



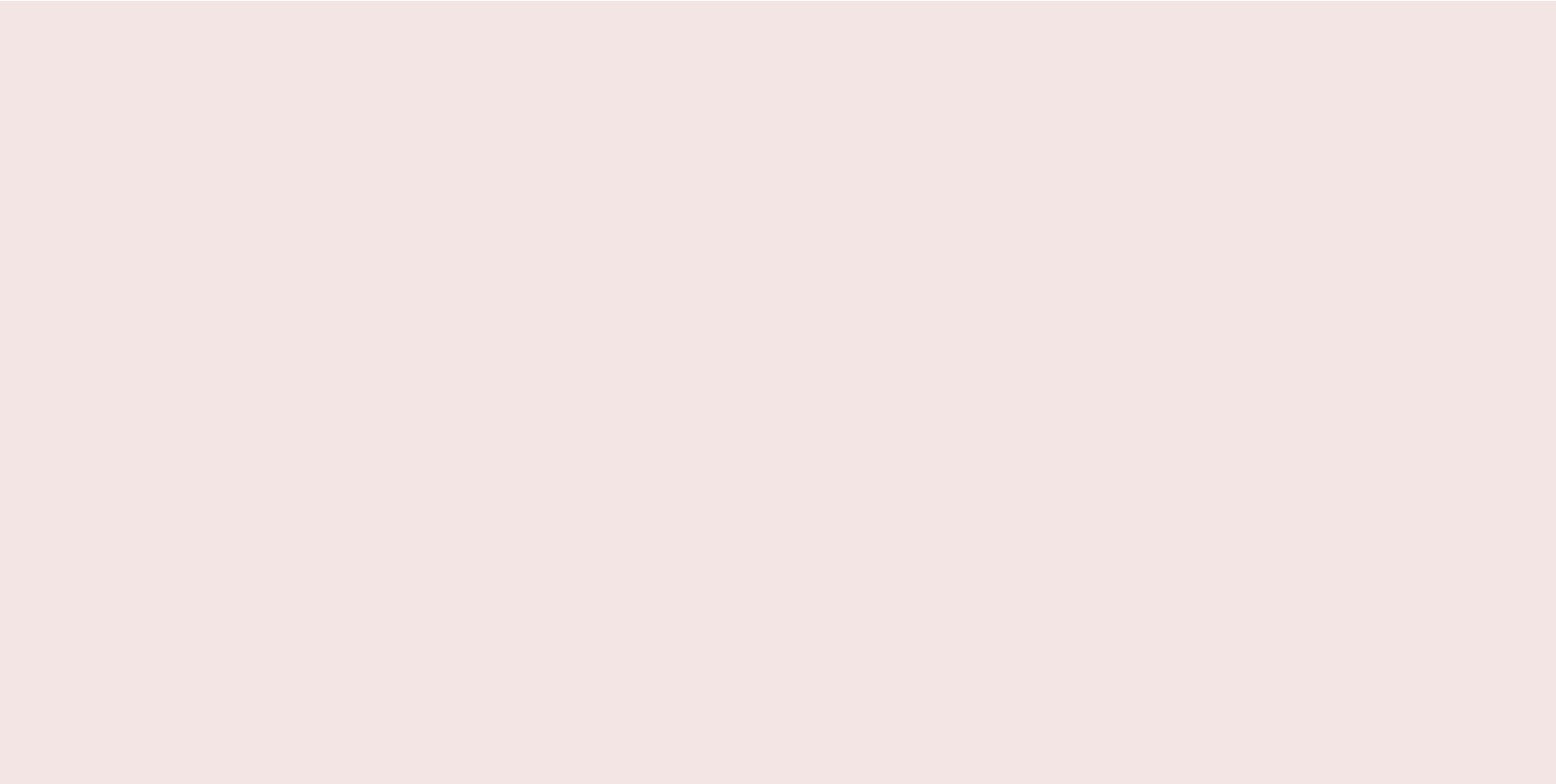
EMPLOYEES' TRUST FUND BOARD

ANNUAL REPORT 2019



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© Employees' Trust Fund Board





EMPLOYEES' TRUST FUND BOARD

ANNUAL REPORT 2019

Employees' Trust Fund Board

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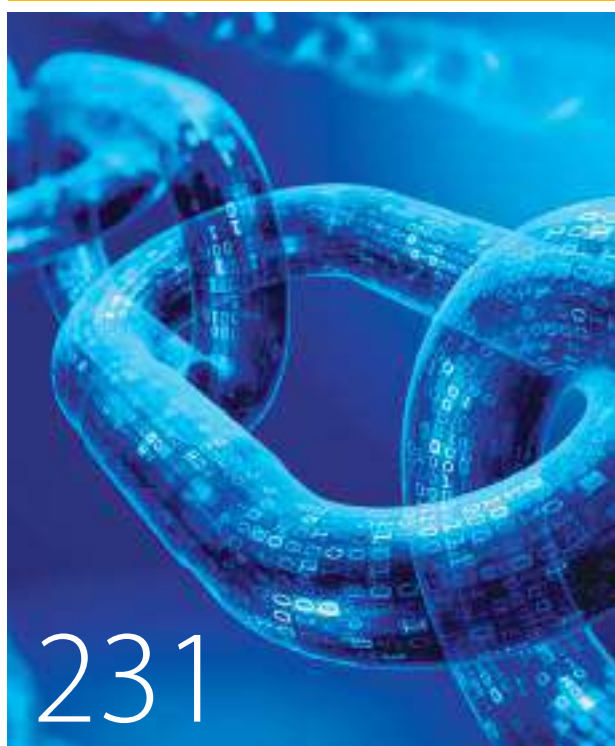
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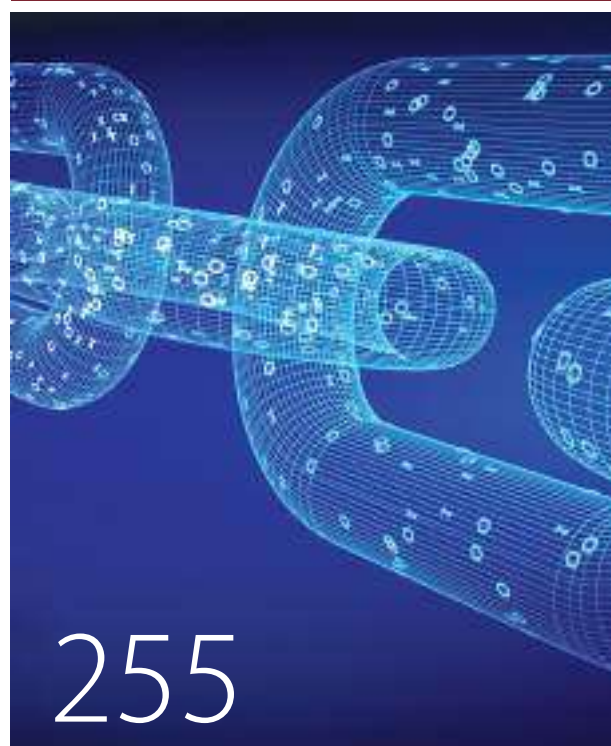
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The background features a vibrant blue color palette with abstract, glowing spheres and flowing ribbons of binary code (0s and 1s). The spheres are semi-transparent and appear to be interconnected, creating a sense of depth and digital connectivity. The overall aesthetic is futuristic and data-oriented.

01

Corporate Overview



ABOUT THIS REPORT

Content of the Report

This is the 39th Annual Report of Employees' Trust Fund Board which provides a comprehensive account of how the organization has created value primarily to its beneficiaries and to other stakeholders in 2019.

The contents of the annual report 2019 covers the operations spanning the head office and the branch network for the period of 1st January 2019 to 31st December 2019, with the most recent report being for the year ended 31st December 2018 for which comparatives are given throughout this report. The contents of this report have been developed with an emphasis on the aspects that are material for the organization as well as for its key stakeholders.

Focus of the Report

The report aims to share the entity's inimitable value creation story over the short, medium and long term with our renowned stakeholders. It also presents concise communication of the strategy, governance & fund management and demonstrates the relationship between its financial performance and the social footprint created by the organization.

The report comprises of both quantitative and qualitative data and it is our intention to provide quantitative data where possible to facilitate comparisons and further analysis. The Financial Statements together with the related notes are audited by the government auditor and the assurance report is also available in this report.

Compliance of the Report

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

Contact Person

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Employees' Trust Fund Board
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WHO WE ARE

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

The Objectives of the Board

(As per Sec 07 of ETF act no 46 of 1980)

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



OUR VALUE PROPOSITION

Vision

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

Mission

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

Values

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



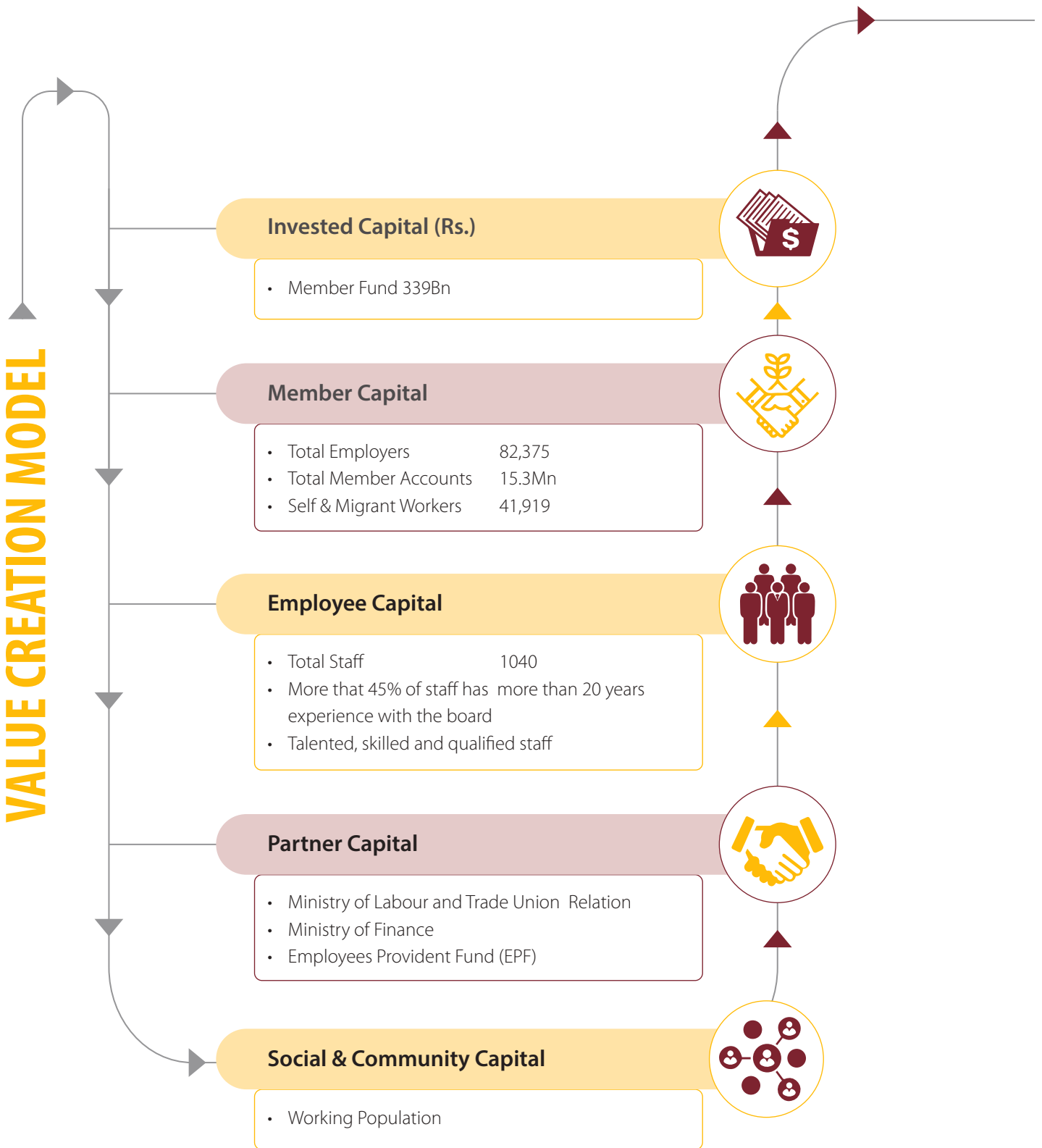
FINANCIAL HIGHLIGHTS

| LKR 000' | 2019 | 2018 | Change % |
|--|-------------|-------------|----------|
| Operations | | | |
| Total Income | 32,078,510 | 28,803,133 | 11.37 |
| Operating Expenses | 1,476,499 | 1,333,648 | 10.71 |
| Profit Before Tax | 29,763,621 | 26,726,180 | 11.37 |
| Tax Expense | 4,242,123 | 3,394,806 | 24.9 |
| Profit After Tax | 25,521,498 | 23,331,374 | 9.4 |
| Statement of Financial Position | | | |
| Cash and Cash Equivalent | 548,572 | 738,070 | (25.67) |
| Financial Assets at FVTPL | 2,699,451 | 2,886,959 | (6.49) |
| Financial Assets at FVTOCI | 7,899,643 | 7,563,896 | 4.44 |
| Financial Assets at Amortized Cost | 324,688,318 | 292,668,381 | 10.94 |
| Member Fund and Reserves | 340,852,277 | 307,981,965 | 10.67 |
| Member Point of View | | | |
| Member Fund | 339,244,338 | 306,454,810 | 10.50 |
| Interest & Dividend | 25,129,210 | 25,303,608 | (0.7) |
| Interest & Dividend (%) | 8.00% | 9.00% | (11.11) |
| Member Benefits | 454,714 | 425,400 | 6.89 |
| ROI | 9.44% | 9.34% | 1.1 |
| ROE | 7.49% | 7.58% | (1.2) |
| ROA | 7.43% | 7.51% | (1.1) |

VALUE ENABLERS (INPUTS)

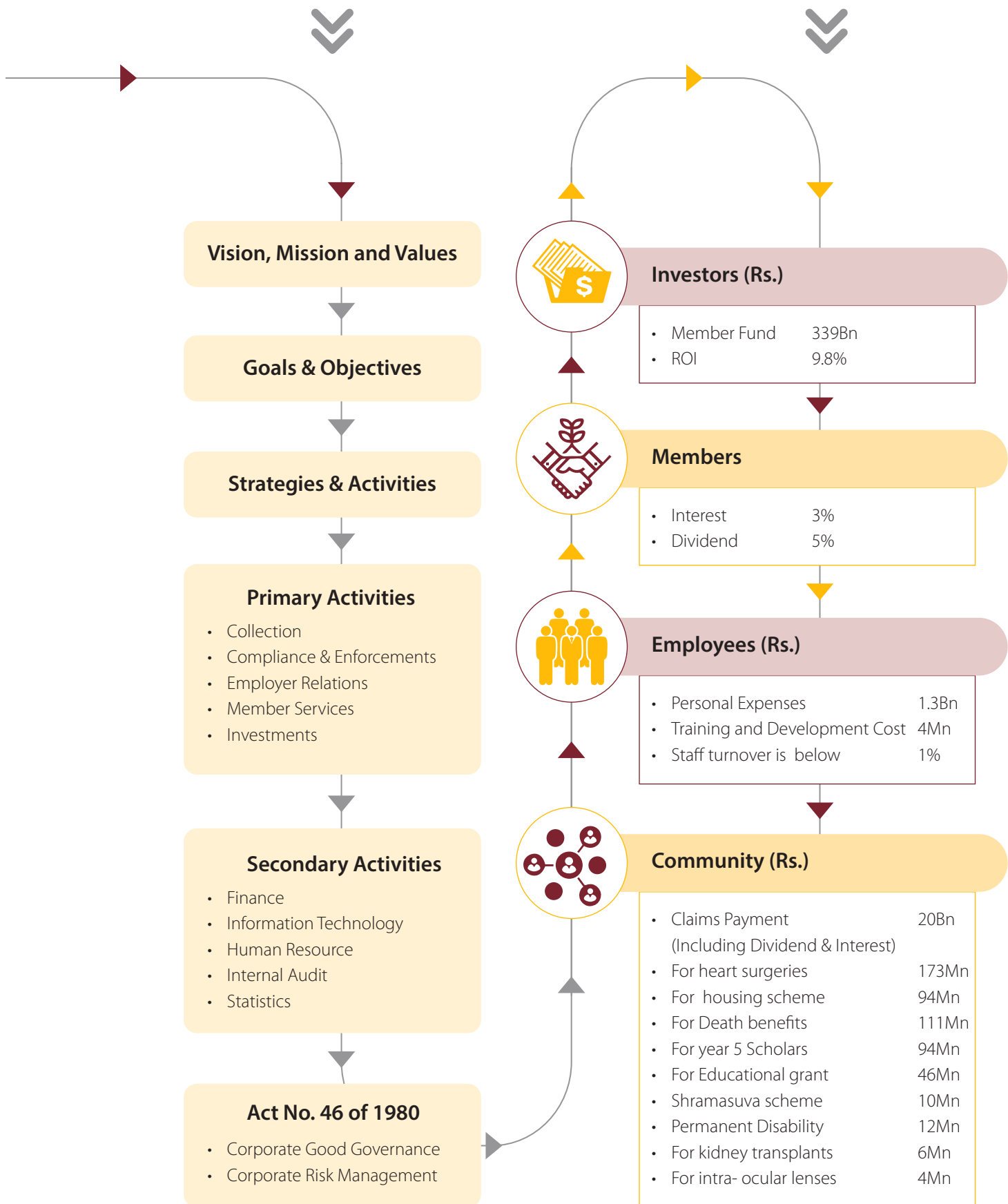


VALUE CREATION MODEL



VALUE CREATION (PROCESSES)

VALUE CREATED(OUTPUTS)





ORGANIZATIONAL REVIEW

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

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

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

The Employees' Trust Fund Board was initially structured as a centralized organization, mainly due to the fact

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

The functional areas of Employees' Trust Fund Board 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 etc. 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).

FUNCTIONS OF DIVISIONS/ SECTIONS/ UNITS OF THE BOARD



Contribution Collections and Employer Relations Division

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

01

02

Investment Division

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



Member Services Division

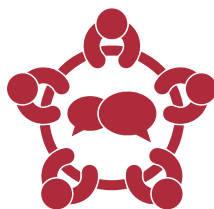
The main functions of this Division include, updating and maintaining Member Accounts, issuing Annual Member Statements (AMS) to members, speedy processing of General Benefits (Normal & Death Claims) and maintain other welfare Benefit schemes for the active members. The adequate steps have been taken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

03

04

Finance Division

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



Administration and Human Resource Division

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

05

06

Information Technology Division

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



Internal Audit Division

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

07

08

Legal Division

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

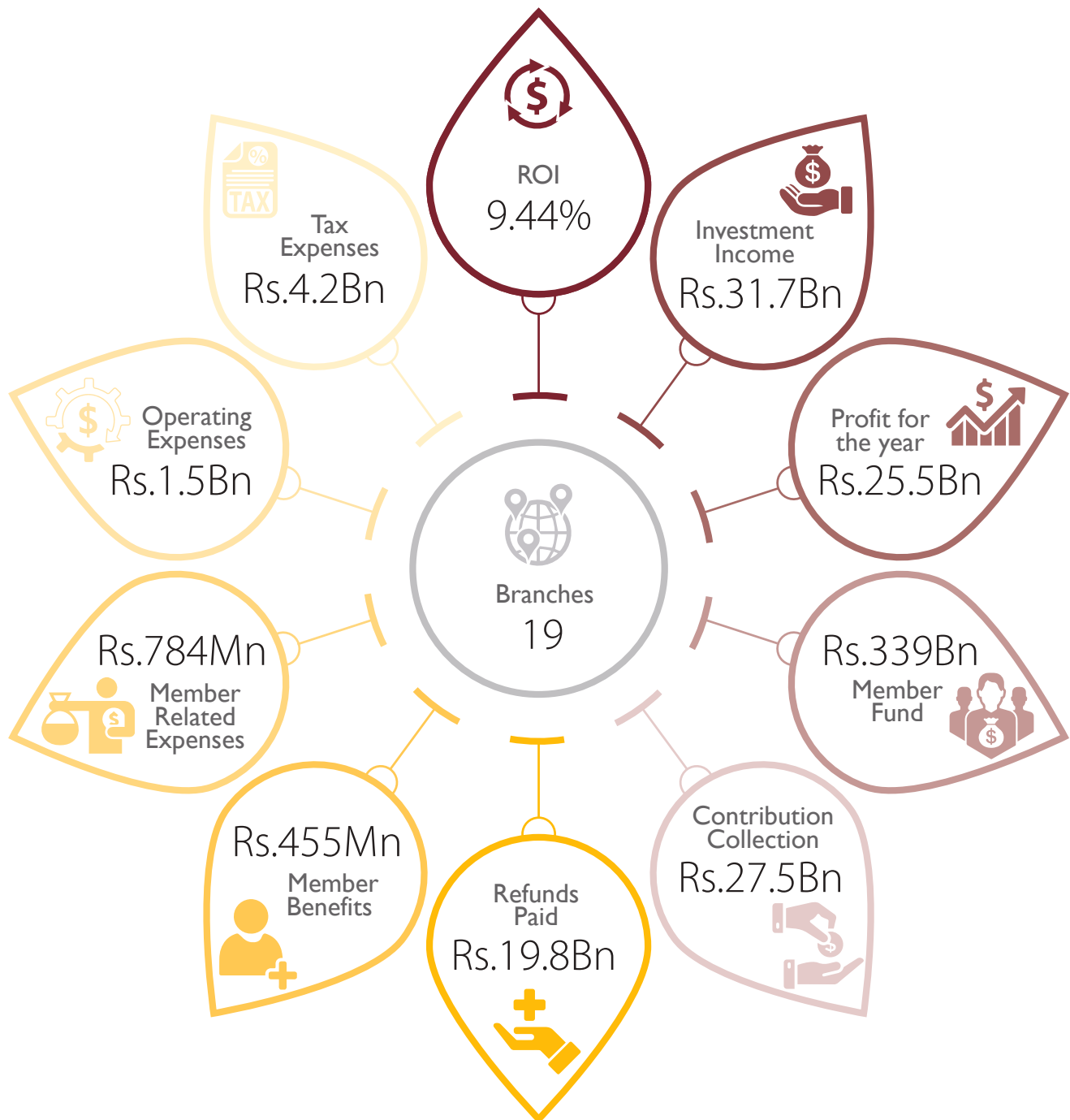


Statistics Unit

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

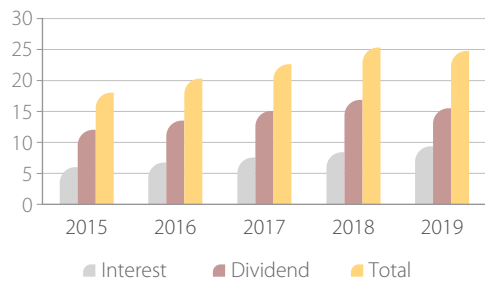
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PERFORMANCE REVIEW

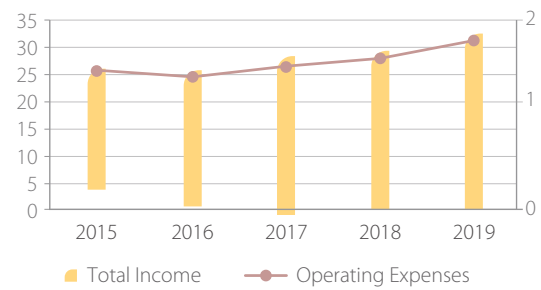


MEMBERS POINT OF VIEW

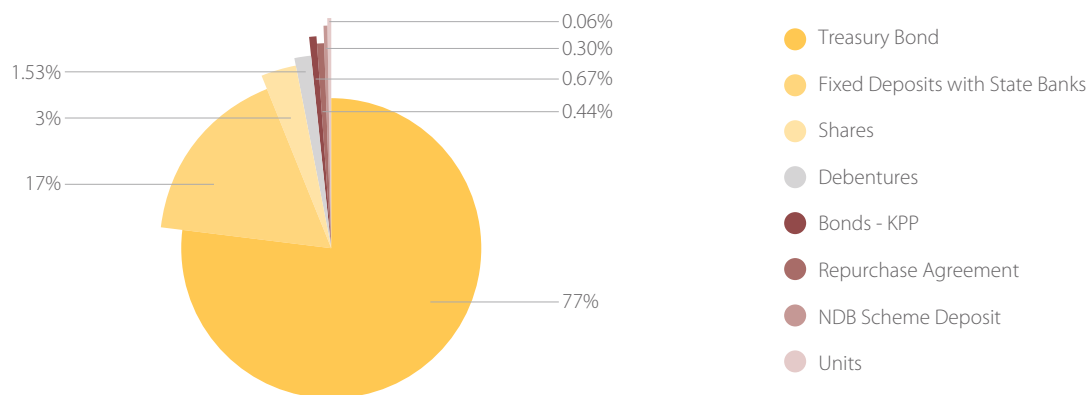
Interest and Dividends (Rs. Bn)



Income vs Operating Expenses (Rs. Mn)

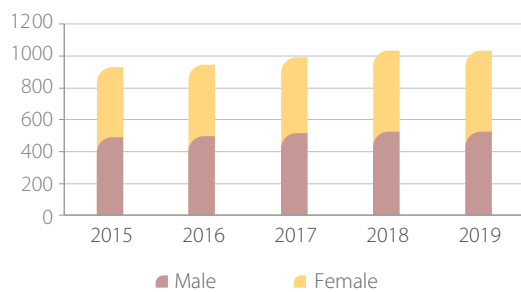


Portfolio Composition as at 31.12.2019

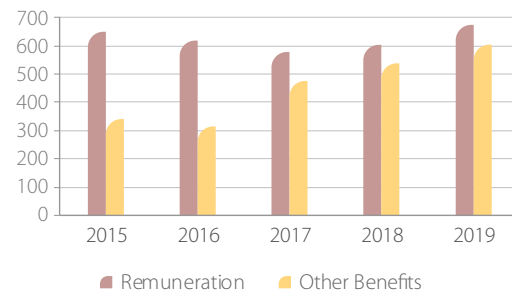


EMPLOYEES POINT OF VIEW

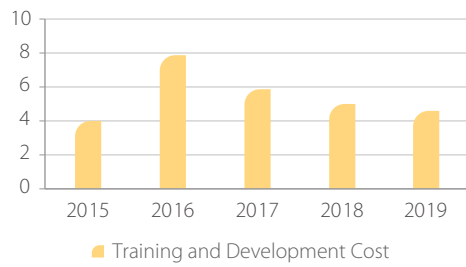
Employee Headcount (Nos)



Total Staff Cost (Rs. Mn)

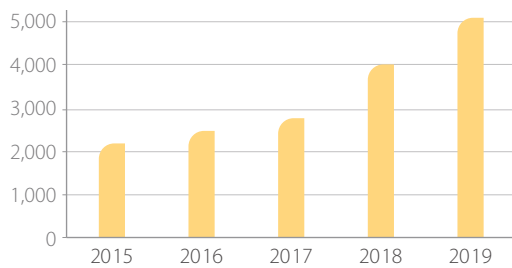


Training and Development Cost (Rs. Mn)

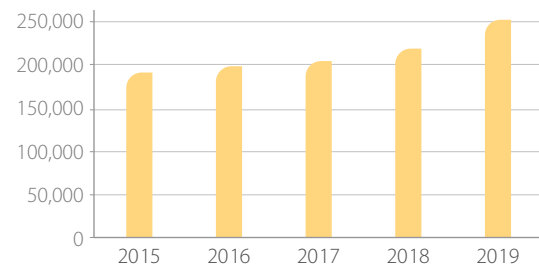


GOVERNMENT POINT OF VIEW

Taxes Paid to the Government (Rs. Mn)

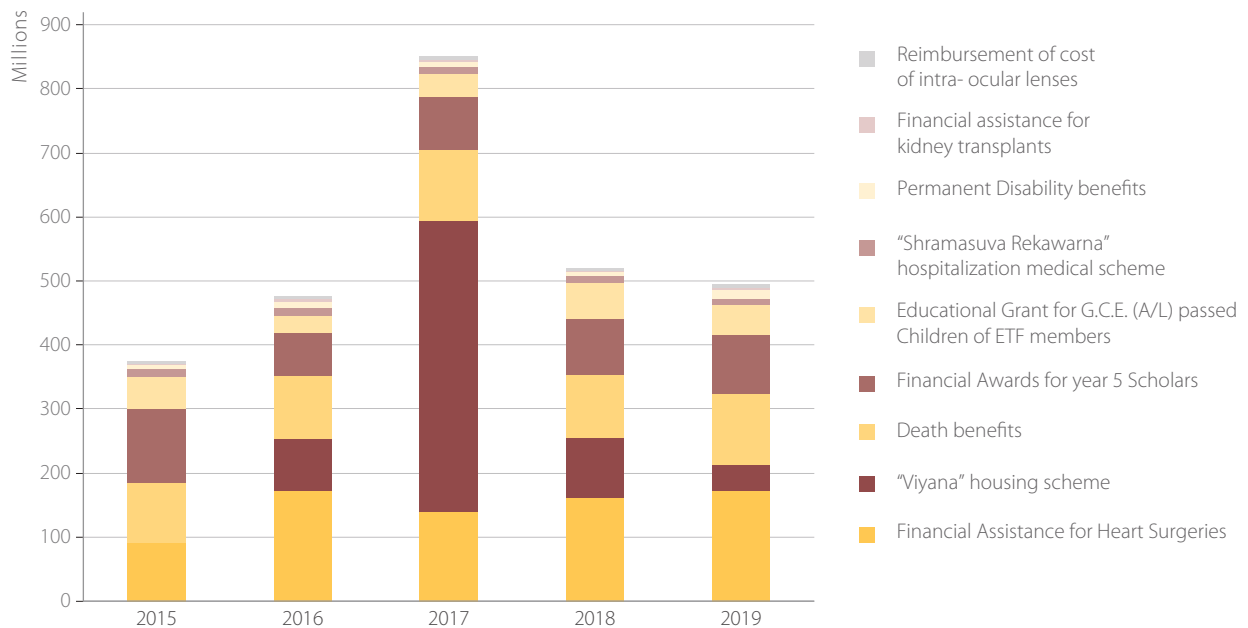


Total Investments in Government Securities (Rs. Mn)



COMMUNITY POINT OF VIEW

Benefit Schemes (Rs. Mn)



FOCUS TRANSITION

Current Status

The ETF Board has Rs. 339 billion of Member Fund balance as at 31st December 2019, and has about 15.3 million member accounts which about 2.6 million are currently contributing members.

