

SLECIC

ANNUAL REPORT 2015
SRI LANKA EXPORT CREDIT INSURANCE
CORPORATION

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

ANNUAL REPORT – 2015

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

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

Our Vision

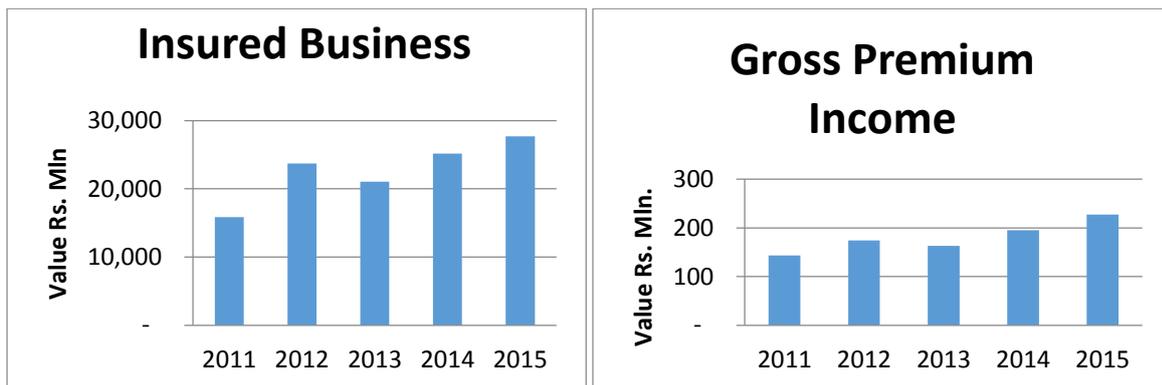
“To be the catalyst in the promotion and development of international trade

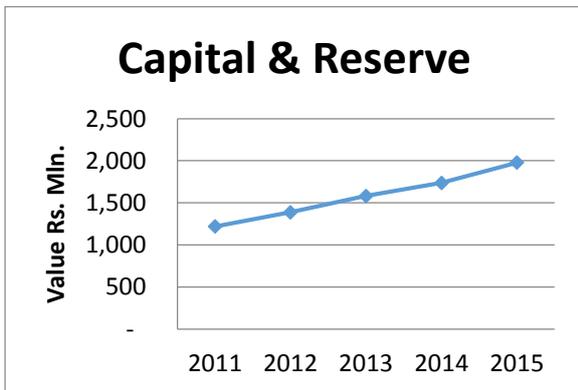
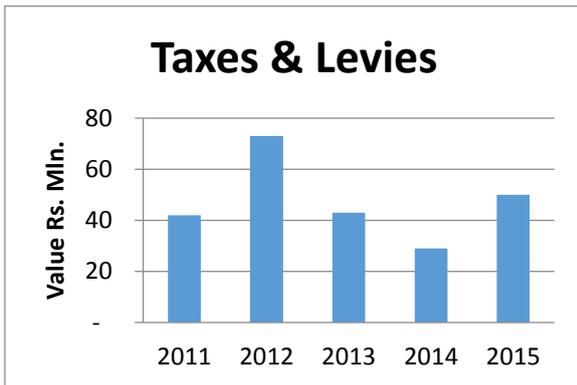
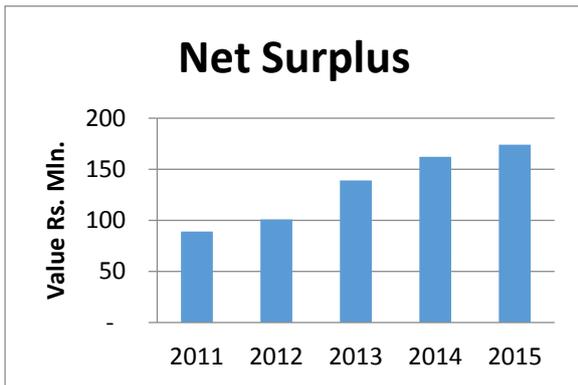
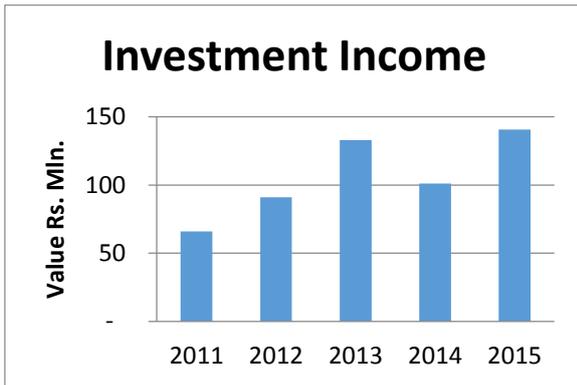
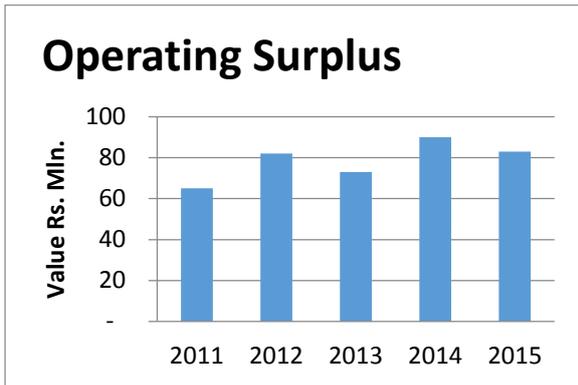
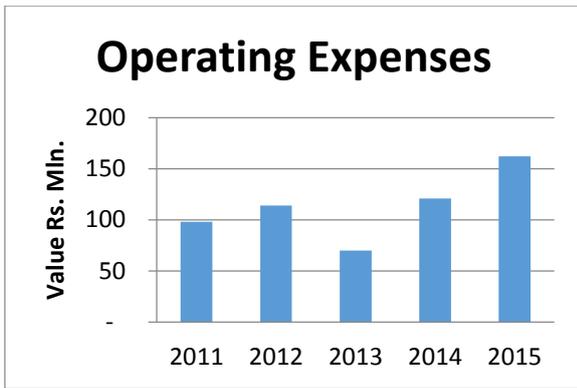
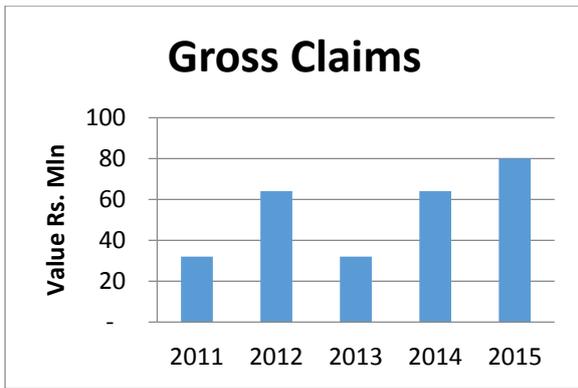
Our Mission

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

Five Years at a glance Performance Overview (Rs. Million)

SLECIC Performance Overview 2011-2015 (Rs. Million)					
	2011	2012	2013	2014	2015
Insured Business	15,835	23,735	21,076	25,173	27,721
Gross Premium Income	143	174	163	195	228
Gross Claims	32	64	32	64	80
Operating Expenses	98	114	70	121	162
Operating Surplus	65	82	73	90	83
Investment Income	66	91	133	100	139
Net Surplus	89	101	139	162	174
Capital & Reserve	1,220	1,388	1,581	1,758	1978
Taxes & Levies	42	73	67	29	50





Chairman's Review

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

World Economy

The global economy remained weak in 2015, with economic conditions deteriorating markedly in many emerging markets while those in advanced markets improved. As a result, global economic growth fell to 2.6%: down from 2.8% in 2014.

Advanced economies supported by Eurozone recovery

2015 saw steady economic growth across advanced markets and an economic recovery in the Eurozone. The Eurozone has been experiencing positive economic growth since mid-2013 but gained even more momentum in 2015, with all Eurozone member states - except Greece - growth is increasing. Even so, the Eurozone recovery remained tepid as its economy grew by only 1.5% well below its historical average. Growth was also uneven, with a much weaker performance in large member states such as France and Italy. Overall, unemployment fell very little while consumer spending remained well below its 2008 peak.

Measures taken by the European Central Bank brought interest rates down to record lows, thus improving financial conditions. This reduced funding costs for companies and made it cheaper for consumers to borrow. As a result, borrowing in the Eurozone gradually increased, while banks also slowly started to relax their credit conditions, making it easier to obtain loans. This easing followed years of tightening, leaving credit conditions still challenging.

The United States economy saw steady expansion in 2015: continuing the trend that began in 2010. The economy grew 2.5%, despite harsh winter weather in the first quarter. Consumer spending increased, encouraged by rising wages, and business investment remained solid. Unemployment continued to fall, nearing its low level of 2007, but labour participation lagged behind. Economic growth was weakened by the scaling back of activities in the oil sector in response to low prices and exports suffered as a result of the more expensive US dollar.

Large discrepancies between emerging markets

Conditions in many emerging markets deteriorated sharply in 2015. Among the biggest markets, the Chinese economy slowed further and Russia and Brazil entered deep recessions. The slowdown in the Chinese economy also had an adverse impact on its trade partners and reduced demand for commodities.

Indeed, countries that rely heavily on commodity exports also faced lower income as a result of the fall in commodity prices. To add to these economic woes, in anticipation of monetary policy tightening in the US, international investors withdrew large sums of capital from emerging markets. Economic growth across many emerging markets fell as a result of these developments. However, not all emerging markets fared poorly. Countries that rely on the import of commodities such as oil, steel and coal benefitted from the lower prices as this freed up resources to spend on domestic goods, boosting economic growth.

Countries in Central America also profited from US economic growth, as many of them rely heavily on exports to the US. Similarly, Central and Eastern European countries benefitted from the recovery in the Eurozone through higher exports and more inward investment.

Declining Global Commodity Prices

The dramatic fall in oil prices is a seminal event with major repercussions for the world economy. From \$146/barrel in June 2008, the price of crude oil reached \$46/barrel in October 2015. This development reflects both demand-side factors and supply-side factors.

But the fall in oil and gas prices has proven disastrous for hydrocarbon-driven economies like Russia and Venezuela. Other oil exporting countries (Kazakhstan, Saudi Arabia) possess fiscal buffers that better enable them to withstand declining hydrocarbon revenues.

The fall in oil and gas prices mirrors broader shifts in global commodity prices. Like the drop in oil and gas prices, the fall in global prices of non-fuel commodities benefits hard-pressed households, materials-intensive manufacturers, and natural resource-poor economies. However, the shift in global commodity prices heightens pressure on resource-intensive emerging markets.

