ANNUAL REPORT-2023

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Protection for Exporters

The values of goods and services sent to other countries are reflected in exports. The country's top exports are apparel, tea, rubber, and coconut related goods. In addition to this traditional exports we are looking forward to support services. This list comprises the cost of passage, shipping, insurance, transportation, travel, royalties, licensing fees, and various other services like software, construction, financial information etc. In the current context, the government has structured a number of Ministries and State Ministries to facilitate development of value added agriculture & industrial products and services for export promotion. SLECIC always makes sure to Develop an export economy by providing information, support and protection.

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

SLECIC

Our Vision

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

Our Mission

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

Chairman's Review

It is with great pleasure that I present the annual report of the Sri Lanka Export Insurance Corporation (SLECIC) for the fiscal year 2023. This year has been a testament to our unwavering commitment in supporting and facilitating international trade, even in the face of unprecedented challenges.

2023 has been marked by a series of global upheavals, from the ongoing recession in Europe due to the war in Ukraine, war in Gaza strip and Red Sea issue of blocking the closest shipping route to Europe. This has dampened our exporters with high freight rates and increased sailing time due to other geopolitical tensions and economic uncertainties.

Supporting Exporters: Amidst the disruptions caused by the above mentioned scenario, exporters faced myriad challenges ranging from supply chain disruptions to fluctuating demand. In response, we redoubled our efforts to support exporters by providing them with flexible and tailored insurance solutions. Whether it is insuring trade receivables, mitigating political risks, or facilitating access to financing through our pre & post guarantees, we stood by our clients every step of the way.

Added to the above, appreciation of SL Rupee too had an impact on exporter's revenue and accordingly we had a negative impact on the premiums of our policies. In addition to reduction in premiums, we had to bear an exchange loss of Rs. 294.01 Mln. on our foreign currency balances. Corresponding figure was a gain of Rs. 1 Bln. in 2022.

Despite of these obstacles, Corporation has continued to fulfill its mission of promoting and safeguarding exports through comprehensive insurance solutions.

I am pleased to report that in spite of the challenging operating environment, SLECIC has maintained a strongfinancial position. Our prudent risk management practices, coupled with strategic investments, have enabled us to weather the storm and to deliver the robust financial results. We have achieved the highest ever net revenue of Rs. 1.2 Bln. For the 45 years history of SLECIC.

We have done a strategic business Corporate Plan covering for 5 years from 2023 to 2027.In line with that to expand of our services in future, we have increased our stated capital to Rs. 150 Mln. from Rs. 30 Mln. during the year. Our contribution to the treasury for the year was Rs. 500 Mln. in addition to the income tax of Rs. 281.57Mln.

Recent trend of Sri Lankans seeking greener pastures overseas had created an opportunity to SLECIC to capture the foreign employment market through our Cost of Passage guarantee (APARA). Revenue from this showed a remarkable income of Rs. 80 Mln. compared to last year's 13.31Mln.

Staffing: By April 2023 our staff cadre had dropped to 19 from the approved cadre of 56. However, we managed to get our Scheme of Recruitment (SOR) approved with a reduced cadre of 50 and started recruiting essential staff to Finance, HR & Admin departments. By the end of 2023 staff cadre stood at 30.Still we need to recruit the rest mainly to the operations /claims departments and to strengthen the Selling & Marketing departments. We expect to complete the recruitments by the first qtr. of 2024. With a view to create team spirit and boost morale of the staff we had our Annual trip which SLECIC did not have for a long period of time. Moreover, Board of Directors hosted our employees a grand lunch to commemorate 45th Anniversary of SLECIC with the aim of creating positive work environment to the employees.

IT Infrastructure: we have upgraded the existing PC Network Server by purchasing state-of-art Power Edge R650 server to create an efficient office network and also we have revamped the defunct static SLECIC website www.slecic.lk towards a dynamic website to provide opportunity to the exporters to obtain the up-to-date information and enabling them to enter their declarations from their offices etc., thus paving way for a paperless society.

Marketing Activities: We have taken certain marketing initiatives to uplift the image of SLECIC mainly because it was evident that the existence and the services of SLECIC were not aware by many Exporters in Sri Lanka specially the SMEs. Following were some of the initiatives taken during this year.

1. Started advertising in selected newspapers & web sites digital newspapers

2. Strategic Partner of National Chamber of Exporters at the Exports Awards ceremony and the their AGM

3. Attended and co-Sponsored the Annual General Meeting of the Tea Exporters Association.

4. Attended and sponsored Annual General Meetings of the Spice Council, Spices & Allied Products Processor's and Trader's Association and the Sri Lanka food processors association.

5. Joined hands with EDB and IDB to spread the message to every nook and corner of Sri Lanka targeting SMEs as well as attending their workshops targeting all sectors island wide.

6. Attended TV & Radio programs such as Connect Sri Lanka in Rupavahini, Haritha TV and Subarthi by Sri Lanka Broadcasting Corporation

The above Marketing initiatives had helped us to bring in 18 new policies after canvassing approximately 35 exporters in 2023 where as last year only new 6 policies were issued in 2022. Keeping our promises as per our objectives, we have honored claims worth of Rs. 40.5 Mln. For 4 exporters during the period under review.

Looking ahead, the global economic landscape remains uncertain with ongoing challenges and emerging opportunities. However, I am confident that with our resilient business model, dedicated workforce, and unwavering commitment to excellence, we are well-positioned to navigate the road ahead. We will continue to innovate, adapt, and collaborate with our stakeholders to drive sustainable growth and create long-term value for our economy.

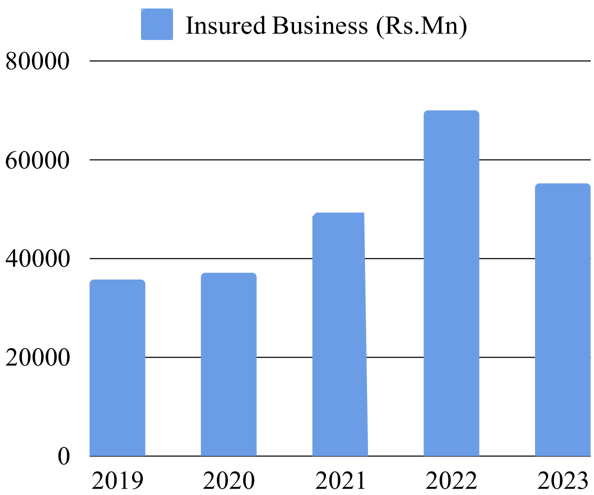
In conclusion, I would like to express my gratitude to my colleagues on Board, each & every employee of SLECIC, The Secretary- Ministry of Finance, Economic Stabilization and National Policies, Management Services Department & Public Enterprises Department of the Finance Ministry and Customers for their continued trust and support. Together, we have achieved remarkable milestones in 2023, and I am excited about the journey ahead. As we embark on the next chapter of our Corporation's story, let us remain united in our continuous pursuit of excellence.

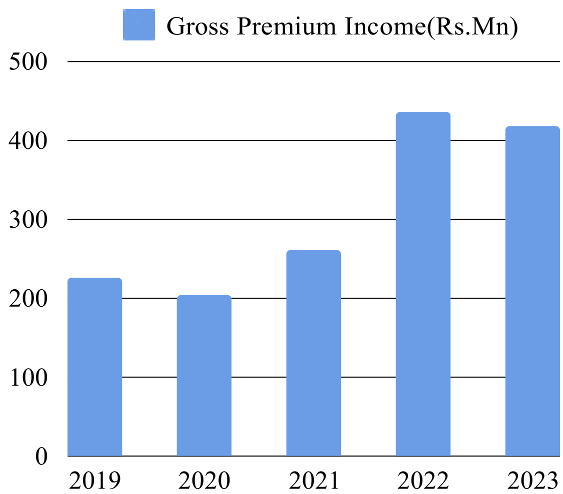
Senarath Devendra *FCA,FCMA*
Chairman & Managing Director

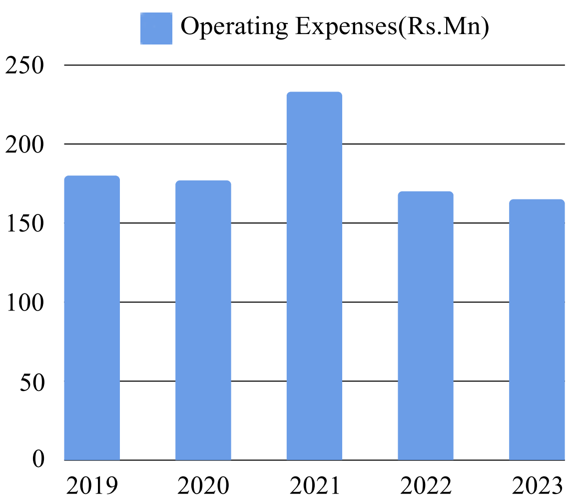
Five Years at a glance

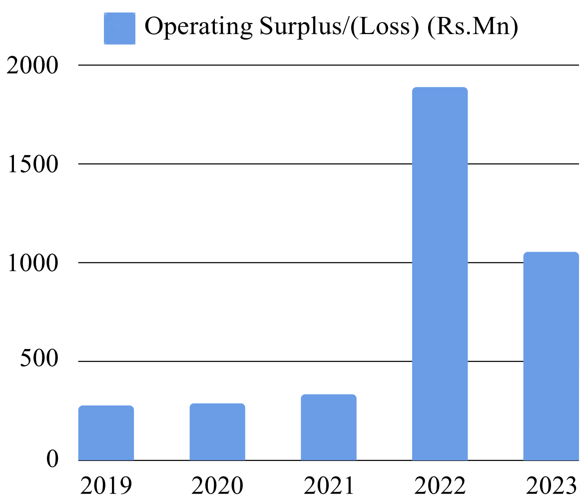
Performance Overview (Rs. Million)

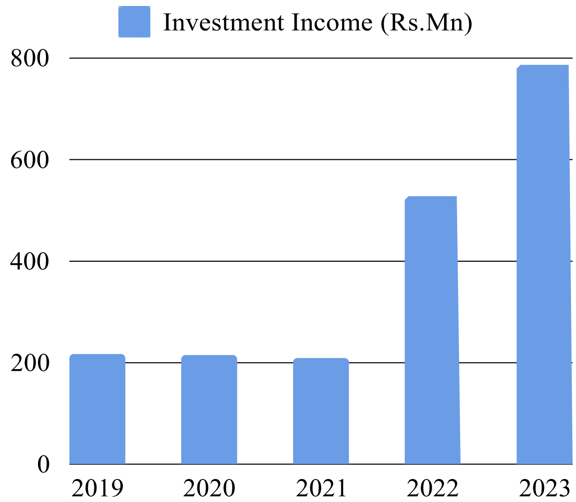
SLECIC Performance Overview 2019-2023 (Rs. Million)					
Description	**2019**	**2020**	**2021**	**2022**	**2023**
Insured Business	35,740	37,108	49,299	70,002	55,220
Gross Premium Income	226.00	204.00	261.00	436.00	418.00
Operating Expenses	180.00	177.00	233.00	170.00	165.00
Operating Surplus/(Loss)	277.00	288.00	334.00	1,889.00	1,055.00
Investment Income	217.00	215.00	209.00	528.00	787.00
Net Surplus/(Loss)	242.00	223.00	249.00	1,643.00	480.00
Capital & Reserves	2,624.00	2,826.00	3,073.00	4,660.00	4,365.00
Taxes & Levies	38.00	90.00	111.00	309.00	281.00

