



EMPLOYEES' TRUST FUND BOARD

# ANNUAL REPORT

# 2018

EMPLOYEES' TRUST FUND BOARD  
ANNUAL REPORT 2018

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**CONCEPT, LAYOUT & DESIGN**



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**EMPLOYEES' TRUST FUND BOARD**

**ANNUAL REPORT 2018**

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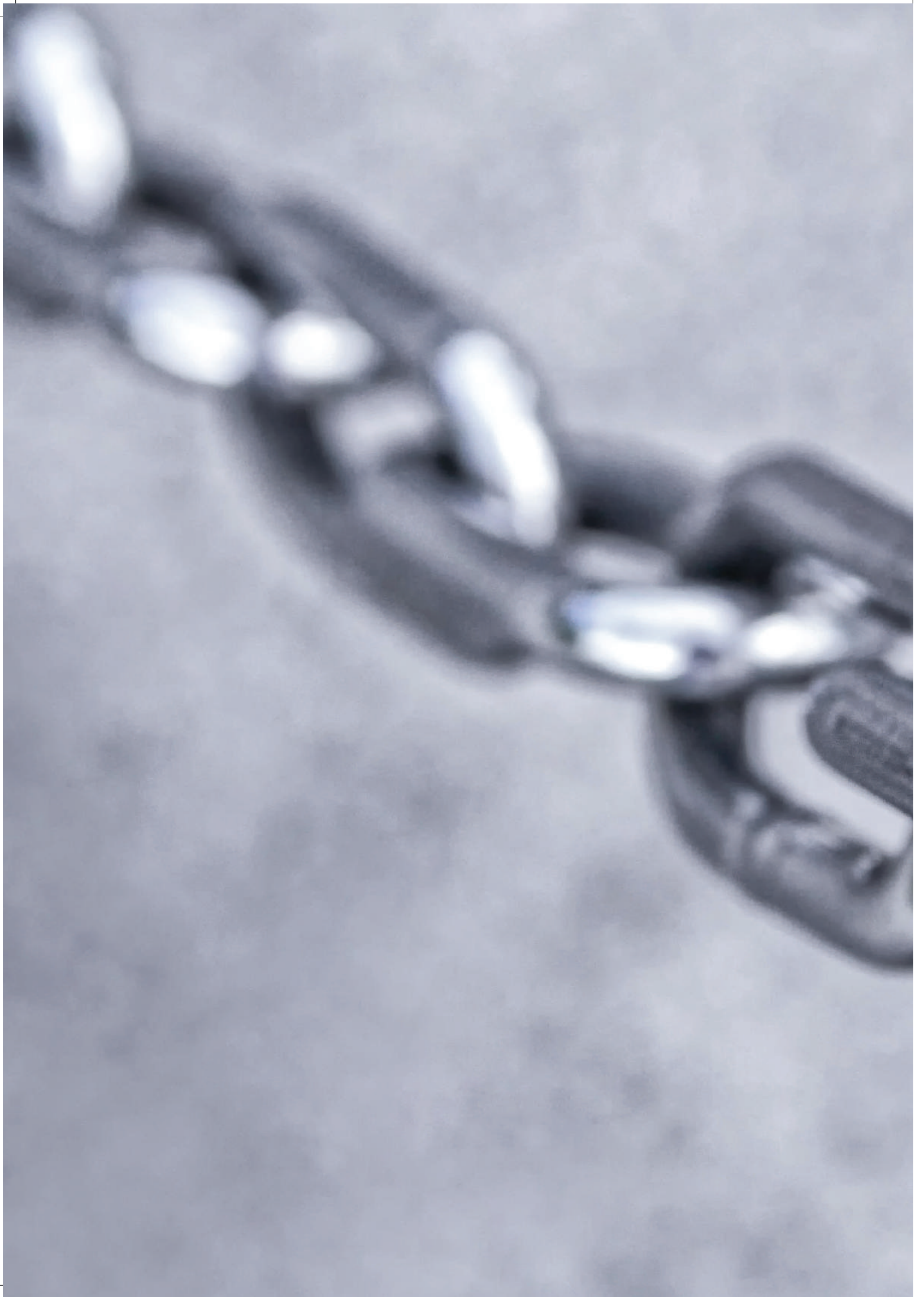
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01

# CORPORATE OVERVIEW







## ABOUT THIS REPORT

This is the 38th Annual Report of Employees' Trust Fund board which provides a comprehensive account of how the organization has created value primarily to its beneficiaries and to other stakeholders in 2018. The report aims to share the entity's inimitable value creation story over the short, medium and long term with our renowned stakeholders. It also presents concise communication of the strategy, governance & Fund management and demonstrates the relationship between its financial performance and the social footprint created by the organization.

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards. The governance report discusses on how the entity complies with the Code of Best Practice on Corporate Governance for Public enterprises and ETF Act No. 46 of 1980.

The report comprises of both quantitative and qualitative data and it is our intention to provide quantitative data where possible to facilitate comparisons and further analysis. The financial statements together with the related notes are audited by the government auditor and the Auditor General's Report is also included herein.

The contents of the annual report 2018 covers the operations spanning the head office and the branch network for the period 1st January 2018 to 31st December 2018, with the most recent report being for the year ended 31st December 2017 for which comparatives are given throughout this report. The contents of this report have been developed with an emphasis on the aspects that are material for the organization as well as for its key stakeholders.

# WHO WE ARE

The Employees' Trust Fund Board was established under Act No. 46 of 1980 and commenced operations on 1st March 1981. It was established under the Ministry of Labor and currently operates under the purview of Ministry of Labour and Trade union Relations. All public sector employees who are not entitled to the Govt. Pension Scheme and all private sector employees are members of this Fund while their employers are required to remit 3% of the gross earnings of their employees to the Fund, monthly. Hence, unlike the EPF, only the employer makes a contribution on behalf of the employee/member and hence, it is a non-contributory benefit to the member. Special consideration is given to increase the voluntary membership of Self-employed persons and migrant workers who provide a sizable contribution to the economy.

## The Objectives of the Board

- (a) To promote employee ownership, employee welfare, economic democracy through participation in financing and investment;
- (b) To promote the employee participation in management through the acquisition of equity interest in enterprises;
- (c) To provide for non-contributory benefit to employees on retirement; and
- (d) To do all such other acts or things as may be necessary for, the objectives specified in paragraphs (a), (b) and (c) above.





# OUR VALUE PROPOSITION

## OUR VISION

To be the most dynamic & viable premier trust for all stakeholders through organizational excellence

## OUR MISSION

Be the most caring & prudent trust providing a wide range of financial member benefits and excellent customer services

## OUR VALUES

- Creative, Innovative and Committed Staff
- People friendly Working Environment
- Supportive Policies and Processes
- Excellent Systems and Procedures
- Sound Finance
- Delighted customers





## Organizational Review

The Employees' Trust Fund Board (ETFBoard) at present has a conventional organization structure geared to play the role of a Trustee or a custodian and it is the intention of the Management to drive the Organization to be a more vibrant financial organization in the future. The Act does not specify about the organization structure. However, under section 5, it is stated that the Board may formulate rules for the conduct of its operations.

The overall responsibility of the Management for the activities of the Fund lies with its Board of Directors. The Board comprises of nine members of which four are appointed by the relevant Minister and one member each nominated by the Ministers in charge of the subjects of Finance and Trade, One member nominated by the Employers Federation of Ceylon and two members by Trade Unions having more than 100,000 members each.

The Chairman of the Board is selected at the discretion of the Minister in charge and he is also the Chief Executive Officer (CEO) of the Trust Fund as provided by the Act.

The ETFBoard was initially structured as a centralized organization, mainly due to the fact that the majority of

Employers were concentrated in the Western Province. After completion of restructuring program of Regional Office network with the opening of Regional Offices and District Offices in most potential areas, a rapid development took place in the Enforcement and Legal activities. Subsequently most of Member Services activities such as claims acceptance, claims payments, member awareness programs etc were decentralized.

The functional areas of ETFBoard can be broadly divided into Operations and Support Services. The operational areas are identified as Collection & Employer Relations, Member Services and Investments. The Administration and Human Resources, Finance, IT and Internal Audit functions have been recognized as support services.

As specified by the Act, the Chairman is empowered to perform duties as Chief Executive Officer (CEO) of the organization. The General Manager and Additional General Manager will function under the direct supervision of CEO. Each functional area is headed by a Deputy General Manager (DGM). The position of Working Director been established to assist Chairman/CEO.



# FUNCTIONS OF DIVISIONS/ SECTIONS/ UNITS OF THE BOARD



## 1. Collections and Employment Relations Division

It is mandatory to contribute 3% on gross earnings of employees who are working in the Private Sector and non Pensionable Government Organizations. Timely collection of contribution from employers, collection of surcharges, find defaulters/ non contributors, taking legal action against defaulters etc. are some of core activities associated with the contribution collection process. The Collection and Employer Relation Division is responsible for achieving collection targets of the Board.

## 2. Investments Division

The Investment Division is one of core business unit of the organization which set up to manage Investment Portfolio of the Board. The prime objective of this unit is to earn optimum return while maintaining safety of investments and liquidity. A comprehensive investment policy is available as a guideline for Investment Decisions.



## 3. Member Services Division

The main functions of this Division include, updating and maintaining Member Accounts, issuing Annual Member Statements (AMS) to members, speedy processing of General Benefits (Normal & Death Claims) and maintain other welfare Benefit schemes for the active members. The adequate steps have been taken to provide necessary infrastructure to further strengthen the activities of this Division.

## 4. Finance Division

The core functions of Finance Division include preparation of monthly & annual accounts, annual budget, and effecting staff and other payments inclusive of government taxes, coordination of government audit matters, preparation of corporate plan and other management information reports.



## 5. Administration and Human Resource Division

It is recognized that, the need for adapting to the modern HR techniques and best office practices which are vital in the current competitive business environment. ETF Board itself as a service organization, the dependability on people (employees) is very high. Hence, high priority is given to develop and improve the activities carried out by Administration and Human Resources Division. Accordingly various initiatives have been taken to update and improve existing systems and procedures followed by Administration and Human Resources Division and to provide necessary training for the staff.

## 6. Information Technology Division

The IT Division is mainly responsible to manage and maintain the Member Administration Software System (MASS). All initiatives have been taken to re-structure IT environment of the organization in Collaboration with Information Communication Technology Agency of Sri Lanka (ICTA)



## 7. Audit and Assurance Division

The Internal Audit Division is responsible to ensure that the adequate Systems of Internal Controls are established and such systems are adopted continually and appropriately. The DGM (Internal Audit) will directly report to the CEO. The Management is of the view that, a study to be undertaken to re-assess the adequacy of existing Systems and Procedures of Internal Audit and strengthen the role of the Internal Audit as an effective tool in the decision making process of the organization.



## 8. Legal Division

The Legal Section operates as an advisory service unit for all legal matters of the Board. The Legal activities have been de-centralized to regional level with the expansion of Regional Office (RO) network. A separate Legal Officer has been assigned to engage for legal matters at each RO. The Legal Section functions under the supervision of AGM (Legal) and reporting to DGM (Collection & Employer Relations).



## 9. Planning, Research and Development Unit

Preparing, monitoring updating and revising of corporate plan for EFTB on yearly basis and new plan made available for implementation by 1<sup>st</sup> January of each year. Progress reporting ETFB on monthly /quarterly/Annual basis, Making needed corrections and statutory Reporting to Ministry, Parliament and other Institutions on timely basis, Effectively and timely conduct research needed for effective decision making required for the management of EFTB are main functions of this Division.

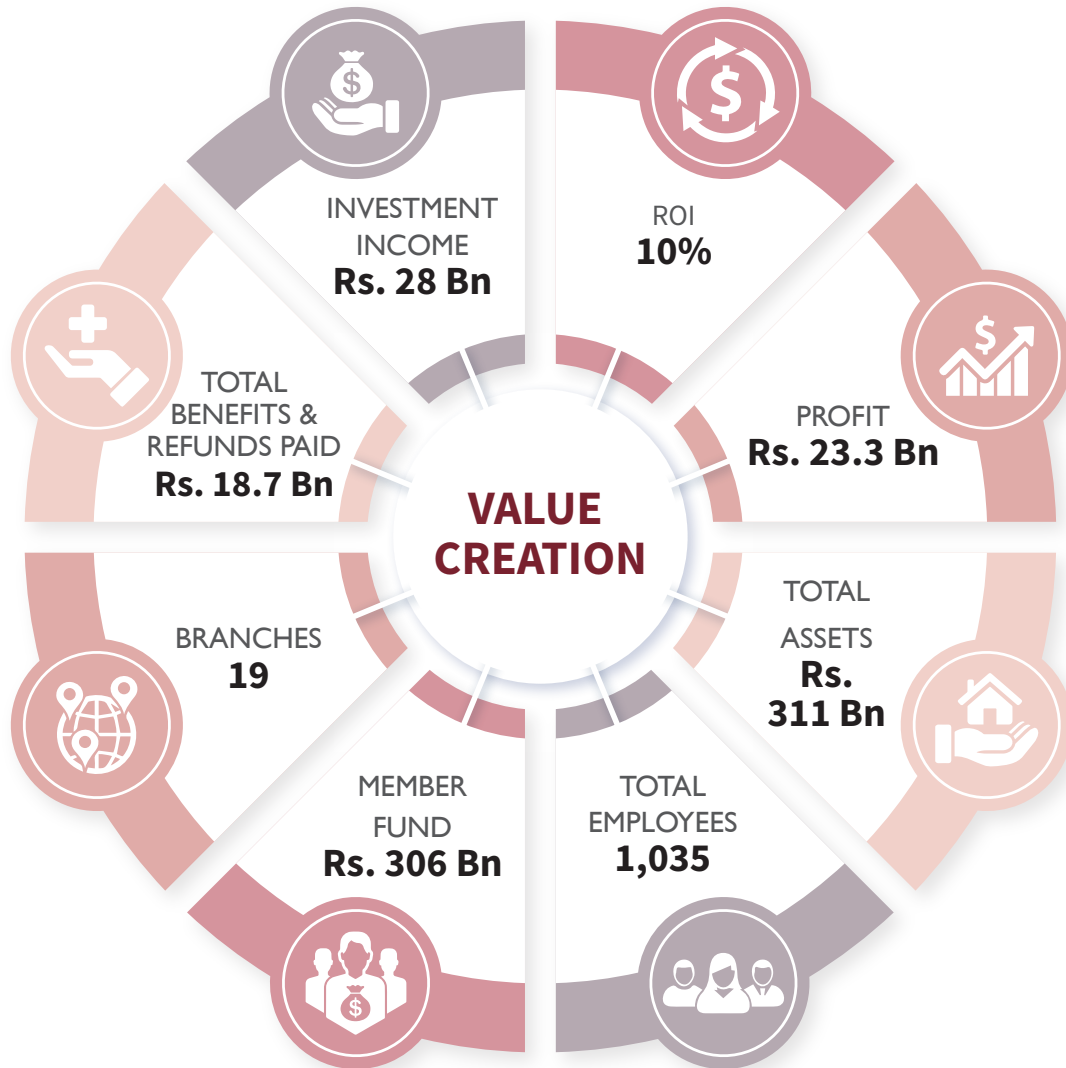


## 10. Statistics Unit

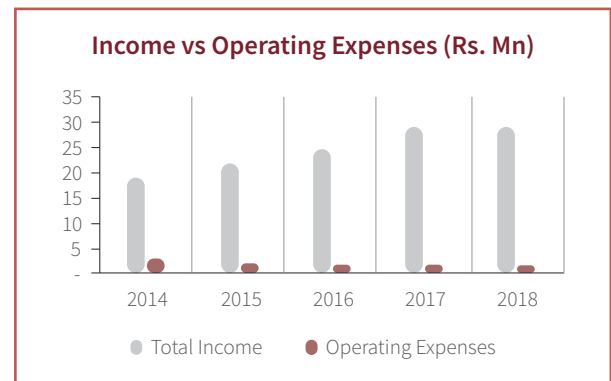
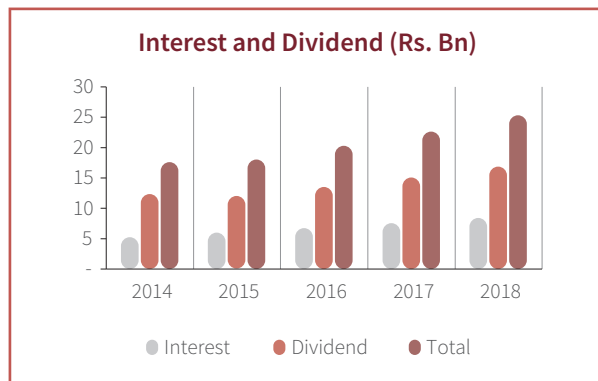
Real time Data Base made available to everyone for effective management decision making, Preparation of trend analysis on required data and analyzing, forecasting and planning for future years on timely basis, provide important signals required for management decision making periodically, Dissemination of categorized and indexed information to the required institutions for national planning and implementation are main functions of Statistics Division

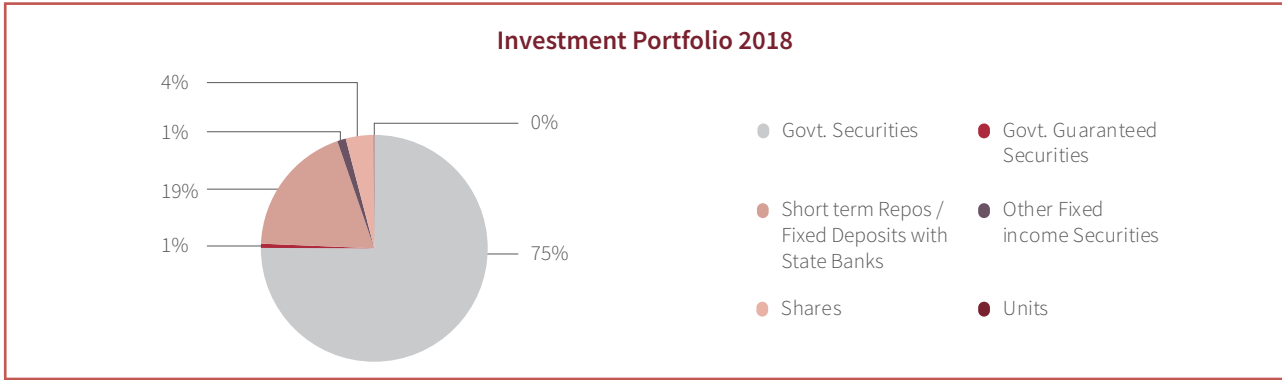


# PERFORMANCE HIGHLIGHTS

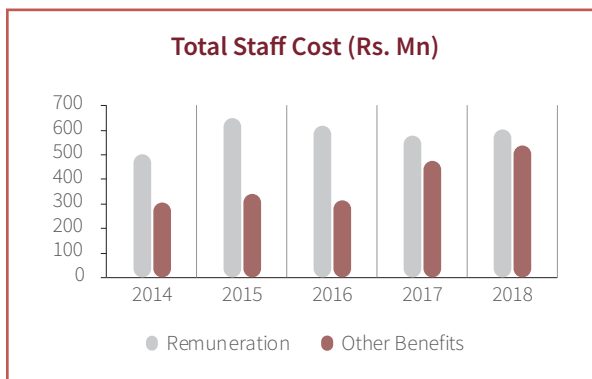
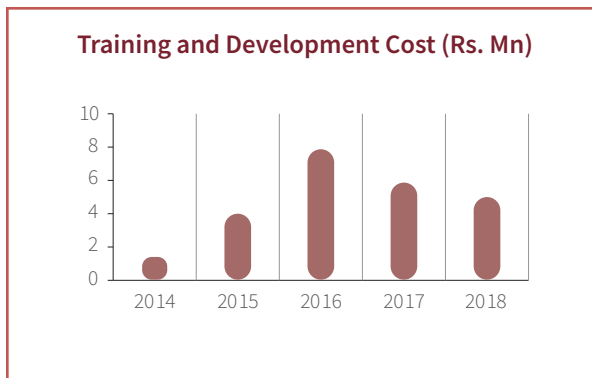
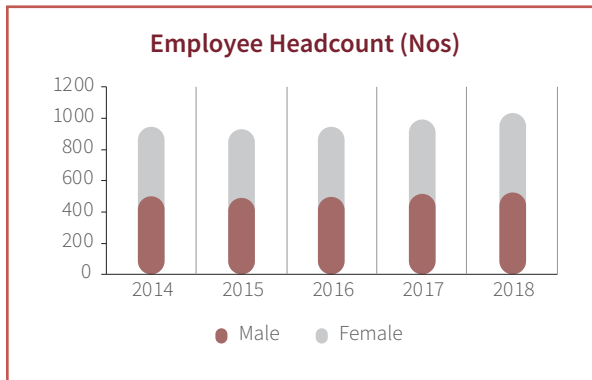


## Members Point of View

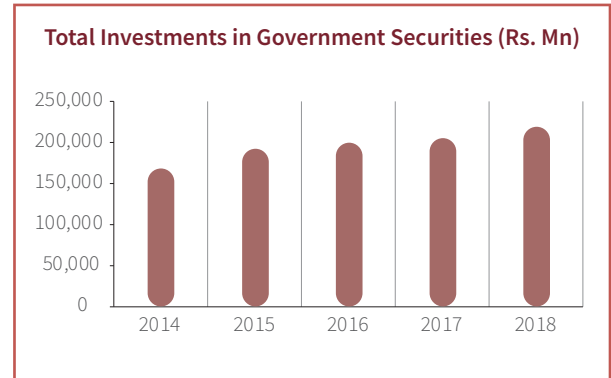
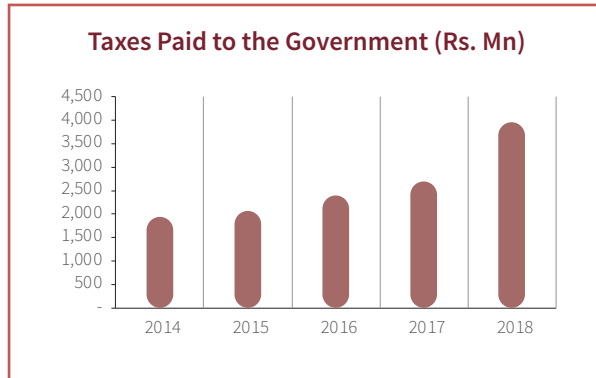




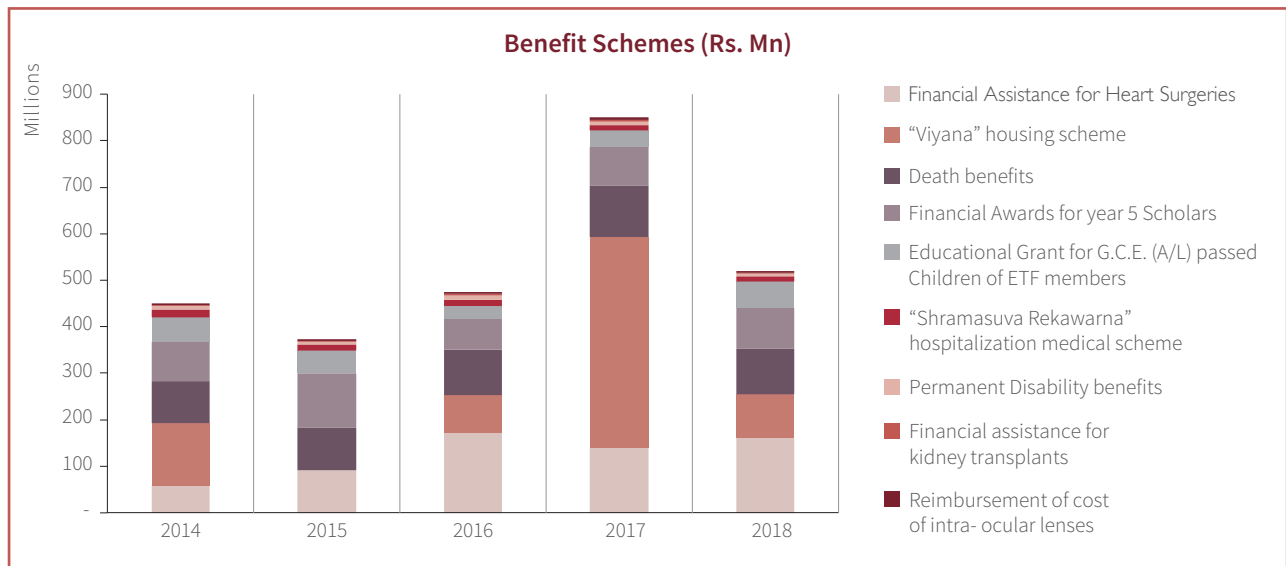
## Employees Point of View



## Government Point of View



## Community Point of View



# 2018 Year at a Glance

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The ETF Board has Rs. 306 billion of Member Fund balance as at 31st December 2018, and has about 14.6 million member accounts on which about 2.6 million are currently contributing members.

Total contribution for the year 2018 recorded as Rs. 25.3 billion while the Board has refunded Rs. 18.2 billion to the members during the same period.

The total asset of the fund as of 31/12/2018 was Rs. 312 billion. The total income for the period was Rs. 29.1 billion and net profit stated at Rs.23.3 billion.

Board was able to declare a total rate of 9% to its members as interest and dividend for 2018. This is an attractive rate compared to the savings rates offered by state banks to their customers.

#### Planned Programs in 2018

- Restructuring and computerization of the investment Division.
- Purchase of required Hardware for upgrading the existing Computer system.
- Participation of 06 Branch Offices for National Productivity Competition in 2018.
- Establishment of a new office building at Gampaha office premises acquired by the board.
- Two 5 year scholarship programs were held on 04.04.2018 in Badulla and 31.08.2018 simultaneously with the V2025 Enterprises Sri Lanka exhibition.
- Steps will be taken to open a zonal office for the convenience of the employers and the customers in the Eastern Province during the month of October.

#### Progress of planned programs in 2018

- Steps have been taken to introduce the EISA (ETF Inspection System Application) with financial co-operation of Ministry of Finance and the ILO technical cooperation to accelerate field investigations to improve collection.
- Facilities are provided to employers to make payments and send reports through online.
- Introduce and implement a human resource development plan.
- Steps have been taken to acquire lands in Gampaha, Vavuniya and Hambantota in order to establish zonal offices with a view to expanding the services to all stakeholders.
- Recruitment of necessary cadre and the restructuring of Internal Audit Division and introducing a risk management process to the Board.
- A MOU has signed with the Department of Registration of Persons and Department of Labour to introduce an integral membership number for the members of Employees Trust Fund based on the National Identity card number.
- Introduction of productivity concepts and productivity handbook with the assistance of National Productivity Institute or Secretariat.

