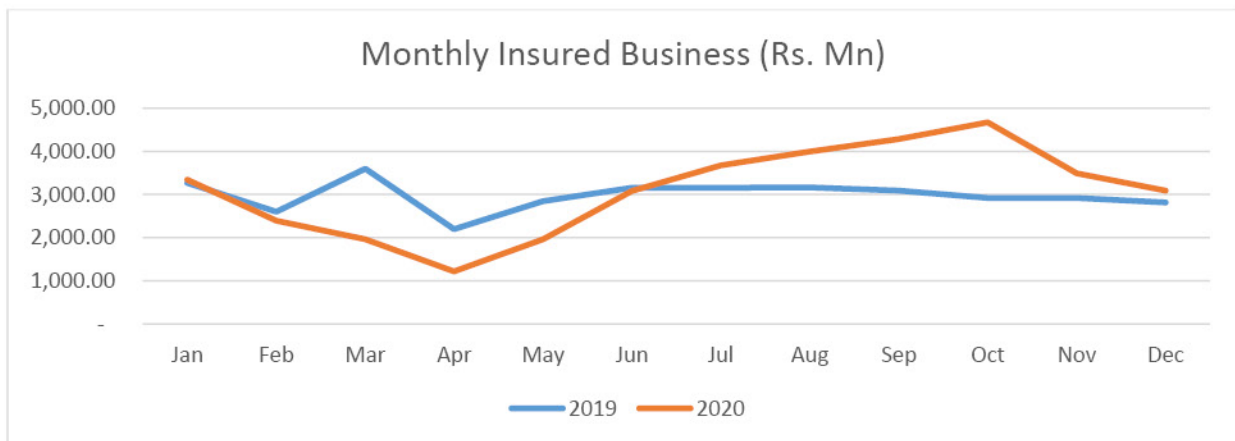
Insured Business

The lingering uncertainties caused by the trade conflict together with the COVID-19 pandemic in early 2020 have affected the global demand and the export growth, particularly for the merchandise exports. In the challenging market environment, the Corporation reported insured business of Rs 37.19 Billion for the period January to December 2020, which represented increase of Rs 1400 (or 3.96 %) over the previous year.

Insured Business Rs. (Mn)	
Year	Total
2019	35,740.58
2020	37,189.91



The below graph shows the monthly insured business of SLECIC over the period of January to December 2020



TOP 5 Markets

The USA remained the Corporation's largest insured market accounting for 13.5 percent of its total insured business during the year under review and registered negative growth of 16 percent in 2019. The products contributed for this negative growth include desiccated coconuts, coconut oil industrial brushes, latex form sheets, rubber mats, tires and rubber gloves. The Policy holders in the

, wall tiles, Activated Carbon, coir fiber, coir mattresses, ceramic ware and Porcelain figurine were able to capture more business from buyers in the market during the period under review.

China became the second largest insured market with a 13.1 percent share and recorded growth of 13.1 percent. The policyholders in the Activated Carbon, Rubber Gloves and value added tea recorded higher volumes to this market.

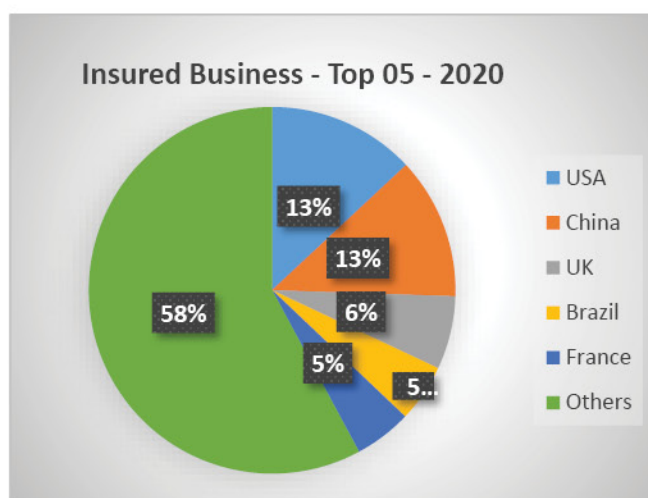
UK continued to be the third largest insured market with a 6.8 percent share and showed negative growth of 2 percent over previous year.

Brazil is the fourth largest market with a share of 5.3 percent also showed significant growth of 26 percent during the period under review. The policy holders in rubber Gloves and Activated Carbon contributed this significant increase during the year.

France is the fifth largest market with a share of 5.2 percent and recorded very significant growth of 77.49 percent over last year. The policyholders exporting in rubber gloves drove the business growth to this market. Top 5 markets accounted for 44 percent of the insured business during 2020.

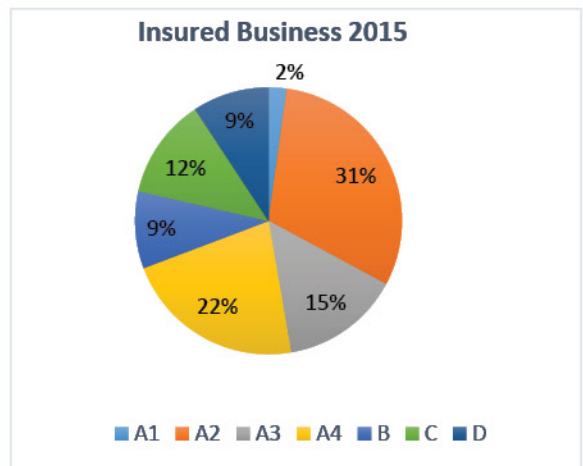
Besides above markets we also observed countries like Japan, Italy, Turkey, Ireland, South Korea, Czech Republic, Belgium, Sweden, Hong Kong, Canada, Poland, Qatar, Denmark, Malaysia, Colombia, Norway, Jordan, Croatia, Bahrain, Taiwan, Thailand, Morocco and Vietnam reported increased insured business during the year. Similarly, the following markets also observed substantial decline in insured business in countries like India, Russia, New Zealand, Spain, South Africa, UAE, Singapore, Saudi Arabia, Indonesia, Kuwait, Tunisia, Israel, Peru, Finland, Philippines, Slovenia, Zambia, Oman, Bulgaria, Mexico, Iran, Cyprus, Lebanon, Kenya, Maldives and Myanmar insured business declined very drastically.