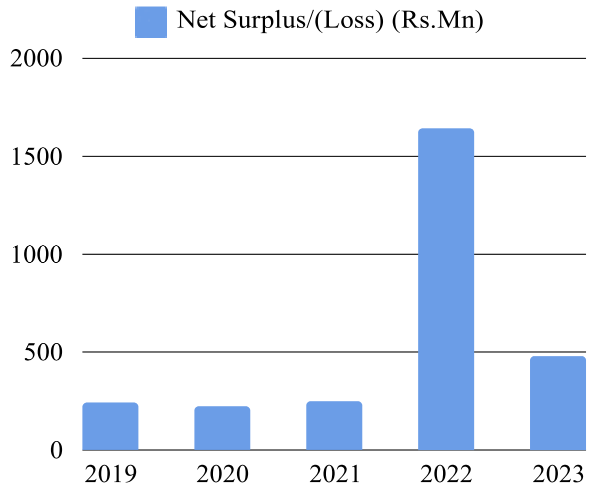


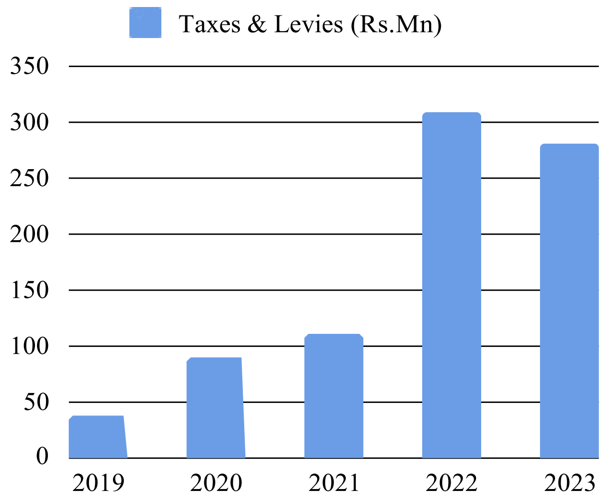












Premium Income

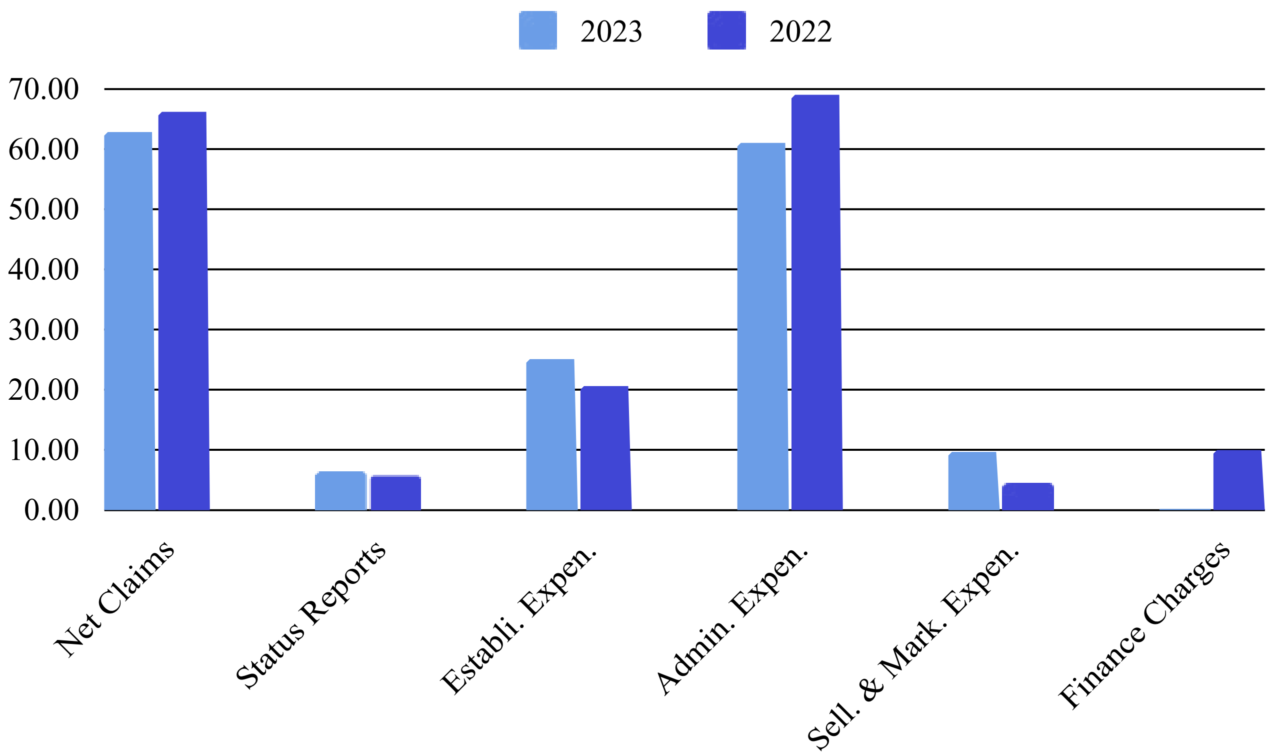
The Premium rates structure is based on the No profit No loss principle. In spite of rapidly weakening business environment with major trading markets, the Corporation continued to maintain the same country classifications with a view to assist local exporter clients to be competitive during difficult economic times. However, risk assessment of buyer underwriting was strengthen during last couple years by adopting score card based model. The Corporation has achieved premium income of Rs 411.93 Million during 2023 in comparison to the last year's corresponding amount of Rs.435.56 Million

Total Income

The total income, which is comprised of premium income, other operational income and investment income and other income for the year 2023 amounted to Rs. 1220.88 Million as compared to Rs. 973.20 Million in 2022 .

Total Expenditure

The total expenditure consists of direct expenditure and other management expenditure. The expenditure comprises of Claim Expenditure and Status Report Costs others are Establishment expenditure, Administrative expenditure, selling & Marketing Expenditure & Finance Charge. The total expenditure for the year 2023 amounted to Rs. 165.26 Million in comparison to Rs. 176.09 Million in 2022.



Contributions to the Government Revenue

SLECIC has continuously contributed towards the public finances as a responsible state owned enterprise without being a burden to the Treasury in an environment where public corporations are criticized for relying on hand-outs from the Treasury for existence, thus becoming a source of massive burden to the public.

As per the Operational Manual for State Owned Enterprises (SOE's) issued in November 2021, by the Department of Public Enterprises, the SOEs are expected to generate reasonable return on the investment ,with part of the surpluses or profits being chanelled to the consolidated fund/shareholder's by way of levy or dividends. During the year under review, the Corporation has contributed Rs. 500 Million.

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

The Board of Directors

Chairman and Managing Director

Mr. Senarath Devendra, a fellow Chartered & Management Accountant who has over 35 Years' Experience as a Board Member in Multinational , International & Leading Conglomerates. Internationally trained by IBM on IT Infrastructure & HSBC on Cross Border Treasury Management. In addition being a Financial Expert, Experience in International Marketing, a Multidiscipline Professional. During his career span, worked for many Multinational, International & Blue Chip Companies covering several sectors of Businesses. Previous position held was the Director /CEO of a Group of Company in charge of a Listed Plantation Company and Leisure Sectors. Appointed as the Chairman / Managing Director of SLECIC since April 2023.

Mr. A.A.M. Thassim has been in the service of Central Bank of Sri Lanka (CBSL) for over 31 years and is currently the Assistant Governor and he is also the Secretary to the Governing Board and Monetary Policy Board. Prior to this appointment he served as the Director of Bank Supervision Department for 4 years and was responsible for the regulation and supervision of the banking sector in the country and strengthening the resilience of the banking sector. Further, he was also the Director of International Operations and was responsible for the investments and management of foreign reserves of the country and managing the exchange rate.

Mr. Thassim has also gained experience and knowledge in the field of payment systems and was a Director of Lanka Clear (Pvt) Ltd., which is the national clearing house and was involved in the implementation of the Cheque Imaging and Truncation System. He was also a board member of the Credit Information Bureau of Sri Lanka. Currently he is a board member of the Sri Lanka Export Credit Insurance Corporation and the Vice Chairman of the Institute of Bankers of Sri Lanka

Mr. Thassim is an Associate member of the Chartered Institute of Management Accountants UK and possesses a Master's in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He has also completed a programme on Gold Reserves Management from Hass School of Business, University of California, and Berkeley, USA. He is also an Alumni of Harvard University USA having successfully completed the executive programme on Leaders in Development conducted by the John F. Kennedy School of Government.

Mrs. A.A.I.Dilrukshi has been in the service of Director, Department of Treasury Operations for over 03 year years. Prior to this appointment she served as the Government Audit Service for 3 years and was responsible for the regulation and supervision of the State sectors' organization. Further, she was also the Government Accountants Service for 19 years. Mrs. Dilrukshi obtained her first degree in B.Com Special Degree (1st Class) at University of Kelaniya and is an Associate member of the Institute of Chartered Accountants of Sri Lanka and possesses a Masters in Arts specialized in Economics from the University of Kelaniya.

Mr. Priyantha Perera joined Sri Lanka Insurance on 01 st September 2021 as Chief Officer – General Insurance. He is a long-standing professional in the General Insurance Business, who counts over 38 years o f service in the Industry. He commenced his career at the Insurance Division of Mercantile Credit Ltd, way back in 1985 and has held several responsible positions across diverse organizations within the industry.

During his illustrious career, he has held various Senior Managerial positions covering Underwriting, Claims, Re-insurance & Portfolio Management and, he served as theChief Technical Officer of Fair first Insurance Ltd prior.