# Milestones 1981 to 2018



Death Benefit Scheme :  
**Rs. 100,000/=**



Death Benefit Scheme :  
Permanent Disability Scheme :  
Financial Assistance for  
Heart Surgery :  
**Rs. 300,000/=**



Death Benefit Scheme :  
Permanent Disability Scheme :  
Financial Assistance for  
Heart Surgery :  
Reimbursement of  
Intra-ocular lens :  
Year 5 Scholarship  
Rs. 15,000/=  
**9,000 Scholarships**

1986

1989

1991

1992

1994

Death Benefit Scheme :  
Permanent Disability Scheme :  
**Rs. 200,000/=**



Death Benefit Scheme :  
Permanent Disability Scheme :  
Financial Assistance for  
Heart Surgery :  
Reimbursement of  
Intra-ocular lens :  
**Rs. 18,000/=**







Death Benefit Scheme :  
 Permanent Disability Scheme :  
 Financial Assistance for  
 Heart Surgery :  
 Reimbursement of  
 Intra-ocular lens :  
 Year 5 Scholarship :  
 “Shramasuwa Rekawarana”  
 Hospitalization Scheme :  
 “Viyana” Low Interest Housing  
 Loan Scheme



Death Benefit Scheme :  
 Permanent Disability Scheme :  
 Financial Assistance for  
 Heart Surgery :  
 Reimbursement of  
 Intra-ocular lens :  
 Year 5 Scholarship :  
 “Shramasuwa Rekawarana”  
 Hospitalization Scheme :  
 “Viyana” Low Interest Housing  
 Loan Scheme :  
 Financial Assistance for Kidney  
 Transplant Surgery :  
 Year 5 Scholarship  
**Rs. 15,000/=** (ETF members  
 who had to terminate  
 employment due to  
 permanent disability)  
 Financial Grant for GCE (A/L)  
 Students - **Rs. 12,000/=**

1997

2002

2006

2010

2016

Death Benefit Scheme :  
 Permanent Disability Scheme :  
 Financial Assistance for  
 Heart Surgery :  
 Reimbursement of  
 Intra-ocular lens :  
 Year 5 Scholarship :  
 “Shramasuwa Rekawarana”  
 Hospitalization Scheme  
**Rs. 25,000/= per year upto  
 maximum of Rs. 50,000 during  
 the entire service period**



Death Benefit Scheme :  
 Permanent Disability Scheme :  
 Financial Assistance for  
 Heart Surgery :  
 Reimbursement of  
 Intra-ocular lens :  
 Year 5 Scholarship :  
 “Shramasuwa Rekawarana”  
 Hospitalization Scheme :  
 “Viyana” Low Interest Housing  
 Loan Scheme :  
 Financial Assistance for Kidney  
 Transplant Surgery  
**Rs. 300,000/=**

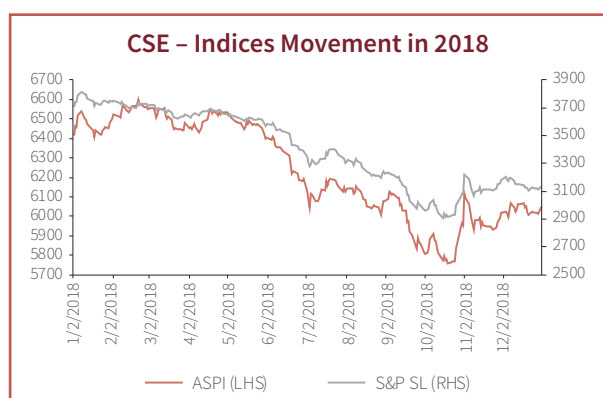


All 2010  
 Achievements and  
 Reimbursement of  
 Intra-ocular lens :  
**Rs. 30,000/=**



# Background Analysis

The purpose of this section is to review the economic performance of Sri Lanka in 2018 and assess the possible impact towards the ETFB.



Both the All Share Price Index (ASPI) and S&P SL 20 indices depicted a low growth with a downward trend throughout the year. Lessened investor confidence, foreign selling, indications of strengthening the US

economy, political instability coupled with political turmoil commenced in October 26th, 2018, unstable policy decisions of the government reflected through frequent changes to the policy agendas are among key elements which resulted in this downward momentum. Drop in share prices adversely affected investors by reducing the worth of individual share portfolios.

## GDP growth (annual %)

Country	2011	2012	2013	2014	2015	2016	2017	2018**
Nepal	3.42	4.78	4.13	5.99	3.32	0.59	7.91	5.90
Bangladesh	6.46	6.52	6.01	6.06	6.55	7.11	7.28	7.90
Maldives	8.57	2.52	7.28	7.33	2.88	7.29	6.91	6.70
India	6.64	5.46	6.39	7.41	8.15	7.11	6.68	7.30
Pakistan	2.75	3.51	4.40	4.67	4.73	5.53	5.70	5.80
Bhutan	7.89	5.07	2.14	5.75	6.64	8.02	4.63	6.70
Sri Lanka	8.40	9.14	3.40	4.96	5.01	4.47	3.31	3.80
Afghanistan	0.43	12.75	5.60	2.72	1.45	2.26	2.67	2.20

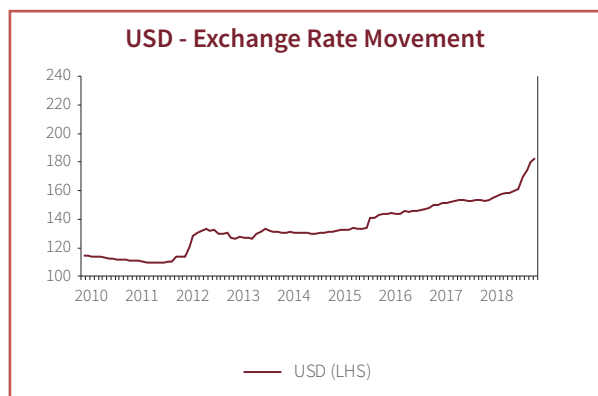
Source: data.worldbank.org, \*\*ADB Projections

According to above comparison it can be seen that the country recorded second lowest GDP growth rate in 2017 compared to other countries in the South Asian region. Though the country recorded the second lowest GDP growth rate it became the second highest in terms of GDP per capita. Loss of agricultural output due to flood and drought, exchange rate fluctuations, exclusion of informal activities that are taking place in the economy in GDP calculation, lower living standards though the country has achieved lower poverty headcount ratio are few key determinants of lower GDP growth rate. Asian Development Bank (ADB) projects a GDP growth rate of 3.8% to Sri Lanka for the year 2018.

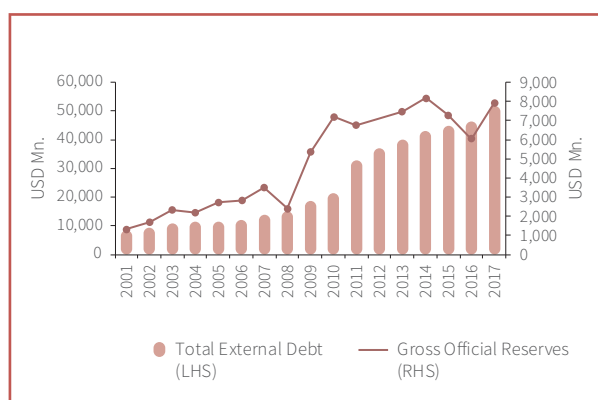
## GDP per capita (current US\$)

Country	1960	1970	1980	1990	2000	2015	2016	2017
Maldives	-	-	268.10	963.60	2,226.72	9,821.69	10,319.10	11,151.07
Sri Lanka	142.78	183.93	267.67	463.51	869.50	3,844.51	3,857.35	4,073.74
Bhutan	-	-	331.53	557.97	765.86	2,616.01	2,782.37	3,130.23
India	81.28	111.26	263.84	363.96	438.86	1,606.04	1,717.47	1,942.10
Pakistan	82.55	172.61	303.45	371.57	533.86	1,428.64	1,442.29	1,547.85
Bangladesh	88.69	138.25	222.63	297.57	405.60	1,210.16	1,358.78	1,516.51
Nepal	50.52	72.18	130.58	193.48	231.43	747.16	730.98	849.01
Afghanistan	59.78	157.19	274.88	-	-	590.08	549.58	550.07

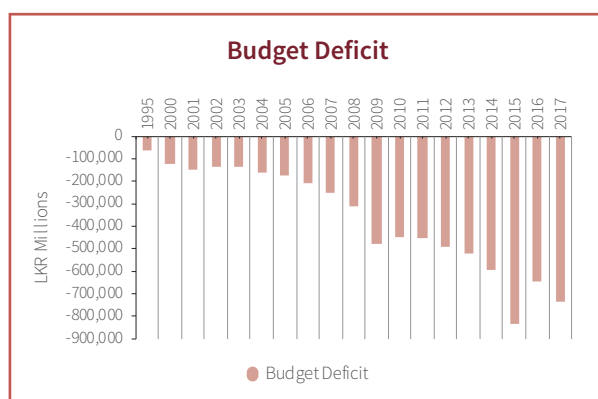
Source: data.worldbank.org



In the Sri Lankan context major proportion of transactions are taking place and quote in USD comparing with transactions taking place in other foreign currencies. Depreciation of local currency mainly against USD can be observed over the past few years.



Being an import driven economy this has created several negative consequences ultimately resulting the trade balance to record negative values. Mega investment and infrastructure development projects backed by demand for external assistance, gap between government revenue and expenses resulted in external debt burden of the country to increase on yearly basis. However a noticeable strengthening of the Reserve position can be observed.

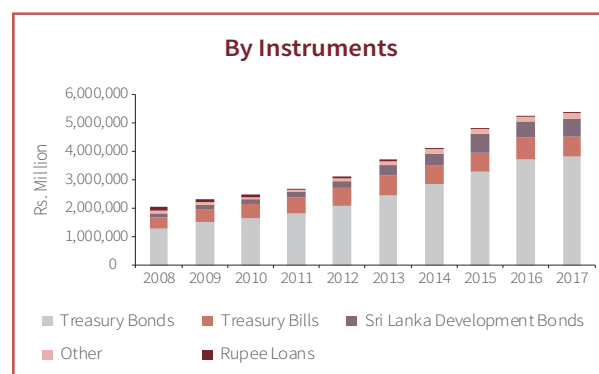


Extensive welfare programs putting growth agendas the second priority, loss making SOEs (State Owned Enterprises), continuous expansion in state employment coupled with lowered productivity, middle income trap, stagnating economic growth momentum are among major consequences of ongoing budget deficit.

### Central Government Domestic Debt

By Ownership	2008	2010	2015	2016	2017
Commercial Banks	418,177	613,340	1,667,986	1,699,951	2,119,133
Provident and Pension Funds	698,192	884,279	1,655,336	1,826,633	1,942,739
Private Business and Individuals	443,084	495,261	647,807	643,628	513,894
Savings Institutions	204,067	286,514	428,236	426,771	447,792
Official Funds	107,234	167,374	252,615	271,630	289,154
Central Bank	239,248	78,376	256,050	414,950	209,412
Insurance Funds	25,976	32,839	50,597	57,944	72,305

Commercial banks and Provident and Pension Funds marked the highest contribution to Central Government Domestic Debt in terms of ownership. Significant proportion of Central Government Domestic Debt has accumulated through issuing T-Bonds and T-Bills.



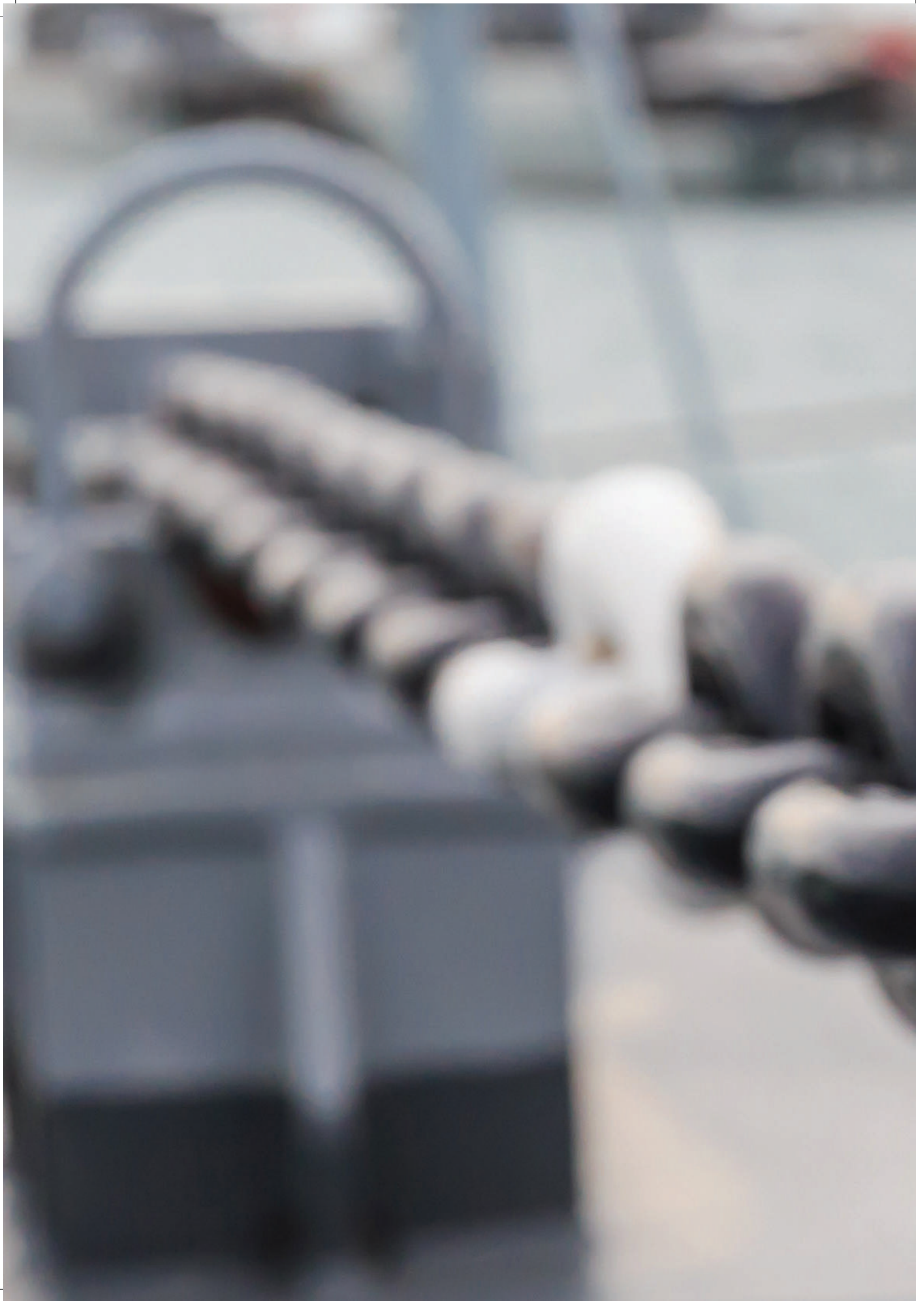
### Credit Ratings of Sri Lanka

Agency	2010	2011	2016	2017	2018
S&P	B+ Stable	B+ Positive	B+ Negative	B+ Stable	B Stable
Fitch	B+ Positive	BB- Stable	B+ Negative	B+ Stable	B Stable
Moody's	B1 Stable	B1 Positive	B1 Negative	-	B2 Stable

Source: tradingeconomics.com

A slight decline in credit ratings can be observed in 2018 comparing with ratings assigned to the country in 2017. Sri Lanka has been assigned Highly Speculative and Non-Investment Grade Speculative ratings since 2005. Credit ratings are a reflection of borrowing capacity of a country, investment and default risk and also it determines the interest to be charged for a loan granted to a country.







02

# CORPORATE STEWARDSHIP

# BOARD OF DIRECTORS (2018)

**Mr. Mahinda Madihahewa**

Chairman/CEO

Appointed by the Minister of Labour and  
Trade Union Relations

**Mr. P B Madagedara**

Working Director

Appointed by the Minister of Labour and  
Trade Union Relations

**Mr. K S Kurukulasinghe**

Director

Appointed by the Minister of Labour and  
Trade Union Relations

**Mr. W M K L Weerasinghe**

Director

Representative of Employers'  
Federation of Ceylon

**Mr. M A Thajudeen**

Director

Ministry of Industry and  
Commerce Representative

**Mr. L S Devendra**

Director

Trade Union Representative

**Mr. P Ranawakaarachchi**

Director

Trade Union Representative

**Mr. P B S C Nonis**

Director

Appointed by Minister of Finance

**Mr. Jude Dinal Peiris**

Director

Appointed by the Minister of Labour and  
Trade Union Relations

**Mr. H M A J Kumara**

Board Secretary



## Senior Management

### Chairman/CEO

Mr. Mahinda Madihahewa

### Working Director

Mr. P B Madagedara

### Additional General Manager

Mrs. R N Gnanasekara

## Deputy General Managers

Mr. W S Dissanayake	Member Services
Mr. L H Nihal	A & HR
Mr. K S Weliwita	Internal Audit
Mr. N W Wimalaweera	Finance
Mr. A J M S Jayasundara	C & ER
Mr. Udaya Wickremanayake	Investments

## Assistant General Managers

Mr. C Mallikarachchi	Member Services
Mr. H M Seneviratne	Member Accounts
Mr. M A K Aluthgamage	Finance
Mr. W S Dharmasiri	Information Technology
Mr. J K P Ranjith	Enforcement - Region I
Mr. B R Ariyawansa	Enforcement - Region II
Mr. W Jinadasa (Secondment)	Statistics
Mr. W R L de Silva (Actg.)	Procurement
Mrs. S Rajapathirane (Actg.)	Legal
Mrs. V N Jayaratne (Actg.)	Contribution Collection

## Chairman's Review

It gives me great pleasure to present the Annual Report for the year 2018 of the Employees Trust Fund Board which is considered to be the second largest social security fund in Sri Lanka. The Employees Trust Fund Board which was established under the Employees Trust Fund Act, No. 46 of 1980 with the objective of providing, social security to the private sector employees as well as to semi-government sector employees commenced its operations on the 1st of March 1981. Later, the range of coverage of the Fund has been further extended to encompass the self-employed and migrant workers. The members of the fund receive an annual interest and dividends on the balance lying in their member accounts and apart from it, the Fund offers ten types of benefits to its members in the areas related to education, health, and housing.

The Fund continued to perform well in 2018 despite several macroeconomic challenges faced by the country's economy during the year. During this year various strategic initiatives were taken by the Board of the Employees Trust Fund which were outlined in its corporate plan and annual budget and a special attention was paid to take follow up measures as regards the performance of the Fund and to closely monitor its operational activities.

During the period under review, the net asset value of the Fund reached 308 billion and the total income was recorded as Rs. 28.8 billion. The fact that the Fund was able to make it to such an achievement despite being confronted with a very seriously sluggish equity market conditions against economic challenges can be noted as a performance at a very highly commendable pedestal. The Employees Trust Fund Board continues to engage in

“ During the year under review, the membership of the Fund was recorded as 14.6 million, out of which 2.6 million members are currently active. ”

its operational activities whilst investing its excess funds primarily in government securities and forging ahead to diversifying them into equity investments and other investments in corporate debt instruments. As one of the leading superannuation funds in the country, the Board has been able to pay out a steady rate of interest to its members annually in spite of the fact that there were regular fluctuations prevalent in the financial and capital markets.

During the year under review, the membership of the Fund was recorded as 14.6 million, out of which 2.6 million members are currently active. The employer population for the same period was recorded as 82,416. The total amount of contributions remitted to the Fund was Rs. 25.3 billion which accounted for an 11 percent growth in comparison to the previous year. The Employees Trust Fund Board was able to declare a return of 9 percent on the aggregate of the member funds irrespective of the fact as to whether such accounts are being active or inactive. It should be stated that the Fund's capability of the declaration of such a percentage of return even amidst unfavorable circumstances prevailed in the financial and capital markets of the country is a satisfactory situation.

As an area that requires a special focus, the Fund has taken steps to further expand the membership of the self-employed and migrant worker categories. Apart from that, being mindful of the prevailing trend as well as the ensuing result of the escalations in the number of member fund withdrawals, the Employees Trust Fund Board has adopted various measures to make timely changes against its fund management strategies with a view to strengthening the Fund.



During the previous year, the Employees Trust Fund Board, with the technical assistance of the International Labour Organization (ILO) and the financial support of the Ministry of Finance embarked on a new project, named, ETF Inspection System Application (EISA), in order to enhance the efficiency of the ETF inspection process and to extend the coverage area of both employers and employees. By now, the transformation of these new technological strategies into the staffs of the Board has achieved a tremendous progress.

The branch office network was further extended by adding a new branch in the town of Trincomalee. With the objective of constructing fully fledged branch office buildings with more space facilities being mindful of the future business needs, all arrangements have by now been initiated to acquire lands in the towns of Gampaha, Hambantota and Vauniya.

The e-banking facility introduced has made it convenient for the employers to pay remittances to six designated banks and submit the returns to the Employees Trust Fund Board online via internet. Through this exercise, it has been possible to extend the coverage of the monthly membership collection and the number of membership to over 50% and one million respectively as of now.

Further, in order to transform the current employer-centric system to a member (employee) centric system and to provide all the members within the public social security schemes with a unique method, an agreement was entered into with the Department of Registration of Persons and the Department of Labour for the purpose of making the National Identity Card Number valid in general. With the re-engineering work of the Board now nearing its completion, we are confident that this system would come into being a reality.

The Employees Trust Fund Board, with the objective of introducing newly effected changes to its administration and fund management systems and the provision of its services more efficient and effective, has taken measures to transform almost all of its operations to a comprehensive IT-driven environment. The re-engineering initiatives involving the Information Technology system of the Board embarked on during the year 2018 with the patronage and the financial assistance of the Information Communication Technology Agency (ICTA) of Sri Lanka have by now reached its final phase. It is expected to complete the work of this project in the year ahead.

In the context of the role of the human resources development, the Board is mindful of the fact that it is one of the integral areas needed for the progression of the institution. The Board paid special attention on improving the versatility of the staffs in striving to work keeping abreast with the restructuring and the changes effected to the overall administration system of the Board in recent times. In order that these objectives are accomplished, action was taken to organize training programmes for the staff covering the entirety of them as well as to expose them to training in foreign countries with the assistance of the Department of External Resources and such other donor agencies.

The productivity development programme introduced with a view to improving the efficiency of all divisions and branch offices of the Board and providing an enhanced and quality service to our members, employers as well as other stakeholders is now underway in a successful note. As a result of the success in this programme, at the productivity awards ceremony held in the year 2018, the Regional Office in Vauniya won accolades in securing the third place in the small category for the service sector, the Anuradhapura Regional Office, a special merit certificate and the Regional Offices in Jaffna and Matara, a merit certificate for themselves.

By and large, all achievements realized by the Employees Trust Fund Board during the year 2018 were due to the cooperation extended by our valuable employers by making the payments of their contributions on schedule dedication and the commitment to service by the Board of Directors and the entire staff of the Board. I wish to take this opportunity to place on record my deep appreciation for their invaluable contributions and look forward to their continuous active participation in the future too to make the Employees Trust Fund Board a premier social security provider in the country.

Finally, I wish to express my sincere thanks to Hon. Minister of Labour and Trade Union Relations for his leadership and guidance provided to us in all our activities and Secretary to the Ministry and his staff for the unstilted support and cooperation they extended to us.



**Mahinda Madihahewa**  
Chairman/Chief Executive Officer  
Employees' Trust Fund Board

# Board of Director's Review

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The Directors have great pleasure in presenting the 38th Annual Report of the Employees' Trust Fund Board (ETFBoard) together with the Audited Financial Statements for the year ended 31st December 2018, the Consolidated Financial Statement for the said year and the Auditors' Report on those financial statements. This report is presented in order to fall in line with the reporting requirements set out in the guidelines on good governance issued by the Department of Public Enterprises.

## Responsibility of the Board of Directors over Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Employees' Trust Fund Board so as to reflect a true and fair view of the financial position of the entity and its performance. The Directors are of the view that the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the Significant Accounting Policies and Notes thereto appearing on pages 263 to 293 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards as enacted by the Sri Lanka Accounting and Auditing Standards Act, No. 16 of 1995.

In complying with the above requirement, the Board of Directors confirms that the financial reporting system of the Employees' Trust Fund has been designed in such a

manner as to provide a reasonable assurance regarding the reliability of the financial reporting.

## Review of the key activities

A review on the key activities of the Employees' Trust Fund Board during the course of its operations and services in the year 2018 has been described below.

## Collection of contributions and employer relations

The total amount of contributions received from the employers in respect of their employees during 2018 was Rs. 25.3 Billion and it is an increase of Rs. 2.5 Billion in comparison to the previous year. Besides, the value of the fund of the members which stood as Rs. 274 Billion as at the end of the previous year had increased to Rs. 306 Billion by the end of the year under review.

When compared to the previous year, the number of employers had increased up to 82,416 as a result of the inspections that were carried out covering all the districts across the island through 19 Regional Offices. The operational work and the monitoring activities involved in it were carried out in a successful note through the network of the Information Technology of the Board.

The work involving the payment of contributions and the transmission of the member particulars through online

“The total amount of contributions received from the employers in respect of their employees during 2018 was Rs. 25.3 Billion and it is an increase of Rs. 2.5 Billion in comparison to the previous year. Besides, the value of the fund of the members which stood as Rs. 274 Billion as at the end of the previous year had increased to Rs. 306 Billion by the end of the year under review.”

banking via internet was successfully implemented through the host of banks such as Commercial Bank, Bank of Ceylon, Peoples' Bank, Sampath Bank, Hatton National Bank and the National Development Bank whilst the amount of money collected by way of such exercise reached the mark of over 50% of the total amount of contributions. Furthermore, the entity was able to maintain its overall compliance rate of contribution payments at 74% during the year 2018. The awareness raising programmes conducted through the network of Regional Offices on regular basis were immensely beneficial towards maintaining this favourable position. The ETF Inspection System Administration (EISA) project of the Employees Trust Fund Board initiated with the aim of stepping up and streamlining the activities involving the field inspections meant for the expansion of the extent of the coverage of the collection of contributions could be implemented far more effectively.

As a step forward towards expanding the branch network of the Board, a new branch office was opened in the town of Trincomalee during the year 2018. For the purpose of constructing fully equipped branch offices with a view to delivering a far more extensive service to our employers and members, necessary action has been taken to acquire lands in the towns of Gampaha, Hambantota and Vavunia.

## Member Services

### Refund of member dues and welfare benefits

During the year, 183,688 refund claims were processed and a total amount of Rs. 18.3 Billion was able to be paid. In comparison to it, claims numbering 179,176 were processed and cleared having made payments amounting to Rs. 16.8 Billion during the year 2017. During the period under review 2018, the average amount paid per claim increased to Rs. 99,581 as against Rs. 93,763 in the previous year. A sum amounting to Rs. 281 Million has been paid subsequent to processing 3,194 benefit claims during the year 2018. In comparison to it, claims numbering 3,302 were processed during the year 2017 and a sum amounting to Rs. 280 Million was paid. During the year 2018, a sum of Rs. 90 Million was paid on behalf of the children of members who had passed the Year Five Scholarship Examination whereas a sum to the value of Rs. 55 Million was paid to the children of ETF members who had passed the General Certificate of Education (Advanced Level) Examination, as a means of extending assistance to their higher education. During the period under review, it was possible to pay a sum of Rs. 97 Million towards the death benefits and a sum amounting to Rs. 161 Million for the sake of heart surgeries of the members of the Employees Trust Fund.

## Maintenance of the member accounts

The total number of active and inactive accounts lying with the Fund as at the end of the year was approximately 14.6 Million. The Fund maintains member accounts for all the aforesaid active and inactive members. Out of it, 96% of member accounts had been updated by the end of the year 2018. Of these member accounts, 12 Million accounts had been rendered inactive while 2.6 Million member accounts stood as being active. Measures have been taken to issue the Annual Member Statements for such active accounts to the respective employers during the year under review.

## Investments

The investments portfolio in grew from Rs. 262 Billion to Rs. 291 Billion during the year 2018 which was an increase of 11.1% as against the previous year. During the year 2018, the Board was able to earn a fair return through it whilst at the same time safeguarding the invested capital in keeping with the guidelines of its investment policy. Being within the composition of the investment portfolio, a sum amounting to Rs. 219 Billion (75%) was invested in Government Securities and a sum to the value of Rs. 1.2 Billion (0.6%) was invested in Government Guaranteed Fixed Income Securities whilst a sum of Rs. 11 Billion (3.7%) in shares and a sum of Rs. 59 Billion (20.7%) in other fixed income securities respectively were invested.

The Board has earned Rs. 28.3 Billion as investment income during the year 2018 out of which the returns generated to the value of Rs. 21.3 Billion through Treasury Bonds and Rs. 6.0 Billion through fixed deposit investments.

## Information Technology

The ongoing work involving the modernization of the Information Technology Operation System of the Employees Trust Board was initiated with the technical and financial assistance of the Information Communication Technology Agency of Sri Lanka (ICTA) and by the end of the year 2018, the first phase of the activities of the said project called Business Process Study was successfully brought into completion whilst setting in motion of its second phase involving the work on the system analysis and software development during the latter part of the year under review itself.

With the completion of this new project, the Board's usage of the information technology will witness a vast transformation. As a result of this advancement, the information technology system currently in operation being confined only to the member service activities will go into its full gear encompassing all the Divisions of the Board with a far more expansive spectrum.

In addition to this, the ETF Inspection System Administration (EISA) project of the Employees Trust Fund Board introduced in the year 2017 under the technical assistance of the International Labour Organization (ILO) with a view to making the activities involving the field inspections of the collection of contributions more efficient had achieved a tremendous progress by the year 2018. The Ministry of Finance extended a financial support to purchase 142 Tablet PCs for the use of this project.