Total contribution for the year 2019 recorded as Rs. 27.5 billion while the Board has refunded Rs. 19.8 billion to the members during the same period.

The total asset of the fund as of 31/12/2019 was Rs. 343 billion. The total income for the period was Rs. 32.1 billion and net profit stated at Rs. 25.5 billion.

Board was able to declare a total rate of 8% to its members as interest and dividend for 2019. This is an attractive rate compared to the savings rates offered by state banks to their customers.



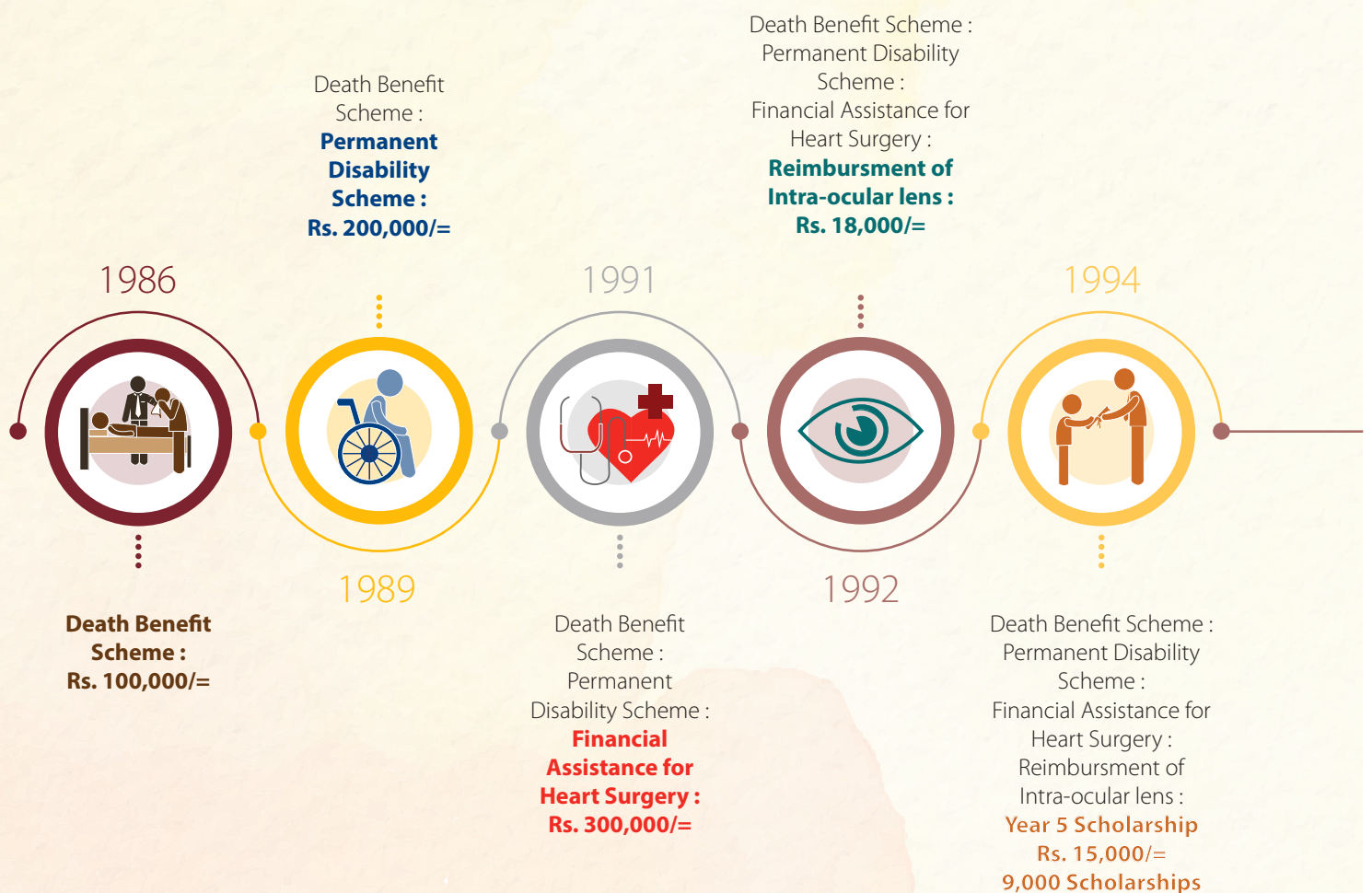
Future Status

- To grow member fund to half a trillion rupees in next 5 years time
- To Increase the present annual income of Rs 30 billion to 60 billion or 100% by 2025
- To Implement Employees' Trust Fund Board process Re-engineering project which the development work has already been started by the developer with the technical and financial support from the Information & Communication Technology Agency of Sri Lanka (ICTA) in order to digitalize the ETF Board operations which leads to fully automated ICT system with paperless environment.
- To develop a member centric Data Base instead of prevailing Employer centric data base in order to provide easy access to the members for their multiple accounts.
- To take action to amend the ETF Act in order to develop customer friendly policies and procedures.
- To establish a real time benefit and claim processing mechanism with a view to provide facilities to access to the ETF system via modern electronic devices such as smart phones and computers.
- To ensure 100% coverage of employees by enforcement and customer relation activities
- To initiate signing of MOUs with government institution to share information (EPF, Registration of Companies, Persons Registrations, Statistic Department, Ministry of Education etc.)
- To development of Nawam Mawatha land belonged to the Employees' Trust Fund Board as a mixed development project to increase the value of the asset to Rs. 50 Billion.
- To organize Capacity building programmes of ETF employees to achieve higher performance.
- To fully implement the leading productivity concepts with the technical support from the Productivity Secretariat Sri Lanka in order to improve the efficiency
- To establish ETF Board owned 5 new offices at regional levels.



Milestones

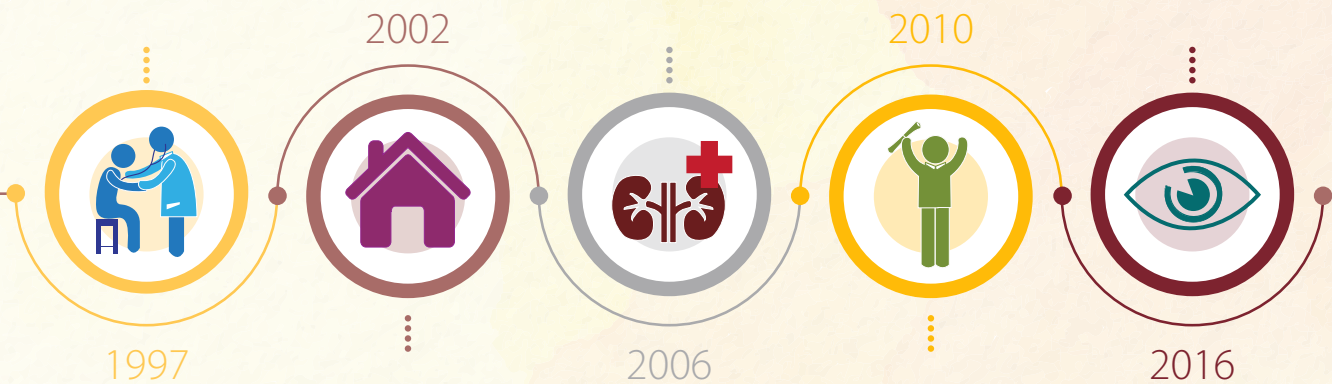
1981 to 2019



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

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

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



1997

2002

2006

2010

2016

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

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

ECONOMIC REVIEW

Employees' Trust Fund Board (ETFBoard) being a social security fund which operates with the intention of generating a return which is adequate enough to provide monetary benefits to its members is highly vulnerable to micro and macroeconomic shocks prevalent in the economy. An economy is a cluster of functions which are interconnected with one another. The consequence of one function induces a direct or indirect impact upon another which brings diverse economic implications.

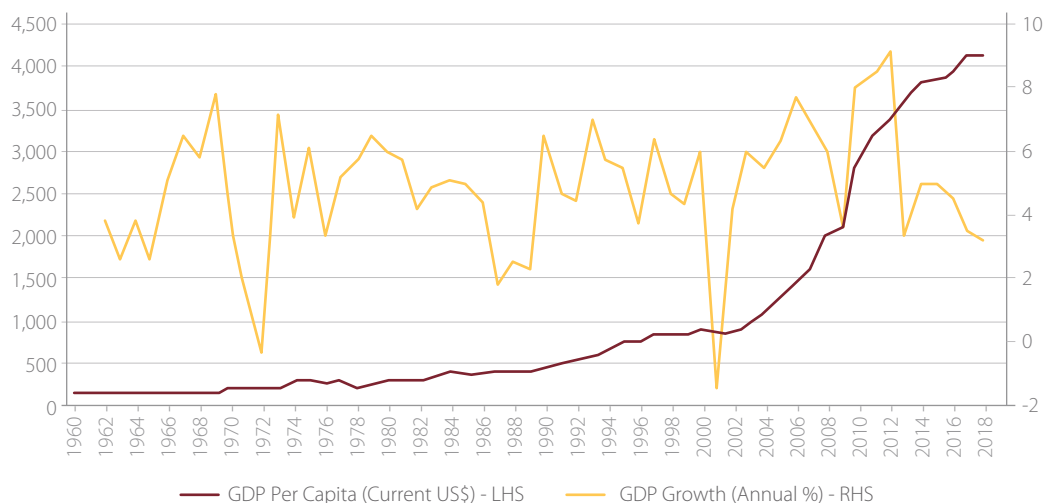
Out of the major incidents that took place in Sri Lanka in the year 2019 following considered to bring major two-way economic impacts and were also able to bring the international attention towards the island. Those were, the Easter Sunday bombings happened in three churches and three hotels killing 259 people, the county being promoted to the upper middle income earning

country from being a lower middle income earning country according to the updated classification of the World Bank with the increase in Gross national income, drought that affected northern part of the island and flood that severely affected southern territories majoring Colombo, Matara and Galle damaging both the property and livelihood of individuals, presidential election which held to elect the 7th executive president of the Democratic Socialist Republic of Sri Lanka.

In the global context the continuation of the U.S.-China trade war, Brexit round table discussions which were detrimental in finalizing UK's decision upon leaving European Union, the Amazon burns which severely affected the Brazils' forest coverage can be highlighted.

GDP growth rate and GDP per capita of Sri Lanka
Source: <https://data.worldbank.org/>

GDP Growth Rate and GDP per Capita of Sri Lanka



As per the “new country classifications by income level: 2019-2020” published by the World Bank, Sri Lanka’s stance uplifted from a Lower-middle income country to an Upper-middle income. As of July 1, 2019 the country’s GNI capita surpassed the threshold rate of USD 3,995 with a recorded GNI per capita of USD 4,060. The lowest GDP growth rate post 2001 was recorded in the year 2018 (3.2%). However, the Asian Development Bank (ADB) further downgrades the GDP growth rate with a forecast of 2.6% for the year 2019 followed by a slight increase of 3.5% for the year 2020.

Easter Sunday Attack

Tourism is considered to be the third largest foreign exchange generating avenue of the country. A tourist friendly environment free from violence and terror

activities which are detrimental in nature is considered to be the foundation of any tourist friendly destination. The Easter Sunday attack that took place on 21st April, 2019 targeting Easter masses of three churches and Easter breakfasts at three luxury hotels in the commercial capital of the country crowded with local visitors and foreign tourists killed at least two hundred and fifty nine individuals including forty five foreign nationals. This unexpected incident turned around the tourism industry of the country as many countries imposed travel bans on tourists visiting Sri Lanka considering the alerted risk profile that emerged. The incident downgraded tourist arrivals to the country from the anticipated arrivals 2.5 million outlined by Sri Lanka tourism to 1,913,702. However, Sri Lanka was able to uphold its stance as the Lonely Planet’s top destination for 2019 despite the April/21 attacks.

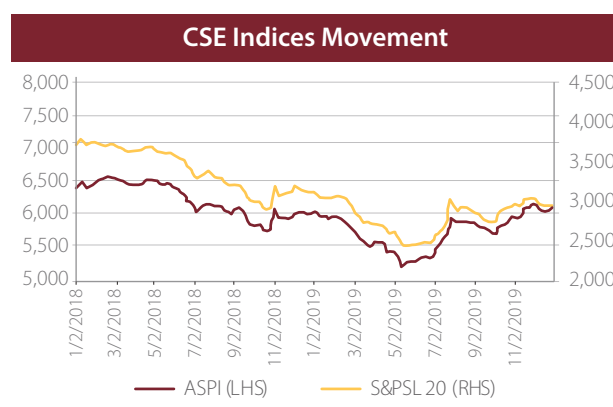
The monthly tourist arrivals are illustrated through the following table.

| | January | February | March | April | May | June | July | August | September | October | November | December |
|------|---------|----------|---------|---------|---------|---------|---------|---------|-----------|---------|----------|----------|
| 2014 | 146,575 | 141,878 | 133,048 | 112,631 | 90,046 | 103,175 | 133,971 | 140,319 | 105,535 | 121,576 | 119,727 | 178,672 |
| 2015 | 156,246 | 165,541 | 157,051 | 122,217 | 113,529 | 115,467 | 175,804 | 166,610 | 143,374 | 132,280 | 144,147 | 206,114 |
| 2016 | 194,280 | 197,697 | 192,841 | 136,367 | 125,044 | 118,038 | 209,351 | 186,288 | 148,499 | 150,419 | 167,217 | 224,791 |
| 2017 | 219,360 | 197,517 | 188,076 | 160,249 | 121,891 | 123,351 | 205,482 | 190,928 | 145,077 | 152,429 | 167,511 | 244,536 |
| 2018 | 238,924 | 235,618 | 233,382 | 180,429 | 129,466 | 146,828 | 217,829 | 200,359 | 149,087 | 153,123 | 195,582 | 253,169 |
| 2019 | 244,239 | 252,033 | 244,328 | 166,975 | 37,802 | 63,072 | 115,701 | 143,587 | 108,575 | 118,743 | 176,984 | 241,663 |

Source: SLTDA (Monthly Statistical Bulletins)

As the table depicts a downward momentum in arrivals can be witnessed post the Easter attack compared with the same time periods of preceding years. However, considering the assurance given by the government of Sri Lanka and recovery initiatives implemented by Sri Lanka tourism, an improvement was observed towards the latter part of the year 2019

The sluggish stagnating momentum of indices persisted during the financial year 2019 depicting a lower return on equity investments to investors. Net foreign selling occurred as a consequence of uncertainties prevailed in the economy caused by both internal and external shocks were identified as the underlined reasons for this sluggish momentum.



Composition of government debt, 2012-2018

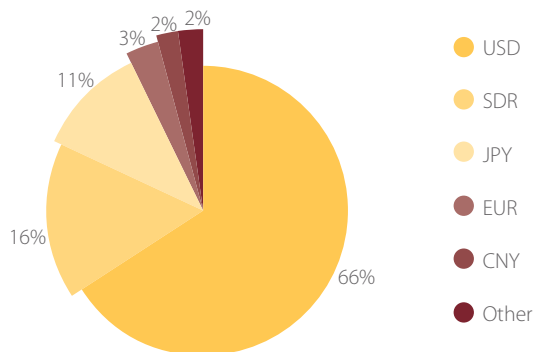
Amounts are in LKR million

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| Domestic debts | 3,232,813 | 3,832,825 | 4,277,783 | 4,959,196 | 5,341,507 | 5,594,427 | 6,017,992 |
| Treasury bills | 629,070 | 700,137 | 694,767 | 658,240 | 779,581 | 697,154 | 746,887 |
| Rupee loans | 58,386 | 55,518 | 55,518 | 24,088 | 24,088 | 24,088 | 24,088 |
| Treasury bonds | 2,095,054 | 2,452,360 | 2,844,054 | 3,305,248 | 3,714,787 | 3,822,620 | 4,140,661 |
| Other | 450,304 | 624,811 | 683,444 | 971,620 | 823,051 | 1,050,566 | 1,106,355 |
| Foreign debt | 2,767,299 | 2,960,424 | 3,113,116 | 3,544,031 | 4,045,796 | 4,718,618 | 5,959,547 |
| Total debt | 6,000,112 | 6,793,249 | 7,390,899 | 8,503,227 | 9,387,303 | 10,313,045 | 11,977,539 |

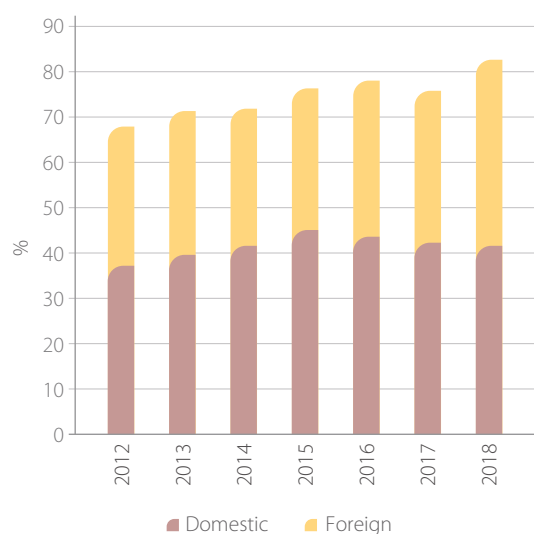
The Government debt as a percentage of GDP has reached its peak post 2009 in the year 2018.

As a major proportion of the foreign debt stock consists of debt quoted in USD, currency depreciation imposes a significant impact upon the foreign debt stock which includes annual debt service payments (interest and capital repayments) of the country. Further, debt sustainability is considered to be a major determinant of the sovereign rating of a country.

Currency Composition of Total Debt Stock

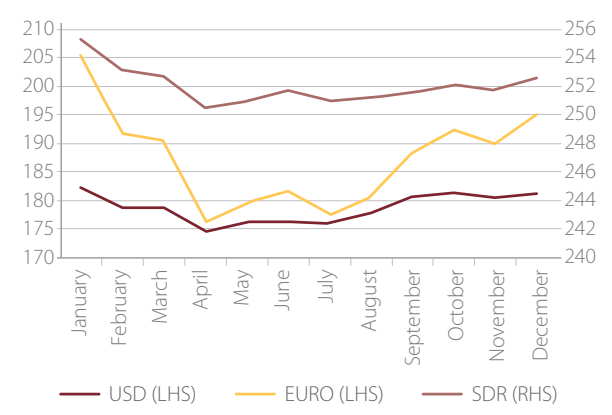


Government Debt as a % of GDP

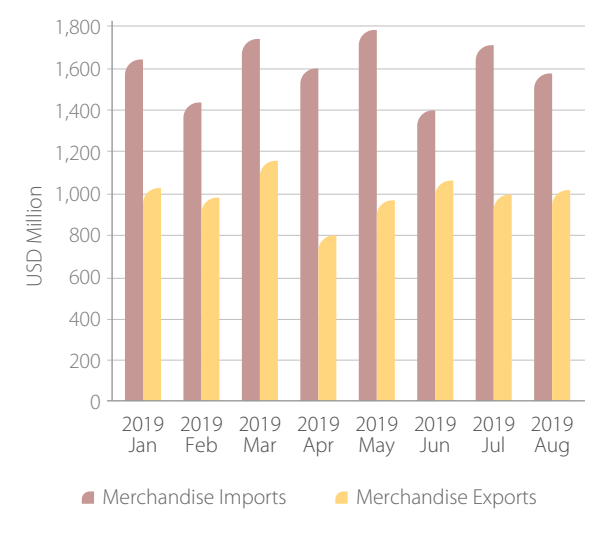


| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Foreign | 31.7 | 30.9 | 30.0 | 32.4 | 33.7 | 35.2 | 41.2 |
| Domestic | 37.0 | 40.0 | 41.3 | 45.3 | 44.5 | 41.7 | 41.6 |
| Total | 68.7 | 70.8 | 71.3 | 77.7 | 78.3 | 76.9 | 82.9 |

LKR movement against few selected foreign currencies - 2019



Merchandise Imports and Exports



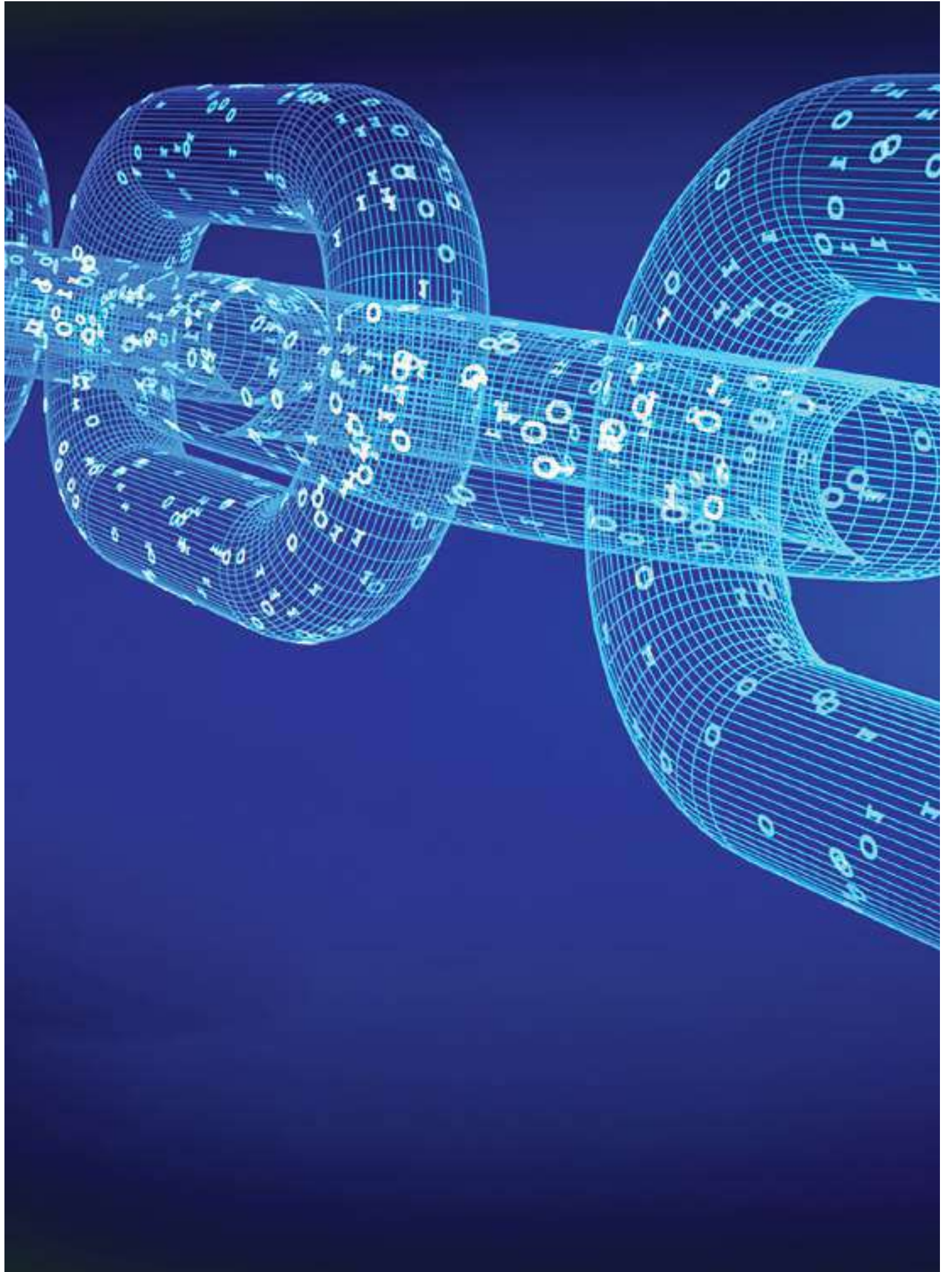
Source: CBSL official website

Currency depreciation affects a country's Balance of Payment adversely when its imports marks higher compared with exports. This on the other hand puts pressure on the forex reserve position of the country. However, when the LKR devalues, local exports become cheaper in the international market. The real benefit to a country through this can be determined through elasticity of demand for exports and imports. Further, industries such as Tourism benefits when the local currency devaluates as the destination becomes cheaper to foreign travelers.

Sri Lanka's standpoint in Global Indices

| Index | Publisher | 2016 | | 2017 | | 2018 | | 2019 | | |
|-------|---------------------------------|---|-------|-------|-------|-------|-------|-------|-------|-----|
| | | Score | Rank | Score | Rank | Score | Rank | Score | Rank | |
| 1 | Corruption Perceptions Index | Transparency International | 36 | 95 | 38 | 91 | 38 | 89 | 38 | 93 |
| 2 | Ease of Doing Business Rank | The World Bank | 58.96 | 107 | 58.79 | 110 | 58.86 | 111 | 61.22 | 100 |
| 3 | Human Development Index Ranking | UNDP | 0.774 | 76 | 0.776 | 76 | 0.78 | 71 | 0.78 | 71 |
| 4 | Global Competitiveness Index | World Economic Forum | 4.21 | 68 | 4.19 | 71 | 4.08 | 85 | 57.1* | 84 |
| 5 | Global Entrepreneurship Index | The Global Entrepreneurship and Development Institute | 25.5 | 97 | 20.9 | 94 | 21.9 | 90 | 19.1 | 101 |
| 6 | Global Innovation Index | Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO) | 28.92 | 91 | 29.85 | 90 | 28.66 | 88 | 28.45 | 89 |
| 7 | Index of Economic Freedom | The Heritage Foundation | 59.9 | 93 | 57.4 | 112 | 57.8 | 111 | 56.4 | 115 |
| 8 | Overall Best Countries Rank | U.S.News & World Report LP | - | 41 | - | 50 | - | 51 | - | 45 |
| 9 | Global Opportunity Index | The Milken Institute | - | 80 | - | 80 | - | 88 | - | 88 |
| 10 | ICT Development Index | International Telecommunication Union | 3.77 | 116 | 3.91 | 117 | - | - | - | - |

*GCI scale changed to 1 to 100 from 1 to 7



The background of the page is a dark blue gradient. Overlaid on this are several glowing, wireframe spheres and tubes. These shapes are composed of a grid of light blue lines and are filled with binary code (0s and 1s) in a lighter blue color. The spheres and tubes are arranged in a dynamic, overlapping manner, creating a sense of depth and movement. The overall aesthetic is futuristic and digital.