Insured Business Top 05 Countries			
	Country	2020	%
1	USA	4,845.38 m	13.5%
2	China	4,641.50 m	13.1%
3	UK	2,402.21 m	6.8%
4	Brazil	1,893.55 m	5.3%
5	France	1,876.70 m	5.3%
6	Others	21,497.39 m	56.0%
	Total	37,156.73 m	100.0%



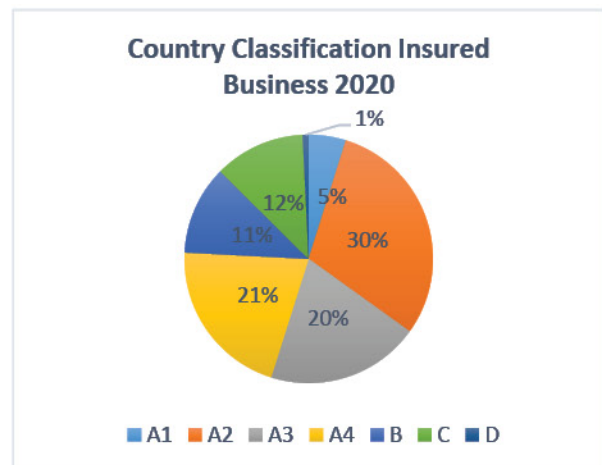
In the course of our risk underwriting business, the Corporation extends political risk cover for 162 countries and these are classified into 7 groups as A1, A2, A3, A4, B, C and D based on their individual risk profiles.

Insured Business as per country classification - 2015		
Grade	Insured Business	%
A1	613.39 m	2.21%
A2	8,522.64 m	30.66%
A3	4,009.30 m	14.42%
A4	6,101.53 m	21.95%
B	2,602.19 m	9.36%
C	3,371.82 m	12.13%
D	2,573.57 m	9.26%
	27,794.44 m	100.00%



It is essential that the Corporation should have a wide spread of risk by countries overtime as far as possible, in order to ensure that it operates on a sound basis and that no single event may result a serious loss.

Insured Business as per country classification - 2020		
Grade	Insured Business	%
A1	1,801.17 m	4.85%
A2	11,173.51 m	30.07%
A3	7,421.73 m	19.97%
A4	7,778.09 m	20.93%
B	4,315.39 m	11.61%
C	4,380.50 m	11.79%
D	286.36 m	0.77%
Grand Total	37,156.73 m	100.00%



In 2020, A1 category countries contributed to 4.75 percent of the insured business as against 2.21 percent in 2015. Similarly, A3 category countries contributed to 19.97 percent of the insured business in 2020 as against 14.42 percent in 2015.

Likewise, D category countries contributed to 0.77 percent of the total insured business in 2020 as against 9.26 percent in 2015. Similarly, C category countries contributed to 11.79 percent of the total insured in 2020 as against 12.13 percent in 2015.

Credit Limits

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. Underwriting decisions are basically through an analysis of information available on the buyer.

The main purpose of the analysis is to facilitate sound underwriting decisions on foreign buyers. The analysis should help in identifying the acceptability of a buyer based on risk perception, in rating in terms the comparative level of risk on the buyer and in deciding on the exposure that can be taken on the buyer.

To bring consistency in the approach and make the decision-making process objective in all circumstances, score card model has been developed for fixing the overall limit on the buyers. 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 commodity. Credit limits represent the amounts an insurer has committed to insure.

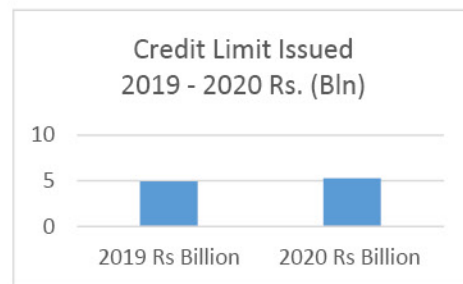
The coronavirus pandemic and its consequences have triggered a global slump in economic and trading activities. Production stops, disruptions along the supply chain and plant lockdowns: the economic impact around the globe is immense, with markets collapsing and new investments postponed. Even solvent companies with solid business models have come under pressure in the wake of the coronavirus pandemic.

By providing updated information to policyholders, SLECIC helps exporters to make sound business decisions thereby reducing in the number of losses. SLECIC still believes that educating the exporter community about effective credit control, loss minimization and methods of handling buyer defaults is just as important as providing insurance cover to overcome their risks. With the right knowledge, exporters are in a much better position to deal with defaulting buyers.

The Corporation's underwriting strategy seeks diversity to ensure a balanced portfolio of risks. As such, it is believed that this reduces the variability of the outcome. Underwriters are delegated with underwriting authorities that set out the limits that they can issue according to their rank and experience. However, some applications for credit limits of large amounts had to be rejected due to unfavourable political and economic conditions in various countries and buyer insolvencies, among other reasons.

In 2020, 368 Buyer Liability Limits (BLL) were issued to the value of Rs 5.3 Billion as compared to Rs 4.93 billion in 2019.

	2019 Rs Billion	2020 Rs Billion
Credit Limits	4.93	5.3



Export Credit Guarantees

Export Credit Guarantees of SLECIC 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.

Direct Export Performance Guarantee covering the ATA Carnet System

The ATA Carnet is an international customs documents that permits duty free and tax free temporary import of goods and commercial samples can be effectively exported for use in trade fairs ,exhibitions and for trade promotional purposes and imported duty free for a specified period.

ATA Carnet cover commercial samples, Professional equipments and goods for presentations or use at trade fairs, shows, exhibitions and the like. If an exporter wishes to cross borders with commercial samples and exhibits for trade fairs, ATA Carnet will save his or her time in customs clearance and expedite journey.

User of ATA Carnet

The user of ATA Carnet may be an individual or a company registered in Sri Lanka

- Travelling Business/Sales Executives
- Technicians
- Fair Exhibitors & Professional individuals and teams such as film crew, Surgeons, Artists Architects, Engineers, Educationalists, Entertainers etc.
- If the Carnet is to be used by any other person, he should carry a letter from the Carnet holder on his behalf provided he holds a letter of Authority

The 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 Jewellery sector to obtain the ATA Carnet custom document without collateral security. This custom document enables exporters to participate in Trade fairs and exhibitions abroad and win export contracts to maximize profits.

During the period under review, the ICC Sri Lanka could not issue any ATA Carnet to jewellery exporters as many exporters not able to travel due to COVID 19 pandemic. Therefore, the Corporation could not issue any direct Guarantees to ICC Sri Lanka.

Cost of Passage – APARA

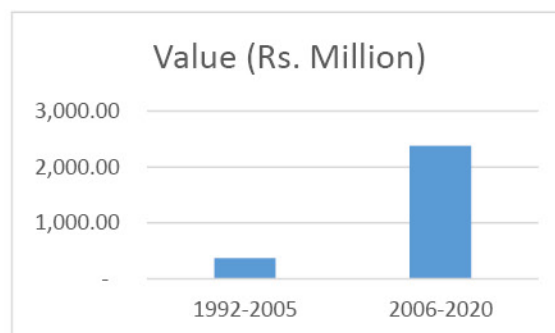
Export of services is an area of vital importance as a significant part of foreign exchange earnings of Sri Lanka is contributed by Sri Lankans going abroad for employment. SLECIC introduced this bank guarantee scheme in May 1992 to cover only the cost of air ticket of migrant workers and operated with a coverage of 60 percent of the guaranteed loss. Time to time, the scheme was modified and now cover the entire pre departure loan with a higher cover of 85 percent of the guaranteed loss and now operates as a Whole Turnover Credit Guarantee Scheme with minimal documentation and cushion the risk for the bank in granting facilities to this sector

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

From the inception to end of 2020, SLECIC assisted 23,916 applicants to obtain bank loans to the value of Rs 2752.36 Million from financial Institutions and facilitated many Sri Lankans from all parts of the country to go abroad for employment.