The Document Scanning project introduced in order to ensure the safety and the durability of all of the Board's important documents necessitated as a result of the least restricted availability of space in the Record Rooms belonging to the Board could be initiated effectively during the year 2018. At the outset, this process was carried out covering the records and documents pertaining to the member accounts and it expected to implement this method across all Divisions of the entity as well in the future.

## Human Resource Development

The human resource of the Board has been distinguished as an exceptional asset of the entity. The prime responsibility of the Board as the second largest social security fund in Sri Lanka is to provide a very high quality and efficient service to its members. In order to achieve this objective, it is very necessary to have a staff constituting well versed personnel. Accordingly, with a view to making use of our human resource in a fitting manner towards the progression of the entity, a human resources restructuring programme was launched during the previous year. The final report pertaining to this programme, following its completion, was able to be released during the year 2018. This report that has been compiled following a proper field study has covered five key areas comprising Work Load Assessment, Creation of Job Description, Human Resource Development Plan, Performance Appraisal and Cadre Development.

With the objective of improving the knowledge and skill of the staff, financial assistance is extended to them for pursuing training courses of study required by each employee according to his or her related subject area or profession. Under this scheme, a quantum of 75% of the course fees subject to a maximum limit of Rs. 300,000 is to be reimbursed. Opportunities have been afforded to read for these courses of study in the universities or other recognized institutions of higher education. Approval to follow 28 of such course of study has been granted during the year 2018 and the reimbursement of such course fees to the value of Rs. 2.5 Million has been sanctioned.

During the year 2018, it was possible to organize training programmes numbering nearly 50 under related subject areas so as to cover every employee of the entity and a sum amounting to Rs. 1.2 Million approximately was spent for that purpose. It was also possible to have 15 officers participated in the overseas training programmes sponsored in liaison with the Department of External Resources and such other agencies.

In this manner, necessary steps have been taken towards the enhancement of the knowledge and the efficiency of the employees through such courses of study and training programmes and empower the human resource to stay abreast with the modern world in order to discharge a service of high caliber to our clients.

### **Productivity Development**

The productivity development programme introduced in the year 2015 with a view to improving the efficiency

of the official work carried out by all divisions of the Board and providing an enhanced and quality service to all of our stakeholders has by now achieved a tremendous progress. A special committee has been appointed in order to coordinate this programme and the Quality Circles representing all the divisions of the entity have been set up. These Quality Circles are expected to prepare a Process Manual meant for every Division they represent. As a result of the success in this programme, at the national productivity awards ceremony held in the year 2018, the Regional Office in Vavuniya won accolades in securing the third place in the small category for the service sector, the Anuradhapura Regional Office, a special merit certificate and the Regional Offices in Jaffna and Matara, a merit certificate for themselves. Moving forward further ahead with this programme, the Employees Trust Fund Board intends to become one of the apex institutions in the sphere of productivity.

Signed by the Chairman for and on behalf of the Board of Directors



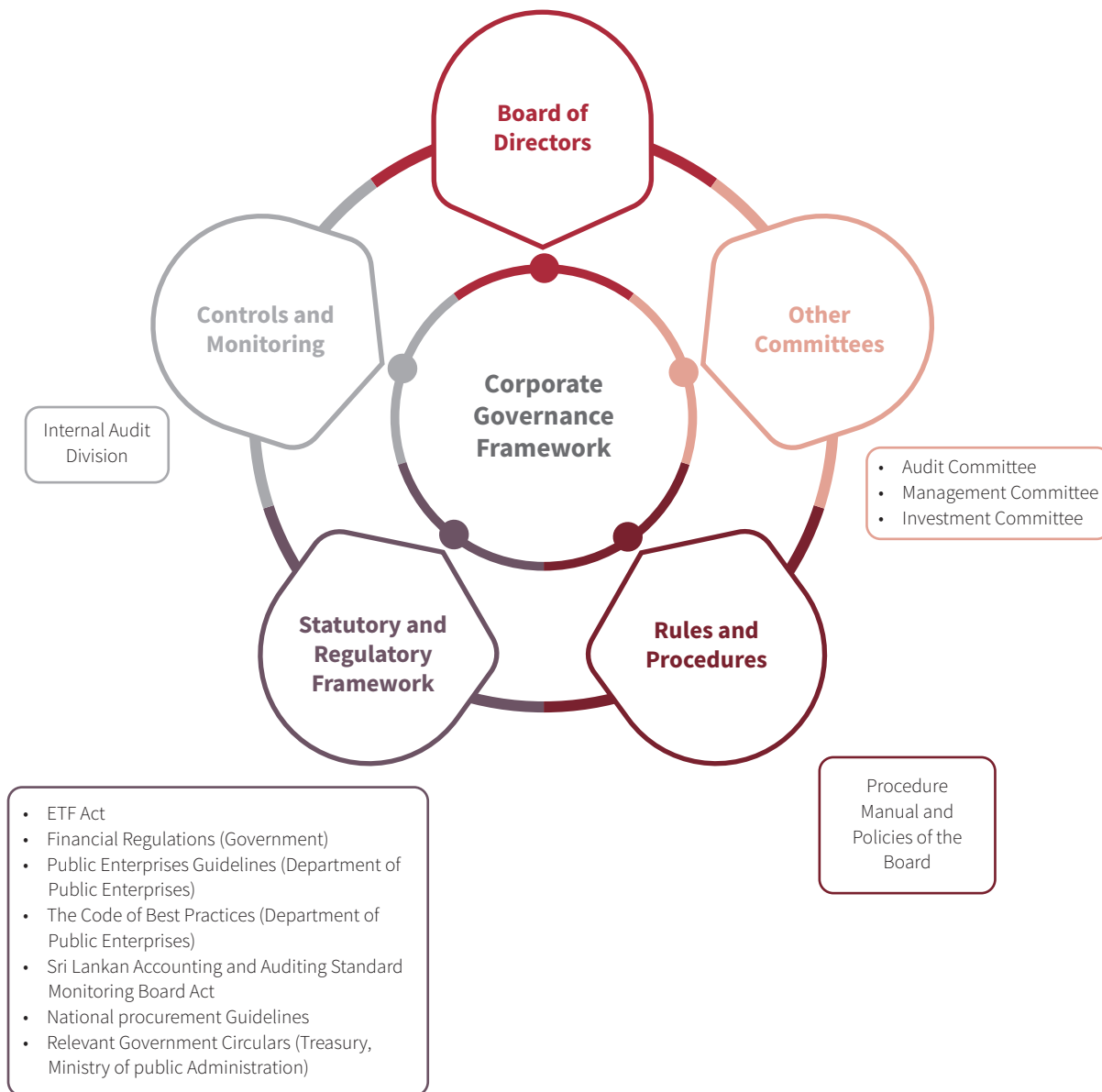
**Mahinda Madihahewa**  
Chairman / Chief Executive Officer

# Governance Report

Employees Trust Fund Board, a semi-government organization which considers Governance a key priority is committed towards uplifting the value creation process with the intent of enhancing return per member. The Board is bound to adhere with statutory and regulatory requirements across all

business operations. Transparency, reliability and compliance are the principle guidelines which direct the Board towards achieving its governance goals. This report primarily emphasis upon the Board of Directors obligation and the liability to sustain the highest Standards of Corporate Governance.

## Corporate Governance Framework



# Corporate Governance Commentary

Governance Principles		Comments on 2018																																							
<b>1. Director Board</b>																																									
1.1.	The Board	The Board of Directors has a statutory responsibility in the stewardship of the fund on behalf of the Government and its stakeholders																																							
1.1.1.	Appointments to the Board	<p>The Board shall consist of the following nine members appointed by the Minister</p> <ul style="list-style-type: none"> <li>• Four members nominated by the Minister</li> <li>• One member nominated by the Minister in charge of the subject of Finance</li> <li>• One member nominated by the Minister in charge of the subject of Trade</li> <li>• One member nominated by the Employers Federation of Ceylon</li> <li>• Two worker members elected by the members of Trade Unions having more than 100,000 members each.</li> </ul>																																							
1.1.2.	Board Meetings	<p>The Board usually meets on monthly intervals and whenever it is necessary. The board met twelve (12) times during the year. Board Papers are circulated well in advance and not less than three working days before Board meetings for the upgrade the effectiveness of the board meeting. The attendance at Board meetings held in 2018 is shown below.</p> <div style="text-align: center;"> <table border="1"> <caption>Board Meeting Attendance During 2018</caption> <thead> <tr> <th>Month</th> <th>Attended</th> <th>Not Attended</th> </tr> </thead> <tbody> <tr><td>January</td><td>8</td><td>2</td></tr> <tr><td>February</td><td>7</td><td>3</td></tr> <tr><td>March (Special B/M)</td><td>9</td><td>1</td></tr> <tr><td>March</td><td>7</td><td>3</td></tr> <tr><td>April</td><td>7</td><td>3</td></tr> <tr><td>May</td><td>6</td><td>4</td></tr> <tr><td>June</td><td>7</td><td>3</td></tr> <tr><td>July</td><td>7</td><td>3</td></tr> <tr><td>August</td><td>9</td><td>1</td></tr> <tr><td>September</td><td>8</td><td>2</td></tr> <tr><td>December</td><td>8</td><td>2</td></tr> <tr><td>December (Special B/M)</td><td>7</td><td>3</td></tr> </tbody> </table> </div>	Month	Attended	Not Attended	January	8	2	February	7	3	March (Special B/M)	9	1	March	7	3	April	7	3	May	6	4	June	7	3	July	7	3	August	9	1	September	8	2	December	8	2	December (Special B/M)	7	3
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1.1.3.	Board Responsibilities	<p>The Board should exercise its mandated rights and responsibilities with integrity and in good faith as the custodian of public resources. The Board should at all times be conscious of its onerous responsibilities, as the out-come of any decisions and actions carried out without proper planning will ultimately be borne by the public at large.</p> <p>Matters and issues that should be addressed at Board Meetings :-</p> <ul style="list-style-type: none"> <li>• Policy Formulation</li> <li>• Monitoring and evaluation of performance of the fund</li> <li>• Monitoring and evaluation of performance of sub-sidiaries/associates and other investments</li> <li>• Annual Performance Review</li> <li>• Working Capital</li> <li>• Quarterly, Half Yearly and Annual Performance Reports</li> <li>• Board Papers</li> </ul>																																							



Governance Principles	Comments on 2018
1.1.4. Board Secretary	All members of the Board have access to the advice and services of the professionally qualified corporate secretary who is responsible to the Board for advising the Board on compliance with Board procedures, the law and relevant rules and regulations, and for ensuring that reliable and relevant information is provided to the Board in a timely manner. The Secretary ensures that procedures governing Board Meetings are followed and effective functioning of the Board while circulating Board Papers timely.
1.1.5. Role of the Board Secretary	The Board Secretary has to ensure that Board procedures are followed and should provide guidance on legal requirements regarding Board proceedings. In addition the Secretary's duties involve: - <ul style="list-style-type: none"> <li>• Circulating notice of Board meetings, Minutes of meetings, Board Papers together with other relevant documents</li> <li>• Follow up actions on Board decisions</li> <li>• Assist Board members by providing both internal and external information</li> </ul>
1.1.6. Board Balance	Directors come from different fields (Finance, Trade, Employers Federation, Trade union, etc.) Provide a balance platform to the board. They give their independent view relating to the each matter.
1.1.1. Adequate time for effective Board meeting	The Board usually meets on monthly intervals. The average time spent for a board meeting is around 3 hours.
<b>1.2. Chairman/Chief Executive Officer</b>	
1.2.1. Appointments of the Chairman	The Chairman of the Board, who shall be the chief executive of the Board, shall be appointed by the Minister.
1.2.2. Responsibilities of the Chairman	The Chairman/Chief Executive Officer who will be the important link in the entire governance structure will lead the team and the entity in the right direction. He is responsible for implementation of the policies related to core activities and preparation of plans and programs, so as to achieve predetermined targets.
<b>2. Accountability and Audit</b>	
2.1. Financial Reporting	Board financial statements are prepared and presented in conformity with Sri Lanka Accounting Standards and also comply with the Accounting and Auditing Standard Monitoring Board Act.
2.1.1. Statutory and Regulatory Reporting	In accordance with Finance Act No.38 of 1971 and National Audit Act No.19 of 2018 reading in conjunction with constitution 154 (1) of constitution of socialist, republic of Sri Lanka, the Financial Statements of Employees' Trust Fund Board and consolidated financial statements of Board's and its subsidiary should be audited by the Auditor General.
2.1.2. Auditor's responsibility for the Financial Statements	Refer the Auditor General's report
2.1.3. Directors' report in the Annual Report	Refer the Board of Director's Review
2.1.4. Statement of Directors' responsibility for the Financial Statements	Refer the Board of Director's Review
<b>2.2. Internal Control</b>	
2.2.1. Internal Audit Function	ETFb has its own Internal Audit Division
2.2.2. Review the effectiveness of Internal controls by the Audit Committee	Internal Audit division regularly report to the Audit Committee about the effectiveness of the Internal Control System including the internal controls over financial reporting.



# Sub Committees

To be in line with the pre-requisites of corporate governance, the Senior Management of the Board is bound to comply with certain requirements. Formation of sub-committees is a key priority. These committees assist the Board to assess the effective functioning of business operations and also they ensure sound decision making in all processes across the organization. Committees should comprise of professionals who equipped with relevant competencies to contend with issues, which have substantial impacts to the Board's functioning. Some of the main Committees the Board formed are,

## I. Audit Committee

This Committee should consist of a minimum of three Non-Executive Directors; preside over by a Treasury Representative or a person possessing required financial management skills. This Committee should interact on a frequent basis at least once in every three months with the Chief Internal Auditor as Convener and should present its findings to the Board of Directors with recommendations for required action.

### Scope of the Audit Committee: -

- Determining responsibilities of the Internal Audit Unit and appraise annual audit plans
- Review and evaluate internal control systems of all activities of the entity
- Review performance at regular intervals for cost effectiveness and to eliminate extravagant disbursements etc.
- Coordinate with external auditors and follow up on Auditor General's Management correspondences.
- Ascertain whether statutes, regulations, rules and circulars are complied as required.
- Review financial statements to ensure compliance with Accounting Standards
- Review internal audit/external audit reports, Management Letters for remedial action

- Review implementation of recommendations/directives of the Committee on Public Enterprises
- Prepare report on the findings of the Committee to append in the Annual Report

### Composition of Audit Committee

- **Mr. P B S C Nonis**  
Chairman of Audit committee/Director  
Director  
Appointed by Minister of Finance
- **Mr. M A Thajudeen**  
Director  
Ministry of Industry and Commerce Representative
- **Mr. P Ranawakaarachchi**  
Director  
Trade Union Representative
- **Mrs S M C Indika**  
Superintendent of Government Audit
- **Add. General Manager**
- **All Deputy General Managers and All Assistant General Managers**

## II. Management Committee

The responsibility of Managing operations of the Board is under the control of the Chairman and the Senior Management. They are responsible for the effective implementation of decisions taken by the Board of Directors. The Chairman and the Senior Management team provide information and necessary clarifications to the Board in deriving well considered decisions. They devise operational plans and budgets and uphold systems, procedures and controls towards efficient management of the fund while accomplishing the Board's Goals and Objectives.

The Management Committee therefore is an integral element in Board for periodic progress examination. This

committee is bound to focus upon: -

- Board decisions at preceding meetings that have still not been executed.
- Identifying performance gaps in targets and identify rationale for deviations with remedial action that needs to be implemented.
- Critical evaluation of cash flows and projected requirements for the quarter ahead
- Debt/cash management
- Follow up on procurement setbacks (if any) to prevent emergency purchases
- Ensuring payment of statutory dues such as EPF, ETF and taxes
- Required technology upgrades, with justifications to assist decision making of the Board
- Feedback on customer satisfaction/dissatisfaction including complaints in the media to recommend remedial measures for improvement /rectification
- Any new proposals to be incorporated in the revised Corporate Plan
- All matter relating to administration and establishment
- Any other day-to-day operational issues.

### III. Investment Committee

The primary objective of the Board in terms of investments is to safeguard the principal, while managing liquidity to disburse financial commitments and to provide optimum investment return by appropriately utilizing upon authorized investments. So Investment Committee is attempting to ensure following three goals.

- **Safety**

Securing reliable investment opportunities is a primary objective of the Board. To be in line with this requirement the Board tends to invest a substantial portion of the investment portfolio in gilt-edged government securities.

- **Liquidity**

The investment portfolio shall remain sufficiently liquid to facilitate the Board to meet all operating requirements that are to be fairly anticipated.

- **Return on Investment**

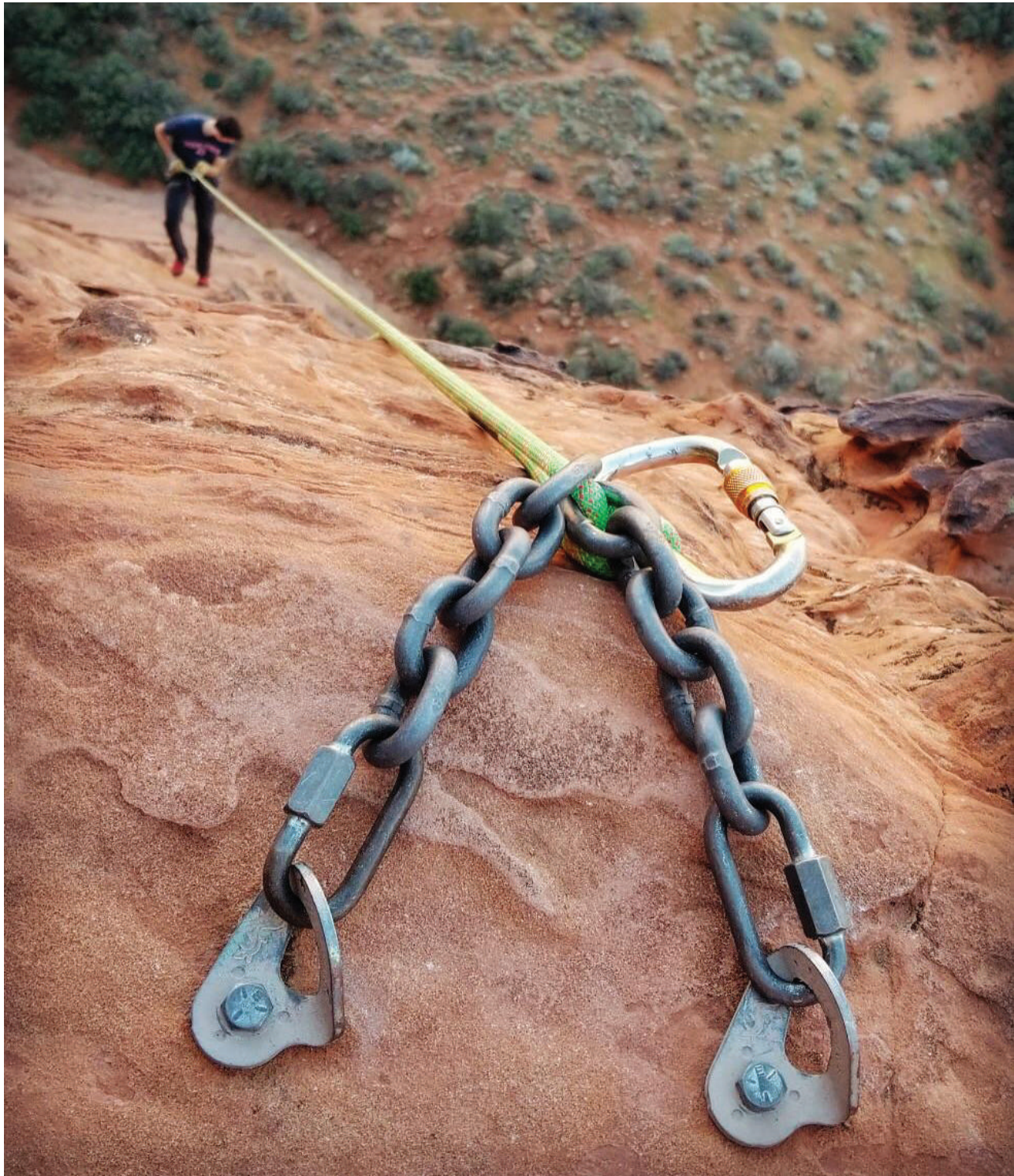
The investment portfolio shall be designed to gain the highest possible return using authorized modes of investment.

Investment committee comprises with six members out of them Deputy General Manager (Investment) and Additional General Manager involve in deciding equity investments on daily basis. They decide upon appropriate investments opportunities for the Fund based on the market conditions.

#### Sub Committees Executive Summary

Board Sub Committees	Coverage	Composition
I. Audit Committee	<ul style="list-style-type: none"> <li>● Review Internal Controls</li> <li>● Review Internal Audit</li> <li>● Review External Audit</li> <li>● Review financial statements</li> </ul>	<ul style="list-style-type: none"> <li>● Three Directors</li> <li>● All Deputy General Managers and All Assistant General Managers</li> </ul>
II. Management Committee	<ul style="list-style-type: none"> <li>● Review operational issues</li> <li>● Review necessary upgrading</li> <li>● Review performances</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman</li> <li>● Working Director</li> <li>● Senior Management</li> </ul>
III. Investment Committee	<ul style="list-style-type: none"> <li>● Equity and Debt investment</li> </ul>	<p>Investment Committee</p> <ul style="list-style-type: none"> <li>● Treasury Representatives</li> <li>● Ministry of Labour and Trade Union Relations Representative</li> <li>● Additional General Manager</li> <li>● Deputy General Manager (Investment)</li> <li>● Deputy General Manager (Finance)</li> <li>● Deputy General Manager (I/A)- Observing Member</li> </ul> <p>Equity Committee</p> <ul style="list-style-type: none"> <li>● Assistant General Manager (Finance)</li> <li>● Finance Manager</li> <li>● Manager / Officer (Investment)</li> </ul>





## Risk Management Report

### **Risk Management**

Employee's Trust Fund Board considers as one of the leading Superannuation funds in Sri Lanka. The Board has the obligation to act in good faith to provide financial assurance to non-pensionable employees

of both the private and semi-government sectors by securing their long term contributions flowing to the fund on monthly basis. Further, the Board must ensure that members are entitled to enjoy their defined benefits on retirement while guaranteeing the safety of capital invested on diversified investment portfolios.

Significant proportion of the investment portfolio of ETFB consists of government securities. Further, as at 31<sup>st</sup> December 2018 ETFB possessed 0.4 percent of the total market capitalization of Colombo Stock Exchange. Therefore Risk Management considers a key priority across all stages of business operations.

Contemporary business context has exposed the Board to credit risk, market risk, liquidity risk and operational risk.

### **Credit Risk**

Credit risk arises when the borrower defaults amounts due to the lender and this increases the cost per borrower and also this can be considered as a credit accumulation from the lenders perspective. Credit risk restricts any economic or financial benefits that a lender could have gained during a specific time period, as a consequence of foregone valuable financial opportunities. As at 31<sup>st</sup> December, 2018, 75.28 percent of Boards funds are invested in risk free government securities. Therefore the Board was able to maintain credit risk at a lower level. Investments in debentures accounted for 0.88 percent of the total portfolio. It should be emphasized that the Board invests only in investment grade corporate debt instruments filtered through a comprehensive analysis. Further, Repurchase agreements and overnight repos are secured by adequate government securities. These risk preventive measures have helped the Board to uphold the credit risk at a minimum level.

### **Operational Risk**

Operational risks can deteriorate operational competency of an organization. It is the residual risk after determining financing and systematic risk, and includes risks pertaining to breakdowns in internal procedures, people and systems. Main sources of operational risks of the Board include IT destructions, human errors and intervention and natural disasters. In order to mitigate these risks, the Board has put in place a sound operational risk management process. Operational activities are audited by an independent internal auditor and audit findings are discussed on a monthly basis to address weaknesses and deviations detected instantaneously.

### **Market Risk**

Uncertainties in financial markets increase an entities' vulnerability to market risk. Fluctuations in interest rates and equity risk have been identified as primary components of market risk. Market risk deteriorates return on investments. When interest rates on Treasury bonds depict an upward momentum, the value tends to decline. And on contrary, when interest rates depict a gradual reduction (price risk) the funds will have to reinvest at lower rate (reinvestment risk) which hinders the profit generating capacity. The exposure to market risk had been mitigated to a certain extent with the strategy of picking up Treasury Bonds with deviating tenures and yields. Adverse fluctuations in capital markets would lead to value depreciation of capital market instruments mainly shares. Mitigating measures such as obtaining access to a diversified investment portfolio by expanding the presence in several key performing market segments, adherence to price bands can be implemented to avoid any financial losses that could have witnessed. Comprehensive analysis needs to be conducted prior to the execution of counter investments. However the overall impact to the equity portfolio of the Board is relatively low as investment in shares accounted 3.99 percent of the total investment breakdown.

### **Liquidity Risk**

Lower cash adequacy to meet short term financial demands can simply be defined as Liquidity Risk. From Boards' perspective risks falling into this category too can prevent potential investment opportunities and also reduces the marketability of financial instruments. On average, net contribution subsequent to refunds derive a positive cash flow of LKR 583 million per month denoting an uptick in the liquidity standpoint of the Board. Towards the end of 2018, the annual refund payment, excluding other cash flows such as income and maturity proceeds portrayed 72 percent of total cash inflows. Since significant proportion of funds are invested in government securities which are considered as the most liquid form of investment, refrained the Board from falling into the illiquidity trap. This mechanism provides an additional buffer against any liquidity constraint. With the intention of generating a reasonable return from idle funds, ETF invests in the overnight repo market as a daily liquidity management tool. Therefore, liquidity risk of the Fund also remains low.





