



சமீப காலத்தில் இது ஒரு சிறந்த அறிக்கை ஆகியும்
தேசிய கொள்கைகள் மற்றும் பொருளாதார அலுவல்கள் அமைச்சு
Ministry of National Policies and Economic Affairs



சேலா கிழங்குதயல்லை ஈர் அர்ஜிட்டுர் இஸ்விருட
ஊழியர் நம்பிக்கை பொறுப்பு நிதியச் சபை
Employees' Trust Fund Board



Ministry of National Policies and Economic Affairs



EMPLOYEES' TRUST FUND BOARD

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CORPORATE PROFILE

The Employees' Trust Fund was established on 1st March 1981 under the provisions of Employees' Trust Fund Act No. 46 of 1980. The Fund is administered by the Employees' Trust Fund Board and at present the ETF Board is functioning under the Ministry of National Policies and Economic Affairs. The provisions of the Act shall apply to every state & private sector undertaking belonging to any class or category of state or private sector undertaking as is specified in an order made by the Hon. Minister and published in the Gazette. Self-employed persons and migrant workers also could contribute to the Fund on their own and obtain membership. At present the active membership of the fund is approximately 2.4 Million and covered by 76,674 employers. The value of the members fund was about Rs. 218.5 Billion as at 31st December 2015. To decentralize the ETFB activities and to provide a better service to its members the ETFB introduced a Branch Network in 1995.

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.



BOARD OF DIRECTORS

The Board of Directors of the Employees' Trust Fund as at the end of 2014 was as follows:

Mr. Mahinda Madihahewa

Chairman/CEO

Appointed by the Minister of
National Policies and Economic Affairs

Mr. P B Madagedara

Working Director

Appointed by the Minister of
National Policies and Economic Affairs

Mr. Nihal Fonseka

Director

Appointed by the Minister of
National Policies and Economic Affairs

Mr. K S Kurukulasinghe

Director

Appointed by the Minister of
National Policies and Economic Affairs

Mrs. Champa Balasooriya

Director

Appointed by Minister of Finance

Mrs. Shietha Senaratne

Director

Trade Ministry Representative

Mr C L K P Jayasooriya

Director

Representative of Employers' Federation of Ceylon

Mr. P Ranawakaarachchi

Director

Trade Union Representative



SENIOR MANAGEMENT

DEPUTY GENERAL MANAGERS



Mrs. R N Gnanasekera
(Investment)



Mr. W S Dissanayake
(Member Services)



Mr. L H Nihal
(Administration & Human Resources)



Mr. K S Weliwita
(Internal Audit)



Mr. N W Wimalaweera
(Finance)



Mr. W Sooriyaarachchi
(Collection & Employer Relations)

SENIOR MANAGEMENT

ASSISTANT GENERAL MANAGERS



Mr. C Mallikarachchi
(Member Accounts)



Mr. H M Seneviratne
(Member Services)



Mr. M S Dissanayake
(Self Employment)



Mr. M A K Aluthgamage
(Finance)



Ms. H A Y R Fernando
(Contribution Collection)



Mr. A J M S Jayasundara
(Enforcement - Region ii)

OUR VISION

A Dynamic and Viable Premier Trust to enhance Quality of life and standard of living of members

OUR MISSION

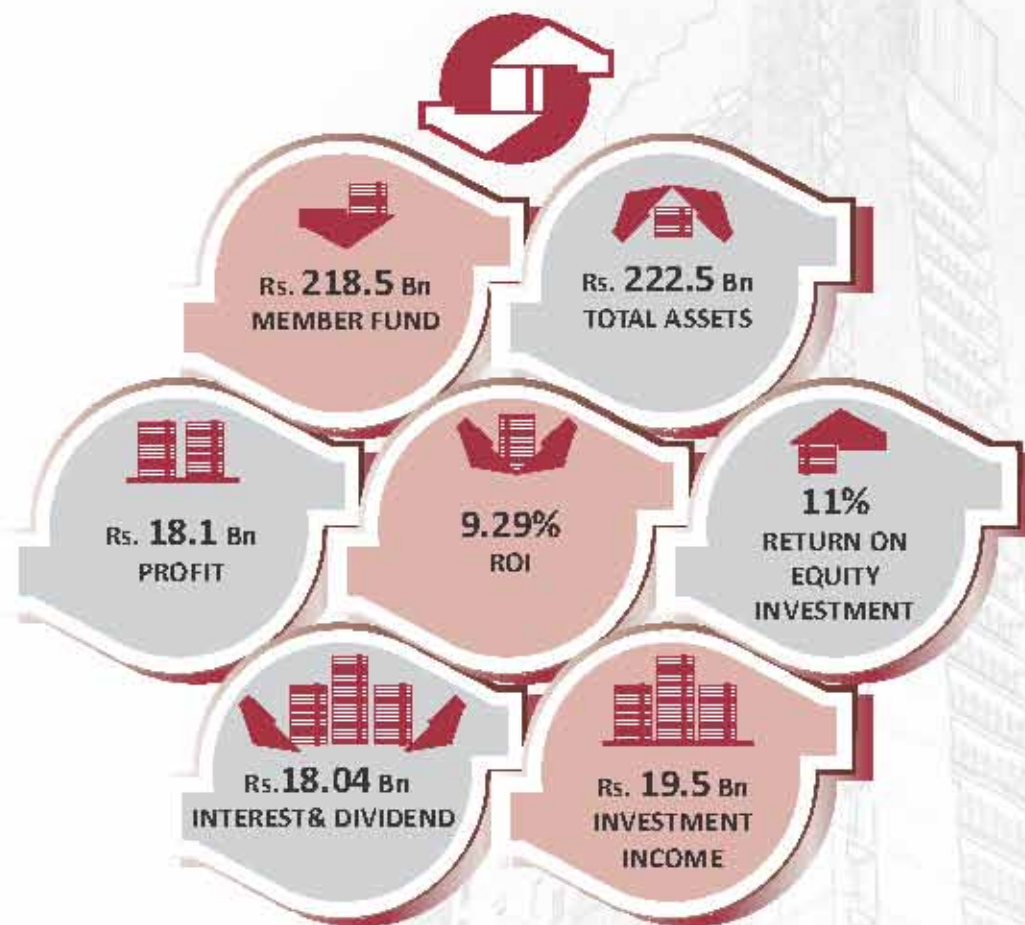
“To enable members to prosper, through policies, systems and processes with accountability to stakeholders, emphasizing excellence in customer care and service to fulfill expectations of the society”

VALUES

- Creative, Innovative and committed staff
- People friendly working environment
- Supportive Policies and Processes
- Excellent Systems and Procedures
- Sound Finance and
- Delighted Customers



FINANCIAL HIGHLIGHTS - 2015



FINANCIAL REVIEW

The ETFB, which accounted for about 1.65 percent of the assets of the Financial Sector, with its increase in net contribution.

Investment Income grew by Rs.1.0 billion to Rs.19.5 billion in 2015 when compared to Rs.18.5 billion in 2014. Profit before tax increase to Rs.18.1 billion from Rs.17.2 billion in 2014.

The ETFB had a total asset value of Rs.223 billion as at end of December 2015, and has about 12.5 million accounts, of which, about 2.4 million are active. The ETFB had 76,674 employers contributing to the fund as at 31st December 2015. Total Contribution increased to Rs.18.1 billion in 2015 from Rs.15.9 billion in 2014 while refunds made to members decreased to Rs.11.5 billion in 2015 from Rs.13.9 billion in 2014.

The net contribution in year 2015 was Rs.6.6 billion where as it was Rs.2 billion in year 2014. It is an increase of Rs.4.6 billion when compared to year 2014. The total assets own by Employees' Trust Fund Board and it is an increase of 11.8%. The members fund in the ETFB increased to Rs.218.5 billion in 2015 from 193.9 billion in 2014.

MILESTONES FROM 1981 TO 2015



1986

Death Benefit Scheme :
Rs.100,000/=



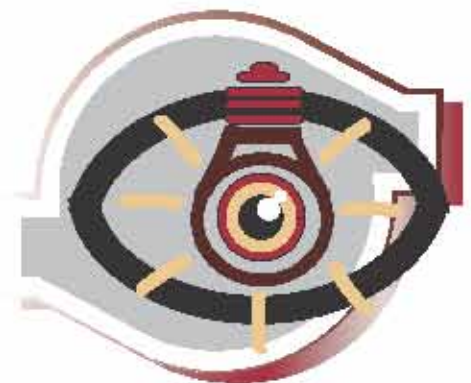
1989

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



1991

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



1992

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

Year 5

1994

Death Benefit Scheme
 Permanent Disability Scheme
 Financial Assistance for Heart Surgery
 Reimbursement of Intra-ocular lens
Year 5 Scholarship
Rs.15,000/= - 7,000 Scholarships

1997

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



2002

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

2006

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

Financial Assistance from Kidney Transplant Surgery Rs.300,000/=



2010

Death Benefit Scheme
 Permanent Disability Scheme
 Financial Assistance for Heart Surgery
 Reimbursement of Intra-ocular lens
 Year 5 Scholarship
"Shramasuwa Rekawarana" Hospitalization Scheme
"Viyana" Housing Loan Scheme
 Financial Assistance from 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/=

ORGANIZATION REVIEW

The Employees' Trust Fund was established by the Act No. 46 of 1980 Commenced operations in March 1981.

The Employees' Trust Fund Board (ETFBoard) at present has a conventional organization structure geared to play the role of a Trustee and a Fund Manager 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 programme 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.

Accordingly, a comprehensive organization structure has been developed to ensure the smooth functioning of the organization.

CORPORATE GOVERNANCE

Philosophy of Corporate Governance is institutionalized at all levels in ETF Board by establishing a strong set of corporate values, a written procedure and policies and a Board who lead by example.

The Board of Directors of ETF Board is committed and takes responsibility to maintain the highest standards of Corporate Governance. The Board corporate governance practices ensures that the Board delivers promised value to all its stakeholders. The Corporate Governance philosophy of the Board practiced to the focusing in compliance with the following:

1. ETF Act No. 46 of 1980
2. Public Enterprises Guideline for good governance by the Department of Public Enterprises
3. The Code of Best Practice on Corporate Governance by the Department of Public Enterprises
4. Sri Lanka Accounting and Auditing Standard Monitoring Board Act.
5. Procedure Manual and Policies of the Board

Director Board

The Board is headed by a Director Board who are responsible in the stewardship of the enterprise on behalf of the Government and its stakeholders.

Board composition

The Board comprises of Nine Directors including:

- Four members nominated by the Minister
- One member nominated by the Minister in charge of the subject of Finance
- One member nominated by the Minister in charge of the subject of Trade
- One member nominated by the Employer Federation of Ceylon; and
- Two members nominated by the Minister in consultation with the executive of every Trade Union having more than 100,000 members.

The Corporate Governance practices are initiated at all levels in Employees' Trust Fund Board through its Vision, Mission, Corporate Values, Corporate Goals and Objectives and by written procedure and policies in Financial Administration, Investments, Procurements etc.

Role of the Board of Directors

The Board of Directors is responsible to ensure that the ETF Board is conducted its affairs efficiently and effectively in line with Government Policies. This need to achieve whilst protecting resources, maintaining proper accounts, ensuring that accurate reports are maintained and all statutory and other regulatory requirements relating to management are complied with.

The Board ensures the strategic direction of the Enterprises are in place and lead the Institution for the achievement of strategic goals. The Board regularly oversee that an effective system of internal controls and risk management is in place, management functions of the institution are effectively operating, Resources and assets are utilized effectively. The Board assesses the performance of the GM and the Senior Management Staff annually and provides sufficient reporting's to stakeholders on financial aspects and disclosures necessary such other on a regular basis. The responsibility of appointing the Audit and Management Committee and Investment Committee rests with the Board. The Board ensures that all the Board proceedings are in conformity with relevant statues, guidelines, circulars ect. by the Government while avoiding any conflict of interest. The Board also seek to ensure that good governance framework is in place to promote transparency, fairness and accountability within the entity.

Appointment to the Board

Members of the Board and the Chairman of the Board are appointed as stipulated in the Act.

The Duties, rights and responsibilities of Board Members are specified in a letter of appointment signed by the appointing authority and accepted by the Board Members.

Chairman

The Chairman is supposed to provide clear and distinct leadership to the Board. The Chairman roles as the important link in the entire governance structure and lead the enterprise in the right direction as the Chief Executive Officer. The chairman ensures the prevalence of Corporate Governance, equal treatment for all directors, a clear division of responsibilities and facilitates balance of power and authority. He chairs all the Board Meetings ensuring that proper proceedings are followed at the meeting. He plays a supervisory role rendering maximum input in his specialized areas of knowledge while refraining from engaging in operational activities. He also encourages all directors to pay a proactive role in managing the enterprise.

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. He provides guidance on the responsibilities, rules and regulations impacting the operations of the Board and advice and assist all Board Members.

General Manager and the Senior Management.

The responsibility for the Management of the operations of the Enterprise lies with the General Manager and the Senior Management. They are responsible for the effective implementation of decisions taken by the Board of Director's. The General Manager and the Senior Management team provide information and necessary clarifications to the Board to enable well considered decision. They formulate operational plans and budgets and maintain systems, procedures and controls towards effective management of the enterprise while achieving the Board Objectives and Goals.

Financial Reporting.

Board is responsible for the preparation of Annual Financial Statements including true and fair view of its position and performance annually. The preparation and presentation of Financial Statements are in line with the Sri Lanka Financial Reporting Standards. Full disclosure and transparency is enforced within the enterprise to provide the Board of Directors, the General Manager and Senior Management with timely and reliable information required by them to fulfill their responsibilities effectively.

Annual Audit

The Annual Audit of the Board is conducted by the Auditor General. The External Auditor is precluded from providing consultancy or any other services to the company that might compromise its impartiality and independent judgment on its audit of the enterprise.

Board Committees

Certain functions of the Board have been delegated to Board Committees.

CHAIRMAN'S MESSAGE

Employees' Trust Fund Board, one of the largest social security Funds available for masses of working people which is only second to the Employees' Provident Fund.

This fund was established on 01st March 1981 for Private and Semi Government Employees. There are 10 benefit schemes are operating in focusing education, health and housing for the members in addition to the payment of interest and dividends. The member are able to fulfill many essential needs out of these benefits and this fund had grown further as a unique fund that provides benefits for the dependants of the members.

In year 2015, restructuring programme of the institution was commenced in order to increase the member fund and provide efficient and effective service to the members. Accordingly, 05 special units were established to address number of issues that had been continued from a long period. Special Investigation Unit (SIU) for contribution collection and promotion, Customer Care Unit (CCU) called "Sahana Piyasa" to provide timely and effective service for the members were set up.

A solution was given for a major issue by settling up a Member Accounts updating unit in order to update some of member accounts that had not been entered to the system since 1981.

It is a milestone that establishing of Planning, Research and Development Unit (PRD) for planning of future affairs of the Board proper manner and statistics Division for analyzing statistics in order to perform planning work effectively.

It was planned to install a modern computer system with financial assistance of Information and Communication Technology Agency (ICTA) in order to re-engineer issues and limitations that are remaining in the present computer system which are older than 15 years.

In focusing of accelerating field inspection work to increase the coverage of contribution collection, initiatives have been taken to start ETF Inspection System Application (EISA) project with technical assistance of International Labour Organization (ILO)

It is great pleasure for me to initiate local and foreign training programs for the staff after identifying the impotence of human resource development. Further the productivity development concepts which already introduced in every sections will improve the efficiency and quality of the service provide to the public.

In year 2015, we had 2.5 million contributing membership covering 76,674 Employers. The fund also grew upto Rs.218.5 billion. It is tremendous to record 14.1% growth in contribution collection over the previous year. For the year 2015, it was able to earn net profit of Rs.18,034 million which is an increase by Rs.552 million when compared to the Budget estimates.

