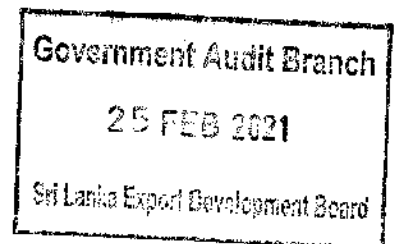


# SRI LANKA EXPORT CREDIT INSURANCE CORPORATION (SLECIC)

Annual Financial Statements for the  
Year ended December 31, 2020

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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

|                                                | NOTE | 31.12.2020<br>RS.     | 31.12.2019<br>RS.     |
|------------------------------------------------|------|-----------------------|-----------------------|
| <b>REVENUE</b>                                 |      |                       |                       |
| 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         |
| <b>TOTAL NET REVENUE FROM OPERATIONS</b>       |      | <b>219,009,545.70</b> | <b>245,082,457.23</b> |
| <b>OTHER INCOME</b>                            |      |                       |                       |
| 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        |
| <b>TOTAL NET REVENUE</b>                       |      | <b>465,470,627.48</b> | <b>456,965,857.73</b> |
| <b>CLAIMS AND OPERATING EXPENSES</b>           |      |                       |                       |
| 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          |
| <b>NET CLAIMS AND OPERATING EXPENSES</b>       |      | <b>177,096,895.88</b> | <b>180,060,601.86</b> |
| <b>PROFIT/LOSS BEFORE VALUE ADDED TAX</b>      |      | <b>288,373,731.60</b> | <b>276,905,255.87</b> |
| 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         |
| <b>NET PROFIT/LOSS FOR THE YEAR</b>            |      | <b>223,348,932.03</b> | <b>242,250,845.43</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>              |      |                       |                       |
|                                                |      | -                     | -                     |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> |      | <b>223,348,932.03</b> | <b>242,250,845.43</b> |

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**SRI LANKA EXPORT CREDIT INSURANCE CORPORATION**

**ANNUAL FINANCIAL STATEMENTS - 2020**

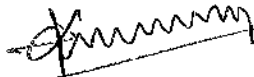
**STATEMENT OF FINANCIAL POSITION**

|                                                 | NOTE | AS AT 31.12.2020<br>Rs. | AS AT 31.12.2019<br>Rs. | AS AT 01.01.2019<br>Rs. |
|-------------------------------------------------|------|-------------------------|-------------------------|-------------------------|
| <b>ASSETS</b>                                   |      |                         |                         |                         |
| 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               |
| <b>TOTAL ASSETS</b>                             |      | <b>3,194,067,579.33</b> | <b>2,934,561,701.68</b> | <b>2,775,056,878.33</b> |
| <b>LIABILITIES</b>                              |      |                         |                         |                         |
| 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            |
| <b>TOTAL LIABILITIES</b>                        |      | <b>368,376,818.85</b>   | <b>310,383,797.04</b>   | <b>389,451,355.14</b>   |
| <b>EQUITY</b>                                   |      |                         |                         |                         |
| 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        |
| <b>TOTAL EQUITY</b>                             |      | <b>2,825,690,760.48</b> | <b>2,624,177,904.64</b> | <b>2,385,605,523.19</b> |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>           |      | <b>3,194,067,579.33</b> | <b>2,934,561,701.68</b> | <b>2,775,056,878.33</b> |