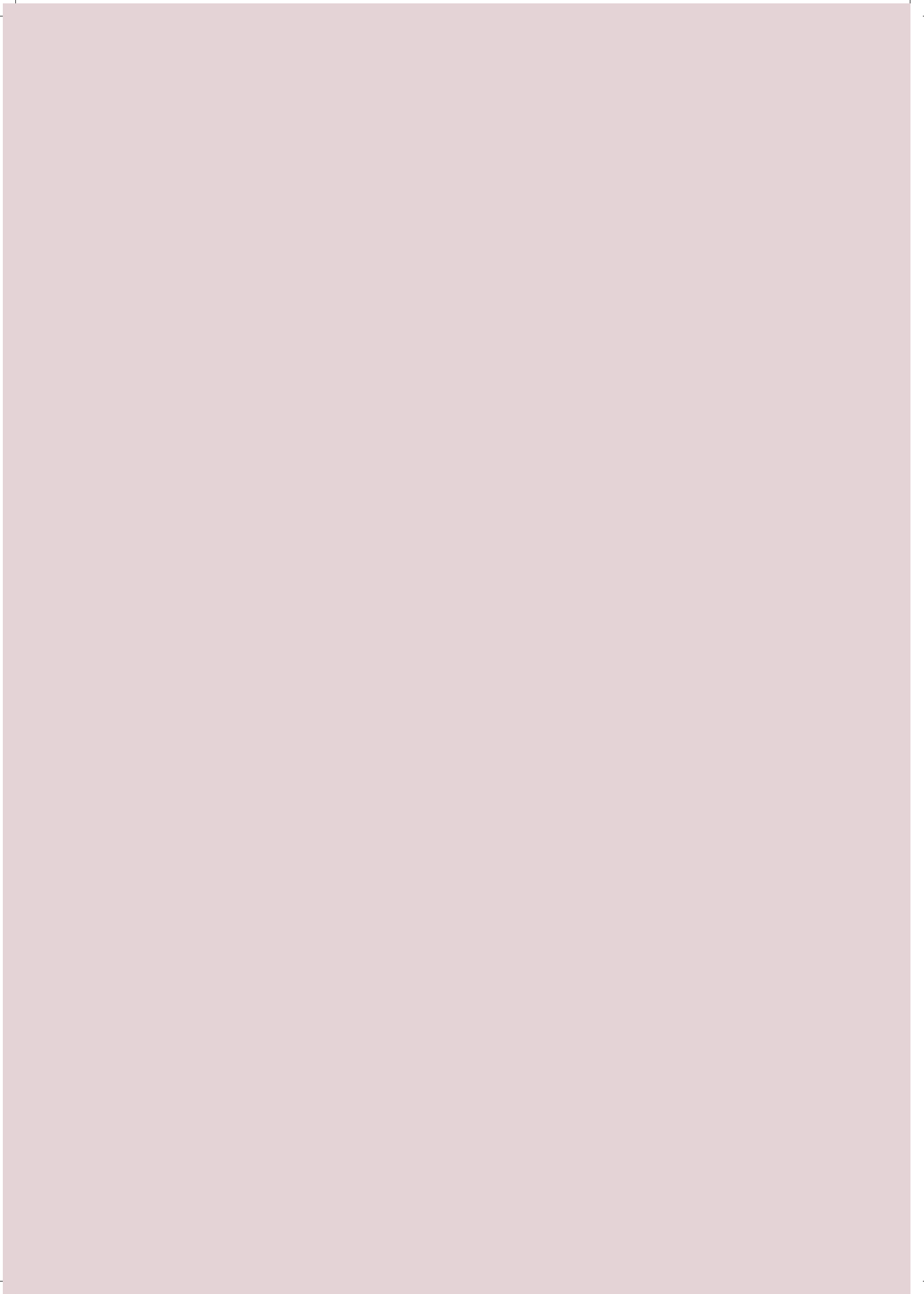






03

# FINANCIAL INFORMATION

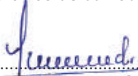



**EMPLOYEES' TRUST FUND BOARD**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
For the year ended 31<sup>st</sup> December, 2018

	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>Total Income</b>					
Interest Income	4	28,330,988	27,303,884	28,301,818	27,239,114
(-) Interest Expense - 3.0% (As per the Section 22 of the ETF Act)		(8,434,536)	(7,545,681)	(8,434,536)	(7,545,681)
Net Trading Income	5	201,061	596,369	-	-
Dividend Income	6	346,254	373,739	346,254	373,739
Gain/(Loss) on Financial Assets at Fair Value through Profit/(Loss)	7	(307,891)	535,345	(307,891)	535,345
Other Income	8	484,282	860,876	462,952	851,903
		<b>20,620,158</b>	<b>22,124,532</b>	<b>20,368,597</b>	<b>21,454,420</b>
<b>Total Operating Expenses</b>					
Personnel Expenses	9	1,243,448	1,174,842	1,144,968	1,053,611
Administrative Expenses	10	249,587	262,510	183,496	167,809
Financial Expenses	11	20,648	11,529	5,184	2,401
Member Expenses	12	488,148	460,603	488,148	460,603
Depreciation & Amortization	13	73,094	61,622	14,219	14,196
Interest Paid to members on Current Year		240,937	208,429	240,937	208,429
Impairment of Equity Investments		-	13,050	-	13,050
		<b>2,315,863</b>	<b>2,192,584</b>	<b>2,076,953</b>	<b>1,920,098</b>
<b>Profit Before Tax</b>		<b>18,304,295</b>	<b>19,931,948</b>	<b>18,291,644</b>	<b>19,534,322</b>
Income Tax Expenses	14	(3,410,284)	(2,779,214)	(3,394,806)	(2,705,842)
<b>Profit After Tax</b>		<b>14,894,011</b>	<b>17,152,734</b>	<b>14,896,838</b>	<b>16,828,480</b>
Adjustment for the Previous year Profit		(45,925)	-	(45,925)	-
<b>Profit for the Year</b>		<b>14,848,086</b>	<b>17,152,734</b>	<b>14,850,912</b>	<b>16,828,480</b>
<b>Profit Attributable to:</b>					
Equity Holders of the Company		14,847,816	17,120,308	14,850,912	16,828,480
Non-Controlling Interests		270	32,425	-	-
<b>Profit for the Year</b>		<b>14,848,086</b>	<b>17,152,734</b>	<b>14,850,912</b>	<b>16,828,480</b>
Retained Profit B/F		5,210,398	3,473,280	5,210,398	3,473,280
<b>Profit Available for Appropriation</b>		<b>14,848,086</b>	<b>17,152,734</b>	<b>14,850,912</b>	<b>16,828,480</b>
<b>Total Profit Available for Appropriation</b>		<b>20,058,484</b>	<b>20,626,014</b>	<b>20,061,310</b>	<b>20,301,760</b>
Less: Proposed Apportionment - Dividend 6.0%		16,869,072	15,091,362	16,869,072	15,091,362
Less: Dividend - Lanka Salt		-	-	-	-
<b>Profit After Appropriation</b>		<b>3,189,412</b>	<b>5,534,652</b>	<b>3,192,238</b>	<b>5,210,398</b>

The accounting policies and notes as set out in pages 263 to 293 form an integral part of these financial statement.

Certified as correct,

  
.....  
M.A.V. Kumudini  
Finance Manager

  
.....  
N.W. Wimalaweera  
Deputy General Manager (Finance)

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the board.

  
.....  
Mahinda Madihahewa  
Chairman / Chief Executive Officer

  
.....  
P.B. Madagedara  
Working Director

**EMPLOYEES' TRUST FUND BOARD**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

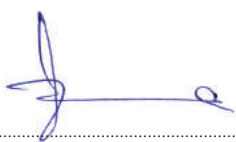
For the year ended 31<sup>st</sup> December, 2018

	GROUP		ETFB		
	Note	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that are or may be Reclassified to Statement of Comprehensive Income</b>					
Transfer to Available for Sale Financial Instrument Reserve		(593,418)	(211,202)	(593,418)	(211,202)
Available for Sale Reserve (Units)		(45,261)	8,484	(45,261)	8,484
<b>Items that will not be Reclassified to Statement of Comprehensive Income</b>					
Actuarial Gain /(Loss) on Retirement Benefit Obligation		13,560	(11,599)	13,560	(11,599)
Income Tax on Other Comprehensive Income/ (Expenses) for the Year		-	-	-	-
<b>Total Other Comprehensive Income for the Year Net of Tax</b>		<b>(625,118)</b>	<b>(214,317)</b>	<b>(625,118)</b>	<b>(214,317)</b>
<b>Total Comprehensive Income for the Year Net of Tax</b>		<b>14,268,893</b>	<b>16,938,416</b>	<b>14,271,719</b>	<b>16,614,163</b>
<b>Total Comprehensive Income Attributable to</b>					
Equity Holders of the Company		14,269,175	16,905,991	14,271,719	16,614,163
Non-Controlling Interests		(283)	32,425	-	-
<b>Total Comprehensive Income for the Year Net of Tax</b>		<b>14,268,893</b>	<b>16,938,416</b>	<b>14,271,719</b>	<b>16,614,163</b>

The accounting policies and notes as set out in pages 263 to 293 form an integral part of these financial statement.

Certified as correct,

  
 M. A. V. Kumudini  
 Finance Manager

  
 N. W. Wimalaweera  
 Deputy General Manager (Finance)

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the board.

  
 Mahinda Madihahewa  
 Chairman / Chief Executive Officer

  
 P. B. Madagedara  
 Working Director




**EMPLOYEES' TRUST FUND BOARD**  
**STATEMENT OF FINANCIAL POSITION**  
For the year ended 31<sup>st</sup> December, 2018

	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>ASSETS</b>					
Cash and Cash Equivalent		781,142	929,141	738,070	743,124
Financial Asset at Fair Value Through Profit and Loss	15	2,886,959	2,511,005	2,886,959	2,511,005
Investment in Subsidiary	16	-	-	470,961	470,961
Financial Asset at Fair Value Through Other Comprehensive Income	17	7,563,896	7,845,694	7,563,896	7,845,694
Financial Asset at Amortized Cost	18	280,883,808	252,652,439	280,623,627	252,399,232
Other Assets	19	15,381,984	11,920,568	14,456,522	11,050,045
Property, Plant & Equipment	20	1,196,569	1,184,809	218,161	173,586
Leasehold Property	21	4,182	4,879	-	-
Intangible Assets	22	102	140	102	140
Investment Property	23	3,812,500	3,812,500	3,812,500	3,812,500
<b>Total Assets</b>		<b>312,511,143</b>	<b>280,861,175</b>	<b>310,770,798</b>	<b>279,006,286</b>
<b>Liabilities</b>					
Interest Bearing Loans and Borrowings	24	155,545	183,045	-	-
Grants and Subsidies	25	30,198	35,521	-	-
Defined Benefit Obligation	26	433,819	454,311	212,163	225,391
Current Tax Liabilities	27	1,903,071	266,777	1,903,071	211,536
Other Liabilities	28	965,699	604,068	540,815	157,269
Provisions	29	132,784	81,910	132,784	81,910
<b>Total Liabilities</b>		<b>3,621,116</b>	<b>1,625,632</b>	<b>2,788,833</b>	<b>676,106</b>
Equity		308,752,125	279,097,911	307,981,965	278,330,180
Non-Controlling Interest		137,902	137,632	-	-
<b>Total Equity</b>		<b>308,890,027</b>	<b>279,235,543</b>	<b>307,981,965</b>	<b>278,330,180</b>
<b>Total Liabilities and Equity</b>		<b>312,511,143</b>	<b>280,861,175</b>	<b>310,770,798</b>	<b>279,006,286</b>

The accounting policies and notes as set out in pages 263 to 293 form an integral part of these financial statement.

Certified as correct,

  
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M. A. V. Kumudini  
Finance Manager

  
.....  
N. W. Wimalaweera  
Deputy General Manager (Finance)

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Approved and signed for and on behalf of the board.

  
.....  
Mahinda Madihahewa  
Chairman / Chief Executive Officer

  
.....  
P. B. Madagedara  
Working Director

## EMPLOYEES' TRUST FUND BOARD STATEMENT OF CHANGES IN EQUITY

For the year ended 31<sup>st</sup> December, 2018

Group	Attributable to Equity Holders of the Company										Total
	Contribution	Member Fund Interest	Dividend	Member Fund	Retained Profit	Available For Sale Reserve	Other Reserves	Dividend Equalization Reserve Fund	Post Acquisition Reserves	Non-Controlling Interest	
<b>Balance as at 01.01.2017</b>	-	-	-	245,608,236	3,473,280	(800,805)	(29,295)	142,000	475,902	105,207	248,974,526
Prior Year Adjustment (Impairment of Shares)	-	-	-	-	-	283	-	-	-	-	283
Available for Sale Reserve	-	-	-	-	-	(211,202)	-	-	-	-	(211,202)
Available for Sale Reserve (Units)	-	-	-	-	-	8,484	-	-	-	-	8,484
Realized Capital Gain on Shares - Share Reserve A/C	-	-	-	-	-	(150,881)	-	-	-	-	(150,881)
Impairment of Equity Investments	-	-	-	-	-	13,050	-	-	-	-	13,050
Previous Year Contribution Adjustment	-	-	-	(10,718)	-	-	-	-	-	-	(10,718)
Contribution Received	22,764,642	-	-	22,764,642	-	-	-	-	-	-	22,764,642
Refund of Contribution	(16,839,456)	-	-	(16,839,456)	-	-	-	-	-	-	(16,839,456)
Interest on Member Fund Balance 3.0%	-	7,545,681	-	7,545,681	(7,545,681)	-	-	-	-	-	-
Dividend 6.0%	-	-	15,091,362	15,091,362	(15,091,362)	-	-	-	-	-	-
Accumulated Profit for the Year	-	-	-	-	24,374,161	-	-	-	-	32,425	24,406,586
Actuarial Gain/(Loss)	-	-	-	-	-	-	(11,599)	-	-	-	(11,599)
Dividend paid by Subsidiary	-	-	-	-	-	-	-	-	-	-	-
Movement in Subsidiary equity	-	-	-	-	-	-	-	-	291,828	-	291,828
<b>Balance as at 31.12.2017</b>	<b>5,925,186</b>	<b>7,545,681</b>	<b>15,091,362</b>	<b>274,159,747</b>	<b>5,210,398</b>	<b>(1,141,071)</b>	<b>(40,894)</b>	<b>142,000</b>	<b>767,730</b>	<b>137,632</b>	<b>279,235,543</b>
<b>Balance as at 01.01.2018</b>	-	-	-	<b>274,159,747</b>	<b>5,210,398</b>	<b>(1,141,071)</b>	<b>(40,894)</b>	<b>142,000</b>	<b>767,730</b>	<b>137,632</b>	<b>279,235,543</b>
Prior Year Adjustment	-	-	-	-	(45,925)	-	-	-	-	-	(45,925)
Realized Capital Gain on Shares - Share Reserve A/C	-	-	-	-	-	(638,679)	-	-	-	-	(638,679)
Previous Year Contribution Adjustment	-	-	-	1,035	-	-	-	-	-	-	1,035
Contribution Received	25,282,293	-	-	25,282,293	-	-	-	-	-	-	25,282,293
Refund of Contribution	(18,291,873)	-	-	(18,291,873)	-	-	-	-	-	-	(18,291,873)
Interest on Member Fund Balance 3.0%	-	8,434,536	-	8,434,536	(8,434,536)	-	-	-	-	-	-
Dividend 6.0%	-	-	16,869,072	16,869,072	(16,869,072)	-	-	-	-	-	-
Accumulated Profit for the Year	-	-	-	-	23,331,374	-	-	-	-	270	23,331,644
Actuarial Gain/(Loss)	-	-	-	-	-	-	13,560	-	-	-	13,560
Dividend paid by Subsidiary	-	-	-	-	-	-	-	-	-	-	-
Movement in Subsidiary equity	-	-	-	-	-	-	-	-	2,429	-	2,429
<b>Balance as at 31.12.2018</b>	<b>6,990,420</b>	<b>8,434,536</b>	<b>16,869,072</b>	<b>306,454,810</b>	<b>3,192,238</b>	<b>(1,779,750)</b>	<b>(27,334)</b>	<b>142,000</b>	<b>770,160</b>	<b>137,902</b>	<b>308,890,027</b>

**EMPLOYEES' TRUST FUND BOARD**  
**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31<sup>st</sup> December, 2018

ETFB	Attributable to Equity Holders of the Company							Total	
	Contribution	Interest	Dividend	Member Fund	Retained Profit	Available For Sale Reserve	Other Reserves		Dividend Equalization Reserve Fund
<b>Balance as at 01.01.2017</b>	-	-	-	245,608,236	3,473,280	(800,805)	(29,295)	142,000	248,393,417
Prior Year Adjustment (Impairment of Shares)	-	-	-	-	-	283	-	-	283
Available for Sale Reserve	-	-	-	(211,202)	-	(211,202)	-	-	(211,202)
Available for Sale Reserve (Units)	-	-	-	8,484	-	8,484	-	-	8,484
Realized Capital Gain on Shares - Share Reserve A/C	-	-	-	(150,881)	-	(150,881)	-	-	(150,881)
Impairment of Equity Investments	-	-	-	13,050	-	13,050	-	-	13,050
Previous Year Contribution Adjustment	-	-	-	(10,718)	-	-	-	-	(10,718)
Contribution Received	22,764,642	-	-	22,764,642	-	-	-	-	22,764,642
Refund of Contribution	(16,839,456)	-	-	(16,839,456)	-	-	-	-	(16,839,456)
Interest on Member Fund Balance 3.0%	-	7,545,681	-	7,545,681	(7,545,681)	-	-	-	-
Dividend 6.0%	-	-	15,091,362	15,091,362	(15,091,362)	-	-	-	-
Accumulated Profit for the Year	-	-	-	24,374,161	-	-	-	-	24,374,161
Actuarial Gain/(Loss)	-	-	-	-	-	(11,599)	-	-	(11,599)
<b>Balance as at 31.12.2017</b>	<b>5,925,186</b>	<b>7,545,681</b>	<b>15,091,362</b>	<b>274,159,747</b>	<b>5,210,398</b>	<b>(1,141,071)</b>	<b>(40,894)</b>	<b>142,000</b>	<b>278,330,180</b>
<b>Balance as at 01.01.2018</b>	-	-	-	274,159,747	5,210,398	(1,141,071)	(40,894)	142,000	278,330,180
Prior Year Adjustment	-	-	-	(45,925)	-	-	-	-	(45,925)
Realized Capital Gain on Shares - Share Reserve A/C	-	-	-	(638,679)	-	(638,679)	-	-	(638,679)
Previous Year Contribution Adjustment	-	-	-	1,035	-	-	-	-	1,035
Contribution Received	25,282,293	-	-	25,282,293	-	-	-	-	25,282,293
Refund of Contribution	(18,291,873)	-	-	(18,291,873)	-	-	-	-	(18,291,873)
Interest on Member Fund Balance 3.0%	-	8,434,536	-	8,434,536	(8,434,536)	-	-	-	-
Dividend 6.0%	-	-	16,869,072	16,869,072	(16,869,072)	-	-	-	-
Accumulated Profit for the Year	-	-	-	23,331,374	-	-	-	-	23,331,374
Actuarial Gain/(Loss)	-	-	-	-	-	-	13,560	-	13,560
<b>Balance as at 31.12.2018</b>	<b>6,990,420</b>	<b>8,434,536</b>	<b>16,869,072</b>	<b>306,454,810</b>	<b>3,192,238</b>	<b>(1,779,750)</b>	<b>(27,334)</b>	<b>142,000</b>	<b>307,981,965</b>

**EMPLOYEES' TRUST FUND BOARD**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31<sup>st</sup> December, 2018

	GROUP		ETFB	
	2018	2017	2018	2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Operating Activities</b>				
Proceeds from Sale of Financial Instrument Designated at FVTPL	335,452	2,004,630	335,452	2,004,630
Maturities of Financial Instrument Held to Maturity	95,688,858	144,902,638	95,688,858	144,902,638
Maturities of Financial Instrument Loan & Receivables	105,939	100,047	105,939	100,047
Payment for Purchase for Financial Instruments Designated at FVTPL	(1,508,499)	(1,230,718)	(1,508,499)	(1,230,718)
Payment for Purchase of Held to Maturity Financial Instruments	(124,860,207)	(172,194,646)	(124,860,207)	(172,194,646)
Loan Granted for Acquire Loan & Receivable Financial Instrument	(288,605)	(628,139)	(288,605)	(628,139)
Monies received from Customers	1,633,286	1,797,418	-	-
Monies paid to Suppliers	(1,595,326)	(1,748,242)	-	-
Interest Received	25,164,823	21,957,755	25,164,823	21,957,755
Dividend Received	162,387	590,871	162,387	590,871
Other Income Received	489,164	574,201	489,164	574,201
Operational Expenses Paid	(1,230,308)	(1,137,322)	(1,230,308)	(1,137,322)
Member Expenses Paid	(170,128)	(296,644)	(170,128)	(296,644)
Income Tax Paid	(199,596)	29,219	(199,596)	29,219
Interest Paid	(260,052)	(220,011)	(244,589)	(211,060)
Defined Benefit Plan Costs paid	(22,225)	(13,947)	-	-
Ground Rent paid to Divisional Secretaries	(1,458)	(9,477)	-	-
Year 5 Scholarship Payment/Refund	(89,664)	(83,641)	(89,664)	(83,641)
Higher Education Scholarship Payment/Refund	(19,284)	(41,496)	(19,284)	(41,496)
<b>Net Cash Flows from Operating Activities</b>	<b>(6,665,441)</b>	<b>(5,647,503)</b>	<b>(6,664,255)</b>	<b>(5,664,304)</b>
<b>Investing Activities</b>				
Purchase of Property and Equipment	(90,400)	(195,460)	(36,144)	(20,544)
Proceeds from Sale of Property and Equipment	7,993	503	6,548	218
Acquisition of Investments	(9,527)	408,652	-	-
Interest Received	29,715	66,092	-	-
Net (Grants) / Repayments of Staff Loans	2,553	8,177	-	-
<b>Net Cash Flows from Investing Activities</b>	<b>(59,667)</b>	<b>287,964</b>	<b>(29,596)</b>	<b>(20,326)</b>
<b>Financing Activities</b>				
Contribution Received	25,007,383	22,630,429	25,007,383	22,630,429
Refunds	(18,314,698)	(16,814,982)	(18,314,698)	(16,814,982)
Financial Expenses Paid	(3,889)	(2,026)	(3,889)	(2,026)
Dividends Paid	(69,842)	(228,695)	-	-
Repayment of Interest Bearing Loans & Borrowings	-	(7,260)	-	-
Principal Payment Under Finance Lease Liability	(8,112)	(5,157)	-	-
<b>Net Cash Flows from Financing Activities</b>	<b>6,610,843</b>	<b>5,572,309</b>	<b>6,688,797</b>	<b>5,813,421</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(114,265)</b>	<b>212,770</b>	<b>(5,053)</b>	<b>128,791</b>
Cash and Cash Equivalents at 01 <sup>st</sup> January	758,474	545,704	743,124	614,332
<b>Cash and Cash Equivalents at 31<sup>st</sup> December</b>	<b>644,209</b>	<b>758,474</b>	<b>738,070</b>	<b>743,124</b>

**EMPLOYEES' TRUST FUND BOARD**  
**STATEMENT OF INVESTMENT**  
As at 31<sup>st</sup> December, 2018

Listed Shares - Available For Sale

	Company Name	Cost (Rs.)	Fair Value (Rs.)	Market Value (Rs.)
1	ACL Cables PLC	98,712,050.18	78,532,090.00	68,855,150.00
2	AHOT Properties PLC	58,216,639.61	40,522,838.40	33,001,554.00
3	Aitken Spence Company PLC	381,225,195.71	141,843,167.00	125,325,386.00
4	Ait. Spence Hotel H PLC	206,276,390.25	69,698,727.00	64,009,035.00
5	Bairaha Farms PLC	287,636,682.68	175,668,580.80	148,910,320.20
6	Carson Cumberbatch PLC	16,146,881.46	6,499,260.00	6,210,404.00
7	Central Finance PLC	257,114,693.18	208,680,593.40	205,261,747.70
8	Ceylon Investment PLC	8,523,353.47	3,057,569.40	2,667,678.00
9	Ceylon Guardian Investment PLC	143,302,105.61	42,716,826.00	34,124,361.00
10	Colombo Fort Land PLC	55,326,764.09	13,300,570.00	10,500,450.00
11	Com. Bank PLC	1,122,018,683.30	1,101,675,336.00	940,865,633.30
	Com. Bank PLC (X)	464,740,358.81	382,421,340.00	358,913,239.50
12	CIC Holdings PLC	28,169,480.29	15,177,051.40	8,987,909.00
13	DFCC Bank PLC	646,951,842.34	494,506,048.00	370,879,536.00
14	Dockyard PLC	437,865,195.10	152,478,748.00	96,384,630.00
15	Dialog Axiata PLC	56,248,610.41	56,248,610.41	43,244,180.20
16	Dipped Product PLC	2,119,707.78	1,401,650.00	1,401,650.00
17	Eden Hotels PLC	75,884,504.37	22,463,590.60	21,356,230.50
18	Expolanka PLC	43,035,286.61	18,828,180.00	13,946,800.00
19	Haycarb PLC	140,778,782.38	113,610,619.50	98,384,454.00
20	HNB (X)	98,997,549.52	110,485,050.00	96,370,036.50
21	John Keells PLC	15,799,867.57	9,162,353.20	8,839,376.00
22	John Keells Holdings PLC	2,836,575,220.20	2,560,768,617.92	2,736,157,860.00
23	Kelani Cables PLC	9,031,561.02	9,461,133.00	6,737,473.50
24	Lankem Ceylon PLC	16,823,135.76	3,291,320.00	1,983,020.30
25	Laugfs Gas PLC	1,630,691.47	1,082,786.00	866,228.80
26	National Dev.t Bank PLC	1,030,818,538.45	1,024,669,663.50	875,878,460.00
27	People's Leasing Co.PLC	57,407,127.76	40,053,479.00	38,404,218.10
28	Piramal Glass Co. PLC	32,227,612.25	21,925,484.80	14,364,972.80
29	Property Dev. PLC	4,937.00	29,100.00	39,870.00
30	Renuka Holding PLC	114,531,974.04	71,983,951.00	49,252,177.00
31	Resus Energy PLC	48,539,489.11	28,713,840.00	33,314,400.00
32	Richard Pieris Co. PLC	4,272,032.74	4,272,032.74	4,348,165.50
33	Royal Ceramics PLC	52,566,675.44	54,885,460.50	35,807,370.30
34	Sampath Bank PLC	168,106,891.35	198,342,273.01	159,338,695.00
35	Seylan Bank PLC	303,013,660.14	267,431,997.00	243,240,138.80
	Seylan Bank PLC (X)	63,895,097.31	55,955,463.62	46,184,325.00
36	Singer Finance PLC	23,608,129.87	17,540,340.00	16,254,048.40
37	Sri Lanka Telecom PLC	110,340,299.24	93,782,139.20	77,601,418.00
38	Trans Asia PLC	37,071,514.05	50,902,749.00	50,559,584.40
39	Vallibel Power PLC	47,175,248.43	39,502,634.00	33,785,147.50
40	Vallibel One PLC	43,284,081.77	30,481,878.00	29,276,380.00
	<b>Total</b>	<b>9,646,014,542.12</b>	<b>7,834,055,141.40</b>	<b>7,211,833,714.30</b>



**EMPLOYEES' TRUST FUND BOARD**  
**STATEMENT OF INVESTMENT**  
As at 31<sup>st</sup> December, 2018

Unquoted Shares Investments re- classified as “ Available for Sale” As At 31.12.2018

Company Name	Cost (Rs. '000)	Net Asset Value (Rs. '000)
1 Fitch Ratings Lanka Ltd	2,405,625.00	2,186,250.00
2 First Capital Treasuries Ltd	87,586,200.00	158,773,500.00
<b>Total</b>	<b>89,991,825.00</b>	<b>160,959,750.00</b>

Investments in subsidiaries as at 31.12.2018

Company Name	Cost (Rs.'000)
3 Lanka Salt Ltd	470,960,937.50
<b>Total</b>	<b>470,960,937.50</b>

Listed Shares- Trading

Company Name	Cost (Rs. '000)	Fair Value (Rs. '000)	Market Value (Rs.'000)
1 ACL Cables PLC	153,062,370.43	108,289,715.40	94,945,959.00
2 Asiri Surgical Hospital PLC	1,439,651.61	1,439,651.61	1,395,513.90
3 Com. Bank PLC	1,196,160,068.01	1,151,387,894.62	984,215,924.80
Com. Bank PLC (X)	146,738,498.64	138,784,747.43	131,168,200.50
4 Dipped Product PLC	163,099,054.69	111,763,525.00	111,763,525.00
5 Hatton National Bank PLC	351,994,224.74	379,335,965.43	334,183,470.00
Hatton National Bank PLC (X)	100,019,215.21	107,444,800.82	95,286,750.00
6 John Keells Holdings PLC	376,878,998.86	386,693,490.10	416,090,757.00
7 Lanka IOC PLC	92,233,028.95	65,946,513.10	57,028,479.30
8 Laugfs Gas PLC	6,392,892.51	3,741,858.00	2,993,486.40
9 Sampath Bank PLC	556,434,917.64	556,434,917.64	470,754,820.00
10 Seylan Bank PLC	65,056,374.03	63,422,866.37	58,986,744.40
Seylan Bank PLC (X)	101,784,054.97	98,553,047.27	82,662,977.50
11 Singer Finance PLC	48,442,640.91	34,072,830.00	31,574,155.80
12 Teejay Lanka PLC	11,528,977.85	14,549,960.00	13,908,050.00
<b>Total</b>	<b>3,371,264,969.05</b>	<b>3,221,861,782.79</b>	<b>2,886,958,813.60</b>

Listed Units

Company Name	Cost (Rs. '000)	Fair Value (Rs. '000)	Market Value (Rs.'000)
1 Comtrust Equity Fund	14,261,338.98	28,246,096.17	25,146,090.72
2 National Equity Fund	41,680,707.58	143,567,886.74	114,893,964.31
3 Namal Growth Fund	4,500,000.00	61,020,000.00	51,062,355.00
<b>TOTAL</b>	<b>60,442,046.56</b>	<b>232,833,982.91</b>	<b>191,102,410.03</b>

**EMPLOYEES' TRUST FUND BOARD**

**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS**

**1. CORPORATE INFORMATION**

**1.1. Domicile and Legal Form**

Employees' Trust Fund Board (ETFB) is a State Owned Enterprise, established under Act No.46 of 1980 and commenced operations on 1st March 1981. The Board is functioning under the Ministry of Development Assignment.