Employment has been taken up at all levels of skills and in many different professions in numerous parts of the globe. The Corporation's coverage has largely been in the South East Asia region. The Corporation issued 23,916 APARA credit Guarantees to obtain bank loans to the value of Rs 2752.36 million. From inception to date, 586 applicants had defaulted banks loans to financial institutions.

Year	No. of Issues	Value (Rs.)
1992-2005	7115	374.46
2006-2020	16801	2,377.90
Total	23,916	2,752.36



During the year under review, the Corporation was able to assist only 27 applicants to obtain bank loans to the value of Rs 7.8 million from financial Institutions.

International Relations

Taking a more outward focus, the Corporation maintained its commitment to internationalization in 2020 by participating in a series of important overseas credit insurance meetings and seminars, such as the International Union of Credit & Investment Insurers (Berne Union) and Regional Cooperation Group (RCG) meetings. Attending these events enabled the Corporation to keep up to date with our dynamic industry and maintain an ongoing exchange of information and experience with other credit insurers.

International Union of Credit & Investment Insurers

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 are both private companies, offering worldwide risk management solutions and state backed export credit agencies, focusing upon the support of national exports and outward investments.

Sri Lanka Export Credit Insurance Corporation (SLECIC) the government sole Export Credit Agency (ECA) operating in Sri Lanka with the mandate for development and promotion of exports of the country, has obtained the full membership of the Berne Union in 1983 with a view to gain access to the latest developments and best practices of export credit insurance and investment. The Committee Meeting was cancelled due to first wave of COVID 19 and the Annual General meeting was held on line during the week 12-16 October 2020 .The Chairman & Managing Director and General Manager of SLECIC attended the Berne Union attended the Annual General Meeting on line.

The Regional Co-operation Group (RCG)

The Regional Co-operation Group (RCG) is the group 12 member institutions of the Berne Union which was formed in 1986 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.

The Regional Co-operation Group (RCG) was formed in 1986 with five founding members including SLECIC to develop the international relationships among the members in the Asian Region. The other members are HKEC, ECGC, MECIB, ECICS and its first meeting was held in Singapore on 15 February 1986.

The Chairmanship of RCG rotate among its members .SLECIC held the Chairmanship of this Group for the period 1993/ 1994 and 2007/2008. During SLECIC's second tenor as the Chair of the RCG, we were able to bring all Asian Export Credit Agencies together and formed an Annual Heads of Meeting with

participation of the Berne Union to focus more strategic matters of regional members and to find solutions within the group. This forum was very useful to members at which issues relating to members were discussed. So far we had 12 Annual Heads Meetings in various member countries including Sri Lanka.

This year's on line RCG Meeting was organized by Thai Exim bank on 1 December 2020 and the Chairman & Managing Director and the General Manager attended the Meeting.

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 including Sri Lanka Export Credit Insurance Corporation. SLECIC got the membership of this association in 2016.

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. Due COVID 19 pandemic, Chief Delegates Meetings was cancelled by the Japanese counterpart.

Marketing and Awareness

The Corporation, besides focussing on its core business of export credit risk insurance works in close co-ordination with export promotion bodies, trade chambers and Associations .As part of the Corporation's marketing efforts, besides organizing insurance education/awareness programmes for the benefit of exporters and bankers, personal visits to clients are undertaken during the first 2 months of 2020.

The Covid-19 pandemic has resulted in disruption of trade across the globe with a trickle-down effect on Sri Lankan exporters. The Corporation undertook various steps to provide support to its customers during the COVID 19 pandemic

After lockdown in mid of March to second week of May 2020, the staff used to work from home and serviced our policyholders all requirements, including issue new credit limits and enhancements through emails to facilitate their exports .Submission of shipment declarations were simplified and rationalized and arrangement were made to remit insurance premium to bank directly and accepted all late submission of declarations during lock down period.

The series of zoom discussions were held between our executives and many exporters to clarify issues and explain the benefit of export credit insurance and guarantee products of SLECIC.

Decision making processes were shorten and responsibilities delegated to the frontline level in order to stimulate more entrepreneurial behaviour in providing services to customers.

We are in close association with trade and industry chambers and export promotion institutions to promote our export support services and extended sponsorship on their activities and also to promote our image among members. But of those events like NCE Awards Ceremony was postpone to 2021 as such provisioning was made in 2020 Final accounts with necessary approvals.

Claims Paid

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.

The Corporation has continued to exercise prudent reserve management and adheres to such a policy which has been the cornerstone of its long-term financial stability. For years, the Corporation has maintained a contingency reserve to meet its obligations arising from unforeseen risks

The net claims for the year amounted to Rs. 95.13 Million as compared to Rs. 87.73 Million in 2019.

From the inception to the current financial year, Corporation had paid claims to the value of Rs.1399 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.

Corporate Culture, Training and development

Human Resources Staff's commitment and expertise and a people-based corporate culture contribute to the Corporation's success in serving the export community. The Corporation has continued to devote resources and effort, develop and maintain a highly professional, motivated and engaged team to support its business objectives and to respond to new initiatives and changes in the market

The Corporation's culture encourages staff input in decision making and development of new initiatives for ways of enhancing service quality. Such initiatives foster commitment and personal involvement in the welfare of the Corporation as a whole.

The wellbeing and contentment of our people is absolutely essential for the proper functioning of the Corporation, with desired levels of productivity and pro activity. Thus the Corporation is intrinsically involved not only in their work life but also in a recreational/leisure sense. So the Corporation is at the forefront of this aspect supporting the staff welfare activities, often with financial support.

Many Brainstorming sessions were arranged on line with Mr M. Vaidyanathan, the former General Manager of ECGC Ltd to discuss Claims manual and Buyer Score Card model for better implementation. Through this, staff members have raised creative and practical ideas thus contributing to the continued development of an open and accountable management style with positive staff participation in the determination of the corporate policy and objectives.

The Corporation adopted a two-tiered strategy, where the primary objective included the protection of all employees, and secondly ensuring business would go on as normal even with the restrictions. Therein, employee adherence to all Health Department enforced regulations and orders remained a key goal, complemented by its own initiatives to drive employee safety and continuity of operations.

The Corporation continues to bear all costs for quarantine procedures to be undertaken by employees. Apart from essentials such as providing PPE for all employees, Corporation also adopted a roster system during the first wave and offered free transport, to ensure its staff were safe and sound

The Corporation continued to face staffing pressures during the year, as a result of higher workloads prompted by stronger demand for cover.

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.