02

Corporate Stewardship

BOARD OF DIRECTORS (2019)

Mr. Mahinda Madihahewa

Chairman/CEO

Appointed by the Minister of Labour and Trade Union Relations

Mr. P B Madagedara

Working Director

Appointed by the Minister of Labour and Trade Union Relations

Mr. K S Kurukulasinghe

Director

Appointed by the Minister of Labour and Trade Union Relations

Mr. W M K L Weerasinghe

Director

Representative of Employers' Federation of Ceylon

Mr. M A Thajudeen

Director

Ministry of Industry and Commerce Representative

Mr. L S Devendra

Director

Trade Union Representative

Mr. P Ranawakaarachchi

Director

Trade Union Representative

Mr. P B S C Nonis

Director

Appointed by Minister of Finance

Mr. Jude Dinal Peiris

Director

Appointed by the Minister of Labour and Trade Union Relations

BOARD OF DIRECTORS W.E.F January 2020

Mr. Sriyan de Silva Wijeyeratne

Chairman/CEO

Appointed by the Minister of Finance, Economy and Policy Development

Mr. Neil Umagiliya

Director

Appointed by the Minister of Finance, Economy and Policy Development

Mr. K D Ranasinghe

Director

Appointed by the Minister of Finance, Economy and Policy Development

Mr Jude DinalPeiris

Director

Appointed by the Employers Federation of Ceylon

Mr. R A L Udaya Kumara

Director

Appointed by the Minister of Finance, Economy and Policy Development

Mr. L S Devendra

Director

Trade Union Representative

Ms. E A Ekanayake

Director

Appointed by the Minister of Trade and Commerce

Mr. Ariyasena Gallage

Director

Appointed by the Minister of Finance, Economy and Policy Development

Mr. W M Nurajith Singh

Director

Trade Union Representative

Mr. H M A J Kumara

Board Secretary

SENIOR MANAGEMENT

Chairman/CEO

Mr. Sriyan de Silva Wijeyeratne

Additional General Manager

Mrs. R N Gnanasekara

DEPUTY GENERAL MANAGERS

| | |
|---------------------------------|-----------------------------------|
| Mr. C Mallikarachchi | Member Services |
| Mr. K S Weliwita | Internal Audit |
| Mr. N W Wimalaweera | Finance |
| Mr. A J M S Jayasundara | Contribution & Employer Relations |
| Mr. Udaya Wickremanayake | Investments |

ASSISTANT GENERAL MANAGERS

| | |
|------------------------------------|----------------------------------|
| Mr. H M Seneviratne | Member Accounts |
| Mr. M A K Aluthgamage | Finance |
| Mr. W S Dharmasiri | Information Technology |
| Mr. J K P Ranjith | Enforcement - Region I |
| Mr. B R Ariyawansa | Enforcement - Region II |
| Mrs P L I C P Alwis | Enforcement - Region III |
| Mr H M A J Kumara | Legal |
| Mrs. V N Jayaratne | Contribution Collection |
| Mr. K G N Ratnayake | Administration & Human Resources |
| Mr. R M L Ratnayake | Internal Audit |
| Mr. W Jinadasa (Secondment) | Statistics |

CHAIRMAN'S REVIEW

Impact of the Covid-19 Pandemic

We are living through unprecedented times as our highly connected world struggles with the dual challenges of a pandemic and an economic crisis simultaneously. Following the diagnosis of COVID-19 in Sri Lanka, the Government declared an island-wide curfew on 20th March

I am pleased to present the Annual Report and the Financial Statements of the Employees' Trust Fund, for the financial year ended 31 December 2019. The Employees Trust Fund Board is considered the second largest social security fund in Sri Lanka, and its health is of national significance.

It gives me great pleasure to convey that the total Assets of the Employees' Trust Fund have increased by 10.5 % during the year 2019, from Rs. 310.7 billion in 2018 to Rs. 343.3 billion, and the total number of employers have now increased to 82,375. Further, the Fund was able to generate a return on investment of 9.44% during the year, succeeding in meeting the objective of achieving attractive member returns, despite these difficult times. This allowed the Fund to declare a total rate of 8.00 % as interest and dividends for the year for its members. Prudent investment management contributed to such dividend rate amidst challenging market conditions. It is also important to frame these return conversations against the backdrop of overall interest rates in the nation, considering that the vast majority of our

investments are in interest bearing instruments and not the share markets.

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

The Employees Trust Fund Board always seeks to provide high levels of service to its members by streamlining operational activities and processes. We are currently seeking ways to transform the current employer centric system to a more member (employee) centric system and to provide all the members within the public social security schemes with unique methods to access information. To make this a reality, an agreement was entered into with the Information & Communication Technology of Sri Lanka (ICTA) to transform Employees

2020. After a stringent lockdown period of several weeks, curfew was gradually eased, and activities were slowly brought back to near normalcy with due precautions in place. We salute the Government and the relevant authorities who took aggressive and proactive efforts to contain the spread of the virus, and it is encouraging that those measures resulted in the prevention of community spread in the country. The Employees Trust Fund Board also adapted to the new normal but realized that we had a social obligation to continue to provide much

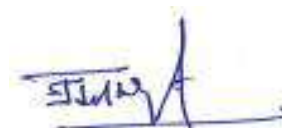
needed funds to the public during these tough times. Small teams worked during curfew on a volunteer basis despite the risks, and thanks to their wonderful commitment and passion, the Employees Trust Fund Board released over Rs. 1.5 billion of funds to the public through the claim process during lockdown. We are proud of the manner in which our teams responded to a national crisis. The Board also adopted all guidelines issued by the government on individual health and safety to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

Trust Fund Board operations to a more comprehensive IT enabled environment.

The re-engineering initiatives involving the Information Technology systems of the Board were embarked on during 2019 with the patronage and financial and technical assistance of the Information & Communication Technology Agency of Sri Lanka (ICTA). These have now reached their final phases and work of this project is expected to being live deployment in the year ahead.

The Employees' Trust Fund Board is the Second largest Superannuation Fund in the country, with over 15.3 million members. Funds of this nature must ensure that the best service is provided to its members. Significant progress has been made to improve service delivery, but much more remains to be done. We hope to continue that journey in the times ahead. This momentum would not have been possible without the dedication and support of our Employees and I extend my sincere appreciation to the staff for their continuous commitment to serving the members.

I wish to extend my sincere gratitude to all the contributory members of the Employees' Trust Fund, for the trust they have placed in the Employees' Trust Fund Board in managing their life-long savings. Finally, I wish to express my sincere thanks to the Hon. Minister of Finance and to the Secretary to the Treasury for the leadership and guidance provided to us in all our activities and to the Treasury staff for the unstilted support and cooperation they extended to us. I also deeply appreciate all the support and guidance received from the President's office and the Secretary to the President, as they provide a solid platform for the work we do. The Employees' Trust Fund is currently blessed with a strong Board of Directors whose diverse experience and perspectives is ensuring that we make sound progress towards a better future.



Sriyan de Silva Wijeyeratne

Chairman / Chief Executive Officer

BOARD OF DIRECTORS REVIEW AND MANAGEMENT DISCUSSION

The Directors have great pleasure in presenting the 39th Annual Report of the Employees' Trust Fund Board (ETFBoard) together with the Audited Financial Statements for the year ended 31st December 2019, the Consolidated Financial Statement for the said year and the Auditors' Report on those Financial Statements. This report is presented in order to fall in conformance reporting requirements set out in the guidelines on good governance issued by the Department of Public Enterprises.

Responsibility of the Board of Directors over Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Employees' Trust Fund Board so as to reflect a true and fair view of the financial position of the entity and its performance. The Directors are of the view that the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the Significant Accounting Policies and Notes thereto appearing on pages 287 to 318 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards as enacted by the Sri Lanka Accounting and Auditing Standards Act, No. 16 of 1995. In complying with the above requirement, the Board of Directors confirms that the financial reporting system of the Employees' Trust Fund Board has been designed in such a manner as to provide a reasonable assurance regarding the reliability of the financial reporting.

A review of the key activities of the Employees' Trust Fund Board during the financial year 2019 is given below.

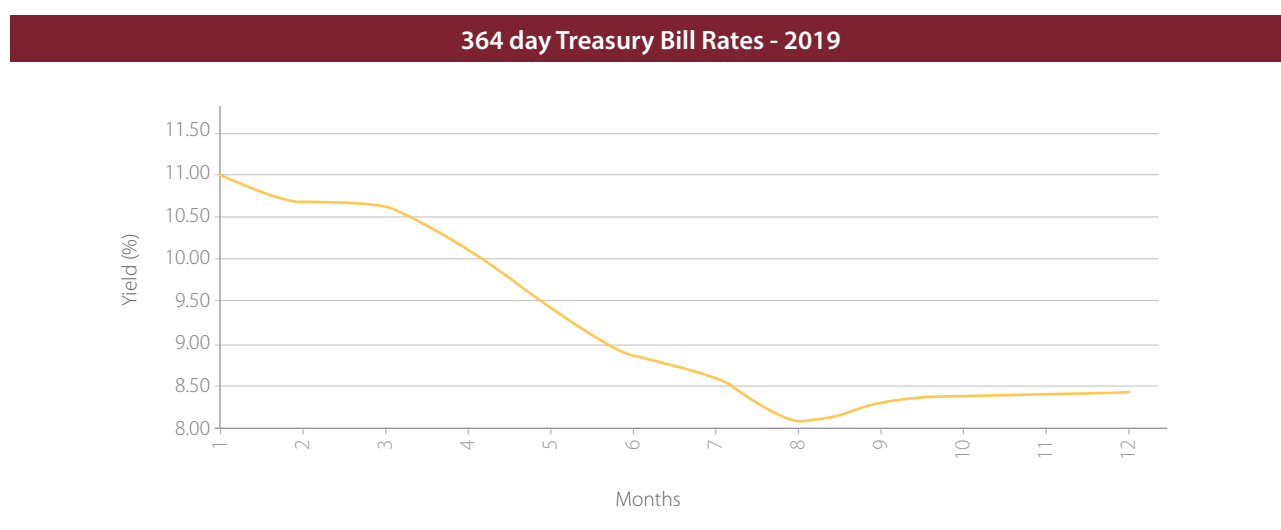
1. Investment Environment

Employees' Trust Fund Board being the second largest social security fund in the country is operating under the three main principles of safety, return & liquidity pertaining to investments. Accordingly, the fund mainly invests in fixed income securities, which was equal to 96.7% of the total portfolio by the end of year 2019 while equity investments represented 3.3% invested in selected quoted companies in the Colombo Stock Exchange (CSE). Therefore, primarily the trend of market interest rates and in a smaller scale, the performances of the equity market are the key factors affecting the performance of the overall portfolio of Employees' Trust Fund Board.

Though the market interest rates trended upward during the first quarter of the financial year 2019, the Easter Sunday attack on the 21st April 2019 was a major setback which impacted the interest rates following a decline in economic activities and loosened monetary policy. In March 2019, the Central Bank of Sri Lanka (CBSL) reduced the Statutory Reserve Ratio (SRR) applicable to rupee deposit liabilities of licensed commercial banks from 6% to 5%. CBSL introduced deposit rate caps to all licensed commercial banks twice in the months of April & July during the year 2019 with the aim of bringing down the borrowing cost to facilitate credit expansion of commercial banks. Further, the CBSL introduced a lending cap by removing the deposit cap in September

Simultaneously, the continuous downward trend witnessed in ASPI and S&P SL 20 Indices during the year 2018 and further deteriorated after the Easter Sunday attack. Both ASPI and S&P SL 20 Indices substantially declined by 203 and 119 points, respectively, on the very first trading day after the incident, and the trend continued till the later part of the year 2019. The S&P SL 20 Index reported a negative return of 5.6% while ASPI reported a marginal positive return of 1% by the year end. Further, net foreign outflow during the year were reported as Rs. 11,717million, thereby demonstrating the reduced confidence of foreign investors on the Sri Lankan equity market.

Figure 1 364 day Treasury Bill Rate Behavior during the Year 2019



to bring down the weekly AWPR by 250 basis points by the end of December 2019 compared to weekly AWPR of individual banks maintained in April 2019. CBSL also reduced policy rates twice in May and August 2019 by 50 basis points each on both occasions to reduce SDFR and SLFR from 8% to 7% and 9% to 8%, respectively. With these measures, the benchmark one year Treasury-bill rate which was as 10.99% at the beginning of the year declined by 254 basis points to 8.45%, by the end of the year as shown in the figure 1 below. Following the same trend, fixed deposit rates offered by commercial banks and Government bond rates substantially reduced throughout the year thereby affecting the investments income during the later part of the year.

1.1 Investment Portfolio

The total investment portfolio of the Board increased from Rs. 290,231 million at the end 2018 to Rs. 325,958 million at the end 2019 an increase of 12.3%, thereby demonstrating a lot of good work done by the team. Employees' Trust Fund Board invested mainly in fixed income securities, with a balance of Rs. 315,359 million by the year end. This was equal to 96.7% of the total portfolio. This segment reported a growth of 12.7% compared to Rs. 279,780 million reported at the end of the previous year. The main long term investment of the segment was on Government bonds, which increased from Rs. 218,970 million to Rs. 249,947 million

at the end 2019, or by 14.2%. The maturity profile of the Government bond portfolio is given in the Table 1 below.

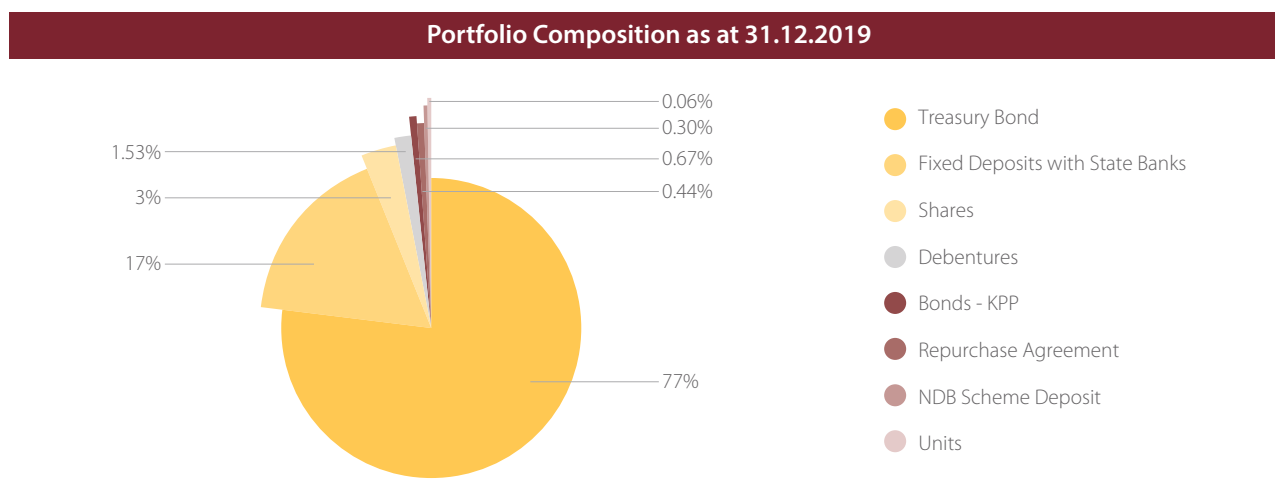
Table 1 Breakup of Treasury Bond Maturity

| Maturity Period (Years) | Cost as at 31.12.2019 (Rs.Mn) | Percentage |
|-------------------------|-------------------------------|---------------|
| 0 - 1 | 1,315 | 0.5% |
| 1 - 5 | 118,990 | 47.6% |
| 5 - 10 | 106,214 | 42.5% |
| 10 < | 23,428 | 9.4% |
| Total | 249,947 | 100.0% |

Employees' Trust Fund Board invested Rs. 49,575 million in Government bonds with an average weighted yield rate of 10.89% p.a. during the year 2019. Overall weighted average rate of 11.84% p.a. was maintained during the year 2019 on all reinvestments of the tenor of one year and above.

The value of net equity portfolio reported as Rs. 10,599 million at the end 2019 compared to Rs. 10,450 million reported at the end 2018. The breakup of the total portfolio at the end of 2019 is given in the Figure 2 below.

Figure 2 Investment Portfolio Composition: Year Ending 2019



1.1 Investment Income

The Board generated Rs.31,528 million of investment interest income during the year 2019 compared to the income of Rs. 28,277 million reported during 2018, recording an increase of 11.5%. Government bonds alone generated Rs.23,839 million interest income during the year 2019 against Rs.21,278 million in the previous year, recording a growth of 12%.

Employees' Trust Fund Board an impressive reported dividend and capital gains of Rs. 494 million during 2019 recording a growth of 32.4% compared to Rs. 373 million reported during the year 2018. The Board invested in 41 companies of the CSE which include nearly 82% of the portfolio value in counters representing the S&P SL 20 Index ensuring a substantial continuous dividend income to the Board. The equity portfolio was maintained at around 3.3% of the total portfolio during the year due to the prevailing uncertainties in the market and the risk profile. Employees' Trust Fund Board expects to obtain the maximum benefit on capital gains when the market starts bullish momentum, as the Board invested in highly market capitalized and performing companies such as the main banks and companies in the capital goods sector where the investor interest is high. As explained elsewhere in the report, substantial drop in overall share prices and negative return of 5.6% in the S&P SL 20 Index in 2019 curtailed capital gains to the Board during the year. However, the overall investment income increased from Rs. 28,316 million in 2018 to Rs. 31,623 million in 2019 reporting a growth of 11.7%.

2. Operating Environment

The first time in 38 years of the Employees' Trust Fund Board history, the Board brought home two gold awards at the Best Annual Report Award Competition 2019 for State institutions concluded at BMICH which was organized by the Association of Public Finance Accountants of Sri Lanka (APFASL), the public sector wing of CA Sri Lanka.



This award serve as one of the country's most prestigious platform for showcasing the highest standards of transparency, accountability, social responsibility and corporate governance in the fields of Annual Reporting and Corporate Disclosure in public sector institutions. The Board bagged Gold Awards as the Winner of the category of Statutory Boards, Authorities and Commissions as well as the most prestigious award of "Overall Winner of the Award Ceremony" among the contesting 64 public institutions including Universities, Forces, Departments, Divisional Secretaries, Municipal Councils, Pradesiya Sabahas, Statutory Boards, Authorities and Commissions.

2.1 Contribution Collection and Employer Relations

The total amount of contributions received from the employers in respect of their employees during 2019 was Rs. 27.5 Billion, which is an increase of Rs. 2.2 Billion in comparison to the previous year. The total value of the fund of the members which stood as Rs. 306 Billion as at the end of the previous year had increased to Rs. 339 Billion by the end of the year under review.

When compared to the previous year, the number of employers had increased up to 82,375 as a result of the inspections that were carried out covering all the districts across the island through 19 Regional Offices.

The success of the operational work and the monitoring activities of the regional offices were well supported by the IT network of the entity.

The work involving the payment of contributions and the transmission of the member details through online banking via internet was successfully implemented through a host of banks such as the Commercial Bank, Bank of Ceylon, Peoples' Bank, Sampath Bank, Hatton National Bank and the National Development Bank whilst the amount of money collected by way of this exercise impressively exceeded 50% of the total amount of contributions. Furthermore, the entity was able to maintain its overall compliance rate of contribution payments at 74% during the year 2019. The awareness raising programs conducted through the network of Regional Offices on regular basis were immensely beneficial towards maintaining this favorable position.

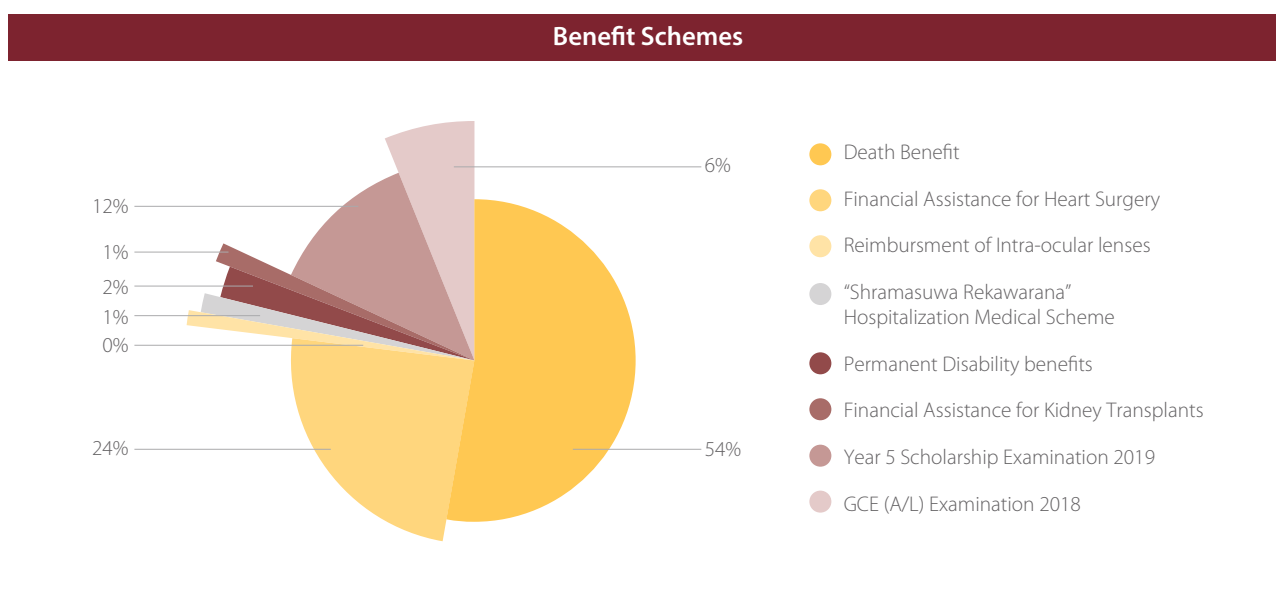
2.2 Member Services

Refund of Member Dues and Welfare Benefits

During the year, 196,382 refund claims were processed and a total amount of Rs. 19.7 Billion was paid. In comparison to it, 183,688 claims were processed and a payment of Rs. 18.3 Billion was made during the year 2018. During the period under review, the average

amount paid per claim increased to Rs. 100,202 as against Rs. 99,581 in the previous year. The Employees' Trust Fund Board continues to offer its landmark Speedy Claim process, which makes it one of the most efficient Public institutions in the country. In addition to the interest and dividend payments on member fund balance, Employees' Trust Fund Board operates 08 welfare benefit schemes offering financial assistance for the members and their children who have passed year five scholarship examination and the GCE (Advanced Level) examination. Accordingly, a sum of Rs. 728 million has been paid after processing 14,254 benefit claims during the year 2019. The distribution of payments during the year 2019 under various welfare benefit schemes are given below. Naturally, these serve to enhance the quality of life of many of our members in different ways.

of the entity. The prime responsibility of the Board as the second largest social security fund in Sri Lanka is to provide a high quality and efficient service to its members. To achieve this objective, it is essential to have a work force constituting personnel who are well versed in this arena. Accordingly, human resources restructuring program was launched during the previous year. The final report pertaining to this program, following its completion, was released during the year 2019. This report was compiled following a field study has covered five key areas comprising Work Load Assessment, Creation of Job Description, Human Resource Development Plan, Performance Appraisal and Cadre Development.



Maintenance of Member Accounts

The total number of active and inactive accounts lying with the Fund as at the end of the year was approximately 15.3 million of which, 96% of member accounts had been updated by the end of the year 2019. Of these member accounts, 12.7 million accounts had been reported as inactive while 2.6 million member accounts stood as active. Annual Member Statements for active accounts have been issued to the respective employers during the year under review.

2.3 Human Resources Development

The human resource consisting of 1110 staff of the Board has been distinguished as an exceptional asset

With the pleasant working environment and the privileges of the Board coursed to minimize the staff turnover and maximize the productivity.

With the objective of improving the knowledge and skill of the staff, financial assistance is extended to them for pursuing training courses required according to his or her related subject area or profession. Under this scheme, a quantum of 75% of the course fees subject to a maximum limit of Rs. 400,000 is reimbursed. Opportunities have been afforded to read for these courses of study in universities or other recognized institutions of higher education. Approval has been granted to follow 34 such study courses during the year 2019 and a sum of Rs. 2.2 million has been reimbursed as course fees.

During the year 2019, nearly 55 training programs were organized covering related subject areas to enhance the skill of the staff and approximately, a sum of Rs. 1.4 Million was spent for such purpose. Further, opportunities were given for 30 officers to participate for the overseas training programs sponsored in liaison with the Department of External Resources and such other agencies.

In this manner, necessary steps are been taken towards the enhancement of the knowledge, skills and efficiency of the employees through such study courses and training programs and empower them to discharge a service of high caliber to our members and other stakeholders.

2.4 Information Technology

The modernization project on the Information Technology Operation System of the Employees Trust Board was initiated with the technical and financial assistance of the Information & Communication Technology Agency of Sri Lanka (ICTA) and by the end of the year 2019, the first phase of activities of the said project which was the Business Process Study was successfully brought to completion whilst setting in motion its second phase involving the work on the system analysis and software development during the latter part of the year under review.

Employees' Trust Fund Board ICTA project is the major project that the board is currently involving which has been started with the objective of reengineer the existing business process by introducing new technology jointly with the ICTA. Currently the project is at the

Software Development stage which is parallel to the Data Migration stage.

We have conducted a business process improvement study by the guidance of existing internal business and technical resources jointly with external IT Consultancy firm and completed a comprehensive Business Process Improvement (BPI) reports with several cutting edge technological features added for digitalization of the business process of the Board in the future.

Moving Forward

The composition of the Board of Directors of the Employees' Trust Fund Board has been restructured since January 2020, in line with the thinking of H.E. the President, who has appointed competent professionals and independent thinkers onto the Board, with a vision of further transforming this entity. The Board is now looking at rapidly improving its Service efficiency to membership, improving transparency and accountability on all Investments made, modernization of its physical infrastructure by moving into the new Mehewara Piyasa building in the near future and embracing technology a lot more in its operations. The Board has recently strengthened its top Management and seeks to blend the best of Professional talent with Public Sector experience and the new Chairman and Leadership team work in close harmony with the Board of Directors, to embark on the next phase of evolution.