The team work, commitment to work with determination of the entire staff of the Board drives towards the achievement of this progress while solving problems. The dedicated commitment displayed by staff is commendable and I wish to convey my sincere thanks to them.

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



REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2015

The Board of Directors of the Employees' Trust Fund Board takes pleasure in presenting to all its members the Annual Report and audited Financial Statements for the year 2014.

The Employees' Trust Fund Board which is functioning under the Ministry of National Policies and Economic Affairs was established under ETF Act No.46 of 1980 and commenced its operations on 1st March, 1981. The Board has by now completed 34 years of service to all members.

Main Achievements during the year

The Board recorded considerable progress and had many significant achievements during the year 2015. Some achievements are highlighted below.

1. The total Contributions from employers for the year was Rs. 18 Billion which was an increase of Rs.2.1 Billion than the previous year.
2. The total Investment income was Rs.19.5 Billion during the year compared to Rs.18.4 Billion in 2014 showing an increase of Rs.1.0 Billion while the value of the investment portfolio increased from Rs.186 Billion to 210 Billion at the end of the year.
3. The Board earned a net profit of Rs.18.0 Billion compared to Rs. 17.1 Billion in the previous year while Rs. 18.0 Billion was distributed to members at the end of the year as interest and dividends.
4. The total net asset value of the Fund exceeded Rs.223 Billion at the end of the year.
5. Board was able to declare a total rate of 9% to its members as interest and dividend for 2015. (See Graphs 1 & 2) This was an attractive rate compared to the rates offered by Banks/Financial Institutions to its customers.
6. The operating expenses of the Fund which was 5.15% in 2014 increased to 5.8% during the year 2015. However, the Board has maintained the operating expenditure level as expected. (See Graph 3)
7. The Regional office network continued to function effectively during the year with special attention focused on recovering of outstanding contributions and surcharges and legal dues.

8. The decentralized claims payment programme is continued with Ampara, Kandy, Matara, Badulla and Kurunegala Regional Offices successfully and payment of express claims also stated in Kandy and Kurunegala Regional Offices.
9. In addition to the monthly contribution payments made by cheque at Head Office by employers, payment could also be made through our Regional Office network and at our Collection Office at Bank of Ceylon, City Office.
10. As a result of awareness programs conducted for employers, an encouraging progress have by Jaffna Regional Office which was established in year 2010 by maintaining average monthly contribution collection close to 10 million and 1600 employers.
11. At present nearly 3266 employers are making their contribution payments through internet banking which is close to 37% of total contribution.
12. Awareness programs have been conducted in 05 districts.
13. Under the enrolment programme of self employed persons during 2015, it was able to enroll daily farmers in coordination with MILCO and small scale leather product procedures who were trained in Industrial Development Board.

In addition to this action will be taken to enroll draftsmen, horticulture producers, ornamentals fish producers, pre-school teachers, entrepreneurs in contractors, industry Bus owners, Drivers and conductors and Three Wheel Drivers etc and it was able to increase membership and member contribution for year 2015 to 39,099 and Rs.43 million respectively.

14. High priority is given to human resource development and action has been taken to improve capacity, attitudes, and knowledge by conducting work shops, seminars, training programs etc for various level of staff members. Further union members of the staff were given training for their respective fields. During this year the top management were given opportunity to get foreign training exposure.
15. The Industrial relations between the Management and Trade Unions continued to be cordial and healthy while such relationships greatly assisted in the progress made by the Board in all functional areas during the year.

The Principal activities of the Board continued as follows during 2013.

Principal Activities

Employer Contributions and Members Accounts

The Contribution Collection Section is responsible for collection of employer contributions and effective/timely banking of such contributions. Similarly the Member Accounts Section is responsible for updating individual member accounts and issuing of Annual Member Statements to members.

In order to provide an effective and efficient service to members the, Employers who contribute to the Fund have been categorized as larger category and smaller category employers. Larger category employers have more than 15 employees while smaller category employers have less than 15 employees.

A total of 8,607 new employers commenced contributing to the Fund during the year 2015 and thus the total number of employers contributing to the Fund at the end of the year 2015 had increased to 76,674. Similarly the total contributions received from the employers in respect of their employees during 2015 was Rs. 18.0 Billion compared to Rs. 15.9 Billion in 2014. (See Graph 4) Further, the value of the Member's Fund increased from Rs. 193.8 Billion to Rs.218.5 Billion at the end of the year under review. (See Graph 5)

Member Benefits and Welfare Benefits

The Claims Section is responsible for the acceptance of refund and benefit claims and speedily processing and paying of such claims to the members.

Additionally the Member Services Section is responsible for providing information to the members regarding their rights and benefits from the Fund. It also provides awareness to Employers of their responsibility in making timely remittances of contributions on behalf of their members. Such work is carried out frequently by organizing various awareness programs at the requests of institutions, trade unions, professional associations and also by educating the public at various forums.

During 2015, 162,983 refund claims were processed and the total amount paid was Rs. 11.6 Billion. Comparatively during 2014, 183,928 Claims were processed and the value was Rs.14 Billion. During the year the average amount paid per claim decreased to Rs.71,421 from Rs 76,496 in the previous year. (See Graph 6). During 2015, 3,421 benefit claims were processed and the total amount paid was Rs.209 Million. Comparatively during 2014, 3,974 claims were processed and the value was Rs.180 Million. Rs.116 Million was deposited in People's Bank in year 2015 on behalf of the 7,440 children of members who had passed the Year Five Scholarship Examination.

Rs.20.6 Million had been paid to 1,781 Children of ETF members who had passed the GCE (A/L) Examination in year 2015, as assistance for their higher education. (See Graph 07)

The 10 benefit schemes operated by the Board for its members are as follows:

1. Automatic Life Insurance Benefits: Maximum Rs. 100,000/-
 2. Financial Assistance for Heart Surgery: Maximum Rs.300,000/-
 3. Financial Assistance for Kidney Transplants: Maximum Rs 300,000/-
 4. Total & Permanent Disability Benefits: Maximum Rs 200,000/-
 5. Reimbursements of cost of Intra-Ocular Lens: Rs 18,000/- for both eyes
 6. Financial awards for Year Five Scholarship holders (Children of ETF Members) - 9000 Scholarships of Rs 15,000/- each annually.
 7. "Shramasuwa Rekawarana" Hospitalization Scheme: Rs 25,000/- per year Maximum (Rs 50,000/- for life time).
 8. "Viyana" Housing Loan Scheme with concessionary interest + rates.
 9. Year Five Scholarships for children of ETF members who had to terminate employment due to permanent disability.
 10. Financial grant for children of ETF members who passed GCE (A/L) - 5,000 Scholarships of Rs 12,000/- each annually.
- The convenience of the members who require money urgently the express claim service is continuing.

Maintenance of Member Accounts

The Member Accounts Section is responsible for updating individual member accounts and issuing of Annual Member Statements to the active members.

The total number of active and inactive accounts of the fund as at the end of the year was approximately 12.4 Million. The fund maintains member accounts for all the active and inactive members.

12,182,280 member accounts were updated up to year 2014 at the year end 2015 and it is approximately 95% of the total estimated number of member accounts. Out of these accounts 9,881,300 were inactive while 2,300,980 member accounts were active and on whose behalf Annual Member Statements were issued to the respective employers during the year.

Investments

The Investments portfolio grew from Rs.186 Billion to Rs.210 Billion in 2015 which is an increase of 11% over the previous year.

During the year 2015 the Board strictly followed the guidelines of the investments policy and obtained a reasonable return whilst protecting the capital.

A major portion of the portfolio amounting to Rs.192 Billion (91.5%) was invested in Government Securities and Rs.3 Billion (1.3%) invested in Government Guaranteed Fixed Income Instruments whilst Rs.10.8 Billion (5.1%) invested in equities and Rs.4.2 billion (2.0%) in other investments. (See Graph 8)

The Board has earned a profit of Rs.1,194 Million on shares by way of dividends and capital gains as compared to Rs.1,204 Million in the previous year.

As stated earlier, during the year 2015, ETF yielded an investment income of Rs.19.5 Billion as against Rs.18.4 Billion in 2014 which was an increase of Rs.1.1 Billion.

Collection & Employer Relations

The main functions of this Division include collection of contribution through legal and enforcement activities, detection of defaulters and enrolment of members to the Employees' Trust Fund Board in accordance with our Act and Collection procedure using our 17 Regional Office network situated islandwide engaging 332 staff members.

When compared to previous year, the members of Employers were increased upto 76,674 due to the inspection carried out covering all districts through 17 Regional Offices. The operation work and monitoring were carried out successfully through IT network of the Board. Accordingly it was able to increase contribution by Rs.2,641 million in year 2015 over the year 2014.

The contribution payments and remitting of members details through online banking was successfully implemented with Commercial Bank, Bank of Ceylon, Peoples Bank, Sampath Bank and Hatton National Bank and such collection were over 27.5% of total contribution.

It was able to increase compliance rate in year 2105 when compared to year 2014 due to the awareness programs conducted through Regional Office on regular basis.

Further, in year 2015 the in-house and one day training programs and work shops on labour laws and regulations which are relevant to entire labour force were conducted for Regional Managers and field officers and from such programs Regional Office staff were able to improve their theoretical and practical knowledge.

Administration/Human Resources

During the year under review, 16 numbers of persons left the service of the Board due to retirements, resignations, terminations etc. In addition 7 numbers of staff members were promoted to higher Grades. By end of the year the total employees of the Board were 929.

As in the previous year, the staff at all levels were granted opportunities to undergo training in their relevant fields in order to improve productivity, performance and attitudes which helped contribute immensely for the progress made by the Board during the year. Special attention was given to train the relevant staff in the IT Division while equal emphasis was given for the improvement of language skills. The Senior Management was also exposed to relevant Training programs to enhance their capabilities.

Finance

The Finance Division is responsible for overall financial functions of the organization.

Monitoring and recording of all revenue and expenditure of the Board, all staff and suppliers' payments and preparation of Monthly and Annual Accounts, progress Reports, Annual Budget, Annual Dividend determination and other Management Information, continued to be performed by this Division.

In addition to the above, co-ordinating and preparation of the Board's Corporate Plan, Action plan, Annual Report, Observations on Audit Queries, Financial information to external agencies and other financial documents are handled by this Division.

Internal Audit

The Internal Audit Division is responsible for maintaining the internal control process of the activities of the Board while ensuring that the operations lead to enhanced financial and operations discipline. The Audit Committee co-ordinated by the Internal Audit Division met quarterly and discussed any shortcomings within the operations systems and monitored rectification action. Also the Internal Audit Division largely focused attention on monitoring the release of claims/benefits of the members which represents a significant percentage of the outflow of the Fund. Further, the Internal Audit team visited selected Regional Offices during 2015 and reported on all major operations. The Internal Audit Division also played a major role in the modification of software modules by the IT Division by providing advice on specific issues from the Audit angle. The Internal audit plan for the year under review was also carried out successfully and special investigations were also performed by this Division.

Technology

The entire operational activities of the Board such as Member Accounts, Collections, Member Services, Legal & Enforcement are operated using information technology. These activities are functioning under main computer system of the institution called Member Administration Software System (MASS). Further the activities of the Finance and Administration also carried out using computer software packages. Hence, at present almost all the sections of the organization use information technology for their operations. In order to decentralized Member Services activities, the main computer system of the Board is linked with Regional Office network using IPVPN technology. The Online Banking facility had been provided through 5 Commercial Banks by year 2015 to remit member contributions and submit member details. Further intranet facility is used to exchange information among Divisions and Regional Office of the Board. Accordingly, it is intended to introduce new technology for the activities of the Board to provide efficient service for the members and employers in future as well.

Amendments to the ETF Act

The ETF Act was not amended since 1993 and the Management decided that certain amendments to the Act were necessary in keeping with the current requirements and developments. A special sub committee consisting of Board Members and Senior Officials studied the required amendments to the Act and made recommendations to the Board of Directors. The proposed amendments were approved by the Board and sent to the Secretary, Ministry of Finance & Planning. Concurrently these amendments were also referred to the National Labour Advisory Committee (NLAC) for study and comments. These proposals are being finalized at NLAC. Thereafter, this has been sent to the Ministry of National Policies and Economic Affairs to be forwarded to the Cabinet for the approval.



The image shows a close-up of a person's hands writing on a financial statement document. The document is open, and the person is using a pen to write on it. The document contains various financial terms and dates, such as "Balance Sheet as at December 2014" and "Income Statement for the year ended 31 December 2014". The text is partially obscured by the hands and the pen. The overall scene is set against a light background with a red vertical bar on the left side.


FINANCIAL STATEMENT 2015

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF INCOME
FOR THE YEAR ENDED 31st DECEMBER

	Notes	2015 (Rs:000)	2014 (Rs:000)
Income			
Interest Income	1	18,318,740	17,311,835
Dividend Income	2	360,582	309,256
Gain / (Loss) on Financial Assets at Fair Value through Profit / (Loss)	3	833,850	894,917
Other Income	4	320,139	317,455
Total Income		19,833,312	18,833,463
Expense			
Personnel Expenses	5.1	994,389	813,000
Administrative Expenses	5.2	132,608	134,786
Financial Expenses	5.3	1,988	3,041
Member Expenses	5.4	429,610	380,512
Depreciation of Property and Equipment		16,896	18,605
Interest Paid on Current Year		148,737	209,073
Total Operating Expenses		1,724,228	1,559,014
Profit before Taxation		18,109,084	17,274,449
Income Tax Expenses	6	105,183	202,131
Profit after Taxation		18,003,901	17,072,318
Adjustment to the Current Year Profit		30,073	59,941
Adjusted Profit for the Year		18,033,974	17,132,259
Retained Profit B/F		1,486,827	33,559
Transfer to Available for Sale Financial Instrument Reserve		(1,468,737)	-
Transfer from Dividend Equalization Reserve Fund		-	515,000
Profit Available for Appropriation		18,052,064	17,680,818
Less: Proposed Apportionment - Interest 3.0%		6,013,817	5,287,328
Dividend 6.0%		12,027,634	12,337,098
Profit After Appropriation		10,613	56,393
OTHER COMPREHENSIVE INCOME STATEMENT			
Transfer to Available for Sale Financial Instrument Reserve		60,425	1,468,737
Actuarial Gain/(Loss)		(29,794)	(38,303)
Contingent Liability Provision		(21,900)	-
Other Comprehensive Income		8,731	1,430,434
Total Comprehensive Income for the Year		19,344	1,486,827

Certified as correct,


M.A.V. Kumudini
Finance Manager


N.W. Wimalaweera
Deputy General Manager (Finance)

The Accounting Notes on Pages No.239 to 247 and Accounting Policies on Page No.248 to 261 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.



Mahinda Madihahewa
Chairman / Chief Executive Officer

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31st DECEMBER 2015

	Notes	2015 (Rs:000)	2014 (Rs:000)
ASSETS			
Cash and Cash Equivalent		841,949	2,634,973
Other Financial Assets Held-for-Trading	7	1,829,018	733,167
Financial Investments - Available-for-Sale	8	8,973,928	8,592,784
Financial Investments - Held-to-Maturity	9	198,320,192	169,651,791
Financial Investments - Loans & Receivables	10	1,336,538	7,535,296
Other Assets	11	7,865,283	6,512,779
Property and Equipment	12.1	173,144	187,008
Intangible Assets	12.2	266	369
Investment Property	13	3,200,000	3,200,000
Total Assets		222,540,319	199,048,167
Liability and Equity			
Current Tax Liabilities		33,582	68,330
Other Liabilities	14	351,851	249,680
Provisions	15	213,754	76,923
Total Liabilities		599,187	394,933
Total Equity	16	221,941,132	198,653,233
Total Liabilities and Equity		222,540,319	199,048,167

Certified as correct,


M.A.V. Kumudini
Finance Manager


N.W. Wimalaweera
Deputy General Manager (Finance)

The Accounting Notes on Pages No. 239 to 247 and Accounting Policies on Page No. 248 to 261 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.