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 Corporation will make enhancements to both its internet platform, and its internal applications to provide customers with more efficient and reliable services to cater for future IT system development and maintenance, the Corporation's networking infrastructure will be enhanced to ensure business can continue without disruption.

AUDIT COMMITTEE REPORT FOR THE YEAR ENDED 31ST DECEMBER 2020

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. The Committee comprised 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 S M de Silva – Chairman of the Committee, Board Director of SLECIC, Actg. Director, Department of National Budget – Ministry of Finance, Ms. E A Ekanayake – Board Director of SLECIC, Assistant Director, Ministry of Trade, and Mr S Paranavithana, Board Director of SLECIC, Chief Officer – Life Insurance, Sri Lanka Insurance Corporation Ltd.

The Audit Committee held Three Meetings during the year 2020. 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 statements 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 General's 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 special 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 compliance.



K S M de Silva

Chairman

Audit Committee

Sri Lanka Export Credit Insurance Corporation.

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION (SLECIC)

Annual Financial Statements for the
Year ended December 31, 2020

Sri Lanka Export Credit Insurance Corporation (SLECIC)

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SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements - 2020
Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December

		31.12.2020	31.12.2019
	Note	Rs.	Rs.
Revenue			
Gross Written Premium	1	204,184,325.34	226,066,266.58
Net Change in Reserve for Unearned Premium	1a	1,987,999.94	3,678,463.98
Gross Earned Premium		206,172,325.28	229,744,730.56
Revenue from Other Operations	2	12,837,220.42	15,337,726.67
Total Net Revenue from Operations		219,009,545.70	245,082,457.23
Other Income			
Investment Income	3	215,395,334.99	216,940,848.72
Other Income	4	31,065,746.79	-5,057,448.22
		246,461,081.78	211,883,400.50
Total Net Revenue		465,470,627.48	456,965,857.73
Claims and Operating Expenses			
Net Claims	5	95,128,166.10	87,735,173.54
Status Reports		7,237,809.53	8,394,438.04
Establishment Expenditure	6	19,769,909.03	21,009,402.72
Administrative Expenditure	7	50,811,906.12	50,778,765.93
Selling & Marketing Expenditure	8	4,059,648.82	8,828,537.09
Finance Charges	9	89,456.28	3,314,284.54
Net Claims and Operating Expenses		177,096,895.88	180,060,601.86
Profit/Loss Before Value Added Tax		288,373,731.60	276,905,255.87
VAT on Financial Services		23,083,663.00	23,858,646.00
Profit Before Income Tax		265,290,068.60	253,046,609.87
Income Tax	9a	41,941,136.57	10,795,764.44
Net Profit/Loss for the year		223,348,932.03	242,250,845.43
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		223,348,932.03	242,250,845.43

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements - 2020
Statement of Financial Position

		As at 31.12.2020	As at 31.12.2019	As at 01.01.2019
	Note	Rs.	Rs.	Rs.
ASSETS				
Cash and cash equivalents	10	5,289,429.42	8,270,323.86	4,866,533.09
Foreign currency savings accounts	11	682,942.81	1,987,326.53	4,791,507.19
Treasury Trust Fund		0.00	23,658,844.17	22,267,906.93
Investment fund		32,497.95	1,054,937.04	103,044.61
Short term financial investments	12	2,387,549,984.30	1,845,825,066.60	1,671,180,433.02
Long term financial investments	13	445,663,577.72	687,134,191.76	687,134,191.76
Interest receivable	14	186,666,576.27	184,881,509.57	185,545,699.84
Trade Debtors		5,564,833.73	5,490,208.97	5,689,790.59
Sundry Debtors, Deposits and Pre-payments	15	8,324,841.89	8,685,474.40	12,641,693.83
Property, Plant & Equipment	16	153,919,384.79	167,193,203.23	180,497,369.83
Stock of Stationery & Consumables		333,982.95	341,088.05	299,180.14
Library materials		39,527.50	39,527.50	39,527.50
Total Assets		3,194,067,579.33	2,934,561,701.68	2,775,056,878.33
LIABILITIES				
Outstanding claims	17	295,073,784.16	243,615,705.53	246,681,605.15
Premium Advances		13,444,971.76	8,508,652.96	11,711,685.41
Sundry Creditors, Accrued Expenses & Provisions	18	46,629,068.77	46,688,020.95	121,209,377.58
Staff gratuity payable	19	13,228,994.16	11,571,417.60	9,848,687.00
Total Liabilities		368,376,818.85	310,383,797.04	389,451,355.14
EQUITY				
Stated Capital	20	30,000,000.00	30,000,000.00	30,000,000.00
Reserves	21	2,795,690,760.48	2,594,177,904.64	2,355,605,523.19
Total Equity		2,825,690,760.48	2,624,177,904.64	2,385,605,523.19
Total Liabilities & Equity		3,194,067,579.33	2,934,561,701.68	2,775,056,878.33

The Accounting Policies and Notes to the Accounts form an integral part of these Financial Statements.
The Board of Directors is responsible for the preparation and presentation of these Financial Statements
The Financial Statements were approved by the Board of Directors and signed on their behalf



D P Aluthge
Asst. General Manager - Finance



A H W Ambawatta
Chairman & Managing Director

25.02.2021



K S M De Silva
Director

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements - 2020

Cash Flow statement for the Year ending 31st December 2020

	Year Ending 31.12.2020 Rs.	Year Ending 31.12.2019 Rs.
Inflows from Operating Activities		
Profit Before Taxation	265,290,069	253,046,610
Adjustments for Non- Cash Items		
Depreciation	13,357,874	13,404,291
Provision for Gratuity	1,844,827	1,882,031
Provision for Claims	95,128,166	87,735,173
VAT on Financial Services	23,083,663	23,858,646
Transfers from/(to) Reserves	-21,836,076	-3,678,464
Operating Profit before Working Capital Changes	376,868,523	376,248,287
Decrease/(Increase) in Trade and Other Receivables	286,008	4,155,801
Decrease / (Increase) in Inventories	7,105	-41,908
Increase/ (decrease) in Trade and Other Payables	972,011	-22,189,895
Cash Generated from Operations	378,133,647	358,172,285
Claims Paid	-43,670,087	-90,801,073
Payment of VAT on FS	-26,201,907	-34,053,671
Income Tax Paid	-34,917,537	-56,135,233
Gratuity Paid	-187,250	-159,300
Net Cash Flow from Operating Activities	273,156,866	177,023,008
Cash Flow from Investing Activities		
Purchase of Fixed Assets	-84,056	-100,125
Transfer to Long/Short Term Investments	-302,039,371	-173,980,443
Transfer from/to Foreign Currency Savings Account	1,304,383	2,804,180
Transfer from Treasury Trust Fund	23,658,844	-1,390,937
Transfers from/to Investment Fund	1,022,439	-951,892
Net Cash Flow from Investing Activities	-276,137,761	-173,619,217
Net Increase/(Decrease) in Cash & Cash Equivalents	-2,980,895	3,403,791
Cash & Cash Equivalents at the beginning of the period	8,270,324	4,866,533
Cash & Cash Equivalents at the end of the period	5,289,429	8,270,324