Sriyan De Silva Wijeyeratne
Chairman/Chief Executive Officer

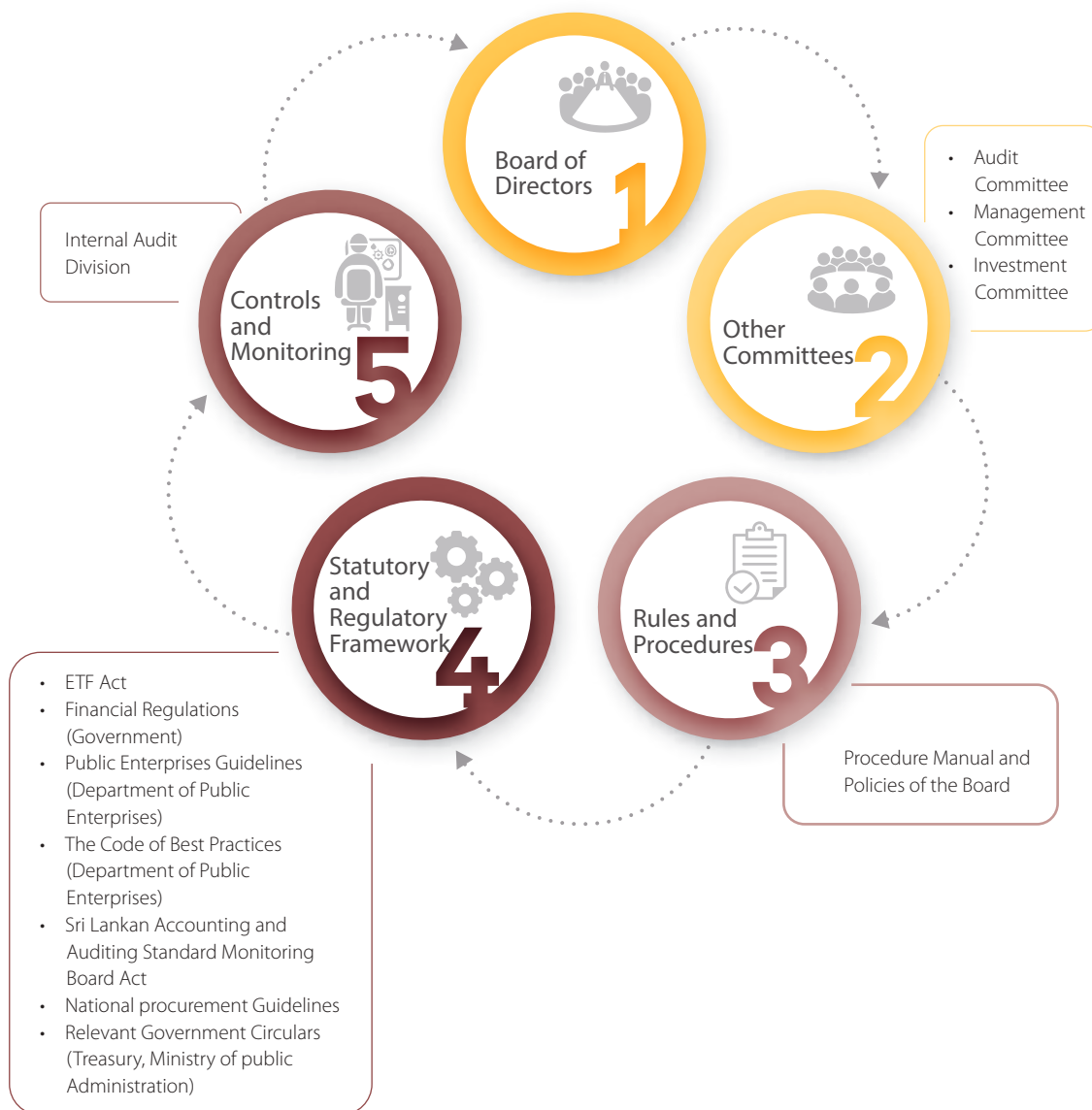
GOVERNANCE REPORT



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

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

CORPORATE GOVERNANCE FRAMEWORK



CORPORATE GOVERNANCE COMMENTARY

| Governance Principles | Comments on 2019 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------------------------|--|--------------|----------|--------------|---------|---|---|----------|---|---|-------|---|---|-------|---|---|-----|---|---|------|---|---|------|---|---|--------|---|---|-----------|---|---|---------|---|---|----------|---|---|
| 1. Director Board | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.1. The Board | <p>The Board of Directors has a statutory responsibility in the stewardship of the fund on behalf of the Government and its stakeholders</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.1.1. Appointments to the Board | <p>The Board shall consist of the following nine members.</p> <ul style="list-style-type: none"> • 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 Employers Federation of Ceylon • Two members nominated by the Minister in consultation with the executive of every trade union having more than 100,000 members. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.1.2. Board Meetings | <p>The Board usually meets on monthly intervals and whenever it is necessary. The board met eleven (11) times during the year. Board Papers are circulated well in advance and not less than three working days before Board meetings for the upgrade the effectiveness of the board meeting. The attendance at Board meetings held in 2019 is shown below.</p> <div style="text-align: center;"> <table border="1"> <caption>2019 Board Meetings Attendance Data</caption> <thead> <tr> <th>Month</th> <th>Attended</th> <th>Not Attended</th> </tr> </thead> <tbody> <tr><td>January</td><td>8</td><td>1</td></tr> <tr><td>February</td><td>7</td><td>2</td></tr> <tr><td>March</td><td>9</td><td>0</td></tr> <tr><td>April</td><td>7</td><td>2</td></tr> <tr><td>May</td><td>7</td><td>2</td></tr> <tr><td>June</td><td>6</td><td>3</td></tr> <tr><td>July</td><td>7</td><td>2</td></tr> <tr><td>August</td><td>7</td><td>2</td></tr> <tr><td>September</td><td>9</td><td>0</td></tr> <tr><td>October</td><td>8</td><td>1</td></tr> <tr><td>November</td><td>8</td><td>1</td></tr> </tbody> </table> </div> | Month | Attended | Not Attended | January | 8 | 1 | February | 7 | 2 | March | 9 | 0 | April | 7 | 2 | May | 7 | 2 | June | 6 | 3 | July | 7 | 2 | August | 7 | 2 | September | 9 | 0 | October | 8 | 1 | November | 8 | 1 |
| Month | Attended | Not Attended | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| January | 8 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| February | 7 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| March | 9 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| April | 7 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| May | 7 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| June | 6 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| July | 7 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| August | 7 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| September | 9 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| October | 8 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| November | 8 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.1.3. Board Responsibilities | <p>The Board should exercise its mandated rights and responsibilities with integrity and in good faith as the custodian of public resources. The Board should at all times be conscious of its onerous responsibilities, as the outcome of any decisions and actions carried out without proper planning will ultimately be borne by the public at large.</p> <p>Matters and issues that should be addressed at Board Meetings :-</p> <ul style="list-style-type: none"> • Policy Formulation • Monitoring and evaluation of performance of the fund • Monitoring and evaluation of performance of subsidiaries/associates and other investments • Annual Performance Review • Working Capital • Quarterly, Half Yearly and Annual Performance Reports • Board Papers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | |
|-------------|--|--|
| 1.1.4. | Board Secretary | All members of the Board have access to the advice and services of the professionally qualified corporate secretary who is responsible to the Board for advising the Board on compliance with Board procedures, the law and relevant rules and regulations, and for ensuring that reliable and relevant information is provided to the Board in a timely manner. The Secretary ensures that procedures governing Board Meetings are followed and effective functioning of the Board while circulating Board Papers timely. |
| 1.1.5. | Role of the Board Secretary | The Board Secretary has to ensure that Board procedures are followed and should provide guidance on legal requirements regarding Board proceedings. In addition the Secretary's duties involve: - <ul style="list-style-type: none"> • Circulating notice of Board meetings, Minutes of meetings, Board Papers together with other relevant documents • Follow up actions on Board decisions • Assist Board members by providing both internal and external information |
| 1.1.6. | Board Balance | Directors come from different fields (Finance, Trade, Employers Federation, Trade union, etc.) Provide a balance platform to the board. They give their independent view relating to the each matter. |
| 1.1.7. | Adequate time for effective Board meeting | The Board usually meets on monthly intervals. The average time spent for a board meeting is around 3 hours. |
| 1.2. | Chairman/Chief Executive Officer | |
| 1.2.1. | Appointment of the Chairman | The Chairman of the Board, who shall be the chief executive of the Board, shall be appointed by the Minister. |
| 1.2.2. | Responsibilities of the Chairman | The Chairman/Chief Executive Officer who will be the important link in the entire governance structure will lead the team and the entity in the right direction. He is responsible for implementation of the policies related to core activities and preparation of plans and programs, so as to achieve predetermined targets. |
| 2. | Accountability and Audit | |
| 2.1. | Financial Reporting | Board Financial Statements are prepared and presented in conformity with Sri Lanka Accounting Standards and also comply with the Accounting and Auditing Standard Monitoring Board Act. |
| 2.1.1. | Statutory and Regulatory Reporting | In terms of Section 12 of the National Audit Act No. 19 of 2018, the Auditor General will be the auditor of the Board. |
| 2.1.2. | Auditor's responsibility for the Financial Statements | Refer the Auditor General's report (Page No. 321) |
| 2.1.3. | Directors' report in the Annual Report | Refer the Board of Director's Review (Page No. 260) |
| 2.1.4. | Statement of Directors' responsibility for the Financial Statements | Refer the Board of Director's Review (Page No. 260) |
| 2.1.5. | Management Discussion and Analysis | Refer the Management Discussion and Analysis (Page No. 260) |
| 2.2. | Internal Control | |
| 2.2.1. | Internal Audit Function | Employees' Trust Fund Board has its own Internal Audit Division |
| 2.2.2. | Review the effectiveness of Internal controls by the Audit Committee | Internal Audit division regularly report to the Audit Committee about the effectiveness of the Internal Control System including the internal controls over financial reporting. |

SUB COMMITTEES

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

I. Audit Committee

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

Scope of the Audit Committee: -

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

- Review internal audit/external audit reports, Management Letters for remedial action
- Review implementation of recommendations/directives of the Committee on Public Enterprises
- Prepare report on the findings of the Committee to append in the Annual Report

Composition of Audit Committee

- **Mr. P B S C Nonis**
Chairman of Audit committee/Director
Director
Appointed by Minister of Finance
- **Mr. M A Tharjudeen**
Addl. Secretary/Director
Trade Ministry Representative
- **Mr. P Ranawakaarachchi**
Director
Trade Union Representative
- **Additional General Manager**
- **All Deputy General Managers and All Assistant General Managers**

II. Management Committee

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

The Management Committee therefore is an integral element in Board for periodic progress examination. This committee is bound to focus upon: -

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

- Any other day-to-day operational issues.

III. Investment Committee

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

● Safety

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

● Liquidity

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

● Return on Investment

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

Investment committee comprises with six members. They decide upon appropriate investments opportunities for Fund based on the market conditions.

| Board Sub Committees | Coverage | Composition |
|---------------------------|--|--|
| I. Audit Committee | <ul style="list-style-type: none"> • Review Internal Controls • Review Internal Audit • Review External Audit • Review Financial Statements | <ul style="list-style-type: none"> • Three Directors • All Deputy General Managers and All Assistant General Managers |
| II. Management Committee | <ul style="list-style-type: none"> • Review operational issues • Review necessary upgrading • Review performances | <ul style="list-style-type: none"> • Chairman • Working Director • Senior Management |
| III. Investment Committee | <ul style="list-style-type: none"> • Board investment policy • Investment portfolios and their performance • Review the current environmental factors | <p>Investment Committee</p> <ul style="list-style-type: none"> • Treasury Representative • Line Ministry Representative • Additional General Manager • Deputy General Manager (Investment) • Deputy General Manager (Finance) • Deputy General Manager (Internal Audit) As an Obsever |

RISK MANAGEMENT REPORT

Overall Risk Management

Employee's Trust Fund Board considers as one of the leading Superannuation funds in Sri Lanka. The Board has the obligation to act in good faith to provide financial assurance to non-pensionable employees of both the private and semi-government sectors by securing their long term contributions flowing to the fund on monthly basis. Further, the Board must ensure that members are entitled to enjoy their defined benefits on retirement while guaranteeing the safety of capital invested on diversified investment portfolios. Significant proportion of the investment portfolio of Employees' Trust Fund Board consists of government securities. Further, as at 31st December 2019 Employees' Trust Fund Board possessed 0.4 percent of the total market capitalization of Colombo Stock Exchange. Therefore Risk Management considers a key priority across all stages of business operations.

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

Credit Risk

Credit risk arises when the borrower defaults amounts due to the lender and this increases the cost per borrower and also this can be considered as a credit accumulation from the lenders perspective. Credit risk restricts any economic or financial benefits that a lender could have gained during a specific time period, as a consequence of foregone valuable financial opportunities. As at 31st December, 2019, 77.5 percent of Boards funds are invested in risk free government securities. Therefore the Board was able to maintain credit risk at a lower level. Investments in debentures accounted for 1.1 percent of the total portfolio. It



should be emphasized that the Board invests only in investment grade corporate debt instruments filtered through a comprehensive analysis. Further, Repurchase agreements and overnight repos are secured by adequate government securities. These risk preventive measures have helped the Board to uphold the credit risk at a minimum level.

Operational Risk

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

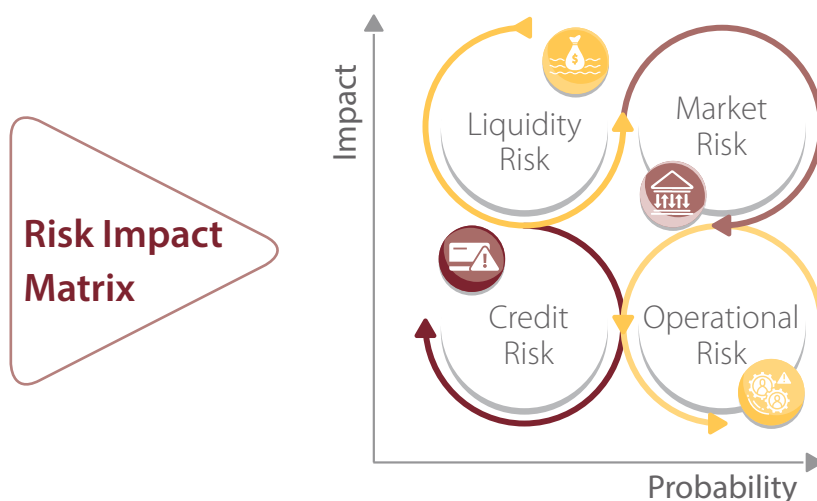
Market Risk

Uncertainties in financial markets increase an entities' vulnerability to market risk. Fluctuations in interest rates and equity risk have been identified as primary components of market risk. Market risk deteriorates return on investments. When interest rates on Treasury bonds depict an upward momentum, the value tends to decline. And on contrary, when interest rates depict a gradual reduction (price risk) the funds will have to reinvest at lower rate (reinvestment risk) which hinders the profit generating capacity. The exposure to market risk had been mitigated to a certain extent with the strategy of picking up Treasury Bonds with deviating

tenures and yields. Adverse fluctuations in capital markets would lead to value depreciation of capital market instruments mainly shares. Mitigating measures such as obtaining access to a diversified investment portfolio by expanding the presence in several key performing market segments, adherence to price bands can be implemented to avoid any financial losses that could have witnessed. Comprehensive analysis needs to be conducted prior to the execution of counter investments. However the overall impact to the equity portfolio of the Board is relatively low as investment in shares accounted 3.48 percent of the total investment breakdown.

Liquidity Risk

Lower cash adequacy to meet short term financial demands can simply be defined as Liquidity Risk. From Boards' perspective risks falling into this category too can prevent potential investment opportunities and also reduces the marketability of financial instruments. On average, net contribution subsequent to refunds derive a positive cash flow of denoting an uptick in the liquidity standpoint of the Board. Towards the end of 2019, the annual refund payment, excluding other cash flows such as income and maturity proceeds portrayed 72 percent of total cash inflows. Since significant proportion of funds are invested in government securities which are considered as the most liquid form of investment, refrained the Board from falling into the illiquidity trap. This mechanism provides an additional buffer against any liquidity constraint. With the intention of generating a reasonable return from idle funds, ETF invests in the overnight repo market as a daily liquidity management tool. Therefore, liquidity risk of the Fund also remains low.



Risk Assessment



Strategic Risk

1. Market risk
2. Technological Risk
3. Socio-economic & Political risk
4. Information Systems Risk

Operational Risk

5. Operating risk
6. Internal Controls risk
7. Human capital and labor risk
8. Procurement Risk

Financial Risk

9. Investment Risk
10. Fraud risk

Compliance Risk

11. Reputation risk
12. Compliance risk

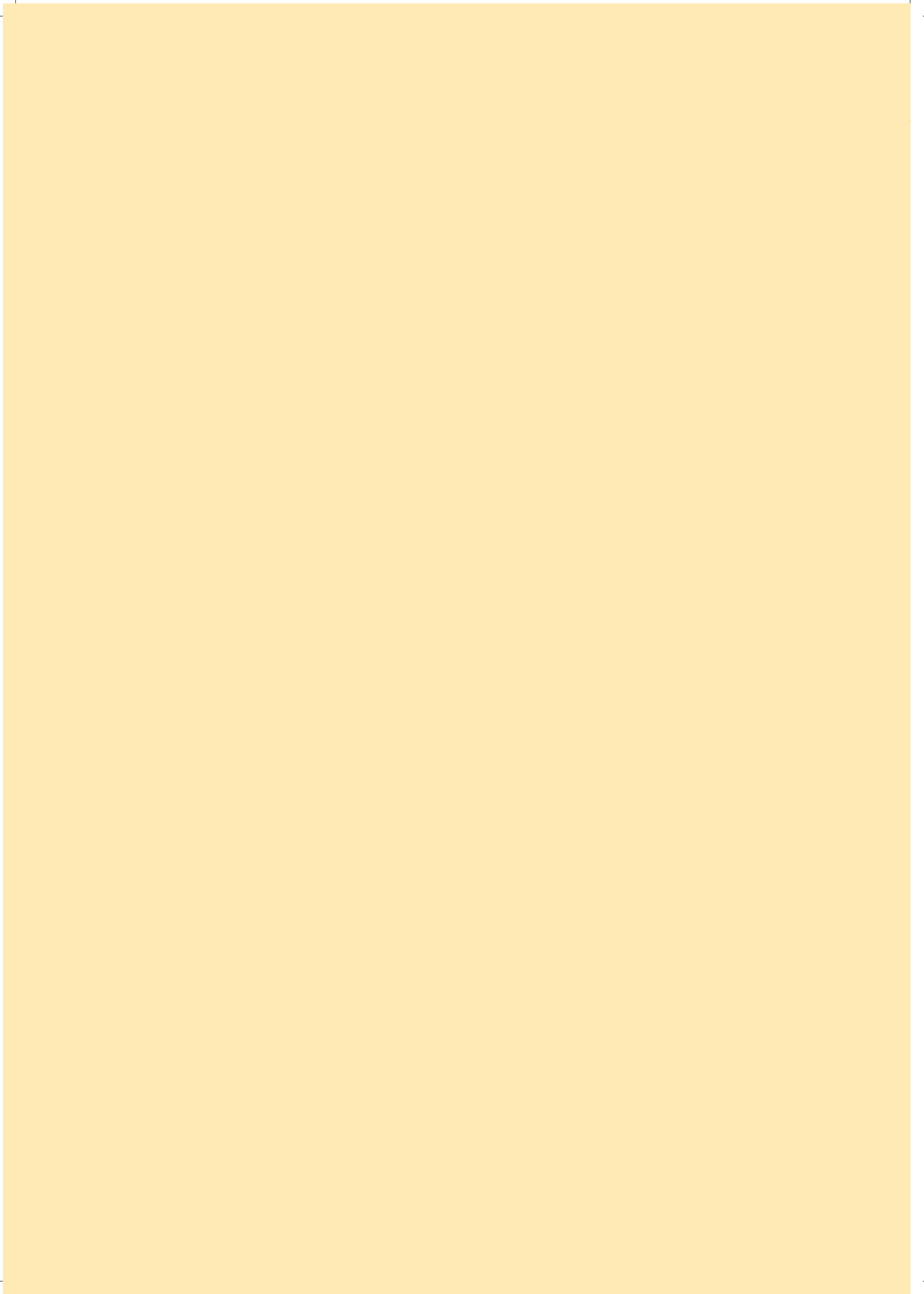
| No | Risk | Description | Mitigation Strategy |
|----|---------------------------------|--|--|
| 1 | Market risk | Fluctuations in interest rates and equity risk have been identified as primary components of market risk. | Investment Portfolio Diversification. |
| 2 | Technological Risk | To enhance efficient allocation of resources advanced information technology would be the main driver. | Introduction of EISA projects. |
| 3 | Socio-economic & Political risk | Socio-economic and political factors have a direct impact on the operational and investment activities of the Board. | Evaluating Socio-economic and political factors in preparation of Corporate plan and Action plan. |
| 4 | Information Systems Risk | Lack of adequate systems for the retrieval of data for effective decision making. | Introduction of ICTA projects. |
| 5 | Operating risk | Operational risks are the risk of loss resulting from lack of facilities for effective operations. | Frequent progress reviews and budgetary controls and accordingly taking precautionary actions. |
| 6 | Internal Controls risk | By establishing sound internal control systems we can ensure the operational effectiveness and efficiency. | Monitoring internal controls by Internal Audit Department. |
| 7 | Human capital and labor risk | Failure to attract and retain Key Management Personnel could lead to a lack of necessary expertise or lack of continuity in executing strategy. | Continue training and development in both Local and Overseas for the staff. |
| 8 | Procurement Risk | Ensuring efficient flow of procurement require good relationships with suppliers are essential | Following transparent tender procedures to select suppliers. |
| 9 | Investment Risk | This involves failure in investments/inability to achieve expected objectives and resulted future profitability and sustainability of the board. | Closely monitor the progress to ensure project deliverables are achieved within the given budgets and time lines. |
| 10 | Fraud risk | Fraud risk arises due to weaknesses in the internal controls, which could result in financial losses | The Internal Audit Department conducts audits on a regular basis in the areas, which are susceptible to the occurrence of frauds. |
| 11 | Reputation risk | Reputation risk is the risk that an event or incident could damage the image of the board | Having in place a budgetary process and a budgetary control mechanism on a monthly basis to ensure that the board's performance is in line with its targets. |
| 12 | Compliance risk | Compliance risk may arise due to the failure to abide by any law or regulatory requirements applicable to the Board. | Ensuring compliance with relevant laws and regulations. |





03

Financial Information



EMPLOYEES' TRUST FUND BOARD
Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31st December, 2019

| | Note | Group | | ETFB | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Total Income | | | | | |
| Interest Income | 4 | 31,583,332 | 28,330,988 | 31,554,779 | 28,301,818 |
| (-) Interest Expense - 3.0% (As per the Section 22 of the ETF Act) | | (9,423,454) | (8,434,536) | (9,423,454) | (8,434,536) |
| Net Trading Income | 5 | (144,896) | 201,061 | - | - |
| Dividend Income | 6 | 481,081 | 346,254 | 481,081 | 346,254 |
| Gain/(Loss) on Financial Assets at Fair Value through Profit /(Loss) | 7 | (386,360) | (307,891) | (386,360) | (307,891) |
| Other Income | 8 | 446,109 | 484,282 | 429,011 | 462,952 |
| | | 22,555,811 | 20,620,158 | 22,655,056 | 20,368,597 |
| Total Operating Expenses | | | | | |
| Personal Expenses | 9 | 1,379,882 | 1,243,448 | 1,292,861 | 1,144,968 |
| Administrative Expenses | 10 | 244,825 | 242,253 | 179,517 | 183,496 |
| Financial Expenses | 11 | 27,368 | 20,648 | 4,122 | 5,184 |
| Member Expenses | 12 | 523,298 | 488,148 | 523,298 | 488,148 |
| Depreciation & Amortization | 13 | 128,362 | 80,428 | 53,983 | 14,219 |
| Interest Paid to members on Current Year | | 260,709 | 240,937 | 260,709 | 240,937 |
| Impairment Charge/(Reversal) | 14 | 399 | - | 399 | - |
| | | 2,564,844 | 2,315,863 | 2,314,889 | 2,076,953 |
| Profit Before Tax | | 19,990,967 | 18,304,295 | 20,340,167 | 18,291,644 |
| Income Tax Expenses | 15 | (4,155,085) | (3,410,284) | (4,242,123) | (3,394,806) |
| Profit After Tax | | 15,835,882 | 14,894,011 | 16,098,044 | 14,896,838 |
| Adjustment for the Prior year Profit | | - | (45,925) | - | (45,925) |
| Profit for the Year | | 15,835,882 | 14,848,086 | 16,098,044 | 14,850,912 |
| Profit Attributable to: | | | | | |
| Equity Holders of the Company | | 15,862,098 | 14,847,816 | 16,098,044 | 14,850,912 |
| Non-Controlling Interests | | (26,216) | 270 | - | - |
| Profit for the Year | | 15,835,882 | 14,848,086 | 16,098,044 | 14,850,912 |
| Retained Profit B/F | | 3,699,948 | 5,983,654 | 2,929,788 | 5,210,398 |
| Profit Available for Appropriation | | 15,835,882 | 14,848,086 | 16,098,044 | 14,850,912 |
| Total Profit Available for Appropriation | | 19,535,829 | 20,831,740 | 19,027,832 | 20,061,310 |
| Less: Proposed Apportionment - Dividend 5.0% (2018 - 6.0%) | | (15,705,756) | (16,869,072) | (15,705,756) | (16,869,072) |
| Less: Dividend - Lanka Salt | | (67,500) | - | - | - |
| Less: Non-Controlling Interests | | 26,216 | (270) | - | - |
| Profit After Appropriation | | 3,788,789 | 3,962,398 | 3,322,075 | 3,192,238 |

EMPLOYEES' TRUST FUND BOARD

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st December, 2019

| | Note | Group | | ETFB | |
|---|------|-------------------|-------------------|-------------------|-------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Items that are or may be Reclassified to Statement of Comprehensive Income | | | | | |
| Net gain/(loss) on Revaluation of Investment Property | | - | - | - | - |
| Transfer to Fair Value Through Other Comprehensive Reserve (Shares) | | (8,665) | (593,418) | (8,665) | (593,418) |
| Transfer to Fair Value Through Other Comprehensive Reserve (Units) | | 1,513 | (45,261) | 1,513 | (45,261) |
| Items that will not be Reclassified to Statement of Comprehensive Income | | | | | |
| Actuarial Gain /(Loss) on Retirement Benefit Obligation | | (41,900) | 13,560 | (41,900) | 13,560 |
| Income Tax on Other Comprehensive Income/(Expenses) for the Year | | - | - | - | - |
| Total Other Comprehensive Income for the Year Net of Tax | | (49,053) | (625,118) | (49,053) | (625,118) |
| Total Comprehensive Income for the Year Net of Tax | | 15,786,829 | 14,222,967 | 16,048,991 | 14,225,794 |
| Total Comprehensive Income Attributable to | | | | | |
| Equity Holders of the Company | | 15,813,046 | 14,222,698 | 16,048,991 | 14,225,794 |
| Non-Controlling Interests | | (26,216) | 270 | - | - |
| Total Comprehensive Income for the Year Net of Tax | | 15,786,829 | 14,222,967 | 16,048,991 | 14,225,794 |

| | Note | Group | | ETFB | |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| ASSETS | | | | | |
| Cash and Cash Equivalent | | 591,254 | 781,142 | 548,572 | 738,070 |
| Financial Assets at Fair Value Through Profit and Loss | 16 | 2,699,451 | 2,886,959 | 2,699,451 | 2,886,959 |
| Investment in Subsidiary | 17 | - | - | 470,961 | 470,961 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 18 | 7,899,643 | 7,563,896 | 7,899,643 | 7,563,896 |
| Financial Assets at Amortized Cost | 19 | 324,974,213 | 292,928,563 | 324,688,318 | 292,668,381 |
| Other Assets | 20 | 3,454,166 | 3,337,230 | 2,839,598 | 2,411,767 |
| Property, Plant & Equipment | 21 | 1,260,761 | 1,196,569 | 365,206 | 218,161 |
| Leasehold Property | 22 | 3,485 | 4,182 | - | - |
| Intangible Assets | 23 | 1,039 | 102 | 1,039 | 102 |
| Investment Property | 24 | 3,812,500 | 3,812,500 | 3,812,500 | 3,812,500 |
| Total Assets | | 344,696,512 | 312,511,143 | 343,325,287 | 310,770,798 |
| Liabilities | | | | | |
| Interest Bearing Loans and Borrowings | 25 | 199,354 | 155,545 | - | - |
| Grants and Subsidies | 26 | 29,136 | 30,199 | - | - |
| Defined Benefit Obligation | 27 | 477,383 | 433,819 | 252,600 | 212,163 |
| Current Tax Liabilities | 28 | 1,298,360 | 1,903,071 | 1,298,360 | 1,903,071 |
| Other Liabilities | 29 | 1,157,450 | 871,610 | 817,448 | 540,815 |
| Deferred Tax Liabilities | 30 | 7,050 | 94,088 | - | - |
| Provisions | 31 | 104,603 | 132,784 | 104,603 | 132,784 |
| Total Liabilities | | 3,273,335 | 3,621,116 | 2,473,010 | 2,788,833 |
| Equity | | 341,318,991 | 308,752,125 | 340,852,277 | 307,981,965 |
| Non-Controlling Interest | | 104,186 | 137,902 | - | - |
| Total Equity | | 341,423,177 | 308,890,027 | 340,852,277 | 307,981,965 |
| Total Liabilities and Equity | | 344,696,512 | 312,511,143 | 343,325,287 | 310,770,798 |

The accounting policies and notes as set out in pages 287 to 318 form an integral part of these financial statement.

Certified as correct,



M.A.V. Kumudini
Finance Manager



N.W. Wimalaweera
Deputy General Manager (Finance)

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the board.