Slow Growth of International Trade

The decline of commodity prices plays a significant role in the recent slowing of international trade. Cross-border trade in goods and services suffered a precipitous decline in 2009, followed by a sharp rebound in 2010–11. But the volume of international trade grew only modestly in 2012–15. Global trade is projected to expand by 4.1 percent in 2016.

Sri Lankan economy

The Real economic growth in Sri Lanka in 2015 registered 4.8 per cent, compared with 4.9 per cent in 2014. Despite the negative trend in the Global Market, His Excellency the President's and the Hon. Prime Minister's "Yahapalanaya" policies enabled the local economy to sustain the growth. Particularly the Good Governance and the open policies enabled the business community to hold steadfast their transactions. The Hon. Finance Minister, who had secured the confidence of the IMF and the developed economies of the World is an added strength to our economy.

Export Performance

Earnings from exports contracted in 2015, largely reflecting the downward movement of international commodity prices and the slower growth in large economies and Sri Lanka's major export destinations.

Accordingly, earnings from exports, which grew at 7.1 per cent in 2014, declined by 5.6 per cent, year-on-year, in 2015, to US dollars 10,505 million, led by the drop in both agricultural as well as industrial exports.

Earnings from agricultural exports, which account for 23.6 per cent of total exports, declined significantly by 11.2 per cent to US dollars 2,481 million in 2015, led by lower earnings from tea and seafood exports. Export earnings from tea, the second largest export commodity in Sri Lanka, which accounts for about 13 per cent of total export earnings, declined significantly by 17.7 per

cent to US dollars 1,340 million, recording the lowest value for the last five years. Geopolitical developments, currency depreciations in importer countries and the substantial decline in revenue from oil, resulted in a significant decline in demand for Ceylon tea from major buyers such as Russia and some countries in the Middle East.

Meanwhile, earnings from seafood exports declined by 35.5 per cent, year-on-year, to US dollars 163 million in 2015, mainly due to the significant decline recorded in seafood exports by 75.0 per cent to the EU market, with the restrictions on market access, with effect from mid-January 2015. However, earnings from coconut kernel products increased by 3.5 per cent due to more than a 100 per cent growth recorded in coconut oil exports, despite the decline recorded in earnings from coconut exports. As a result of a bumper harvest in main export crops i.e. pepper and cloves, earnings from exports of spices increased significantly by 42.7 per cent, to US dollars 377 million in 2015. However, export earnings from cinnamon declined marginally by 0.2 per cent, due to the decline recorded in export volumes, in spite of the increase recorded in price levels.

Earnings from rubber exports, which declined continuously from 2012, weakened further in 2015, reflecting the impact of continuous reduction in global rubber prices, led by lower global demand. Consequently, export earnings from rubber declined by 42.3 per cent, to US dollars 26 million in 2015, led by the reductions in both export volumes and prices.

Export earnings from textiles and garments, which account for around 46 per cent of the total export earnings, declined by 2.2 per cent, mainly due to the 2.7 per cent decline recorded in garment exports, despite the 4.5 per cent and 13.4 per cent growth, respectively, recorded in textiles and other made-up textile articles. Export earnings from garments to the EU market declined significantly by 12.5 per cent in 2015, largely contributing to the decline in earnings from garment exports, despite the 6.0 per cent and 4.6 per cent growth recorded in the earnings from garment exports to the USA and other non-traditional markets, respectively.

Earnings from tourism increased substantially in 2015, supporting the services account to remain elevated. In 2015, earnings from tourism increased by 22.6 per cent to US dollars 2,981million, compared to US dollars 2,431 million in 2014. The growth in earnings from tourism was supported by the continued increase in tourist arrivals and spending by tourists.

The growth momentum is expected to continue in the coming years, with the support of various tourism promotion activities and the expansion of capacity in the hotel industry. Meanwhile, outflows on account of travel also grew, albeit at a lower rate than inflows, with the renewed interest of Sri Lankan residents in foreign travel for leisure, education and health purposes.

Exchange Rate Movements

The Sri Lankan rupee remained broadly stable during the first eight months of 2015, but depreciated substantially thereafter, as a result of the Central Bank decision to allow greater flexibility in the determination of the exchange rate.

However, on 03 September 2015, the Central Bank decided to limit its intervention in the domestic foreign exchange market and allowed the exchange rate to be largely determined by the demand and supply conditions of the market. This resulted in the Sri Lankan rupee depreciating by 6.64 per

cent against the US dollar, during the period from 04 September to end 2015. Overall, the rupee depreciated against the US dollar by 9.03 per cent to Rs. 144.06 as of end 2015.

Performance of SLECIC

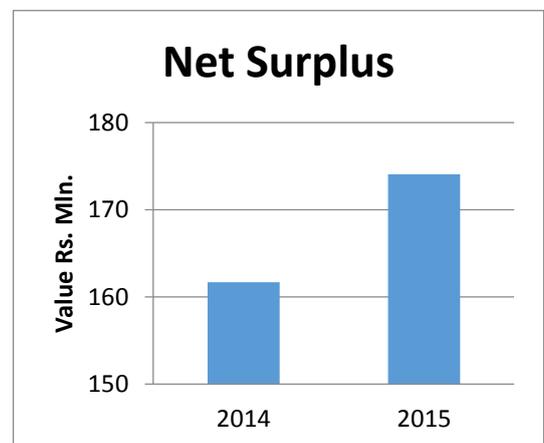
2015 was a remarkable year for SLECIC. Not only the year mark 37 years of service to the exporter and banking community but it is also has been the best year of performance since inception. During the year under review, SLECIC also posted a growth in its total insured business to Rs. 27.77 billion, representing a growth of 9% over the previous year.

Financial Results

Financial results at a glance (Rs. Million) Year ending
31st December 2015

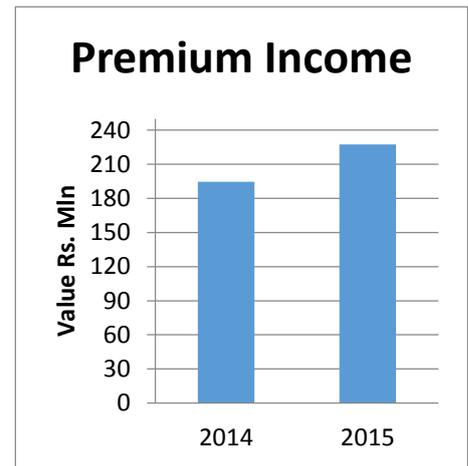
	2014	2015
Gross Premium Income	194.55	227.5
Operating Surplus	89.79	83.07
Net Claims	37.81	70.75
Investment Income	101.0	139.52
Capital & Reserves	1757.92	1978.15
Net Surplus	161.69	174.07
Taxes & Levies	28.81	50.43

The corporation's net surplus for the year increased to Rs. 174.07 million from Rs. 161.69 million in the previous year. Total assets and equity of the corporation stood at Rs.2170.52 million and Rs 1978.15 million respectively at the end of the year.



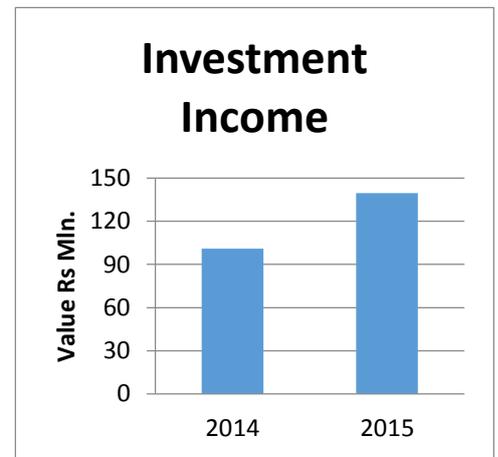
Premium Income

The premium rates structure is based on the no-profit no loss principle. The Gross Premium Income of the corporation grew tremendously during the year under review to Rs. 227.5 million from Rs. 194.55 million in the previous year. The premium income of our core product, the Seller’s Risk, posted a significant increase of 24.4 % over a year ago to earn Rs. 188.76 million from Rs. 151.72 million a year ago.



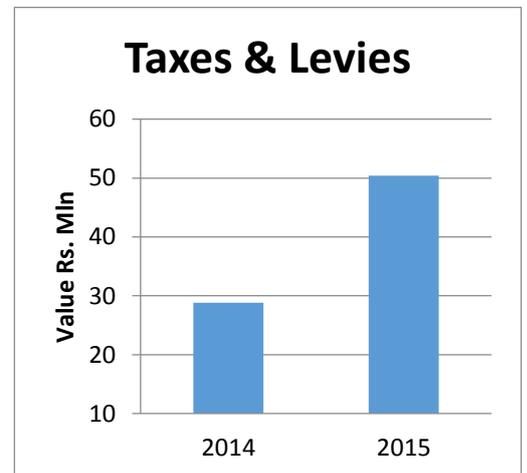
Investment Income

A significant proportion of the investment portfolio was in government securities and the interest rates of such securities continued to receive low yields during the year under review. However, Investment income increase is partly due to receipt of compensation for investment property. As a result, it recorded an investment income of Rs. 140.96 Million in the year under review.



Taxes & Levies

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



During the period under review the Corporation paid Rs. 50.43 Million as taxes and Levies as compared with Rs. 28.81 million in the previous year. The growth performance is exclusively attributed to the support extended to us by Hon. Minister of Finance and Yahapalanaya policies.

Outlook for 2016

Economic conditions in 2016 are expected to remain challenging. The headwinds that buffeted many emerging markets in 2015 are likely to persist. Commodity prices are forecast to remain low, the Chinese economy is projected to slow further. The US is the major driver of the world's economic prospects. The four-yearly US general election will take place in 2016, although the outcome of the election is generally expected to have only a limited effect on the country's monetary policies. Economic recovery is expected to continue along the same path, and there is evidence of strong, steady growth in domestic demand. The basics of the economy are still outperforming those of most other major economies and US monetary policy may continue to tighten.

As a consequence, economic growth across emerging markets is expected to remain under pressure. The countries that bucked the trend in 2015 may continue doing so in 2016 aided by strong domestic dynamics and improving macroeconomic policies.

The outlook for advanced markets is much brighter. The Eurozone is expected to continue its recovery with growth picking up further. Nevertheless, the advanced markets aren't insulated from the weaker conditions across emerging markets and this may suppress growth and slow the recovery in advanced markets.

Overall, the global economy may see slightly brighter conditions in 2016, but the economic environment is likely to remain challenging, looking ahead to the coming year, the pace of growth is expected to remain slow and unbalanced.