He is a Chartered Insurer and holds Associate Membership at Chartered Insurance Institute UK. He obtained his MBA from Cardiff Metropolitan University UK

Mrs. B M S Bandara, She joined to the Sri Lanka administrative service in 1995, and served in the Land Commission as an Assistant Land Commissioner. Afterwards she served the position in the Ministry of Education, Public Service Commission, Ministry of Higher Education, Ministry of Sports, Department of Management Service and Department of Excise. She has been graduate from the University of Kelaniya in the year 1991 and followed B.Sc(Sp.) - Botany

Senior Management of SLECIC

Mr.Senarath C.J. Devendra	-	Chairman & Managing Director *(FCA,FCMA)*
Mr. A.K.A.Y. Tharanga	-	General Manager (Acting) *(Bsc (MGPP),Attorney at Law)*
Mr. Ravin Ovitigala	-	Assistant General Manger - Finance *(ACMA,MBS(UOC), B.com (Sp),SAT,APFA)*
Mrs. R.M.U.N. Peiris	-	Deputy General Manager *(Attorney at Law)*
Mr. Mohan Silva	-	Assistant General Manager – Marketing *(B.Sc(Hons),MBA(PIM),AACS,MCIM(UK))*

Middle Management of SLECIC

Mr. D. V. Kahavita	-	Internal Auditor *CA (Corporate Level),AAT (Passed Finalist),HDAF*
Mr. A. H. Obadage	-	Manager - IT *C|EH,MCSE,BSC in Hardware Eng. (Middlesex University)*
Mr. P. N. H. R Silva	-	Manager-Marketing *Dip.in Bus.Mgt,(NIBM),Dip in Marketing,(NIBM)*
Mrs. S. Matharage	-	Asst. Manager Human Resource & Administration *(B.Sc.(UJSP),MHRM(UOC)*
Mrs. I. A Amarathunga	-	Board Secretary *N.D. in Sec,Dip.in Sec.,NCSP*
Mrs. K. G. A Priyangika	-	Asst. Manager - Operation *BA (Economics Special)(UOC)*
Ms. W. A. W. L Jayarathne	-	Asst. Manager - Operation (Absent) *B.Sc Accounting(Special)(UJSP)*
Mr. D. S. A. Fernando	-	Asst.Manager-Finance (Absent) *(HNDA,PGDBF(UOC),MPacc(UJSP),CMA (Strategic Level))*

PRODUCTS & SERVICES OF SLECIC

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

SELLER'S RISK

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

Commercial Risks

- Insolvency and bankruptcy
- Payment default
- Contract repudiation

Political Risks

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

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

Following are the categories of Export Credit Insurance offered to exporters:-

Seller's Risk Insurance Policy-WHOLE TURNOVER - ALL BUYERS
Insurance to protect the exporter from commercial risk & political risk. Under this we will cover the total shipments on deferred payment terms.

Seller's Risk Insurance Policy-BUYER SPECIFIC
Insurance to protect the exporter from commercial risk & political risk of one or more specific buyers.

Seller's Risk Insurance Policy-COUNTRY SPECIFIC
Insurance to protect the exporter from commercial risk & political risk of buyers of a specific country.

Seller's Risk Insurance Policy-POLITICAL RISK
Insurance to protect the exporter from political risk of a specific country.

Seller's Risk Insurance Policy-GLOBAL COVER
Insurance is provided for off-shore export companies' domicile in Sri Lanka.

Seller's Risk Insurance Policy-SUBSIDIARY RISK
Cover the risk of the exporters of a subsidiary company domicile in another country where the parent company is in Sri Lanka.

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

Seller's Risk Insurance Policy-CONSIGNMENT OF STOCKS
Cover the Sri Lankan exporter on commercial risk & political risk of consignment of stocks.

Seller's Risk Insurance Policy-ENTREPOT TRADE
Cover the commercial risk & political risk of a Sri Lankan exporter arising from entrepote trade.

Seller's Risk Insurance Policy-SELLER'S RISK COMPREHENSIVE SERVICE POLICY
Insurance to protect the service sector exporters from the commercial risk & political risk.

Seller's Risk Insurance Policy-DOMESTIC CREDIT INSURANCE
Insurance to protect the policy holder from commercial risk associated with dispatching goods & rending services to their buyers in Sri Lanka.

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

Following are the categories of Export Credit Guarantees offered to banks:-

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

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

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

Export Production Credit Guarantees

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

Export Performance Guarantees

This is a counter guarantee issued to commercial banks against the guarantees and bonds that they issue on behalf of their clients to overseas buyers or government authorities guaranteeing the due performance of contracts entered into for the export of goods and services from Sri Lanka. The areas include benchmark performance export contracts via construction work as well as the export of goods and services.

Export Performance Credit Guarantee covering the due performance of Freight Forwarders

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

Export Performance Guarantees covering ATA Carnet System

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

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

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

Other Services

Biz info – Credit and financial information

This product provides Credit and Status reports on overseas customers of Sri Lankan exporters and importers to the banking sector. SLECIC functions as a provider of Credit and Status reports from a network of principals worldwide. Due to prevailing foreign exchange difficulties, the service was temporarily suspended to financial institutions as the Corporation encountered difficulties in settling bills payment of service providers on a timely manner.

Export Credit Insurance

Credit has been described as "the lifeblood of business "Certainly companies cannot operate without it, and a large proportion of a company's assets will often be tied up in credit. Indeed it is estimated that, on average, around 40% of a company's assets are owed by debtors. The granting of credit to customers is a vital tool for trading companies when competing with others in the market. Indeed, competition takes places as much on the basis of credit as it does on price. This is because for most companies, cash flow is crucial. Money goes out of a company when purchase is made, such as raw material, or a part for a product or money doesnot come back into the company until a sale is made, or a service rendered.

As a result a company will always look for a period of credit from its suppliers to help improve cash flow. However, this will in itself affect the cash flow of that supplier. Credit is therefore simply a necessary evil-a business necessity. However, the problem comes when the payment does not come when it is meant to, by the due date. The company that has given the credit, will have made the assumption that the sale has been made, it may have borrowed money from a lender on that basis .If that payment is late, or is never made, the company will suffer, and potentially could go out of business.

Late payment is a growing business risk. Not only does it affect the company's finances and balance sheet, it also affects it in terms of the time spent on chasing the payment. Insolvency of a buyer is even more devastating for companies. In such an event, it may prove impossible to recover any of the debt, or a substantial partof it, and the debt will have to be written off.

The effect of a bad debt can be devastating when it involves a major supplier, but bad debts can also have a snowball effect. The effect of a bad debt can also grow out of all proportion to its size. The problem can be made worse where a company has only a small number of buyers. , the better chance it has of surviving if one of those customers becomes insolvent. Provided they have good spread of customers.

It is not easy for companies to learn everything about a potential buyer. A Company that appears to financially healthy according to its accounts, and appears to have good management in place, can nevertheless become insolvent as a surprise to many, as companies today are much more adopted at hiding any problems from suppliers.

Export Credit Guarantees
Export Credit Guarantees of SLECIC do not involve the actual provision of funds to exporters. It is to safeguard export financing banks against losses resulting from financing to exporters. By providing the necessary support to financial institutions, they are thereby encouraged to participate more actively in financing the export sector.

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

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

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

-Travelling Business/Sales Executives

-Technicians

-Fair Exhibitors & Professional individuals and teams such as film crew, Surgeons, Artists Architects, Engineers, Educationalists, and Entertainers etc.

-If the Carnet is to be used by any other person, he should carry a letter from the Carnet holder on his behalf provided he holds a letter of Authority.

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

This custom document enables exporters to participate in Trade fairs and exhibitions abroad and win export contracts to maximize profits. The Corporation could issue only one direct Guarantee to ICC Sri Lanka.

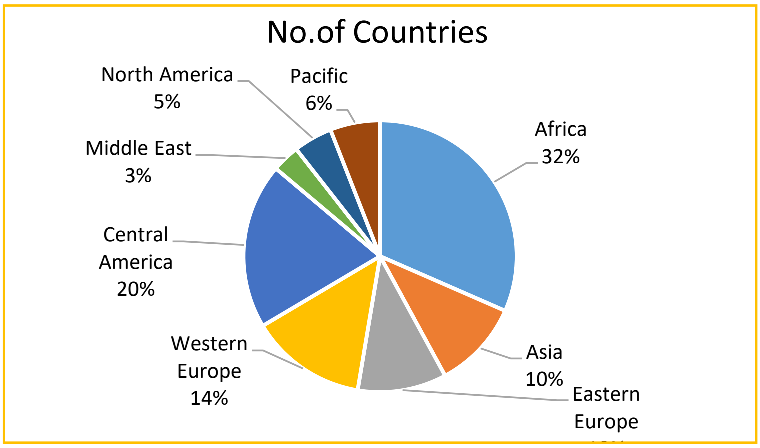
Cost of Passage – APARA
SLECIC operates a bank guarantee scheme covering Cost of Passage advances for migrant workers .This was introduced in May 1992 to cover advances granted by commercial banks for the purchase of air tickets of migrant workers and now operates as a Whole Turnover Credit Guarantee Scheme with minimal documentation and cushion the risk for the banks in granting facilities to this sector.

The APARA scheme enables the ambitious and aspirant citizens in the nation to obtain employment abroad and lift themselves out of poverty. SLECIC is pleased to assist these determined Sri Lankans to improve their standard of living and contribute towards safeguarding the well-being of economy by enhancing the remittances and boosting the foreign reserves

SLECIC Coverage

At present SLECIC covers political risk of 152 countries under various "Sellers' Risk" credit insurance policies, including the Middle East countries despite the political uncertainties in the region to support the Sri Lankan exporters and these are classified into 7 groups as A1, A2, A3, A4, B, C and D based on their individual risk profiles.. Distribution of coverage across 8 regions by 2023 is shown in the chart.

Region	No of countries
Africa	48
Asia	16
Eastern Europe	16
Western Europe	21
Central America	30
Middle East	5
North America	7
Pacific	9
Total	**152**

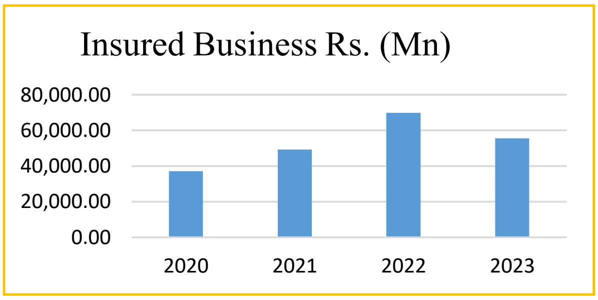


By looking at the above chart, it is visible that SLECIC has a good coverage especially in the high risk African & Middle East region. We cover 48 countries in the African region, Asia 16, Eastern Europe 16 and Middle East 5 countries. This can be considered as favourable sign for Sri Lankan exporters who are willing to enter into risky markets to gain higher returns with confidence.