Mahinda Madihahewa
Chairman / Chief Executive Officer

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31st DECEMBER

	2015 Rs. '000	2014 Rs. '000
Operating Activities		
Proceeds from Sale of Financial Instrument Designated at FVTPL	2,953,322	3,374,100
Maturities of Financial Instrument Held to Maturity	243,132,309	114,083,080
Maturities of Financial Instrument Loan & Receivables	6,263,837	111,547
Payment for Purchase for Financial Instruments Designated at FVTPL	(5,006,253)	(2,739,457)
Payment for Purchase of Held to Maturity Financial Instruments	(271,650,535)	(127,911,046)
Loan Granted for Acquire Loan & Receivable Financial Instrument	(148,464)	(323,760)
Interest Received	16,872,388	13,534,173
Dividend Received	524,271	693,547
Other Income Received	281,709	319,473
Operational Expenses Paid	(1,010,390)	(886,323)
Member Expenses Paid	(228,298)	(200,755)
Income Tax Paid	(11,395)	(9,846)
Interest Paid	(149,122)	(209,274)
Year 5 Scholarship Payment/Refund	(8,368)	(86,573)
Higher Education Scholarship Payment/Refund	(19,704)	(20,100)
Net Cash Flows from Operating Activities	(8,204,693)	(271,216)
Investing Activities		
Purchase of Property and Equipment	(8,633)	(17,420)
Proceeds from Sale of Property and Equipment	12,462	5,156
Net Cash Flows from Investing Activities	3,829	(12,265)
Financing Activities		
Contribution Received	17,902,928	15,759,617
Refunds	(11,493,449)	(13,849,365)
Financial Expenses Paid	(1,639)	(2,737)
Net Cash Flows from Financing Activities	6,407,840	1,907,515
Net Increase In Cash and Cash Equivalents	(1,793,024)	1,624,034
Cash and Cash Equivalents at 01 st January	2,634,973	1,010,938
Cash and Cash Equivalents at 31st December	841,949	2,634,973

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER

(Rs.000)

	MEMBER FUND				MEMBER FUND	RETAINED PROFIT	AVAILABLE FOR SALE RESERVE	OTHER RESERVES	DIVIDEND EQUILIZATION RESERVE FUND	REVALUATION RESERVE	TOTAL
	CONTRIBUTION	INTEREST	DIVIDEND	MEMBER FUND							
Balance as at 01.01.2014				174,252,223	33,558			657,000	3,155,750	178,088,513	
Prior Year Adjustment					59,941					59,941	
Previous Year Contributions Adjustment				1,488						1,488	
Contribution Received	15,852,405			15,852,405						15,852,405	
Refund of Contribution	(13,858,878)			(13,858,878)						(13,858,878)	
Interest on Member Fund Balance 3.0%		5,287,328		5,287,328	(5,287,328)					-	
Dividend 7.0%			12,337,088	12,337,088	(12,337,088)					-	
Transfer from Dividend Equalization Reserve Fund					515,000			(515,000)		-	
Accumulated Profit for the Year					17,072,318					17,072,318	
Available for Sale Financial Instrument Reserve						1,468,737				1,468,737	
Actual Gain/Loss					(82,303)					(82,303)	
Balance as at 31.12.2014	1,980,526	5,287,328	12,337,088	193,896,876	18,090	1,468,737	-	142,000	3,155,750	198,652,233	
Balance as at 01.01.2015				193,896,876	18,090	1,468,737	-	142,000	3,155,750	198,652,233	
Prior Year Adjustment					30,073					30,073	
Realized Capital Gain on Shares - Share Reserve A/C						(475,070)				(475,070)	
Quoted Share Investment (Long Term)											
Previous Year Contributions Adjustment											
Contribution Received	18,087,249			18,087,249						18,087,249	
Refund of Contribution	(11,482,543)			(11,482,543)						(11,482,543)	
Interest on Member Fund Balance 3.0%		6,013,917		6,013,917	(6,013,917)					-	
Dividend 6.0%			12,027,634	12,027,634	(12,027,634)					-	
Accumulated Profit for the Year					18,003,901					18,003,901	
Transfer to Available for Sale Financial Instrument Reserve						60,425				60,425	
Contingent Liability Provision								(29,754)		(29,754)	
Actual Gain/Loss											
Balance as at 31.12.2015	6,584,705	6,013,917	12,027,634	212,502,017	10,613	182,466	(51,684)	142,000	3,155,750	221,940,132	

EMPLOYEES' TRUST FUND BOARD
LISTED SHARES - TRADING
AS AT 31st DECEMBER 2015

Company	Purchase Cost (Rs.)	Fair Value (Rs.)	Market Value (Rs.)
1. Com. Bank PLC	572,100,366.35	572,100,366.31	529,216,896.50
Com. Bank PLC (X)	106,119,066.81	110,360,843.10	110,002,652.40
2. Dipped Product PLC	158,705,333.20	158,705,333.20	146,183,860.00
3. Hatton National Bank PLC	96,346,600.95	96,346,600.95	94,232,940.00
Hatton National Bank PLC (X)	48,668,324.39	48,668,324.39	49,308,898.80
4. John Keells Holdings PLC	301,676,966.16	301,676,966.16	296,007,085.50
5. Lanka IDC PLC	88,800,230.87	108,571,089.45	83,888,550.00
6. Laurus Gas PLC	6,392,892.51	6,397,560.02	6,607,962.00
7. National. Deve. Bank PLC	63,172,415.52	63,172,415.52	56,682,612.00
8. Seylan Bank PLC	16,146,412.66	16,146,412.66	15,526,610.00
9. Tokyo Cement PLC (X)	4,815,821.19	4,815,821.19	4,776,656.00
10. Textured Jersey	77,047,161.64	77,051,479.10	101,811,841.60
Total Cost	1,539,991,592.25	1,564,013,212.05	1,494,286,664.80

UNITS
AS AT 31st DECEMBER 2015

Company	Purchase Cost (Rs.)	Fair Value (Rs.)	Market Value (Rs.)
1. Comtrust Equity Fund	20,195,338.98	40,735,166.85	41,225,213.97
2. National Equity Fund	47,548,707.58	177,972,680.60	165,326,357.30
3. Namas Growth Fund	10,000,000.00	137,720,000.00	128,180,000.00
Total Cost	77,744,046.56	356,427,847.45	334,731,571.27

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF INVESTMENT AS AT 31ST DECEMBER 2015
LISTED SHARES - AVAILABLE FOR SALES

Company Name	Purchase Cost (Rs.)	Fair Value (Rs.)	Market Value (Rs.)
1 ACL Cables PLC	11,049,534.09	11,049,534.09	12,281,500.00
2 AHOT Properties PLC	58,216,639.61	52,572,243.00	45,281,202.00
3 Aitken Spence Company PLC	381,225,195.71	271,363,545.00	256,943,260.00
4 Ait. Spence Hotel H. PLC	206,276,390.25	187,285,695.00	161,207,940.00
5 Blue Diamonds PLC	93.60	93.60	62.40
6 Bairaha Farms PLC	287,636,682.68	152,390,094.00	239,624,423.40
7 Browns Investment PLC	297,000.00	118,800.00	89,100.00
8 Cargills Foods PLC	21,808,657.36	17,702,100.00	21,867,300.00
9 Carson Cumberbatch PLC	16,146,881.46	15,533,231.40	12,456,915.00
10 Central Finance PLC	98,128,889.20	98,208,031.32	97,592,250.00
11 Ceylon Investment PLC	8,523,353.47	6,606,405.00	5,437,959.00
12 Ceylon Guardian Investment PLC	143,302,105.61	94,677,547.50	85,875,550.20
13 Colombo Fort Land PLC	55,326,764.09	19,810,849.00	16,030,687.00
14 Com. Bank PLC	437,038,385.54	437,038,385.54	380,526,547.00
Com. Bank PLC (X)	434,676,388.01	434,676,388.01	394,846,696.80
15 CIC Holdings PLC	28,169,480.29	19,341,070.00	22,822,462.60
16 DFCC Bank PLC	588,326,566.30	765,235,274.02	608,005,037.70
17 Dockyard PLC	437,633,208.29	334,660,350.88	265,464,180.00
18 Dialog	121,884,146.89	123,327,915.70	123,655,930.30
19 Dipped Product PLC	2,119,707.78	2,358,070.00	1,896,350.00
20 Eden Hotels PLC	75,884,504.37	40,655,935.10	27,684,002.50
21 Expolanka PLC	43,035,286.61	29,985,620.00	28,590,940.00
22 Haycarbs PLC	140,778,782.38	135,063,658.06	128,680,619.20
23 HNB	225,242,144.41	262,942,485.00	285,865,676.00
HNB (X)	109,797,428.83	109,797,428.83	109,776,041.40
24 Janashakthi Insurance PLC	13,898,143.35	14,094,498.60	10,540,757.50
25 John Keells PLC	15,799,867.57	15,349,916.40	14,397,983.60
26 John Keells Holdings PLC	2,531,394,435.83	2,634,202,081.89	2,361,690,660.00
27 Kelani Cables PLC	35,776,386.49	33,843,800.40	48,607,874.40
28 Lankem Ceylon PLC	16,823,135.76	9,051,130.00	7,405,470.00
29 LOLC PLC	280,181,956.13	241,163,384.00	250,755,109.50
30 Lufgs Gas PLC	1,630,691.47	1,866,078.00	1,912,154.00
31 National Dev.t Bank PLC	730,155,986.14	1,325,925,000.00	1,039,525,200.00

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF INVESTMENT AS AT 31ST DECEMBER 2015
LISTED SHARES - AVAILABLE FOR SALES

Company Name	Purchase Cost (Rs.)	Fair Value (Rs.)	Market Value (Rs.)
32 Palm Garden Hotels PLC	5,509.25	3,920.00	1,862.00
33 PC house PLC	2,076,800.00	56,640.00	56,640.00
34 People's Leasing Co. PLC	57,407,127.76	57,927,956.83	51,833,914.00
35 Piramal Glass Co. PLC	32,227,612.25	18,901,280.00	23,059,561.60
36 Property Dev. PLC	4,937.00	29,400.00	28,500.00
37 Renuka Holding PLC	114,531,974.04	91,509,962.00	80,144,075.00
38 Resus Energy PLC	48,539,489.11	28,872,480.00	39,660,000.00
39 Royal Ceramics PLC	130,090,630.71	130,090,630.71	124,036,617.00
40 Richard Pieris & Co. PLC	5,253,008.30	4,473,728.50	4,473,728.50
41 Sampath Bank	410,933,110.31	410,933,110.31	398,758,000.00
42 Seylan Bank	303,013,660.14	303,013,660.14	286,111,500.00
Seylan Bank (X)	30,950,638.26	30,950,638.26	30,292,153.00
43 Singer Finance PLC	23,608,129.87	23,625,868.65	28,298,415.20
44 Sri Lanka Telecom PLC	110,340,299.24	166,760,494.00	155,202,836.00
45 The Finance Co PLC	2,550,000.00	639,540.00	403,920.00
46 Trans Asia PLC	37,071,514.05	54,334,395.00	53,991,230.40
47 Vallibel Power PLC	47,175,248.43	37,943,319.50	46,779,435.00
48 Vallibel One PLC	43,284,081.77	41,331,360.00	37,198,224.00
Total	8,957,248,590.06	9,299,295,023.24	8,427,668,453.20

Unquoted Shares

Company Name	Purchase Cost (Rs.)	Net Assets Value (Rs.)
1 Fitch Ratings Lanka Ltd	625,000.00	1,649,375.00
2 First Capital Treasuries Ltd	14,248,606.20	73,649,700.00
Total	14,873,606.20	75,299,075.00

EMPLOYEES' TRUST FUND BOARD
FILE NO :- 91/604
YEAR OF ASSESSMENT 2015/16
COMPUTATION OF INCOME TAX LIABILITY FOR THE YEAR OF ASSESSMENT 2015

(Expressed in Sri Lanka Rupees)

Investment Income

Interests on Fixed Deposit		29,395,890
Interest From Debenture		
- WHT Deducted	450,203,577	
- Exempt under Section 10 (f)	518,371,554	
- Exempt under Section 9 (o)	132,350,625	1,100,925,756
Interest Income on Government Securities		19,554,635,831
Other Interest Income included in the Investment Income		487,567,460
Interest Income included in the Other Income		17,688,067
		21,190,212,993

Interest Income from which tax at 10% has been deducted

Interests on Fixed Deposit	- WHT Deducted	29,395,890	
Interest from Debenture	- WHT Deducted	1,100,925,756	
Interests on Rupee Loans	- WHT Deducted	169,832,225	
Interest on Investment Bonds	- WHT Deducted		
Interest on Money Market	- WHT Deducted	1,319,540	
Interest on Custodial A/C	- WHT Deducted	7,145,327	
Interest on Treasury Admin. Borrowing	- WHT Deducted	-	
SMIB Housing Loan Income	- WHT Deducted	79,670	
Interest on Bond - Power Project	- WHT Deducted	228,027,591	
			(1,536,725,998)
			19,653,486,995

Other Income

281,670,275

281,670,275

Total Statutory Income/Assessable Income/Taxable Income

19,935,157,270

Gross Income Tax Payable	19,935,157,270	10%	1,993,515,727
Less: Tax Credits			
Notional Tax Credit			1,955,463,583
<u>Economic Service Charges</u>			
From the Y/A 2014/2015			-
ESC paid during the Year			
1 st Installment Paid on 20.07.2015	4,875,907		
2 nd Installment Paid on 30.10.2015	2,793,607	7,669,514	(1,963,133,097)
Balance Income Tax Payable			30,382,630

Exempt Income

1,100,925,756

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE STATEMENT OF INCOME
FOR THE YEAR ENDED 31st DECEMBER

Notes	2015 (Rs:000)	2014 (Rs:000)
1 Interest Income		
1.1 Financial Investments Available for Sale	-	-
1.2 Financial Investments Held to Maturity		
Interest on Fixed Deposit	29,396	478,851
Interest from Debenture	184,916	125,166
Yield on Treasury Bond	16,952,506	15,130,219
Margin on Treasury Bill	543,686	510,180
Interest on Repurchase Agreements	102,980	64,612
Interest on Money Market	1,320	1,414
Interest on Custodial A/C	7,145	27,246
Interest on Bonds - Power Project	228,028	283,764
Sub Total	18,049,977	16,621,452
1.3 Financial Investments on Loans and Receivables		
Interest on Rupee Loan	169,832	587,000
Interest on Viyana Housing Loan	81,243	87,698
Interest on Distress Loans (Special Loan)	570	548
Interest on Vehicle Loan	5,713	4,642
Interest on Special Distress Loan	5,697	5,414
Interest on Special Festival Loan	145	141
Interest on Computer Loan	2	6
Interest on Staff Housing Loan - SMIB	5,424	4,747
Interest on Sport Club Loan	137	186
Sub Total	268,763	690,383
Total Interest Income	18,318,740	17,311,835
2 Dividend Income		
Investment Held for Trading		
Dividends on Shares - Quoted	313,960	273,841
Dividends on Units - Quoted	11,380	8,948
Investments Available for Sale		
Dividend on Shares - Unquoted	35,243	26,468
Total Dividend Income	360,582	309,256
3 Gain / (Loss) on Financial Assets at Fair Value through Profit / (Loss)		
Current Share Trading Profit	450,204	772,387
Realized Gain on Share Reserve	475,069	-
Fair Value Adjustment of Units	(21,696)	87,439
Fair Value Adjustment of Shares	(69,727)	35,091
Sub Total	833,850	894,917
4 Other Income		
Property Income - Lease Rent	15,093	23,525
Profit on Sale of Property, Plant and Equipment	12,358	761
Surcharges	232,543	247,756
Income on Express Claims	19,042	17,665
Staff Loan Income	29,049	27,585
Sundry Income	1,597	1,350
Profit / (Loss) On Car Park (Nawam Mawatha)	13,395	-
Profit / (Loss) On Holiday Bungalow	(2,938)	(1,188)
Total Other Income	320,139	317,455