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

  
D P ALUTHGE  
ASST. GENERAL MANAGER - FINANCE

  
A H W AMBAWATTA  
CHAIRMAN & MANAGING DIRECTOR

  
K S M DE SILVA  
DIRECTOR

25.02.2021

# SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

## ANNUAL FINANCIAL STATEMENTS - 2020

### CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST DECEMBER 2020

|                                                        | YEAR ENDING 31.12.2020 | YEAR ENDING 31.12.2019 |
|--------------------------------------------------------|------------------------|------------------------|
|                                                        | Rs.                    | Rs.                    |
| <b>INFLOWS FROM OPERATING ACTIVITIES</b>               |                        |                        |
| PROFIT BEFORE TAXATION                                 | 265,290,069            | 253,046,610            |
| <b>ADJUSTMENTS FOR NON- CASH ITEMS</b>                 |                        |                        |
| 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            |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>             |                        |                        |
| 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<br>RS. | GENERAL RESERVE<br>RS. | REVALUATION RESERVE<br>RS. | INVESTMENT FUND<br>RS. | UNEARNED PREMIUM<br>RS. | TOTAL<br>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<br>NET PROFIT FOR THE YEAR 2019 |                            | 7,888,946.00           | -7,888,946.00              |                        |                         | 0.00             |
| TRANSFERRED DURING THE YEAR 2019                                     |                            | 242,250,845.43         |                            |                        | -3,678,463.98           | 242,250,845.43   |
|                                                                      |                            |                        |                            |                        |                         | 0.00             |
|                                                                      |                            |                        |                            |                        |                         | 0.00             |
| BALANCE AS AT 31ST DECEMBER 2019                                     | 30,000,000.00              | 2,381,667,274.78       | 133,821,443.74             | 58,507,949.05          | 20,181,237.07           | 2,624,177,904.64 |
| TRANSFERRED FROM REVALUATION RESERVE<br>NET PROFIT FOR THE YEAR 2020 |                            | 8,154,758.82           | -8,154,758.82              |                        |                         | 0.00             |
| TRANSFERRED DURING THE YEAR 2020                                     |                            | 223,348,932.03         |                            |                        | -1,987,999.94           | 223,348,932.03   |
| SPECIAL LEVY FOR 2020                                                |                            | -19,848,076.25         |                            |                        |                         | -19,848,076.25   |
| BALANCE AS AT 31ST DECEMBER 2020                                     | 30,000,000.00              | 2,593,322,889.38       | 125,666,684.92             | 58,507,949.05          | 18,193,237.13           | 2,825,690,760.48 |

**SRI LANKA EXPORT CREDIT INSURANCE CORPORATION**

**ANNUAL FINANCIAL STATEMENTS - 2020**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020**

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

**SRI LANKA EXPORT CREDIT INSURANCE CORPORATION**

**ANNUAL FINANCIAL STATEMENTS - 2020**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020**

| NOTE                                               | 31.12.2020           | 31.12.2019           |
|----------------------------------------------------|----------------------|----------------------|
|                                                    | Rs.                  | Rs.                  |
| <b>4 OTHER INCOME</b>                              |                      |                      |
| 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        |
|                                                    | <b>31,065,746.79</b> | <b>-5,057,448.22</b> |
| <b>5 NET CLAIMS PAID</b>                           |                      |                      |
| 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        |
|                                                    | <b>95,128,166.10</b> | <b>87,735,173.54</b> |
| <b>6 ESTABLISHMENT EXPENDITURE</b>                 |                      |                      |
| 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           |
|                                                    | <b>19,769,909.03</b> | <b>21,009,402.72</b> |

# SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

## ANNUAL FINANCIAL STATEMENTS - 2020

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020

| NOTE                                                             | 31.12.2020<br>Rs.    | 31.12.2019<br>Rs.    |
|------------------------------------------------------------------|----------------------|----------------------|
| <b>7 ADMINISTRATIVE EXPENDITURE</b>                              |                      |                      |
| 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                 |
|                                                                  | <b>50,811,906.12</b> | <b>50,778,765.93</b> |
| <b>8 SELLING &amp; MARKETING EXPENDITURE</b>                     |                      |                      |
| PROMOTIONAL INVESTMENTS                                          | 540,000.00           | 1,524,814.04         |
| ADVERTISING - PRINT & ELECTRONIC MEDIA                           |                      |                      |
| ADVERTING IN NEWSPAPERS, MAGAZINES, JOURNALS AND RADIO           | 0.00                 | 227,625.98           |
| PRINTING COST OF BROCHURES, FORMS, APPLICATIONS ETC.             | 30,943.83            | 44,692.71            |
| BUSINESS TRAVEL (FOREIGN) & CONFERENCES                          | 2,414.19             | 2,386,964.89         |
| TRADE EXHIBITIONS, CLIENT MEETINGS, GET-TOGETHER                 | 0.00                 | 777,153.66           |
| FUEL COST                                                        | 212,877.00           | 271,153.00           |
| ANNUAL COMPLIMENTS, GREETING CARDS & GIFTS                       | 0.00                 | 20,189.08            |
| ENTERTAINMENT                                                    | 6,085.00             | 176,944.13           |
| CORPORATE MEMBERSHIPS                                            | 167,628.80           | 195,049.60           |
| SUBS. TO INT.PROFESSIONAL & EXPORT RELATED ORGN                  | 3,099,700.00         | 3,203,950.00         |
|                                                                  | <b>4,059,648.82</b>  | <b>8,828,537.09</b>  |



# SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

## ANNUAL FINANCIAL STATEMENTS - 2020

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020

| NOTE                     | 31.12.2020       | 31.12.2019          |
|--------------------------|------------------|---------------------|
|                          | Rs.              | Rs.                 |
| <b>9 FINANCE CHARGES</b> |                  |                     |
| 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        |
|                          | <b>89,456.28</b> | <b>3,314,284.54</b> |