Sriyan de Silva Wijeyeratne
Chairman / Chief Executive Officer

EMPLOYEES' TRUST FUND BOARD

Statement of Changes In Equity For the Year Ended 31st December, 2019

| Group | Attributable to Equity Holders of the Company | | | | | | | | | | Total |
|---|---|------------------|-------------------|--------------------|------------------|----------------------------|------------------------------------|---------------------------|--------------------------|--------------------|-------|
| | Member Fund | | Member Fund | | | Available For Sale Reserve | | | | | |
| | Contribution | Interest | Dividend | Member Fund | Retained Profit | Other Reserves | Dividend Equalization Reserve Fund | Post Acquisition Reserves | Non-Controlling Interest | Total | |
| Balance as at 01.01.2018 | - | - | - | 274,159,747 | 5,210,398 | (40,894) | 142,000 | 767,730 | 137,632 | 279,235,543 | |
| Prior Year Adjustment (Impairment of Shares) | - | - | - | - | (45,925) | - | - | - | - | (45,925) | |
| Realized Capital Gain on Shares - Share Reserve A/C | - | - | - | - | - | (638,679) | - | - | - | (638,679) | |
| Previous Year Contribution Adjustment | - | - | - | 1,035 | - | - | - | - | - | 1,035 | |
| Contribution Received | 25,282,293 | - | - | 25,282,293 | - | - | - | - | - | 25,282,293 | |
| Refund of Contribution | (18,291,873) | - | - | (18,291,873) | - | - | - | - | - | (18,291,873) | |
| Interest on Member Fund Balance 3.0% | - | 8,434,536 | - | 8,434,536 | (8,434,536) | - | - | - | - | - | |
| Dividend 6.0% | - | - | 16,869,072 | 16,869,072 | (16,869,072) | - | - | - | - | - | |
| Accumulated Profit for the Year | - | - | - | - | 23,331,374 | - | - | - | 270 | 23,331,644 | |
| Actuarial Gain/(Loss) | - | - | - | - | - | 13,560 | - | - | - | 13,560 | |
| Dividend paid by Subsidiary | - | - | - | - | - | - | - | - | - | - | |
| Movement in Subsidiary equity | - | - | - | - | - | - | - | 2,429 | - | 2,429 | |
| Balance as at 31.12.2018 | 6,990,420 | 8,434,536 | 16,869,072 | 306,454,810 | 3,192,238 | (27,334) | 142,000 | 770,160 | 137,902 | 308,890,027 | |
| Balance as at 01.01.2019 | 306,454,810 | 3,192,238 | (262,450) | (1,779,750) | (27,334) | 142,000 | 770,160 | 137,902 | 308,890,027 | (262,450) | |
| Prior Year Adjustment | - | - | - | - | - | (7,153) | - | - | - | (7,153) | |
| Realized Capital Gain on Shares - Share Reserve A/C | - | - | - | - | - | - | - | - | - | - | |
| Previous Year Contribution Adjustment | - | - | - | (7,993) | - | - | - | - | - | (7,993) | |
| Contribution Received | 27,476,206 | - | - | 27,476,206 | - | - | - | - | - | 27,476,206 | |
| Refund of Contribution | (19,807,895) | - | - | (19,807,895) | - | - | - | - | - | (19,807,895) | |
| Interest on Member Fund Balance 3.0% | - | 9,423,454 | - | 9,423,454 | (9,423,454) | - | - | - | - | - | |
| Dividend 5.0% | - | - | 15,705,756 | 15,705,756 | (15,705,756) | - | - | - | - | - | |
| Accumulated Profit for the Year | - | - | - | - | 25,521,498 | - | - | - | (26,216) | 25,495,282 | |
| Actuarial Gain/(Loss) | - | - | - | - | - | (41,900) | - | - | - | (41,900) | |
| Dividend paid by Subsidiary | - | - | - | - | - | - | - | - | (7,500) | (7,500) | |
| Movement in Subsidiary equity | - | - | - | - | - | - | - | (303,446) | - | (303,446) | |
| Balance as at 31.12.2019 | 7,668,311 | 9,423,454 | 15,705,756 | 339,244,338 | 3,322,075 | (69,234) | 142,000 | 466,714 | 104,186 | 341,423,177 | |

EMPLOYEES' TRUST FUND BOARD

Statement of Changes In Equity
For the Year Ended 31st December, 2019

| ETFB | Attributable to Equity Holders of the Company | | | | | | | Total | | |
|---|---|------------------|--------------------|-------------------|------------------|------------------|----------------------------|-----------------|----------------|------------------------------------|
| | Contribution | Interest | Member Fund | Dividend | Member Fund | Retained Profit | Available For Sale Reserve | | Other Reserves | Dividend Equalization Reserve Fund |
| Balance as at 01.01.2018 | - | - | 274,159,747 | - | - | 5,210,398 | (1,141,071) | (40,894) | 142,000 | 278,330,180 |
| Prior Year Adjustment (Impairment of Shares) | - | - | - | - | - | (45,925) | - | - | - | (45,925) |
| Realized Capital Gain on Shares - Share Reserve A/C | - | - | - | - | - | - | (638,679) | - | - | (638,679) |
| Previous Year Contribution Adjustment | - | - | 1,035 | - | - | - | - | - | - | 1,035 |
| Contribution Received | 25,282,293 | - | 25,282,293 | - | - | - | - | - | - | 25,282,293 |
| Refund of Contribution | (18,291,873) | - | (18,291,873) | - | - | - | - | - | - | (18,291,873) |
| Interest on Member Fund Balance 3.0% | - | 8,434,536 | 8,434,536 | - | - | (8,434,536) | - | - | - | - |
| Dividend 6.0% | - | - | 16,869,072 | 16,869,072 | - | (16,869,072) | - | - | - | - |
| Accumulated Profit for the Year | - | - | - | - | - | 23,331,374 | - | - | - | 23,331,374 |
| Actuarial Gain/(Loss) | - | - | - | - | - | - | - | 13,560 | - | 13,560 |
| Balance as at 31.12.2018 | 6,990,420 | 8,434,536 | 306,454,810 | 16,869,072 | 3,192,238 | 3,192,238 | (1,779,750) | (27,334) | 142,000 | 307,981,965 |
| Balance as at 01.01.2019 | | | 306,454,810 | | 3,192,238 | | (1,779,750) | (27,334) | 142,000 | 307,981,965 |
| Prior Year Adjustment | | | | | (262,450) | | | | | (262,450) |
| Realized Capital Gain on Shares - Share Reserve A/C | | | | | | | (7,153) | | | (7,153) |
| Previous Year Contribution Adjustment | | | (7,993) | | | | | | | (7,993) |
| Contribution Received | 27,476,206 | | 27,476,206 | | | | | | | 27,476,206 |
| Refund of Contribution | (19,807,895) | | (19,807,895) | | | | | | | (19,807,895) |
| Interest on Member Fund Balance 3.0% | | 9,423,454 | 9,423,454 | | | (9,423,454) | | | | - |
| Dividend 5.0% | | | 15,705,756 | 15,705,756 | | (15,705,756) | | | | - |
| Accumulated Profit for the Year | | | | | | 25,521,498 | | | | 25,521,498 |
| Actuarial Gain/(Loss) | | | | | | | | (41,900) | | (41,900) |
| Balance as at 31.12.2019 | 7,668,311 | 9,423,454 | 339,244,338 | 15,705,756 | 3,322,075 | 3,322,075 | (1,786,902) | (69,234) | 142,000 | 340,852,277 |

EMPLOYEES' TRUST FUND BOARD

Statement of Cash Flows

For the Year Ended 31st December, 2019

| | Group | | ETFB | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Operating Activities | | | | |
| Proceeds from Sale of Financial Instrument Designated at FVTPL | 263,759 | 335,452 | 263,759 | 335,452 |
| Maturities of Financial Instrument Held to Maturity | 128,394,676 | 95,688,858 | 128,394,676 | 95,688,858 |
| Maturities of Financial Instrument Loan & Receivables | 124,578 | 105,939 | 124,578 | 105,939 |
| Payment for Purchase for Financial Instruments Designated at FVTPL | (828,966) | (1,508,499) | (828,966) | (1,508,499) |
| Payment for Purchase of Held to Maturity Financial Instruments | (160,674,715) | (124,860,207) | (160,674,715) | (124,860,207) |
| Loan Granted for Acquire Loan & Receivable Financial Instrument | (239,676) | (288,605) | (239,676) | (288,605) |
| Monies received from Customers | 1,748,418 | 1,633,286 | - | - |
| Monies paid to Suppliers | (1,711,011) | (1,595,326) | - | - |
| Interest Received | 31,440,122 | 25,164,823 | 31,440,122 | 25,164,823 |
| Dividend Received | 291,553 | 162,387 | 291,553 | 162,387 |
| Other Income Received | 399,859 | 489,164 | 399,859 | 489,164 |
| Operational Expenses Paid | (1,221,942) | (1,230,308) | (1,221,942) | (1,230,308) |
| Member Expenses Paid | (332,405) | (170,128) | (332,405) | (170,128) |
| Income Tax Paid | (4,690,504) | (199,596) | (4,690,504) | (199,596) |
| Interest Paid | (283,956) | (260,052) | (260,709) | (244,589) |
| Defined Benefit Plan Costs paid | (12,591) | (22,225) | - | - |
| Ground Rent paid to Divisional Secretaries | (9,477) | (1,458) | - | - |
| Year 5 Scholarship (Payment)/Refund | (92,207) | (89,664) | (92,207) | (89,664) |
| Higher Education Scholarship (Payment)/Refund | (71,616) | (19,284) | (71,616) | (19,284) |
| Net Cash Flows from Operating Activities | (7,506,101) | (6,665,441) | (7,498,194) | (6,664,255) |
| Investing Activities | | | | |
| Purchase of Property and Equipment | (274,412) | (90,400) | (249,515) | (36,144) |
| Proceeds from Sale of Property and Equipment | 2,595 | 7,993 | 38 | 6,548 |
| Acquisition of Investments | (26,421) | (9,527) | - | - |
| Interest Received | 28,711 | 29,715 | - | - |
| Net (Grants) / Repayments of Staff Loans | 707 | 2,553 | - | - |
| Net Cash Flows from Investing Activities | (268,819) | (59,667) | (249,477) | (29,596) |
| Financing Activities | | | | |
| Contribution Received | 27,366,900 | 25,007,383 | 27,366,900 | 25,007,383 |
| Refunds | (19,806,558) | (18,314,698) | (19,806,558) | (18,314,698) |
| Financial Expenses Paid | (2,168) | (3,889) | (2,168) | (3,889) |
| Dividends Paid | (16,950) | (69,842) | - | - |
| Repayment of Interest Bearing Loans & Borrowings | - | - | - | - |
| Principal Payment Under Finance Lease Liability | (6,757) | (8,112) | - | - |
| Net Cash Flows from Financing Activities | 7,534,466 | 6,610,843 | 7,558,173 | 6,688,797 |
| Net Increase in Cash and Cash Equivalents | (240,454) | (114,265) | (189,499) | (5,053) |
| Cash and Cash Equivalents at 01st January | 644,209 | 758,474 | 738,070 | 743,124 |
| Cash and Cash Equivalents at 31st December | 403,755 | 644,209 | 548,572 | 738,070 |

Market Value of Treasury Bond Portfolio as at 31/12/2019

| Year | Face Value | Purchase Cost | Market Value | Amortized Cost |
|------|------------------------|------------------------|------------------------|------------------------|
| 2019 | - | - | - | - |
| 2020 | 1,310,000,000 | 1,365,395,730 | 1,335,712,549 | 1,335,320,736 |
| 2021 | 13,239,549,988 | 13,372,115,110 | 13,860,495,905 | 13,682,112,717 |
| 2022 | 68,269,879,361 | 73,360,993,562 | 73,123,533,144 | 73,127,161,060 |
| 2023 | 25,110,647,923 | 28,278,397,689 | 27,270,180,704 | 27,616,845,668 |
| 2024 | 8,676,180,634 | 8,400,596,577 | 9,371,265,475 | 8,845,772,371 |
| 2025 | 28,520,884,000 | 28,761,978,260 | 30,483,021,504 | 29,676,114,996 |
| 2026 | 20,985,000,000 | 19,762,773,149 | 23,012,066,672 | 20,653,649,158 |
| 2027 | 22,984,641,000 | 23,661,162,542 | 25,467,252,728 | 24,219,823,176 |
| 2028 | 25,089,079,000 | 25,355,084,215 | 27,271,365,527 | 26,190,411,360 |
| 2029 | 6,825,000,000 | 7,329,673,539 | 8,161,029,240 | 7,456,997,520 |
| 2030 | 1,268,684,000 | 1,330,929,793 | 1,358,369,175 | 1,348,830,967 |
| 2031 | 6,050,000,000 | 6,050,563,988 | 6,687,504,835 | 6,257,729,033 |
| 2033 | 5,126,118,000 | 5,247,410,313 | 5,766,013,873 | 5,508,219,073 |
| 2034 | 2,825,000,000 | 2,816,446,943 | 2,917,751,530 | 2,902,225,578 |
| 2035 | 1,426,190,000 | 1,522,598,027 | 1,601,667,134 | 1,571,192,315 |
| 2039 | 7,600,000,000 | 7,676,207,906 | 8,011,520,240 | 7,980,157,275 |
| | 245,306,853,906 | 254,292,327,343 | 265,698,750,234 | 258,372,563,003 |

Market Value of Treasury Bond Portfolio as at 31/12/2018

| Year | Face Value | Purchase Cost | Market Value | Amortized Cost |
|------|------------------------|------------------------|------------------------|------------------------|
| 2019 | 17,530,710,000 | 15,721,962,699 | 17,940,773,783 | 17,993,579,542 |
| 2020 | 1,310,000,000 | 1,365,395,730 | 1,299,477,949 | 1,348,216,804 |
| 2021 | 13,239,549,988 | 13,372,115,110 | 13,238,772,786 | 13,710,759,598 |
| 2022 | 68,269,879,361 | 73,360,993,562 | 68,584,433,728 | 73,821,142,801 |
| 2023 | 23,385,647,923 | 26,556,500,717 | 23,756,752,280 | 26,255,606,168 |
| 2024 | 6,026,180,634 | 5,777,227,487 | 6,191,033,812 | 6,116,141,181 |
| 2025 | 28,520,884,000 | 28,761,978,260 | 28,429,579,627 | 29,699,824,153 |
| 2026 | 20,985,000,000 | 19,762,773,149 | 21,113,433,832 | 20,561,378,889 |
| 2027 | 10,569,000,000 | 11,140,125,501 | 10,599,928,065 | 11,154,459,832 |
| 2028 | 15,045,667,000 | 15,444,705,750 | 14,865,674,083 | 15,954,010,554 |
| 2029 | 3,740,000,000 | 3,927,974,937 | 4,053,185,356 | 4,008,458,862 |
| 2030 | - | - | - | - |
| 2031 | - | - | - | - |
| 2033 | 5,126,118,000 | 5,247,410,313 | 5,117,246,740 | 5,511,890,766 |
| 2034 | - | - | - | - |
| 2035 | - | - | - | - |
| 2039 | - | - | - | - |
| | 213,748,636,906 | 220,439,163,215 | 215,190,292,042 | 226,135,469,151 |

The Fair Values of the Government Securities are based on the average of Buying and Selling quotes as at 31st December 2018 and 2019 respectively published by the Central Bank

EMPLOYEES' TRUST FUND BOARD

Market Value of Quoted Debenture Portfolio

For the Year Ended 31st December, 2019

Market Value of Quoted Debenture Portfolio as at 31/12/2019

| Name of Company | Date of Purchase | Date Redemption | Debentures | | Market Value | | | Amortized Cost (Rs.) |
|--------------------------------|------------------|-----------------|------------|----------------------|---------------|----------------------|------------|----------------------|
| | | | Nos. | Cost (Rs) | Per Debenture | Rs | Rate (p.a) | |
| National Development Bank PLC | 24.06.2015 | 24.06.2020 | 6,000,000 | 600,000,000 | 87.00 | 522,000,000 | 9.40% | 653,580,000 |
| Commercial Bank of Ceylon Ltd. | 28.10.2016 | 27.10.2021 | 1,494,900 | 149,490,000 | 90.00 | 134,541,000 | 12.00% | 152,684,581 |
| Hatton National Bank | 01.11.2016 | 01.11.2023 | 547,100 | 54,710,000 | 100.00 | 54,710,000 | 13.00% | 55,898,631 |
| People's Leasing Finance PLC | 16.11.2016 | 16.11.2021 | 4,000,000 | 400,000,000 | 100.00 | 400,000,000 | 12.60% | 406,351,781 |
| L B Finance PLC | 11.12.2017 | 11.12.2022 | 2,000,000 | 200,000,000 | 100.00 | 200,000,000 | 12.75% | 201,467,124 |
| People's Leasing Finance PLC | 18.04.2018 | 18.04.2023 | 5,000,000 | 500,000,000 | 100.00 | 500,000,000 | 12.80% | 545,238,356 |
| Commercial Bank of Ceylon Ltd. | 23.07.2018 | 22.07.2023 | 1,859,700 | 185,970,000 | 100.00 | 185,970,000 | 12.00% | 195,874,813 |
| Sampath Bank PLC | 28.02.2019 | 28.02.2024 | 1,750,000 | 175,000,000 | 104.85 | 183,487,500 | 13.90% | 195,459,658 |
| DFCC Bank PLC | 28.03.2019 | 28.03.2024 | 7,500,000 | 750,000,000 | 100.00 | 750,000,000 | 13.50% | 827,393,836 |
| National Savings Bank | 10.09.2019 | 10.09.2024 | 13,500,000 | 350,000,000 | 100.00 | 1,350,000,000 | 11.25% | 1,397,018,836 |
| Hatton National Bank PLC | 23.09.2019 | 22.09.2024 | 3,500,000 | 350,000,000 | 100.00 | 350,000,000 | 12.30% | 361,794,521 |
| Total | | | | 4,715,170,000 | | 4,630,708,500 | | 4,992,762,135 |

The Fair Value of the Corporate Debentures - Listed are based on the prices as at 31st December 2019 published by the Colombo Stock Exchange

Market Value of Quoted Debenture Portfolio as at 31/12/2018

| Name of Company | Date of Purchase | Date Redemption | Debentures | | Market Value | | | Amortized Cost (Rs.) |
|--------------------------------|------------------|-----------------|------------|----------------------|---------------|----------------------|------------|----------------------|
| | | | Nos. | Cost (Rs) | Per Debenture | Rs | Rate (p.a) | |
| Bank of Ceylon | 22.09.2014 | 21.09.2019 | 2,000,000 | 200,000,000 | 96.87 | 193,740,000 | 8.00% | 204,206,027 |
| Sampath Bank PLC | 15.12.2014 | 14.12.2019 | 1,500,000 | 150,000,000 | 90.28 | 135,420,000 | 8.25% | 161,756,250 |
| Seylan Bank PLC | 23.12.2014 | 22.12.2019 | 750,000 | 75,000,000 | 99.99 | 74,992,500 | 8.60% | 75,151,089 |
| Siyapatha Finance Ltd | 24.12.2014 | 24.12.2019 | 500,000 | 50,000,000 | 99.98 | 49,990,000 | 8.90% | 54,227,500 |
| National Development Bank PLC | 24.06.2015 | 24.06.2020 | 6,000,000 | 600,000,000 | 87.00 | 522,000,000 | 9.40% | 653,580,000 |
| Commercial Bank of Ceylon Ltd. | 28.10.2016 | 27.10.2021 | 1,494,900 | 149,490,000 | 102.66 | 153,466,434 | 12.00% | 152,524,852 |
| Hatton National Bank PLC | 01.11.2016 | 01.11.2023 | 547,100 | 54,710,000 | 100.00 | 54,710,000 | 13.00% | 55,839,199 |
| People's Leasing Finance PLC | 16.11.2016 | 16.11.2021 | 4,000,000 | 400,000,000 | 100.00 | 400,000,000 | 12.60% | 406,034,192 |
| L B Finance PLC | 11.12.2017 | 11.12.2022 | 2,000,000 | 200,000,000 | 100.00 | 200,000,000 | 12.75% | 201,393,767 |
| People's Leasing Finance PLC | 19.04.2018 | 18.04.2023 | 5,000,000 | 500,000,000 | 100.00 | 500,000,000 | 12.80% | 542,809,863 |
| Commercial Bank of Ceylon Ltd. | 23.07.2018 | 22.07.2023 | 1,859,700 | 185,970,000 | 100.00 | 185,970,000 | 12.00% | 195,321,489 |
| Total | | | | 2,565,170,000 | | 2,470,288,934 | | 2,702,844,228 |

The Fair Value of the Corporate Debentures - Listed are based on the prices as at 31st December 2018 published by the Colombo Stock Exchange

Quoted Shares Investments re-classified as "Fair Value Through Other Comprehensive Income As at 31/12/2019

| Company Name | Cost (Rs.) | Fair Value (Rs.) | Mkt Value (Rs.) |
|-----------------------------|----------------------|----------------------|----------------------|
| 1 ACL Cables PLC | 78,555,367 | 54,795,150 | 86,487,480 |
| 2 AHOT Properties PLC | 58,216,640 | 33,001,554 | 31,082,859 |
| 3 Aitken Spcne Co. PLC | 381,225,196 | 125,325,386 | 123,227,890 |
| 4 Ait. Spence Hotel H PLC | 206,276,390 | 64,009,035 | 64,246,106 |
| 5 Bairaha Farms PLC | 287,636,683 | 148,910,320 | 137,751,046 |
| 6 Carson Cumberbatch PLC | 16,146,881 | 6,210,404 | 8,087,968 |
| 7 Central Finance PLC | 258,881,908 | 207,028,962 | 246,555,927 |
| 8 Ceylon Investment PLC | 8,523,353 | 2,667,678 | 3,584,265 |
| 9 Ceylon Guardian Inv. PLC | 143,302,106 | 34,124,361 | 44,828,117 |
| 10 Colombo Fort Land PLC | 55,326,764 | 10,500,450 | 9,240,396 |
| 11 Com. Bank PLC | 1,136,127,566 | 954,974,516 | 791,831,460 |
| Com. Bank PLC (X) | 471,111,161 | 365,284,042 | 318,959,024 |
| 12 CIC Holding PLC | 28,169,480 | 8,987,909 | 13,652,520 |
| 13 DFCC Bank PLC | 646,951,842 | 370,879,536 | 366,492,789 |
| 14 Dockyard PLC | 437,865,195 | 96,384,630 | 107,672,920 |
| 15 Dialog Axiata PLC | 110,391,841 | 97,387,410 | 113,001,084 |
| 16 Dipped Product PLC | 2,119,708 | 1,401,650 | 1,370,319 |
| 17 Eden Hotels PLC | 75,884,504 | 21,356,231 | 29,265,946 |
| 18 Expolanka PLC | 43,035,287 | 13,946,800 | 17,782,170 |
| 19 Haycarb PLC | 140,778,782 | 98,384,454 | 148,357,510 |
| 20 HNB (X) | 100,719,056 | 98,091,543 | 78,982,137 |
| 21 John Keells PLC | 15,799,868 | 8,839,376 | 8,329,412 |
| 22 John Keells Holdings PLC | 2,836,575,220 | 2,736,157,860 | 2,873,826,180 |
| 23 Kelani Cables PLC | 9,031,561 | 6,737,474 | 8,409,896 |
| 24 Lankem Ceylon PLC | 16,823,136 | 1,983,020 | 2,098,217 |
| 25 Laugfs Gas PLC | 815,346 | 433,114 | 806,330 |
| 26 Laughfs Power PLC | 815,346 | 433,114 | 230,380 |
| 27 National Dev. Bank PLC | 1,078,147,081 | 923,207,003 | 863,269,700 |
| 28 Peoples'Leasing Co. PLC | 58,420,245 | 39,417,336 | 43,451,051 |
| 29 Ppiramal Glass Co. PLC | 32,227,612 | 14,364,973 | 17,389,178 |
| 30 Property Dev. PLC | 4,937 | 39,870 | 42,600 |
| 31 Renuka Holding PLC | 114,531,974 | 49,252,177 | 56,538,002 |
| 32 Resus Engergy PLC | 58,851,088 | 43,625,999 | 51,287,875 |
| 33 Royal Ceramics PLC | 52,566,675 | 35,807,370 | 42,422,387 |
| 34 Sampath Bank PLC | 333,971,715 | 325,203,518 | 276,670,225 |
| 35 Seylan Bank PLC | 357,120,054 | 297,346,533 | 228,102,778 |
| Seylan Bank PLC (X) | 74,487,288 | 56,776,516 | 48,313,205 |
| 36 Singer Finance PLC | 23,608,130 | 16,254,048 | 15,201,628 |
| 37 Sri Lanka Telecom PLC | 110,340,299 | 77,601,418 | 105,670,016 |
| 38 Trans Asia PLC | 37,071,514 | 50,559,584 | 39,864,288 |
| 39 Vallibel Power PLC | 47,175,248 | 33,785,148 | 32,745,605 |
| 40 Vallibel One PLC | 43,284,082 | 29,276,380 | 30,137,450 |
| | 9,988,914,131 | 7,560,753,853 | 7,487,266,331 |

EMPLOYEES' TRUST FUND BOARD

Statement of Equity Investment

As at 31st December, 2019

Unquoted Shares investments re- classified as " Fair Value Through Other Comprehensive Income"

| Company Name | Cost | Net Assets | Net Assets |
|--------------------------------|-------------------|--------------------|--------------------|
| | (Rs.) | Value (Rs.) | Value (Rs.) |
| | | 31.12.2018 | 31.12.2019 |
| 1 Fitch Ratings Lanka Ltd | 1,649,375 | 2,186,250 | 2,856,250 |
| 2 First Capital Treasuries Ltd | 73,649,700 | 158,773,500 | 216,904,950 |
| Total | 75,299,075 | 160,959,750 | 219,761,200 |

Investments in subsidiaries as at 31.12.2019

| Company Name | Cost (Rs.) |
|------------------|--------------------|
| 3 Lanka Salt Ltd | 470,960,938 |
| Total | 470,960,938 |

Quoted Share Investments Classified As " Fair Value through Profit or Loss" As At 31.12.2019

| Company Name | Cost | Fair Value | Mkt Value |
|------------------------------|----------------------|----------------------|----------------------|
| | (Rs.) | (Rs.) | (Rs.) |
| 1 ACL Cables PLC | 153,062,370 | 94,945,959 | 149,860,649 |
| 2 Com. Bank PLC | 1,308,552,337 | 1,096,608,194 | 920,102,265 |
| Com. Bank PLC (X) | 149,066,768 | 133,496,470 | 116,566,567 |
| 3 Dipped Product PLC | 163,099,055 | 111,763,525 | 109,265,282 |
| 4 Dialog Axiata PLC | 32,003,128 | 32,003,128 | 31,142,284 |
| 5 Hatton National Bank PLC | 404,132,911 | 386,322,156 | 322,667,862 |
| Hatton National Bank PLC (X) | 114,124,426 | 109,391,961 | 90,033,382 |
| 6 John Keells Holdings PLC | 168,088,359 | 185,576,850 | 194,914,050 |
| 7 Lanka IOC PLC | 92,233,029 | 57,028,479 | 45,294,224 |
| 8 Laugfs Gas PLC | 3,196,446 | 1,496,743 | 2,786,490 |
| Laugfs Power PLC | 3,196,446 | 1,496,743 | 796,140 |
| 9 Sampath Bank PLC | 768,856,369 | 683,176,272 | 544,702,925 |
| 10 Seylan Bank PLC | 78,177,352 | 72,107,723 | 55,315,782 |
| Seylan Bank PLC (X) | 120,742,492 | 101,621,414 | 86,473,397 |
| 11 Singer Finance PLC | 48,442,641 | 31,574,156 | 29,529,786 |
| Total | 3,606,974,129 | 3,098,609,773 | 2,699,451,084 |

Investments In Units Trust As At 31.12.2019

| Type | Actual | Fair Value | Total Market |
|------------------------|-------------------|--------------------|--------------------|
| | Cost | Cost | Value |
| | (Rs.) | (Rs.) | (Rs.) |
| 1 Comtrust Equity Fund | 14,261,339 | 25,146,091 | 23,660,972 |
| 2 National Equity Fund | 41,680,708 | 114,893,964 | 116,961,990 |
| 3 Namal Growth Fund | 4,500,000 | 51,062,355 | 51,992,325 |
| Total | 60,442,047 | 191,102,410 | 192,615,287 |

1. CORPORATE INFORMATION

1.1 Domicile and Legal Form

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

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

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Board and its subsidiaries dealt within these Financial Statements were as follows:

| Name of the Company | Nature of the Business |
|-----------------------------|---|
| Employees' Trust Fund Board | Public sector employees who are not entitled under the government pension scheme and all private sector employees are members of this fund while their employers are required to remit 3% of the gross earning of their employees to the fund monthly. The migrant and self-employment sectors employees also could be members of the fund on voluntarily basis by paying a specified minimum contribution to the fund. Apart from managing the fund, ETF Board provides a range of social and welfare benefits to members during their employment. |
| Lanka Salt Limited | The principal activity of the Company is production and distribution of Salt. |

1.3 Parent Enterprise and Ultimate Parent Enterprise

There is no ultimate parent of the Board - Employees' Trust Fund Board is the Parent.

1.4 Responsibility for Financial Statements

The Board of Directors of the Employees' Trust Fund Board is responsible for the preparation and presentation of the Financial Statements of the Group and the Board as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards (LKAS/SLFRS).

1.5 Date of Authorization for Issue

The financial statement of Employees' Trust Fund Board for the year ended 31st December, 2019 were authorised for issue in accordance with a resolution of the board of directors on 27th February 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Presentation of Statement of Financial Position

The assets and liabilities of the entity presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity. No adjustments have been made for inflationary factors

affecting the Financial Statements. An analysis on recovery or settlement within 12 months and after more than 12 months from the Reporting date is presented here.