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE STATEMENT OF INCOME
FOR THE YEAR ENDED 31st DECEMBER

Notes	2015 (Rs:000)	2014 (Rs:000)
5.1 Personnel Expenses		
Staff Costs (Including Director) Comprise:		
5.1.1 Wages and Salaries		
Salaries	458,218	311,207
Directors' Fees	593	563
Cost of Living Allowance	85,761	85,514
Overtime	18,555	21,471
Holiday Pay	11,554	13,393
Sub Total	574,681	432,147
5.1.2 Short-Term Monetary and Non-Monetary Benefits		
Recruitment, Training & Development	2,477	1,234
Staff Welfare	21,664	20,152
Incentive	88,344	87,081
Overseas Training	1,490	-
Encashment of Leave	12,299	11,788
Bonus	84,253	68,119
Reimbursement of Medical Expenses	61,679	55,724
Staff Loan Cost	29,049	27,585
Interest on Housing Loans	17,267	18,000
Sub Total	318,523	289,683
5.1.3 Defined Benefit Plans		
Interest Cost	16,110	10,640
Current Service Cost	8,742	6,897
Sub Total	24,852	17,537
5.1.4 Other Long Term Employee Benefits		
E.P.F. Board's Contribution	63,610	61,361
E.T.F. Board's Contribution	12,723	12,272
Sub Total	76,333	73,632
Total Personnel Expenses	994,389	813,000
Key Management Personnel Compensation		
Directors' Fees	593	563
Sub Total	593	563
5.2 Administrative Expenses		
Building Rent	49,739	39,685
Rates	547	554
Electricity Charges	18,280	18,512
Telephone Charges	8,208	8,084
Water Charges	1,567	1,494
Consultancy Fees	828	86
Audit Fees	900	900
Security Charges	6,076	6,607
Legal Fees	797	1,817
Hiring Charges	259	-
Secretarial Expenses	150	253
Postage & Telegrams - Admin.	1,982	2,222
Travelling & Subsistence - Admin.	759	1,044
Printing & Stationery - Admin.	1,371	1,549
Media & Publicity - Admin.	14	172
IT Expenses - Admin.	1,257	1,055
Advertisement & Press Notices	1,239	1,816
Vehicle Insurance & License Fees	2,482	2,945
Newspapers & Periodicals	535	679
Donations	416	96

**EMPLOYEES' TRUST FUND BOARD
NOTES TO THE STATEMENT OF INCOME
FOR THE YEAR ENDED 31st DECEMBER**

Notes

	2015 (Rs:000)	2014 (Rs:000)
Disciplinary Inquiries	-	72
Other Insurance	2	28
Office Upkeep & Requirements	209	361
Workers Compensation	2,320	-
Stamp Duty	175	36
Miscellaneous Expenses	2,705	2,165
Vehicle Repairs & Maintenance	11,094	16,591
Fuel Charges	9,924	15,378
Maintenance of Building	6,378	8,474
Maintenance of Machine & Equipments	2,397	2,112
Sub Total	132,608	134,786
5.3 Financial Expenses		
Custodial Fee	333	269
Bank Charges	1,638	2,739
Bad Debts Written-off	-	30
Release of Write Back Claims	16	-
Write back of Unclaimed Refunds/ Benefits	-	2
Sub Total	1,988	3,041
Total Administrative Expenses	1,128,985	950,826
5.4 Member Expenses		
5.4.1 Member Benefits		
Death Benefits Scheme	92,209	90,615
Permanent Disablement Scheme	6,093	6,614
I.O.L. Implanting Scheme	4,909	4,313
Sramasuwa Rekawarana Scheme	13,423	16,787
Heart Surgery Scheme	91,263	60,174
Kidney Transplant Scheme	1,292	1,527
Year 5 Scholarship Scheme	116,250	84,970
Higher Education Scholarship Scheme	48,444	52,692
Sub Total	373,882	317,693
5.4.2 Member Services		
Postage & Telegrams - Memb.	18,230	20,204
Printing & Stationery - Memb.	12,340	13,937
Computer Stationery	3,071	2,939
Self Employment Promotion Expenses	55	476
Member Related Expenses	522	-
Employees Awareness Scheme	315	305
Travelling & Subsistence - Memb.	4,975	5,512
Media & Publicity - Memb.	235	940
Medical Consultat. for Members	40	26
Scholarship Expenses	868	1,531
Deyatagirula Exhib. & CSR Project	-	2,216
Sub Total	40,651	48,085
5.4.3 IT Services		
Maintenance of Hardware	4,355	3,874
Maintenance of Software	660	326
Depreciation - IT	5,407	5,980
Insurance - IT	87	45
Rental on Leased Lines	4,568	4,509
Sub Total	15,076	14,734
Total Member Expenses	429,610	380,512
6 Income Tax		
Net Tax Expenses	105,183	202,131
	105,183	202,131

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31st DECEMBER 2015

Notes	2015 (Rs:000)	2014 (Rs:000)
7 Other Financial Assets Held for Trading		
Quoted Share Investment (Trading)	1,494,287	376,739
Less: Provision for Diminuation in Value of Quoted Shares	-	-
Quoted Units	334,732	356,428
	1,829,018	733,167
8 Financial Investments Available for Sale		
Quoted Share Investment Long Term	8,427,668	8,106,949
Unquoted Share Investment	546,260	485,835
Promissory Notes	12,174	12,174
Shares - Delisted & Under Liquidation	25,228	25,228
Less: Provision for Diminuation in Value Shares	(25,228)	(25,228)
Impairment on Promissory Notes	(12,174)	(12,174)
	8,973,928	8,592,784
9 Financial Investments Held to Maturity		
Treasury Bonds	187,773,988	155,280,369
Treasury Bills	4,269,404	6,639,129
Quoted - Debenture	1,653,914	1,091,685
Less: Impirement on Debenture	(7,450)	(7,450)
Fixed Deposits	-	2,050,200
Repurchase Agreement	1,750,702	1,365,858
Debentures Unquoted	200,000	240,000
Bonds - Power Project	2,679,635	2,992,000
	198,320,192	169,651,791
10 Financial Assets - Loans & Receivables		
Rupee Loans	-	6,100,000
Housing Finance - N.D.B	667,860	817,850
Staff Loans		
Distress Loan (Special Loan)	13,737	14,900
Special Distress Loan	169,824	174,658
Festival Advance	610	928
Special Festival Loan	917	899
Special Advance	4,660	4,517
Vehicle Loan	170,987	152,242
Computer Loan	-	27
SMLB-Staff Housing Loan	307,943	269,276
	1,336,538	7,535,296

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31st DECEMBER 2015

Notes	2015 (Rs:000)	2014 (Rs:000)
11 Other Assets		
Accrued Income		
Interest Receivable	6,184,771	4,985,702
Less: Provision Against Doubtful Income	<u>(27,866)</u>	<u>(27,866)</u>
	<u>6,156,905</u>	<u>4,957,836</u>
Receivables & Prepayments		
Contribution Receivable	1,547,314	1,366,104
Money Order Control	3,590	1,402
Postal Franking Machine Imprest	457	439
Sundry Debtors	12,493	19,229
Dues from Ex-employees	1,523	1,598
Security Deposits	2,989	2,983
Prepayment	8,356	10,035
Pre - Paid Staff Loan Cost	121,324	120,010
Advance Payment	1,802	2,231
Deposit - Summervill & Co.	21,900	21,900
Less: Transfer to Other Comprehensive Income	<u>(21,900)</u>	<u>-</u>
Medical Advance	15	45
Loan - Sports Club	<u>1,060</u>	<u>1,617</u>
	<u>1,700,924</u>	<u>1,547,592</u>
Tax Recoverable		
Tax Paid in Advance	<u>-</u>	<u>512</u>
	<u>-</u>	<u>512</u>
Others including Stocks of Stationery		
Stock of Stationery & Consumable	6,146	5,660
Holiday Bungalow Inventory	<u>1,308</u>	<u>1,178</u>
	<u>7,454</u>	<u>6,838</u>
	<u>7,865,283</u>	<u>6,512,779</u>

**EMPLOYEES' TRUST FUND BOARD
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31st DECEMBER 2015**

12.1	Property, Plant and Equipment	Land	Buildings	Motor Vehicles	Fixtures & Fittings	Computer Equipment	Furniture & Other Equip.	Total
	<i>Cost</i>							
	Balance at 1st January 2014	51,316	-	136,567	15,810	143,238	62,811	409,742
	Additions	-	37,380	13,200	-	5,035	9,415	65,030
	Adjustment	(31,316)	-	-	-	-	-	(31,316)
	Disposals	-	-	(11,584)	-	(8,735)	(5,388)	(25,507)
	Revaluations	-	-	-	-	-	-	-
	Balance at 31st December 2014	20,000	37,380	138,183	15,810	139,538	67,038	417,949
	Balance at 1st January 2015	20,000	37,380	138,183	15,810	139,538	67,038	417,951
	Additions	-	-	-	-	4,549	5,824	10,373
	Disposals	-	-	(7,793)	-	-	(243)	(8,036)
	Revaluations	-	-	-	-	-	-	-
	Balance at 31st December 2015	20,000	37,380	130,390	15,810	144,087	72,620	420,288

**EMPLOYEES' TRUST FUND BOARD
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31st DECEMBER 2015**

	Land	Buildings	Motor Vehicles	Fixtures & Fittings	Computer Equipment	Furniture & Other Equip.	Total
Accumulated Depreciation							
Balance at 1 st January 2014	-	-	92,162	15,491	82,582	36,441	226,676
Depreciation Charge for the Year	-	823	11,804	92	7,330	5,047	25,095
Disposals	-	-	(9,271)	-	(7,301)	(4,256)	(20,828)
Balance at 31st December 2014	-	823	94,696	15,583	82,611	37,231	230,943
Balance at 1 st January 2015	-	823	94,696	15,583	82,611	37,231	230,943
Depreciation Charge for the Year	-	2,365	9,689	65	6,655	5,288	24,062
Disposals	-	-	(7,642)	-	-	(219)	(7,861)
Balance at 31st December 2015	-	3,188	96,743	15,648	89,266	42,300	247,144
Net Book Value							
At 1 st January 2014	51,316	-	136,567	15,810	143,236	62,811	409,742
At 31 st December 2014	20,000	36,557	43,488	227	56,927	29,807	187,008
At 31 st December 2015	20,000	34,193	33,647	162	54,821	30,320	173,144

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31st DECEMBER 2015

Notes	2015 (Rs:000)	2014 (Rs:000)
12.2 Intangible Assets - Computer Software		
At Beginning of Period	369	514
Amortization	(103)	(145)
At End of Period	<u>266</u>	<u>369</u>
13 Investment Property		
At Beginning of Period	3,200,000	3,200,000
Change in Fair Value	-	-
At end of Period	<u>3,200,000</u>	<u>3,200,000</u>
14 Other Liabilities		
Defined Benefit Obligation	193,085	146,459
Accounts Payables and Sundry Creditors		
Retained Tax on Claims & Benefits Paid	12,730	15,199
Stamp Duty Payable on Claims	528	847
Unpaid Emoluments	142	87
Stamp Duty Payable on Salaries	93	90
Superintendent of EPF	11,775	11,240
Sundry Creditors	96,196	41,555
Unclaimed Refunds	4,754	4,840
Unpaid Death Benefits	9,914	9,239
E.T.F. Payable	1,412	1,348
P.A.Y.E. Tax	2,957	2,166
VAT	534	240
N.B.Tax	96	40
Unclaimed Scholarship	2,258	2,258
Returned Benefit	15,305	13,997
Salary Deductions Clearance	72	75
	<u>351,851</u>	<u>249,680</u>
14.1 Defined Benefit Obligation		
Opening Defined Benefit Obligation 01 st January	146,459	96,727
Interest Cost	16,110	10,640
Current Service Cost	8,742	6,897
Benefit Paid	(8,020)	(6,108)
Actuarial (Gains) /Losses on Obligations	29,794	38,303
Closing Defined Benefit Obligation 31 st December	<u>193,085</u>	<u>146,459</u>
15 Provisions		
Provision for Audit fee	3,300	2,400
Provision for Telephone	208	88
Provision for Electricity	59	2,024
Provision for Water	30	6
Provn. for Employees' Accident Compensation Scheme	2,000	2,000
Provision for Bonus	584	263
Provision for Leave Encashment	10,804	10,303
Provision for Postage	718	1,279
Provision for Higher Education Scholarship	87,300	58,560
Provision for Year 5 Scholarship	108,750	-
	<u>213,754</u>	<u>76,923</u>

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31st DECEMBER 2015

Notes	2015 (Rs:000)	2014 (Rs:000)
16 Equity and Reserves		
Retained Profit B/F	18,090	33,559
Retained Profit Current Period	18,003,901	18,502,752
Prior Year Adjustment	30,073	59,941
Transfer from Dividend Equalization Reserve Fund	-	515,000
Profit Available for Distribution	18,052,064	19,111,252
Less: Interest on Member Fund Balance 3.0%	6,013,817	5,287,328
Dividend 6.0%	12,027,634	12,337,098
Retained Profit C/F	10,613	1,486,827
Member Fund as at 01 st January	193,868,676	174,252,223
Less: Contribution & Interest Paid- Previous Year	(2,815)	(1,499)
	193,865,861	174,250,724
Net Contribution Received During the Year	6,594,705	1,993,526
Add: Interest on Member Fund 3%	6,013,817	5,287,328
Dividend 6%	12,027,634	12,337,098
Member Fund as at 31st December	218,502,017	193,868,676
Reserves		
Dividend Equalization Reserve	142,000	142,000
Revaluation Reserve	3,155,730	3,155,730
Available for Sale Financial Instrument Reserve	182,466	-
Other Reserve	(51,694)	-
Equity and Reserves	221,941,132	198,653,233

Employees Trust Fund Board

Notes to the Financial Statements

1. Significant Accounting Policies

1.1 Corporate Information

1.1.1 Legal and Domicile Form

Employees' Trust Fund Board (ETFBoard) is a public corporation, established on 1st March 1981 in Colombo, under the provision of ETF Act No.46 of 1980. It was established under the Ministry of Labour and brought under the Ministry of Finance & Planning in 1997.

1.1.2 Principal Activities and Nature of Operations

All public sector employees who are not entitle to 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. Apart from managing the fund, ETF Board involves in implementing a range of social and welfare benefits to members during their employment.

1.1.3 Date of Authorization to Issue

The financial statements of ETF Board for the year ended 31st December, 2015 were authorized for issue in accordance with resolution of the Board of Directors on 25th February 2016.

1.2 Basis of Preparation

The financial statements have been prepared on a historical cost basis except for certain assets and liabilities which are measured at fair value. All values are rounded to the nearest rupee (Rs.), except when otherwise indicated.

1.3 Statement of Compliance

The Financial Statements of ETF Board have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). The preparation and presentation of these financial statements is in compliance with the Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka.

1.4 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.

1.5 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.

1.5.1 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.

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.

1.5.2 Dividend Income

Dividend income is recognized when the entity's right to receive the payment is established.

1.5.3 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.

1.5.4 Adjustment to the Current Year Profit

Error correction has not been adjusted in retrospectively since it is impracticable to present comparative information for more periods. The Board restate the opening balance of assets, liabilities and equity for the current period after recovery of such errors.

1.5.5 Changes in Comparative Information

The Bank overdraft amount of Rs.18,160,674 which was presented in the category of other liabilities in 2014, now has moved to the category of Cash & Cash Equivalents.