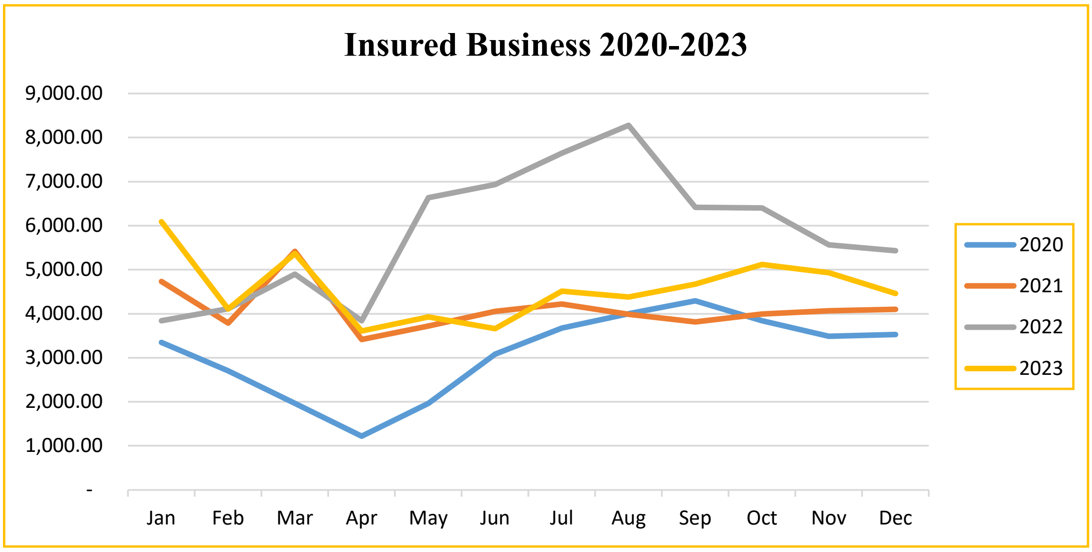
Insured Business

In the challenging market environment, the Corporation reported insured business of LKR 55,545.76 Million, which represented a decreases of LKR 14,294.51 Million (or 20.46 percent) over the previous year.

Insured Business Rs. (Mn)	
Year	**Total**
2020	37,107.76
2021	49,298.69
2022	69,840.27
2023	55,545.76



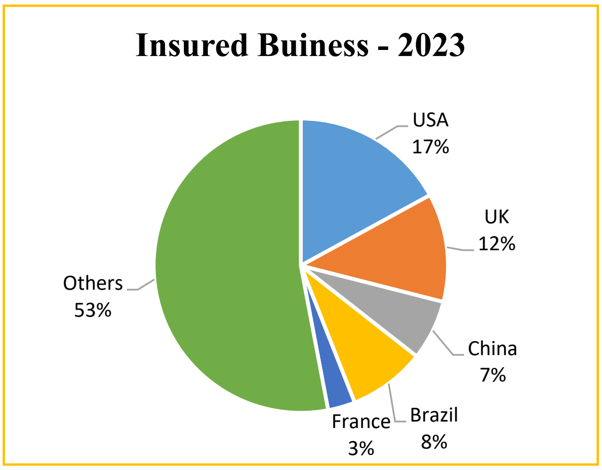
The below graph shows the monthly insured business of SLECIC over the period of January to December 2023



Insured Business 2020-2023

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	3,348.63	2,699.37	1,964.06	1,219.04	1,965.25	3,083.44	3,676.23	3,999.52	4,294.09	3,839.65	3,490.04	3,528.44
2021	4,729.88	3,788.81	5,415.03	3,412.22	3,720.86	4,053.11	4,222.10	3,989.66	3,811.73	3,992.61	4,064.15	4,098.54
2022	3,842.71	4,114.43	4,897.13	3,837.54	6,636.66	6,937.00	7,647.40	8,281.27	6,418.73	6,399.94	5,561.18	5,428.35
2023	6,092.10	4,105.87	5,366.44	3,607.96	3,926.17	3,663.98	4,511.87	4,382.06	4,674.69	5,116.42	4,931.84	4,461.01

Country	Insured Business Rs.(Mn)		
	2022	2023	Share of Insured Business
USA	12,493.20	9,466.83	17%
UK	8,333.39	6,623.98	12%
China	5,521.36	3,668.54	7%
Brazil	4,082.04	4,699.85	8%
France	3,975.94	1,660.84	3%
Others	35,596.43	29,425.72	53%
Total	70,002.36	55,545.76	100%



TOP 5 Markets

Mainly USA, United Kingdom, China and France exports were declined by 17.04%, 11.93%, 6.60%, and 2.99% respectively. In the financial year 2023 total exports of Srilanka were declined compared to the year 2022,Further more main reasons behind this decline was due to the appreciation of LKR against the USD during the year 2023 and as a results exporters find it difficult to secure and execute all the orders they receive in 2023.

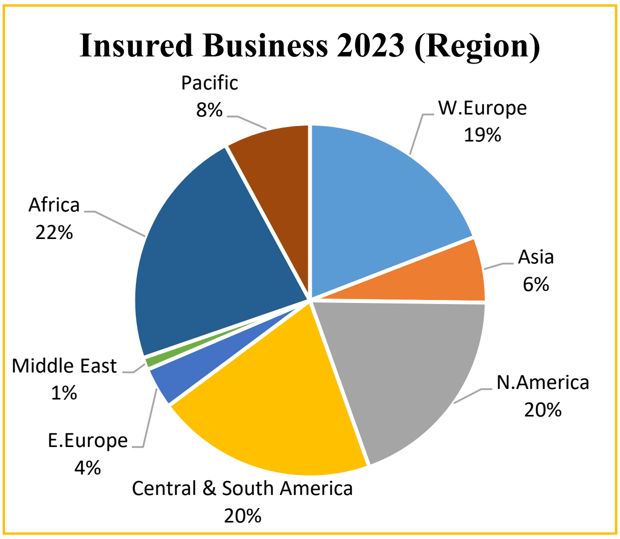
Even though exports decline for the above markets ,we also observed exports to countries like Australia, Spain, Czech Republic, Kingdom of Saudi Arabia ,South Africa, Belgium, Malaysia ,Taiwan, Morocco, Canada, Qatar, Indonesia, Azerbaijan, Mexico , Thailand Chile, Mauritius, Austria ,Maldives, Colombia, Ecuador, Vietnam, Tunisia, ,Trinidad & Tobago, Pakistan, Bangladesh, Zambia, Philippines, Latvia, Mozambique, Peru, Uruguay, Lithuania, Costa-Rica, Puerto-Rica, Burkina Faso, Libya, Papua New Guinea and Spain reported significant increase in insured business during the year whilst exports to Italy, India, Turkey, UAE, Hong Kong, Kuwait, Syria recorded marginal growth as compared to last year.

Distribution of Insured Business –Region wise -2023

Distribution of Insured Business of SLECIC across 8 regions in **2023** is shown below.

Insured Business 2022-2023 (Region)

Region	Share of Total		Share %
	2022	2023	
W.Europe	23,344.50	10,630.00	19%
Asia	14,404.83	3,365.84	6%
N.America	13,311.65	10,746.74	19%
Central & South America	5,375.05	11,259.08	20%
E.Europe	4,566.06	2,101.47	4%
Middle East	3,794.14	625.82	1%
Africa	3,047.68	12,410.24	22%
Pacific	2,158.44	4,406.43	8%
Grand Total	**70,002.35**	**55,545.62**	**100%**



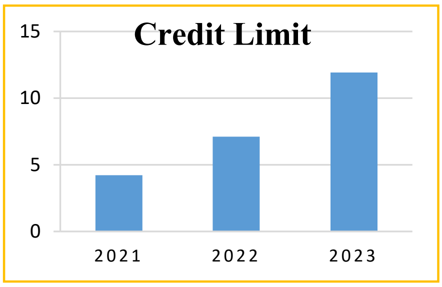
Western Europe accounted for 19.14 of the insured business and recorded over 54.46 percent declined during the year as compared to the previous year .Asia accounted for 6.06% of the insured business also recorded 76.63 % declined during the year under review. North America accounted for 19.35 percent of the insured business .Central & South American region accounted 20.27 percent share of insured Business and recorded very significant growth of 109.47 percent during the year under review. Similarly, African region accounted for 22.34 percent share of insured business also recorded very significant growth of 307.20 percent in 2023. Other regions like Eastern Europe, Middle East and Pacific regions also indicated minimal decrease during the year under review.

It is essential that the Corporation should have a wide spread of risk by countries overtime as far as possible, in order to ensure that it operates on a sound basis with a much wider markets reducing the concentration risk of some of volatile markets to continue sustainable growth momentum and also to secure better markets for our policy holders.

Credit Limits

The Corporation continued to support exporters by issue of Seller's Risk Insurance cover, underwriting buyers by issuing credit limits on creditworthy buyers. Underwriting decisions are basically through an analysis of information available on the buyer. The underwriting process is carried out in three major steps. The first being the creation of buyer profile and the second being the preparation of score card and the final being decision on the exposure to be taken on the buyer. Basically, the focus is on identifying the ability of the buyer to meet commitment in future based on the data available at present. The analysis should help in identifying the acceptability of a buyer based on risk perception, in rating in terms the comparative level of risk on the buyer as per the score card and in deciding on the exposure that can be taken on the buyer.

Year	2021	2022	2023
Total Credit Limits issued Rs.Mn	4.22	7.1	11.92



SLECIC still believes that educating the exporter community about effective credit control, loss minimization and methods of handling buyer defaults is just as important as providing insurance cover to overcome their risks. With the right knowledge, exporters are in a much better position to deal with defaulting buyers. The Corporation's underwriting strategy seeks diversity to ensure a balanced portfolio of risks. As such, it is believed that this reduces the variability of the outcome.

In providing our policy holders with effective Credit Management service, we are fully committed to continue our professionalism in risk assessment and maintain a prudent and proactive underwriting approach. Successfully upholding this commitment not only, demands, excellent underwriting skills but also requires us to access the most trustworthy and most cost effective sources of credit information.

Underwriters are delegated with underwriting authorities that set out the limits that they can issue according to their rank and experience. In 2023, 474 buyers Liability Limits (BLL) were issued to the value of Rs 11,923.33 Million as compared to Rs. 7,743.29 Million In 2022.

Export Credit Guarantees

Export Credit Guarantees of SLECIC do not involve the actual provision of funds to exporters. It is to safeguard export financing by banks against losses resulting from financing to exporters. By providing the necessary support to financial institutions, they are thereby encouraged to participate more actively in financing the export sector.

Direct Export Performance Guarantee covering the ATA Carnet System

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

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

User of ATA Carnet

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

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

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

This custom document enables exporters to participate in Trade fairs and exhibitions abroad and win export contracts to maximize profits. The Corporation could issue only one direct Guarantee to ICC Sri Lanka.

Cost of Passage – APARA

SLECIC operates a bank guarantee scheme covering Cost of Passage advances for migrant workers. This was introduced in May 1992 to cover advances granted by commercial banks for the purchase of air tickets of migrant workers and now operates as a Whole Turnover Credit Guarantee Scheme with minimal documentation and cushion the risk for the banks in granting facilities to this sector.

to improve their standard of living and contribute towards safeguarding the well-being of economy by enhancing the remittances and boosting the foreign reserves.