2.1.2 Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with accounting policies and notes ("Financial Statements") of the company as at 31st December, 2019 and for the year then ended and comply with the Sri Lanka Accounting Standards (SLFRS/ LKAS).

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

2.1.3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

Deferred Tax Assets

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

2.1.4 Basis of Measurement

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

The Financial Statements of LSL have been prepared on a historical cost basis.

2.1.5 Functional and Presentation Currency

Items included in these Financial Statements are measured and presented in Sri Lankan Rupees, which is the currency of the primary economic environment in which the Board operates.

2.1.6 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements" (LKAS 1).

2.1.7 Offsetting

Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the IFRS Interpretations Committee and Standard Interpretations Committee). Financial assets and financial liabilities are offset and the net amount reported in the SOFP, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.1.8 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by the LKAS 1 and amendments to the LKAS 1 on "Disclosure Initiative" which was effective from January 1, 2016.

2.1.9 Going Concern

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

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

2.1.10 Comparative Information

The accounting policies have been consistently applied by the company and are consistent with those of the previous year. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year

2.2. Basis of Consolidation

a) Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Board and its subsidiary as at 31st December 2019.

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

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

b) Subsidiaries

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

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

c) Reporting Date

The Financial Statements of the subsidiaries are prepared for the common reporting period, which is 12 months ending 31st December.

2.3 Basis of Measurement Profit and Loss**2.3.1 Revenue**

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

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

Sale of Goods

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

Rendering of Services

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

Interest

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

2.3.2 Interest and Similar Income and Expense

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

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

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

2.3.3. Dividend Income and Expense

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

2.3.4 Other Income

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

2.4. Taxation

2.4.1. Current Taxes

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

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

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

2.4.2 Deferred Taxation

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

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

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

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

2.5. Foreign Currency Transaction

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

2.6. Adjustment to the Previous Year Profit

Error corrections are adjusted retrospectively since it enhances the comparability of the Financial Statements. Accordingly the opening balance of retained earnings will be restated after the correction of such errors. The following prior period errors were discovered and corrected in 2019.

a) Prior year adjustment is contained following error corrections

| Nature of Correction | LKR 000' |
|--|------------------|
| Profit on sale of Furniture and Equipment | (25) |
| Interest on Repurchase Agreements | (164,000) |
| Interest on Repurchase Agreements | (105,000) |
| Returned Benefit (Cheques) related dividend & interest | (307) |
| Returned Benefits (slip) related dividend & interest | (116) |
| Impairment On SMIB deposit | (295) |
| Impairment On NDB deposit | (581) |
| Exempted income Tax on Dividend | (8,945) |
| Treasury Bonds Yield | 237 |
| Provision on Debentures | 7,450 |
| Surcharges | 5,093 |
| Reversal of Interest on surcharge income | 2,408 |
| Over provided tax liability | 1,631 |
| Total | (262,450) |

2.7. Investments & Other Financial Assets

2.7.1 Classification

From 1st January 2018, the fund classifies its financial assets in the following measurement

Categories:

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

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

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

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

| Financial Assets - 01 January 2018 (Rs. 000') | FVTPL | FVOCI | Held to Maturity | Amortized Cost |
|---|------------------|------------------|------------------|--------------------|
| Closing balance 31 December 2017 – LKAS 39 | 2,511,005 | 7,858,744 | 250,624,342 | 1,782,340 |
| Other Financial Assets Held-for-Trading | - | | | |
| Quoted Share Investment Long Term | | - | | |
| Unquoted Share Investment | | - | | |
| Quoted Unit Trusts | | - | | |
| Treasury Bonds | | | (205,239,775) | 205,239,775 |
| Quoted - Debenture | | | (2,289,134) | 2,289,134 |
| Fixed Deposits | | | (38,100,000) | 38,100,000 |
| Repurchase Agreement | | | (2,940,528) | 2,940,528 |
| Bonds - Power Project | | | (2,054,906) | 2,054,906 |
| Other Loans & Receivables | | | | - |
| Opening balance 01 January 2018 – SLFRS 09 | 2,511,005 | 7,858,744 | 0 | 252,406,682 |
| Trading Portfolio | 2,511,005 | | | |
| Quoted Share Investment Long Term | | 7,386,330 | | |
| Unquoted Share Investment | | 133,044 | | |
| Quoted Unit Trusts | | 339,370 | | |
| Treasury Bonds | | | | 205,239,775 |
| Quoted - Debenture | | | | 2,289,134 |
| Fixed Deposits | | | | 38,100,000 |
| Repurchase Agreement | | | | 2,940,528 |
| Bonds - Power Project | | | | 2,054,906 |
| Other Loans & Receivables | | | | 1,782,340 |

2.7.2. Reclassification

Board has provided funding facilities to provide Housing loan schemes to its members and employees through two premier Licensed Specialized Banks (National Development Bank and State Mortgage and Investment Bank), engage in the business of granting housing loans. According to the agreements, both banks agree to assume the full credit risk and administration on the loans it makes to the members and Employees under the pre determined schemes. Board is only providing the funds to those banks and they recognize those funds under a special deposit scheme and maintaining a separate deposit account on behalf of Employees' Trust Fund Board. By considering above facts board decided to reclassify both funding facilities recognized under loan schemes to deposits with respective banks.

2.7.3 Recognition & Derecognition

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

2.7.4 Measurement

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

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

2.7.4.1. Debt instruments

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

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

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

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

2.7.4.2 Equity instruments

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

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

Basic Financial Instruments

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

Loan and Receivable

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

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

Financial Liabilities

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

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

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

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

2.8. Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

- **Biological Assets**

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

- **Bearer Biological Assets**

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

2.9. Investment Property

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

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

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

2.10. Intangible Assets

2.10.1 Externally Acquired Intangible Assets

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

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

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

2.10.2 Computer Software Packages

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

2.11 Leasehold Properties

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

2.11.1 Operating Lease

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

2.12. Inventories

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

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

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

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

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

2.13. Retirement Benefit Liability

2.13.1 Employee benefits

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

2.13.2. Defined Contribution Plans

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

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

2.13.3 Defined Benefit Plans - Gratuity

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

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

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

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

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

2.14 Equity

2.14.1 Member Fund

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

2.14.2 Dividends

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

2.14.3 Reserves

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

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

2.15 Provisions

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

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

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

2.16 Trade and Other Receivables

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

2.17 Trade payables

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

2.18 Cash and Cash Equivalents

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

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

2.19 Grants & Subsidies

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

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

| | |
|----------------------------|------|
| Grant for Iodization Plant | 10% |
| Grants for Building | 2.5% |
| Grant for Pump House | 2.5% |

Grant for Compensation to Employees - Reduce by the compensation paid.

2.20 Impairment of Assets

2.20.1 Impairment of Financial Assets

As per SLFRS 9, the Board records an allowance for expected credit losses for Debenture investments and other financial instruments measured at amortised cost.

Incorporating Forward looking scenarios

As opposed to the incurred loss model, future expected losses are required to be estimated under the ECL model introduced by SLFRS 9. It requires the use of forward looking macro-economic data and assumptions that are not directly related to the entity. This is incorporated into the impairment calculation via the Economic Factor Adjustment.

Impairment approach for Investments in debt securities (other than FVTPL)

External credit rating data can be used to establish provisions. Further the deterioration of credit rating, published financials and other information has to be reviewed to assess the significant increases in credit risk and whether the instruments are investment grade, in order to make a lifetime provision, if any. In the absence of external rating data, default rates has to be established using structural methods/credit spreads/credit scores, in order to establish ECL.

Fundamental Components of ECL

- **Estimating the Probability of Default**

Since historical default data for debentures, fixed deposits and Loans & receivables were not available, external global default rates published by S&P Global Ratings, in the report on 2018 Annual Global Corporate Default Study and Rating Transitions, were utilized.

- **Estimating the Loss Given Default (LGD)**

As per the Guidelines issued by Banks Supervision department of Central Bank of Sri Lanka to Licensed Banks on the Adoption of SLFRS 9,

When the licensed bank is unable to compute LGDs due to lack of data or inputs, such bank is required to use a minimum LGD of 45 per cent for such exposures. Therefore, an LGD of 45% was used for Debentures and Fixed Deposits, in computing the impairment.

- **Estimating the Exposure at Default (EAD)**

Expected Credit Loss is measured over the period which the entity is exposed to Credit Risk. EAD is the amount of money that is invested in certain financial instrument that is exposed to credit risk.

From 1 January 2019, the fund assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Board recognises loss allowances for Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:

- Quoted – Debenture
- Fixed Deposits
- Scheme Loan Deposit with SMIB
- Scheme Loan deposit with NDB

2.20.2 Impairment of Non-financial Assets

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Board estimates the asset's

recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

2.21 Accounting Policies

2.21.1 Valuation of Investment Property

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

2.21.2 Fair Value of Financial Instruments

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

2.21.3 Useful Lives and Residual Values were Appropriate for Property, Plant and Equipment

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

2.21.4 Business Combinations and Acquisition of Non-controlling Interest

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

The details of the business combination are as follows:

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

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

3. CURRENT YEAR ADJUSTMENTS

3.1 Adjustments to the member fund of 2018

| Nature of Adjustment | LKR 000' |
|---|----------------|
| Returned Benefit -Cheque (Interest &Dividend) | 174 |
| Returned Benefit -Slip (Interest & Dividend) | 507 |
| Reconciled Contribution - C/A/274 | 16 |
| Reconciled Contribution - C/A/147 | 99 |
| Refund of Overpayment - Contribution, Interest & Dividend | (1,290) |
| Transfer Surcharge -Interest & Dividend | (7,500) |
| | (7,993) |

EMPLOYEES' TRUST FUND BOARD

Notes to the Financial Statements

For the Year Ended 31st December 2019

| | Note | Group | | ETFB | | |
|------------|--|----------|-------------------|-------------------|-------------------|-------------------|
| | | 2019 | 2018 | 2019 | 2018 | |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | |
| 4 | INTEREST INCOME | | | | | |
| | Financial Investments at Amortized Cost | 4.1 | 31,583,332 | 28,330,988 | 31,554,779 | 28,301,818 |
| | | | 31,583,332 | 28,330,988 | 31,554,779 | 28,301,818 |
| 4.1 | Financial Investments at Amortized Cost | | | | | |
| | Interest on Fixed Deposit | | 6,767,070 | 6,113,709 | 6,739,292 | 6,086,043 |
| | Interest on NDB Scheme Deposit | | 97,222 | 97,192 | 97,222 | 97,192 |
| | Interest on SMIB Housing Loan Deposit | | 7,514 | 7,037 | 7,514 | 7,037 |
| | Interest from Debenture | | 434,619 | 282,959 | 434,619 | 282,959 |
| | Yield on Treasury Bond | | 23,839,870 | 21,278,289 | 23,839,870 | 21,278,289 |
| | Interest on Repurchase Agreements | | 234,152 | 322,576 | 234,152 | 322,576 |
| | Interest on Money Market | | 2,796 | 3,273 | 2,021 | 1,769 |
| | Interest on Custodial A/C | | - | 31 | - | 31 |
| | Interest on Bonds - Power Project | | 182,888 | 210,373 | 182,888 | 210,373 |
| | Staff Loans | | | | | |
| | Interest on Distress Loans (Special loan) | | 525 | 575 | 525 | 575 |
| | Interest on Vehicle Loan | | 8,637 | 7,314 | 8,637 | 7,314 |
| | Interest on Special Distress Loan | | 7,153 | 6,802 | 7,153 | 6,802 |
| | Interest on Special Festival Loan | | 192 | 123 | 192 | 123 |
| | Interest on Special Advance | | 693 | 734 | 693 | 734 |
| | | | 31,583,332 | 28,330,988 | 31,554,779 | 28,301,818 |
| 5 | NET TRADING INCOME | | | | | |
| | Net Revenue | 5.1 | 1,521,523 | 1,352,482 | - | - |
| | (-) Cost of Sales | | (1,666,419) | (1,151,421) | - | - |
| | | | (144,896) | 201,061 | - | - |
| 5.1 | Net Revenue | | | | | |
| | Gross Revenue | | 1,741,278 | 1,556,379 | - | - |
| | (-) Value Added Tax and Nation Building Tax | | (219,755) | (203,897) | - | - |
| | | | 1,521,523 | 1,352,482 | - | - |
| 6 | DIVIDEND INCOME | | | | | |
| | Investment Held for Trading | 6.1 | 462,241 | 328,384 | 462,241 | 328,384 |
| | Investments Available for Sale | 6.2 | 18,840 | 17,870 | 18,840 | 17,870 |
| | | | 481,081 | 346,254 | 481,081 | 346,254 |
| 6.1 | Financial Investment at FVTPL | | | | | |
| | Dividends on Shares - Quoted | | 462,241 | 328,384 | 462,241 | 328,384 |
| | | | 462,241 | 328,384 | 462,241 | 328,384 |
| 6.2 | Financial Investment at FVTOCI | | | | | |
| | Dividends on Units - Quoted | | 4,295 | 6,005 | 4,295 | 6,005 |
| | Dividend on Shares - Unquoted | | 14,545 | 11,865 | 14,545 | 11,865 |
| | | | 18,840 | 17,870 | 18,840 | 17,870 |

| | Note | Group | | ETFB | |
|------------|--|------------------|------------------|------------------|------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 7 | GAIN /(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT /(LOSS) | | | | |
| | Current Share Trading Profit | 10,722 | 28,292 | 10,722 | 28,292 |
| | Profit / Loss on Long Term Shares | 8,098 | 7,403 | 8,098 | 7,403 |
| | Realized Gain on Share Reserve | (6,021) | (887) | (6,021) | (887) |
| | Profit/ Loss on Sale of Units | - | (11,325) | - | (11,325) |
| | Realized Gain on Unit Reserve | - | 3,529 | - | 3,529 |
| | Fair Value Adjustment of Shares | (399,159) | (334,903) | (399,159) | (334,903) |
| | | (386,360) | (307,891) | (386,360) | (307,891) |
| 8 | OTHER INCOME | | | | |
| | Rent Income | 811 | 2,878 | 253 | 2,470 |
| | Profit on Sale of Furniture and Equipment | 1,586 | 2,070 | (196) | 1,628 |
| | Surcharges | 338,518 | 363,643 | 338,518 | 363,643 |
| | Income on Express Claims | 20,799 | 25,878 | 20,799 | 25,878 |
| | Staff Loan Income | 33,407 | 32,709 | 33,249 | 32,165 |
| | Sundry Income | 9,970 | 8,069 | 5,373 | 1,519 |
| | Impirement Charge | - | 47 | - | 47 |
| | Profit / (Loss) On Car Park (Nawam Mawatha) | 33,114 | 33,862 | 33,114 | 33,862 |
| | Profit / (Loss) On Holiday Bungalow | (4,099) | (3,404) | (4,099) | (3,404) |
| | Income Write-back | 2,000 | 5,144 | 2,000 | 5,144 |
| | Amortisation of grants | 1,063 | 1,063 | - | - |
| | Transport Recovery | 8,940 | 12,323 | - | - |
| | | 446,109 | 484,282 | 429,011 | 462,952 |
| 9 | PERSONNEL EXPENSES | | | | |
| | Wages and Salaries | 9.1 | 735,771 | 665,428 | 678,739 |
| | Short-Term Monetary and Non-Monetary Benefits | 9.2 | 480,355 | 434,437 | 460,351 |
| | Defined Benefit Plans | 9.3 | 35,417 | 34,435 | 33,166 |
| | Other Long Term Employee Benefits | 9.4 | 128,339 | 109,149 | 120,605 |
| | | | 1,379,882 | 1,243,448 | 1,292,861 |
| | | | | 1,144,968 | |
| 9.1 | Wages and Salaries | | | | |
| | Staff Costs (Including Directors' Fee) Comprise: | | | | |
| | Salaries | | 590,753 | 539,541 | 537,959 |
| | Directors' Fees | | 3,069 | 2,998 | 1,044 |
| | Cost of Living Allowance | | 96,312 | 92,504 | 96,312 |
| | Meal Allowance | | 3,880 | - | 3,880 |
| | Overtime | | 27,719 | 20,672 | 25,505 |
| | Holiday Pay | | 14,039 | 9,713 | 14,039 |
| | | | 735,771 | 665,428 | 678,739 |
| | | | | | 605,849 |

EMPLOYEES' TRUST FUND BOARD

Notes to the Financial Statements

For the Year Ended 31st December 2019

| | Note | Group | | ETFB | |
|------------|--|----------------|----------------|----------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 9.2 | Short-Term Monetary and Non-Monetary Benefits | | | | |
| | Training & Development Expenses | 4,495 | 5,377 | 4,488 | 4,987 |
| | Recruitment Expenses | 668 | 821 | 668 | 821 |
| | Staff Welfare | 33,239 | 33,465 | 31,539 | 29,422 |
| | Incentive | 155,525 | 132,536 | 145,504 | 122,165 |
| | Overseas Training | 6,512 | 2,470 | 6,512 | 2,470 |
| | Encashment of Leave | 18,146 | 17,073 | 18,146 | 17,073 |
| | Bonus | 109,694 | 106,426 | 102,395 | 93,203 |
| | Reimbursement of Medical Expenses | 104,087 | 87,346 | 103,109 | 86,259 |
| | Staff Loan Cost | 33,249 | 32,165 | 33,249 | 32,165 |
| | Interest on Housing Loans | 14,142 | 16,756 | 14,142 | 16,756 |
| | Employees Accident Compensation Scheme | 600 | - | 600 | - |
| | | 480,355 | 434,437 | 460,351 | 405,322 |
| 9.3 | Defined Benefit Plans | | | | |
| | Interest Cost | 22,277 | 23,666 | 22,277 | 23,666 |
| | Current Service Cost | 13,140 | 10,769 | 10,889 | 9,042 |
| | | 35,417 | 34,435 | 33,166 | 32,708 |
| 9.4 | Other Long Term Employee Benefits | | | | |
| | E.P.F. Board's Contribution | 106,970 | 90,917 | 100,245 | 83,908 |
| | E.T.F. Board's Contribution | 21,065 | 17,809 | 20,056 | 16,758 |
| | Pension Fund Contribution | 304 | 422 | 304 | 422 |
| | | 128,339 | 109,149 | 120,605 | 101,089 |

| | Note | Group | | ETFB | |
|-----------|--|----------------|----------------|----------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 10 | ADMINISTRATIVE EXPENSES | | | | |
| | Building Rent | 70,527 | 65,829 | 70,527 | 65,829 |
| | Rates | 22,647 | 12,956 | 756 | 755 |
| | NBT expense | 27,865 | 27,186 | - | - |
| | Electricity Charges | 21,331 | 19,742 | 21,331 | 19,742 |
| | Telephone Charges | 13,450 | 16,930 | 11,516 | 15,444 |
| | Water Charges | 1,346 | 1,257 | 1,346 | 1,257 |
| | Consultancy Fees | 3,400 | 4,053 | 1,884 | 2,095 |
| | Audit Fees | 3,899 | 3,429 | 3,371 | 2,901 |
| | Security Charges | 13,134 | 10,983 | 13,134 | 10,983 |
| | Legal Fees | 2,967 | 1,998 | 1,176 | 648 |
| | Hiring Charges | 3,551 | 10,159 | 2,151 | 8,498 |
| | Secretarial Expenses | 120 | 120 | 120 | 120 |
| | Postage & Telegrams - Admin. | 1,582 | 2,082 | 1,248 | 1,709 |
| | Travelling & Subsistence - Admin. | 923 | 901 | 923 | 901 |
| | Printing & Stationery - Admin. | 2,080 | 2,075 | 1,917 | 1,779 |
| | Media & Publicity - Admin. | 1,154 | 4,829 | 59 | - |
| | IT Expenses - Admin. | 313 | 1,215 | 313 | 1,215 |
| | Advertisement & Press Notices | 1,744 | 5,273 | 1,744 | 5,273 |
| | Vehicle Insurance & License Fees | 4,074 | 2,372 | 4,074 | 2,372 |
| | Newspapers & Periodicals | 843 | 969 | 674 | 795 |
| | Donations | 1,208 | 956 | - | 204 |
| | Disciplinary Inquiries | - | 151 | - | 151 |
| | Risk Management Fee | - | 1,342 | - | 1,342 |
| | Other Insurance | 0 | 3 | 0 | 3 |
| | Office Upkeep & Requirements | 387 | 585 | 387 | 585 |
| | Stamp Duty & Registration Fee | 91 | 44 | 91 | 44 |
| | Miscellaneous Expenses | 5,576 | 8,532 | 5,576 | 8,232 |
| | Written off - Staff Recoveries | 40 | - | 40 | - |
| | Vehicle Repairs & Maintenance | 9,255 | 9,523 | 7,587 | 8,604 |
| | Fuel Charges | 15,588 | 14,673 | 12,738 | 11,788 |
| | Maintenance of Building | 11,874 | 7,246 | 11,874 | 7,246 |
| | Maintenance of Machine, Furniture & Equipments | 3,858 | 4,841 | 2,960 | 2,981 |
| | | 244,825 | 242,253 | 179,517 | 183,496 |
| 11 | FINANCE EXPENSES | | | | |
| | Custodial Fee | 1,954 | 2,704 | 1,954 | 2,704 |
| | Bank Charges | 2,168 | 2,480 | 2,168 | 2,480 |
| | Interest expenses | 23,246 | 15,464 | - | - |
| | | 27,368 | 20,648 | 4,122 | 5,184 |

EMPLOYEES' TRUST FUND BOARD

Notes to the Financial Statements

For the Year Ended 31st December 2019

| | Note | Group | | ETFB | |
|-------------|--|----------------|----------------|----------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 12 | MEMBER EXPENSES | | | | |
| | Member Benefits | 454,714 | 425,400 | 454,714 | 425,400 |
| | Member Services | 46,943 | 43,310 | 46,943 | 43,310 |
| | IT Services | 21,641 | 19,438 | 21,641 | 19,438 |
| | | 523,298 | 488,148 | 523,298 | 488,148 |
| 12.1 | Member Benefits | | | | |
| | Death Benefits Scheme | 110,494 | 96,979 | 110,494 | 96,979 |
| | Permanent Disablement Scheme | 11,754 | 5,810 | 11,754 | 5,810 |
| | I.O.L. Implanting Scheme | 4,059 | 3,473 | 4,059 | 3,473 |
| | Sramasuwa Rekawarana Scheme | 9,930 | 11,111 | 9,930 | 11,111 |
| | Heart Surgery Scheme | 172,835 | 160,590 | 172,835 | 160,590 |
| | Kidney Transplant Scheme | 5,708 | 2,851 | 5,708 | 2,851 |
| | Year 5 Scholarship Scheme | 93,615 | 89,505 | 93,615 | 89,505 |
| | Higher Education Scholarship Scheme | 46,320 | 55,080 | 46,320 | 55,080 |
| | | 454,714 | 425,400 | 454,714 | 425,400 |
| 12.2 | Member Services | | | | |
| | Postage & Telegrams - Memb. | 16,547 | 15,812 | 16,547 | 15,812 |
| | Printing & Stationery - Memb. | 17,278 | 15,357 | 17,278 | 15,357 |
| | Computer Stationery | 3,516 | 3,919 | 3,516 | 3,919 |
| | Self Employment Promotion Expenses | 423 | 4 | 423 | 4 |
| | Member Related Expenses | 462 | 339 | 462 | 339 |
| | Employees Awareness Scheme | 555 | 638 | 555 | 638 |
| | Travelling & Subsistence - Memb. | 5,642 | 5,200 | 5,642 | 5,200 |
| | Media & Publicity - Memb. | 552 | 468 | 552 | 468 |
| | Medical Consultat. for Members | 29 | 19 | 29 | 19 |
| | Scholarship Expenses | 1,939 | 1,555 | 1,939 | 1,555 |
| | | 46,943 | 43,310 | 46,943 | 43,310 |
| 12.3 | IT Services | | | | |
| | Maintenance of Hardware | 1,904 | 4,099 | 1,904 | 4,099 |
| | Maintenance of Software | 441 | 613 | 441 | 613 |
| | Depreciation - IT | 13,294 | 8,193 | 13,294 | 8,193 |
| | Insurance - IT | 129 | 334 | 129 | 334 |
| | Rental on Leased Lines | 5,872 | 6,200 | 5,872 | 6,200 |
| | | 21,641 | 19,438 | 21,641 | 19,438 |
| 13 | DEPRECIATION & AMORTIZATION | | | | |
| | Depreciation for property, Plant & Equipment | 73,898 | 33,829 | 53,983 | 14,219 |
| | Amortization of Lease Hold Land & Development Work | 46,169 | 37,968 | - | - |
| | Depreciation/Impairment of Biological Asset | 8,295 | 8,631 | - | - |
| | | 128,362 | 80,428 | 53,983 | 14,219 |

| | Note | Group | | ETFB | |
|-----------|-----------------------------------|------------|----------|------------|----------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 14 | IMPAIRMENT CHARGE/REVERSAL | | | | |
| | Impairment on Debentures | 193 | - | 193 | - |
| | Impairment on SMIB Scheme Deposit | 180 | - | 180 | - |
| | Impairment on NDB Scheme Deposit | 26 | - | 26 | - |
| | | 399 | - | 399 | - |

| | | ETFB | |
|-----------|--|-------------------|-------------------|
| | | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 |
| 15 | INCOME TAX EXPENSES | | |
| | Accounting Profit / (Loss) Before Tax Liab @ 14% | 29,763,621 | 20,192,809 |
| | Accounting Profit / (Loss) Before Tax Liab @ 10% | - | 5,678,129 |
| | | 29,763,621 | 25,870,938 |
| | Exempt and other source of income | (493,879) | (224,786) |
| | Disallowable expenses | 762,388 | 585,949 |
| | Allowable Expenses | (34,629) | - |
| | Notional Tax Credit | - | (554,530) |
| | Assessable Income from Investment | 29,997,501 | 25,677,571 |
| | Income Tax @ 14% | 4,199,650 | 2,826,993 |
| | Income Tax @ 10% (1st 3 months) | - | 567,813 |
| | Gross Income Tax Expense | 4,199,650 | 3,394,806 |
| | Tax on Exempt Income | 42,473 | - |
| | Current Income Tax Expense | 4,242,123 | 3,394,806 |

| | LANKA SALT | | |
|--|--|------------------|-----------------|
| | 2019 | 2018 | |
| | Rs. '000 | Rs. '000 | |
| | Accounting Profit/(Loss) before Tax from operations | (349,200) | 25,061 |
| | Disallowable Expenses for Taxation | 133,726 | 131,957 |
| | Allowable Expenses for Taxation | (129,072) | (226,824) |
| | Tax Loss C/F | (444,952) | 24,705 |
| | Qualifying Payments | - | - |
| | Taxable Profit on Business Income | (789,499) | (45,101) |
| | Taxable Profit on Interest Income | - | 5,338 |
| | Net Taxable Profit/(Loss) | (789,499) | (39,764) |
| | Current Income Tax charge @ 28% | - | 1,495 |
| | Under Provision of current taxes in respect of prior years | - | (29) |
| | Deferred Income Tax | - | - |
| | Deferred Taxation Charge/(Reversal) | (87,038) | 14,012 |
| | Income tax expense reported in the Income Statement | (87,038) | 15,478 |