1.6 Functional and Presentation Currency

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

1.7 Financial Instruments – Initial Recognition and Subsequent Measurement

Date of Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Board becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Financial Assets or Financial Liabilities Held For Trading

Financial assets or financial liabilities held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognized in income statement. Interest and dividend income or expense is recorded in the income statement according to the terms of the contract, or when the right to the payment has been established. Included in this classification are equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

Financial Assets and Financial Liabilities Designated at Fair Value through Profit or Loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in "Net gain or loss on financial assets and liabilities designated at fair value through profit or loss". Interest earned or incurred is accrued in "Interest income" or "Interest expense", respectively, using the effective interest rate (EIR), while dividend income is recorded under "Dividend Income" in the income statement when the right to receive the payment has been established.

Available for sale Financial Investments

Available for sale investments include long term equity investment and debt securities which are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealized gains and losses are recognized directly in equity (Other comprehensive income) in the "Available for sale reserve". When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement in "Other income". Interest earned whilst holding available for sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available for sale financial investments are recognized in the income statement as "Other income" when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the income statement in "Impairment losses on financial investments" and removed from the "Available for sale reserve".

Held to Maturity Financial Investments

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the company has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the income statement. The losses arising from impairment of such investments are recognized in notes to the income statement.

Loans and Receivables

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 cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the income statement. The losses arising from impairment are recognized in the income statement in other operating expenses. The fair value loss is amortized over the employees service period as an employee cost.

Repurchase and Reverse Repurchase Agreements

Investment in Repurchase Agreement has fixed or determinable payments and fixed maturity and the Board has the positive intent and ability hold to maturity thereby determined to be held to maturity investment. This should be initially measured at fair value including transaction cost if any and subsequently to be measured at amortized cost using effective interest rate.

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.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost (loans and advances to employees and held to maturity investments), the entity first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for

financial assets that are not individually significant. If the Board determines that no objective evidence of impairment exists for an

individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount

of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of "Interest income". Loans together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the entity has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date.

Available for Sale Financial Investments

For available for sale financial investments, the entity assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available for sale, the entity assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available for trading, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized in income statement.

Re-Classification

The Board evaluates its held for trading asset portfolio to determine whether the intention to sell them in the near future is still appropriate. When the Board is unable to trade these financial instrument due to inactive markets and therefore management's intention to sell them in the foreseeable future, the Board may select to reclassify these financial instruments as Financial Instrument available for sale as defined by SLAS – LKAS 39 (Financial Instrument: Recognition and measurement).

Financial instruments re-classified as available for sale are measured at fair value and unrealized gains will be recognized directly in Equity through other comprehensive income in the "Available for Sale Financial Instrument Reserve" and unrealized losses will be transferred from the same Reserve to the extent that loss does not exceed the balance held in the said Reserve as at that date. The rest of the losses on fair value adjustment will be recorded in "Net gain or loss on financial instrument designated at fair value through profit or loss" in the Income Statement. When the investments are disposed of, the cumulative gain or losses previously recognized in Equity is recognized in the "Income Statement" in "Other Operating Income".

Consolidation of Accounts

The Board had acquired 90% ownership of Lanka Salt Limited at a consideration of Rs. 470,960,938 from General Treasury in 1997. The investment had not been consolidated to the parent company due to fact that parents business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

The interest of the Board holding an investment portfolio is exclusively with the view of subsequent re-sale or held for maturity.

1.8 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 estates (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%

Depreciation of assets begins when it is available for use.

1.9 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 asset's 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.

1.10 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 recognising rental income on this basis.

1.11 Intangible Assets

1.11.1 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.

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.

Computer Software Packages

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

1.12 Leasehold Properties

1.12.1 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.

1.13 Inventories

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

1.14 Retirement Benefit Cost

1.14.1 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.

1.14.2 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.

Key assumptions used in determining the retirement benefit obligations are as follows:

Discount Rate	11%
Salary Increment Rate	02%
Retirement Age	60 Years

1.15 Taxation

1.15.1 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.

1.16 Equity

1.16.1 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.

1.16.2 Dividends

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

1.17 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.

1.18 Changes in Accounting Estimates

Annual expenses for Higher Education Scholarship Benefits are provided with the best estimate of the expenditure required to settle the yearly obligation. However, the actual No. of Applicants cannot be measured with precision but can only be estimated based on latest available information.

Therefore, following adjustment has been made to the current year Scholarship Benefits expenditure account in respect of previous years expenditure.

Higher Education Scholarship		2015	2016
		(Rs.'000)	(Rs.'000)
Provision during the year 2015	2011	(2,424)	-
Less: Adjustments for	2012	(576)	144
	2013	(468)	(1,656)
	2014	(3,840)	(9,744)
Net: Expenditure Changes to Income Statement:		<u>52,692</u>	<u>48,444</u>

- 1.19 Rs. 21,900,000 shown under the contingent liability represents a payment which had paid to a certain company on breach of an agreement. The Board had appealed against the court decision and aforesaid company had deposited a bank guarantee worth of Rs.21.9 million in the courts.

2. Critical Accounting Estimates and Judgments

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

events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

(a) 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.

(b) 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.

(c) 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.

3. Financial Instruments - Risk Management

Risk Management Structure

The board has a compliance function to access the Board's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operations.

In common with all other businesses, the Board is exposed to risks that arise from its use of financial instruments. This note describes the Board's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Board's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in notes.

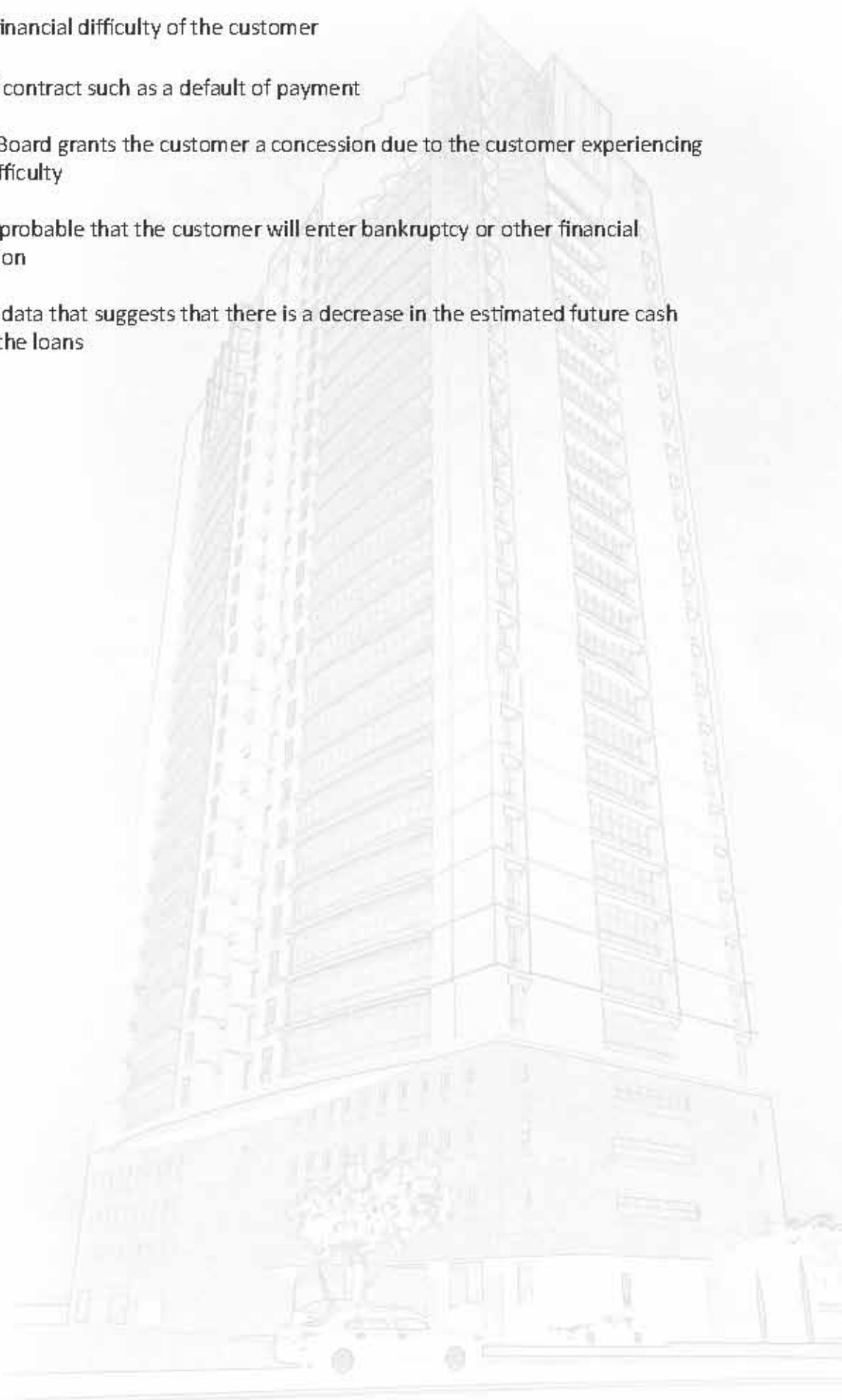
3.1 Credit Risk

Credit risk is the risk that the Board will incur a loss because its customers or counter parties fail to discharge their contractual obligations. The Board manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

3.2 Impairment Assessment

For accounting purposes, the Board uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. Triggering events include the following:

- Significant financial difficulty of the customer
- A breach of contract such as a default of payment
- Where the Board grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or other financial reorganization
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans





**Report of the Auditor General
2015**



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல
My No.

LEW/B/ETF/FA/2015

ඔබේ අංකය
உமது இல
Your No.

දිනය
திகதி
Date

11 August 2016

The Chairman
Employees' Trust Fund Board

Report of the Auditor General on the Financial Statements of the Employees' Trust Fund Board for the year ended 31 December 2015 in terms of Section 10(7) of the Employees' Trust Fund Act, No.46 of 1980.

The audit of Financial statements of the Employees' Trust Fund Board for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10(1) of the Employees' Trust Fund Act, No.46 of 1980. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 10(7) of the Employees' Trust Fund Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). Those Standards require that, I comply with the ethical

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requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Section 10 (1) of the Employees' Trust Fund Act, No. 46 of 1980 gives powers to the Auditor General to determine the scope and extent of the audit.

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

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Employees' Trust Fund Board as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



2.2 Comments on Financial Statements

2.2.1 Consolidated Financial Statements

The following observations are made.

- (a) A set of Consolidated Financial Statements should be prepared to report the investments those with a controlling interest made in subsidiary companies by the parent company in terms of Sri Lanka Accounting standard 27, "Consolidated and Separate Financial Statements" and if it could not be prepared, the reasons should be disclosed in financial statements. Even though the Board had purchased 90 per cent shares on a consideration of Rs.470,960,938 out of the shares of a Company in the year 1997, Consolidated Financial Statements had not been prepared up to 31 December 2015 in terms of the above standard.
- (b) Even though it was stated in the financial statements that the above investment had been made to earn capital profits in the year 2015, neither any capital profit made from the year 1997 up to 31 December 2015 had been recognized nor the value as at 31 December had been disclosed in the financial statements in terms of Sri Lanka Accounting Standard 39.

2.2.2 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 01

- (i) When an entity reports its assets and liabilities in terms of Section 60 of the Standard, it should be presented as current and non-current assets, except when a presentation based on liquidity provides information that is reliable and more relevant. Even though the Board had presented its assets and liabilities on liquidation basis exceptional to the classification as current and non-current assets, it had not been disclosed in the financial statements.
- (ii) Even though a description of the nature and purposes of the reserves maintained by an entity in terms of Section 79(b) of the Standard should be disclosed in financial statements, the nature and the purposes of the Revaluation Reserve and Dividend Equalization Reserve maintained by the Board had not been sufficiently disclosed.
- (iii) The entity should present all income and expenses either in a single statement of comprehensive income or separately in two statements (statement of income and comprehensive statement of income) in terms of Section 81 of the Standard. The disadvantage of decreasing the price amounting to Rs.871,626,571 occurred due to identification of available for sale financial assets of the Board, to fair value in terms



of Sri Lanka Accounting Standard 39 as at 31 December 2015 had not been shown in the comprehensive statement of income in the current year.

(b) Sri Lanka Accounting Standard 08

Even though The nature of error, extent rectified, information on the items affected the rectifications should be disclosed in financial statements in terms of Section 49 of this Standard in rectifying the errors in the prior periods, information on prior years adjustments amounted to Rs.1,499,000 and Rs.59,941,000 in the year 2014 to the members Fund and the retained profit and a sum of Rs.2,815,000 and Rs.30,073,000 made in the year 2015 in the statement of changes in equity of the Board had not been disclosed in financial Statements.

(c) Sri Lanka Accounting Standard 16

Even though the assets which had been depreciating for more than 25 years were remained in the fixed assets amounting to Rs.420,288,000 as at 31 December 2015, a revaluation had not been carried out to disclose its fair value.

(d) Sri Lanka Accounting Standard 37

- (i) Even though lawsuits instituted against external parties by the Board were remained as at 31 December 2015 in order to recover contributions, investments and investment income, sufficient information in respect of their nature, current position etc. had not been disclosed.
- (ii) Even though a contingent asset amounting to Rs.21,900,000 adjusted as not in accordance with the above Standard according to the financial statements of the Board for the preceding year had been deducted in the comprehensive income statement in the year under review, legal action taken in that respect and their current position had not been disclosed in the financial statements.

(e) Sri Lanka Accounting Standard 39

- (i) After the initial recognition, available for sale financial Assets should be recognized at the fair value at the end of each period of reporting. calculation of fair value should be made in accordance with the provisions in Sri Lanka Financial Reporting Standard 13 "fair value measurement". Even though the value of investment made in ordinary shares of 02 companies had been shown in the financial statements as net assets value of Rs.75,299,075 as at 31 March 2014 and 30 September 2014 respectively, the fair value of respective investment as at 31 December 2015 had not been reported. When considering the net asset value of one company out of that as at 31 March 2015 the



value of investment had increased by Rs.5,625,300 over the value shown in the financial statements.

- (ii) Even though the investment made in 03 companies of Unit Trusts purchased by the Board prior to the year 2000 had been identified as fair value through profit and loss financial assets in financial statements it was observed that it had not an investment purchased for making daily sales as there were no transactions since the year of purchase, it had not been identified as available for sale financial assets.

(f) Sri Lanka Accounting Standard 40

Investment Assets are recognized to the revalued value after the initial recognition by the Board and even though notes to the accounts have stated that revaluation should be done once in each three years and investment assets valued at Rs.3,200,000,000 had been last revalued in the year 2011, its fair value had not been represented as at 31 December as a revaluation had not been effected up to 31 December 2015.

2.2.3. Accounting Policies

The following observations are made.

- (a) Over 90 per cent of the assets maintained at fair value through profit and loss as at 31 December 2014 by the Board were reclassified as assets available for sale on the basis of " Board could not made transactions as an active market was not available" on a decision taken by the Board of Directors in February 2015. Out of the shares reclassified as such as at 31 December 2014 and maintained without the intention of short term sale purchased in the year 2015, 17,987,347 shares costing Rs.2,644,068,045 of 16 companies had been sold at share market in the year 2015 (before elapsing even one year after reclassification in the year 2014) and it was observed that it was an action taken without complying the policy of recognition of financial assets mentioned in the Accounting Standard.
- (b) It was observed that the fact, that "Board could not made transactions as an active market was not available" adduced as the main reason for reclassification of financial assets from fair value through profit and loss to available for sale as at 31 December 2014, was not a logical reason for short term trading them at share market and the basis for reclassification of shares thereby was not reasonable.

2.2.4. Accounting Deficiencies

The following observations are made.