#### 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              | 31.12.2019              | 01.01.2019              |
|---------------------------------------------|-------------------------|-------------------------|-------------------------|
|                                             | Rs.                     | Rs.                     | Rs.                     |
| <b>10 CASH &amp; CASH EQUIVALENT</b>        |                         |                         |                         |
| <b>CASH AT BANK</b>                         |                         |                         |                         |
| 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              |
|                                             | <b>5,287,429.42</b>     | <b>8,268,323.86</b>     | <b>4,864,533.09</b>     |
| <b>CASH IN HAND</b>                         | <b>2,000.00</b>         | <b>2,000.00</b>         | <b>2,000.00</b>         |
|                                             | <b>5,289,429.42</b>     | <b>8,270,323.86</b>     | <b>4,866,533.09</b>     |
| <b>11 FOREIGN CURRENCY SAVINGS ACCOUNTS</b> |                         |                         |                         |
| 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               |
|                                             | <b>682,942.81</b>       | <b>1,987,326.53</b>     | <b>4,791,507.19</b>     |
| <b>12 SHORT TERM INVESTMENTS</b>            |                         |                         |                         |
| US DOLLAR FIXED DEPOSITS                    | 1,094,313,602.04        | 1,002,677,864.30        | 949,327,865.33          |
| EURO FIXED DEPOSIT                          | 44,773,966.24           | 38,773,597.24           | 38,926,247.85           |
| SLR FIXED DEPOSITS                          | 1,238,656,249.70        | 795,200,000.00          | 674,533,380.82          |
| GRATUITY SAVINGS ACCOUNT                    | 135,363.49              | 130,500.55              | 125,642.28              |
| TREASURY BILLS ON GRATUITY SAVINGS          | 9,670,802.83            | 9,043,104.51            | 8,267,296.74            |
|                                             | <b>2,387,549,984.30</b> | <b>1,845,825,066.60</b> | <b>1,671,180,433.02</b> |
| <b>13 LONG TERM INVESTMENTS</b>             |                         |                         |                         |
| 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          |
|                                             | <b>445,663,577.72</b>   | <b>687,134,191.76</b>   | <b>687,134,191.76</b>   |
| <b>14 INTEREST RECEIVABLE</b>               |                         |                         |                         |
| 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                |
|                                             | <b>186,666,576.27</b>   | <b>184,881,509.57</b>   | <b>185,545,699.84</b>   |

**SRI LANKA EXPORT CREDIT INSURANCE CORPORATION**

**ANNUAL FINANCIAL STATEMENTS - 2020**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020**

NOTE

|                                                                               | 31.12.2020            | 31.12.2019            | 01.01.2019            |
|-------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
|                                                                               | Rs.                   | Rs.                   | Rs.                   |
| <b>15 SUNDRY DEBTORS, DEPOSITS &amp; PRE PAYMENTS</b>                         |                       |                       |                       |
| ADVANCES ON EXPORT BILL DISCOUNTING FACILITY                                  | 34,958,636.11         | 34,958,636.11         | 34,958,636.11         |
| LESS : PROVISION FOR DOUBTFUL DEBTS                                           | 34,958,636.11         | 34,958,636.11         | 34,958,636.11         |
|                                                                               | 0.00                  | 0.00                  | 0.00                  |
| STAFF LOANS & GENERAL ADVANCES                                                | 2,927,151.71          | 3,971,796.65          | 2,672,837.08          |
| SUNDRY DEPOSITS                                                               | 108,837.50            | 108,837.50            | 108,837.50            |
| STATE MORTGAGE & INVESTMENT BANK DEPOSIT                                      | 614,833.29            | 591,040.49            | 570,371.07            |
| REFUNDABLE DEPOSITS                                                           | 56,500.00             | 56,500.00             | 56,500.00             |
| SUNDRY DEBTORS                                                                | 770.00                | 770.00                | 770.00                |
| WITHHOLDING TAX RECOVERABLE                                                   | 0.00                  | 249,081.23            | 5,828,686.32          |
| PRE-PAYMENTS                                                                  | 329,692.71            | 1,069,012.47          | 582,046.46            |
| BIZINFO INCOME RECEIVABLE                                                     | 2,101,545.68          | 363,012.00            | 636,134.40            |
| DISHONOURD CHEQUES                                                            |                       | 89,913.06             | 0.00                  |
| VAT ON FINANCIAL SERVICES RECOVERABLE                                         | 2,185,511.00          | 2,185,511.00          | 2,185,511.00          |
|                                                                               | <b>8,324,841.89</b>   | <b>8,685,474.40</b>   | <b>12,641,693.83</b>  |
| <b>15 (A) SUNDRY DEPOSITS</b>                                                 |                       |                       |                       |
| 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              |
|                                                                               | <b>108,837.50</b>     | <b>108,837.50</b>     | <b>108,837.50</b>     |
| <b>16 PROPERTY, PLAND &amp; EQUIPMENT - PLEASE REFER ATTACHMENT (PAGE 13)</b> |                       |                       |                       |
| <b>17 OUTSTANDING CLAIMS</b>                                                  |                       |                       |                       |
| 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                                         | <b>30,606,464.37</b>  | <b>33,853,473.30</b>  | <b>34,090,829.67</b>  |
| TOTAL PROVISION FOR CLAIMS                                                    | <b>295,073,784.16</b> | <b>243,615,705.53</b> | <b>246,681,605.15</b> |

# SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

## ANNUAL FINANCIAL STATEMENTS - 2020

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020

| NOTE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 31.12.2020<br>Rs.    | 31.12.2019<br>Rs.    | 01.01.2019<br>Rs.     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|-----------------------|
| <b>18 SUNDRY CREDITORS, ACCRUED EXPENSES AND PROVISIONS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                      |                      |                       |
| <b>SUNDRY CREDITORS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                      |                      |                       |
| 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          |
| <b>ACCRUED EXPENSES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                      |                      |                       |
| 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          |
| <b>PROVISIONS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                      |                      |                       |
| 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         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>46,629,068.77</b> | <b>46,688,020.95</b> | <b>121,209,377.58</b> |
| <b>19 GRATUITY PAYABLE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                      |                      |                       |
| <b>MOVEMENT IN THE ACCOUNT</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                      |                      |                       |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>13,228,994.16</b> | <b>11,571,417.60</b> | <b>9,848,687.00</b>   |
| <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> |                      |                      |                       |
| <b>20 CAPITAL EMPLOYED</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                      |                      |                       |
| CAPITAL CONTRIBUTED - TREASURY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>30,000,000.00</b> | <b>30,000,000.00</b> | <b>30,000,000.00</b>  |
| <b>21 RESERVES - PLEASE REFER ATTACHMENT ( PAGE 14)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                      |                      |                       |
| <b>22 EXCHANGE RATE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                      |                      |                       |
| <p>THE FOLLOWING EXCHANGE RATES HAVE BEEN USED TO CONVERT THE FOREIGN CURRENCY AS AT END DECEMBER 2020</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                      |                      |                       |
| US DOLLARS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | -                    | 184.12               |                       |
| EURO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | -                    | 225.54               |                       |

**SRI LANKA EXPORT CREDIT INSURANCE CORPORATION**

**ANNUAL FINANCIAL STATEMENTS - 2020**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2020**

**23 DISCLOSURE ON REVALUATION OF FIXED ASSETS**

- EFFECTIVE DATE OF REVALUATION

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

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

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

**24 CONTINGENT LIABILITIES**

(A) LAWSUITS AGAINST THE CORPORATION

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

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

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

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

**25 INVESTMENT FUND ACCOUNT**

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

**26 RELATED PARTY INTEREST**

THERE WERE NO RELATED PARTY INTEREST DURING THE YEAR 2020

# SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

## PROPERTY PLANT AND EQUIPMENT - 2020

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

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

|                                      | GENERAL RESERVE<br>Rs. | REVALUATION RESERVE<br>Rs. | INVESTMENT FUND<br>Rs. | UNEARNED PREMIUM<br>Rs. | TOTAL<br>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 8<sup>th</sup> February 1979.

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

### **Summary of significant accounting policies**

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

#### **01. Basis of Preparation**

##### **1.1 Principal Activities and Nature of Operations**

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

##### **1.2 Basis of measurement**

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

##### **1.3 Use of Estimates and Judgments**

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

##### **1.4 Going Concern**

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

#### **02. Comparative Information**

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



### **03. Significant Accounting Policies.**

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

#### **3.1 Foreign Currency Transactions**

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

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

#### **3.2 Property, Plant and Equipment**

##### **a) Recognition and Measurement**

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

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

##### **b) Depreciation**

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

The principal annual rates used are as follows.

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

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

##### **c) Disposal**

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

#### **d) Impairment**

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

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

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

### **3.4 Capital Work in Progress**

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

### **3.5 Intangible Assets**

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

#### **a) Basis of Recognition**

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

#### **b) Subsequent Expenditure**

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

#### **c) Retirement and Disposal**

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

#### **d) Amortization**

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

#### **e) Impairment**

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

### **3.6 Investment Properties**

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

### **3.7 Short term Investments**

#### **a) Short term Investments in Local currency**

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

#### **b) Short term Investments in Foreign currency**

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

#### **3.7.1 Financial Investments: Held-to-Maturity**

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

#### **3.7.2 Risk arising from Financial Instruments**

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

### **3.8 Trade and Other Receivables**

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

### **3.9 Inventories**

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

### **3.10 Cash and Cash Equivalents**

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

### **3.11 Cash Flow Statements**

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

## **4 Employee Benefits**

### **a) Defined Benefit Plan - Retirement Gratuity**

The defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation in respect of defined benefit plans is calculated by using project unit credit method for determining the required provisions. The calculation is performed once in three yeRS 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.