Lanka Salt Limited is a Public Limited Company incorporated & domiciled in Sri Lanka. The Registered Office and the principal Place of Business of the Company are located at Mahalewaya, Hambantota.

**1.2. Principal Activities and Nature of Operations**

During the year, the principal activities of the Company and its subsidiaries dealt within these financial statements were as follows:

Name of the Company	Nature of Business
Employees' Trust Fund Board	Public sector employees who are not entitled under the government pension scheme and all private sector employees are members of this fund while their employers are required to remit 3% of the gross earning of their employees to the fund monthly. The fund also includes the migrant and self-employment sectors, which is expected to increase going forward. Apart from managing the fund, ETF Board provides a range of social and welfare benefits to members during their employment.
Lanka Salt Limited	The principal activity of the Company is production and distribution of Salt.

**1.3. Parent Enterprise and Ultimate Parent Enterprise**

There is no ultimate parent of the Company- ETFB is the Parent.

**1.4. Date of Authorization for Issue**

The financial statement of Employees' Trust Fund Board for the year ended 31<sup>st</sup> December, 2018 were authorised for issue in accordance with a resolution of the board of directors on 28<sup>th</sup> February 2019.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1. General Policies**

**2.1.1. Presentation of Statement of Financial Position**

The assets and liabilities of the entity presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months and after more than 12 months from the Reporting date is presented here.

**2.1.2. Statement of Compliance**

The statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows together with accounting policies and notes ("financial statements") of the company as at 31st December, 2018 and for the year then ended and comply with the Sri Lanka Accounting Standards (SLFRS/LKAS).

The financial statements of LSL have been prepared in accordance with the Sri Lankan Accounting Standard for Small and Medium-sized Entities issued by the Institute of Chartered Accountants of Sri Lanka (SLFRS for SMEs). The preparation and presentation of the Financial Statements is in compliance with the requirements of the Companies Act No.07 of 2007.

## **SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS**

### **2.1.3. Significant Accounting Judgments, Estimates and Assumptions**

The Board makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future.

The preparation of financial statements of LSL in conformity with the SLFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed as follows.

#### **Judgments**

##### **Deferred Tax Assets:**

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### **2.1.4. Basis of Measurement**

The financial statements have been prepared under the historical cost convention with exception of certain assets and liabilities at fair value.

The financial statements of LSL have been prepared on a historical cost basis.

### **2.1.5. Functional and Presentation Currency**

These Financial Statements are presented in Sri Lankan Rupees, which is the company's functional currency.

### **2.1.6. Going Concern**

The Management of ETF Board has made an assessment of the Board's ability to continue as a going concern and is satisfied that the Board has resources to continue in business for a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Board's ability to continue as a going concern. Therefore, the financial statements are continued to be prepared on the going concern basis.

The Directors of LSL have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

### **2.1.7. Comparative Information**

The accounting policies have been consistently applied by the company and are consistent with those of the previous year.

## **2.2. Basis of Consolidation**

### **a) Consolidation**

The consolidated financial statements comprise the financial statements of the company and its subsidiary as at 31<sup>st</sup> December 2017.

Subsidiary is consolidated from the date of acquisition, being the date on which the group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company.

However, the accounting policies of the two entities are different which are highlighted within the group accounting policies.

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

### b) Subsidiaries

Subsidiaries are all entities over which the group has the power directly or indirectly to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The total profits and losses for the year of the company and of its subsidiaries included in consolidation and all assets and liabilities of the company and of its subsidiaries included in consolidation are shown in the consolidated statement of comprehensive income and the statement of financial position respectively.

### c) Reporting Date

The financial statements of the subsidiaries are prepared for the common reporting period, which is 12 months ending 31<sup>st</sup> December.

## 2.3 Basis of Measurement Profit and Loss

### 2.3.1 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Revenue from sales of goods is recognized when the goods are delivered and title has passed. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the government. The following specific recognition criteria must also be met before revenue is recognized.

#### Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

#### Rendering of Services

Revenue from rendering of services is recognized by reference to the stage of completion, determined by taking into accounts the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliability, revenue is recognized only to the extent of expenses incurred that are recoverable.

#### Interest

Revenue is recognised on a time proportion basis that takes in to accounts the effective interest rate on asset.

### 2.3.2. Interest and Similar Income and Expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. Interest income includes coupon income and any gain or loss on amortization of discount or premium of the instruments.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.



## EMPLOYEES' TRUST FUND BOARD

### SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

Interest expense is recognized according to the Section 22 of the ETFB Act the shall pay interest at such rate, not less than three per centum, as may from time to time be fixed by the Board with concurrence of the Minister and the Minister in charge of the subject of Finance shall be paid for each year, out of the income from the investment of the money of the fund, on the amount standing to the credit of the individual account of each member of the credit of the individual account of each member of the fund as at the 31<sup>st</sup> of December in that year.

#### 2.3.3. Dividend Income and Expense

Dividend income is recognized when the entity's right to receive the payment is established. Dividend expense is recognized according to the section 14 of the ETFB Act the board shall declared dividends from the profits realized by investing of money of the fund.

#### 2.3.4. Other Income

Other Income is recognized when the entity's right to receive the payment is established except for the interest income on fair value measurement of Staff loans that is amortized over the employees' service period.

### 2.4. Taxation

#### 2.4.1. Current Taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The board changed its accounting policy to recognize the proportion of With Holding Tax (WHT) applicable for the income earned on Treasury bonds and bills for the year to be added back to the amortization gain account in order to give a fair view about the amortization gain and the income tax expenditure.

The current tax payable is based on taxable profit for the year. The provision for income tax is based on the elements of income and expenses as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act.

#### 2.4.2. Deferred Taxation

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for the financial reporting period.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. And any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss..

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

### 2.5. Foreign Currency Transaction

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**EMPLOYEES' TRUST FUND BOARD**

**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS**

**2.6. Adjustment to the Previous Year Profit**

Error corrections are adjusted retrospectively since it enhances the comparability of the financial statements. Accordingly the opening balance of retained earnings will be restated after the correction of such errors. The following prior period errors were discovered and corrected in 2018.

a) Prior year adjustment is contained following error corrections

Nature of Correction	LKR (000)
WHT Tax refund on Fixed Deposit (2%)	52,074
Accrued WHT Tax on Debenture	(1,224)
Dividend interest transferred-Returned Benefit (Cheque)	(1,565)
Dividend interest transferred-Returned Benefit (Slip)	(8,017)
Treasury Bond accrued interest	(79,176)
Provision on Debentures	(8,017)
	<b>(45,925)</b>

**2.7. Investments & Other Financial Assets**

**2.7.1. Classification**

From 1<sup>st</sup> January 2018, the fund classifies its financial assets in the following measurement categories:

Those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The fund reclassifies debt investments when and only when its business model for managing those assets changes.

**2.7.2. Recognition & Derecognition**

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the fund commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the fund has transferred substantially all the risks and rewards of ownership.

**2.7.3. Measurement**

At initial recognition, the fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**2.7.3.1. Debt instruments**

Subsequent measurement of debt instruments depends on the fund's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the fund classifies its debt instruments:

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

**FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

**FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

### 2.7.3.2. Equity instruments

The fund subsequently measures all equity investments at fair value. Where the fund's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the fund's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### 2.7.4. Impairment

From 1<sup>st</sup> January 2018, the fund assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

#### Basic Financial Instruments

Financial assets are classified as financial assets held for trading, held to maturity, loans and receivables and financial assets available-for-sale. The Company determines the classification of its financial assets at initial recognition.

#### Loan and Receivable

Loans and receivables include cash and short-term deposits, fixed deposit and trade and other receivables. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized. The losses arising from impairment are recognized in the statement of Comprehensive Income.

#### Financial Liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual agreement and the definition of financial liabilities.

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial liabilities recorded at fair value through profit or loss.

Financial liabilities including Interest bearing loans and borrowings and other financial liabilities (trade and other payable) are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the income statement.

### 2.8. Property, Plant and Equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes purchase price, directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Expenditure incurred on repairs or maintenance of property, plant & equipment in order to restore or maintain future economic benefits expected from originally assessed standard of performance is recognized as an expense in Income statement when incurred.

Provision for depreciation is calculated using the reducing balancing method other than real estate's (Investment Property). Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value less residual value, if any, over their expected useful economic lives. The estimated useful economic life times of the assets are as follows.

Computer Equipment	20%
Other Equipment	20%
Furniture	15%
Motor Vehicles	25%
Fixtures & Fittings	33.33%

The estimated useful economic life time of Buildings is 6.67% per annum on residual balancing method.

Depreciation of assets commences in the month when it is available for use and is not depreciated in the month of disposal.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected. Any gain or loss arising on de-recognition is included in the Income Statement in the year the asset is de-recognized.

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to allocate the cost of assets less annual rates are used for the depreciation of property, plant and equipment:

Buildings on Leasehold Land	2.5%
Plant and Machinery	10%
Equipment	10%
Furniture and Fittings	10%
Motor Vehicles	
- Road Vehicle	10%
- Tractors & Trailer	20%
Development work	20%
Mature Plantations-Coconut	2%



## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

- **Biological Assets**

Biological assets are classified into mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specification. Coconut plantations and nurseries are classified as biological assets. Bearer biological assets include Coconut plants, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce. The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably. Permanent impairments to Biological Assets are charged to the Statements of Profit or Loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

- **Bearer Biological Assets**

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property Plant & Equipment. The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing etc, incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on bearer biological assets (Coconut) which comes into bearing during the year, is transferred to mature plantations.

### 2.9. Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Income Statement in the period in which they arise.

The Board's investment property shall revalue in every three years time to open market value, with changes in the carrying value recognize in the Statement of Comprehensive Income. Rent receivable is spread on a straight-line basis over the period of the lease. Where an incentive (such as a rent free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognizing rental income on this basis.

The Board owns a land extend of 2A.1R.28P. at Nawam Mawatha, Colombo 02 which has been valued by the Government Valuer on 15<sup>th</sup> November 2017. The fair-value of the land has increased to Rs.3,812,500,000/= during the year 2017 as per the Government Valuer's Report.

### 2.10. Intangible Assets

#### 2.10.1. Externally Acquired Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment. Whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

### 2.10.2. Computer Software Packages

Amount incurred in acquisition/upgrading Computer software Packages are recognized as an intangible asset and amortized over 3 years.

### 2.11. Leasehold Properties

The Leasehold property comprising of land use rights which was previously classified under Property, Plant & Equipment and stated at valuation has been reclassified as "Leasehold Property". Lease amount paid for the land at Hambantota has been capitalized and amortized over the lease period of 30 years.

#### 2.11.1. Operating Lease

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Board (an "operating lease"), the total rentals payable under the lease are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

### 2.12. Inventories

Inventories are valued at lower of the cost and net realizable value, after making due allowances for obsolete and slow moving items.

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:-

Raw Materials	-	At purchase cost on first-in first-out cost basis
Finished Goods	-	At the cost of direct materials, direct labour and an appropriate proportion of regional production overheads.
Work-in-progress	-	At 25% of last season's Brine Circulation and Beds Preparation expenses, apportioned over calculated quantity of salt deposited at the density level of 12 and above.
Consumables & Spares	-	At purchase cost on First in First out basis

Net realizable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale.

**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS**

**2.13. Retirement Benefit Liability**

**2.13.1. Employee benefits**

The company has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. A defined benefit plans define an amount of pension benefit that an employee will receive on retirement, based on the years of service and compensation.

**2.13.2. Defined Contribution Plans**

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. The Board contributes 15% and 3% of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

All employees are eligible for Employees' Provident Fund and Employees' Trust Fund contributions in line with the prevalent statutes and regulations. The company contributes 12% and 3% of gross employee emoluments to EPF and ETF respectively.

**2.13.3. Defined Benefit Plans - Gratuity**

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with Sri Lanka Accounting Standards LKAS 19 - Employee Benefits. However, under the payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of five years of continued service. The liability is not externally funded.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs are deducted.

The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the entity's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss. The entity recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income.

The Company has an unfunded, non-contributory defined benefit plan covering all of its regular employees where the benefits are based on the years of service and percentage of latest monthly salary. The simplifications on estimated future salary increases, future service of current employees and in-service mortality of current employees as per Section 28.19 have been used in calculating the value of the liability. The gratuity liability is not funded nor actuarially valued.

**2.14. Equity**

**2.14.1. Member Fund**

Contribution received and receivable from members net of refunds made to members during the year together with interest and dividends accrued to them are consisted in member fund

**2.14.2. Dividends**

Dividends are recognized when the fund's right to receive is established.

**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS****2.14.3. Reserves**

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings as at the date of revaluation. Accordingly, the reserve is built up by the increase in market value over the purchase cost of the Navam mawatha land.

The board transfers the surplus profit, after payment of dividends and interest from the retained earnings account to the dividend equalization Reserve account. The purpose of setting up this Reserve is to meet potential dividend payments and reduce the outflow from retained earnings.

The available for sale reserve comprises of the cumulative net change in fair value of available-for-sale financial investments until the assets are de-recognized or impaired.

**2.15. Provisions**

The Board has recognized provisions for liabilities of uncertain timing or amounts. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

Provisions for legal claims are recognized when; the company has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefit will be required to settle the obligation and the amount can be estimated reliably.

The provisions are measured at the present value of the future amount required to settle the obligation using a pre-tax rate reflecting the current assessment of the time value of money and specific risks relevant for the obligation. The increase in provision due to time passage is recognized as an interest expense.

**2.16. Trade and Other Receivables**

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

**2.17. Trade payables**

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Sri Lankan rupees using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

**2.18. Cash and Cash Equivalents**

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

**2.19. Grants & Subsidies**

Grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the Company receives non-monetary grants, the asset and that grant are recorded at nominal amounts and is released to the income statement over the expected useful life of the relevant asset by equal annual installments as follows.

## EMPLOYEES' TRUST FUND BOARD

### SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

Grants received are credited to a reserve account and amortized to the income statement as follows.

Grant for Iodization Plant	-	10%
Grants for Building	-	2.5%
Grant for Pump House	-	2.5%
Grant for Compensation to Employees	-	Reduce by the compensation paid.

#### 2.20. Impairment of Assets

##### 2.20.1. Impairment of Financial Assets

The ETF Board assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flow, such as changes in arrears or economic conditions that correlate with defaults.

##### 2.20.2. Impairment of Non-financial Assets

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Board estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Board estimates the assets or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

#### 2.21. Accounting Policies

##### 2.21.1. Reclassification of Financial Assets and Financial Liabilities

The entity reclassified listed units out of the 'held-for-trading' category and into the 'available-for-sale' category in year 2016 as permitted by the Sri Lanka Accounting Standard - LKAS 39 on 'Financial Instruments: Recognition



## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

and Measurement'. Since there was no evidence of a recent actual pattern of short term profit taking by the entity for the past years these will be reclassified under available for sale category. Reclassifications are recorded at fair value at the date of reclassification.

### 2.21.2. Valuation of Investment Property

The entity obtains valuations performed by external valuer in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuer also makes reference to market evidence of transaction prices for similar properties.

### 2.21.3. Fair Value of Financial Instruments

The Board determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

### 2.21.4. Useful Lives and Residual Values were Appropriate for Property, Plant and Equipment

The entity tests annually whether, the useful life and residual value estimates were appropriate and in accordance with its accounting policy.

### 2.21.5. Business Combinations and Acquisition of Non-controlling Interest

On 1997, Employees' Trust Fund Board has acquired 90% of the shares of Lanka Salt Limited (LSL). Resultant goodwill is amounting to LKR 378,926,440 which had been assumed to be amortized over 05 year period starting from the year of acquisition, based on the accounting practice available as of the date of acquisition.

	GROUP	
	Rs. (000)	Rs. (000)
<b>Consideration Transferred</b>		
Proportionate share of Recognized Amount or		
Identifiable Net Assets	-	470,960,938
Stated Capital	31,500,000	
Reserves	60,534,498	
<b>Goodwill</b>		92,034,498
		<b>378,926,440</b>

Since goodwill had amortized fully, there is no adjustment to the both of accounts of the year under review.

## EMPLOYEES' TRUST FUND BOARD

### SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

#### 3. CURRENT YEAR ADJUSTMENTS

##### 3.1. Adjustments to the member fund of 2018

Nature of Adjustment	LKR (000)	
Slip/Welfare Returned Benefit - 150	2,175	
Returned Benefit (Slip)	5,388	
Returned Benefit (Welfare)	920	
Returned Benefit (Slip) - Interest & Dividend	8,017	
Returned Benefit (Welfare) - Interest & Dividend	1,565	
Unreconciled - 147	40	18,105
Refund of Over Contribution	(1,155.00)	
Dividend interest for the previous year contribution	(152.00)	
Surcharge	(12,264.00)	
Dividend Interest for previous year surcharge	(3,499.00)	(17,070)
		<b>1,035</b>

**EMPLOYEES' TRUST FUND BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31st December, 2017

	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>4 Interest Income</b>					
Financial Investments Available for Sale		-	-	-	-
Financial Investments Held to Maturity	4.1	28,211,210	27,197,738	28,182,040	27,132,969
Financial Investments on Loans and Receivables	4.2	119,778	106,145	119,778	106,145
		<b>28,330,988</b>	<b>27,303,884</b>	<b>28,301,818</b>	<b>27,239,114</b>
<b>4.1 Financial Investments Held to Maturity</b>					
Interest on Fixed Deposit		6,113,709	3,438,592	6,086,043	3,377,384
Interest from Debenture		282,959	244,925	282,959	244,925
Yield on Treasury Bond		21,278,289	22,585,875	21,278,289	22,585,875
Margin on Treasury Bill		-	293,172	-	293,172
Interest on Repurchase Agreements		322,576	345,189	322,576	345,189
Interest on Money Market		1,769	1,271	1,769	1,271
Interest on Custodial A/C		1,535	3,654	31	92
Interest on Bonds - Power Project		210,373	285,060	210,373	285,060
		<b>28,211,210</b>	<b>27,197,738</b>	<b>28,182,040</b>	<b>27,132,969</b>
<b>4.2 Financial Investments on Loans and Receivables</b>					
Interest on Viyana Housing Loan		97,192	85,250	97,192	85,250
Interest on Distress Loans (Special loan)		575	550	575	550
Interest on Vehicle Loan		7,314	6,345	7,314	6,345
Interest on Special Distress Loan		6,802	6,452	6,802	6,452
Interest on Special Festival Loan		123	130	123	130
Interest on Special Advance		734	726	734	726
Interest on Staff Housing Loan - SMIB		7,037	6,671	7,037	6,671
Interest on Sport Club Loan		-	21	-	21
		<b>119,778</b>	<b>106,145</b>	<b>119,778</b>	<b>106,145</b>
<b>5 Net Trading Income</b>					
Net Revenue	5.1	1,352,482	1,494,767	-	-
(-) Cost of Sales		(1,151,421)	(898,398)	-	-
		<b>201,061</b>	<b>596,369</b>	<b>-</b>	<b>-</b>

**EMPLOYEES' TRUST FUND BOARD**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31<sup>st</sup> December, 2018

	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>5.1 Net Revenue</b>					
Gross Revenue		1,556,379	1,719,765	-	-
(-) Value Added Tax and Nation Building Tax		(203,897)	(224,998)	-	-
		<b>1,352,482</b>	<b>1,494,767</b>	-	-
<b>6 Dividend Income</b>					
Investment Held for Trading	6.1	334,389	366,376	334,389	366,376
Investments Available for Sale	6.2	11,865	7,363	11,865	7,363
		<b>346,254</b>	<b>373,739</b>	<b>346,254</b>	<b>373,739</b>
<b>6.1 Investment Held for Trading</b>					
Dividends on Shares - Quoted		328,384	357,939	328,384	357,939
Dividends on Units - Quoted		6,005	8,437	6,005	8,437
		<b>334,389</b>	<b>366,376</b>	<b>334,389</b>	<b>366,376</b>
<b>6.2 Investments Available for Sale</b>					
Dividend on Shares - Unquoted		11,865	7,363	11,865	7,363
		<b>11,865</b>	<b>7,363</b>	<b>11,865</b>	<b>7,363</b>
<b>7 Gain /(Loss) on Financial Assets at fair value through Profit /(Loss)</b>					
Current Share Trading Profit		28,292	78,141	28,292	78,141
Profit / Loss on Long Term Shares		7,403	377,836	7,403	377,836
Realized Gain on Share Reserve		(887)	150,881	(887)	150,881
Profit/ Loss on Sale of Units		(11,325)	-	(11,325)	-
Realized Gain on Unit Reserve		3,529	-	3,529	-
Fair Value Adjustment of Shares		(334,903)	(71,513)	(334,903)	(71,513)
		<b>(307,891)</b>	<b>535,345</b>	<b>(307,891)</b>	<b>535,345</b>

**EMPLOYEES' TRUST FUND BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December, 2018

	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>8 Other Income</b>					
Property Income - Lease Rent		2,470	2,645	2,470	2,645
Rent Received		407	418	-	-
Profit on Sale of Property, Plant and Equipment		2,070	(3,097)	1,628	(2,347)
Surcharges		363,643	348,229	363,643	348,229
Income on Express Claims		25,878	28,582	25,878	28,582
Staff Loan Income		32,709	31,645	32,165	30,323
Sundry Income		7,900	5,363	1,519	834
Fair Value Gain on Debentures		47	-	47	-
Profit / (Loss) On Car Park (Nawam Mawatha)		33,862	34,551	33,862	34,551
Profit / (Loss) On Holiday Bungalow		(3,404)	(3,415)	(3,404)	(3,415)
Non Refundable Deposit for Registration of Suppliers		168	934	-	-
Amortisation of grants		1,063	2,520	-	-
Doubtful Income		5,144	-	5,144	-
Revaluation gain on Investment Property		12,323	412,500	-	412,500
		<b>484,282</b>	<b>860,876</b>	<b>462,952</b>	<b>851,903</b>
<b>9 Personal Expenses</b>					
Wages and Salaries	9.1	665,428	629,323	605,849	576,990
Short-Term Monetary and Non-Monetary Benefits	9.2	434,437	409,809	405,322	353,408
Defined Benefit Plans	9.3	34,435	38,325	32,708	32,832
Other Long Term Employee Benefits	9.4	109,149	97,384	101,089	90,380
		<b>1,243,448</b>	<b>1,174,842</b>	<b>1,144,968</b>	<b>1,053,611</b>
<b>9.1 Wages and Salaries</b>					
Salaries		539,541	500,419	484,019	452,587
Directors' Fees		2,998	3,005	998	990
Cost of Living Allowance		92,504	87,736	92,504	87,736
Overtime		20,672	24,725	18,615	22,238
Holiday Pay		9,713	13,439	9,713	13,439
		<b>665,428</b>	<b>629,323</b>	<b>605,849</b>	<b>576,990</b>



**EMPLOYEES' TRUST FUND BOARD**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31<sup>st</sup> December, 2018

	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>9.2 Short - Term Monetary and Non-Monetary Benefits</b>					
Training & Development Expenses		5,377	5,891	4,987	5,891
Recruitment Expenses		821	1,037	821	1,037
Staff Welfare		33,269	31,396	29,422	27,612
Incentive		132,732	125,440	122,165	93,165
Overseas Training		2,470	2,358	2,470	2,358
Encashment of Leave		17,927	14,533	17,073	13,707
Bonus		105,572	106,030	93,203	87,491
Reimbursement of Medical Expenses		87,346	76,177	86,259	75,199
Staff Loan Cost		32,165	30,323	32,165	30,323
Interest on Housing Loans		16,756	16,625	16,756	16,625
		<b>434,437</b>	<b>409,809</b>	<b>405,322</b>	<b>353,408</b>
<b>9.3 Defined Benefit Plans</b>					
Interest Cost		23,666	22,286	23,666	22,286
Current Service Cost		10,769	16,039	9,042	10,546
		<b>34,435</b>	<b>38,325</b>	<b>32,708</b>	<b>32,832</b>
<b>9.4 Other Long Term Employee Benefits</b>					
E.P.F. Board's Contribution		90,917	81,407	83,908	75,317
E.T.F. Board's Contribution		17,809	15,977	16,758	15,063
Pension Fund Contribution		422	-	422	-
		<b>109,148</b>	<b>97,384</b>	<b>101,089</b>	<b>90,380</b>

**EMPLOYEES' TRUST FUND BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December, 2018

	Note	GROUP		ETFB	
		2018	2017	2018	2017
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>10</b>	<b>Administrative Expenses</b>				
	Building Rent	75,306	68,660	65,829	59,183
	Rates	3,479	9,769	755	755
	Electricity Charges	19,742	18,584	19,742	18,584
	Telephone Charges	16,930	11,715	15,444	10,930
	Water Charges	1,257	1,470	1,257	1,470
	Consultancy Fees	5,402	3,231	2,095	1,064
	Audit Fees	3,429	955	2,901	427
	Security Charges	10,983	10,837	10,983	10,837
	Legal Fees	648	579	648	579
	Hiring Charges	10,159	9,953	8,498	8,112
	Secretarial Expenses	120	120	120	120
	Postage & Telegrams - Admin.	2,082	2,286	1,709	1,941
	Travelling & Subsistence - Admin.	901	640	901	640
	Printing & Stationery - Admin.	2,249	2,441	1,779	2,093
	Media & Publicity - Admin.	2,336	26,522	-	537
	IT Expenses - Admin.	1,215	1,306	1,215	1,306
	Advertisement & Press Notices	7,766	7,075	5,273	6,851
	Vehicle Insurance & License Fees	2,372	2,275	2,372	2,275
	Newspapers & Periodicals	795	838	795	838
	Donations	956	1,957	204	-
	Disciplinary Inquiries	151	83	151	83
	Risk Management Fee	1,342	-	1,342	-
	Other Insurance	3	3	3	3
	Office Upkeep & Requirements	585	519	585	519
	Workers Compensation	-	73	-	73
	Stamp Duty	44	166	44	166
	Miscellaneous Expenses	42,972	43,389	8,152	5,673
	Valuation Fee	80	4,083	80	4,083
	Vehicle Repairs & Maintenance	9,523	8,354	8,604	7,964
	Fuel Charges	14,673	12,520	11,788	10,155
	Maintenance of Building	8,727	9,169	7,246	7,684
	Maintenance of Machine, Furniture & Equipments	3,361	2,937	2,981	2,864
		<b>249,587</b>	<b>262,510</b>	<b>183,496</b>	<b>167,809</b>

**EMPLOYEES' TRUST FUND BOARD**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31<sup>st</sup> December, 2018

	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>11 Finance Expenses</b>					
Custodial Fee		2,704	375	2,704	375
Bank Charges		2,480	2,026	2,480	2,026
Interest Expenses		15,464	9,128	-	-
		<b>20,648</b>	<b>11,529</b>	<b>5,184</b>	<b>2,401</b>
<b>12 Member Expenses</b>					
Member Benefits	12.1	425,400	397,835	425,400	397,835
Member Services	12.2	43,310	44,785	43,310	44,785
IT Services	12.3	19,438	17,983	19,438	17,983
		<b>488,148</b>	<b>460,603</b>	<b>488,148</b>	<b>460,603</b>
<b>12.1 Member Benefits</b>					
Death Benefits Scheme		96,979	110,836	96,979	110,836
Permanent Disablement Scheme		5,810	7,937	5,810	7,937
I.O.L. Implanting Scheme		3,473	5,019	3,473	5,019
Sramasuwa Rekawarana Scheme		11,111	11,501	11,111	11,501
Heart Surgery Scheme		160,590	140,625	160,590	140,625
Kidney Transplant Scheme		2,851	3,695	2,851	3,695
Year 5 Scholarship Scheme		89,505	82,410	89,505	82,410
Higher Education Scholarship Scheme		55,080	35,812	55,080	35,812
		<b>425,400</b>	<b>397,835</b>	<b>425,400</b>	<b>397,835</b>
<b>12.2 Member Services</b>					
Postage & Telegrams - Memb.		15,812	18,167	15,812	18,167
Printing & Stationery - Memb.		15,357	14,994	15,357	14,994
Computer Stationery		3,919	3,857	3,919	3,857
Self Employment Promotion Expenses		4	24	4	24
Member Related Expenses		339	303	339	303
Employees Awareness Scheme		638	304	638	304
Travelling & Subsistance - Memb.		5,200	5,309	5,200	5,309
Media & Publicity - Memb.		468	703	468	703
Medical Consultat. for Members		19	13	19	13
Scholarship Expenses		1,555	1,112	1,555	1,112
		<b>43,310</b>	<b>44,785</b>	<b>43,310</b>	<b>44,785</b>