- (a) Operating surplus of the year had been overstated by Rs.6,013,817,000 since the interest of Rs.6,013,817,000 to be credited to the individual accounts of the members of the Fund in the year under review had not been brought to account as



- operating expenses. The operating profit of the preceding year and in the year prior to the preceding year had been overstated by Rs.5,287,328,000 and Rs.4,752,333,000 respectively due to not accounting the interests in the respective years.
- (b) Income tax receivable amounting to Rs.121,882,827 overpaid by the Board before the year 2006 and remained up to the year of assessment 2014/2015 had not been taken into consideration in preparation of financial statements in the current year.
 - (c) In depreciation of fixed assets of the Board, the depreciation expense had been understated by Rs.6,794,794 in the financial statements for the year 2015 as such profit for the year had been overstated by that amount.

2.2.5 Unexplained Differences

No reconciliation whatsoever had been included in the financial statements in respect of the tax liability computed and prepared by the Board for the year of assessment 2015/2016, and the tax expense shown in the statement of income and the tax payable balance shown in the statement of financial position.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Approval had been given to resign from service without recovering the special distress loan balance amounting to Rs.508,789 recoverable from Ex-Additional General Manager of the Board and total amount had not been recovered even by 31 December 2015.
- (b) A total sum of Rs.29,973,000 comprising unclaimed death benefits remained increasing continuously since the year 1995 amounting to Rs.9,914,000, retained benefits continued since the year 2001 amounting to Rs.15,305,000 and unclaimed benefits amounting to Rs.4,754,000 had been unsettled even by 31 December in the year under review and a sum of Rs.3,692,070 out of it representing 12 per cent only had been settled to the relevant beneficiaries by 30 April 2016.
- (c) There was a risk of depriving of money to the relevant members as their contributions totalling Rs.2,368,393,633 recovered from employers by



the Board from the year 1981 to 2014 had been retained in other temporary accounts without being credited to the individual accounts of each member in terms of Section 16 of the Fund Act. Even though a special unit was established on 10 February in 2016 for crediting these monies immediately to the members' accounts, it was not revealed the amount so settled by 08 June 2016.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions.

The following observations are made.

Reference to Laws, Rules, Regulations and Management Decisions.	Non-compliance
Shop and Office Employees Act, No.19 of 1954	Even though the maximum number of leave entitled to employees in terms of the Act was 21 days being 14 day annual leave and 07 day casual leave, Board had granted the employees 42 day leave per annum. Even though in paying for overtime, one and half hour rate as a wage of an ordinary hour should be paid, the overtime cost had been Rs.18,555,000 in the year 2015 as the Board had paid overtime for one and half hour per overtime hour adding salary of one day. Even though over the ordinary maximum period (45 hours per week) should be served for entitlement for overtime, overtime had been paid for a period for serving only 05 days per week.
Financial Regulations of Democratic Socialist Republic of Sri Lanka Financial Regulation 369	Action in terms of Financial Regulations had not been taken on 09 cheques issued but not realized as at 31 December 2015 valued at Rs.245,450 in a bank current account maintained by the Board.

2.5 Transactions not Supported by Adequate Authority

In calculating the amount of special distress loan payable to an employee by the Board, the allowances are also based in the calculation in addition to the basic salary (Salary of 12 months inclusive of allowances). Evidence was not made available for audit whether the Treasury approval had been obtained thereon.



3. **Financial Review**

3.1 **Financial Results**

The following observations are made.

- (a) The operations of the Board for the year under review had resulted in an after –tax profit of Rs.18,003,901,000 as compared with the corresponding profit of Rs.17,072,318,000 in the preceding year, thus indicating an improvement of Rs.931,583,000 in the financial result for the year under review. The increase of interest income by Rs.1,006,905,000 had been mainly attributed for this improvement.
- (b) In taking into consideration the contribution of the Board and its improvement in the current year and the preceding four years, even though the contribution had increased a tendency of decreasing the rate of improvement after the year 2013 was observed. Accordingly, rate of improvement had decreased by 8.81 per cent in the year 2014 and by 8.24 per cent in the year 2015. The increase of the contribution in the year 2015 as compared with the year 2014 had declined by over 50 per cent and the decrease of the rate of improvement of income was the main reason attributed for this.
- (c) The total income of the Board for the year under review had shown an improvement of 5.3 per cent as compared with the preceding year and a 6.2 per cent improvement as compared with the budgeted income for the year under review. However the total expenditure in the year under review had increased by 10.5 per cent as compared with the preceding year and accordingly the entire expenditure had increased by twice approximately as the improvement of entire income as compared with the preceding year.

3.2 **Analytical Financial Review**

The following observations are made.

- (a) Operating profit ratio of the Board had been 91.1 per cent in the year 2015 and 91.7 per cent in the year 2014 and thus decreased by 0.6 per cent in the year 2015. Return on Fund ratio in the year under review as compared with the preceding year had decreased by 0.57 per cent.
- (b) As compared with the value of the Fund as at the beginning of the year, the total income of the Board had been 10.23 per cent in the year 2015,



10.80 per cent in the year 2014 and as such it was decreased by 0.57 in the year 2015. The annual income as compared with the net contributions received in the year and members' Fund opening balance amounted to 9.89 per cent.

- (c) Even though the Members' Fund of the Board had increased by 11.2 per cent by January 2015 as compared with January 2014, the increase of gross income of the Board had remained as 5.3 per cent.

3.3 Legal events instituted by the Board

The Board had filed cases against 04 institutions, one institution and 70 Institutions for recovery of interest income of investments, one to recover a compensation paid and to recover contributions and surcharges respectively.

3.4 Working Capital Management

The cash balances of the accounts of the Money Market Transaction Accounts maintained in a commercial Bank by the Board amounting to Rs.1,850,333 and Rs.1,938,238 as at 31 December 2015 had been kept in an ordinary savings account and as such the ordinary interest income had only been received and it had deprived the opportunities to receive other higher income.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The objectives of the Board in terms of Section 07 of the Employees' Trust Fund Act, No. 46 of 1980 are given below.
- To promote employees ownership, employees welfare, economic democracy through participation in financing and investment;
 - To promote the employee participation in management through the acquisition of equity interest in enterprises;
 - To provide for non-contributory benefit to employees on retirement; and



- To do all such other acts or things as may be necessary for, or conducive to, the attainment of the above objects.
- (b) Even though it had accommodated to join self-employed persons to the Employees' Trust Fund, in terms of Section 20(1) of the Employees' Trust Fund Act, No.46 of 1980 as amended by Section 7 of Employees' Trust Fund (amendment) Act, No.47 of 1988, only 39,088 members, 1.45 per cent of 2,687,257 reported as self-employed persons in Sri Lanka as at 31 December 2014, could have been joined as members of the Board. Contributions received from self-employed persons in the year 2015 amounted to Rs.43,015,650. It was about 0.24 per cent out of the total receipts of contributions of that year. The total contribution received from self-employed persons from the year 1989 to 2015 amounted to Rs.233,740,409 and it was 0.12 per cent of the members' Fund as at the beginning of the year 2015. Even though a separate Division had been established in the Board to promote this area specifically prescribed through the Funds' Act and strategies had been specified in the Action Plan, the attention paid for it by the end of the year 2015 had been at a minimum level.
- (c) The net contribution received in the year 2015 had increased by 230.8 per cent as compared with the contribution received in the year 2014 and the reasons mainly attributed thereon were receipts of contributions increased by 14 per cent and the payments of contributions declined by 17 per cent. However, the net contribution received in the year 2014 had decreased by 58.7 per cent as compared with the year 2013. The reasons attributed for the decrease in that year had been the payment of contribution by 44.7 per cent which was more than the improvement of the receipts of contribution by 10 per cent.
- (d) Total return along with the dividend percentage of 6 per cent and the compulsory interest of 3 per cent announced to the members of the Fund in the year 2015 had been understated by Rs.2,004,605,667 representing 1 per cent from 10 per cent to 9 per cent as compared with the year 2014. Since the profit earned in the current year was not sufficient to announce this total return, a sum of Rs.7,477,000 out of the profit of the preceding year had to have used.
- (e) Board implements about 10 Welfare Benefit Schemes on behalf of its members and the benefits incurred in the year 2015 valued at Rs.373,882,000 except housing loan scheme granted through a banking company and represented about 85 per cent of the value of budgeted benefits of that year.
- (f) The fair value of the investment portfolio of ordinary shares of enterprises invested by the Board amounted to Rs.9,921,955,118 as at 31 December



2015 and the value of the investment of shares as at 31 March 2016 had decreased by 15 per cent representing Rs.1,510,446,765.

4.2 Management Activities

The following observations are made.

- (a) (i) Scholarship Funds unclaimed amounting to Rs.2,258,000 payable to those who passed Advanced Level Examination relating to the years prior to 2011 had been shown under current liabilities in financial statements without paying them even by 31 December 2015. A sum of Rs.109,626,000 payable for 7,323 students who had passed Advanced Level and Year 5 Scholarship examinations in the years 2012, 2013 and 2014 had not been paid even by 31 March 2016. A sum of Rs.876,000 out of it had been paid for the students who had passed Advanced Level Examination by 08 June 2015.
- (ii) Even though it was sufficient to have an ordinary pass to award with a scholarship in awarding scholarships to the students who had passed Advanced Level Examination even half of the applications out of forecast by the Board to award scholarships in the years 2011- 2014 had not been received, and as this was somewhat appeared as not popular among the members, adequate action had not been taken to make aware the members.
- (b) The Board had granted special distress loan amounting to Rs.169,824,000 to the employees as at 31 December 2015 and it was observed that loans were being granted to the officers signed as Sureties for the above loans without taking into consideration the value of loans they previously signed for as Sureties. Further, when calculating whether the loan installment could be deducted within 60 per cent limit of the surety's salary in granting special distress loan, it was observed that the recovery of loans would prone to a risk if one surety could not pay the loan as only it had been taken into consideration 50 per cent value of a monthly installment of the debtor.

4.3 Transactions of Contentious Nature

The following observations are made.

- (a) Even though only a sum of Rs.15,000 should be paid in terms of the Management Circular No. 02/2015 dated 09 December 2015 to the Staff of Public Corporations and Government fully owned companies in paying bonus for the year 2015, a special approval through the letter No. PE/IN/ETF/GEN/2015 of the Director General of Department of Public Enterprises dated 17 December 2015 had been obtained by the



Board to pay two months' salary as bonus for the year 2015. But it was not clear whether "the Salary" in it had defined the basic salary or the salary with all allowances. However, Board had paid bonus amounting to Rs.84,253,000 to employees for the year 2015 based on two months gross salary inclusive of all allowances.

- (b) Legal actions had to be taken to recover the rent income amounting to Rs.7,421,720 remained in arrears for the period from January to June 2015 for the land, situated in Nawam Mawatha in Colombo, belonging to the Board and given to an external Institute which had defaulted the payment of monthly rentals on due date according to the agreement since the year 2013.
- (c) Even though an incentive allowance amounting to a maximum of Rs.2500 per monthly was paid to employees for attendance in the incentive scheme of the Board, a sum of Rs.12,299,000 had been paid additionally as for unavailed leave in the year 2015.

4.4 Uneconomic Transactions

The following observations are made.

- (a) No dividend income had been received to the Fund in the year 2015 for a sum of Rs.470,960,937 invested in 90 per cent of ordinary shares in a private company and a dividend amounting to Rs.7,875,000 had been received for the year 2014. That was a very low return of 1.67 per cent as compared with the investment. If this amount had been invested in Government Securities mature in 364 days without a risk it could have been earned a return at least 6 per cent per annum or over Rs.28,257,656. This Company had incurred a loss amounting to Rs.67,444,037 in the year 2013.
- (b) No dividend income whatsoever had been received for the year 2015 from 12 Companies in which the average cost of shares amounting to Rs.336,114,586 reclassified as financial assets available for sale as at 31 December 2014 and out of it Share Market price of the shares of 03 companies which average cost amounting to Rs.50,346,605 had decreased as 32 per cent, 18 and 37 per cent as at 31 December 2015 as compared with 31 December 2014.

4.5 Identified Losses

The following observations are made.

- (a) Interest income amounting to Rs.12,291,566 receivable up to the year 2006 for an investment in debentures of a Plantation Company had not been recovered by the Board.
- (b) Net loss incurred from Circuit bungalows of the Board in the years 2015 and 2014 had been Rs.2,938,000 and Rs.1,188,000 respectively.



- (c) As the market value of the investment amounting to Rs.356,426,847 made in three Units Trusts Funds by the Board as at December 2014 had dropped by Rs.21,696,000 as at 31 December 2015, a loss of same amount had been incurred by the Board. As one of such Unit Trust Fund was a growth Fund, any income had not been received for the invested money due to not improving the value of units in the year 2015.
- (d) Two companies in which the Board had invested a sum of Rs.25, 227,541 had been liquidated. Two Companies in which a sum of Rs.4,066,314 and Rs.56,640 respectively invested had been delisted and had been shown under Default Board. Even though the legal action had been taken on two Institutions which were subject to liquidation, the Board did not have a specific assurance for the possibility of recovering the value of investments.
- (e) Even though sums of Rs.12,174,382 and Rs.7,450,259 invested in Promissory Notes and Debentures of a group of Companies respectively should have been realized in the years 2002 and 2007, the Board had not been able to get realized such monies even by 08 June 2016.

4.6 Personnel Administration

The following observations are made.

- (a) Cost per employee had been Rs.788,633, Rs.860,317 and Rs.1,069,235 in the years 2013, 2014 and 2015 respectively and it had been improved by 09 per cent in the year 2014 and 24 per cent in the year 2015.
- (b) The post of General Manager of the Board had remained vacant since the year 2013 and Deputy General Manager (Investments) has been appointed on acting basis over one year ago without appointing a permanent officer for the post of Additional General Manager. Likewise, remaining vacant of top management posts and appointment on acting basis would be directly affected to the administrative functions and for the supervision by top Management levels of the Board.



5. **Accountability and Good Governance**

5.1 **Corporate Plan and Action Plan**

According to the Action Plan, the functions such as development of a new software system after studying the Members' Accounts Management System and the other software systems existing at present targeted through the Information Technology Division, provision of facilities to scrutinize the balance of monies of members through internet or via mobile phone and to implementation of plans to prevent distress had not been performed. The following strategies which were under the improvement of employees' productivity in the Administration and Human Resource Plan could not be achieved by 31 December 2015.

- (i) To study the existing labour force and their skills, comparison of the work load assigned with the academic labour force, identification of strategies required to maintain the labour force at optimum level.
- (ii) Introduction of a new performance appraisal scheme rectifying the lapses in the existing performance appraisal scheme and integrate it with the corporate objectives.

5.2 **Internal Audit**

The following observations are made.

- (a) According to the Action Plan of the Board the Internal Audit Division should perform the functions on monthly accounts monthly and on annual accounts, budget, Annual Report, Corporate Plan annually and the investigations assigned by the Chairman of the Board. Nevertheless action had not been taken in that respect.
- (b) Attention had not been paid by the internal audit in terms of Financial Regulation 133(2) on the investment of funds which was the prime business activity of the Board and the returns received thereon.
- (c) The staff of the Internal Audit Division of the Board directly involved in audit functions had been 24 and number of officers qualified in audit were limited to three. Accordingly, the qualified staff in the Internal Audit Division of an institute



where net assets valued at Rs.221,941,132,000 remained available as at 31 December 2015, had not sufficient according to its scope.

5.3 Budgetary Control

The following observations are made.

(a) Variances ranging from 20 per cent to 50 per cent in 09 items of expenses as compared with the budget in the year 2015 in considering the expenses were observed. Salary cost, interest cost and building rent and bonus had increased over the budgeted estimate at the rate of 32 per cent, 27 per cent, 26 per cent and 22 per cent respectively. The actual expenses as compared with the total budgeted expenses which were related the members of the Board had decreased by 17 per cent.