In 2022, SLECIC assisted 1151 applicants to obtain bank loans to the value of Rs. 1468.46 million from financial Institutions and facilitated many Sri Lankans from all parts of the country to go abroad for employment. Employment has been taken up at all levels of skills and in many different professions in numerous parts of the globe. The Corporation's coverage has largely been in the South East Asia region.

During the period under review 2023, SLECIC assisted 23,523 applicants to obtain bank loans to the value of Rs 4,430.206 Million from financial Institutions and facilitated many Sri Lankans from all parts of the country to go abroad for employment.

Employment has been taken up at all levels of skills and in many different professions in numerous parts of the globe. The Corporation's coverage has largely been in the South East Asia region. From inception to date, 1397 applicants had defaulted banks loans to financial institutions.

Year	No. of Issues	Value (Rs.)
1992-2006	9,800	696.57
2007-2023	15,766	3,771.03
Total	**25,566**	**4,467.60**

International Relations:
In an era of rising protectionism, suspicion and uncertainty, it has rarely been more important to forge, strengthen and uphold global connections. Although international meetings and events could not be attended in person in 2023 due to prevailing economic situation of the country, the Corporation maintained its commitment to internalisation by participating in virtual conferences, seminars and workshops with members of the International Union of Credit & Investment Insurers (Berne Union) and the informal Regional Cooperation Group. These meetings provided valuable opportunities to discuss issues of common concern, especially in relation to change in underwriting methodologies and economic situations in many countries.

International Union of Credit & Investment Insurers
The Corporation is a member of the International Union of Credit & Investment Insurers (Berne Union), the leading international association for the export credit and investment insurance industry. Members are both private companies, offering worldwide risk management solutions and state backed export credit agencies, focusing upon the support of national exports and outward investments.

Sri Lanka Export Credit Insurance Corporation (SLECIC) the government sole Export Credit Agency (ECA) operating in Sri Lanka with the mandate for development and promotion of exports of the country, has obtained the full membership of the Berne Union in 1983 ,with a view to gain access to the latest developments and best practices of export credit insurance and investment.

The Regional Co-operation Group (RCG)

The Regional Co-operation Group (RCG) is the group 12 member institutions of the Berne Union which was formed in 1986 to develop the international relationships among the members in Asian Region. The Regional Co-operation Group (RCG) of the Berne Union which consists of Asian Export Credit Agencies from Australia, India, China, Indonesia, Japan, Malaysia, Singapore, Sri Lanka, South Korea, Taiwan, Thailand and Hong Kong.

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

The Chairmanship of RCG rotate among its members .SLECIC held the Chairmanship of this Group for the period 1993/ 1994 and 2007/2008. During SLECIC's second tenor as the Chair of the RCG, we were able to bring all Asian Export Credit Agencies together and formed an Annual Heads of Meeting with participation of the Berne Union to focus more strategic matters of regional members and to find solutions within the group. This forum was very useful to members at which issues relating to members were discussed. So far we had 13 Annual Heads Meetings in various member countries including Sri Lanka.

Asian Credit Supplementation Institution Confederation (ACSIC)

Asian Credit Supplementation Institution Confederation (ACSIC) has been the largest Asian Cooperative body for the Small & Medium Sized Enterprises (SMEs) since 1987. At present, there are 17 credit guarantee institutions from 12 Asian countries including Sri Lanka Export Credit Insurance Corporation. SLECIC got the membership of this association in 2016.

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

Claims Paid

Payments of the claims paid helped our exporters to continue their export activities whilst banks were ready to reimburse such exporters of the claims paid. Analysis by events of loss, revealed that protracted defaults remained the single largest event of loss amounting for the entire claims paid under credit insurance.

It is very important for the insured to comply with insurance conditions and not to have the claim rejected because of failure to observe imposed conditions and duties of the insured after the contracts are concluded, the insured event occurred and insured suffered uncomfortable loss without the benefits from his insurance policy. The things can go wrong but do not need to. It is always useful to set up credit control and credit insurance procedures and documentation as well as to establish a system, as appropriate—to remind the insured on key deadlines for his duties related to credit insurance policy and claims handling. Disclosing the Material Facts in Writing is very important.

The net claims for the year 2023 amounted to Rs.40.92 million as compared to Rs. 66.21 Million in 2022.

From the inception to the current financial year, Corporation had paid claims to the value of Rs.1,446.22 Million, which shows SLECIC's commitment to commercial risk mitigation. These claim payments were made through internally generated funds, without any recourse to any public funds.

Corporate Culture, Training and development

Human Resources Staff's commitment and expertise and a people-based corporate culture contribute to the Corporation's success in serving the export community of course with staff pressures.

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

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

Looking Ahead

The global economy is yet again at a highly uncertain moment, with the cumulative effects of the previous years of adverse shocks—most notably, the COVID-19 pandemic and Russia's invasion of Ukraine—manifesting, Conflict of Middle East in unforeseen ways. Spurred by pent-up demand, lingering supply disruptions, and commodity price spikes, inflation reached multi decade highs last year in many economies, leading central banks to tighten aggressively to bring it back toward their targets and keep inflation expectations anchored.

Warning Signals

Exporters should pay close attention to warning signs and take prompt counter measures as needed. Risk signals can be any of the following: over stocking, excessive debt, continuous losses, heavy involvement in litigation cases, frequent changes in shareholders, delay in submitting financial statements, validity of trade license, putting off payments, requests for longer credit periods, sudden change in payment terms and requests for extending due dates. Once payment difficulty is detected, exporters should act promptly to minimize losses. Actions should include negotiation with buyers for solutions or repayment schedules.

Business Acquisition and Retention

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

Eyes on the Future

In the year ahead, the Corporation will continue to be fully committed to the export communities and offer the needed reliable protection to exporters. Apart from the export of goods, the export of services also constitutes a cornerstone of Sri Lanka’s external trade.

As usual, we will provide full support to assist different service industries, SME’s in seizing global opportunities. Although recovery of the world economy is still tentative, we are cautiously optimistic that Sri Lankan exporters will be offered new opportunities amid dynamic global trade especially in the robust Asian and emerging markets.

In this unprecedentedly challenging environment, policyholders can rest assured that the Corporation will remain flexible and accommodating to provide the best possible coverage for Sri Lankan exporters and to manage their risk portfolio. We will also extend more support to exporters who are planning to expand into emerging markets by providing timely and adequate coverage, and by helping them better understand the political and economic risks involved.

AUDIT COMMITTEE REPORT FOR THE YEAR ENDED 31ST DECEMBER 2023

The Audit and Management committee of the Sri Lanka Export Credit Insurance Corporation (SLECIC) came into effect in November 2002 and is chaired by Non- Executive Director representing the Ministry of Finance. The Committee comprised of three members, the Non-Executive Directors of the Corporation. On invitation, a representative from the Auditor General's Department and a representative of the Ministry of Finance from the beginning of 2023 will also participate as observers.

The members of the committee:-

- Mrs.A.A.I.Dilrukshi - Chairman of the Committee, Board of Director of SLECIC, Assistant Director , Department of Treasury Operations – Ministry of Finance,
- Ms.B.M.S.Bandara - Board of Director of SLECIC, Additional Secretary, Ministry of Industry and Commerce,
- Mr.Priyantha Perera - Board of Director of SLECIC, Chief Officer - Life Insurance , Sri Lanka Insurance Corporation Ltd, Observers;
- Mrs. Samantha Wimalaweera – Audit Superintendent, Auditor General's Department, National Audit Bureau,
- Mrs. Renuka Colombage - Chief Financial Officer, Ministry of Finance

The Audit Committee held three meetings during the year 2023. It functioned in accordance with the Terms of Reference stipulated for such committees by the Department of the Public Enterprises. The Committee assisted the Board of Directors in discharging its responsibilities over the accounting and financial reporting process and audit of financial statements of the Corporation in terms of reliability and integrity of the financial statements, adequacy and effectiveness of internal controls and compliance with statutory and regulatory requirements.

During the period under the consideration, the Committee regularly reviewed the External Audit Reports by the Auditor Generals Department and took numerous steps to streamline the internal controls of the Corporation based on the recommendations contained in the said report. The recommendations of the audits carried out by the internal auditor and the recommendations of the COPE Committee were also monitored by the Committee.

The Committee laid especial emphasis on the compliance over the treasury Circulars, rules and regulations applicable to the Corporation.

A.A.I.Dilrukshi (Mrs)
Chairman – Audit Committee
Sri Lanka Export Credit Insurance Corporation

SRILANKA EXPORT CREDIT INSURANCE CORPORATION (SLECIC)

Annual Financial Statements for the Year Ended December 31, 2023

SRILANKA EXPORT CREDIT INSURANCE CORPORATION (SLECIC)

Contents

- **STATEMENT OF FINANCIAL POSITION**
- **STATEMENT OF COMPREHENSIVE INCOME**
- **CASH FLOW STATEMENT**
- **STATEMENT OF CHANGE IN EQUITY**
- **NOTES TO THE ACCOUNTS**
- **ACCOUNTING POLICIES**

Srilanka Export Credit Insurance Corporation

STATEMENT OF FINANCIAL POSITION

AS AT 31st DECEMBER 2023		Current Year	Previous Year
(All amounts are in Sri Lankan Rupees)	Note	2023	2022
ASSETS			
Non Current Assets			
Property, Plant & Equipment	9	146,557,087	151,127,335
Long-term Financial Investments (Over 1 Year)	10	384,466,868	8,210,419
Total Non Current Assets		**531,023,954**	**159,337,754**
Current Assets			
Stock of Stationery & Consumables		204,263	822,235
Investment Fund		2,397,029	1,474,826
Trade Debtors Control A/C		11,699,906	17,774,415
Sundry Debtors, Deposits and Pre-payments	11	34,047,683	6,441,402
Interest Receivable	12	432,894,859	461,763,582
Short-term Financial Investments (Less than 1 Year)	13	4,523,054,416	4,660,927,881
Foreign Currency Savings Accounts	14	9,881,383	91,002,559
Cash and Cash Equivalents	15	16,432,199	32,176,968
Total Current Assets		**5,030,611,739**	**5,272,383,869**
Total Assets		**5,561,635,694**	**5,431,721,623**
EQUITY			
Stated Capital (Page No.04)		150,000,000	30,000,000
Reserves (Page No.04)		2,320,481,939	2,327,046,250
Retained Earning (Page No.04)		1,895,167,402	2,284,894,930
Total Equity		**4,365,649,342**	**4,641,941,181**
LIABILITIES			
Non Current Liabilities			
Staff Gratuity Payable	16	13,466,484	30,010,488
Total Non Current Liabilities		**13,466,484**	**30,010,488**
Current Liabilities			
Sundry Creditors, Accrued Expenses & Provisions	17	661,752,728	237,724,956
Provision for Future Claims	18	517,807,098	495,877,928
Premium Advances		2,960,041	26,167,070
Total Current Liabilities		**1,182,519,868**	**759,769,954**
Total Liabilities		**1,195,986,352**	**789,780,442**
Total Liabilities & Equity		**5,561,635,694**	**5,431,721,623**

These Financial Statements have been prepared in accordance with the requirement of the Sri Lanka Public Sector Accounting and Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka and Finance Act No. 38 of 1971.