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION Annual Financial Statements - 2020 Reserves As At 31st December 2020						
	Capital Contributed Rs.	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 1st January 2019	30,000,000.00	2,131,527,483.35	141,710,389.74	58,507,949.05	23,859,701.05	2,385,605,523.19
Transferred from Revaluation Reserve Net Profit for the Year 2019		7,888,946.00	-7,888,946.00			0.00
Transferred during the year 2019		242,250,845.43			-3,678,463.98	242,250,845.43
						-3,678,463.98
						0.00
						0.00
Balance as at 31st December 2019	30,000,000.00	2,381,667,274.78	133,821,443.74	58,507,949.05	20,181,237.07	2,624,177,904.64
Transferred from Revaluation Reserve Net Profit for the Year 2020		8,154,758.82	-8,154,758.82			0.00
Transferred during the year 2020		223,348,932.03				223,348,932.03
Special Levy for 2020		-19,848,076.25			-1,987,999.94	-1,987,999.94
						-19,848,076.25
Balance as at 31st December 2020	30,000,000.00	2,593,322,889.38	125,666,684.92	58,507,949.05	18,193,237.13	2,825,690,760.48

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2020

Notes to the Annual Financial Statements for 2020

Note		31.12.2020 Rs.	31.12.2019 Rs.
1	Gross Written Premium		
	Pre-shipment Credit Guarantee	5,558,367.59	13,174,701.41
	Post Shipment Credit Guarantee	1,131,874.39	1,390,434.65
	Export Performance Guarantee	0.00	1,055,082.00
	Cost of Passage Guarantee (APARA)	613,442.56	1,477,700.32
	Export Payments Insurance Policy (Seller's Risk)	196,880,640.80	208,968,348.20
		204,184,325.34	226,066,266.58
	Decrease in Unearned Premium	1a. 1,987,999.94	3,678,463.98
	Gross Earned Premium	206,172,325.28	229,744,730.56
1a	Unearned Premium		
	Export Payments Insurance Policies Gross Unearned Premium		
	Balance as at 1st January	17,616,549.32	21,350,717.58
	Premium written during the year	196,880,640.80	208,968,348.20
	Premium earned during the year	197,399,505.66	212,702,516.46
	Balance as at 31st December	17,097,684.46	17,616,549.32
	Credit Guarantee Gross Unearned Premium		
	Balance as at 1st January	2,564,687.76	2,508,983.47
	Premium written during the year	7,303,684.54	17,097,918.38
	Premium earned during the year	8,772,819.62	17,042,214.10
	Balance as at 31st December	1,095,552.68	2,564,687.75
	Total Reserve as at 31st December	18,193,237.14	20,181,237.07
	Total Reserve as at 1st January	20,181,237.08	23,859,701.05
	Net Change in Unearned Premium Reserve	-1,987,999.94	-3,678,463.98
2	Other operational Income		
	Guarantee, Policy, Administrative, Processing and BLL Fees	8,771,612.74	9,983,380.07
	BizInfo Income	4,065,607.68	5,354,346.60
	Repayment of Claims Paid	-	-
		12,837,220.42	15,337,726.67
3	Investment Income		
	Treasury Bills / Bonds	9,350,251.46	16,485,538.11
	Call Deposit	713,085.35	519,323.28
	SMIB Deposit	23,792.80	22,966.02
	Debentures	62,511,910.51	66,236,873.90
	US Dollar Fixed Deposits	60,181,337.24	46,588,801.66
	US Dollar Savings	50,580.35	85,700.95
	Euro Fixed Deposit	1,066,463.63	862,470.97
	Temporary Surplus Trust Fund	455,412.82	1,436,457.38
	Dividends	320,000.00	280,000.00
	SLR Fixed Deposit	80,666,592.92	84,390,517.04
	Interest on Investment Fund	55,907.91	32,199.41
		215,395,334.99	216,940,848.72

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2020

Notes to the Annual Financial Statements for 2020

Note		31.12.2020 Rs.	31.12.2019 Rs.
4	Other Income		
	Interest on Staff Loans	153,959.43	145,030.91
	Profit on Disposal of Fixed Assets	0.00	0.00
	Treasury Bill Interest on Gratuity Fund	609,295.05	755,616.20
	Interest on Gratuity Savings Account	4,862.94	5,113.98
	Sundry Income	5,880.00	520.00
	Exchange Gain/Loss	30,291,749.37	-5,963,729.31
		31,065,746.79	-5,057,448.22
5	Net Claims Paid		
	Claims Provision as at end of the year - Specific	264,467,319.79	209,762,232.23
	Claims Provided in the previous years	112,486,887.81	75,353,828.30
	Claims for the Year 2020	151,980,431.98	134,408,403.93
	Less : Excess Provision made in previous year	61,881,941.46	82,936,418.02
	Net Claims for the year 2020 - Specific	90,098,490.52	51,471,985.91
	Contingent Provision - 2020 (Please refer Note 17)	5,029,675.58	36,263,187.63
		95,128,166.10	87,735,173.54
6	Establishment Expenditure		
	Rates	762,300.00	762,300.00
	Water	86,080.14	109,807.77
	Electricity	1,160,093.54	1,486,222.77
	Telephone	788,789.91	869,754.72
	E-Mail & Internet, Website	762,102.70	646,004.90
	Security	512,207.00	412,644.98
	Depreciation - Building	8,825,000.00	8,825,000.00
	Motor Vehicles	2,680,000.00	2,680,000.00
	Office Equipment	296,217.37	272,843.37
	Computers & Printers	1,355,863.07	1,343,408.08
	Furniture & Fittings	140,923.00	140,923.00
	Software	59,871.00	142,117.15
	Insurance - Building - Office Premises (Nawam Mwt)	115,238.48	116,940.12
	Motor Vehicles	249,862.95	249,788.37
	Office Equipment, Furniture & Fittings	14,863.22	12,091.21
	Repairs & Maintenance - Building	0.00	0.00
	Motor Vehicles	516,284.29	1,503,083.98
	Office Equipment, Furniture	58,471.89	9,299.22
	Computers & Printers	469,215.00	546,525.27
	Software	113,995.78	121,327.54
	Maintaining Office Premises	802,529.69	759,320.27
		19,769,909.03	21,009,402.72