(b) The fixed deposit interest income of the Board and the Interest on Custodial Account had decreased less than the budgeted amount as to be 52 and 50 per cent respectively. Additionally, 08 instances of variances between 20 per cent and 49 per cent in Revenue Heads were observed. The housing loan interest, Treasury Bills' interest and property income (Leasing rent) had decreased by 25, 30 and 36 per cent respectively. As there was a significant variance between the budgeted and the actual amounts, it was observed that the Budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

<u>Area of Control</u>	<u>Observation</u>
(a) Crediting money to member accounts	Monies collected from employers by the Board had not been credited without a delay to the individual accounts of members in terms of the Act.



(b) Budgetary Control

Action had not been taken complying with the Budget as there was a significant variation between the budgeted income and expenditure and the actual income and expenditure of the Board.

(c) Internal Audit

Attention had not been paid in respect of evaluation of Fund investment profitability of the Board and deployment of qualified and sufficient staff for Internal Audit.

H.M.Gamini Wijesinghe
Auditor General

The image features a central photograph of a person in a dark suit and patterned tie, holding a pen in their right hand. The person's left hand is raised in a gesturing motion. The photograph is overlaid with a semi-transparent red filter. In the top-left corner, there is a vertical decorative element consisting of a red bar above a white bar. The background of the entire page is a light beige color.

**Observations of the Board
for the Auditor General Report
2015**

Observations of the Board with regard to the Report of the Auditor General.

2.2 Comments on Financial Statements

2.2.1 Consolidated Financial Statements

- (a) The main business activity of the Board is investing Funds in risk bearing and risk free investments instruments .

Accordingly, in year 1997 Rs.470,960,938 was invested in Lanka Salt Company. The main objective of this investment was to earn either capital gain or dividends or both. Hence, due to the nature of this investment it is classified under available for sale (AFS) investments and disclosed in the Financial Statements. Therefore, necessity was not arise to prepare consolidated financial statements due to this investment in accordance with Sri Lanka Accounting Standard No. 27.

- (b) Even though, the capital gain had not been received so far, the dividends were received in every year. However, since year 2016 the value of this investments is disclosed under the available for sale investments in accordance with Sri Lanka Accounting Standard and Sri Lanka Financial Statements Reporting Standards.

2.2.2 Sri Lanka Accounting Standards

(a) Sri Lanka Accounting Standard 01

- i. Since 94% of Assets and 99% of Liabilities of the Board is represented by Investment instruments and Member fund respectively, a necessity is not arise to classify such assets and liabilities as current and noncurrent in accordance with Sri Lanka Accounting Standards. However, action will be taken to disclose the reason for presenting financial statement based on liquidity basis except to the Section 60 of Sri Lanka Accounting Standard No. 01.
- ii. The revaluation reserve Rs.3,155,730,470 appears in the Financial Statements is the increased amount of market value over the purchase cost of Nawam Mawatha Land own by the Board as per the revaluation made by Government Valuer in 2011.

The amount of Rs.142,000,000 available in Dividend Equalization Reserve as at 31/12/2015 is made up as follows:

		(Rs.)
2010	Profit transferred to Dividend Equalization Reserve from the profits earned	...
		4,000,000,000
2011	Amount utilized to pay dividend	...
		(1,000,000,000)
2012	Amount utilized to pay dividend	...
		(2,000,000,000)
2013	Amount utilized to pay dividend	...
		(343,000,000)
2014	Amount utilized to pay dividend	...
		(515,000,000)
	Balance As at 31st December 2015	...
		<u>142,000,000</u>

Action will be taken to disclose the nature of above reserves in the financial statements of year 2016.

- iii. As per our financial statements Rs.475,069,000 of realized profits on share investments out of financial assets available for sale which is included in reserve is accounted as a realized profit under financial assets at fair value through profit/(Loss) in the current year Financial Statements. As stated in the query Rs.871,626,580 is not a loss incurred from sale of shares and it is a depreciation value when compare cost of such shares with market value as at 31/12/2015 and this variance is shown in the statements of changes in equity by subtracting from asset available for sale reserves.

(b) Sri Lanka Accounting Standard 08

Since these adjustments are relevant to operational activities of the Board, need for such disclosure was not arised.

(c) Sri Lanka Accounting Standard 16

The assets such as office equipments, computers, vehicles etc are used for day to day operational purpose are stated under fixed assets of the Board. The Government Valuer is informed to revalue these fixed assets in order to account current values in to the books and this assignment is so far not completed. Once the revaluation is completed by Government Valuer, it is expected to change depreciation policy and account fixed assets as per current values.

(d) Sri Lanka Accounting Standard 37

- i. The nature of Summerville case which has a material impact on investments is disclosed in the financial statements and cases on recovery of contributions are related to ordinary business operations, they will be treated them as per the provision of ETF Act.
- ii. This Case No. 56(98) was filed by Summerville & Co. against the Board in connection with breach of Management agreement entered between the Company and the Board. Even though Board persuade to defend the case in favour of the Board, the court ordered to pay Rs.21.9 million to Summerville & Co. Accordingly, Rs.21.9 million was paid to Summerville & Co.

However, Board has filed an appeal at Supreme Court against this decision and according to the Supreme Court order, the Company has deposited Rs.21.9 million worth of Bank guarantee at the Court. The Case No. SC/20/2003 filed at Supreme Court by the Board will be called on 22nd February 2017 for examination.

(e) Sri Lanka Accounting Standard No.39

- i. Agreed. Due to the adjustments made in the financial statements to correct this error, the value of particular investments were increased by Rs.60,425,468.80 and because of fair value adjustment of First Capital Company was made base on the financial statements for the year ended 31/12/2014, the value of such investment were understated by Rs.5,625,900. The calculation of these transaction will be corrected in year 2016 and fair value of such investments will be disclosed in the financial statements.
- ii. The intention of investing in these 03 unit trust were to sell in the market and also these investments are listed and could be sold at the market at any time, such investments have been classified under investments held for Trading.

(f) Sri Lanka Accounting Standard 40

In year 2015 Government Valuer was informed in year 2015 to revalue the land owned by Board which is situated at Nawam Mawatha. However, since this valuation report not yet been received, it was unable to show fair value in the financial statements.

2.2.3 Accounting Policies

- (a) In year 2014, the listed share portfolio of the Board was re-classified as per Board decision. Accordingly, division of portfolio was made as 30% for Trading portfolio with an intension for re-selling within a short period and 70% for long term portfolio. for re-selling within a short period and 70% for long term portfolio. Even though the portfolio had been classified as Held for Trading and Available for Sale in accordance with Sri Lankan Accounting Standards, the Board of Directors has decided to earn profits by selling such shares irrespective of the classification as a strategy if the market prices of the shares unexpectedly increases towards in favour of the Board.

In accordance with Sri Lankan Accounting Standards, the basis of classification and presentation of investment in financial statements is not restricted for selling such investments and earn profits at right time. The prime objective of the Board is to earn optimum profits on its investments and the Board acts accordingly on such favourable conditions.

- (b) When classified part of total portfolio under Available for Sale (AFS) investments as per the Board paper presented on 21st March 2013, the factors such as administration structure of the company, expected growth, dividend policy, the company's ability to expand in their industry etc were considered for such classification.

Therefore, we cannot agree with statement "No active Market" in your observation quoted as reason for re-classified 70% of Board's share portfolio for the year ended 21/12/2014.

2.2.4 Accounting Deficiencies

- (a) For year 2015, Rs.6,013,817,000 was credited to the members accounts and deducted from the profit available for appropriation as done in previous years. However, no impact for overall financial results of the Board from this presentation and it is expected to make necessary adjustments subsequently after study is made.
- (b) The amount of Rs.121.882,827 stated in Tax Computation is a payment adjustment made on Treasury bonds prior to year 2006 and equal portion of such unrealized refund is set off against tax liability of each year. Accordingly, it is expected to set off this amount against tax liability in subsequent years.
- (c) This under provision of depreciation had been taken place during the time of data - entry to the computer package of fixed assets. Action will be taken to resolve technical issues of the package and calculate correct depreciation amount once the revaluation process is completed.

2.2.5 Unexplained Differences

At present, a detail Tax computation is presented with financial statements and as mentioned in the audit query, a tax reconciliation will be presented from year 2016.

2.3 Accounts Receivables and Payable

- (a) Former Addl. General Manager suddenly resigned from the post without prior notice and it was calculated his dues to the Board which was Rs. 508,789/-. Then he was informed to settle same and in response he paid a part and then the total due was Rs. 425,812/-. We will take action against the guarantors of the dues if he is not settled in full.
- (b) Retained death benefits account balance is Rs.9,914,376.85 to 836 claimants as at 31st December 2015.

There are instances where more than one claimant exists or determined to share the unclaimed balance of a deceased member. Since, all such claimants have not submitted their claims at one instance and some of them have failed to submit adequate documents and prevalence of long term unsettled testamentary cases. Therefore, share of claim entitled to others would be released while retaining the unclaimed balance in the accounts. Hence, above balance has remained in these accounts as usual. 5 claims has been identified and Rs.171,817.88 had been paid since, January 2016 to 2016/06/30. Outstanding liability balance is Rs.9,742,558.97 for 831 claimants as at 30/06/2016.

Returned benefit account balance is Rs.15,304,642.94 relevant for 1233 claimants as at 31/12/2015. This account reflects the value of the refunds which had been directly sent to the bank accounts of the claimants and returned by the banks due to non availability of adequate details of such claimants. Arrangements have been made to inform to the claimants and action would be taken to repay these money to the relevant claimants on receipt of correct information. It had been identified 91 claimants since January 2016 to 2016/06/30. And Rs.2,889,777.69 has been paid. Outstanding liability balance is Rs.12,414,865.25 for 1142 claimants as at 30/06/2016. Benefit applicants are being made aware through regional offices and mobile services and amount of benefits are being paid to the relevant members.

Balance of returned benefit (cheque) account as at 31/12/2015 is Rs.4,753,869.45 for 965 claimants. Relevant benefit value would be sent by cheques through registered post to the benefit applicants, who do not have access to the slip transaction system, If any cheque is returned from above, they would be directed to the relevant bank.

Even if cheque were sent, but not realized, those values are reflected in the above account. Accordingly Rs.83,946.96 has been paid to 7 claimants, since January 2016 to 30/06/2016. Outstanding liability balance is Rs.4,669,922.49 for 956 claimants as at 30/06/2016.

Benefit applicants are being made aware through regional offices and mobile services and amount of benefits are being paid to the relevant members.

(c) Contribution not credited to the Member Accounts

Out of the contribution received since 1981 to 31/12/2014 the amount which was not credited to the individual member accounts as at 02/05/2016 is Rs.2,368,393,636. From this amount Rs.271,142,523 has been credited to the individual member accounts as at 31/08/2016 and Rs.2,097,251,113 to be credited to the individual member accounts as at 31/08/2016.

New unit called "Special Accounts Clearing Unit" was established on 10th February 2016 to update all arrears work in Member Account Section.

2.4 Non compliance with Laws, Regulations and Management decision.

Shop and Office Employees' Act No. 19 of 1954

From the inception 42 days of leave had been granted to the employees of the Board on an annual basis. It was advised not to reduce same upto 21 days as per Shop and Employees Act as it will effect adversely to the industrial peace. However, the payment of overtime is made as per rules and regulations of the Shop and Office Act.

Financial Regulation of Democratic, Socialist, Republic of Sri Lanka
Financial Regulation 369

According to the bank reconciliation of account No.1650001111 of people's bank, amount of 9 unrealized cheque is Rs.245,450.21 as at 31/12/2015. Out of this amount related to 7 cheques that is Rs.224,836.78 has been transfer to return benefits accounts in May 2016. But is in the process of indentifying individual bank details for correct payment. Remaining 2 cheques (relevant amount is Rs.20,613.43) to be transfer to the correct account after collecting.

Reflecting in Bank Reconciliation relating to Peoples Bank A/C No.1650001111 nine cheque total amount is Rs.245,450.21 as at 31/12/2015. Out of this seven cheque amounts is Rs.224,836.78 has been transfer to returned benefit account in May 2016 to be collect the correct bank account details from the member and to be pay.

2.5 Transactions not supported by adequate Authority

It was mentioned in the Board paper submitted on 27/05/1994 that all inclusive salary was considered for staff distress loans and on that basis amount of staff loan was calculated.

Furthermore, approval from General Treasury was obtained for staff loan scheme.

3 Financial Reviews

3.1 Financial Result

- (a) Agreed
- (b) Agreed. This situation is occurred due to the declining interest rate on fixed income securities eventhough about 13% return was earned on share market investments in year 2015. The Board follows firm policies on expenditure and this situation will be recovered when interest rates of fixed income securities increases.
- (c) During the year under review increase of certain expenditure such as staff salary hike by Rs,10,000 as proposed by the government, increase of number of year 05 scholarships when compared to year 2014 and increase of Heart Surgery payment from Rs.150,000 to Rs.300,000 under member benefits were mainly contributed to increase expenditure when compared to year 2014.

3.2 Analytical Financial Review

- (a) Agreed
- (b) Agreed
- (c) Eventhough members fund has grown at this level the declining trend in interest rates exist for government securities which represents about 90% of total portfolio was the main impact for this situation.

3.3. Legal Events Instituted by the Board

Agreed. In certain instances where defaulting of investments, interest income, contributions and surcharges, the legal actions need to be taken if no other alternatives are available to recover them.

3.4 Working Capital Management

Action has been taken to transfer from excess fund in two commercial bank accounts No.22220509201 and 2220509202 have been transferred to peoples Bank A/C No.119-100143693249 in May 2016.

4. Operating Review

4.1 Performance

- (a) Noted
- (b) 62% of the Labour market of Sri Lanka is represented by informal sector which mainly consists of domestic, small scale and medium scale business. Arrangements have already been made to implement a new process in order to enroll a large number of members through inspection of institutions with the technical assistance of ILO and the support of the Ministry of National Policies and Economic Affairs.

Enhancement of the self employed and migrant workers sector has already launching new programme with the coordination of relevant Government and Semi Government Institutions to enroll maximum members

- (c) A continuous growth is reflected in contribution collection from year 2013 to year 2015 and due to an increase in claims refunds during year 2014 this variance had been taken place. Therefore agreed with your observation.
- (d) In a particular year if the profits earned during that year is not sufficient to pay certain return the carried forward profits could be utilized for such purpose. Therefore, an adjustment had been done accordingly.
- (e) Agreed with the matters given in the audit report.
- (f) The value of the share Investment Portfolio has been deteriorated in this nature that due to continuous volatile condition existed in the market since 2015. It is expected this condition will be recovered once the market condition become stable.

4.2 Management Activities

- (a)
 - i. Returned Year 5 scholarship account balance is Rs.2,258,385 as at 31/12/2015. It had been identified since January 2016 to 31/08/2016, and Rs.48,598.49 has been paid. Outstanding liability balance is Rs.2,209,786.51 as at 31/08/2016. Information is to be collected from relevant scholarship holders and arrange to pay in future.
 - ii. Numbers of awarded scholarships are always lower than the allocated amount in event of year five scholarship and financial grant for GCE (A/L), because candidates do not fulfill the required qualification.

All the Employers and Members are being made aware through Regional Offices and mobile service regarding existing welfare benefits but, are not received benefit applications upto the budget quantity.

- (b.) It is not considered the number of guarantees for staff loans signed by the loan applicant when approving his/her application of the loan. If the staff loan is default guarantors are bound to pay same together or an individual basis. Therefore there is no financial damage to the Board.

4.3 Transactions of Continuous Nature

- (a) Employees are paid two months bonus after obtaining formal approval considering the definition of the salary in the Establishment Code. Further the Establishment Code defines the salary as the consolidated salary which comprises with all allowances. Also employees are paid the Bonus on that basis for a long period of time.
- (b) Considering the practical difficulties for not paying regular monthly rentals of the Car Park highlighted in his request he was given a grace period to regularize the dues. However, when payment is made arrears of the rentals are recovered but current monthly rentals are default. On that basis the default amount was increased and therefore, the Management terminated the agreement and acquired the land to the Board on July, 2015 and legal action against Asset Property (Pvt) Ltd was taken.
- (c) If annual leave is not authorized to avail due to requirement of the service of the employees such leave is paid. On that basis balance annual leave of the employees are paid.