Nevertheless, I am optimistic that SLECIC will be well equipped to weather all the storms and perform respectably during the year ahead in spite of the gloomy global economic outlook.

Acknowledgement

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

I extend my foremost gratitude to the Honourable Finance Minister for his endeavours in promoting international trade and his continuing interest in the activities and development of SLECIC, during the period under review. I also appreciate the guidance & support of Hon. State Minister of Finance.

The guidance and support extended by the Board of Directors during the period under review is greatly appreciated. Their dedication, commitment, guidance, expertise and wisdom in helping us to face challenging times is acknowledged.

Services of Mr D.P.Mendis P.C., my predecessor, who completed his tenure as Chairman & Managing Director of SLECIC from 15 May 2010 to 8 January 2015 are very much appreciated. He has been instrumental in initiating Capacity building of Export Credit Insurance industry with the

financial support of Commonwealth Secretariat in 2013 will be continued in coming years to strengthen capacities at SLECIC to serve exporter community better. I wish to place on record my appreciation for the services rendered by Board Member Mr. K.M.M.Siriwardena from 13 January to 17 February 2015 as protem Chairman of SLECIC.

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

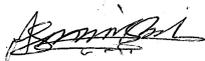
I also wish to place on record our appreciation for the officials of the Central Bank of Sri Lanka, the Department of Commerce and members and officials of the many trade chambers for the assistance they provided to SLECIC in fulfilling its duties. Further, stakeholders' involvement in Capacity Building program is commendable as they have given their valuable time to the Exim Bank team and suggested many constructive ideas for us to take it forward to improve our services.

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

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

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

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



A.S. M Misbah.
Chairman & Managing Director

The Board of Directors

Mr.A.S.M.Misbah

Chairman & Managing Director

Attorney at Law

(w.e.f 18.02.2015)

Mr. A.K. Seneviratne

Additional Secretary

Ministry of Industry and Commerce

(w.e.f 07.04 2015)

Mrs. Amila Dahanayake

Secretary to the Governor

Central Bank of Sri Lanka

(w.e.f 7.4.2015).

Ms. K.V.C.Dilrukshi

Assistant Director

Department of public Enterprises

Ministry of Finance

(w.e.f 07.4. 2015 to 04.10.2015

Mrs K.S.Dayarathne

Assistant Director

Depart of Treasury Operations

Ministry of Finance

(w.e.f 05.10.2015)

Mr. Suresh M. Paranavitana

Chief Officer –life

Sri Lanka Insurance Corporation Ltd

(w.e.f 11. 11.2015)

Senior Management of SLECIC

<i>A.S.M.Misbah</i>	<i>Chairman & Managing Director</i>
<i>D.H.J. Ranasinghe</i>	<i>General Manager</i>
<i>Mrs. R.M.U.N. Peiris</i>	<i>Deputy General Manger</i>
<i>Dammika Aluthge</i>	<i>Assistant General Manager</i>
<i>Mohan Silva</i>	<i>Assistant General Manager</i>
<i>Mrs. Mayuri Mudalige</i>	<i>Assistant General Manager</i>

Products & Services of SLECIC

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

Seller's Risk

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

Commercial Risks

- Insolvency and bankruptcy
- Payment default
- Contract repudiation

Political Risks

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

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

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

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

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

Seller's Risk Insurance Policy-BUYER SPECIFIC

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

Seller's Risk Insurance Policy-COUNTRY SPECIFIC

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

Seller's Risk Insurance Policy-POLITICAL RISK

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

Seller's Risk Insurance Policy-GLOBAL COVER

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

Seller's Risk Insurance Policy-SUBSIDIARY RISK

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

Seller's Risk Insurance Policy-COVERING ULTIMATE BUYERS

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

Seller's Risk Insurance Policy-CONSIGNMENT OF STOCKS

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

Seller's Risk Insurance Policy-ENTREPOT TRADE

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

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

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

Seller's Risk Insurance Policy-DOMESTIC CREDIT INSURANCE

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

Export Credit Guarantees offered to Banks
--

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

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

Pre Shipment Credit Guarantees (Individual)

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

Post Shipment Credit Guarantees (Individual)

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

Whole Turnover Pre/Post Shipment Credit Guarantees

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

Export Production Credit Guarantees

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

Export Performance Guarantees

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

Export Performance Credit Guarantee covering the due performance of Freight Forwarders

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

Export Performance Guarantees covering ATA Carnet System

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

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

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

Other Services

BiZinfo – Credit and financial information

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

Cross Border Debt Collection Service

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

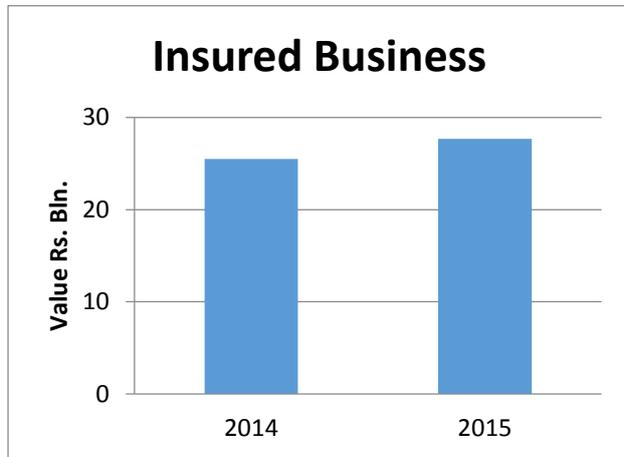
Export Credit Insurance

The value of credit insurance as a risk mitigation tool in cross-border trade has gained in global recognition which has led to increased demand for the product.

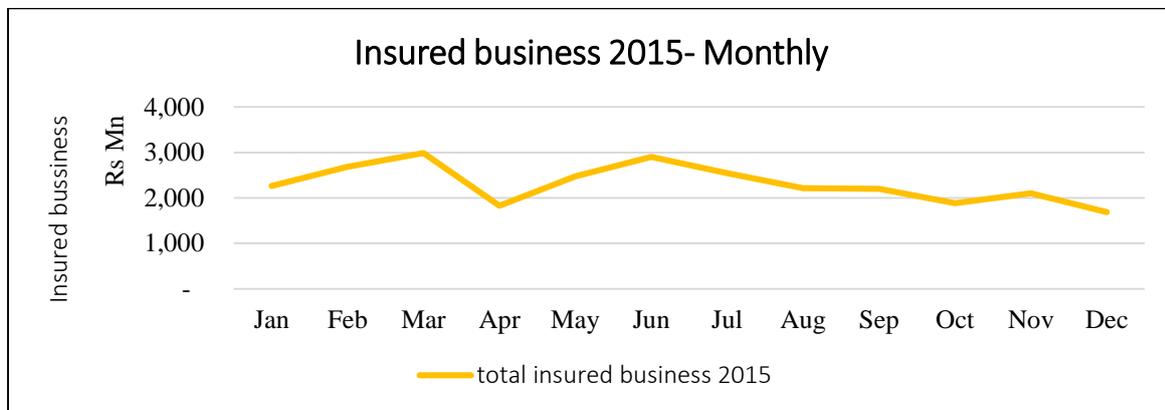
In Short Term business, covered exports represent the turnover or the value of shipments made while being covered under a credit insurance policy. Covered exports are not identical with credit limits issued. During the year under review, SLECIC put its weight behind all types of exporters, backing over twenty-five billion rupees worth of exports through its Export Credit Insurance

Insured Business

The total insured business showed a growth of 9 percent, reaching Rs 27.77 billion for the period January to December 2015, compared to the Rs 25.5 billion in the corresponding period in 2014.



The below graph shows the growth of insured business of SLECIC over the period of January to December 2015



Major markets

During 2015, UAE, USA, UK, Iran and Russia were held considerable share of the SLECIC exposure which is 47% of the total insured business of 2015.

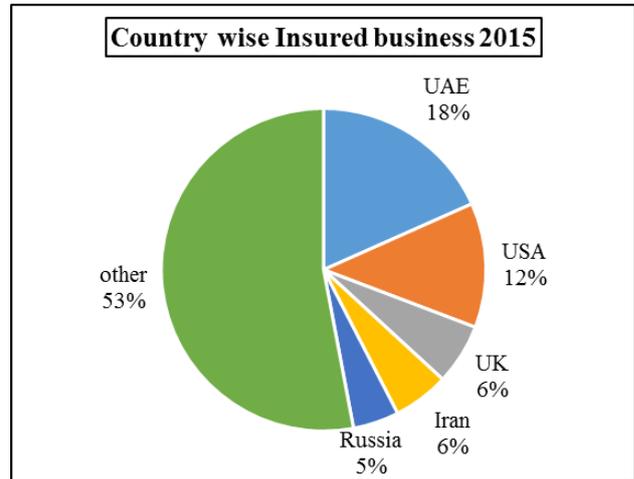
UAE remained as the largest insured market accounting for 18% of the total insured business of the SLECIC in 2015 and recording a growth of 39% reaching at Rs 5 billion.

USA was the second largest market for SLECIC insured business contributing 12% of the total insured business. UK and Iran held a share of 6% each and grew at a rate of 1% & 26% respectively compared to 2014. Russia held a 5% of the total insured business of SLECIC in 2015.

Australia was among the top 10 markets holding a 4% share whereas Japan, Germany, Saudi Arabia & France held 4%, 4%, 4% & 3% respectively. Insured business of Saudi Arabia & Japan increased significantly due to an increase in exports of tea, rubber gloves, coir fibre & rubber related products

Insured Business of key markets 2015

Country	Total Insured business -2015 (Rs)	% change of value compared to 2014
UAE	5,085,419,052	39%
USA	3,470,851,065	10%
UK	1,689,482,165	1%
Iran	1,550,138,948	26%
Russia	1,271,777,460	-23%
Australia	1,175,856,618	-8%
Japan	1,077,113,171	114%
Germany	1,070,558,696	-4%
Saudi Arabia	1,023,496,355	386%
France	841,567,190	-9%

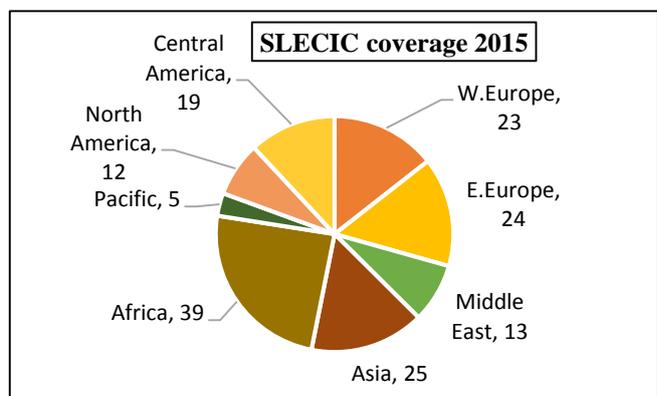


Coverage of SLEIC

At present SLEIC covers political risk of 160 countries under "Sellers' Risk policy" including the Middle East & African countries despite the political uncertainties in the region to support the Sri Lankan exporters.