**EMPLOYEES' TRUST FUND BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December, 2018

	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>12.3 IT Services</b>					
Maintenance of Hardware		4,099	4,729	4,099	4,729
Maintenance of Software		613	483	613	483
Depreciation - IT		8,193	6,433	8,193	6,433
Insurance - IT		334	148	334	148
Rental on Leased Lines		6,200	6,191	6,200	6,191
		<b>19,438</b>	<b>17,983</b>	<b>19,438</b>	<b>17,983</b>
<b>13 Depreciation &amp; Amortization</b>					
Depreciation for property, Plant & Equipment		33,829	30,916	14,219	14,196
Amortization of Lease Hold Land & Development Work		37,968	30,349	-	-
Depreciation/Impairment of Biological Asset		1,298	357	-	-
		<b>73,094</b>	<b>61,622</b>	<b>14,219</b>	<b>14,196</b>
<b>14 Income Tax Expenses</b>		<b>3,410,284</b>	<b>2,779,214</b>	<b>3,394,806</b>	<b>2,705,842</b>
<b>15 Financial Asset at Fair Value Through Profit and Loss</b>					
Quoted Share Investment (Trading)		2,886,959	2,511,005	2,886,959	2,511,005
Less: Provision for Diminution in Value of Quoted Shares		-	-	-	-
		<b>2,886,959</b>	<b>2,511,005</b>	<b>2,886,959</b>	<b>2,511,005</b>
<b>16 Investment in Subsidiary</b>					
Lanka Salt Limited		-	-	470,961	470,961
		-	-	<b>470,961</b>	<b>470,961</b>
<b>17 Financial Asset at Fair Value Through other Comprehensive Income</b>					
Quoted Share Investment Long Term		7,211,834	7,386,330	7,211,834	7,386,330
Unquoted Share Investment		160,960	133,044	160,960	133,044
Quoted Units		191,102	339,370	191,102	339,370
Promissory Notes		12,174	12,174	12,174	12,174
Shares - Delisted & Under Liquidation		25,228	25,228	25,228	25,228
Less: Provision for Diminution in Value Shares		(25,228)	(25,228)	(25,228)	(25,228)
Impairment on Promissory Notes		(12,174)	(12,174)	(12,174)	(12,174)
Impairment on Equity Investment		-	(13,050)	-	(13,050)
		<b>7,563,896</b>	<b>7,845,694</b>	<b>7,563,896</b>	<b>7,845,694</b>

**EMPLOYEES' TRUST FUND BOARD**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31<sup>st</sup> December, 2018

	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>18</b>	<b>Financial Asset at Amortized Cost</b>				
Treasury Bonds		218,970,223	205,239,775	218,970,223	205,239,775
Quoted - Debenture		2,572,620	2,289,134	2,572,620	2,289,134
Less: Impirement on Debenture		(7,450)	(7,450)	(7,450)	(7,450)
Fixed Deposits		53,476,970	38,347,443	53,220,000	38,100,000
Repurchase Agreement		2,255,941	2,940,528	2,255,941	2,940,528
Debentures Unquoted		-	-	-	-
Bonds - Power Project		1,742,541	2,054,906	1,742,541	2,054,906
Housing Finance - N.D.B		1,026,973	1,010,922	1,026,973	1,010,922
Staff Loans					
Distress Loan (Special Loan)		13,787	15,162	13,787	15,162
Special Distress Loan		212,680	207,155	212,680	207,155
Festival Advance		485	559	485	559
Special Festival Loan		777	817	777	817
Special Advance		6,595	9,241	3,384	3,477
Vehicle Loan		235,621	181,431	235,621	181,431
SMIB - Staff Housing Loan		373,161	358,366	373,161	358,366
Loan - Flood Relief		2,883	4,452	2,883	4,452
		<b>280,883,808</b>	<b>252,652,439</b>	<b>280,623,627</b>	<b>252,399,232</b>
<b>19</b>	<b>Other Assets</b>				
Accrued Income	19.1	12,044,757	8,851,491	12,044,757	8,851,491
Receivables & Prepayments	19.2	2,399,949	2,154,483	2,383,566	2,132,655
Tax Recoverable	19.3	56,629	88,645	20,941	60,816
Inventories	19.4	879,867	825,949	7,257	5,084
		<b>15,381,202</b>	<b>11,920,568</b>	<b>14,456,522</b>	<b>11,050,045</b>



**EMPLOYEES' TRUST FUND BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December, 2018

	GROUP		ETFB	
	2018	2017	2018	2017
Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>19.1 Accrued Income</b>				
Interest Receivable	12,072,623	8,879,356	12,072,623	8,879,356
Less: Provision Against Doubtful Income	(27,866)	(27,866)	(27,866)	(27,866)
	<b>12,044,757</b>	<b>8,851,491</b>	<b>12,044,757</b>	<b>8,851,491</b>
<b>19.2 Receivables &amp; Prepayments</b>				
Contribution Receivable	2,225,664	1,946,870	2,225,664	1,946,870
Trade Debtors	10,695	8,676	-	-
Money Order Control	4,536	5,537	4,536	5,537
Postal Franking Machine Imprest	146	479	146	479
Sundry Debtors	13,688	36,633	13,688	36,633
Dues from Ex-employees	800	1,522	800	1,522
Security Deposits	5,640	4,964	5,640	4,964
Prepayment	13,059	22,552	6,589	9,399
Pre - Paid Staff Loan Cost	125,722	124,461	125,722	124,461
Advance Payment	782	2,791	782	2,791
	<b>2,399,949</b>	<b>2,154,483</b>	<b>2,383,566</b>	<b>2,132,655</b>
<b>19.3 Tax Receivable - ETFB</b>				
Tax Recoverable				
Tax Paid in Advance	56,629	88,645	20,941	60,816
	<b>56,629</b>	<b>88,645</b>	<b>20,941</b>	<b>60,816</b>
<b>19.4 Inventories</b>				
Common Salt Stock	776,276	740,964	-	-
Potassium Iodated Stock	4,263	1,724	-	-
Work in Progress	35,849	26,935	-	-
Consumables and Spares	56,222	51,241	-	-
Less: Provision for Consumables and Spares	-	-	-	-
Stock of Stationery & Consumable	5,705	3,602	5,705	3,602
Library	242	172	242	172
Holiday Bungalow Inventory	1,310	1,310	1,310	1,310
	<b>879,867</b>	<b>825,949</b>	<b>7,257</b>	<b>5,084</b>

**EMPLOYEES' TRUST FUND BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31<sup>st</sup> December, 2018

20 PROPERTY, PLANT & EQUIPMENT

20.1 Group	Bearer Biological Assets											Rs. '000		
	Land	Buildings	Buildings on Leasehold Land	Plant & Machinery	Motor Vehicles	Leased Motor Vehicles	Furniture Fittings & Office Equipment	Computer Equipment	Equipment	Immature Plantations	Mature Plantations		Development Work	In the Course of Construction
<b>Cost</b>														
Balance at 1 <sup>st</sup> January 2017	20,000	39,519	588,185	237,956	240,523	29,856	121,757	154,831	36,840	13,760	18,209	167,935	26,400	1,695,772
Additions	-	-	7,470	23,530	15,652	-	20,696	14,329	2,460	-	-	106,284	113,636	304,057
Adjustment	-	-	(477)	(961)	(377)	-	(7,015)	(12,965)	(315)	-	-	-	-	(22,110)
Disposals	-	-	-	-	-	-	(12)	-	-	-	-	-	-	(12)
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluations/Transfer	-	-	-	-	-	-	-	-	-	-	-	-	(106,284)	(106,284)
<b>Balance at 31<sup>st</sup> December 2017</b>	<b>20,000</b>	<b>39,519</b>	<b>595,178</b>	<b>260,525</b>	<b>255,799</b>	<b>29,856</b>	<b>135,425</b>	<b>156,195</b>	<b>38,985</b>	<b>13,760</b>	<b>18,209</b>	<b>274,219</b>	<b>33,752</b>	<b>1,871,423</b>
Balance at 1 <sup>st</sup> January 2018	20,000	39,519	595,178	260,525	255,799	29,856	135,425	156,195	38,985	14,128	17,841	274,219	33,752	1,871,423
Additions	-	-	4,030	7,266	14,550	21,712	16,991	49,612	4,962	-	368	42,183	23,545	185,218
Disposals	-	-	-	-	(12,992)	-	(378)	(114)	-	(368)	-	-	-	(13,852)
Adjustment	-	-	-	-	-	-	25	(11)	-	-	-	-	-	14
Impairment	-	-	-	-	-	-	-	-	-	(933)	-	-	-	(933)
Revaluations/Transfer	-	-	-	-	-	(3,024)	-	-	-	-	-	-	(42,183)	(45,207)
<b>Balance at 31<sup>st</sup> December 2018</b>	<b>20,000</b>	<b>39,519</b>	<b>599,208</b>	<b>267,792</b>	<b>257,357</b>	<b>48,544</b>	<b>152,063</b>	<b>205,681</b>	<b>43,947</b>	<b>12,827</b>	<b>18,209</b>	<b>316,402</b>	<b>15,114</b>	<b>1,996,663</b>

**EMPLOYEES' TRUST FUND BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31<sup>st</sup> December, 2018

	Bearer Biological Assets											Total		
	Land	Buildings	Buildings on Leasehold Land	Plant & Machinery	Motor Vehicles	Leased Motor Vehicles	Furniture Fittings & Office Equipment	Computer Equipment	Equipment	Immature Plantations	Mature Plantations		Development Work	In the Course of Construction
<b>Accumulated Depreciation</b>														
Balance at 1 <sup>st</sup> January 2017	-	5,472	91,111	92,535	166,394	4,750	74,666	93,945	22,509	-	357	42,314	-	594,053
Depreciation Charge for the Year	-	2,220	14,713	23,387	16,529	2,986	10,265	7,988	2,967	-	357	29,652	-	111,064
Disposals	-	-	(86)	(796)	(237)	-	(5,727)	(11,423)	(236)	-	-	-	-	(18,504)
Balance at 31 <sup>st</sup> December 2017	-	7,692	105,738	115,127	182,686	7,735	79,204	90,510	25,241	-	714	71,967	-	686,613
Balance at 1 <sup>st</sup> January 2018	-	7,692	105,738	115,127	182,686	7,735	79,204	90,510	25,241	-	714	71,967	-	686,613
Depreciation Charge for the Year	-	2,074	14,892	21,988	15,408	6,896	12,284	10,204	3,245	-	364	37,271	-	124,626
Disposals	-	-	-	-	(10,712)	-	(346)	(88)	-	-	-	-	-	(11,146)
Transfer	-	-	-	-	2,369	(2,369)	-	-	-	-	-	-	-	-
Balance at 31 <sup>st</sup> December 2018	-	9,766	120,631	137,114	187,382	14,632	91,142	100,626	28,486	-	1,078	109,238	-	800,094
<b>Net Book Value</b>														
At 1 <sup>st</sup> January 2017	20,000	34,047	497,074	145,421	74,129	25,106	47,091	60,887	14,331	13,760	17,852	125,620	26,400	1,101,719
At 31 <sup>st</sup> December 2017	20,000	31,827	489,439	145,399	73,113	22,121	56,221	65,685	13,744	13,760	17,495	202,252	33,752	1,184,809
At 31 <sup>st</sup> December 2018	20,000	29,753	478,577	130,677	69,975	33,913	60,921	105,055	15,461	12,827	17,131	207,164	15,114	1,196,569

**EMPLOYEES' TRUST FUND BOARD**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31<sup>st</sup> December, 2018

20 Property, Plant & Equipment

20.2	ETFB	Land	Buildings	Motor Vehicles	Furniture Fittings & Office Equipment	Computer Equipment	Total
<b>Cost</b>							
	Balance at 1 <sup>st</sup> January 2017	20,000	39,519	130,390	97,112	154,831	441,853
	Additions	-	-	-	7,777	14,329	22,106
	Adjustment	-	-	-	-	-	-
	Disposals	-	-	-	(5,818)	(12,965)	(18,784)
	Impairment	-	-	-	-	-	-
	Revaluations	-	-	-	(12)	-	(12)
	<b>Balance at 31<sup>st</sup> December 2017</b>	<b>20,000</b>	<b>39,519</b>	<b>130,390</b>	<b>99,058</b>	<b>156,195</b>	<b>445,163</b>
	<b>Balance at 1<sup>st</sup> January 2018</b>	<b>20,000</b>	<b>39,519</b>	<b>130,390</b>	<b>99,058</b>	<b>156,195</b>	<b>445,163</b>
	Additions	-	-	8,940	11,172	49,612	69,723
	Disposals	-	-	(11,512)	(378)	(114)	(12,004)
	Adjustment	-	-	-	25	(11)	14
	Impairment	-	-	-	-	-	-
	Revaluations	-	-	-	-	-	-
	<b>Balance at 31<sup>st</sup> December 2018</b>	<b>20,000</b>	<b>39,519</b>	<b>127,818</b>	<b>109,877</b>	<b>205,681</b>	<b>502,896</b>
<b>Accumulated Depreciation</b>							
	Balance at 1 <sup>st</sup> January 2017	-	5,472	104,240	61,817	93,945	265,475
	Depreciation Charge for the Month	-	2,220	5,824	6,284	7,988	22,316
	Disposals	-	-	-	(4,790)	(11,423)	(16,213)
	<b>Balance at 31<sup>st</sup> December 2017</b>	<b>-</b>	<b>7,692</b>	<b>110,065</b>	<b>63,310</b>	<b>90,510</b>	<b>271,577</b>
	<b>Balance at 1<sup>st</sup> January 2018</b>	<b>-</b>	<b>7,692</b>	<b>110,065</b>	<b>63,310</b>	<b>90,510</b>	<b>271,577</b>
	Depreciation Charge for the Month	-	2,074	4,944	6,805	10,204	24,027
	Disposals	-	-	(10,434)	(346)	(88)	(10,869)
	<b>Balance at 31<sup>st</sup> December 2018</b>	<b>-</b>	<b>9,766</b>	<b>104,574</b>	<b>69,769</b>	<b>100,626</b>	<b>284,735</b>
<b>Net Book Value</b>							
	At 1 <sup>st</sup> January 2017	20,000	34,047	26,150	35,295	60,887	176,378
	At 31 <sup>st</sup> December 2017	20,000	31,827	20,326	35,748	65,685	173,586
	At 31 <sup>st</sup> December 2018	20,000	29,753	23,245	40,108	105,055	218,161

**EMPLOYEES' TRUST FUND BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December, 2018

	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>21 Leasehold Property</b>					
<b>Cost</b>					
At 1 <sup>st</sup> January		20,910	20,910	-	-
Additions		-	-	-	-
<b>At 31<sup>st</sup> December</b>		<b>20,910</b>	<b>20,910</b>	<b>-</b>	<b>-</b>
<b>Accumulated Amortization</b>					
Balance as at 1 <sup>st</sup> January		16,031	15,334	-	-
Charge for the Year		697	697	-	-
<b>Balance as at 31<sup>st</sup> December</b>		<b>16,728</b>	<b>16,031</b>	<b>-</b>	<b>-</b>
<b>Net Book Value as at 31<sup>st</sup> December</b>		<b>4,182</b>	<b>4,879</b>	<b>-</b>	<b>-</b>
<b>22 Intangible Assets</b>					
Balance as at 1 <sup>st</sup> January		140	192	140	192
Amortization during the year		(37)	(53)	(37)	(53)
<b>Balance as at 31<sup>st</sup> December</b>		<b>102</b>	<b>140</b>	<b>102</b>	<b>140</b>
<b>23 Investment Property</b>					
Balance as at 1 <sup>st</sup> January		3,812,500	3,400,000	3,812,500	3,400,000
Change in Fair Value		-	412,500	-	412,500
<b>Balance as at 31<sup>st</sup> December</b>		<b>3,812,500</b>	<b>3,812,500</b>	<b>3,812,500</b>	<b>3,812,500</b>



**EMPLOYEES' TRUST FUND BOARD**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31<sup>st</sup> December, 2018

**24 Interest Bearing Borrowings**

Lanka Salt Limited

		31 <sup>st</sup> December 2018			31 <sup>st</sup> December 2017		
		Amount	Amount	Total	Amount	Amount	Total
		Repayable	Repayable		Repayable	Repayable	
		Within 1 Year	After 1 Year		Within 1 Year	After 1 Year	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Bank Loans	24.1	-	-	-	7,260	-	-
Finance Leases		6,757	11,855	18,611	5,157	7,221	12,378
Bank Overdrafts		136,933	-	136,933	170,667	-	170,667
		<b>143,690</b>	<b>11,855</b>	<b>155,545</b>	<b>183,084</b>	<b>7,221</b>	<b>183,045</b>

**24.1 Bank Loans**

	As At 01.01.2018	Loans Obtained	Repayment	As At 31.12.2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	-	-	-	-
	-	-	-	-

**25 Grants & Subsidies**

Lanka Salt Limited

	Iodized Plant	Building	Pump House	Compensation to Employees	Total 2018	Total 2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost</b>						
As at 1 <sup>st</sup> January	19,515	41,124	1,387	4,260	66,287	66,287
As at 31 <sup>st</sup> December	19,515	41,124	1,387	4,260	66,287	66,287
<b>Amortization</b>						
As at 1 <sup>st</sup> January	19,515	10,881	370	-	30,766	28,246
Reversal during the Year	-	1,028	35	4,260	5,323	2,520
As at 31 <sup>st</sup> December	19,515	11,909	405	4,260	36,089	30,766
<b>Written Down Value</b>						
As at 31 <sup>st</sup> December	-	29,216	983	-	30,198	35,521

**EMPLOYEES' TRUST FUND BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December, 2018

	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>26 Defined Benefit Obligation</b>					
Opening Defined Benefit Obligation 01 <sup>st</sup> January		454,311	401,707	225,391	202,603
Interest Cost		38,628	66,048	23,666	22,286
Current Service Cost		9,042	10,546	9,042	10,546
Benefit Paid		(54,601)	(35,591)	(32,376)	(21,643)
Actuarial (Gains) / Losses on Obligations		(13,560)	11,599	(13,560)	11,599
<b>Closing Defined Benefit Obligation 31<sup>st</sup> December</b>		<b>433,819</b>	<b>454,311</b>	<b>212,163</b>	<b>225,391</b>
<b>27 Current Tax Liabilities</b>					
<b>Gross Tax Liability</b>		<b>3,394,806</b>	<b>2,761,084</b>	<b>3,394,806</b>	<b>2,705,842</b>
Accrued WHT on FD		-	-	-	-
Notional Tax Credit		-	-	-	-
Tax Paid Source		-	-	-	-
ESC Paid		-	-	-	-
<b>Tax Payable to IRD</b>		<b>1,903,071</b>	<b>266,777</b>	<b>1,903,071</b>	<b>211,536</b>
<b>28 Other Liabilities</b>					
Accounts Payables and Sundry Creditors	28.1	871,142	523,917	540,815	157,269
Deferred Tax Liabilities	28.2	94,088	80,076	-	-
		<b>965,230</b>	<b>603,993</b>	<b>540,815</b>	<b>157,269</b>

**EMPLOYEES' TRUST FUND BOARD**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31<sup>st</sup> December, 2018

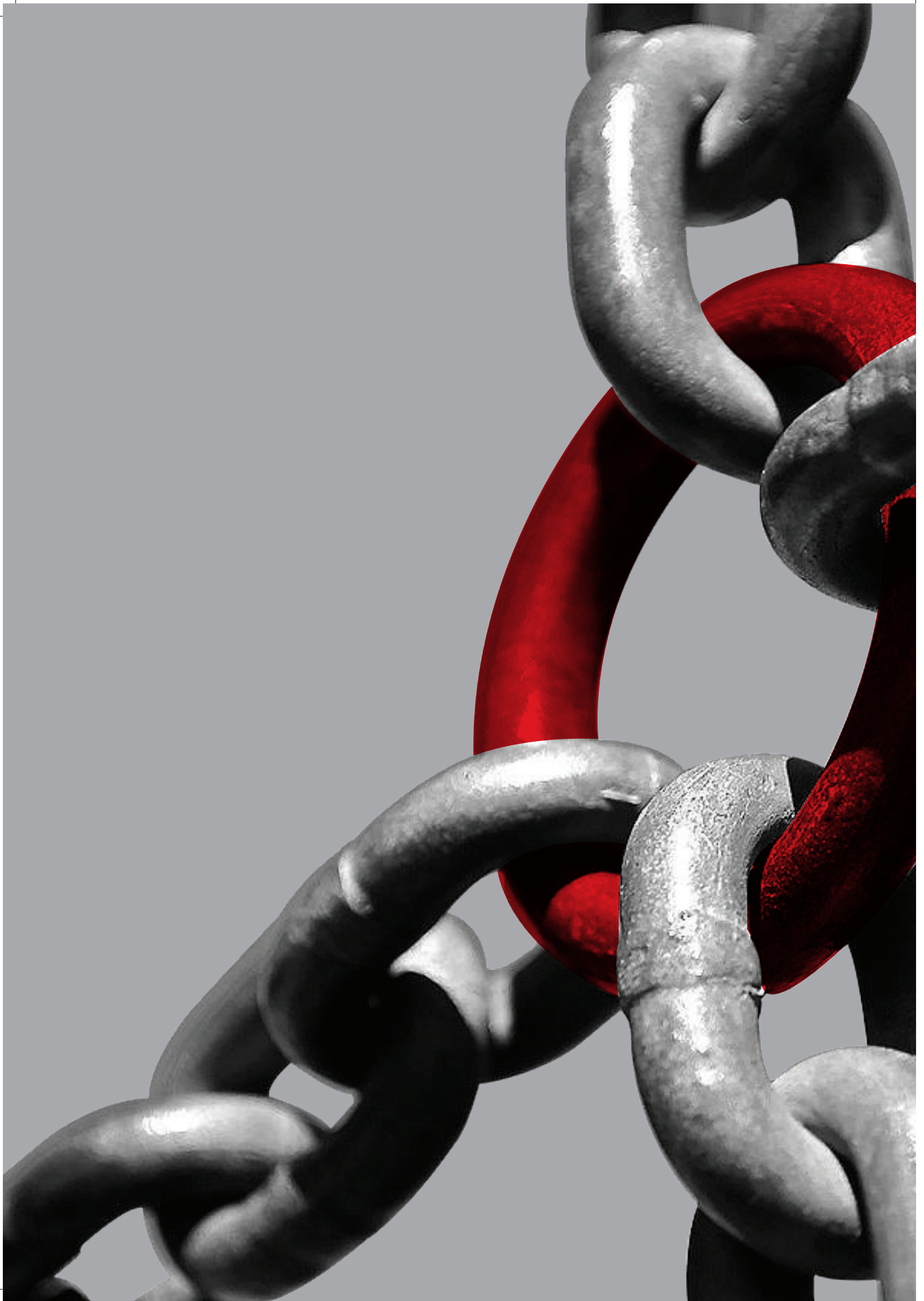
	Note	GROUP		ETFB	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>28.1 Accounts Payables and Sundry Creditors</b>					
Sports Club		371	-	371	-
Retained Tax on Claims & Benefits Paid		16,134	35,487	16,134	35,487
Trade and Other Payables	28.1.1	330,796	366,723	-	-
Stamp Duty Payable on Claims		777	709	777	709
Unpaid Emoluments		-	6	-	6
Stamp Duty Payable on Salaries		105	98	105	98
Superintendent of EPF		13,398	13,601	13,398	13,601
Sundry Creditors		473,717	57,830	473,717	57,830
Returned Benefit (Cheques))		2,838	6,534	2,838	6,534
Returned Benefit (Welfare)		1,089	-	1,089	-
Unpaid Death Benefits		12,476	10,171	12,476	10,171
E.T.F. Payable		1,418	1,632	1,418	1,632
P.A.Y.E. Tax		722	2,659	722	2,659
Retained W.H.T		756	-	756	-
VAT Payable		262	269	262	269
N.B.T Payable		105	110	105	110
Unclaimed Scholarship		1,316	1,865	1,316	1,865
Unreconcile Balance		820	588	820	588
Returned Benefit (Slip)		7,804	17,341	7,804	17,341
Pension Fund		7	-	7	-
Library Fund		51	47	51	47
E.T.F CSR Project		170	100	170	100
EISA Project		575	4,180	575	4,180
Security Deposits - Car park		5,391	3,958	5,391	3,958
Salary Deductions Clearance				469	75
Income Paid in Advance		47	9	47	9
		<b>871,142</b>	<b>523,917</b>	<b>540,815</b>	<b>157,269</b>

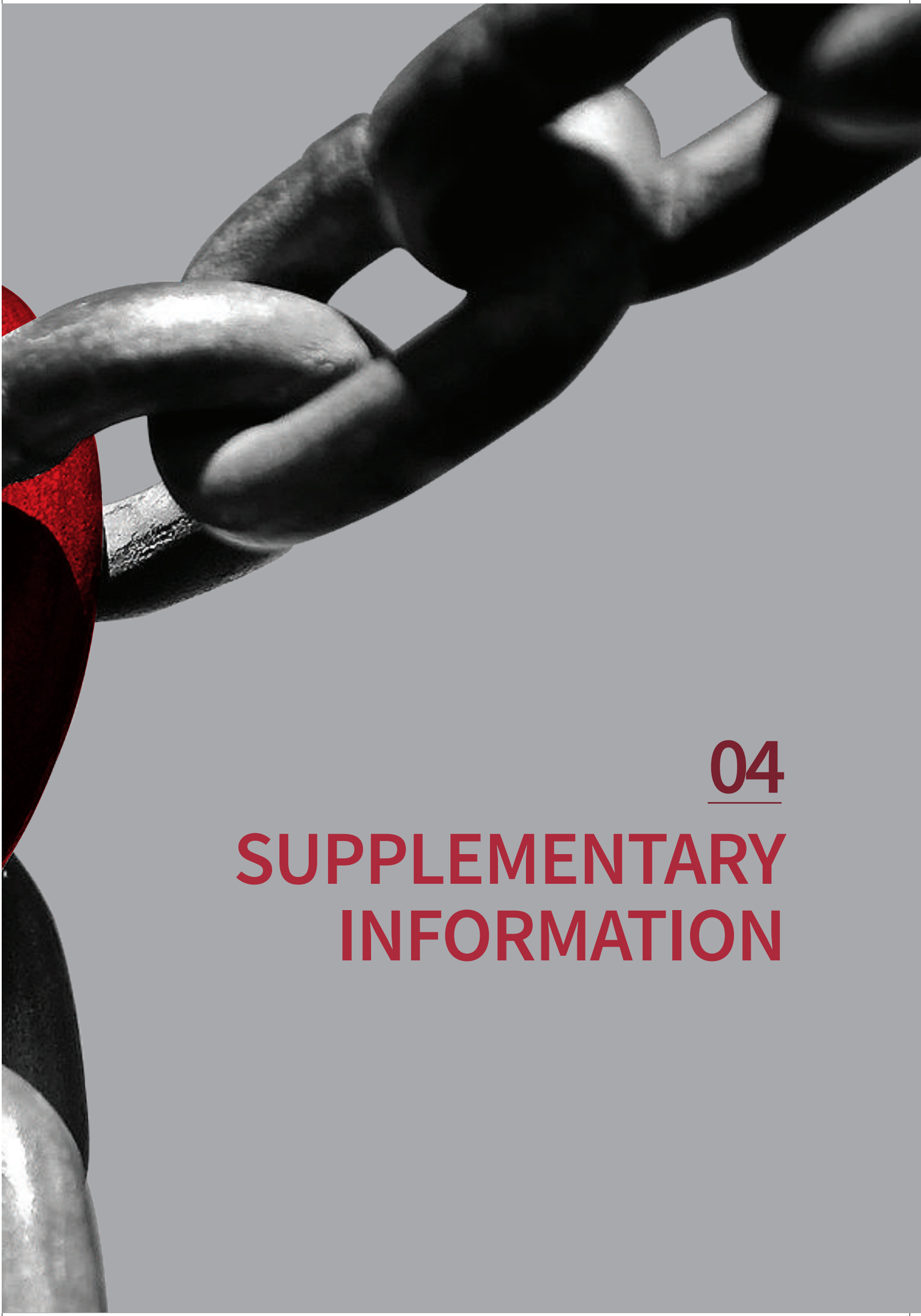
**EMPLOYEES' TRUST FUND BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December, 2018

28.1.1 Trade and Other Payables	LANKA SALT LIMITED	
	2018	2017
	Rs. '000	Rs. '000
<b>Financial Liabilities</b>		
Trade Payables	53,371	76,684
Salt Transport Payable	10,754	11,124
Deposits Payables	50,504	30,855
Dividends Payable	1,258	1,258
Ground Rent Payable	8,019	-
<b>Non Financial Liabilities</b>		
Accrued Expenses	111,948	174,794
Other Payables	8,532	12,784
Value Added Tax Payables	14,130	14,437
Incentive Payable	24,255	-
Contractor Payables	48,025	44,787
	<b>330,796</b>	<b>366,723</b>

28.2 Deferred Tax Liabilities	LANKA SALT LIMITED					Total Rs. '000
	Capital Allowances for Tax Purposes Rs. '000	Defined Benefit Plans Rs. '000	Grants and Subsidies Rs. '000	Deferred tax attributable to Tax Losses Rs. '000		
As at 01.01.2017	167,213	(55,749)	(10,651)	-	100,813	
Charge (credit) to profit or loss for the year	(13,094)	(8,348)	706	-	(20,737)	
As at 01.01.2018	154,119	(64,097)	(9,946)	-	80,076	
Charge (credit) to profit or loss for the year	14,661	2,034	9,946	(12,628)	14,012	
<b>As at 31.12.2018</b>	<b>168,780</b>	<b>(62,064)</b>	<b>-</b>	<b>(12,628)</b>	<b>94,088</b>	
Deferred tax liability				(168,780)	(154,119)	
Deferred tax asset				62,064	74,043	
Unutilized Business Loss C/F				12,628	-	
<b>Net Deferred Tax Liability</b>				<b>(94,088)</b>	<b>(80,076)</b>	

29 Provisions	GROUP		ETFB	
	2018	2017	2018	2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Provision on Debentures	7,970	-	7,970	-
Provision for Audit fee	2,820	1,810	2,820	1,810
Provision for Telephone	1,854	255	1,854	255
Provision for Electricity	61	46	61	46
Provision for Water	19	34	19	34
Provn. for Employees' Accident Compensation Scheme	2,000	2,000	2,000	2,000
Provision for Bonus	48	113	48	113
Provision for Leave Encashment	13,946	11,492	13,946	11,492
Provision for Postage	430	302	430	302
Provision for Higher Education Scholarship	101,640	65,844	101,640	65,844
Provision for Year 5 Scholarship	1,995	15	1,995	15
	<b>132,784</b>	<b>81,910</b>	<b>132,784</b>	<b>81,910</b>





04

**SUPPLEMENTARY  
INFORMATION**



**AUDITOR  
GENERAL'S  
REPORT - 2018**



# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

LEW/B/ETF/FA/2018

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

07<sup>th</sup> June 2019

Chairman,  
Employees Trust Fund Board.