EMPLOYEES' TRUST FUND BOARD

Notes to the Financial Statements

As at 31st December 2019

| | Note | Group | | ETFB | |
|-----------|--|--------------------|--------------------|--------------------|--------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 16 | FINANCIAL ASSETS AT FVTPL | | | | |
| | Quoted Share Investment (Trading) | 2,699,451 | 2,886,959 | 2,699,451 | 2,886,959 |
| | | 2,699,451 | 2,886,959 | 2,699,451 | 2,886,959 |
| 17 | INVESTMENT IN SUBSIDIARY | | | | |
| | Lanka Salt Limited | - | - | 470,961 | 470,961 |
| | | - | - | 470,961 | 470,961 |
| 18 | FINANCIAL ASSETS AT FVOCI | | | | |
| | Quoted Share Investment Long Term | 7,487,266 | 7,211,834 | 7,487,266 | 7,211,834 |
| | Unquoted Share Investment | 219,761 | 160,960 | 219,761 | 160,960 |
| | Quoted Units | 192,615 | 191,102 | 192,615 | 191,102 |
| | Promissory Notes | 12,174 | 12,174 | 12,174 | 12,174 |
| | Shares - Delisted & Under Liquidation | - | 25,228 | - | 25,228 |
| | Less: Provision for Diminution in Value Shares | - | (25,228) | - | (25,228) |
| | Impairment on Promissory Notes | (12,174) | (12,174) | (12,174) | (12,174) |
| | | 7,899,643 | 7,563,896 | 7,899,643 | 7,563,896 |
| 19 | FINANCIAL ASSETS AT AMORTIZED COST | | | | |
| | Treasury Bonds | 258,372,563 | 226,135,469 | 258,372,563 | 226,135,469 |
| | Debenture - Quoted | 3,603,194 | 2,710,294 | 3,603,194 | 2,710,294 |
| | Less: Impairment on Debenture | (8,162) | (7,450) | (8,162) | (7,450) |
| | Fixed Deposits | 56,107,736 | 58,216,338 | 55,824,345 | 57,959,368 |
| | Repurchase Agreement | 2,194,037 | 2,258,408 | 2,194,037 | 2,258,408 |
| | Debenture - Unquoted | 1,397,019 | - | 1,397,019 | - |
| | Bonds - Power Project | 1,430,176 | 1,742,541 | 1,430,176 | 1,742,541 |
| | SMIB-Scheme Deposit | 380,602 | 373,161 | 380,602 | 373,161 |
| | Less: Impairment on SMIB Deposit | (475) | - | (475) | - |
| | NDB-Scheme Deposit | 972,156 | 1,026,973 | 972,156 | 1,026,973 |
| | Less: Impairment on NDB Deposit | (607) | - | (607) | - |
| | Staff Loans | - | - | - | - |
| | Distress Loan (Special Loan) | 14,993 | 13,787 | 14,993 | 13,787 |
| | Special Distress Loan | 233,646 | 215,891 | 231,142 | 212,680 |
| | Festival Advance | 417 | 485 | 417 | 485 |
| | Special Festival Loan | 1,368 | 777 | 1,368 | 777 |
| | Special Advance | 3,154 | 3,384 | 3,154 | 3,384 |
| | Vehicle Loan | 271,258 | 235,621 | 271,258 | 235,621 |
| | Loan - Flood Relief | 1,140 | 2,883 | 1,140 | 2,883 |
| | | 324,974,213 | 292,928,563 | 324,688,318 | 292,668,381 |

| | Note | Group | | ETFB | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 20 OTHER ASSETS | | | | | |
| Accrued Income | 20.1 | 2 | 2 | 2 | 2 |
| Receivables & Prepayments | 20.2 | 2,888,639 | 2,457,360 | 2,831,110 | 2,404,508 |
| Inventories | 20.3 | 565,525 | 879,867 | 8,485 | 7,257 |
| | | 3,454,166 | 3,337,230 | 2,839,598 | 2,411,767 |
| 20.1 Accrued Income | | | | | |
| Interest Receivable | | 25,868 | 27,868 | 25,868 | 27,868 |
| Less: Provision Against Doubtful Income | | (25,866) | (27,866) | (25,866) | (27,866) |
| | | 2 | 2 | 2 | 2 |
| 20.2 Receivables & Prepayments | | | | | |
| Trade Debtors | | 13,902 | 10,695 | - | - |
| Contribution Receivable | | 2,340,987 | 2,225,664 | 2,340,987 | 2,225,664 |
| Money Order Control | | 6,515 | 4,536 | 6,515 | 4,536 |
| Postal Franking Machine Imprest | | 620 | 146 | 620 | 146 |
| Sundry Debtors | | 42,555 | 13,688 | 42,555 | 13,688 |
| Dues from Ex-employees | | 1,986 | 800 | 1,986 | 800 |
| Security Deposits | | 5,831 | 5,640 | 5,831 | 5,640 |
| Prepayment | | 22,809 | 13,059 | 16,350 | 6,589 |
| Pre - Paid Staff Loan Cost | | 131,422 | 125,722 | 131,422 | 125,722 |
| Tax Receivable | | 314,765 | 56,629 | 278,994 | 20,941 |
| W.H.T | | 5,254 | - | 3,857 | - |
| Advance Payment | | 1,993 | 782 | 1,993 | 782 |
| | | 2,874,737 | 2,446,665 | 2,831,110 | 2,404,508 |
| 20.3 Inventories | | | | | |
| Common Salt Stock | | 490,455 | 776,276 | - | - |
| Potassium Iodated Stock | | 2,155 | 4,263 | - | - |
| Work in Progress | | 21,599 | 35,849 | - | - |
| Consumables and Spares | | 42,830 | 56,222 | - | - |
| Stock of Stationery & Consumable | | 6,903 | 5,705 | 6,903 | 5,705 |
| Library | | 272 | 242 | 272 | 242 |
| Holiday Bungalow Inventory | | 1,310 | 1,310 | 1,310 | 1,310 |
| | | 565,525 | 879,867 | 8,485 | 7,257 |

EMPLOYEES' TRUST FUND BOARD

Notes to the Financial Statements

As at 31st December 2019

21. PROPERTY, PLANT & EQUIPMENT

| 20.1 Group | Bearer Biological Assets | | | | | | | | | | | Rs. '000 | | |
|---|--------------------------|-----------|-----------------------------|-------------------|----------------|-----------------------|---------------------------------------|--------------------|-----------|----------------------|--------------------|----------|------------------|-------------------------------|
| | Land | Buildings | Buildings on Leasehold Land | Plant & Machinery | Motor Vehicles | Leased Motor Vehicles | Furniture Fittings & Office Equipment | Computer Equipment | Equipment | Immature Plantations | Mature Plantations | | Development Work | In the Course of Construction |
| Cost | | | | | | | | | | | | | | |
| Balance at 1st January 2018 | 20,000 | 39,519 | 595,178 | 260,525 | 255,799 | 29,856 | 135,425 | 156,195 | 38,985 | 14,128 | 17,841 | 274,219 | 33,752 | 1,871,423 |
| Additions | - | - | 4,030 | 7,266 | 14,550 | 21,712 | 16,991 | 49,612 | 4,962 | - | 368 | 42,183 | 23,545 | 185,218 |
| Adjustment | - | - | - | - | (12,992) | - | (378) | (114) | - | (368) | - | - | - | (13,852) |
| Disposals | - | - | - | - | - | - | 25 | (11) | - | - | - | - | - | 14 |
| Impairment | - | - | - | - | - | - | - | - | - | (933) | - | - | - | (933) |
| Revaluations/Transfer | - | - | - | - | - | (3,024) | - | - | - | - | - | - | (42,183) | (45,207) |
| Balance at 31st December 2018 | 20,000 | 39,519 | 599,208 | 267,792 | 257,357 | 48,544 | 152,063 | 205,681 | 43,947 | 12,827 | 18,209 | 316,402 | 15,114 | 1,996,663 |
| Balance at 1st January 2019 | 20,000 | 39,519 | 599,208 | 267,792 | 257,357 | 48,544 | 152,063 | 205,681 | 43,947 | 12,827 | 18,209 | 316,402 | 15,114 | 1,996,663 |
| Additions | - | - | 544 | 8,767 | 187,135 | - | 11,382 | 17,953 | 835 | - | - | 891 | 11,532 | 239,038 |
| Disposals | - | - | - | - | (2,344) | - | (682) | (2,171) | - | (826) | 826 | - | - | (5,196) |
| Adjustment | - | - | - | - | - | - | 26 | 1,760 | - | - | - | - | - | 1,785 |
| Impairment | - | - | - | - | - | - | - | - | - | (383) | - | - | - | (383) |
| Revaluations/Transfer | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance at 31st December 2019 | 20,000 | 39,519 | 599,751 | 276,558 | 442,149 | 48,544 | 162,789 | 223,223 | 44,781 | 11,618 | 19,035 | 317,293 | 26,646 | 2,231,908 |

EMPLOYEES' TRUST FUND BOARD

Notes to the Financial Statements

As at 31st December 2019

| | Bearer Biological Assets | | | | | | | | | | | Rs. '000 | | | |
|--------------------------------------|--------------------------|---------------|-----------------------------|-------------------|----------------|----------------|-----------------------|---------------------------------------|--------------------|---------------|----------------------|----------------|--------------------|------------------|-------------------------------|
| | Land | Buildings | Buildings on Leasehold Land | Plant & Machinery | Motor Vehicles | Motor Vehicles | Leased Motor Vehicles | Furniture Fittings & Office Equipment | Computer Equipment | Equipment | Immature Plantations | | Mature Plantations | Development Work | In the Course of Construction |
| Accumulated Depreciation | | | | | | | | | | | | | | | |
| Balance at 1st January 2018 | - | 7,692 | 105,738 | 115,127 | 182,686 | 7,735 | 79,204 | 90,510 | 25,241 | - | 714 | 71,967 | - | 686,613 | |
| Depreciation Charge for the Year | - | 2,074 | 14,892 | 21,988 | 15,408 | 6,896 | 12,284 | 10,204 | 3,245 | - | 364 | 37,271 | - | 124,626 | |
| Disposals | - | - | - | - | (10,712) | - | (346) | (88) | - | - | - | - | - | (11,146) | |
| Transfer | - | - | - | - | 2,369 | (2,369) | - | - | - | - | - | - | - | - | |
| Balance at 31st December 2018 | - | 9,766 | 120,631 | 137,114 | 189,751 | 12,263 | 91,142 | 100,626 | 28,486 | - | 1,078 | 109,238 | - | 800,094 | |
| Balance at 1st January 2019 | - | 9,766 | 120,631 | 137,114 | 189,751 | 12,263 | 91,142 | 100,626 | 28,486 | - | 1,078 | 109,238 | - | 800,094 | |
| Depreciation Charge for the Year | - | 1,938 | 14,940 | 22,848 | 53,848 | 5,646 | 10,450 | 16,481 | 3,213 | - | 381 | 45,472 | - | 175,216 | |
| Disposals | - | - | - | - | (1,770) | - | (425) | (1,967) | - | - | - | - | - | (4,162) | |
| Transfer | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Balance at 31st December 2019 | - | 11,703 | 135,570 | 159,962 | 241,829 | 17,908 | 101,167 | 115,140 | 31,698 | - | 1,459 | 154,709 | - | 971,147 | |
| Net Book Value | | | | | | | | | | | | | | | |
| At 1st January 2018 | 20,000 | 31,827 | 489,439 | 145,399 | 73,113 | 22,121 | 56,221 | 65,685 | 13,744 | 14,128 | 17,128 | 202,252 | 33,752 | 1,184,809 | |
| At 31st December 2018 | 20,000 | 29,753 | 478,577 | 130,677 | 67,607 | 36,281 | 60,921 | 105,055 | 15,461 | 12,827 | 17,131 | 207,164 | 15,114 | 1,196,569 | |
| At 31st December 2019 | 20,000 | 27,816 | 464,181 | 116,596 | 200,320 | 30,636 | 61,622 | 108,083 | 13,083 | 11,618 | 17,576 | 162,583 | 26,646 | 1,260,761 | |

EMPLOYEES' TRUST FUND BOARD

Notes to the Financial Statements

As at 31st December 2019

21. PROPERTY, PLANT & EQUIPMENT

| 21.2 | ETFB | Land | Buildings | Motor Vehicles | Furniture Fittings & Office Equipment | Computer Equipment | Total |
|---------------------------------|--------------------------------------|---------------|---------------|----------------|---------------------------------------|--------------------|-----------------|
| Cost | | | | | | | |
| | Balance at 1st January 2018 | 20,000 | 39,519 | 130,390 | 99,058 | 156,195 | 445,163 |
| | Additions | - | - | 8,940 | 11,172 | 49,612 | 69,723 |
| | Adjustment | - | - | - | - | - | - |
| | Disposals | - | - | (11,512) | (378) | (114) | (12,004) |
| | Revaluations | - | - | - | 25 | (11) | 14 |
| | Balance at 31st December 2018 | 20,000 | 39,519 | 127,818 | 109,877 | 205,681 | 502,896 |
| | Balance at 1st January 2019 | 20,000 | 39,519 | 127,818 | 109,877 | 205,681 | 502,896 |
| | Additions | - | - | 186,175 | 10,013 | 17,953 | 214,141 |
| | Disposals | - | - | - | (478) | (2,171) | (2,649) |
| | Adjustment | - | - | - | 26 | 1,760 | 1,785 |
| | Revaluations | - | - | - | - | - | - |
| | Balance at 31st December 2019 | 20,000 | 39,519 | 313,993 | 119,438 | 223,223 | 716,173 |
| Accumulated Depreciation | | | | | | | |
| | Balance at 1st January 2018 | - | 7,692 | 110,065 | 63,310 | 90,510 | 271,577 |
| | Depreciation Charge for the Month | - | 2,074 | 4,944 | 6,805 | 10,204 | 24,027 |
| | Disposals | - | - | (10,434) | (346) | (88) | (10,869) |
| | Balance at 31st December 2018 | - | 9,766 | 104,574 | 69,769 | 100,626 | 284,735 |
| | Balance at 1st January 2019 | - | 9,766 | 104,574 | 69,769 | 100,626 | 284,735 |
| | Depreciation Charge for the Month | - | 1,938 | 42,868 | 7,336 | 16,481 | 68,622 |
| | Disposals | - | - | - | (423) | (1,967) | (2,390) |
| | Balance at 31st December 2019 | - | 11,703 | 147,442 | 76,682 | 115,140 | 350,967 |
| Net Book Value | | | | | | | |
| | At 1st January 2018 | 20,000 | 31,827 | 20,326 | 35,748 | 65,685 | 173,586 |
| | At 31st December 2018 | 20,000 | 29,753 | 23,245 | 40,108 | 105,055 | 218,161 |
| | At 31st December 2019 | 20,000 | 27,816 | 166,552 | 42,756 | 108,083 | 365,206 |

| | Note | Group | | ETFB | |
|-----------|---|------------------|------------------|------------------|------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 22 | LEASEHOLD PROPERTY | | | | |
| | Cost | | | | |
| | At 1 January | 20,910 | 20,910 | - | - |
| | Additions | - | - | - | - |
| | At 31 December | 20,910 | 20,910 | - | - |
| | Accumulated Amortization | | | | |
| | Balance as at 1st January | 16,728 | 16,031 | - | - |
| | Charge for the Year | 697 | 697 | - | - |
| | Balance as at 31 December | 17,425 | 16,728 | - | - |
| | Net Book Value as at 31 December | 3,485 | 4,182 | - | - |
| 23 | INTANGIBLE ASSETS | | | | |
| | Balance as at 1st January | 102 | 140 | 102 | 140 |
| | Additions | 1,078 | - | 1,078 | - |
| | Amortization during the year | (142) | (37) | (142) | (37) |
| | Balance as at 31 December | 1,039 | 102 | 1,039 | 102 |
| 24 | INVESTMENT PROPERTY | | | | |
| | Balance as at 1st January | 3,812,500 | 3,812,500 | 3,812,500 | 3,812,500 |
| | Change in Fair Value | - | - | - | - |
| | Balance as at 31 December | 3,812,500 | 3,812,500 | 3,812,500 | 3,812,500 |

EMPLOYEES' TRUST FUND BOARD

Notes to the Financial Statements

As at 31st December 2019

25. INTEREST BEARING BORROWINGS

| Lanka Salt Limited | Note | 31 st December 2019 | | | 31 st December 2018 | | |
|--------------------|------|--------------------------------|--------------|----------------|--------------------------------|---------------|----------------|
| | | Amount | Amount | Total | Amount | Amount | Total |
| | | Repayable | Repayable | | Repayable | Repayable | |
| | | Within 1 Year | After 1 Year | | Within 1 Year | After 1 Year | |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Finance Leases | | 6,907 | 4,948 | 11,855 | 6,757 | 11,855 | 18,611 |
| Bank Overdrafts | | 187,499 | - | 187,499 | 136,933 | - | 136,933 |
| | | 194,406 | 4,948 | 199,354 | 143,690 | 11,855 | 155,545 |

26. GRANTS & SUBSIDIES

| Lanka Salt Limited | Iodized Plant | Building | Pump House | Compensation to Employees | Total | Total |
|---------------------------|---------------|----------|------------|---------------------------|----------|----------|
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | 2019 | 2018 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cost | | | | | | |
| As at 1 January | 19,515 | 41,124 | 1,387 | 4,260 | 66,287 | 66,287 |
| As at 31 December | 19,515 | 41,124 | 1,387 | 4,260 | 66,287 | 66,287 |
| Amortization | | | | | | |
| As at 1 January | 19,515 | 11,909 | 405 | 4,260 | 36,089 | 36,089 |
| Reversal during the Year | - | 1,028 | 35 | - | 1,063 | - |
| As at 31 December | 19,515 | 12,937 | 439 | 4,260 | 37,151 | 36,089 |
| Written Down Value | | | | | | |
| As at 31 December | - | 28,187 | 948 | - | 29,136 | 30,198 |

| | Note | Group | | ETFB | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 27 DEFINED BENEFIT OBLIGATION | | | | | |
| Opening Defined Benefit Obligation 01st January | | 433,819 | 431,522 | 212,163 | 202,603 |
| Interest Cost | | 37,995 | 38,628 | 22,277 | 23,666 |
| Current Service Cost | | 10,889 | 9,042 | 10,889 | 9,042 |
| Benefit Paid | | (47,220) | (31,812) | (34,629) | (9,588) |
| Actuarial (Gains) / Losses on Obligations | | 41,900 | (13,560) | 41,900 | (13,560) |
| Closing Defined Benefit Obligation 31st December | | 477,383 | 433,819 | 252,600 | 212,163 |

| | Note | Group | | ETFB | |
|-------------|---|------------------|------------------|------------------|------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 28 | CURRENT TAX LIABILITIES | | | | |
| | Gross Tax Liability | 4,242,123 | 3,394,806 | 4,242,123 | 3,394,806 |
| | (-) ESC Paid | (1,815) | (2,339) | (1,815) | (2,339) |
| | (-) Estimated Income Tax Payments | (2,559,252) | (600,768) | (2,559,252) | (600,768) |
| | (-) WHT Credits | (382,697) | (334,049) | (382,697) | (334,049) |
| | (-) Previous Year (Over)/Under Provision | - | (50) | - | (50) |
| | (-) Notional Tax T/Bond | - | (550,929) | - | (550,929) |
| | (-) Notional Tax Repo | - | (3,601) | - | (3,601) |
| | Tax Payable to IRD | 1,298,360 | 1,903,071 | 1,298,360 | 1,903,071 |
| 29 | OTHER LIABILITIES | | | | |
| | Accounts Payables and Sundry Creditors | 29.1 | 1,157,450 | 871,610 | 817,448 |
| | | | 1,157,450 | 871,610 | 817,448 |
| 29.1 | Accounts Payables and Sundry Creditors | | | | |
| | Trade and Other Payables | 29.1.1 | 340,003 | 330,796 | - |
| | Sports Club | | - | 371 | - |
| | Retained Tax On Claims Paid & Benefit | | 12,882 | 16,134 | 12,882 |
| | Stamp Duty Payable on Claims | | 825 | 777 | 825 |
| | Unpaid Emoluments | | 120 | - | 120 |
| | Stamp Duty Payable | | 112 | 105 | 112 |
| | Superintendent of EPF | | 17,325 | 13,398 | 17,325 |
| | Sundry Creditors | | 684,743 | 473,717 | 684,743 |
| | Returned Benefit (Cheques) | | 2,762 | 2,838 | 2,762 |
| | Returned Benefit (Welfare) | | 1,406 | 1,089 | 1,406 |
| | Unpaid Death Benefits | | 14,452 | 12,476 | 14,452 |
| | E.T.F. Payable | | 2,076 | 1,418 | 2,076 |
| | P.A.Y.E. Tax Payable | | 1,055 | 722 | 1,055 |
| | Retained W.H.T | | 672 | 756 | 672 |
| | V.A.T. Payable | | 42 | 262 | 42 |
| | N.B. Tax Payable | | - | 105 | - |
| | Unclaimed W.H.T | | 61,301 | - | 61,301 |
| | Unclaimed Scholarship | | 1,316 | 1,316 | 1,316 |
| | Unreconcile Balance | | 791 | 820 | 791 |
| | Returned Benefit (Slip) | | 10,697 | 7,804 | 10,697 |
| | Pension Fund | | 23 | 7 | 23 |
| | Library Fund | | 53 | 51 | 53 |
| | E.T.F. CSR Project | | 207 | 170 | 207 |
| | EISA Project | | - | 575 | - |
| | Security Deposits - Car park | | 4,362 | 5,391 | 4,362 |
| | Salary Deductions Clearance | | 82 | 469 | 82 |
| | Income Paid in Advance | | 145 | 47 | 145 |
| | | | 1,157,450 | 871,610 | 817,448 |
| | | | | | 540,815 |

EMPLOYEES' TRUST FUND BOARD

Notes to the Financial Statements

As at 31st December 2019

| | | LANKA SALT LIMITED | |
|---------------|----------------------------------|--------------------|----------------|
| | | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 |
| 29.1.1 | Trade and Other Payables | | |
| | Financial Liabilities | | |
| | Trade Payables | 61,977 | 53,371 |
| | Salt Transport Payable | 4,479 | 10,754 |
| | Deposits Payables | 38,417 | 50,504 |
| | Dividends Payable | 59,308 | 1,258 |
| | Ground Rent Payable | 12,029 | 8,019 |
| | Non Financial Liabilities | | |
| | Accrued Expenses | 55,834 | 111,948 |
| | Other Payables | 7,958 | 8,532 |
| | Value Added Tax Payables | 8,314 | 14,130 |
| | Incentive Payable | 42,376 | 24,255 |
| | Contractor Payables | 49,311 | 48,025 |
| | | 340,003 | 330,796 |

| | | LANKA SALT LIMITED | | | | |
|-----------|--|-------------------------------------|-----------------------|----------------------|---|-----------------|
| | | Capital Allowances for Tax Purposes | Defined Benefit Plans | Grants and Subsidies | Deferred tax attributable to Tax Losses | Total |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 30 | Deferred Tax Liabilities | | | | | |
| | As at 01.01.2018 | 154,119 | (64,097) | (9,946) | - | 80,076 |
| | Charge (credit) to profit or loss for the year | 14,661 | 2,034 | 9,946 | (12,628) | 14,012 |
| | As at 01.01.2019 | 168,780 | (62,064) | - | (12,628) | 94,088 |
| | Charge (credit) to profit or loss for the year | 11,738 | (875) | - | (97,901) | (87,038) |
| | As at 31.12.2019 | 180,519 | (62,939) | - | (110,530) | 7,050 |
| | Deferred tax liability | | | | (180,519) | (168,780) |
| | Deferred tax asset | | | | 62,939 | 62,064 |
| | Unutilized Business Loss C/F | | | | 110,530 | 12,628 |
| | Net Deferred Tax Liability | | | | (7,050) | (94,088) |

| | | Group | | ETFB | |
|-----------|--|----------------|----------------|----------------|----------------|
| Note | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 31 | PROVISIONS | | | | |
| | Provision on Debentures | - | 7,970 | - | 7,970 |
| | Provision for Audit fee | 4,300 | 2,820 | 4,300 | 2,820 |
| | Provision for Telephone | - | 1,854 | - | 1,854 |
| | Provision for Electricity | - | 61 | - | 61 |
| | Provision for Water | - | 19 | - | 19 |
| | Provn. for Employees' Accident Compensation Scheme | 2,000 | 2,000 | 2,000 | 2,000 |
| | Provision for Bonus | 287 | 48 | 287 | 48 |
| | Provision for Leave Encashment | 15,416 | 13,946 | 15,416 | 13,946 |
| | Provision for Postage | 1,366 | 430 | 1,366 | 430 |
| | Provision for Higher Education Scholarship | 76,344 | 101,640 | 76,344 | 101,640 |
| | Provision for Year 5 Scholarship | 4,890 | 1,995 | 4,890 | 1,995 |
| | | 104,603 | 132,784 | 104,603 | 132,784 |



The background features a stylized globe in shades of blue and white, partially obscured by a dark blue, curved shape. Scattered across the scene are various lowercase letters in a light blue color, appearing to float or drift. A dark red horizontal bar is positioned at the bottom, containing a yellow circle with the number '04' and the text 'Supplementary Information'.

04

Supplementary Information

**AUDITOR
GENERAL'S
REPORT - 2019**



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

LEW/B/ETF/FA/2019

මගේ අංකය
எனது இல. }
Year No. }

දිනය
திகதி }
Date }

12th August 2020

The Chairman

Employees' Trust Fund Board

The joint Financial Statements of the Employees' Trust Fund Board and its administration for the year ended as at 31st December 2019 and the Auditor General's Report on other legal and regulatory requirements in terms of section 12 of the National Audit Act, No.19 of 2018

1. Financial statements

1.1 Opinion

The joint Financial Statements for the year ended as at 31st December 2019 including the joint financial position statement and the comprehensive income statement of the Employees' Trust Fund Board and its administration, statement on title change, cash flow statement for the year ended as at 31st December 2019 and important accounting policies and a summary of other clarified information were audited subject to my direction under the National Audit Act, No.19 of 2018 and the Finance Act, No.31 of 1971 read with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My report will be duly tabled in Parliament in terms of Article 154(6) of the Constitution.

It is my opinion that, except the effect that the matters described in the basis for the quantified opinion may create, the financial position as at 31st December 2019 and its financial performance and cash flows for the year ended reflect a true and fair status in accordance with the Sri Lanka Accounting Standards.

1.2 Basis for the quantified opinion

- Total contribution of Rs.862,340,944/- secured from 7,946 members of the employer institutions from 1981 to 2018 by the Board as at 31st December 2019 was not credited to the personal accounts of each member in terms of section 16 of the Employees' Trust Fund Act, and was retained in other temporary accounts. Due to this, members could not take back their contribution.
- In accordance with section 30 of the Sri Lanka Accounting Standards No.18, the dividend income should be identified in its recognition as an income once the Board ensures its right to receive. Yet, action had not been taken to recognize the dividend income of Rs.67,500,000/- entitled for the Board out of the dividends declared by the Board administrated company, Lanka Salt Ltd. in 2019 pertaining to the year 2017, in the Financial Statements. Having shown a liability of Rs.59,307,807/- (after deducting the unclaimed tax) as dividends payable in the Group's Financial Statements, it was observed that the income, assets, and liabilities are not represented accurately in the Group's Financial Statements.

නො. 306/72, පොදු මාරු, සිංහරාමය, ශ්‍රී ලංකාව



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- (c) Even though an unidentified debit balance of Rs.61,300,876/- as unclaimed WHT relevant to the year 2019 was indicated under other liabilities in the Balance Sheet, documents proving the balance were not submitted for the audit.
- (d) Even though corrections of the preceding years ought to have been carried out with rectifications of the comparative values in the Financial Statements in terms of section 42 of Sri Lanka Accounting Standards No.08, the adjustments of the preceding years amounting to Rs.262,450,000/- had been adjusted to the unclaimed WHT of the year under review.
- (e) Action had not been taken to adjust the income tax expenditure amounting to Rs.22,960,000/- in excess of the interest income on repurchase agreement, when rectifying the interest on repurchase agreement amounting to Rs.164,000,000/- which had been accounted in excess of the income in the year 2018.
- (f) Even though the nature of the error, quantity of rectification, the details of items subject to rectification in the preceding years were supposed to be revealed in the Financial Statements as per section 49 of the Sri Lanka Accounting Standards No.08, details on the adjustments in preceding years which had taken place in respect of 4 asset groups amounting to Rs.12,044,755,000/- indicated under Financial Assets at Amortized Cost were not revealed in the Financial Statements.
- (g) In terms of paragraph 88 of the Sri Lanka Accounting Standards No.12, the contingent assets and liabilities arising out of disputes unresolved with tax authorities should be revealed in Financial Statements. It was observed that the tax refunds receivable to the Board is Rs.2,815,315,156/- more than the tax refunds receivable as per the Financial Statements in the year under review, in accordance with the tax returns prepared for the estimate year 2018/2019. However, there was no consensus with the Inland Revenue Department regarding matters affecting this change and those changes and disagreements had not been revealed in the Financial Statements.

1.3 Liabilities of the management and administrators on Financial Statements

It is the responsibility of the management to prepare and fairly present these Financial Statements in accordance with the Sri Lanka Accounting Standards and to decide the internal controls required for the preparation of Financial Statements free of quantitative erroneous statements which may occur due to frauds or defaults.

When preparing the Financial Statements, it is the responsibility of the management to decide the sustainability of the Board and also to keep records of accounts and reveal matters relevant to its sustainability unless the Board of Management intends to liquidate or suspend its operations in the absence of other alternatives.

The administration bears the responsibility relating to finance recording process of the Board.

In terms of sub section 16(1) of the National Audit Act, No.19 of 2018, books and records on income, expenses, assets and liabilities should be duly maintained enabling to prepare the annual and periodic Financial Statements of the Board.