Distribution of coverage across 8 regions by 2015 is shown in the chart.

SLEIC review country risk profiles periodically and if Sri Lankan exports to a particular market is increasing & above a certain criterion, SLEIC opens up its insurance cover for such countries.



Credit Limits

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

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

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

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

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. Like last year, the Pre Shipment Credit Guarantee Scheme continues to play the most popular guarantee among banks.

ATA Carnet System

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

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

User of ATA Carnet

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

- Travelling Business/Sales Executives
- Technicians
- Fair Exhibitors & Professional individuals and teams such as film crew, Surgeons, Artists Architects, Engineers, Educationalists, Entertainers etc.

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

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

This custom document enables exporters, especially the Gems and Jewellery sector to participate in Trade fairs and exhibitions abroad and win export contracts to maximize profits.

During the period under review, the Corporation has issued Demand Guarantees to ICC-SL to the value of Rs 25.97 Million during the year.

Cost of Passage - APARA

Export of services is an area of vital importance as a significant part of foreign exchange earnings of Sri Lanka is contributed by Sri Lankans going abroad for employment.

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

SLECIC introduced this bank guarantee scheme in May 1992 to cover only the cost of air ticket of migrant workers and operated with a coverage of 60 percent of the guaranteed loss.

Time to time, the scheme was modified and now cover the entire pre departure loan with a higher cover of 85 percent of the guaranteed loss.

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.

During the period under review, SLECIC assisted 894 applicants to obtain bank loans to the value of Rs 156.08 Million from financial Institutions and facilitated many Sri Lankans from all parts of the country to go abroad for employment

International Relations

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

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.

The 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. Representatives of the Corporation attended the Berne Union Committee Meeting and Annual General Meeting held in Italy and China respectively.

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 1991 to develop the international relationships among the members in Asian Region.

The Regional Co-operation Group (RCG) of the Berne Union which consists of Asian Export Credit Agencies from Australia, India, China, Indonesia, Japan, Malaysia, Singapore, Sri Lanka, South Korea, Taiwan, Thailand and Hong Kong.

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

Asian Credit Supplementation Institution Confederation (ACSIC)

Asian Credit Supplementation Institution Confederation (ACSIC) has been the largest Asian Cooperative body for the Small & Medium Sized Enterprises (SMEs) since 1987. At present there are 11 countries with 16 member institutions. The objective of ACSIC is to promote the sound development of Credit supplementation system for SMEs in the Asian Region through exchange of information, discussions and interchange of personnel among small business credit supplementation institutions in Asia. Presently, SLECIC is in observer status and our application to this organization will be considered in 2016. The Chairman & Managing Director, A.S.M.Misbah and Deputy General Manager Operations, Mrs. R.M.U.N.Peries represented at this year's Chief Delegates Meeting held in Indonesia .

Association with the Asian Exim Banks Forum

The Asian Exim Bank Forum (AEBF) was initiated by Exim Bank of India in 1986 for Asian Export Credit Agencies (ECAs) to exchange information and share ideas in a structured manner and to develop and enhance regional cooperation among member institutions. The AEBF is a voluntary and informal grouping with no membership fees or other obligations. The Asian Exim Bank Forum includes ten regular member institutions from Australia, China, India, Indonesia, Japan, Korea, Malaysia, Philippines, Thailand and Vietnam. The Asian Development Bank is a permanent Observer since 1999.

The General Manager of SLECIC represented the 21th Technical Working Group (TWG) Meeting of the Asian Exim Bank's Forum (AEBF) as an observer from 1-3 June 2015 in Tokyo, Japan and made a presentation to the members. Our participation derived immediate results by way of technical assistance from the Asian Development Bank to train our staff in capacity building program organized by Asian Exim Banks members. The Chairman & Managing Director and the General Manager represented at the Annual Meeting of the Asian Exim Banks Forum held in November in Tokyo, Japan. SLECIC had made many contacts with ADB, JBIC and the Training Committee chair in particular and assured their assistance to improve and develop existing products and capacity building of our Staff.



Memorandum of Cooperation with the Export-Import bank of the Slovak Republic

SLECIC signed a MOU with Export-Import bank of the Slovak Republic during the Berne Union spring meeting, which was held in Florence, Italy, from 11 to 15 May 2015. Signing of the Memorandum with Export-Import bank of the Slovak Republic (EXIMBANKA SR) will extend the scope of both institutions for cooperation in the promotion of exports of goods and services within the mutual trade exchange, as well as opportunities for cooperation in the form of obtaining information on the appropriate exporters/importers, or in the identification of suitable joint projects or transactions.



Marketing and Awareness

The marketing initiatives of SLECIC focused on a customer oriented approach. Activities launched were closer to the customer needs. The aim was to improve quality services, speed and delivery of credit insurance and of course customer service and satisfaction.

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

We are in close association with trade and industry chambers and export promotion institutions to promote our export support services. In this regard SLECIC organized participated in and sponsored various seminars and workshops held many parts of the country .

In addition, seminars and workshops were conducted to policyholders. By maintaining close contact with our clients and understanding their needs we were able to navigate the development of new products and modify most of procedures in servicing clients in recent years.

The Corporation has been associated with NCE Awards in the past and now recommenced the association with this event by extending principal sponsorship for “ service providers to export sector” this year’s NCE Awards Ceremony.

NCE Awards -2015



NCE Awards -2015

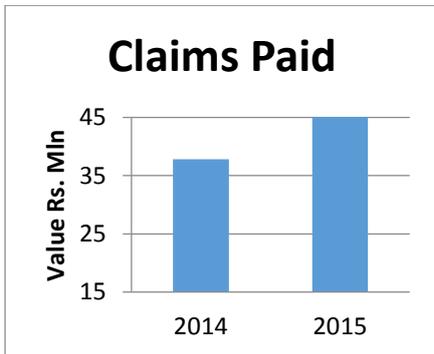


Claims Paid

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

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

The total net claims paid in 2015 amounted to Rs 70.75 million as compared to Rs. 37.81 million in corresponding period in last year.



The claims paid by SLECIC would have provided an immense comfort to the exporters during an year in which exporters had to contend with an extremely unfavourable international trading environment.

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

From the inception to the current financial year, Corporation had paid claims to the value of Rs.756.19 million, which shows SLECIC’s commitment to commercial risk mitigation. These claim payments were made through internally generated funds, without any recourse to any public funds.

Capacity Building Program

Capacity Building of Export Credit Insurance Industry to enhance international Competitiveness of Sri Lanka commenced in late 2013 with the financial assistance of the Commonwealth Secretariat and Technical collaboration of the Export-Import (EXIM) Bank of India continued in 2015 as well.

This programme is carried out under two phases and under the phase I, consultative team was able to benchmark the Corporation with the regional Export Credit Insurance Agencies and identified the gaps. Based on the study, EXIM team submitted the report with recommendations covering the three areas such as Export Finance Policy, SLECIC Products, SLECIC –Strategy and organisation. Considering the recommendations made by the team, the SLECIC has made certain changes with regards to its products & process to support the Sri Lankan exporters.

Under the Phase II, creating the enabling environment was a key requirement and further discussion were held with the relevant organizations to get the required support & collaboration. In this regards series of stakeholder meetings were conducted and followed by the stakeholder workshop held on 17th March 2015



Training and Development

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



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

Brainstorming sessions were held to discuss various policies and activities with members of staff at all levels. Through this and other communication channels, staff members have raised creative and practical ideas thus contributing to the continued development of an open and accountable management style with positive staff participation in the determination of the corporate policy and objectives.

Looking Ahead

Business Acquisition and Retention

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

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

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

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

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

The future

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

AUDIT COMMITTEE REPORT FOR THE YEAR ENDED 31ST DECEMBER 2015.

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

The members of the committee were; Mrs. K V C Dilrukshi – Chairman of the Committee up to the 3rd Meeting held on 14th August 2015, Board Director of SLECIC, Assistant Director, Department of Public Enterprises – Ministry of Finance, Ms K S Dayarathne – Chairman of the Committee for the last Meeting held on 31st December 2015, Board Director of SLECIC, Assistant Director, Department of Treasury Operations – Ministry of Finance, Mr.A.K.Senewiratne – Board Director of SLECIC, Additional Secretary, Ministry of Industry and Commerce, Mrs. A Dahanayake, - Board Director of SLECIC, Secretary to the Governor – Central Bank of Sri Lanka and Mr S Paranavithana, Board Director of SLECIC, Chief Officer – Life Insurance, Sri Lanka Insurance Corporation Ltd.

The Audit Committee held Four Meetings during the year 2015. It functioned in accordance with the Terms of Reference stipulated for such committees by the Department of Public Enterprises. The Committee assisted the Board of Directors in discharging its responsibilities over the accounting and financial reporting process and audit of financial statements of the Corporation in terms of reliability and integrity of the financial statements, adequacy and effectiveness of internal controls and compliance with statutory and regulatory requirements.

In the period under consideration, the Committee regularly reviewed the External Audit Reports by the Auditor General's Department and took numerous steps to improve the internal controls of the Corporation based on the recommendations contained in the said reports. The audits carried out by Internal Auditor were also reviewed by the Committee and followed up the recommendations for corrective measures.

The Committee laid especial emphasis on the compliance by SLECIC of laws, rules and regulations applicable to the Corporation and reviewed the level of adherence to the requirements stipulated by the Treasury and other relevant Circulars issued by relevant Government Authorities to ensure a satisfactory level of compliance.


K S Dayarathne (Ms)
Chairman

Audit Committee

Sri Lanka Export Credit Insurance Corporation.