There is a criteria for attendance in the monthly incentive scheme for which Rs. 2500/- is allocated. If an employee exceeds 05 days leave per month, the total amount of Rs. 2500/- is deducted. The scheme is for motivation for improvement of the performance.

4.4 Uneconomical Transactions

- (a) In 1997 Rs 470mn had been paid to the General Treasury to purchase 90% stake of the company while the balance 10% of the shares are owned by the staff of the Lanka Salt Ltd.

The company had paid Rs 123 as dividends to the Board since inception of the ownership. The Net asset value as of end of 2014 has been increased to Rs 612 millions which is Rs 142 millions appreciation against the investment value of Rs 470 millions.

- (b) Eventhough it was stated that dividends have not been received from 13 companies during the year 2015. A sum of Rs.861,070 has been received from Valible One Company as dividends.

Though it was pointed out that market price in shares of 04 companies have declined from 10% to 37%, the share market is highly sensitive and depend on factors such as economic condition of the country, tax policy, political policies, foreign reserves, foreign currency policy, purchasing power of the people etc. However, it is our expectation to earn higher capital gains when share prices of above companies are increased.

4.5 Identified Losses

- (a) Rs.15.0 Million was invested in Debentures of Elkaduwa Plantations Ltd (EPL) on a Cabinet Directive in 1994. Interest of Rs.12,291,556.16 is in arrears on the above Rs.15.0 Million.

EPL had agreed to settle the interest arrears in monthly installments of Rs.500,000/= settled only upto the November 2012. A Letter of Demand was sent to EPL on 04/08/2014 demanding to settle the dues. This was informed to General Treasury by our letter dated 16/06/2015. In response to our letter EPL requested a grace period to settle the arrears and informed that they have planned to discuss this matter with Secretary, Ministry of Plantation Industries.

Sent a letter to Secretary, Ministry of National Policies and Economic Affairs on 17/11/2015 with a copy to Director General, Public Enterprises General Treasury, requesting assistance to recover the dues from General Treasury as this investment was made on a government directive.

In response to our letter, Secretary, Ministry of National Policies & Economic Affairs has written to Chairman/ Managing Director, EPL on 09/12/2015 with a copy of ETFB requesting their plan for the settlement of interest arrears.

EPL has requested further grace period to settle arrears as they have not overcome their financial difficulties still as per their letter dated 10/08/2016.

- (b) The main objective of constructing a Holiday Bungalow was staff welfare. Therefore, it is made available for the staff at concessionary rates. In addition to this Bungalow is given for third parties at different rate. Therefore, this Holiday Bungalow is not running for the main purpose of earning profits.
- (c) Due to the unfavourable condition existed in the market during year 2015, the prices of this units had declined. However, it is expected to earn profits by selling these units once the market is recovered.
- (d) Since no final verdict has been issued for the 02 companies under liquidation, the certainty of recovering of these investments cannot be confirmed.
- (e) Promissory notes of Rs.12,174,382.19 is in Vanik Incorporation.

The arrears of promissory notes issued in lieu of arrears of Debenture interest of Rs.15.0 Mn.	..	11,262,382.19
---	----	---------------

The value of promissory notes issued in lieu of interest relevant to the year 2001 on the debentures issued on 10/12/1997	..	912,000.00
	..	<u>12,174,382.19</u>

Rs.11,262,382.19

The interest rate for Rs.15.0 Mn. Promissory notes was 15.50%. The installment payments of Capital & Interest were stopped in July 2002. Rs.11,262,382.19 is in arrears.

Rs.912,000.00

The rate of debentures issued to ETFB on 10/12/1997 by Vanik Incorporation was Rs.7,450,250. Interest was paid for the period from 1997 to 2000. The interest installment for 2001 was not paid and converted to a Promissory Note. Vanik Incorporation has failed to settle the promissory Note.

The value of the debentures issued by Vanik to ETFB was Rs.7,450,000 (Par Value Rs.6,080,000). Although the due date of the last installment after the restructure of payments was 10/12/2011, Vanik Incorporation has not settled the due amounts.

Since there is Legal process against Vanik Incorporation, we have to wait until finalize the court decision to take action to recover the arrears.

Present position of the Liquidation petition against the Vanik Incorporation Ltd

Winding-up application was filed against the Vanik Incorporation Limited. liquidation order delivered and against the said order two appeal applications filed in Civil Appeal High Court and Supreme Court. The Two appeal petitions were dismissed, again Provincial Development Bank filed appeal petition against the said order in Civil Appeal High Court numbered WP/HCCA/270/08 (F). Now this case will be called on 22nd September 2016 for judgments.

4.6 Personnel Administration

- (a) Employee expenses are increased due to correcting salary anomalies created at the time of absorption of employees into the grades of the posts based on approved Scheme of Recruitment on 01.05.2013 as per the instructions in the 30/2006 circular issued by the Dept. of Management Services.
- (b) The General Manager Post could not be filled due to a Labour Tribunal case filed by Mr. E H P De Silva, former General Manager. However, as the case was concluded on July 2015 the Board will take steps to fill the posts of General Manager and Addl. General Manager.

5. Accountability and Good Governance

5.1 Corporate Plan and Action Plan

An action plan has been prepared with the assistance of computer consultant for this purpose and it is decided to commence this work during year 2016.

- i. It has been taken and initiatives to improve the capacities of the employees based on a report on productivity from National Productivity Secretariat. Further The National Productivity Secretariat will involve in developing systems and processes to improve efficiency which will be leading to better service to the members.

- ii. As the results of the above (1) a new system for performance appraisal will also be introduced

5.2 Internal Audit

- (a) New Corporate Plan and Action plan has re-prepared in 2016 in technically sound manner with board objective thus internal audit is complying with it.

Also draft annual report with annual final accounts will be submitted to the internal audit with effect from 2016.

Following pre-audit has been done during the year 2015 as per the requirement of management

(i)	Benefit Claims pre-audit	
	Normal Benefits	96,943
	Death Benefits	2,654
	IOL	651
	Heart Surgery	588
	Permanent Disability	63
	Automatic Life Insurance	947
	Shramasuwa	1,636
	Kidney Transplant	18
	Scholarships – Grade V & A/L	9,562
	Staff Medical Reimbursements	13,958
		<u>127,020</u>
(ii)	Staff Final Payments	17 Nos
(iii)	Monthly Staff Incentive Percentage	
(iv)	Housing Loan Reimbursements	
(v)	Annual Staff Bonus – 2015	
(vi)	Annual Leave Encashment – 2014	

In addition, following post audits has been done

1. Contributions and surcharge income 2014
2. Unrealized Money Orders
3. Investment in Units of Unit Trusts
4. Journal Entries in the MASS System
5. Office Building Rent

6. Procurement and repair of office air conditioning machines
7. Disposal of Fixed Assets
8. System and Control weaknesses observed in pre-audit has been reported from time to time.

All above reports has been submitted to the Auditor General. Further all inquiry Report which assign by the Chairman including investment and procurement has been submitted to the Chairman.

- (b) A reply had been given under 5.2 (a)
- (c) New organization chart as per the scope and staff requirements of internal audit division has been prepared and included in 2016-2020 Corporate Plan thus action will be taken to staff promotion and recruitment of suitably qualified staff.

5.3 Budgetary Control

- (a) In year 2015, government has approved to pay Rs.10,000 allowance to all government and semi-government employees. Since this payment is adjusted to the staff salaries, payment of salary arrears to a reinstated employee who was interdicted, the actual salaries and bonus exceeded the budgeted expenditure.

It was needed to expand and modernized existing regional office network in order to expand the services provide to members. Accordingly shifting of some of regional offices to the locations which have more spaces, travelling facilities etc and payment of Rs.9.6 million as rent arrears in year 2015 for the period from 2007 to 2015 due to Department of Labour where ETF Board head office is located, the actual building rent cost exceeded the budgeted expenditure.

- (b) Base on the investment opportunities available in the market, interest rates, funds availability, our intention is to invest fund in the most favourable investments in order to earn higher interest income to meet forecasted income targets without necessarily confirmed to the forecast investment plan. Accordingly in year 2015, the actual income was exceeded by 6.5% over the Budgeted income.

The rent income was declined due to the discontinuations of renting out of Nawam Mawatha property since August 2015. Presently Car Park is running by ETF Board itself at a profit which is higher than rent income engaging own staff.

6. Systems and Controls

- (a) Contribution received since 1981 to 2014 Rs.135,799 million. From this amount Rs.133,682 million has been credited to the individual member accounts as at 31/08/2016. It is 98.5% from the total contribution. Accordingly, 1.5% contribution are to be credited to member accounts as at 31/08/2016 (Amount is Rs.2,097 million)

Current year contribution received is Rs.18,087 million and Rs.15,415 million has been credited to the member accounts as at 31/08/2016. It is 85% from total contribution. Accordingly, 15% of contribution to be credited to the member accounts as at 31/08/2016 (amount is Rs.2,071 million)

- (b) As per the financial statements of the Board, the actual member related expenses were dropped by only 17% when compared to the Budget. Accordingly there is no major variance noted in between actual and budgeted expenditure and action will be taken to grant more benefits to the members by increasing awareness among them further.
- (c) New Organization Chart as per the scope and staff requirements of Internal Audit Division has been prepared and included in 2016-2020 Corporate Plan thus action will be taken to staff promotion and recruitment of suitably qualified staff.



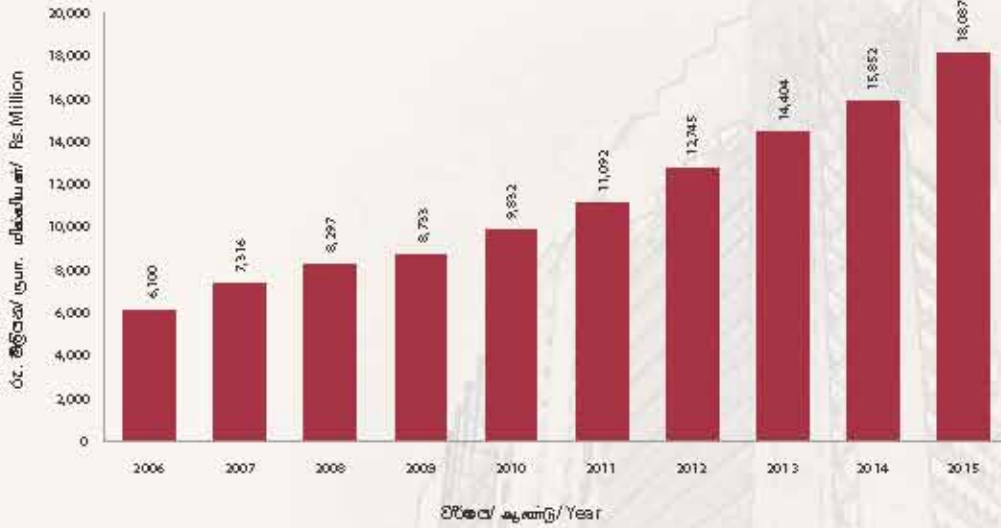
Mahinda Madihahewa
Chairman / Chief Executive Officer
Employees' Trust Fund Board.

சென்னை
 அறிவிக்கப்பட்ட வட்டி மற்றும் பங்கு இலாபங்களும்
 DIVIDEND DECLARED 2006 - 2015

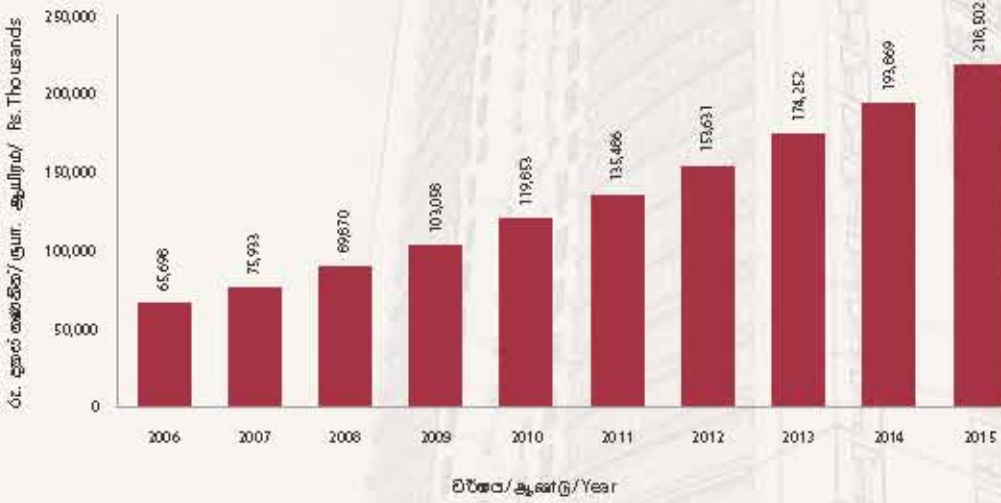
கிண்டிசாதுமட ஈடுதூதுதி புள்ளிவிபர இணைப்புகள் STATISTICAL ANNEXURES



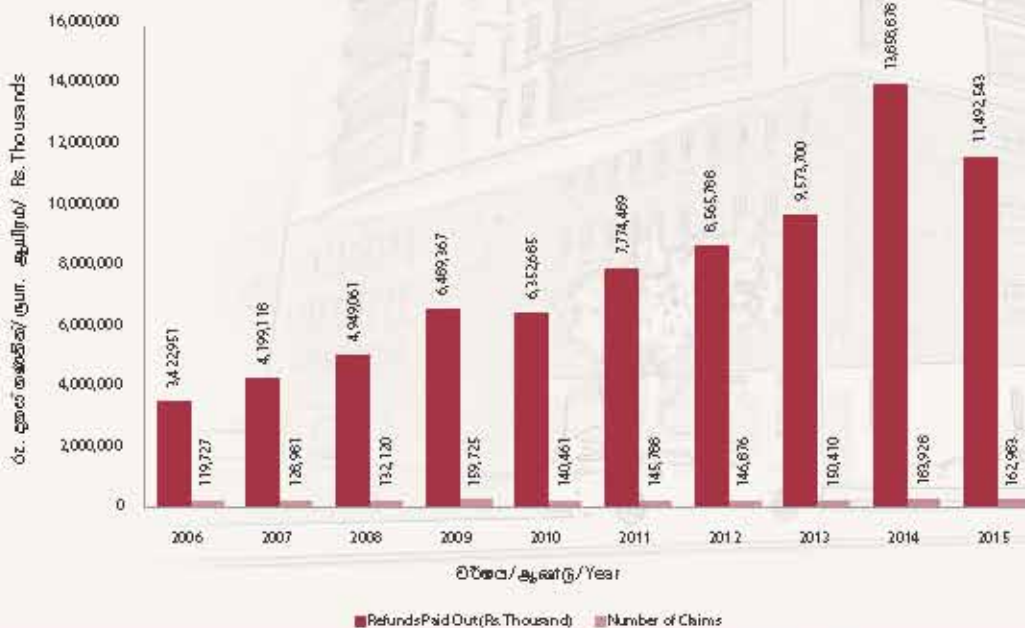
ஏலக இலல் லுலகல
சேகரிப்புக்களின் லுலகல
TREND IN CONTRIBUTION COLLECTIONS 2006 - 2015



காலீக ஁ரீலுலல் லுலகல ஁ங்ககலுல நுலீயுள் லுளர்சசி
GROWTH OF THE MEMBER FUND 2006 - 2015



காலீக லுள்ள ஁ா஁லு லுலீலு லுளுப்புளலு ஡ுளளிப்பு லுய்யுப்புலு ஁ரிளலுக் குுரல்களின்
MEMBER CLAIMS REFUND 2006 - 2015



අධිකාර ආදායම් மிகை அறவீடு வருமானம்
SURCHARGE INCOME 2006 - 2015