Ravin Ovitigala
AGM-Finance

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.

S C J Devendra
Chairman & Managing Director
27-Feb-24

A A M Thassim
Director

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts are in Sri Lankan Rupees)	Note	Current Year 2023	Previous Year 2022
Revenue			
Gross Written Premium	1	411,935,492	435,561,804
Net Change in Reserve for Unearned Premium	1a	6,590,611	(3,662,948)
Gross Earned Premium		418,526,103	431,898,856
Other Operational Income	2	15,251,796	11,909,785
Total Net Revenue from Operations		433,777,899	443,808,641
Other Income			
Investment Income	3	787,110,607	529,400,575
		787,110,607	529,400,575
Total Net Revenue		1,220,888,505	973,209,215
Claims and Operating Expenses			
Net Claims	4	62,831,747	66,212,929
Status Reports		6,422,511	5,786,631
Establishment Expenditure	5	25,104,920	20,613,096
Administrative Expenditure	6	61,029,577	69,028,608
Selling & Marketing Expenditure	7	9,679,877	4,484,083
Finance Charges	8	196,844	9,970,160
Net Claims and Operating Expenses		165,265,476	176,095,507
Profit/Loss Before Value Added Tax		1,055,623,029	797,113,708
VAT on Financial Services	8a	-	85,864,474
Profit Before Income Tax		1,055,623,029	711,249,234
Income Tax	8b	281,575,841	182,339,084
Profit after tax		774,047,188	528,910,150
Other Income/Expenses			
Exchange Gain/(Loss)		(294,017,104)	1,086,538,807
Total Comprehensive Income after Tax		480,030,084	1,615,448,956

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts are in Sri Lankan Rupees)

	Current Year 2023	Previous Year 2022
Cash Flows from Operating Activities		
Net profit before taxation	1,055,623,029	1,797,788,040
Adjustments for;		
Depreciation	16,346,130	1 3,584,600
Provision for Gratuity	2,401,583	18,525,745
Provision for Claims	166,611,769	66,212,929
VAT on Financial Services	-	8 5,864,474
Unearned premium adjustment	(6,590,611)	3,662,948
Foreign Exchange gain	-	(1,086,538,807)
Prior Year Adjustment	(569,757,611)	(91,239,072)
Investment income	(787,110,607)	(529,400,575)
Operating Profit before Working Capital Changes	(122,476,318)	278,460,284
(Increase)/Decrease in Trade & Other Receivables	6,074,509	(473,075,056)
(Increase)/Decrease in Deposits & Prepayments	(262,956,081)	129,713
Increase/(Decrease) in Trade Creditors & Other Payables	4 24,027,772	(13,415,768)
Increase/(Decrease) in Refundable Deposits Retained from Customers	4 52,800	106,800
Decrease / (Increase) in Inventories	617,972	(69,600)
Cash Generated from / (Used in) Operation	4 5,740,654	(207,863,628)
Gratuity paid	(2,568,771)	(2,844,252)
Claims Paid	(40,574,275)	(4,297,947)
Payment of VAT on FS	(7,858,426)	(37,122,002)
Income Tax Paid	(147,945,211)	(71,349,465)
Special Levy Paid to Treasury	(500,000,000)	(50,000,000)
Net Cash from / (Used in) Operating Activities	(653,206,030)	(373,477,294)
Cash flows from Investing Activities		
Purchase of Property, Plant & Equipment	(11,775,880)	(926,423)
Interest income	787,110,607	529,400,575
Fixed Deposits	(137,873,466)	(132,025,754)
Net Cash from / (Used in) investing Activities	6 37,461,261	396,448,398
Cash flows from Financing Activities		
Treasury Loan Received / Repayments	-	-
Capital Contributed	-	-
Repayment of Loans	-	-
Net Cash from / (Used in) Financing Activities	-	-
Net Decrease in Cash and Cash Equivalents	(15,744,769)	22,971,104
Cash and Cash Equivalent Beginning of the Year (Note A)	3 2,176,968	9,205,864
Cash and Cash Equivalent End of the Year (Note A)	1 6,432,199	3 2,176,968

NOTE A
Cash & Cash Equivalents

	2023	2022
Hatton National Bank Current Accounts	9 55,761	1,318,649
Hatton National Bank Debit Tax Exempt current	6 05,802	-
Hatton National Bank Call Deposit Account	1 3,428,928	2 7,601,615
Bank of Ceylon Current Account	1,325,877	3,130,662
People's Bank Current Account	113,831	54,764
Cash in Hand	2,000	7 1,278
	1 6,432,199	3 2,176,968

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2023

Changes in Equity Statement As At 31st December 2023

	Stated Capital Rs.	Retained Earnings Rs.	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 01st January 2022	30,000,000.00	669,419,673.77	2,157,589,464.84	137,308,408.27	58,507,949.05	20,003,780.27	3,072,829,276.20
							-
Transferred from Revaluation Reserve			13,291,520.00	(13,291,520.00)	-	-	-
Prior period adjustments		26,300.01					26,300.01
Net Profit for the Year 2022		1,615,448,956.48					1,615,448,956.48
Transferred during the year 2022				-	-	3,662,948.02	3,662,948.02
Special Levy for 2022			(50,000,000.00)				(50,000,000.00)
							-
Balance as at 31st December 2022	30,000,000.00	2,284,894,930.26	2,120,880,984.84	124,016,888.27	58,507,949.05	23,666,728.29	4,641,967,480.71
Transferred from Revaluation Reserve			-	-			-
Treasury Investment	120,000,000.00						120,000,000.00
Adjustments		(569,757,611.38)					(569,757,611.38)
Net Profit for the Year 2023		480,030,083.55		-	-	-	480,030,083.55
Transferred during the year 2023							-
Special Levy for 2023		(300,000,000.00)				(6,590,611.36)	(306,590,611.36)
Balance as at 31st December 2023	150,000,000.00	1,895,167,402.43	2,120,880,984.84	124,016,888.27	58,507,949.05	17,076,116.93	4,365,649,341.52

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts are in Sri Lankan Rupees)

Note			Current Year 2023	Previous Year 2022
1	Gross Written Premium			
	Pre-shipment Credit Guarantee		450,000.00	5,325,354.24
	Post Shipment Credit Guarantee		468,737.70	547,381.60
	Export Performance Guarantee		2,181,000.00	50,000.00
	Cost of Passage Guarantee (APARA)		79,993,105.14	13,317,727.20
	Export Payments Insurance Policy (Seller's Risk)		328,842,648.83	416,321,340.57
			411,935,491.67	435,561,803.61
	(Increase)/Decrease in Unearned Premium	1a.	6,590,611.36	(3,662,948.02)
	Gross Earned Premium		418,526,103.03	431,898,855.59
1a	Unearned Premium			
	Export Payments Insurance Policies Gross Unearned Premium			
	Balance as at 1st January		23,170,908.10	18,706,711.86
	Premium written during the year		328,842,648.83	416,321,340.57
	Premium earned during the year		337,734,106.47	411,857,144.33
	Balance as at 31st December		14,279,450.46	23,170,908.10
	Credit Guarantee Gross Unearned Premium			
	Balance as at 1st January		495,820.20	1,297,068.42
	Premium written during the year		83,092,842.84	19,240,463.04
	Premium earned during the year		80,791,996.56	20,041,711.26
	Balance as at 31st December		2,796,666.48	495,820.20
	Total Reserve as at 31st December		17,076,116.94	23,666,728.30
	Total Reserve as at 1st January		23,666,728.30	20,003,780.28
	Net Change in Unearned Premium Reserve		(6,590,611.36)	3,662,948.02
2	Other operational Income			
	Guarantee, Policy, Administrative, Processing and BLL Fees		15,147,115.00	11,909,785.00
	BizInfo Income		104,680.61	-
			15,251,795.61	11,909,785.00
3	Investment Income			
	Treasury Bills / Bonds		28,045,523.55	16,641,860.14
	Call Deposit		489,268.11	14,454,884.86
	SMIB Deposit		22,838.62	18,558.38
	US Dollar Fixed Deposits		267,416,944.68	168,310,483.25
	US Dollar Savings		531,397.83	59,614.55
	Euro Fixed Deposit		7,476,874.89	3,499,239.15
	Dividends		-	240,000.00
	LKR Fixed Deposit		480,500,950.81	324,414,633.62
	Interest on Investment Fund		1,492,150.68	36,582.25
	Interest on Staff Loans		62,911.23	118,234.43
	Treasury Bill Interest on Gratuity Fund		1,067,711.70	1,602,241.61
	Interest on Gratuity Savings Account		-	4,242.28
	Sundry Income		4,034.69	-
			787,110,606.79	529,400,574.52

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts are in Sri Lankan Rupees)

Note				Current Year 2023	Previous Year 2022
4	Net Claims Paid				
	Claims Provision as at end of the year - Specific			452,510,347.07	430,581,176.42
	Claims Provided in the previous years			391,976,133.00	393,389,307.63
	Claims for the year			60,534,214.07	37,191,868.79
	Less: Excess Provision made in previous year			(2,297,532.89)	-
	Net Claims for the year - Specific			62,831,746.96	37,191,868.79
	Contingent Provision - 2023 (Please refer Note 18)			103,780,022.24	29,021,060.58
				166,611,769.20	66,212,929.37
5	Establishment Expenditure				
	Rates			990,990.00	762,300.00
	Water			177,392.79	102,712.73
	Electricity			859,908.55	620,656.20
	Telephone			570,922.34	735,431.09
	E-Mail & Internet, Website			452,811.32	740,553.32
	Security			671,180.28	638,059.55
	Depreciation -	Building		8,825,000.00	8,825,000.00
		Motor Vehicles		4,332,000.00	4,332,000.00
		Office Equipment		145,046.07	169,109.40
		Computers & Printers		2,604,978.06	61,559.00
		Furniture & Fittings		231,249.35	140,925.98
		Software		207,856.25	56,005.71
	Insurance -	Building - Office Premises (Nawam Mwt)		217,568.74	21,791.90
		Motor Vehicles		242,238.12	234,242.01
		Office Equipment, Furniture & Fittings		27,666.19	2,731.60
	Repairs & Maintenance -		Building	1,195,059.53	1,107,114.94
			Motor Vehicles	1,248,584.00	1,056,869.00
			Office Equipment, Furniture	473,012.15	135,678.28
			Computers & Printers	629,183.78	334,776.00
			Software	1,002,272.35	535,579.33
				25,104,919.87	20,613,096.04