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements
for the year ended December
31, 2015

Sri Lanka Export Credit Insurance Corporation (SLECIC)

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME	30
STATEMENT OF FINANCIAL POSITION	31
CASH FLOW STATEMENT	32
STATEMENT OF CHANGES IN EQUITY	33
NOTES TO THE ACCOUNTS	34-43
ACCOUNTING POLICIES	44-49

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

Statement of Comprehensive Income

For the year ended 31st December

		31.12.2015	31.12.2014
		Rs.	Rs.
		Note	
Income			
Gross Earned Premium Income	1	229,218,996.68	182,311,829.65
Other Operational Income	2	15,569,639.28	28,451,611.22
Total Operating Income		244,788,635.96	210,763,440.87
Direct Cost of Operations			
Less : Net Claims	3	70,752,423.75	37,818,563.41
Status Reports		3,757,881.60	5,244,840.45
		74,510,305.35	43,063,403.86
Net Operating Income		170,278,330.61	167,700,037.01
Operating Expenses			
Less : Establishment Expenditure	4	15,078,976.51	16,469,932.50
Administrative Expenditure	5	56,782,415.77	46,657,886.41
Selling & Marketing Expenditure	6	14,269,276.31	13,299,369.52
Finance Charges	7	1,079,060.76	827,053.11
Corporate Social Responsibility		0.00	651,018.01
Total Operating Expenses		87,209,729.35	77,905,259.55
Operating Surplus		83,068,601.26	89,794,777.46
Add : Other Comprehensive Income	8	140,717,294.41	100,686,071.20
Surplus Before Value Added Tax (VAT)		223,785,895.67	190,480,848.66
Less : Value Added Tax on Financial Services		10,020,083.78	11,984,339.00
Net Surplus Before Income Tax		213,765,811.89	178,496,509.66
Less : Income Tax		14,689,680.71	16,803,869.00
Net Surplus after Income Tax & before Appropriations		199,076,131.18	161,692,640.66
Less : Special Levy	9	25,000,000.00	0.00
Net Surplus for the Year		174,076,131.18	161,692,640.66

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

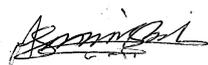
Statement of Financial Position

	Note	As at 31.12.2015 Rs.	As at 31.12.2014 Rs.	As at 01.01.2014 Rs.
ASSETS				
Cash and cash equivalents	10	6,718,734.77	7,584,466.57	4,185,213.99
Foreign currency savings accounts	11	3,598,346.44	4,676,484.64	1,721,093.28
Treasury trust fund		18,601,102.28	17,490,144.89	17,803,815.58
Investment fund		8,155,200.44	5,962,556.69	1,973,774.48
Short term financial investments	12	1,631,544,016.32	1,378,542,835.55	1,203,630,726.40
Long term financial investments	13	321,047,482.64	79,576,868.60	81,576,868.60
Interest receivable	14	96,256,412.54	84,915,930.99	85,703,261.46
Property proceeds receivable	15	0.00	208,973,030.00	208,973,030.00
Trade Debtors		1,991,121.16	3,610,218.55	0.00
Sundry Debtors, Deposits and Pre-payments	16	4,269,796.63	4,376,172.47	6,993,987.27
Property, Plant & Equipment	17	78,078,693.35	86,272,847.60	83,366,608.29
Stock of Stationery & Consumables		223,774.46	235,243.44	321,207.52
Library materials		39,527.50	39,527.50	39,527.50
Total Assets		2,170,524,208.53	1,882,256,327.49	1,696,289,114.37
LIABILITIES				
Outstanding claims	18	126,405,784.37	91,798,735.74	83,983,245.12
Premium Advances		3,209,763.24	2,357,904.62	0.00
Sundry Creditors, Accrued Expenses & Provisions	19	48,703,418.01	19,690,199.49	22,230,272.24
Staff gratuity payable	20	14,052,089.75	10,480,917.75	8,651,515.75
Total Liabilities		192,371,055.37	124,327,757.60	114,865,033.11
EQUITY				
Stated Capital	21	30,000,000.00	30,000,000.00	30,000,000.00
Reserves	22	1,948,153,153.16	1,727,928,569.89	1,551,424,081.26
Total Equity		1,978,153,153.16	1,757,928,569.89	1,581,424,081.26
Total Liabilities & Equity		2,170,524,208.53	1,882,256,327.49	1,696,289,114.37

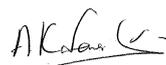
The Accounting Policies and Notes to the Accounts form an integral part of these Financial Statements.

The Board of Directors is responsible for the preparation and presentation of these Financial Statements

The Financial Statements were approved by the Board of Directors and signed on their behalf



A.S.M. Misbah
Chairman & Managing Director



A.K. Senewiratne
Director

Date : February 25, 2016

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

Cash Flow statement for the Year ending 31st December 2015

	Year Ending 31.12.2015 Rs.	Year Ending 31.12.2014 Rs.
Inflows from Operating Activities		
Profit Before Taxation	213,765,812	178,496,510
Adjustments for Non- Cash Items		
Depreciation	8,524,280	6,590,299
Provision for Gratuity	3,571,172	2,432,307
Provision for Claims	70,752,424	37,818,563
Exchange Gain	47,861,160	136,688
(Profit)/Loss on disposal of assets	-1,194,785	0
VAT on FS	10,020,083	11,984,339
Transfers from/(to) Reserves	-1,712,708	14,675,161
Net Compensation on Investment Property	-42,026,970	0
Operating Profit before Working Capital Changes	309,560,468	252,133,867
Decrease/(Increase) in Trade and Other Receivables	-9,613,007	-2,433,660
Decrease / (Increase) in Inventories	11,469	85,964
Increase/ (decrease) in Trade and Other Payables	8,372,384	3,331,859
Cash Generated from Operations	308,331,314	253,118,030
Claims Paid	-36,145,375	-27,774,485
Payment of VAT on FS	-12,165,321	-8,980,608
Income Tax Paid	-16,051,750	-23,321,627
Gratuity Paid	0	-602,904
Net Cash Flow from Operating Activities	243,968,868	192,438,406
Cash Flow from Investing Activities		
Purchase of Fixed Assets	-330,127	-9,496,539
Transfer to Long/Short Term Investments	-494,471,795	-172,908,973
Transfer from/to Foreign Currency Savings Account	1,076,138	-2,958,528
Transfer to / from Treasury Trust Fund	-1,110,957	313,670
Transfers to Investment Fund	-2,192,644	-3,988,783
Net Sale proceeds of Fixed Assets	1,194,785	0
Compensation received on Investment property	251,000,000	0
Net Cash Flow from Investing Activities	-244,834,600	-189,039,153
Net Increase in Cash & Cash Equivalents	-865,732	3,399,253
Cash & Cash Equivalents at the beginning of the period	7,584,467	4,185,214
Cash & Cash Equivalents at the end of the period	6,718,735	7,584,467

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION
Annual Financial Statements - 2015
Statement of Changes in Equity As At 31st December 2015

	Capital Contributed Rs.	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Exchange Equalisation Rs.	Technical Replacement Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 1st January 2014	30,000,000.00	1,374,193,334.40	41,695,386.35	58,507,949.05	54,667,173.92	4,212,253.88	18,147,984.71	1,581,424,082.31
Transferred from Revaluation Reserve		4,755,000.00	-4,755,000.00					0.00
Net Profit for the Year 2014		161,692,640.66						161,692,640.66
Transferred during the year					136,685.61	2,431,938.16	12,243,223.15	14,811,846.92
Balance as at 31st December 2014	30,000,000.00	1,540,640,975.06	36,940,386.35	58,507,949.05	54,803,859.53	6,644,192.04	30,391,207.86	1,757,928,569.89
Transferred from Revaluation Reserve		4,750,000.00	-4,750,000.00					0.00
Net Profit for the Year 2015		174,076,131.18						174,076,131.18
Transferred during the year 2015		6,644,192.04			47,861,159.85	-6,644,192.04	-1,712,707.76	46,148,452.09
Balance as at 31st December 2015	30,000,000.00	1,726,111,298.28	32,190,386.35	58,507,949.05	102,665,019.38	0.00	28,678,500.10	1,978,153,153.16

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

Notes to the Annual Financial Statements for 2015

Note		31.12.2015 Rs.	31.12.2014 Rs.
1	Gross Earned Premium		
	Pre-shipment Credit Guarantee	23,654,070.60	27,319,489.38
	Post Shipment Credit Guarantee	4,214,290.34	4,447,894.33
	Export Performance Guarantee	2,460,550.00	3,461,800.00
	Cost of Passage Guarantee (APARA)	8,416,895.16	7,605,290.40
	Export Payments Insurance Policy (Seller's Risk)	188,760,482.82	151,720,578.69
		<u>227,506,288.92</u>	<u>194,555,052.80</u>
	Unearned Premium	1a. <u>-1,712,707.76</u>	<u>12,243,223.15</u>
		<u>229,218,996.68</u>	<u>182,311,829.65</u>
1a	Unearned Premium		
	Export Payments Insurance Policies Gross Unearned Premium		
	Balance as at 1st January	23,966,036.74	12,347,012.51
	Premium written during the year	188,760,482.82	151,720,578.69
	Premium earned during the year	<u>189,859,890.37</u>	<u>140,101,554.46</u>
	Balance as at 31st December	<u>22,866,629.19</u>	<u>23,966,036.74</u>
	Credit Guarantee Gross Unearned Premium		
	Balance as at 1st January	6,425,171.12	5,800,972.20
	Premium written during the year	38,745,806.10	42,834,474.11
	Premium earned during the year	<u>39,359,106.31</u>	<u>42,210,275.19</u>
	Balance as at 31st December	<u>5,811,870.91</u>	<u>6,425,171.12</u>
	Total Reserve as at 31st December	28,678,500.10	30,391,207.86
	Total Reserve as at 1st January	<u>30,391,207.86</u>	<u>18,147,984.71</u>
	Total Reserve for Unearned Premium	<u>-1,712,707.76</u>	<u>12,243,223.15</u>
2	Other operational Income		
	Guarantee, Policy, Administrative, Processing and BLL Fees	7,762,387.48	9,683,766.98
	BizInfo Income	3,014,689.51	2,883,520.39
	Repayment of Claims Paid	4,792,562.29	15,884,323.85
		<u>15,569,639.28</u>	<u>28,451,611.22</u>
3	Net Claims Paid		
	Claims Provision as at end of the year - Specific	92,585,165.80	63,311,477.10
	Claims Provided in the previous years	<u>23,281,942.13</u>	<u>17,020,611.00</u>
	Claims for the Year 2015	<u>69,303,223.67</u>	<u>46,290,866.10</u>
	Less : Excess Provision made in previous year	<u>9,089,068.85</u>	<u>28,149,968.68</u>
		<u>60,214,154.82</u>	<u>18,140,897.42</u>
	Add : Excess Provision on recoverables from Reinsurer	0.00	2,228,588.00
	Net Claims for the year 2015 - Specific	<u>60,214,154.82</u>	<u>20,369,485.42</u>
	Contingent Provision - 2015 (Please refer Note 18)	<u>10,538,268.93</u>	<u>17,449,077.99</u>
		<u>70,752,423.75</u>	<u>37,818,563.41</u>