**Report of the Auditor General on the Consolidated Financial Statements and other legal and regulatory requirements of the Employees Trust Fund Board and its Subsidiary for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018**

## 1. Financial Statements

### 1.1 Opinion

The audit of financial statements of the Employees Trust Fund Board (“Board”) for the year ended 31 December 2018 comprising the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flow for the year then ended and a summary of the Significant Accounting Policies and other explanatory information and the Consolidated Financial Statements of the Board and its Subsidiary (“Group”) for the year ended 31 December 2018 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 the National Audit Act, No. 19 of 2018 and the Finance Act, No. 38 of 1971. My report will be tabled in Parliament in terms of Article 154 (6) of the Constitution in due course.

In my opinion, except for the effects of the matters described in the part of the Basis for Qualified Opinion of my Report, the financial position of the Board and the Group as at 31 December 2018 and its financial performance and cash flows for the year then ended give a true and fair view in accordance with the Sri Lanka Accounting Standards.

### 1.2 Basis for Qualified Opinion

#### 1.2.1 Accounting Deficiencies

- Action had not been taken to credit the total of contributions amounting to Rs. 2,002,707,920 collected by the Board during the period from the year 1981 to the year 2017 from the client institutions as at 31 December 2018 to the individual accounts of each of the members in terms of Section 16 of the Employees Trust Fund Act.
- In spite of the fact that an entity should disclose the fair value of all classes of financial assets and financial liabilities in such a manner as to permit the reconciliation of such classes of assets and liabilities with the carrying value in accordance with the Sri Lanka Accounting Standard No. 07 (SLFRS 7), The Board had not taken action to comply with it.
- Even though the financial assets kept at amortized cost should be reported at amortized cost in accordance with the Sri Lanka Accounting Standard No. 09 (SLFRS 9), the Board had reported the assets amounting Rs. 61,192 million to the cost instead of reporting to the amortized cost.

අංක 306/72, පොල්දූව පාර, මිදිපාරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை.

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- (d) In accordance with the Sri Lanka Accounting Standard No. 08 (SLFRS 8), when an entity puts into practice a Sri Lanka Accounting Standard for the first time, the respective entity should disclose the facts to the effect that it has made the related change in accounting policy in keeping with the interim provisions provided such change could cause an impact on the current period or a preceding period or an ensuing period, the nature of the change in the accounting policy, a description of the interim provisions and those interim provisions that might affect the ensuing periods etc. However, the Board had not made any disclosure that should be done under the Sri Lanka Accounting Standard No. 09 which is effective from the 1st of January 2018.
- (e) A statement of reconciliation to clarify the connection between the tax expenditure and the accounting profit had not been prepared in accordance with the Sri Lanka Accounting Standard No. 12 (LKAS 12) and no disclosure had been made on the variations caused in the tax rates as from the 01st of April 2018 under the Inland Revenue Act, No. 24 of 2007 in comparison to the preceding period of accounting.
- (f) Even though there were assets that continue to be in depreciation under the method of diminishing balance for a period of more than 25 years involving a cost amounting to Rs. 502,896,000 to the Board as at 31 December 2018 in accordance with the Sri Lanka Accounting Standard No. 16 (LKAS 16), no revaluation of assets had been carried out in order to show its fair value.

I conducted the audit in accordance with the Sri Lanka Auditing Standards (SLAS). My responsibility under these auditing standards has been further described in the part, 'Auditor's Responsibility over the Audit of the Financial Statement' of this Report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### 1.3 Responsibilities of the Management and Controlling Parties for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Sri Lanka Accounting Standards and for 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.

It is a responsibility of the management to decide on the ability to continue with the Board in the preparation of the financial statements whereas it is also an onus on the part of the management to keep accounts of the Board on the going concern basis and disclose matters relating to Board's continued existence unless the management contemplates to liquidate the Board or take measures to cease its operations.

Controlling parties hold the responsibility over the financial reporting process of the Board.

The Board should duly maintain books and records pertaining to its income and expenditure and assets and liabilities so as to enable preparing the annual and periodic financial statements of the Board in pursuance of sub section 16 (1) of the National Audit Act, No. 19 of 2018

### 1.4 Auditor's Responsibility over the Audit of the Financial Statements

My objective is to give a reasonable assurance as to whether the financial statements as a whole are free from material misstatements due to fraud or error and to issue the Report of the Auditor inclusive of my opinion. Even though giving of a reasonable assurance is an assertion of high level, the audit is not always an assurance that it brings into exposure the material misstatements during the course of carrying out the audit in accordance with the Sri Lanka Audit Standards. A material misstatement could result in due to the effect of frauds and errors severally or collectively and it is expected that it might make an impact on the economic decisions arrived at by the users based on these financial statements.

The audit was carried out by me with professional judgment and professional skepticism in keeping with the Sri Lanka Audit Standards. However,

- My audit opinion is based upon obtaining substantial and suitable audit evidence in order to circumvent risks caused due to frauds and errors during the course of designing audit procedures that are appropriate in the circumstances in identifying and assessing the risks of material misstatements that could result in the financial statements owing to frauds and errors. The impact caused by a fraud is more severe than that caused by the material misstatements and the collusion, preparation of forged documents, intentional avoidance or the avoidance of internal controls can give rise to a fraud.
- Even though an understanding on internal control of the Board was gained in order to design circumstantially suitable audit procedures, it is not intended to express an opinion on the effectiveness of the Board's internal control.
- Evaluation of the reasonableness of the accounting policies and accounting estimates used and the appropriateness of the related disclosures made by the management.
- The relevance of applying the going concern basis of the entity for the purpose of accounting was arrived at based on the audit evidence obtained to the effect whether there is material uncertainty in regard to the going concern status of the Board owing to events and situations. If I conclude that there is material uncertainty, I should pay attention in my Audit Report to disclosures in that connection in the financial statements and if such disclosures are found to be inadequate, my opinion has to be modified. However, the going concern status may come to an end due to future events or situations.
- The presentation, structure and contents of the financial statements containing disclosures were evaluated and the evaluation as to whether the transactions and events upon which they were based have been incorporated.

Related controlling parties were educated on the significant audit findings, main weaknesses of the internal controls and other matters identified during the course of my audit.

## 2. Report on Other Legal and Regulatory Requirements

Special provisions on the following requirements are embodied in the National Audit Act, No. 19 of 2018.

- All information and clarifications necessary for the audit were obtained by me in accordance with the requirements set out in Section 12 (b) of the National Audit Act, No. 19 of 2018 and the Board had maintained proper financial records in such manner as evident by way of my examination.
- According to the requirement set out in Section 6 (i) (d) (iii) of the National Audit Act, No. 19 of 2018, the financial statements of the Board correspond with the preceding year.
- According to the requirement set out in Section 6 (i) (d) (iv) of the National Audit Act, No. 19 of 2018, the recommendations barring observations at (b) and (f) of 1.2.1 of this report made by me have been included in the financial statements that have been presented.

On the face of the measures that were followed and the evidence that was obtained and within the limitation confined to substantial matters, nothing was met with my attention inasmuch as to make the following comments.

- That any member of the controlling body of the Board, in accordance with the requirement set out in Section 12 (f) of the National Audit Act, No. 19 of 2018, has an interest directly or otherwise over any agreement connected to the Board outside of his general affairs of the business therein.
- That the Board, in accordance with the requirement set out in Section 12 (d) of the National Audit Act, No. 19 of 2018, has acted in a manner that is inconsistent with any relevant written law or other general or special provisions issued by the controlling body of the Board excluding the observations given below.
- That the Board, in accordance with the requirement set out in Section 12 (g) of the National Audit Act, No. 19 of 2018, has acted in a manner that is inconsistent with the Board's powers, functions and duties.

**Ref. to Laws / Provisions**

**Description**

Shop & Office Employees Act, No. 9 of 1954	Even though, in the payment of overtime allowance, it should be paid one and half of the salary of a normal day's pay per OT hour, the Board had made payments of OT allowance for one and half hours per OT hour adding a day's pay when completing 8 hours of overtime on Saturdays / Sundays and the cost on overtime payments during the year under review amounted to Rs. 18,615,000. Furthermore, the officers of the Board in order to claim overtime payment in terms of the said Act, should engage themselves in duties over a period of five and half days per week and they have been allowed to avail 42 days of annual leave instead of 21 days of such leave in contravention of the stipulated limitation and required to be engaged in duties for five days per week.
--------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

- That the Board, in accordance with the requirement set out in Section 12 (g) of the National Audit Act, No. 19 of 2018, has acted in a manner that is inconsistent with the Board's powers, functions and duties.
- That the Board, in accordance with the requirement set out in Section 12 (h) of the National Audit Act, No. 19 of 2018, has procured resources of the Board and put them into use economically, efficiently and effectively and within the prescribed time limits in a manner that is inconsistent with the stipulated laws excluding the observation given below.

During the years 2017 and 2018, vehicles had been obtained from the very same firm from which the services were obtained during the year 2016 on rental basis without following a formal procurement procedure. Accordingly, during the years 2017 and 2018, payments amounting to Rs. 8,386,279 and Rs. 7,683,335 respectively had been made for 16 and 15 vehicles obtained on rental basis without the approval of the Board of Directors.

**3. Other Audit Observations**

- (a) The composition to be maintained in making investments in a manner that maximizes income whilst minimizing risks when handling the investment portfolio of the Board in accordance with Chapter 4 of the Board's investment policy statement had been defined in the manner of 87 per cent for government securities, (a maximum of) 5 per cent for other fixed income securities, 2 per cent for short term repurchase and 6 per cent for investments in shares (maximum). However, the investment in government securities that stood as 86 per cent and 79 per cent respectively out of the overall investment portfolio relating to the years 2016 and 2017 had been dropped to 76 per cent during the year 2018 thus observing a decrease of 11 per cent as against the limit of



87 per cent that should stand in accordance with the investment policy statement. Furthermore, the investment in other fixed income securities being 8 per cent in the year 2016 had exceeded the approved limit and soared to 15 per cent and 19 per cent during the years 2017 and 2018 respectively and the increase in the investment in fixed deposits amounting to Rs. 15,127 million in the year 2016 up to Rs. 53,220 by the year 2018 had directly attributed thereto. As such, it was observed that the increase in investments in securities with short term periods of maturity whilst the decrease in investments in government securities with low risks would cause an increased risk with respect to overall investment portfolio.

- (b) The treasury bonds purchased by the Board through primary market and secondary market were maintained by being classified as “bonds retained until maturity” and hence, attention was not brought on to the reaping of financial gains by selling them at the secondary market.
- (c) Although the Board had been a leading institution in investing funds in the government securities, action had not been taken even up to 31 December 2018 to obtain direct bidding facility at the auctions of securities from the Central Bank of Sri Lanka.
- (d) The Board had withdrawn from the secondary market transactions relating to the treasury bonds after the year 2016 and due to the failure in taking measures even up to 31 December 2018 in order that it be getting involved in the secondary market transactions again, it was revealed that the investing of the excess funds had become problematic and that the opportunity for investing in low risk government securities when maintaining the investment portfolio had been deprived of. It was also observed that no attention had been brought on to the activities such as enhancement of the technical facilities required in the involvement in the secondary market of the treasury bonds, improvement of the internal controls relating to the investment process and the development of human resources.
- (e) Action had not been taken even up to the 31st of December of the year under review to identify the relevant members and settle an aggregate sum of Rs. 24,206,134 comprising Rs. 12,475,760 of unclaimed death benefits that had continuously remained increasing since the year 1995 and the retained benefits amounting to Rs. 7,803,642 and the unclaimed benefits amounting to Rs. 3,926,732 that had not been claimed since the year 2001.
- (f) Two listed companies in which the Board had invested a sum of Rs. 25,227,541 had been liquidated and the Board had no certainty as to the possibility of recovering the value of those investments.
- (g) Sums of Rs. 12,174,382 and Rs. 7,450,259 invested in the promissory notes of the Vanik Company and the debentures respectively should have been realized in the years 2002 and 2007 respectively, but the Board had not been able to realize the said sums even up to 31 December 2018.
- (h) The Board had no specific assurance as to the possibility of recovering the property income receivable by it amounting to Rs. 7,512,346 shown under the miscellaneous debtors over a period of several years.
- (i) Action had not been taken even up to 31 December 2018 to settle the unclaimed scholarship funds amounting to Rs. 1,316,000 that should have been paid to the students who have passed the General Certificate of Education (Advanced Level) Examination during the period from the year 1994 to the year 2009.

*Signed by*

**W.P.C. Wickremaratna**  
**Auditor General**



**OBSERVATION  
OF THE BOARD**

for the  
Auditor General's Report  
2018

### 1.2.1 Accounting efficiencies

- (a) The contributions relating to the accounting period have been divulged in the financial statements by the Board based on the actual receipts and the actual payments after having recognized its commitments in a proper manner. As such, the value of the commitment of the membership contributions in the statements of accounts has been stated correctly. However, due to following reasons, it was not possible to transfer the values stated in the audit query to the individual member accounts from the accounts of the employers.
- Employers, despite the payment of membership contributions, had not furnished the particulars of the employees required to credit such contributions.
  - In the instances where membership contributions have been paid by a single cheque for several institutions, difficulty in ascertaining the manner in which such membership contributions are to be apportioned to institutions separately. (as the relevant institution of the employers as at present are in operative)
  - Ambiguity in the data contained in the biannual reports furnished by the institutions.(as the relevant institution of the employers as at present are inoperative)
  - Due to the change in management of the institutions, inability to obtain information related to the periods preceding it and the lack of interest in extending cooperation on the part of the new management to address the issues that have been cropped up in respect of such previous periods.
  - Problems relating to the identification of members, particularly those of the estates based institutions, due to the reason that they do not have their National Identity Cards and making available their parts of names only to the employers.

Therefore the correct indication of assets and liabilities being the core element of the statement of accounts has not in any way affected in view of the matter above.

- (b) The Board, in terms of the Sri Lanka Accounting Standard No. 07 (SLFRS 7), has divulged the particulars in respect of the equity investments of the Board as at present. In addition to that, the Board, due to the fact that it maintained its presently carried on treasury bonds and the debentures as financial investments held to maturity, did not make any revelations relating to the fair value of it. Steps will be taken to divulge particulars in future where necessary.

- (c) The financial assets at amortized cost of the Board have been divulged in the financial statements by the Board based on the Sri Lanka Accounting Standard No. 09 (SLFRS 9). And in recognizing it so, the financial assets have been subject to the impairment properly and the said impact has been adjusted in the financial statements.

In the impairment of the financial assets, the accrued interest thereof has been worked out and added up to it. Action has thereby been taken to account for the financial assets at amortized cost of the Board in terms of the Sri Lanka Accounting Standard No. 09 (SLFRS 9).

- (d) Action will be taken to divulge it in future.

- (e) Action will be taken to divulge it in future.

- (f) The net value of the fixed assets amounting to Rs. 502,896,000 as stated in the audit query is Rs. 218,161,000 only after deducting the aggregate depreciation thereof.

Since the properties, plants and equipment of the Board are brought to account under the cost model in terms of section 34 of the Sri Lanka Accounting Standard No. 16 (SLFRS 16), the section 34 of the Sri Lanka Accounting Standard No. 16 (SLFRS 16) is not applicable as stated in the audit query.

Furthermore, it is the properties, plants and equipment that are made use of in the general office activities have been shown as the fixed assets of the Board and there will be no change in the price of the said items quantitatively nor will there be a sale out of the assets thereof. As such, the cost model is the most appropriate method towards recognition and measurement of fixed assets of the Board as per the guidelines that exist in the use of the Sri Lanka Accounting Standards and it has been put to practice in the past continuously over a period of 37 years.

## **2. THE SHOP AND OFFICE EMPLOYEES ACT, NO. 19 OF 1954**

Rules have been made and set in motion to be in operation accordingly to have the approval for engaging in overtime work by the employees of the Board granted only for two days per month for an individual employee and to allow only the first and last Saturdays of the month for that purpose. From the very inception of this Board, the practice in use in the computation of the hours of overtime work for employees was to make allowance for one and half hours (1½ hrs.) in lieu of one hour (1 hr.) of overtime work and in addition, the day's pay for their engagement in duties for a period of eight (8) hours. As such, I would like to state that the bringing in changes to a method enjoyed by employees over a period of nearly 37 years could lead to the collapse of the industrial peace.

In accordance with the provisions of the Shop and Office Employees Act governing all Corporations and Statutory Institutions in Sri Lanka, an employee is entitled to 21 days of leave which accounts for seven (07) days of Casual Leave and fourteen (14) days of Annual Leave per annum. I would like to state that, under the Shop and Office Employees Act, there exists an entitlement of 21 days of medical leave within all the statutory institutions of the government other than the private sector in Sri Lanka and in most of such institutions adopt a method of making payments for the balance of the un availed medical leave on an annual basis. I accordingly wish to inform you that the making of 21 days of medical leave applicable was not a method adhered to by the Board alone.

Being required to be engaged in a period of service for 45 hours per week for the purpose of calculating the amount of overtime work according to the Shop and Office Employees Act is not operative in practice in the state corporations and statutory bodies. The amount of work prescribed to be carried out for the half a day of Saturday is presently being covered by way of having consumed a period of time less than ½ an hour for tea or lunch interval per day after making use of the remainder of time for engaging in duties during the period of service over the whole week. As such, overtime payments are made for the entire day of Saturday.

### **Obtaining vehicles on rental basis from the same firm from which the services were obtained during the year 2016 without following a formal procurement procedure during the years 2017 and 2018.**

In accordance with the Circular No.PED/ASD/02/2015 on vehicles issued by the Ministry of Finance and Planning, instructions were received to dispose of the vehicles that are older than 10 years and to attend to such disposal very quickly.

Accordingly, 07 running vehicles that were older than 10 years were disposed of having adhered to the method set out in the said circular.

Only one vehicle had been assigned to each of the Regional Offices and all of those vehicles that were engaged in the operations of enforcement work were the ones that had been so disposed of whilst being attached to the Regional Offices. As a result, the operations of enforcement work in the Regional Offices concerned witnessed a drawback owing to the non-availability of vehicles for official duties.

Moreover, the Board expected to purchase 07 new vehicles in lieu of the vehicles that were disposed of and the letters required for that purpose had been sent to the Ministry of Finance.

In the mean time, it was decided to hire few vehicles on rental basis temporarily in order to bring the offices that experienced downturns in their official work due to lack of vehicles to normalcy and the intention of the Board was to implement the move until such time a permanent solution in regard to vehicles was found. Accordingly,

under the Board Paper bearing No. 652 of 28.01.2016, approval of the Board of Directors was met with for the purpose of obtaining the said vehicle on rental basis. (Annex No. 01)

Accordingly, approval was received for obtaining motor cars and vans under the prices between Rs. 37,500 and Rs. 55,000 on rental basis. As such, quotations were called in from three (03) vehicle contractors supplying vehicles at low prices and out of the lot, vehicles were procured to meet with our requirement at the price indicated in the minimum quotation that had been tendered. Moreover, if it was the case in procuring these vehicles under the system of operating lease approved by the then government, it would have resulted in the payment of a higher cost of vehicle rent of nearly fourfold than that is stated in the audit query. Until such time the vehicles were purchased according to the needs of the Board during the year 2019, vehicles were obtained on a rental basis at a very low price from time to time. As the entire requirement of vehicles of the Board has been met with as at present, procurement of the vehicles on rental basis in this manner has been put to a total halt.

### **3. OTHER AUDIT OBSERVATIONS**

- (a) The Board has prepared a streamlined investment policy way back in the year of 2012 and it has met with the approval of the Board of Directors. In pursuance of the decisions made by the Board of Directors at later stages, it was decided that the investments made in the fixed deposits of the state banks be reckoned as extraneous to the share of the 5% of the investment policy. The reason for it was that the risk involved in the deposits of the state banks was considered to be at a negligible level. Moreover, the investments are made in the fixed deposits of the three largest state banks of Sri Lanka from the year 2017 onwards well within the limits approved by the Board of Directors. Accordingly, the minimum percentage of 87% is reckoned as the aggregate of the government securities and the fixed deposits of the state banks.

Furthermore, by the time the investment policy was introduced in the year 2012, the method of purchasing government securities from the preliminary market called 'Private Placement' had been introduced to our Board. Under the said method of the Private Placement, even the quantum of 100% of money could have been invested in the government securities if required. The reason for it being the Central Bank of Sri Lanka is ready to sell the government securities to our institution on any amount of money owned by us at any given date at the prevailing interest rates (Weighted Average Yield) on that particular day of selling. As such, it has been decided to invest 87% of the money in the government securities and make way for 5% of the money in investments with other rates of interest of fixed deposits in order to avail the opportunities to muster an increased interest. However, this method of the Private Placement was abolished after the month of March 2015 and the method of purchasing government securities with the participation in the auction of the government securities after having compulsorily made bids thereto was introduced. Moreover, the Central Bank of Sri Lanka has stopped issuing previously referred to Rupee Loans within the percentage of 87%.

And also, the Board does not make any investment in the said preliminary market in view of the fact that the rates of interest regime of the Treasury Bills are far less. Furthermore, there is no limit in investing in the Treasury Bills within the percentage of 87%. Nevertheless, investments are made in the fixed deposits of the state banks under the limits of investment approved by the Board of Directors beforehand.

The policy of investment portfolio has been approved by the Board of Directors. It is also with the approval of the Board of Directors amendments are made thereto according to the periodical requirements. It is an essentially adhered to task to ring changes to it for the benefit of the Board with a view to overcoming challenges amidst the prevailing business environment. Investments made in accordance with the amendments to the policy of investment portfolio with the approval of the Board of Directors ought to be recognized as the investments made in line with the policy of investments.

Furthermore, the annual investments are made in keeping with the action plan and the amended policy of the investments. Accordingly, the government securities and the fixed deposits in state banks are reckoned under the percentage of 87%. As such, by the end of the year 2018, the aggregate of the percentage of investments in

the division of the government securities and the fixed deposits in state banks was 93.45% and it was a higher rate than the percentage of 87%. In spite of the fact that it could possibly invest in the share market a percentage of 6% out of the total investment, only 4% has been under investment. And also, only a quantum of 2% has been invested in securities even though there was room for the other fixed income to make such an investment in them up to 5%. Accordingly, the percentage of 3% that could be made in the investments with other fixed interest rates and the percentage of 2% that could be invested in the share market too have been made use of for investments in fixed deposits. As such, a percentage of 93.45% which was a higher rate than the percentage of 87% was maintained as the investment percentage in the fixed deposits and the government securities. Moreover, subsequent to the commencement of the purchases in the secondary market, the rate of interest of the fixed deposits in state banks could be brought down by systematically stepping up the percentage of investments in government securities.

Furthermore, the percentage of the Treasury Bonds that prevailed towards the end of the year 2018 has increased to 77.5% from 75.3% as at 28.05.2019 whereas the percentage of The fixed deposits have decreased to 16.5% from 18.2% as at 28.05.2019.

- (b) The Fund has a long term vision. Accordingly, by continuing to keep the bond that has been purchased with a higher rate of interest in the same manner until such time the bond gets matured, our Board continues to receive the said increased rate of interest. If the Board is to derive capital gains by selling off bonds with high interest, the market rates of interest should be lower than the said rate of interest. Only in the instances where the rates of interest are low as such, the selling off should be undertaken in order to raking in profits. Even though a profit is received at that juncture, the proceeds from the sale have to be invested instantly again in the bonds with less rates of interest. The percentage of 87% is for the requirement of the detainment in the government securities and the fixed deposits. If such a scenario continues to prevail regularly, only the bonds with less rates of interest would be lying remained in the Fund. Despite the fact that such a selling off can be put into practice only in certain times of strategic importance, indulging in it in the long run as a matter of policy is an inexpedient exercise.
- (c) Requests in this regard have consistently been made from the Central Bank of Sri Lanka and reminders have also been dispatched on several occasions. An additional cost has to be borne for the purpose of implementing this. In accordance with the existing method, there is no need to incur an additional cost for it. Nevertheless, necessary arrangements for the preparation of conducive environment to have the Direct Bidding Facility secured are underway. The approval of the Board of Directors has been received for the recruitment of personnel to the staff needed to expand the Investments Division and the matter has now been referred to the Department of Management Services for further approval. However, up until now, no approval has been granted to meet the requirement in a fitting manner. Accordingly, as soon as the approval of the Central Bank of Sri Lanka is received and once the recruitment of necessary personnel is made thereafter, this can be put into operation with the approval of the Board of Directors.
- (d) The approval of the Board of Directors has been obtained with a view to making required additional human resources available in order to continue in business with proper internal control and minimum of risk and also putting in place the restructuring arrangements needed for investment. With a view to obtaining the approval required for recruitment of the respective personnel, the request concerning it has been referred to the Department of Management Services. However, up until now, no approval has been granted to meet such requirement in a fitting manner. It is inevitable to have received the approval for necessary human resources for the purpose of implementing these tasks in a well controlled manner. Moreover, the existing employers are being trained in tandem with the current affairs of the business world. Besides, necessary background to secure technical facilities required for the transactions in the secondary market is now being laid.