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2020

Notes to the Annual Financial Statements for 2020

Note	31.12.2020 Rs.	31.12.2019 Rs.
7 Administrative Expenditure		
Salaries & Allowances	24,173,770.78	24,094,489.11
Other Staff Benefits	11,521,046.98	12,130,912.18
Recruitment, Local training & Subscriptions to educational inst.	20,975.00	531,703.10
Tea & Related Expenses	417,885.04	778,605.40
Employees Provident Fund	6,248,583.39	6,131,827.10
Employees Trust Fund	781,073.10	766,478.56
Gratuity	1,844,826.56	1,882,030.60
Foreign Training	0.00	157,118.47
Directors Fees	320,000.00	80,000.00
Travelling, Transport & Subsistence	1,192,706.00	445,558.10
Postage	33,325.00	53,176.00
Annual Report & Other Printing	994,022.00	112,586.05
Stationery	202,884.27	163,875.44
Fuel	755,603.00	830,639.00
External Audit Fees	364,320.00	901,037.84
Internal Audit Fees	616,480.00	542,543.83
Professional, Legal & Consultancy Fees	130,435.00	143,383.45
General Expenses	15,415.00	21,255.00
Stamp Duty	10,025.00	10,125.00
News Papers, Books & Magazines	21,982.00	48,770.00
Anniversary Expenses	739,500.00	952,651.70
Employee Safety Expenses (COVID)	407,048.00	0.00
	50,811,906.12	50,778,765.93
8 Selling & Marketing Expenditure		
Promotional Investments	540,000.00	1,524,814.04
Advertising - Print & Electronic Media		
Adverting in Newspapers, Magazines, Journals and Radio	0.00	227,625.98
Printing Cost on Brochures, Forms, Applications etc.	30,943.83	44,692.71
Business Travel (Foreign) & Conferences	2,414.19	2,386,964.89
Trade Exhibitions, Client Meetings, get-together	0.00	777,153.66
Fuel Cost	212,877.00	271,153.00
Annual Compliments, Greeting Cards & Gifts	0.00	20,189.08
Entertainment	6,085.00	176,944.13
Corporate Memberships	167,628.80	195,049.60
Subs. To Int. Professional & Export Related Orgn	3,099,700.00	3,203,950.00
	4,059,648.82	8,828,537.09

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2020

Notes to the Annual Financial Statements for 2020

Note		31.12.2020 Rs.	31.12.2019 Rs.
9	Finance Charges		
	Bank Charges	65,624.28	93,381.54
	Stamp Duty	23,700.00	39,750.00
	Nation Building Tax	132.00	3,181,153.00
		89,456.28	3,314,284.54

9a **Income Tax**

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

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

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

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2020

Notes to the Annual Financial Statements for 2020

Note	31.12.2020 Rs.	31.12.2019 Rs.	01.01.2019 Rs.
10 Cash & Cash Equivalent			
Cash at Bank			
Hatton National Bank Current Accounts	833,186.30	2,914,982.32	2,952,847.24
Hatton National Bank Call Deposit Account	3,956,769.44	4,599,867.42	1,039,649.51
Bank of Ceylon Current Account	303,541.03	656,841.87	690,569.69
People's Bank Current Account	193,932.65	96,632.25	181,466.65
	5,287,429.42	8,268,323.86	4,864,533.09
Cash in Hand	2,000.00	2,000.00	2,000.00
	5,289,429.42	8,270,323.86	4,866,533.09
11 Foreign Currency Savings Accounts			
Bank of Ceylon - US Dollar Account	427,221.00	1,745,301.68	1,075,334.60
People's Bank - US Dollar Account	219,592.56	209,974.03	3,683,261.55
EURO Savings Account	36,129.25	32,050.82	32,911.04
	682,942.81	1,987,326.53	4,791,507.19
12 Short Term Investments			
US Dollar Fixed Deposits	1,094,313,602.04	1,002,677,864.30	949,327,865.33
EURO Fixed Deposit	44,773,966.24	38,773,597.24	38,926,247.85
SLR Fixed Deposits	1,238,656,249.70	795,200,000.00	674,533,380.82
Gratuity savings account	135,363.49	130,500.55	125,642.28
Tresury Bills on Gratuity savings	9,670,802.83	9,043,104.51	8,267,296.74
	2,387,549,984.30	1,845,825,066.60	1,671,180,433.02
13 Long Term Investments			
Debentures	400,000,000.00	550,000,000.00	550,000,000.00
Shares in Ingrin Ltd	10.00	10.00	10.00
Shares in Credit Information Bureau	123,700.00	123,700.00	123,700.00
Treasury Bonds	45,539,867.72	137,010,481.76	137,010,481.76
	445,663,577.72	687,134,191.76	687,134,191.76
14 Interest Receivable			
Treasury Deposit	67,154,144.92	67,154,144.92	67,154,144.92
Treasury Bills/Bonds	6,326,427.81	7,709,193.46	6,870,522.91
Debentures	53,438,003.40	56,494,629.12	53,909,759.62
US Dollar Fixed Deposits	24,318,212.96	21,354,679.38	15,766,425.71
Temporary Surplus Trust Fund	0.00	733,819.26	688,299.12
Gratuity Funds - Treasury Bills	49,096.94	67,500.21	87,691.78
SLR Fixed Deposits	35,380,690.24	31,367,543.22	41,066,576.19
Euro Fixed Deposit	0.00	0.00	2,279.59
	186,666,576.27	184,881,509.57	185,545,699.84

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2020

Notes to the Annual Financial Statements for 2020

Note

	31.12.2020 Rs.	31.12.2019 Rs.	01.01.2019 Rs.
15 Sundry Debtors, Deposits & Pre Payments			
Advances on Export Bill Discounting Facility	34,958,636.11	34,958,636.11	34,958,636.11
Less : Provision for Doubtful Debts	34,958,636.11	34,958,636.11	34,958,636.11
	0.00	0.00	0.00
Staff Loans & General Advances	2,927,151.71	3,971,796.65	2,672,837.08
Sundry Deposits 15 (a)	108,837.50	108,837.50	108,837.50
State Mortgage & Investment Bank Deposit	614,833.29	591,040.49	570,371.07
Refundable Deposits	56,500.00	56,500.00	56,500.00
Sundry Debtors	770.00	770.00	770.00
Withholding Tax Recoverable	0.00	249,081.23	5,828,686.32
Pre-payments	329,692.71	1,069,012.47	582,046.46
BizInfo Income Receivable	2,101,545.68	363,012.00	636,134.40
Dishonoured Cheques		89,913.06	0.00
VAT on Financial Services Recoverable	2,185,511.00	2,185,511.00	2,185,511.00
	8,324,841.89	8,685,474.40	12,641,693.83
15 (a) Sundry Deposits			
Sri Lanka Telecom	57,700.00	57,700.00	57,700.00
Associated Newspapers of Ceylon Ltd	27,625.00	27,625.00	27,625.00
Data Net Electronic Telecommunication System	15,000.00	15,000.00	15,000.00
ICLP Arbitration Centre	8,512.50	8,512.50	8,512.50
	108,837.50	108,837.50	108,837.50
16 Property, plant & equipment - Please refer attachment (Page 13)			
17 Outstanding Claims			
Specific Provision	264,467,319.79	209,762,232.23	212,590,775.48
Contingent Provision for Claims			
Balance as at 1st January	33,853,473.30	34,090,829.67	35,909,810.15
Utilisation during the year	8,276,684.51	36,500,544.00	971,135.84
Charge for the year	5,029,675.58	36,263,187.63	-847,844.64
Balance provision as at 31st December	30,606,464.37	33,853,473.30	34,090,829.67
Total Provision for Claims	295,073,784.16	243,615,705.53	246,681,605.15