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

Notes to the Annual Financial Statements for 2015

Note	31.12.2015 Rs.	31.12.2014 Rs.
4 Establishment Expenditure		
Rates	609,840.00	609,840.00
Water	100,884.60	106,131.54
Electricity	1,426,656.20	1,697,941.94
Telephone	871,123.53	740,815.29
E-Mail & Internet	573,975.00	555,844.62
Security	317,191.87	285,578.77
Depreciation -		
Building	4,750,000.00	4,750,000.00
Motor Vehicles	1,832,758.00	71,048.00
Office Equipment	173,905.44	158,868.60
Computers & Printers	1,228,830.00	1,213,175.00
Furniture & Fittings	393,181.19	397,207.63
Software	145,605.62	0.00
Insurance -		
Building - Office Premises (Nawam Mwt)	115,098.46	113,272.38
Motor Vehicles	307,531.79	179,535.05
Office Equipment, Furniture & Fittings	14,827.32	20,794.70
Repairs & Maintenance -		
Building	54,707.00	523,800.00
Motor Vehicles	454,561.81	763,779.80
Office Equipment	76,847.21	84,100.34
Computers & Printers	363,644.47	480,974.41
Software	764,077.99	891,140.41
Furniture & Fittings	1,200.00	0.00
Maintaining Office Premises	502,529.01	394,145.86
Technical Replacement Cost	0.00	2,431,938.16
	15,078,976.51	16,469,932.50

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

Notes to the Annual Financial Statements for 2015

Note	31.12.2015 Rs.	31.12.2014 Rs.
5 Administrative Expenditure		
Salaries & Allowances	25,629,403.04	19,195,468.89
Other Staff Benefits	15,213,129.63	12,659,969.56
Recruitment, Local training & Subscriptions to educational inst.	190,652.22	675,099.97
Tea & Related Expenses	556,355.20	666,073.28
Employees Provident Fund	6,624,221.37	4,995,786.47
Employees Trust Fund	828,027.89	624,473.37
Gratuity	3,571,172.00	2,432,309.14
Employee Compensation	507,602.66	0.00
Foreign Training	231,021.21	1,771,566.41
Directors Fees	383,250.00	390,000.00
Travelling, Transport & Subsistence	117,732.00	75,356.00
Postage	202,637.82	204,440.18
Annual Report & Other Printing	136,672.37	415,808.00
Stationery	301,243.63	270,643.99
Fuel	774,477.00	904,038.50
External Audit Fees	233,100.00	239,904.00
Internal Audit Fees	266,918.73	229,521.05
Professional, Legal & Consultancy Fees	228,692.00	28,867.76
Entertainment	35,200.00	49,425.00
General Expenses	10,650.00	28,058.00
Stamp Duty	11,325.00	11,025.00
News Papers, Books & Magazines	29,756.00	25,271.84
News Papers Notifications	23,976.00	0.00
Anniversary Expenses	675,200.00	764,780.00
	56,782,415.77	46,657,886.41
6 Selling & Marketing Expenditure		
Promotional Investments	1,681,491.94	805,945.62
Advertising - Print & Electronic Media		
Adverting in Newspapers, Magazines, Journals and Radio	472,836.31	1,041,422.09
Printing Cost on - Brochures, Forms, Applications etc. & Annual Report (Marketing)	111,355.14	140,288.09
Business Travel (Foreign) & Conferences	8,110,591.97	5,522,998.92
SLECIC News Letter	0.00	25,000.00
Client Meetings, get-together	81,612.50	182,300.73
Fuel Cost	367,470.00	528,558.50
Annual Compliments, Greeting Cards & Gifts	184,321.71	573,862.48
Subscriptions to Business Institutions & Corporate Memberships	142,811.74	137,736.10
Subs. To Int. Professional & Export Related Orgn	3,115,035.00	3,356,718.75
Exporters / Bank Clients Programs	1,750.00	15,000.00
Visiting high exposure buyers	0.00	169,446.40
Product development	0.00	250,091.84
Promoting ATA Carnet	0.00	250,000.00
International relations	0.00	300,000.00
	14,269,276.31	13,299,369.52

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

Notes to the Annual Financial Statements for 2015

Note		31.12.2015 Rs.	31.12.2014 Rs.
7	Finance Charges		
	Bank Charges	310,570.76	342,961.11
	Stamp Duty	46,225.00	42,525.00
	Nation Building Tax	722,265.00	441,567.00
		<u>1,079,060.76</u>	<u>827,053.11</u>
8	Other Comprehensive Income		
	Interest on Staff Loans	86,873.44	80,868.49
	Investment Income	8 (a) 96,817,731.39	99,796,400.41
	Profit on Disposal of Fixed Assets	1,194,785.09	0.00
	Treasury Bill Interest on Gratuity Fund	352,854.60	422,118.15
	Interest on Gratuity Savings Account	4,369.16	4,198.16
	Other Income	233,710.73	382,485.99
	Net Compensation on Investment Property	15 42,026,970.00	0.00
		<u>140,717,294.41</u>	<u>100,686,071.20</u>
8 (a)	Investment Income		
	Treasury Bills / Bonds	56,340,270.62	31,367,189.93
	Call Deposit	982,381.09	371,532.42
	SMIB Deposit	32,957.35	31,930.66
	Debentures	7,593,882.57	4,874,678.32
	US Dollar Fixed Deposits	28,281,450.43	25,137,305.14
	US Dollar Savings	97,053.18	66,154.77
	Euro Fixed Deposit	935,734.90	1,128,970.08
	Temporary Surplus Trust Fund	1,093,407.54	1,165,156.81
	Dividends	60,000.00	40,000.00
	SLR Fixed Deposit	1,107,091.26	35,469,013.14
	Interest on Investment Fund	293,502.45	144,469.14
		<u>96,817,731.39</u>	<u>99,796,400.41</u>
9	A Special Levy of Rs.25 Million has been requested by the Treasury for the year 2015 and same has been provided in the Accounts as an appropriation of profits with the approval of the Board.		

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

Notes to the Annual Financial Statements for 2015

Note	31.12.2015 Rs.	31.12.2014 Rs.	01.01.2014 Rs.
10 Cash & Cash Equivalent			
Cash at Bank			
Hatton National Bank Current Accounts	3,208,657.52	2,680,436.98	1,061,094.88
Hatton National Bank Call Deposit Account	2,706,790.26	4,582,000.00	2,665,936.58
Bank of Ceylon Current Account	557,436.04	320,779.55	347,336.23
People's Bank Current Account	244,850.95	250.04	109,846.30
	<u>6,717,734.77</u>	<u>7,583,466.57</u>	<u>4,184,213.99</u>
Cash in Hand	1,000.00	1,000.00	1,000.00
	<u>6,718,734.77</u>	<u>7,584,466.57</u>	<u>4,185,213.99</u>
11 Foreign Currency Savings Accounts			
Bank of Ceylon - US Dollar Account	849,661.36	2,200,079.20	834,167.02
People's Bank - US Dollar Account	2,724,004.61	2,451,108.24	858,492.54
EURO Savings Account	24,680.47	25,297.20	28,433.72
	<u>3,598,346.44</u>	<u>4,676,484.64</u>	<u>1,721,093.28</u>
12 Short Term Investments			
Treasury Bills	635,029,190.84	789,978,164.07	0.00
US Dollar Fixed Deposits	616,700,409.53	518,378,155.16	466,163,236.86
EURO Fixed Deposit	27,304,806.16	27,027,998.52	29,110,000.00
SLR Fixed Deposits	346,000,000.00	37,000,000.00	702,637,990.02
Gratuity savings account	111,612.53	107,243.37	103,045.21
Tresury Bills on Gratuity savings	6,397,997.26	6,051,274.43	5,616,454.31
	<u>1,631,544,016.32</u>	<u>1,378,542,835.55</u>	<u>1,203,630,726.40</u>
13 Long Term Investments			
Debentures	192,000,000.00	42,000,000.00	44,000,000.00
Shares in Ingrin Ltd	10.00	10.00	10.00
Shares in Credit Information Bureau	123,700.00	123,700.00	123,700.00
Treasury Bonds	128,923,772.64	37,453,158.60	37,453,158.60
	<u>321,047,482.64</u>	<u>79,576,868.60</u>	<u>81,576,868.60</u>
14 Interest Receivable			
Treasury Deposit	67,154,144.92	67,154,144.92	67,154,144.92
Treasury Bills/Bonds	13,656,328.01	5,049,127.36	1,051,446.51
Debentures	3,319,475.28	295,397.80	696,164.84
US Dollar Fixed Deposits	11,076,889.16	11,305,744.21	10,453,871.78
Temporary Surplus Trust Fund	551,780.80	569,330.65	1,137,759.51
Gratuity Funds - Treasury Bills	37,219.37	31,087.60	43,789.57
SLR Fixed Deposits	460,575.00	511,098.45	5,166,084.33
	<u>96,256,412.54</u>	<u>84,915,930.99</u>	<u>85,703,261.46</u>

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

Notes to the Annual Financial Statements for 2015

Note

- 15 The Investment Property, Vilasitha Niwasa Building, was taken over by the Divisional Secretariat, Thimbirigasyaya on 15th June 2010. This property had been accounted on a cost basis at a value of Rs.208,973,030/- and a total compensation of Rs.251,000,000/- was received on 22nd December 2015 resulting in a net gain of Rs.42,026,970/- (Refer Note 8)

	31.12.2015 Rs.	31.12.2014 Rs.	01.01.2014 Rs.
16 Sundry Debtors, Deposits & Pre Payments			
Advances on Export Bill Discounting Facility	34,958,636.11	34,958,636.11	34,958,636.11
Less : Provision for Doubtful Debts	34,958,636.11	34,958,636.11	34,958,636.11
	0.00	0.00	0.00
Staff Loans & General Advances	2,342,576.41	1,959,933.86	2,462,582.60
Sundry Deposits	108,837.50	108,837.50	108,837.50
State Mortgage & Investment Bank Deposit	849,815.88	820,154.26	791,416.67
Refundable Deposits	6,500.00	6,500.00	6,500.00
Sundry Debtors	770.00	770.00	770.00
Withholding Tax Recoverable	86,054.12	89,610.70	620,247.15
Claims Recoverable from Reinsurer	0.00	0.00	2,228,588.00
Pre-payments	591,788.54	956,181.26	428,152.31
BizInfo Income Receivable	283,454.18	358,490.00	316,739.68
Dishonoured Cheques	0.00	75,694.89	30,153.36
	4,269,796.63	4,376,172.47	6,993,987.27