Furthermore, the Central Bank of Sri Lanka, unlike in the past, issues bonds in the preliminary market every month as at present. Therefore, the opportunity to invest in the bonds direct through the preliminary market has been widened.

- (e) The balance that was lying in the unclaimed death benefits account as at 31.12.2018 was Rs. 12,475,760.37. (Number of claimants of benefits - 987). After the death of the members, there are instances where it is decided that there exists more than one claimant for the member benefits. Reasons such as all the claimants not coming forward at the same time and the difficulties at times for certain persons in submitting sufficient written information (non submission of certificates promptly) lead to the adherence of measures as at present in retaining their dues in the accounts of the Board and making payments only on claims from the persons whose documents have been duly submitted. Accordingly, 05 claimants have been paid out a sum amounting to Rs. 95,711.08 in consideration of the particulars submitted by the claimants of death benefits for the period from January 2019 to April 2019 and the value of liability to be paid to the claimants as at 30.04.2019 was Rs. 12,380,049.29. (Number of applications of death benefits - 982).

The balance of Returned Benefits – Slips Account as at 31.12.2018 is Rs. 7,803,641.66. (Number of beneficiaries - 487). Even though the benefits due to these members have been sent to their bank accounts indicated in their applications for benefits through inter banking payment system, the amount referred to above remained processed following this amount of money returned by the banks due to defectiveness in the bank account particulars of the said applicants has been brought to this account.

Out of these claimants of benefits, a sum amounting to Rs. 3,634,767.60 claimed by 91 claimants of benefits has been paid as benefits from the month of January 2019 to the month of April 2019 and the value of the liability as at 30.04.2019 is Rs. 4,168,874.06. (Number of beneficiaries - 396).

The balance of the unclaimed benefits account (Returned Benefits – Cheques & Welfare) as at 31.12.2018 was Rs. 3,926,732.39. (Number of beneficiaries – 546).

The unclaimed balance of Returned Benefits – Cheques Accounts at 31.12.2018 is Rs. 2,837,883.81. (Number of beneficiaries – 445). Out of these 445 beneficiary applicants, a sum amounting to Rs. 5,391.19 has been repaid to one beneficiary (during the period from the month of January 2019 to the month of April 2019) and the value yet remains to be paid to the unpaid beneficiaries as at 30.04.2019 is Rs. 2,831,492.622. (Number of beneficiaries - 444).

The unclaimed balance of Returned Benefits – Welfare Account as at 31.12.2018 is Rs. 1,088,848.58. (Number of beneficiaries - 101). The cheques dispatched by registered post to 101 beneficiary applicants whose particulars were not available to effect payments of benefits through inter banking payment system are shown as balances in the Unclaimed Benefits Account as a result of such cheques not being deposited in the banks by those beneficiary applicants.

The unclaimed balance of Returned Benefits – Welfare Account as at 31.12.2018 is Rs. 1,088,848.58. (Number of beneficiaries - 101). Out of these 101 beneficiary applicants, a sum amounting to Rs. 99,975.00 has been repaid to one beneficiary (during the period from the month of January 2019 to the month of April 2019) and the value yet remains to be paid to the unpaid beneficiaries as at 30.04.2019 is Rs. 988,873.58. (Number of beneficiaries - 100).

- (f) The investment made in the two companies amounting to sum of Rs. 225,227,541 was a very old one. These two companies have been subjected to liquidation and the cases pertaining to them are still pending to be heard. The Board of Directors has decided to seek approval of the General Treasury to write off the aforesaid balance from the books after having reckoned it as an investment that is unrealizable. The then Ministry of Development Assignments that functioned as the line Ministry at that time in the year 2018 has sought approval for the implementation of such decision having it referred to the Department of Public Enterprises. As the decision of the Department of Public Enterprises has not received by us as yet, action has been taken to refer it to the Department of Public Enterprises again through the Ministry of Labour and Trade Union Relations which is the new line Ministry of the Board as at present.



- (g) A case is pending at the District Court of Colombo for winding up of this Company.

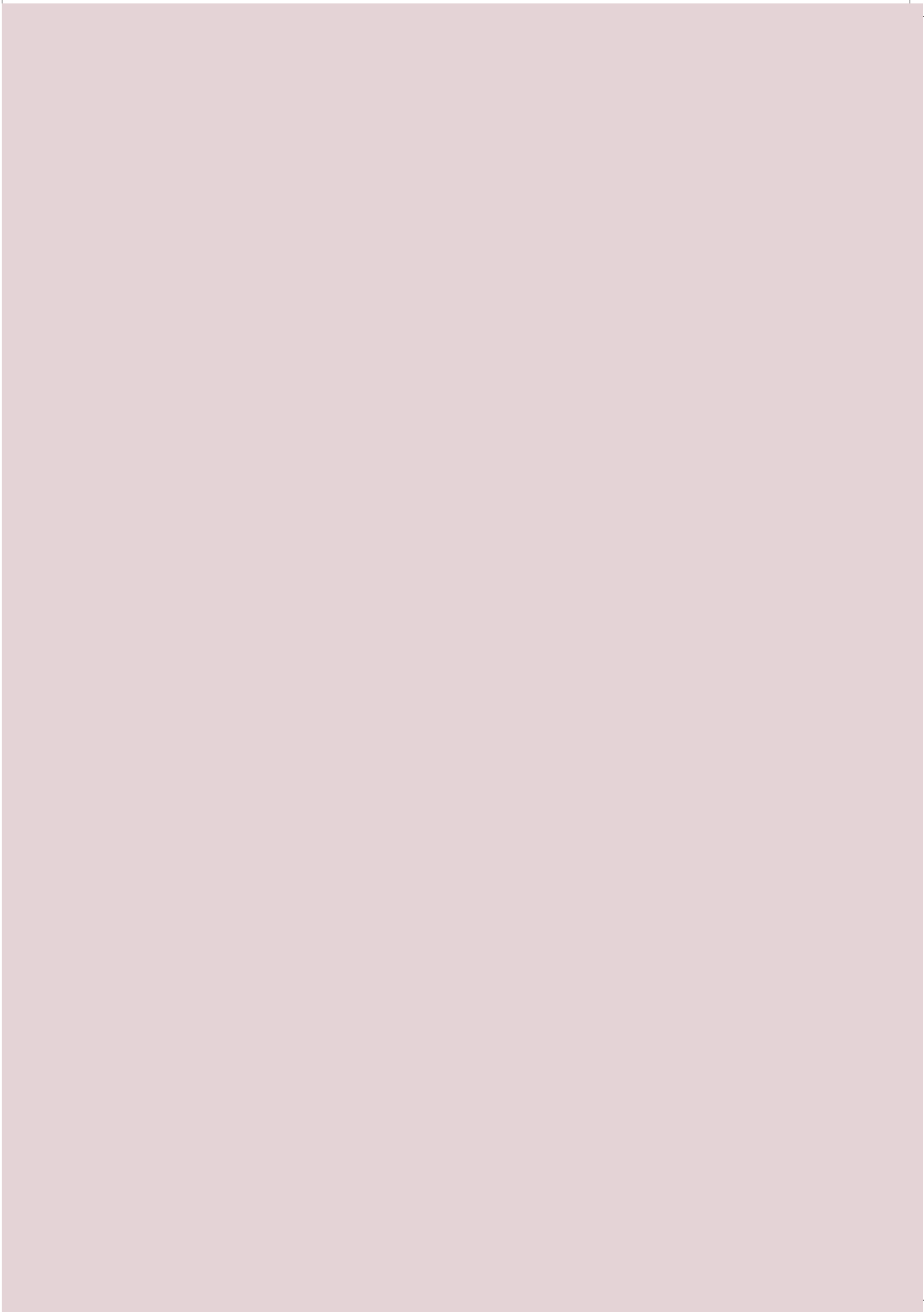
The court order has been received in the year 2008 for winding up of this Company. Thereafter, three petitions in the form of appeals were filed against such order in the superior courts by different parties. Such petitions of appeals have been dismissed by the courts of law. Subsequently, this case was recalled in the District Court on 14.02.2018 for the appointment of a liquidator. Later, this case was called in on 28.03.2018 and action was taken to lay it by until such time the steps are taken to appoint a liquidator by the petitioner. This position remains the same up to date.

The Board is also taking part in this case as one of the intermediary parties. After the finalization of the winding up process, the Board can come to a definite conclusion as to whether there is money available for it have recovered and as to what amount of money that could be recoverable.

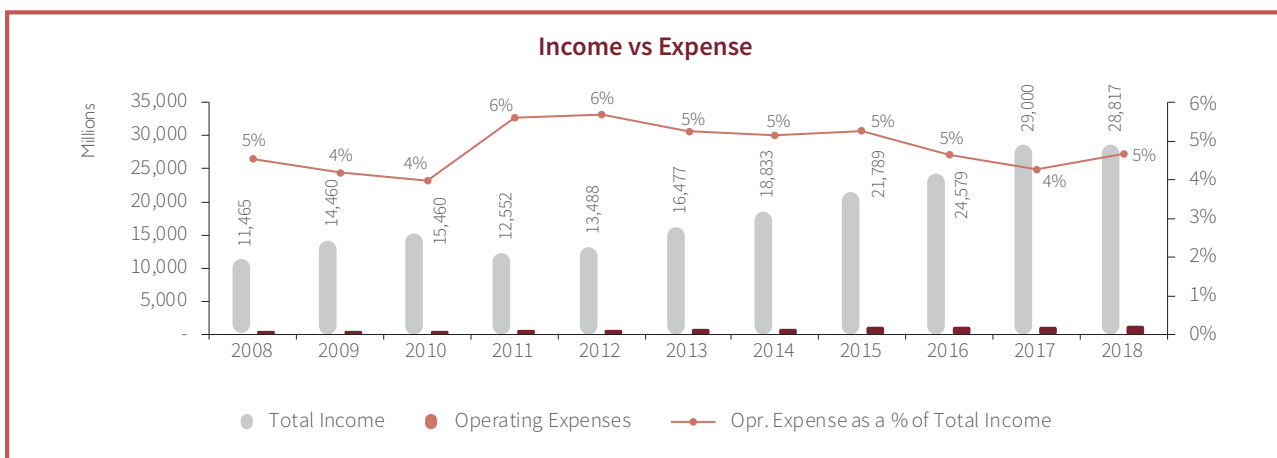
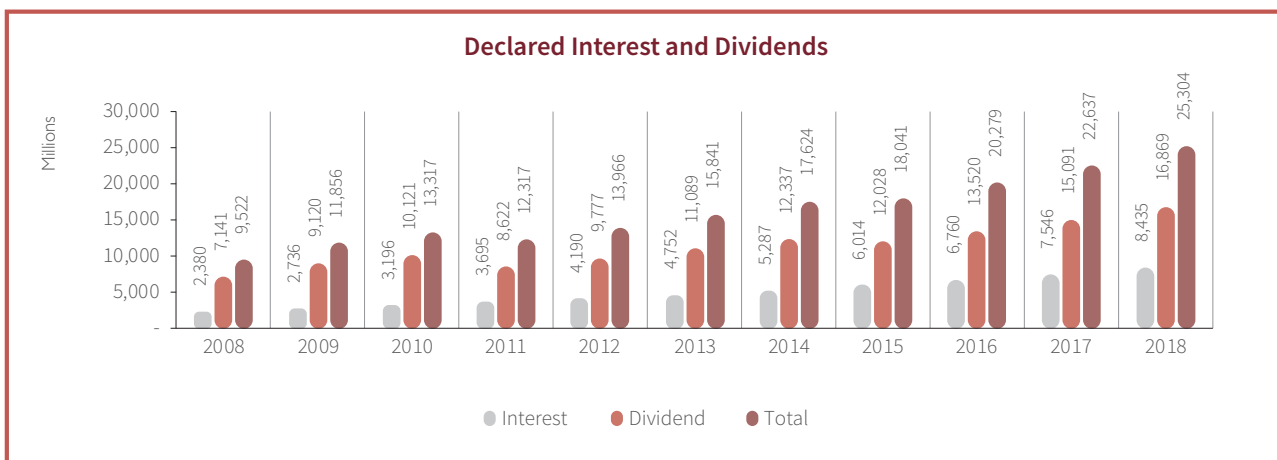
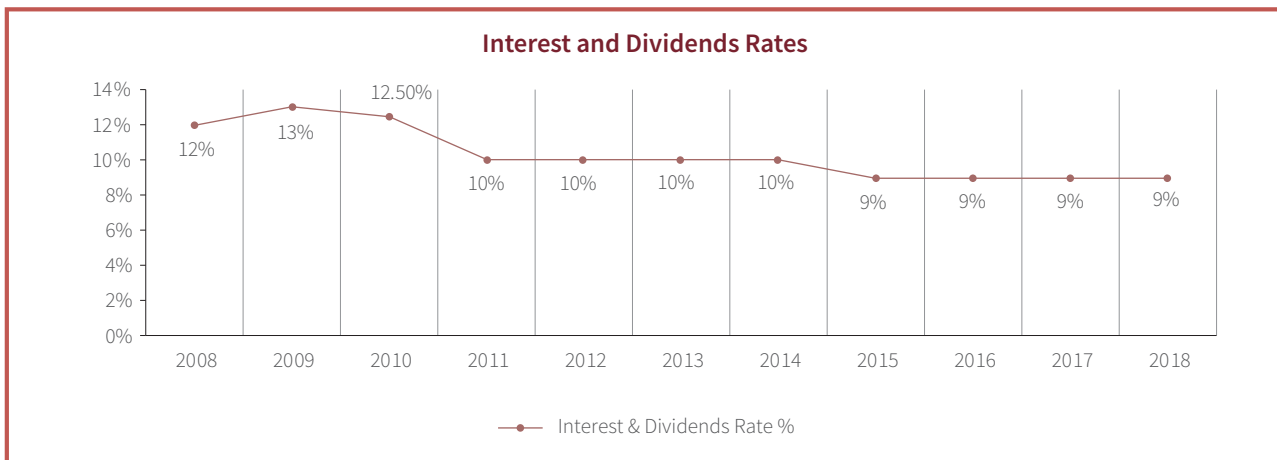
- (h) This is a sum amounting to Rs. 7,512,346 due from Asset and Property Developers Ltd. Already a case has been filed in the District Court of Horana under the Case No. 9109 / Min order to recover such sum of money from them to the Board and the next hearing of the case is fixed for 08.07.2019.
- (i) The 5 Year Scholarship cash payments from the year 2009 were made by the National Savings Bank. Accordingly, the bank has returned to us the monies of the recipients of the scholarships who had not come forward to claim their scholarship grants being present at the NSB. Some of the recipients of the scholarships has been identified and were paid their dues whilst a sum amounting to Rs. 1,315,814.67 meant for 75 scholarship recipients has been retained in the accounts as at 30.04.2019.

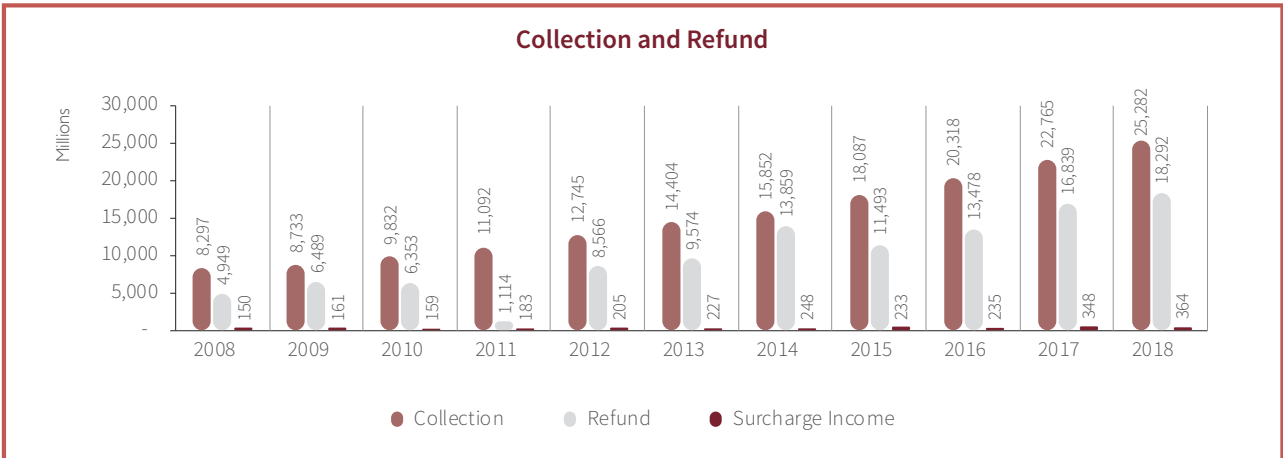
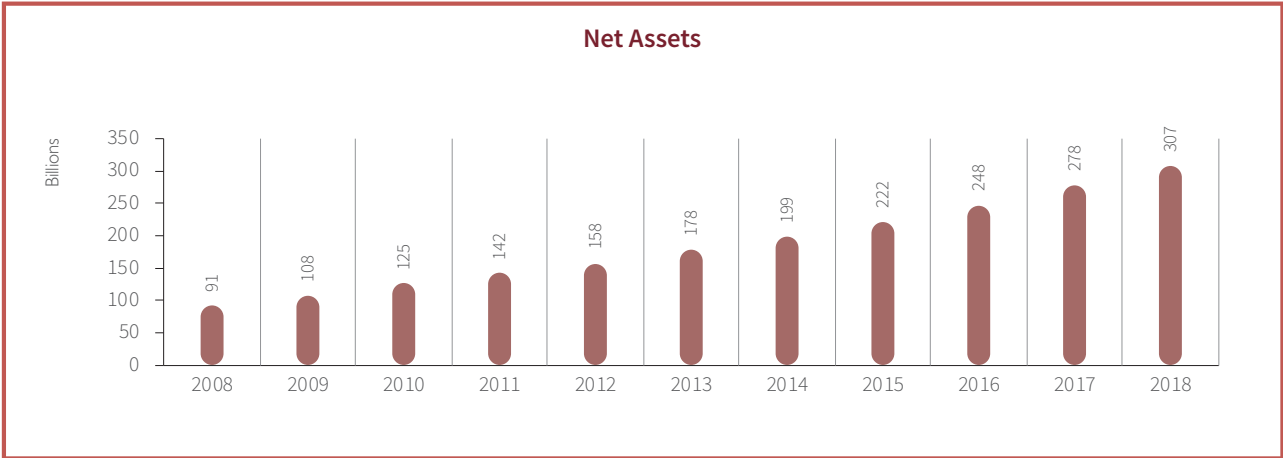
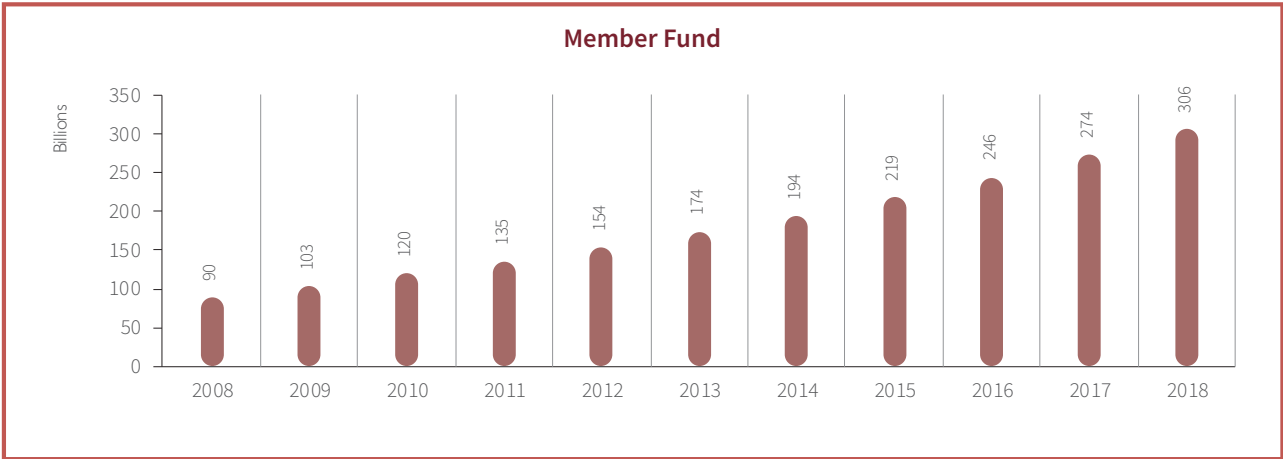


**Mahinda Madihahewa**  
Chairman / Chief Executive Officer  
Employees Trust Fund Board

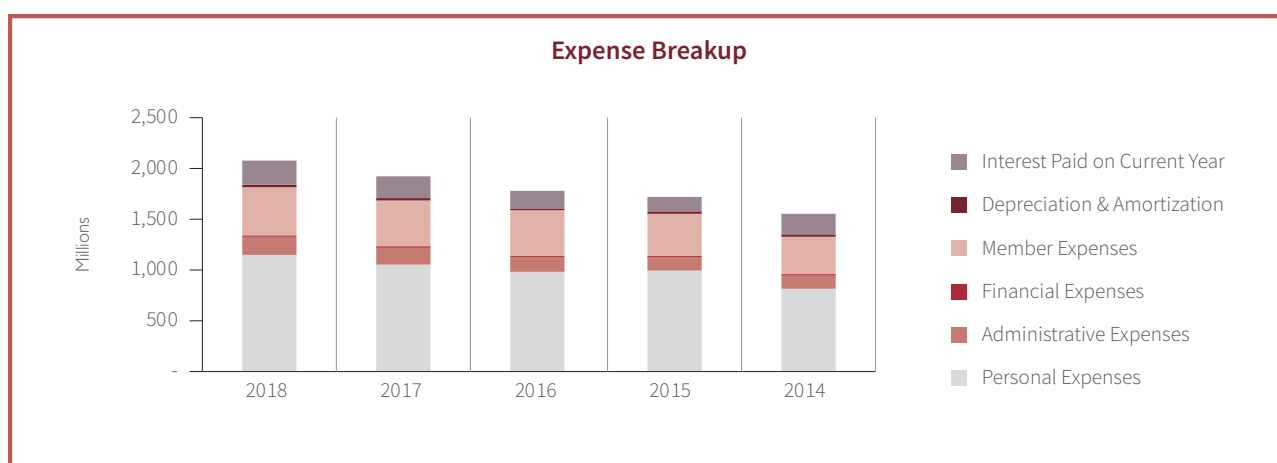


# Statistical Annexure

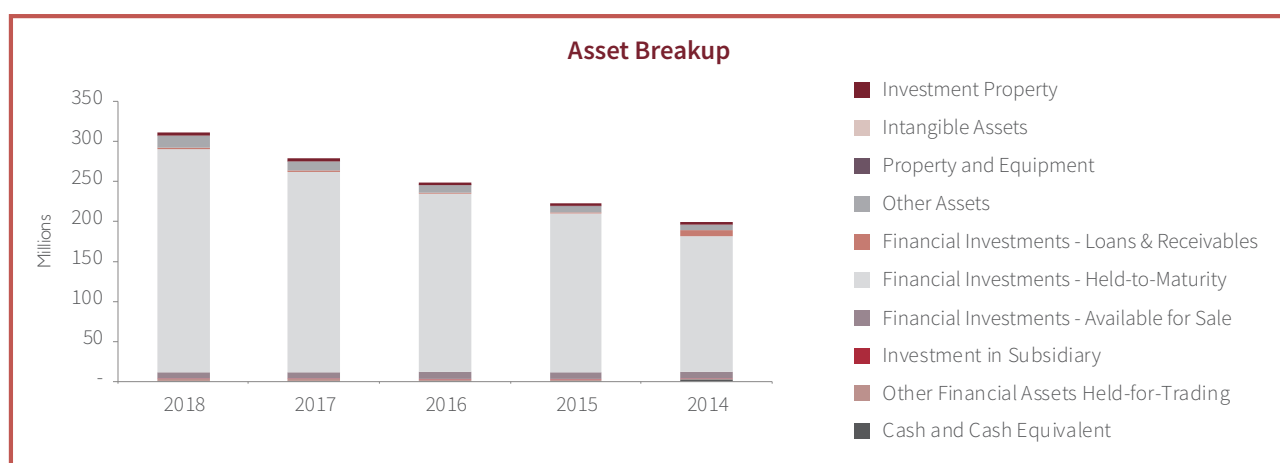




	2018	2017	2016	2015	2014	CAGR
	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)	%
<b>Income</b>						
Interest Income	28,308,981	27,239,114	23,492,350	20,274,204	19,056,836	8%
(-) Interest Expense - 3.0% (As per the Section 22 of the ETF Act)	(8,434,536)	7,545,681	(6,759,768)	(6,013,817)	(5,287,328)	10%
Dividend Income	353,460	373,739	486,194	360,582	309,256	3%
Profit on Sale of Quoted Shares & Units	(307,891)	535,345	68,592	833,850	894,917	181%
Other Income	462,905	851,903	531,650	320,139	317,455	8%
<b>Total Income</b>	<b>20,382,919</b>	<b>21,454,420</b>	<b>17,819,018</b>	<b>15,774,958</b>	<b>15,291,136</b>	<b>6%</b>
<b>Expense</b>						
Personnel Expenses	1,145,011	1,053,611	985,963	994,389	813,000	7%
Administrative Expenses	183,496	167,809	143,887	132,608	134,786	6%
Financial Expenses	5,184	2,401	2,904	1,988	3,041	11%
Member Expenses	488,148	460,603	454,466	429,610	380,512	5%
Depreciation & Amortization	14,219	27,246	15,573	16,896	18,605	-5%
Interest Paid on Current Year	240,937	208,429	173,630	148,737	209,073	3%
<b>Total Operating Expenses</b>	<b>2,076,996</b>	<b>1,920,098</b>	<b>1,776,422</b>	<b>1,724,228</b>	<b>1,559,017</b>	<b>6%</b>
<b>Profit before Taxation</b>	<b>18,305,923</b>	<b>19,534,322</b>	<b>16,042,596</b>	<b>14,050,730</b>	<b>13,732,119</b>	<b>6%</b>
Income Tax Expenses	3,962,242	2,705,842	2,394,498	2,060,646	1,947,132	15%
<b>Profit after Taxation</b>	<b>14,343,681</b>	<b>16,828,480</b>	<b>13,648,098</b>	<b>11,990,084</b>	<b>11,784,987</b>	<b>4%</b>



	2018	2017	2016	2015	2014
	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)
<b>ASSETS</b>					
Cash and Cash Equivalent	738,070	743,124	614,332	841,949	2,653,133
Other Financial Assets Held-for-Trading	2,886,959	2,497,955	1,955,837	1,829,018	733,167
Investment in Subsidiary	470,961	470,961	470,961	470,961	470,961
Financial Investments - Available-for-Sale	7,563,896	7,858,744	9,209,233	8,502,967	8,121,823
Financial Investments - Held-to-Maturity	278,753,875	250,616,892	222,454,509	198,320,192	169,651,791
Financial Investments - Loans & Receivables	1,869,752	1,782,340	1,343,876	1,336,538	7,535,296
Other Assets	14,713,208	11,050,045	9,244,193	7,865,283	6,512,779
Property and Equipment	218,161	173,586	176,378	173,144	187,008
Intangible Assets	102	140	192	266	369
Investment Property	3,812,500	3,812,500	3,400,000	3,200,000	3,200,000
<b>Total Assets</b>	<b>311,027,484</b>	<b>279,006,286</b>	<b>248,869,511</b>	<b>222,540,319</b>	<b>199,066,327</b>
<b>Liability and Equity</b>					
Current Tax Liabilities	2,712,824	211,536	81,082	33,582	68,330
Other Liabilities	540,858	382,660	304,104	351,851	267,841
Provisions	336,977	81,910	87,841	213,754	76,923
<b>Total Liabilities</b>	<b>3,590,659</b>	<b>676,106</b>	<b>473,027</b>	<b>599,187</b>	<b>413,094</b>
<b>Total Equity</b>	<b>307,436,826</b>	<b>278,330,180</b>	<b>248,396,485</b>	<b>221,941,132</b>	<b>198,653,233</b>
<b>Total Liabilities and Equity</b>	<b>311,027,484</b>	<b>279,006,286</b>	<b>248,869,511</b>	<b>222,540,319</b>	<b>199,066,327</b>





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## Other Annexure