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2020

Notes to the Annual Financial Statements for 2020

Note	31.12.2020 Rs.	31.12.2019 Rs.	01.01.2019 Rs.
18 Sundry Creditors, Accrued Expenses and Provisions			
Sundry Creditors			
General VAT (Charged from Policy Premium)		32,662.00	190,455.06
Staff Medical Fund	612,978.00	570,378.00	397,073.00
Refundable Deposits	1,465,700.00	1,574,900.00	1,535,000.00
Accrued Expenses			
Employees Provident Fund	1,170,380.98	1,030,753.26	1,089,079.04
Employees Trust Fund	115,701.35	100,050.21	104,928.03
PAYE Tax	0.00	5,617.00	13,290.00
Stamp Duty	8,525.00	12,000.00	12,450.00
Nation Building Tax	0.00	1,221,854.00	4,275,815.00
Other Payables	8,728,879.49	6,901,608.66	7,568,784.17
Charges on Status Reports	1,790,343.30	1,868,712.17	1,839,170.16
Provisions			
Audit Fees Payable	1,440,000.00	1,853,280.00	2,137,633.92
Income Tax Payable	23,425,901.65	16,402,302.65	61,741,771.20
VAT on Financial Services	6,045,659.00	9,163,903.00	19,358,928.00
Annual Report Printing Charges	1,825,000.00	950,000.00	945,000.00
Special Levy Payable		5,000,000.00	20,000,000.00
	46,629,068.77	46,688,020.95	121,209,377.58
19 Gratuity Payable			
Movement in the Account			
Balance as at 1st January	11,571,417.60	9,848,687.00	13,488,109.75
Paid during the year	187,250.00	159,300.00	263,500.00
Provision for the year	1,844,826.56	1,882,030.60	625,168.00
Excess provision transferred to General Reserve	0.00	0.00	4,001,090.75
Balance as at 31st December	13,228,994.16	11,571,417.60	9,848,687.00
<p>The defined benefit plan - Gratuity : The Corporation's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current period and discounted to determine its present value. With the adoption of LKAS 19 - Employee Benefits from 2018, the current service cost of Rs.770,207/- and the present value of the defined benefit obligation of Rs.13,228,994/- has been recognized under the project unit credit method.</p> <p>The Actuarial calculation was commenced with effect from 2018 and the values for 2020 has been derived by using the amounts of 2019 inflated by the discount factor considered in the original calculation as the standard requires the actuarial valuation to be done once in three years.</p>			
20 Capital Employed			
Capital Contributed - Treasury	30,000,000.00	30,000,000.00	30,000,000.00
21 Reserves - Please refer attachment (Page 14)			
22 Exchange Rate			
The following exchange rates have been used to convert the foreign currency as at end December 2020			
US Dollars	-	184.12	
Euro	-	225.54	

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2020

Notes to the Annual Financial Statements for 2020

23 Disclosure on revaluation of Fixed Assets

- Effective date of revaluation

Building	01.01.2018
Motor Vehicles	31.12.2016
Computers and Printers	31.12.2016
Office Equipment	31.12.2016
Furniture and Fittings	31.12.2016

- Valuation was carried out by the Government Valuation Department
- Valuation has been done as accurately as possible after inspection and observation and considering all the relevant factors that affect the value.
- The value arrived by the revaluation is the market value of the assets.
- Carrying value of the revalued assets under the cost model.

Building	3,327.35
Motor Vehicles	0.00
Computers and Printers	0.00
Office Equipment	0.00
Furniture and Fittings	8,951.62

24 Contingent Liabilities

(a) Lawsuits against the Corporation

Southern Son Teas (Pvt) Ltd Vs Sri Lanka Export Credit Insurance Corporation ; HC (CIVIL) 193 2004 (I)
The case was instituted by the exporter on a rejection of a claim for a value of Rs.17.02 Million in the Commercial High Court of Colombo
Present Position : The judgement was given in favour of the exporter and exporter was required to fulfil certain conditions prior to receipt of the compensation. Since the exporter has so far failed to meet the stipulated conditions the payment is withheld.

(b) The total liability underwritten by the Corporation as at 31st December 2020

- Export Payments Insurance Policies in Force	Rs.	12,677,000,000.00
- Credit Guarantees in Force	Rs.	1,635,323,479.00
Maximum Liability	Rs.	14,312,323,479.00

25 Investment Fund Account

An Investment Fund Account was established in November 2011 to transfer funds equivalent to the total of 8% of the Value Added Tax on Financial Services and 5% of the Income Tax on an annual basis on a Treasury Directive. Since the Corporation is not involved in lending funds, as per the guidelines issued by the Central Bank of Sri Lanka, the funds in the Investment Fund Account has been invested in Treasury Bonds over 7 years. The Corporation has invested a sum of Rs.45.54 Million with a face value of Rs.51 Million in over 7 years Treasury Bonds and these investments have been listed under the Long Term Investments.

26 Related Party Interest

There were no related party interest during the year 2020

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION**Property Plant and Equipment - 2020**

Item	Assets at Cost as at 01.01.20 Rs	Assets at Revaluation 01.01.20 Rs	Additions 2020 Rs	Disposals 2020 Rs	Nett Value as at 31.12.20 Rs	Depreciation as at 01.01.20 Rs	Depreciation 2020 Rs	Accumulated Depreciation As at 31.12.20 Rs	Written Down Value As at 31.12.20 Rs
Buildings	0.00	176,500,000.00	0.00	0.00	176,500,000.00	17,650,000.00	8,825,000.00	26,475,000.00	150,025,000.00
Motor vehicle	0.00	13,400,000.00	0.00	0.00	13,400,000.00	8,040,000.00	2,680,000.00	10,720,000.00	2,680,000.00
Software	6,672,949.77	0.00	0.00	0.00	6,672,949.77	6,613,066.77	59,871.00	6,672,937.77	12.00
Computers & Printers	0.00 2,576,952.33	2,846,500.00 0.00	0.00 0.00	0.00 0.00	2,846,500.00 2,576,952.33	2,134,375.00 1,694,167.07	711,625.00 644,238.07	2,846,500.00 2,338,405.14	0.00 238,547.19
Furniture & Fittings	64,059.75 0.00	0.00 1,345,200.00	0.00 0.00	0.00 0.00	64,059.75 1,345,200.00	15,779.53 403,560.00	6,403.00 134,520.00	22,182.53 538,080.00	41,877.22 807,120.00
Office Equipment	0.00 437,187.49	668,750.00 0.00	0.00 84,056.00	0.00 0.00	668,750.00 521,243.49	501,562.50 265,385.24	167,187.50 129,029.87	668,750.00 394,415.11	0.00 126,828.38
TOTAL	9,751,149.34	194,760,450.00	84,056.00	0.00	204,595,655.34	37,318,396.11	13,357,874.44	50,676,270.55	153,919,384.79