16 (a) Sundry Deposits

Sri Lanka Telecom	57,700.00	57,700.00	57,700.00
Associated Newspapers of Ceylon Ltd	27,625.00	27,625.00	27,625.00
Data Net Electronic Telecommunication System	15,000.00	15,000.00	15,000.00
ICLP Arbitration Centre	8,512.50	8,512.50	8,512.50
	108,837.50	108,837.50	108,837.50

- 17 Property, plant & equipment - Attachment (Page 42)

18 Outstanding Claims

Specific Provision	92,585,165.80	63,311,477.10	60,007,618.83
Contingent Provision for Claims			
Balance as at 1st January	28,487,258.64	23,975,626.29	25,447,419.18
Utilisation during the year	5,204,909.00	12,937,445.64	0.00
Charge for the year	10,538,268.93	17,449,077.99	-1,471,792.89
Balance provision as at 31st December	33,820,618.57	28,487,258.64	23,975,626.29
Total Provision for Claims	126,405,784.37	91,798,735.74	83,983,245.12

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

Notes to the Annual Financial Statements for 2015

Note	31.12.2015 Rs.	31.12.2014 Rs.	01.01.2014 Rs.
19 Sundry Creditors, Accrued Expenses and Provisions			
Sundry Creditors			
Final Payment Due	18,176.46	18,176.46	18,176.46
General VAT (Charged from Policy Premium)	57,306.03	30,594.00	62,614.12
Staff Medical Fund	327,248.00	303,408.00	283,188.00
Refundable Deposits	2,106,256.12	1,444,756.12	1,153,656.12
Accrued Expenses			
Employees Provident Fund	1,491,796.97	1,192,944.99	839,651.50
Employees Trust Fund	124,316.20	99,412.00	69,970.95
Salary Recovery	0.00	2,044.00	5,738.00
PAYE Tax	62,925.00	213,187.00	23,237.00
Stamp Duty	13,675.00	15,300.00	12,625.00
Nation Building Tax	11,985.00	32,465.00	15,642.00
Other Payables	9,423,658.04	3,062,219.88	2,903,455.73
Charges on Status Reports	400,460.00	335,520.00	828,021.75
Provisions			
Audit Fees Payable	1,988,670.92	1,755,570.92	1,515,666.92
Income Tax Payable	1,879,846.49	3,241,916.12	9,759,674.69
VAT on Financial Services	4,897,447.78	7,042,685.00	4,038,954.00
Annual Report Printing Charges	899,650.00	900,000.00	700,000.00
Special Levy Payable	25,000,000.00	0.00	0.00
	48,703,418.01	19,690,199.49	22,230,272.24
20 Gratuity Payable			
Movement in the Account			
Balance as at 1st January	10,480,917.75	8,651,512.75	7,314,985.75
Paid during the year	0.00	602,904.14	1,386,965.50
Provision for the year	3,571,172.00	2,432,309.14	2,723,492.50
Balance as at 31st December	14,052,089.75	10,480,917.75	8,651,512.75
21 Capital Employed			
Capital Contributed - Treasury	30,000,000.00	30,000,000.00	30,000,000.00
22 Reserves - Attachment (Page 43)			
23 Exchange Rate			
The following exchange rates have been used to convert the foreign currency as at end December 2015			
US Dollars	-	141.94	
Euro	-	154.07	

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

Notes to the Annual Financial Statements for 2015

24 Disclosure on Revaluation of Office Equipment

1. Effective Date of Revaluation

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

2. Valuation was done by The Valuation Department

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

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

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

Building	- Rs.15,597,093.85
Motor Vehicles	- Rs.3.00
Computers and Printers	- Rs.28.00
Office Equipment	- Rs.30.00

25 Contingent Liabilities

a) Cases filed against the Corporation

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

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

Present position - Judgement is pending

b) Value of Policies & Guarantees in force as at 31.12.2015

Guarantees	Rs.	6,907,763,845
Policies	Rs.	18,676,000,000

26 Investment Fund Account

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

27 Related Party Interests

There were no Related Party Interests during the year

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Property Plant and Equipment

Note 17									
Item	Assets at Cost as at 01.01.15 Rs	Assets at Revaluation 01.01.15 Rs	Additions 2015 Rs	Disposals 2015 Rs	Nett Value as at 31.12.15 Rs	Depreciation as at 01.01.15 Rs	Depreciation 2015 Rs	Accumulated Depreciation As at 31.12.15 Rs	Written Down Value As at 31.12.15 Rs
Buildings	0.00	95,000,000.00	0.00	0.00	95,000,000.00	23,750,000.00	4,750,000.00	28,500,000.00	66,500,000.00
Motor vehicle	0.00	6,855,000.00	0.00	1,080,000.00	5,775,000.00	5,774,997.00	0.00	5,774,997.00	3.00
Motor vehicle	12,381,575.49	0.00	0.00	0.00	12,381,575.49	3,460,529.49	1,832,758.00	5,293,287.49	7,088,288.00
Software	6,045,449.78	0.00	155,000.00	0.00	6,200,449.78	5,522,045.73	145,605.62	5,667,651.35	532,798.43
Computers & Printers	5,912,151.54 0.00	0.00 2,498,666.67	70,000.00 0.00	0.00 0.00	5,982,151.54 2,498,666.67	3,004,222.54 2,498,638.67	1,228,830.00 0.00	4,233,052.54 2,498,638.67	1,749,099.00 28.00
Furniture & Fittings	8,204,272.28	0.00	0.00	0.00	8,204,272.28	5,789,006.16	393,181.19	6,182,187.35	2,022,084.93
Office Equipment	780,048.87 0.00	0.00 637,250.00	105,127.00 0.00	0.00 0.00	885,175.87 637,250.00	524,908.43 637,220.00	173,905.44 0.00	698,813.87 637,220.00	186,362.00 30.00
TOTAL	33,323,497.96	104,990,916.67	330,127.00	1,080,000.00	137,564,541.63	50,961,568.02	8,524,280.25	59,485,848.27	78,078,693.36

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Annual Financial Statements - 2015

Statement of Changes in Reserves As At 31st December 2015

	General Reserve Rs.	Revaluation Reserve Rs.	Investment Fund Rs.	Exchange Equalisation Rs.	Technical Replacement Rs.	Unearned Premium Rs.	Total Rs.
Balance as at 1st January 2014	1,374,193,334.40	41,695,386.35	58,507,949.05	54,667,173.92	4,212,253.88	18,147,984.71	1,551,424,082.31
Transferred from Revaluation Reserve	4,755,000.00	-4,755,000.00					0.00
Net Profit for the Year 2014	161,692,640.66						161,692,640.66
Transferred during the year				136,685.61	2,431,938.16	12,243,223.15	14,811,846.92
Balance as at 31st December 2014	1,540,640,975.06	36,940,386.35	58,507,949.05	54,803,859.53	6,644,192.04	30,391,207.86	1,727,928,569.89
Transferred from Revaluation Reserve	4,750,000.00	-4,750,000.00					0.00
Net Profit for the Year 2015	174,076,131.18						174,076,131.18
Transferred during the year 2015	6,644,192.04			47,861,159.85	-6,644,192.04	-1,712,707.76	46,148,452.09
Balance as at 31st December 2015	1,726,111,298.28	32,190,386.35	58,507,949.05	102,665,019.38	0.00	28,678,500.10	1,948,153,153.16

Technical Replacement Reserve : The Board has decided to discontinue with this reserve with effect from 1st January 2015 and to transfer the existing balance to the General Reserve.

SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Significant Accounting Policies

General Information

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

Summary of significant accounting policies

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

01. Basis of Preparation

1.1 Principal Activities and Nature of Operations

Principal activities of the Corporation are undertaking risks in export trade and issue of guarantees related to the export marketing activities.

1.2 Basis of measurement

The Balance sheet, Income and Expenditure account, changes in equity and cash flows together with accounting policies and notes (Financial Statement) of the Corporation as at 31st December 2014 and for the year ended, complies with the Sri Lanka Accounting Standards. These Financial Statements are presented in Sri Lankan Rupees. The Financial Statements are prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements.

1.3 Use of Estimates and Judgments

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

1.4 Going Concern

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

02. Comparative Information

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

03. Significant Accounting Policies.

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

3.1 Foreign Currency Transactions

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

3.2 Property, Plant and Equipment

a) Recognition and Measurement

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

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

b) Depreciation

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

The principal annual rates used are as follows.

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

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

c) Disposal

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

d) Impairment

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

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

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

3.4 Capital Work in Progress

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

3.5 Intangible Assets

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

a) Basis of Recognition

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

b) Subsequent Expenditure

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

c) Retirement and Disposal

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

d) Amortization

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

e) Impairment

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

3.6 Investment Properties

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

3.7 Short term Investments

a) Short term Investments in Local currency

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

b) Short term Investments in Foreign currency

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

3.7.1 Risk arising from Financial Instruments

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

3.8 Trade and Other Receivables

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

3.9 Inventories

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

3.10 Cash and Cash Equivalents

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

3.11 Cash Flow Statements

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

4 Employee Benefits**a) Defined Benefit Plan – Retirement Gratuity**

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

b) Define Contribution Plan

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

5. Liabilities and provisions

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

a) Trade and Other Payables

Trade and other payables are stated at their cost.

b) Exchange Rate Equalization Reserve

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

c) Contingent Provision for Claims

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

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

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

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

d) Provision for Reported Claims

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

e) Reserve for Unearned Premium on Unexpired Risk

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

In recognition of the reserve actual cover period on unexpired risks have been taken into account on the premium collected on Export Payments Insurance Policies. 15% of the premium collected on the guarantees

during the year under review have been set aside as a reserve for the unexpired risks considering the complexity, nature and quantum of risks associated within the cover period.

6. Revenue

6.1 Premium Income

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

6.2 Other Operating Income

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

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

6.3 Expense Recognition

a) Revenue Expenditure

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

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

b) Capital Expenditure

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

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

6.4 Taxation

Income Tax Expenses

Income tax expenses for the year comprise of tax on Investment Income. Income tax is recognized in the Income Statement for the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustments to tax payable in respect of previous years. Provision for taxation is based on the investment income for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and the amendments thereto.

6.5 Borrowing costs

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

6.6 Comparative information

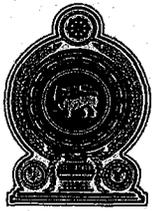
Comparative information has been reclassified where necessary to confirm to the current year's presentation.