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Note		Current Year 2023	Previous Year 2022
6	Administrative Expenditure		
	Salaries & Allowances	23,171,743.81	20,895,566.78
	Other Staff Benefits	18,230,029.82	16,092,403.45
	Recruitment, Local Training & Subscriptions to Educational Inst.	1,765,047.51	4,450.00
	Tea & Related Expenses	1,001,906.35	565,766.12
	Employees Provident Fund	4,897,171.72	5,130,783.51
	Employees Trust Fund	667,039.42	641,348.05
	Gratuity	2,401,583.33	18,525,745.00
	Directors Fees	390,000.00	230,000.00
	Travelling, Transport & Subsistence	408,822.81	225,460.00
	Postage	66,219.48	8,660.00
	Annual Report & Other Printing	455,100.00	1,414,687.00
	Staff Loan Written Off	111,115.44	-
	Stationery	1,337,437.21	140,965.00
	Fuel	993,223.56	1,822,172.50
	External Audit Fees	1,295,000.00	1,310,000.00
	Cloud Backup cost & Hosting of Website e-mail etc	682,815.95	-
	Internal Audit Fees	-	688,160.00
	Professional, Legal & Consultancy Fees	1,068,453.79	278,770.25
	General Expenses	236,693.75	167,610.45
	Stamp Duty	23,490.00	19,300.00
	News Papers, Books & Magazines	-	6,520.00
	Anniversary Expenses	720,544.00	700,000.00
	Employee Safety Expenses (COVID)	-	160,240.00
	Annual Trip	854,766.80	-
	Life Insurance	251,372.70	-
		61,029,577.49	69,028,608.11
7	Selling & Marketing Expenditure		
	Promotional and Business Development Expenses	1,129,211.67	-
	Advertising	1,356,535.00	-
	Printing Cost on -Brochures, Forms, Applications etc.	86,940.00	-
	Translation Charges	59,075.00	143,640.00
	Fuel Cost	189,185.44	334,612.50
	Corporate Memberships	241,530.00	198,705.00
	Subs. to Int.Professional & Export Related Organizations	5,782,400.00	3,807,125.22
	Sponsorships	835,000.00	-
		9,679,877.11	4,484,082.72
8	Finance Charges		
	Bank Charges	168,133.56	117,636.78
	Stamp Duty	28,710.00	23,750.00
	Social Security Cont. Levy	-	9,611,459.80
	Value Added Tax	-	217,313.00
		196,843.56	9,970,159.58

8a VAT on Financial Services

As per the act , Corporation not liable for VAT on Financial Services.

8b Income Tax

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

Prior to 2018, the Corporation paid income tax at the rate of 28% while with the new amendments the Corporation was categorized as a SME resulting in tax being paid at a reduced rate of 14%.

However, as per the provisions under the Inland Revenue (Amendment) Act, No. 45 of 2022, Income tax payable for the Y/A 2022/23 shall be calculated separately for two periods on the actual basis OR pro-rata basis at 75:25 to the periods of nine month and three month respectively. Hence, the Corporation is liable for Corporate Income Tax at the rate of 30% for the Q-4 of Y/A 2022/23.

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
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		Current Year 2023	Previous Year 2022

9 Property, Plant & Equipment

9.1 Gross Carrying Amounts	Cost as at 01-Jan-2023	Additions/Transfers	(Disposals)/Transfers	Cost as at 31-Dec-2023
Building	176,500,000.00	-	-	176,500,000.00
Furniture and Fittings	1,409,261.00	9 12,733.75	-	2,321,994.75
Computers & Printers	5,464,452.33	10 ,419,912.24	-	15,884,364.57
Office Equipment	1,388,008.58	443,234.00	-	1,831,242.58
Motor Vehicle	21,660,000.00	-	-	21,660,000.00
	206,421,721.91	11,775,879.99	-	218,197,601.90

9.2 Depreciation	Balance as at 01-Jan-2023	Charge for the year/Transfers	Disposals/Error Correction/Transfers	Balance as at 31-Dec-2023
Building	4 4,125,000.00	8 825,000.00		52,950,000.00
Furniture and Fittings	842,111.51	2 31,249.35		1,073,360.86
Computers & Printers	5,464,452.33	2 604,978.06		8,069,430.39
Office Equipment	1,306,253.01	1 5,046.07		1,451,299.08
Motor Vehicle	4,332,000.00	4 332,000.00		8,664,000.00
	56,069,816.85	16,138,273.48	-	72,208,090.33
Net Value	150,351,905.06			145,989,511.57

NOTE - 9-A Intangible Assets				
Software	7,504,374.77	-	-	7,504,374.77
	7,504,374.77	-	-	7,504,374.77
Amortization				
Software	6,728,943.48	207,856.25	-	6,936,799.73
	6,728,943.48	207,856.25	-	6,936,799.73
Net Value	775,431.29			567,575.04
Total Property, Plant & Equipment	151,127,336.35			146,557,086.61

10 Long Term Investments

	Current Year 2023	Previous Year 2022
Shares in Ingrin Ltd	10.00	10.00
Shares in Credit Information Bureau	123,700.00	123,700.00
Treasury Bonds	8,089,500.00	8,086,709.12
LKR Fixed Deposits	376,253,657.81	-
	384,466,867.81	8,210,419.12

11 Sundry Debtors, Deposits & Pre Payments

	Current Year 2023	Previous Year 2022
Advances on Export Bill Discounting Facility	34,958,636.11	34,958,636.11
Less: Provision for Doubtful Debts	(34,958,636.11)	(34,958,636.11)
	-	-
Staff Loans & General Advances	2,671,468.28	2,247,114.91
Sundry Deposits	108,837.50	108,837.50
Refundable Deposits	406,500.00	131,500.00
Loan to the Welfare Society of Slecic	500,000.00	-
Salary & Allowance Control A/C	30,935.25	-
Sundry Debtors	770.00	770.00
Pre-pa ym e nts	563,996.27	747,371.50
BizInfo Income Receivable	(6,430.80)	368,346.20
VAT on Financial Services Recoverable	2,185,511.00	2,185,511.00
WHT Receivable	27,586,095.84	
	34,047,683.34	6,441,401.78

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
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		Current Year 2023	Previous Year 2022
12	Interest Receivable		
	Treasury Deposit	67,615,246.42	67,154,144.92
	Treasury Bills/Bonds	1,295,539.36	16,182,770.17
	US Dollar Fixed Deposits	219,884,472.41	151,696,425.21
	Interest Receivable - Euro Fix	7,428,203.88	-
	Gratuity Funds - Treasury Bills	-	332,440.32
	LKR Fixed Deposits	136,671,397.33	226,397,801.52
		432,894,859.40	461,763,582.14
13	Short Term Investments		
	US Dollar Fixed Deposits	2,275,731,540.49	2,359,281,604.14
	Euro Fixed Deposits	74,691,306.25	-
	LKR Fixed Deposits	1,995,433,571.29	2,168,068,737.25
	Gratuity Savings Account	143,722.88	143,722.88
	Treasury Bills on Gratuity Savings	12,880,628.00	11,482,617.00
	Govt. Treasury Bills	163,500,000.00	121,951,200.00
	State Mortgage & Investment Bank Deposit	673,646.74	651,950.05
		4,523,054,415.65	4,660,927,881.27
14	Foreign Currency Savings Accounts		
	Bank of Ceylon - US Dollar Account	4,931,537.43	5,157,241.10
	People's Bank - US Dollar Account	4,897,245.54	4,523,939.02
	EURO Savings Account	52,600.30	81,321,379.02
		9,881,383.27	91,002,559.14
	In Foreign Currency		
	Bank of Ceylon - US Dollar Account	15,451.13	14,309.77
	People's Bank - US Dollar Account	15,343.69	12,552.55
	EURO Savings Account	149.65	212,660.51
	Exchange Rate		
	Bank of Ceylon - US Dollar Account	319.17	360.40
	People's Bank - US Dollar Account	319.17	360.40
	EURO Savings Account	351.48	382.40
15	Cash & Cash Equivalent		
	Cash at Bank		
	Hatton National Bank Current Accounts	955,761.17	1,318,649.36
	Hatton National Bank Debit Tax Exempt current	605,801.67	-
	Hatton National Bank Call Deposit Account	13,428,928.39	27,601,615.08
	Bank of Ceylon Current Account	1,325,877.13	3,130,661.78
	People's Bank Current Account	113,831.01	54,763.96
		16,430,199.37	32,105,690.18
	Cash in Hand	2,000.00	71,278.00
		16,432,199.37	32,176,968.18

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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Note		Current Year 2023	Previous Year 2022
16	Gratuity Payable		
	Balance B/F	30,010,488.00	14,328,995.00
	Gratuity Provision for the Year	2,401,583.33	18,525,745.00
	Under/Over provision	(16,376,815.93)	-
		16,035,255.40	32,854,740.00
	Paid during the year	(2,568,771.00)	(2,844,252.00)
	Balance as at 31st December	13,466,484.40	30,010,488.00
17	Sundry Creditors, Accrued Expenses and Provisions		
	Sundry Creditors		
	General VAT (Charged from Policy Premium)	1,906,902.00	2,538,291.00
	Staff Medical Fund	724,038.00	667,618.00
	Refundable Deposits Retained from Customers	2,025,300.00	1,572,500.00
	Accrued Expenses		
	Employees Provident Fund	(309,861.96)	907256.25
	Employees Trust Fund	32,783.51	75604.71
	Stamp Duty	6,925.00	11275.00
	Other Payables	21,739,550.66	12924730.89
	Charges on Status Reports	-	1032733.11
	Accruals	8,621,280.00	-
	Provisions		
	Audit Fees Payable	1,287,118.00	1,506,480.00
	Income Tax Payable	267,576,715.48	150,622,225.52
	VAT on Financial Services	48,193,771.16	56,052,197.31
	Annual Report Printing Charges	1,485,540.00	1,488,290.00
	SSCL Payable	8,325,754.55	8,325,754.55
	APIT Tax Payable	131,761.93	-
	Welfare Society of SLECIC	5,150.00	-
	Special Levy Payable to Treasury	300,000,000.00	-
		661,752,728.33	237,724,956.34
18	Provision for Future Claims		
	Balance as at 1st January	454,601,351.49	469,648,335.00
	Claims Paid During the Year	(40,574,275.29)	(2,791,467.79)
	Contingent Provision for Claims	414,027,076.20	466,856,867.21
	Provision for the Year	103,780,022.24	29,021,060.58
	Balance provision as at 31st December	517,807,098.44	495,877,927.79
	Total Provision for Claims	517,807,098.44	495,877,927.79

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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Note

19 Disclosure on Revaluation of Fixed Assets

- Effective date of Revaluation

Building	01-Jan-18
Motor Vehicles	31-Dec-21
Computers and Printers	31-Dec-16
Office Equipment	31-Dec-16
Furniture and Fittings	31-Dec-16

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

Buildings	132,375,000.00
Motor vehicle	1 7,328,000.00
Computers and Printers	-
Office Equipment	-
Furniture and Fittings	5 67,148.24
Software	7 75,431.29

20 Contingent Liabilities

(a) Lawsuits against the Corporation

1 Southern Son Teas (Pvt) Ltd Vs Sri Lanka Export Credit Insurance Corporation ; HC (CIVIL) 193 2004 (I)
The case was instituted by the exporter on a rejection of a claim for a value of Rs.17.02Million in the Commercial High Court of Colombo.
Present Position: The judgement was given in favour of the exporter, the case has been appellate and the appeal court decision is pending.