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION Annual Financial Statements - 2020 Reserves As At 31st December 2020					
	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 1st January 2019	2,131,527,483.35	141,710,389.74	58,507,949.05	23,859,701.05	2,355,605,523.19
Transferred from Revaluation Reserve	7,888,946.00	-7,888,946.00			0.00
Net Profit for the Year 2019	242,250,845.43				242,250,845.43
Transferred during the year 2019				-3,678,463.98	-3,678,463.98
					0.00
					0.00
Balance as at 31st December 2019	2,381,667,274.78	133,821,443.74	58,507,949.05	20,181,237.07	2,594,177,904.64
Transferred from Revaluation Reserve	8,154,758.82	-8,154,758.82			0.00
Net Profit for the Year 2020	223,348,932.03				223,348,932.03
Transferred during the year 2020				-1,987,999.94	-1,987,999.94
Special Levy for 2020	-19,848,076.25				-19,848,076.25
Balance as at 31st December 2020	2,593,322,889.38	125,666,684.92	58,507,949.05	18,193,237.13	2,795,690,760.48

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION (SLECIC)

Significant Accounting Policies

General Information

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

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

Summary of significant accounting policies

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

01. Basis of Preparation

1.1 Principal Activities and Nature of Operations

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

1.2 Basis of measurement

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

1.3 Use of Estimates and Judgments

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

1.4 Going Concern

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

02. Comparative Information

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

03. Significant Accounting Policies.

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

3.1 Foreign Currency Transactions

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

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

3.2 Property, Plant and Equipment**a) Recognition and Measurement**

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

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

b) Depreciation

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

The principal annual rates used are as follows.

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

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

c) Disposal

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

d) Impairment

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

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

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

3.4 Capital Work in Progress

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

3.5 Intangible Assets

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

a) Basis of Recognition

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

b) Subsequent Expenditure

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

c) Retirement and Disposal

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

d) Amortization

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

e) Impairment

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

3.6 Investment Properties

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

3.7 Short term Investments

a) Short term Investments in Local currency

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

b) Short term Investments in Foreign currency

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

3.7.1 Financial Investments: Held-to-Maturity

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

3.7.2 Risk arising from Financial Instruments

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

3.8 Trade and Other Receivables

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

3.9 Inventories

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

3.10 Cash and Cash Equivalents

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

3.11 Cash Flow Statements

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

4 Employee Benefits

a) Defined Benefit Plan – Retirement Gratuity

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

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

b) Define Contribution Plan

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

5. Liabilities and provisions

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

a) Trade and Other Payables

Trade and other payables are stated at their cost.

b) Contingent Provision for Claims

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

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

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

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

c) Provision for Reported Claims

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

d) Reserve for Unearned Premium on Unexpired Risk

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

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

6. Revenue**6.1 Premium Income**

Revenue received from the Premium Income has been recognized on 'Accrual Basis' by taking account of all the declarations submitted up to the end of the year. Transfer of risks and rewards vary depending on the individual terms of the contract. All the expenditure items are accounted on 'Accrual Basis.' The accounting policies applied are consistent with those applied in the previous years.

6.2 Other Operating Income

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

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

6.3 Expense Recognition

a) Revenue Expenditure

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

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

b) Capital Expenditure

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

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

6.4 Taxation

Income Tax Expenses

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

6.5 Borrowing costs

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

6.6 Comparative information

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

6.7 Commitments and Contingencies

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

6.8 Events Occurring After the Balance Sheet Date

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



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Your No. }

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திகதி
Date }

04 August 2021

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 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

The above mentioned report is sent herewith.

W.P.C. Wickramaratne
Auditor General

Copy to: - Secretary, Ministry of Finance





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Your No.

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திகதி
Date } 24 August 2021

Chairman

Sri Lanka Export Credit Insurance Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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



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

1.3 Other information included in the Corporation's 2020 Annual Report.

The other information comprises the information included in the Corporation's 2020 Annual Report but does not include the financial statements and my auditor's report thereon, which I have obtained prior to the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work I have performed on the other information that I have obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

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

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to



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draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Corporation as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to State that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;



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2.2.2 to state that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the Corporation as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for followings;

<i>Reference to Law/ Direction</i>	<i>Description</i>
(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka	
(i) Paragraph 13.3 of Chapter II	Although the temporary appointment should only be done until the permanent appointment, the post of Manager (Marketing) had been vacant for more than 10 years and paid an amount totalling to Rs.1,054,900 as an acting allowance upto 31 December 2020.
(ii) Paragraph 10 of Chapter VIII	The Corporation had paid holiday pay amounted to Rs. 789,247 and Rs.462,076 for year 2019 and 2020 respectively for working hours less than 8 hours as it is required to have minimum 8 hours of work to pay holiday pay for executive officers.
(b) Public Administration Circular	
(i) No. 21/2015 dated on 17 August 2015	Although an advance of Rs.10,000 can be given for annual festival with recoverable basis for employees, the Corporation had paid Rs. 52,000 per employee for festive season without recovery basis as financial assistance to employees. The corporation had paid Rs. 879,750 as balance payment of year 2019 and Rs. 1,716,000 as payment for year 2020 even without the approval of the Treasury.



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- (ii) No.30/2008 Although the distress loan should be paid to the amount dated on 31 which is lower from maximum liability of Rs.250,000 or 10 December 2008 month basic salary, the Corporation had paid loans to the employees exceeding the valid limits.

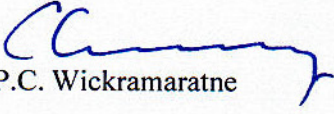
2.2.3 to state that the Corporation has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Corporation had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018, except for;

- (a) The accounting system and the operating system of the corporation was not interconnected. The customers outstanding as per the two systems are difference from each other.
- (b) During the audit test checks it was observed that there was a difference of Rs.1,157,360 between outstanding customer balances as at 31 December 2020 as per ledger and EPIP file maintained by the Operations division.
- (c) 32 excesses and 05 shortfalls amounting to Rs.1,518,436 and Rs.82,310 respectively remained more than 03 years without taking necessary action for clearance.

2.5 Other Matters

- (a) An amount of Rs.2,185,511 for VAT on financial services recoverable had been remained more than 03 years without recovering.
- (b) The Corporation had paid Rs. 1,245,556 and Rs. 1,520,509 as leave encashment for year 2019 and 2020 respectively for employees. However, at the same time, the Corporation had paid Rs. 208,969 & Rs. 121,984 as attendance incentive for year 2019 and 2020 respectively. Accordingly, the Corporation had paid two benefits for the same purpose.


W.P.C. Wickramaratne

Auditor General