6.7 Commitments and Contingencies

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

6.8 Events Occurring After the Balance Sheet Date

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



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය }
எனது இல. } TRE/D/ECI/01/15/39
My No. }

මගේ අංකය }
உமது இல. }
Your No. }

දිනය }
திகதி }
Date }

17 October 2016

The Chairman,
Sri Lanka Export Credit Insurance Corporation

Report of the Auditor General on the Financial Statements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2015 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Sri Lanka Export Credit Insurance Corporation for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 20(2) of Sri Lanka Export Credit Insurance Corporation Act, No. 15 of 1978. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed Report in terms of Section 13(7)(a) of the Finance Act was furnished to the Chairman of the Corporation on 09 June 2016.

1.2 Management's Responsibility for the Financial Statements

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





1.3 Auditor's Responsibility

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

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

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

2. Financial statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Export Credit Insurance Corporation as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

As the useful life of non-current assets had not been reviewed annually in accordance with the Sri Lanka Accounting Standard 08, motor vehicles costing Rs.3,217,783 and office equipment costing Rs.160,619 were further in use despite being fully depreciated. Accordingly, action had not been taken to revise the error in the estimate.

2.2.2 Lack of Evidence for Audit

According to the financial statements presented in the year under review, a detailed report in relation to refundable deposit of Rs.2,103,756 had not been made available to audit.

2.3 Non-compliance with Laws, Rules Regulations and Management Decisions

In terms of Section 24 of the Public Finance Circular No. PF/PE/6 dated 31 January 2000, although the Pay As You Earn Tax should be recovered from the salaries of the relevant officers and remitted to the Department of Inland Revenue, contrary to that, Pay As You Earn Tax amounting to Rs.543,420 relevant to 38 officers had been paid from the funds of the Corporation.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Corporation for the year under review had resulted in a surplus of Rs.174,076,132 as compared with the corresponding surplus of Rs.161,692,641 for the preceding year, thus indicating an improvement of Rs.12,383,491 in the financial results of the year under review as compared with the preceding year. An income of Rs.42,026,970 received for a property of the Corporation acquired by the Government, increase in the export credit insurance income by Rs.37,039,904 and increase in expenditure for the indemnity and

special tax by Rs.32,933,861 and Rs.25,000,000 respectively had mainly attributed for the above improvement.

In analyzing the financial results of the year under review and 04 preceding years, it had ceaselessly grown up from the year 2011 to the year 2013. Although a slight decrease in the surplus was observed in the year 2014 as compared with the year 2013, a growth of 7 per cent had occurred in the year 2015 as compared with the preceding year. After the adjustments being made in respect of the employees' remuneration, depreciations for fixed assets and the tax paid to the Government, the contribution amounting to Rs.158,028,780 in the year 2011 had continuously increased and it had been Rs.237,420,722 and Rs.284,898,395 in the year 2014 and 2015 respectively.

4. Operating Review

4.1 Performance

In terms of Section 5 of the Sri Lanka Export Credit Insurance Corporation Act, No. 15 of 1978, the objectives of the Corporation are as follows.

- (a) To issue insurance policies to exporters of goods and services against non-receipt or delayed receipt of payments and to issue guarantees to the financial institutions to facilitate the granting of pre-shipment and post-shipment finance.
- (b) To issue guarantees to exporters for the due performance of any services to be rendered within or outside Sri Lanka in connection with exports carried out by a Sri Lankan, to provide financial assistance and provide refinancing facilities in respect of credit facilities granted by the financial institutions.
- (c) To provide guarantees against losses that may be sustained in undertaking promotional measures in foreign countries and to undertake market studies abroad for promotion of exports, conduct seminars and courses on various aspects and to collect and disseminate information relating to marketing possibilities.



- (d) To provide insurance and guarantees, undertake such responsibilities and discharge such functions as are considered by the Government as necessary in the national interest, to diversify exports, to help exporters to expand exports and find new markets and to discharge such other functions as the Corporation may consider as necessary for the achievement of its objectives.

The following observations are made in connections with the achievement of the objectives.

- (a) The compilation of a manual including guidelines relating to the payment of indemnity for the insurance policies and guarantees, which is immensely helpful for the enhancement of the capacity building of the Corporation, had not been carried out even in the year under review, despite the lapse of 28 years from the inception of the Corporation.
- (b) The following matters specified in the Action Plan under the topic “Product Modification and Development” and essential for the maintenance and improvement of the total income of the Corporation had not been carried out.
- Restructuring of No Claim Bonus scheme for the policy holders.
 - Provision of insurance and guaranty certificates for small and medium scale enterprises (SMEs) and coordination of the affairs of those enterprises.
 - Obtaining technical assistance from the commonwealth secretariat to train the staff on the issue of Export Credit Guarantee Certificates (ECGC credits).
- (c) Even though a provision of Rs.37,000,000 had been made for the information technology activities, it had not been implemented during the year 2015.
- (d) Out of the total insurance premium income of Rs.188,760,482 of the year 2015, 33 per cent had been received from an exporter and 72 per cent of the remaining balance had been received from 23 exporters. Accordingly, it was observed that the existence of the Corporation was depending upon several exporters and as such, it is appropriate to develop a proper plan for the



recognition of new exporters for ensuring going concern of the Corporation and enhancing its productivity.

- (e) Although a provision amounting to Rs.6,850,000 had been made by the Budget under 07 titles during the year under review for the institutional capacity development, activities for which provision of Rs. 5,850,000 made had not been carried out during the year under review and only one programme (Commonwealth Capacity Building Programme) had been implemented.

4.2 Management Activities

The following observations are made

- (a) In the recovery of premium relating to the insurance policies, if the exporter pays the insurance premiums within 07 days, he is entitled to a 5 per cent discount. Nevertheless, two exporters who had not paid their premium as indicated above had been deducted a sum of Rs.345,756 as discounts.
- (b) While a sum of Rs.2,878,127 had been paid to an exporter as a claim on 14 August 2015, premiums in respect of the exports carried out subsequently by the same exporter had been recovered by deducting a sum of Rs.93,227 as “No Claim Bonus”.
- (c) When insuring risks of the exporters who export goods on credit basis, it was the practice of the institution to obtain and evaluate a status assurance report of the foreign buyers. Nevertheless, as a result of lapses occurred in the evaluation, payment of claims had increased by 87 per cent in the year 2015 as compared with the year 2014.



It was observed in audit test check that due to the errors occurred in the evaluation, claims had to be paid in the following instances.

- I. In respect of a foreign buyer who had commenced business activities in the year 2014 with an authorized capital of Rs.4,000,000, a credit limit of Rs.13,000,000 had been granted to two exporters. As the buyer had not paid money for the exports carried out by the above two exporters in the year 2014, the Corporation had to pay a claim of Rs.5,040,920 in the year 2015.
 - II. While the financial viability, liquidity, fixed assets and rate of depreciation of a foreign buyer remained unfavourable level, those had not been subjected to evaluation and as a result, provision for claim amounting to Rs.867,462 had been made in the year 2015.
 - III. Despite an unfavourable financial position regarding a foreign buyer being stated in the Status Assurance Report, the credit limit had been determined regardless of that matter. As such, a claim of Rs.1,267,563 had to be paid.
 - IV. Although there was an increase in the long term credits by 147 per cent within a short period of three years as reported in the Status Assurance Report relating to the foreign buyers, the Corporation had not paid attention on that matter and thereafter, the buyer had become insolvent and as such claim of Rs.10,079,299 had been provided to an exporter.
- (d) The insurance premium income of the Corporation is computed based on a table approved up on the invoice value of the goods. According to that table, although the rates of the premium had been set out so as to enable the payments to be made within a period from 01 day to 180 days, credit period up to 360 days had been granted to six foreign buyers of one exporter.

4.3 Identified Losses

Notwithstanding the submission of an acceptable medical certificate for special sick leave in accordance with Section 9 of Chapter XII of the Establishments Code, it had not been accepted. As a result, the Labour Tribunal had given order to pay an indemnity of Rs.507,603 to an officer of the Corporation.



4.4 Personnel Administration

The following observations are made.

- (a) Without a formal approval, 11 officers had been recruited to the post of Assistant Manager, which was not included in the approved cadre and a sum of Rs.6,346,451 had been paid as salaries and allowances during the year under review.
- (b) Since the scheme of recruitment and procedures of promotions had not been formulated as required by Section 9.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, there was no procedure to grant promotions to the officers who had the service experience of 15 years to 25 years.
- (c) As the post of Deputy General Manager (Human Resources and Administration) had fallen vacant since 18 March 2012, it had been an impediment to carry out personnel management of the Corporation at an optimum level.
- (d) Without making permanent recruitments for 3 vacant posts since the year 2009, acting appointments had been granted in that respect and acting allowances of Rs.378,817 had been paid from January to October 2015.
- (e) In terms of the Management Services Circular No.30 dated 22 September 2006, although the approval of the Department of Management Services should be obtained for the institutional restructuring, contrary to that, employees' salary had been revised with effect from 01 May 2014.
- (f) Without being considered a minimum salary scale specified in the Public Administration Circular No.06/2006 and Management Services Circular No.30 (1) dated 01 June 2009, a salary scale had been determined and payments had been made for the posts equal to the level of the post of Management Assistant of the Corporation.

5. Accountability and Good Governance

5.1 Corporate Plan

An updated Corporate Plan approved by the Board of Directors had not been prepared in terms of Section 5.1.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003.

5.2 Action Plan

When comparing the expected number and the actual number in relation to the issuance of insurance policies and guarantees by the Corporation in the year 2015 with that of the preceding year, the issuance of entire insurance policies had declined by a range from 12 per cent to 46 per cent and it had declined by a range from 41 per cent to 68 per cent in the current year.

5.3 Internal Audit

A post of Internal Auditor had not been got approved from the Department of Management Services up to 31 December 2015 and a private audit firm had been appointed for the internal audit activities of the Corporation on 10 February 2012.

5.4 Procurement Plan

Although a provision amounting to Rs.42,800,000 had been made for the purchase of fixed assets for the year under review, a Procurement Plan had not been prepared therefor.

5.5 Budgetary Control

Significant variances ranging from 16 per cent to 100 per cent were observed between the budgeted and actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

Area of System and Control

Observations

- | | |
|--|--|
| (a) Evaluation process of the foreign buyers | Failure to pay an adequate attention on the evaluation of Status Assurance Reports |
| (b) Personnel Management | Improper recruitment and promotion of employees. |
| (c) Control of Operations | Failure to reach the targets in the Action Plan |



H.M. Gamini Wijesinghe

Auditor General