2 Tropical Fishery (Pvt) Limited Vs. Sri lanka Export Credit Insurance Corporation; CHC 47/2020/MR
case lodged against part payment made o/a of Suriya LLC of USA claiming Rs.27.5Mln.

(b) The Total Liability underwritten by the Corporation as at 31st December 2023.

- Export Payments Insurance Policies in Force
- Credit Guarantees in Force
- Maximum Liability

21 Investment Fund Account An Investment Fund Account was established in November 2011 to transfer funds equivalent to the total of 8% ofthe Value Added Tax on Financial Services and 5% of the Income Tax on an Annual basis on a Treasury Directive. Since the Corporation is not involved in lending funds, as per the guidelines issued by the Central Bank of Sri Lanka, the funds in the Investment Fund Account has been invested in Treasury Bonds over 7 years. The Corporation has invested a sum of Rs. 8.086 Million with a face value of Rs. 8.089 Million in over 7 years Treasury Bonds and these investments have been listed under the Long Term Investments.

22 Related Party Transaction

Name	Designation	Nature of the Related Party Transaction	Address
Mr.S.C.J.Devendra	Chairman	None	Sri Lanka Export Credit Insurance Corporation,# 42, Level 4, NDB-EDB Tower,Colombo 02
Ms.A.A. I.Di l ruk s hi	Non Executive Director	None	Dept.of Treasury Operations, Ministry of Finance,The Secretariate,Colombo 01
Mr.A.A. M.Thassim	Non Executive Director	None	Central Bank of Srilanka, No.30,Janadhipathi Mawatha,Colombo 01.
Mr.Priyantha Perera	Non Executive Director	None	Srilanka Insurance Corporation, No.21,Vauxhall Street,Colombo 02.
Mrs.B.M.S.Bandara	Non Executive Director	None	Ministry of Trade,LHP Building, 492,R.A.De MelMawatha, Colombo 03.

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION (SLECIC)

Significant Accounting Policies

General Information
Sri Lanka Export Credit Insurance Corporation was established by the Sri Lanka Export Credit Insurance Corporation Act No. 15 of 1978 and commenced commercial operations on 8th February 1979. The registered office of the Corporation is situated at Level 4, NDB-EDB Tower, No.42, Nawam Mawatha, Colombo 02.

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

1. 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 2023 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.

2. Comparative Information

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

3. 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 theCorporation.

3.1 Foreign Currency Transactions

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

3.2 Property, Plant and Equipment

3.3 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 labor, 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.

a) 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. Year of punches Calculating full depreciation & year of disposal not calculating depreciation.

The principal annual rates used are as follows.

1. Building	5%	20 years
2. Office Equipment	25%	04 years
3. Motor Vehicles	20%	05 years
4. Software & Computers	25%	04 years
5. Furniture & Fittings	10%	10 years

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.

b) 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.

c) 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.

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

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

3.4 Capital Work in Progress

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

3.5 Intangible Assets

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

a) Basis of Recognition

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

b) Subsequent Expenditure

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

c) Retirement and Disposal

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

d) Amortization

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

e) Impairment

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

3.6 Investment Properties

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

3.7 Short term Investments

a) Short term Investments in Local currency

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

b) Short term Investments in Foreign currency

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

3.7.1 Financial Investments: Held-to-Maturity

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

3.7.2 Risk arising from Financial Instruments

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

3.8 Trade and Other Receivables

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

3.9 Inventories

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

3.10 Cash and Cash Equivalents

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

3.11 Cash Flow Statements

The Cash Flow Statements have been prepared using the indirect method in accordance with Lanka Accounting Standard (LAKAS) No. 07 -Cash Flow Statements. 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.

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

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.

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

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

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 year.

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.

Auditor General Report 2023

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මගේ අංකය / எனது இல. / My No. TAC/E/SLECIC/2023/23 | ඔබේ අංකය / உமது இல. / Your No. | දිනය / திகதி / Date 07 June 2024

Chairman
Sri Lanka Export Credit Insurance Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to parliament in pursuance of provisions in Article 154(6) of the constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
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1.2 Basis for Qualified Opinion

(a) The following observations are made in connection with compliance to the Sri Lanka Accounting Standards –LKAS 16 - Property Plant and Equipment.

(i) According to the paragraph 79 (b) of the Standard, although the carrying value of property, plant and equipment that is fully depreciated but still in use should be disclosed in the financial statements, the carrying value of 01 furniture and fittings, 61 office equipment 25 computers and printers and 11 software packages which were fully depreciated and still in use had not been disclosed in the financial statements.

(ii) According to the paragraph 55 of the Standard, depreciation of an asset begins when it is available for use and ceased at the earlier of the date that the asset is classified as held for sale or disposal. However, the Corporation had charged depreciation in full in the year of purchase while not charging in the year of disposal in connection with 21 items of computer and printers, 31 items of furniture and fittings and 10 items of office equipment purchased during the year under review. Accordingly, the depreciation of fixed assets had been overstated by Rs. 2,779,165 in the year under review.

(b) The interest income for the year under review had been understated by Rs.2,103,969 , the interest receivable had been understated by Rs.864,214 and the balance of treasury bills on gratuity fund account had been understated by Rs.1,239,755, as the interest for the year had not been calculated accurately.

(c) An income relating to the financial year 2022 amounting to Rs.987,422 had been included in the Gross Written Premium on Export Payment Insurance Policy in the year under review. Accordingly, the Gross Written Premium on Export Payment Insurance Policy in the year under review had been overstated by the same amount.

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(d) The un-earned premium on Export Payment Insurance Policy as at 31 December 2023 had been understated by Rs.4. 398,102 as the un-earned premium related to 09 exporters amounting to Rs. 13,116,062 had been accounted as Rs. 8,717,960.

(e) The net claims for the year under review had been overstated by Rs. 2,465,005 as the net claims for the year 2023 amounting to Rs. 60,366,742 had been accounted as Rs. 62,831,747 in the financial statements.

(f) An amounts which had not been claimed for and the claims which had been paid and rejected related to the previous years aggregating Rs. 306,856,067 had been included in the balance of provision for future claims as at 31 December 2023. Hence, the Provision for future claims as at 31 December 2023 had been overstated by Rs. 306,856,067 and the retained earnings had been understated by the same.

(g) The income tax for the year under review had been understated in the financial statements by Rs.2,468,303 as the taxable income had not been calculated accurately.

(h) The following differences were observed between the financial statements and the schedules presented to the audit.

Description	Amount as per financial statements Rs.	Amount as per schedules presented Rs.	Deference Rs.
Claim Paid	40,574,275	40,902,576	328,301
Net claims	62,831,747	166,611,769	103,780,022

(i) The following items of accounts could not ' : satisfactorily vouched or accepted due to non-submission of required evidence as indicated against each item.

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materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements. whether due to fraud or error. design and perform audit procedures responsive to those risks. and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. as fraud may involve collusion. forgery. intentional omissions. misrepresentations. or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained. whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists. I am required to draw attention in my auditor's report to the related disclosures in the financial statements or. if such disclosures are inadequate. to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However. future events or conditions may cause the Corporation to cease to continue as a going concern.

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

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

2. Report on Other Legal and Regulatory Requirements

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

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

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

2.1.3 The financial statements presented includes the recommendations made by me in the previous year except the audit matters of (a) (i) described in the basis for Qualified Opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

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

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

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Reference to law/ direction	Description
(a) Section 11 of Finance Act. No 38 of 1971 and Section 21(2) of the Sri Lanka Export Credit Insurance Act No: 15 of 1978.	The Corporation had not obtained concurrence from the Minister of Finance and approval from the appropriate Minister for the investments made by the Corporation for Rs. 4.907.943.668
(b) Paragraph 4.3 of the Guidelines on Corporate Governance issued under the Public Enterprises Circular No. 01/2021 dated 16 November 2021	The risk committee had not been appointed to calculate the impact of financial and non-financial risks on the Corporation's business operations and to take appropriate actions to mitigate the adverse impact.
(c) Operational Manual issued under the Public Enterprises Circular No. 01/2021 of 16 November 2021	
(i) Paragraph 3.3	Human resources plan had not been prepared by the Corporation .
(ii) Paragraph 3.4	The Corporation had not prepared a succession plan.
(d) Payment of gratuity Act No. 12 of 1983	The allowances amounting to Rs. 15.000 and Rs. 7.500 which cannot be taken as a cost of living allowance , special cost of living allowance or a similar allowance had been added to the basic salary in case of calculating gratuity. Accordingly a sum of Rs. 1.023.750 had been paid additionally for four employees as gratuity during the year under review.

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

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

2.3 **Other Matters**

(a) The Committee on Public Enterprises (COPE) held on 04 July 2023 had directed to fill all the vacancies in permanent basis paying attention to the malpractices of the Corporation that had happened previously. However, 21 posts of the approved cadre of the Corporation had not been filled even as at 31 December 2023.

(b) The Corporation had planned to conduct 06 meetings with gem and jewellery exporters and 20 awareness programs for migrant workers at Sri Lanka Bureau of Foreign Employment physically or via tele/webinar and awareness programs for potential and existing exporters to enhance existing SLECIC products in 04 provinces in the year under review. However, only one program in each activity had been conducted.

(c) An advance amounting to Rs. 34,958,636 given to 08 exporters on export bill discounting facility had been shown in the financial statement over a period of 15 years without settlement and out of which Rs.22,870,492 had been given to one exporter.

(d) VAT on financial services receivable amounting to Rs.2,185,511 had been shown in the financial statements over a period of 6 years.

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(e) The Corporation had published news paper advertisements in order to fill 05 vacancies at a cost of Rs.815,810 However, it had been subsequently revealed that the newspaper advertisements had not been prepared in accordance with the new scheme of recruitment. Accordingly, Corporation had to publish advertisements again at a cost of Rs. 793,500 for the purpose. Accordingly, the amount of Rs.815,810 preciously incurred is observed as an uneconomic expenditure.

W.P.C. Wickramarathne

Auditor General