1.4 Responsibility of the audit regarding the auditing of Financial Statements

It is my aim to provide a fair confirmation that the Financial Statements, are free of quantitative erroneous statements and to issue the Auditor General's Report including my opinion. Even though fair confirmation amounts to high standard confirmation, it will not guarantee that quantitative misstatements will often be revealed in the audit carried out in accordance with the Sri Lanka Audit standards. The individual or group impact of frauds and errors may cause quantitative misstatements and it is expected that the economic decisions taken by the users based on these Financial Statements may create an impact.

I carried out the audit with professional judgement and doubt in accordance with the Sri Lanka Audit Standards. And,

- My opinion is supported through sufficient and appropriate audit evidence to avoid the risks caused by frauds and defaults in planning the timely appropriate audit criteria to identify and estimate the risks of quantitative erroneous statements which may occur in those statements due to frauds and defaults. The impact caused by fraud is higher than that caused by quantitative erroneous statements and frauds take place through collusion, preparation of fraudulent documents, intentional ignorance or ignorance of internal controls.
- In order to plan audit criteria as timely appropriate, internal control of the Board was understood, yet, it is not expected to express an opinion on the productivity of the internal control.
- Assessment of the appropriateness of the related revelations made by the Management and the fairness of the accounting policies and estimates used.
- That, the relevance of using the basis of institutional sustainability for accounting purposes was decided on the audit evidence acquired as if there exists a quantitative uncertainty on the Board's sustainability due to incidents or conditions. In case I determine that such uncertainty exists, my report should pay attention to the revelations regarding these Financial Statements and if those revelations are not sufficient, my opinion must be modified. However, sustainability may cease on future incidents or conditions.
- Presentation, structure, and content of the Financial Statements including these revelations were assessed and the supported transactions and incidents were evaluated suitably and fairly as inclusive in the Financial Statements.

The administrators were informed about the vital audit findings, major internal control weaknesses and other matters as identified during my audit.

2. Report on other legal and regulatory requirements

The National Audit Act, No.19 of 2018 consists of special provisions relating to the following requirements.

- Details and clarifications required for the audit were obtained as required by section 12(b) of the National Audit Act, No.19 of 2018 and as it appeared in my examination, the Board had duly maintained the financial records.



- The Financial Statements of the Board are in compliance with those of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act, No.19 of 2018.
- The Financial Statements consist of my recommendations made in preceding years except 1.2.1 (b) (f) observation of this report, as required by Section 6 (i) (d) (iv) of the National Audit Act, No.19 of 2018.

Subject to the process followed, evidence obtained and quantitative matters, anything material did not attract my attention.

- A member of the Board Management having direct or indirect liaison, has entered into an agreement on the Board outside normal business conditions, as required by Section 12 (d) of the National Audit Act, No.19 of 2018.
- That, any written law or other general or special orders as issued by the Board Management except the following observations, has not been complied with, as required by Section 12 (f) of the National Audit Act, No.19 of 2018.

| Laws and regulations/orders ref. | Description |
|---|--|
| (a) Shop and Office Employees' Act, No.19 of 1954 | Even though one and half times salary should be paid for an hour overtime, the Board had paid overtime with one and half hour overtime and one day salary upon completion of 8 hours of overtime on Saturdays/Sundays. In the year under review, the overtime cost had been Rs.25,505,000/-. And, in terms of the Act, officers of the Board had to work five and half days per week to have overtime payments. Even though only 21 annual leave was allowed, officers were allowed to take 42 annual leave and to serve only 5 days per week. |
| (b) Paragraph 8.3.9 of the State Enterprise Circular No.PED/12 dated 03rd June 2003. Paragraph 94 | Officer of an institution cannot be released to a Ministry or another institution without Cabinet approval and no salary should be paid for the period so released. However, as opposed to this, 14 officers of the Board had been released to government institutions including Local Government Authorities within the period from 1990 to 2019. During the inquiry into the payment of allowances including salaries of 13 officers so released from 2006 to 2015, it was observed that Rs.22,678,727/- as salaries, Rs.1,032,416/- as overtime and holiday allowances, Rs.148,799/- as Acting allowances leading to total Rs.23,859,942/- had been paid within the period as expenses without use. Moreover, those officers were paid with bonus for the period so released and details on bonus were not presented for the audit. And action was not taken to reimburse any of the above payments from the respective institutions. |



(c) Paragraph 04 (b) and 05 of the Public Finance Circular No.02/2015 dated 10th July 2015 and paragraph 07 of the National Budget Circular No.2/2015 dated 31st March 2015

Even though vehicles not exceeding the lifetime of 10 years from the date of registration could be disposed of with the approval of the Department of Public Finance and Chief Accountant, the Board had disposed of 2 such vehicles so purchased before 6 and 7 years, without approval. Even though the Board of survey for disposing of such vehicles should be appointed by the Chief Accountant or Accountant, action was not so taken to appoint the Board to dispose of the above 2 vehicles.

(d) Letter of the Deputy Secretary to Treasury No.PE/IN/ETF/Gen dated 10th November 2014

Even though the Ministry of Finance and Planning had agreed to provide the housing loan to the Board staff at 4.2% rate under the Housing Loan Scheme operated in association with the SMIB, the Board granted housing loans to employees at 4% rate.

- That, the Board has acted not in compliance with the powers and functions as required in Section 12(g) of the National Audit Act, No.19 of 2018.
- That, except the following observations, the resources of the Board have not been procured and used within the period productively, efficiently and effectively in compliance with the rules and regulations as required by Section (h) of the National Audit Act, No.19 of 2018.

(a) After distributing 4 silk sarees which had been duly procured as the uniform for the year 2019, to each female officer, they had refused wearing it giving several excuses. Therefore, 2 sarees from each officer were given back to the place of purchase and 2 cotton sarees were exchanged for the same previous price. The cotton saree so exchanged had not been checked for quality and were taken without adjusting with the technical specifications. The sarees purchased for the second time for 2019 were released on 01st July 2019 and it was informed to wear the said uniform and report to duty from 01st August 2019. As such, even though Rs.5,093,000/- had been spent for female uniforms for the year 2019, it was observed that the anticipated target was not achieved with that expenditure as the officers had not used those uniforms throughout the year.

3. Other audit observations

- (a) Action was not taken to identify the relevant members and settle the total of Rs.29,316,937/- comprising the unclaimed death benefits amounting to Rs.14,452,258/- which has continuously grown since 1995 and the unclaimed benefit from 2001 amounting to Rs.14,864,679/-, by 31st December in the year under review.
- (b) Paragraph 4 of the Board's investment policy has detailed how to make investments to maximise income and minimize risks in operating investment portfolio of the Board. Accordingly, the limits such as 87% for government securities, 5% for other Fixed income securities (to the maximum), 2% for short term repurchases and 6% for share investments (to the maximum) had been determined and it was later decided to treat the investments made in the Fixed Deposits outside 5% of the investment policy. However, the investment in the government securities which had been 79% and 75% respectively from the total investment portfolio in the years 2017 and 2018 had been 78% in the year 2019 and it was observed that it was below 87% which was the limit prescribed by the investment policy and it was a 9% decline.



- (c) Even though the Board has been a major institution which invests in the government securities, the Board could not obtain the Direct Bidding Facility from the Central Bank of Sri Lanka by 31st December 2019.
- (d) According to the agreement on the housing loan scheme to staff operated in association with the SMIB (in terms of the letter dated 16th March 2006 by the Bank to the Board), capital of the loan installments reimbursed from the employees has to be remitted to the Board once in 3 months. However, in contrast, it was observed in the audit that the Bank has shown the capital of the monthly installments in the account balance at the end of the year. As such, it was observed that the Board had not received any interest on the capital of the loan installments for the relevant year and that those funds could not be invested otherwise. Accordingly, capital of the loan installments which did not generate sufficient income to the Board within the period of 7 years from 2013 to 2019 was Rs.14,424,546, Rs.16,810,432, Rs.20,053,440, Rs.22,256,164, Rs.24,333,502, Rs.25,101,662 and Rs.26,637,913 respectively. And the above housing loan scheme has been operated on an agreement entered with the SMIB in 1990 and action had not been taken to update the agreement to suit the current needs. Moreover, attention was not paid to the matters as to whether the Bank pays interest as per the agreement on the basic account balance, that the Board is informed on the amendments to the interest rate and that a sufficient and fair interest income is received every month.

W.P.C. Wickramaratne

Auditor General

BOARD

OBSERVATIONS

on the Auditor General's
Report 2019

1.2 Basis for the opinion

- (a) The Board has duly recognized and revealed in the Financial Statements the liabilities based on the actual receipt and payment of contributions relevant to the accounting period. Therefore, the value of the membership fees referred to in the accounting statements has been noted accurately. However, due to the following reasons, it has not been able to transfer the values referred to in the audit query from the employers' accounts to personal members accounts.
- Even though the employers have paid the membership fees, the employee details had not been provided for crediting funds.
 - Total of the bi-annual report including the employees' details and the total of relevant bi-annual contributions paid were not consistent.
 - It was difficult to clarify how to divide the membership fees at times where such fees have been paid to several institutions by one cheque (the relevant employer institutions are inactive now).
 - Data incorporated in the bi-annual reports provided by the institutions was not clear. (the relevant employer institutions are inactive now)
 - It was not able to obtain information at previous times due to the change of institutional management and the new management did not cooperate for providing resolutions against the issues occurred at those times'
 - In particular, there were identification issues with members of the estate related institutions for not having the National Identity Cards and as the employers had given only partial names.

As such, the above matter has not made an impact on indicating the core of accounting statements, the assets, and liabilities accurately in the final accounts.

V 999 accounts

The funds credited to our Fund before 2006 which the employers have not yet clearly recognized are maintained under these accounts and there is a mechanism operative to check the accuracy of the documents presented by employers from time to time on its basis and to record those funds under the correct employer number as approved by the Deputy General Manager (collection and employer relations).

- (b) Since sufficient information on Dividend Warrant or Dividend Announcement had not been received for identification of these dividends in terms of the revenue identification format as indicated in the Accounting Standard 15 (SLFRS 15), it was not recognized as a dividend revenue of the Board and, action has been taken to reveal it in the comprehensive revenue statement while revealing the joint accounts.
- (c) Income on accrual basis on Fixed Deposits and Interest on debentures in the preceding years were recognized and tax adjustments were made accordingly. Yet, as the retaining tax certificates are given away to the Inland Revenue Department on monetary basis, those certificates of this year were recorded in accounts on monetary basis. The Balance of Rs.61,300,876/- occurred and as this matter is being discussed with the Inland Revenue Department, action will be taken to make the relevant adjustments upon negotiation.

- (d) All those adjustments have been identified in this year and action has been taken to show the values as deducted from the profit brought forward in the stock change statement.
- (e) The tax expenses of Rs.22,960,000/- relevant to the repurchases in the year 2018 will be adjusted in the payment of the final tax installment in the estimation year 2019/2020.
- (f) Action will be taken to reveal in future.
- (g) Accounting work on Board's income tax was carried out under the Inland Revenue Act, No.24 of 2017 and as such, the tax balance of Rs.278,993,977/- to be mentioned in the final accounts is an error free calculation in terms of surface interpretation of the current tax law.

However, in accordance with the basic, fair tax principle that 2 types of tax cannot be imposed for one entity, the nominal taxes paid for the investments made in the Treasury Bonds prior to 01/04/2018 has been requested as a tax balance receivable to be adjusted as a tax credit to the Board.

And, as it appears that there is an opportunity to deduct the interest money of 3% which is distributed annually among Board members, as an expense of the Monetary Board, it has been requested as a tax balance receivable in the tax report.

As such, it is expected from these 2 adjustments to comply with the tax principles and manage the tax liability and to maximise the profits of the Board.

In addition, for accounting purposes, income on accrual basis was recognized and tax adjustments were made according to the basic accounting concepts in respect of the Fixed Deposits and interest income on debentures. However, as the retaining tax certificates for the interest income are given away to the Inland Revenue Department on monetary basis, the retaining tax burden on the said interest income was adjusted in the tax report on monetary basis, for the ease of calculation and accurate identification in terms of the Income Tax Act.

The above adjustments had been a major reason for the change between the balances in the tax report and those in the accounts and it is expected to make the necessary adjustments in accordance with the decision to be taken by the Inland Revenue Department on this matter in future.

2. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- (a) it is informed that the Board employees are paid with overtime in accordance with the provisions of the Shop and Office Employees' Act and industrial experience.

And employees have been given the 42 annual leave facility and this has taken place according to industry experience. It has been informed by the recommendation of the Employers' Federation of Ceylon dated 01.04.2014 on reducing the annual leave from 42 to 21 in terms of the above Act, stating that there may be an industrial dispute among employees to decline a privilege so enjoyed. A copy of the recommendation has been attached herewith.

- (b) The staff has been so released as approved by the Board of Directors and it is informed that the future releases from 2020 will be made in pursuance of the government approved criteria.

- (c) Chairman of the Board/Chief Executive Officer has, as per the powers vested in him, appointed the Disposal Survey Board.
- (d) The Administrative and Human Resources Division Circular No. 2005/21 issued by the Board in compliance with the Public Administration Circular No. 08/2005 has revised the annual interest rate up to 4%. The interest rate charged for other loans issued to the staff is 4.2%.
- As required by section 12(g) of the Audit Act, No.19 of 2018, except below observations, resources of the Board have not been procured and used efficiently, effectively, and productively within the period in compliance with the relevant laws and regulations.
- (e) Some of the saree samples at the time of purchase in 2019 had been sent to the Department of Textiles. After analysing the results of sarees so forwarded, the highest quality saree was selected as the uniform and the purchase was then made accordingly.

Yet, as the female staff had complained to the Management that it was difficult to wear that saree because of its fineness and requested for a fair decision. Having considered this matter on humanitarian grounds and discussed with the supplier, action has been taken to provide two other types of sarees. This was merely an exchange of 2 sarees and an additional expenditure was not incurred to the Board.

3.

- (a) Balance of the unclaimed death benefits account as at 01.01.2019 was Rs.12,475,760.37/-. (Benefit claimants – 987) There are instances where there may be more than one claimant for member benefits up on his death. The present procedure is to retain the shares of all claimants in the Board's account and to make payments of claimed shares only to those who have submitted documents as all these claimants do not come forward at once and it is difficult for some ones to present sufficient details (non-submission of certificates). Accordingly, Rs.2,332,583.88/- of 52 death benefit claimants has been retained from 01.01.2019 to 31.12.2019 and Rs.356,085.70/- has been paid to 16 claimants within that period. As such, the value of liability to be paid to claimants as at 31.12.2019 is Rs.14,452,258.55/-. (1023 beneficiaries)
- (b) The Board has prepared a formal investment policy in 2012 and the Board of Directors has approved it. Subsequently, as per the decisions taken by the Board of Directors, it was decided to treat the investments made in the Fixed Deposits of State banks deviating from the 5% share of the investment policy. This took place because of the thought that the risk of state bank deposits was not at a considerable level. Moreover, investments are made in the Fixed Deposits of Sri Lanka's three largest state banks from 2017 within the limits as approved by the Board of Directors. Accordingly, the minimum percentage of 87% is treated as the total of government securities and Fixed Deposits of state banks.

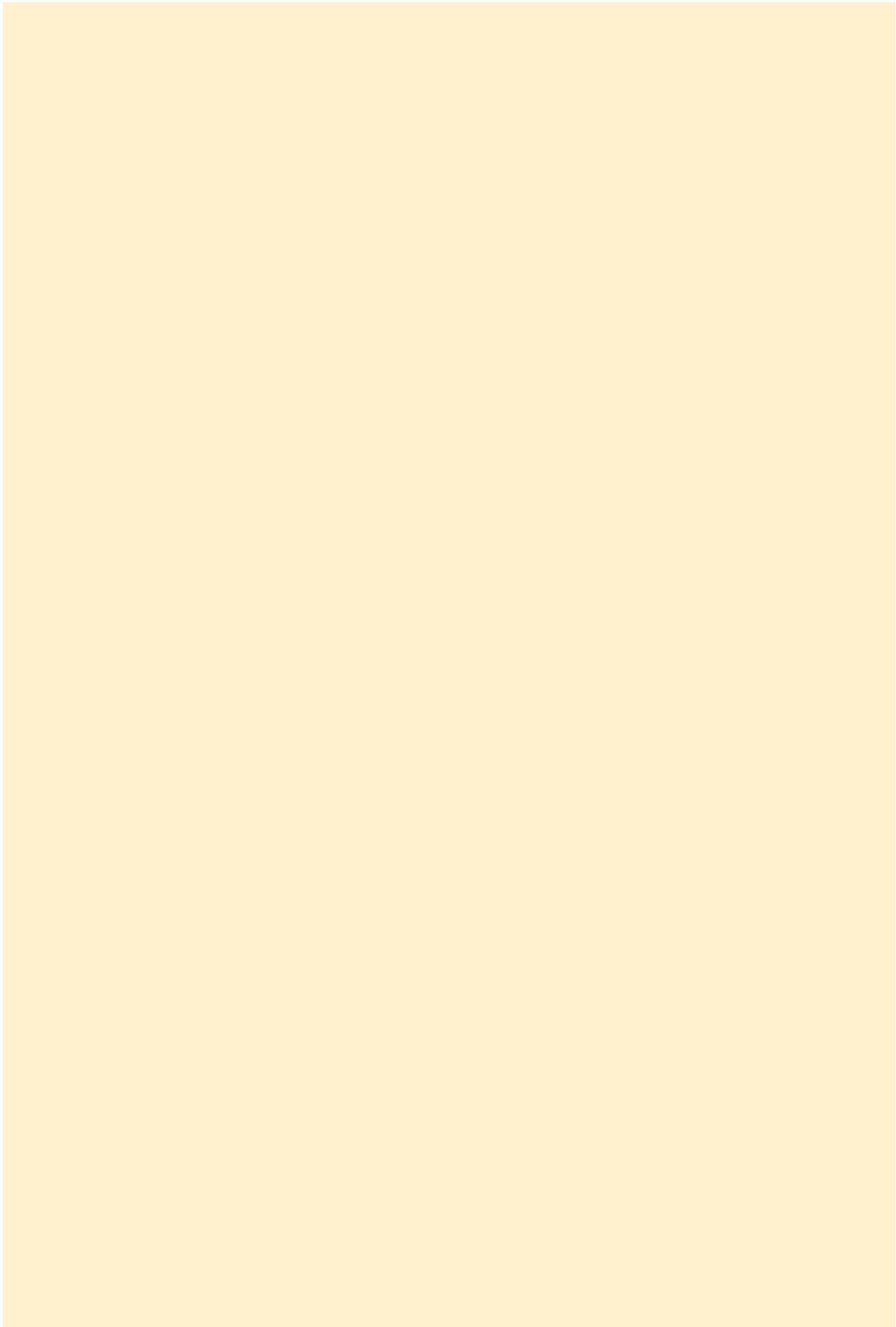
And, "Private Placement" the method of purchasing government securities from the primary market had been introduced to our Board by the time where the investment policy was introduced in 2012. 100% investment possibilities were available as and when necessary even under this method. The reason had been that the Central Bank could sell government securities to our establishment for the Weighted Average Yield on any day for any sum available with us. As such, it has been decided to invest higher percentage of 87% in government securities and to invest 5% in other investments with different fixed interest rates for benefitting higher interest. However, this Private Placement method was terminated after March 2015 and the method of compulsory bidding and participating in the auction and purchasing government securities was introduced.

- (c) A huge additional cost needs to be incurred for the infrastructure facilities required for the Direct Bidding Facility. Under the current method, it is not required to incur such an additional cost. However, action is being taken to arrange the environment essential for acquiring this facility. Approval of the Board of Directors has been given to recruit staff essential for the expansion of the investment sector and has been forwarded to the Department of Management Services for further approval. The approval has not yet been granted up to now to comply with the requirement. Subsequent to the recruitment of the essential employees and as informed by the Department of Public Debt of the Central Bank of Sri Lanka on 08.11.2019, action will be taken to obtain this facility with the approval of the Board of Directors, following the pending large-scale infrastructure facilities, other technical and legal requirements and employee training. As such, necessary instructions have been sought from the Computer and Legal Divisions.
- (d) Action will be taken to have capital funds once in 03 months in future as per the amendments referred to in the letter dated 16.03.2006 by the State Mortgage and Investment Bank (SMIB) and action has been taken to inform the SMIB regarding this matter.



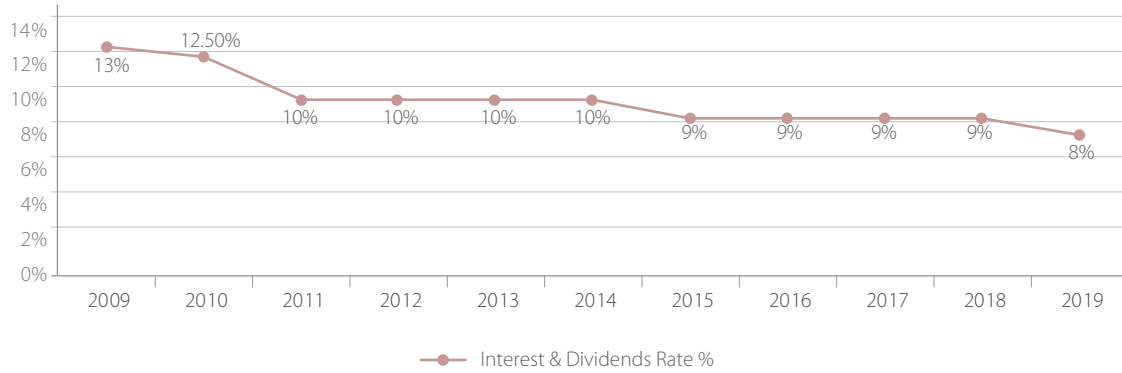
Sriyan De Silva Wijeyeratne

Chairman/Chief Executive Officer
Employees' Trust Fund Board



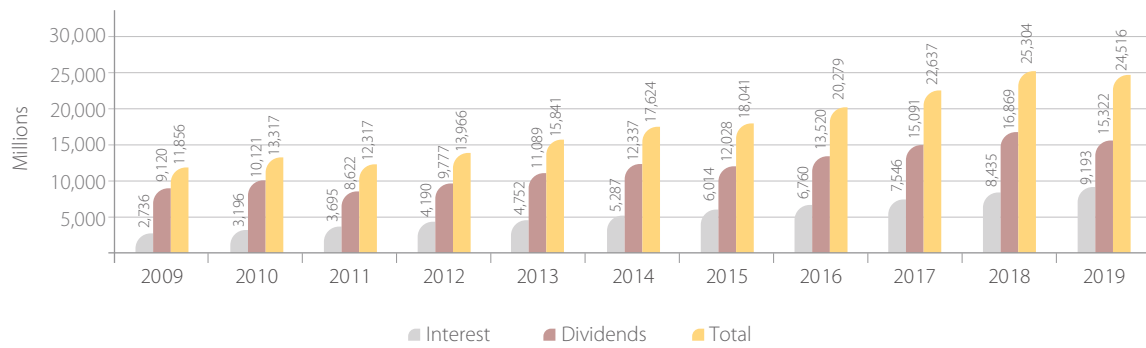
Statistical Annexure

Interest and Dividends Rates



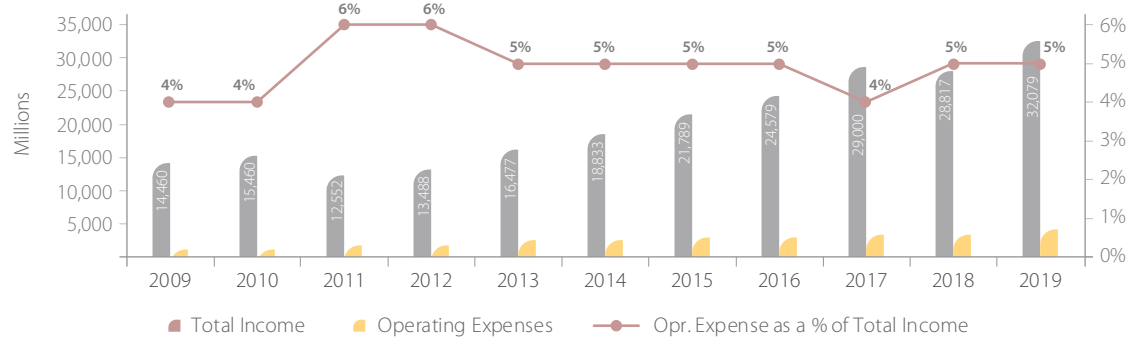
—●— Interest & Dividends Rate %

Declared Interest and Dividends



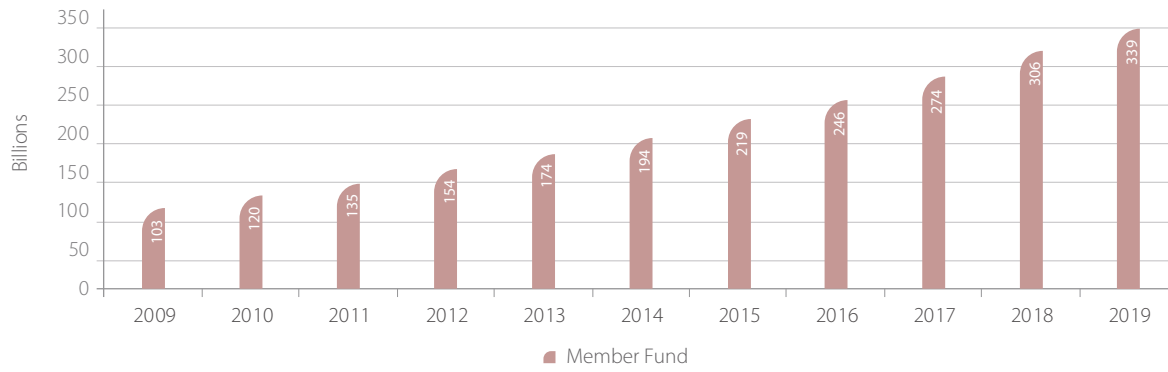
■ Interest ■ Dividends ■ Total

Income vs Expense



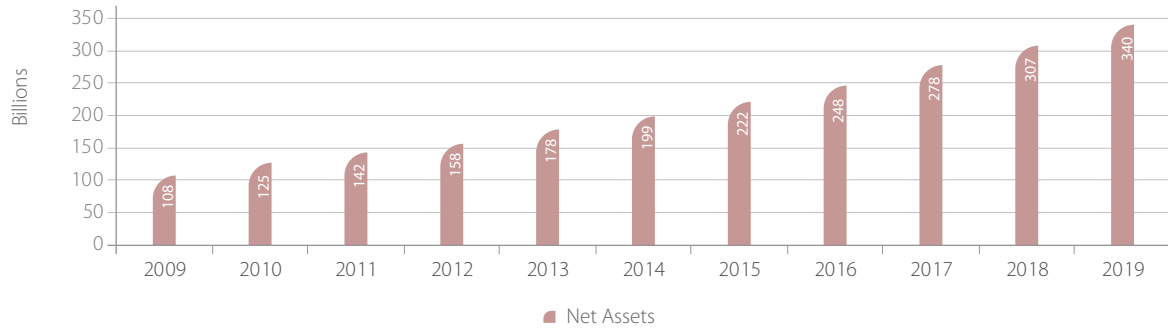
■ Total Income ■ Operating Expenses —●— Opr. Expense as a % of Total Income

Member Fund



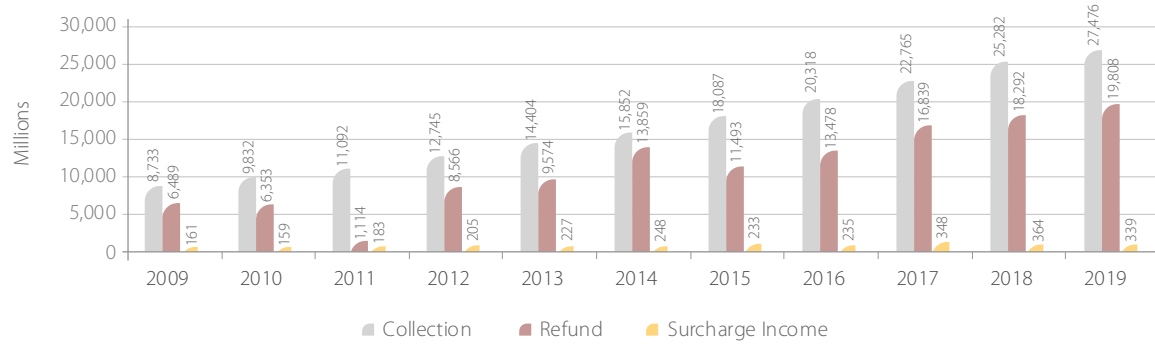
■ Member Fund

Net Assets



■ Net Assets

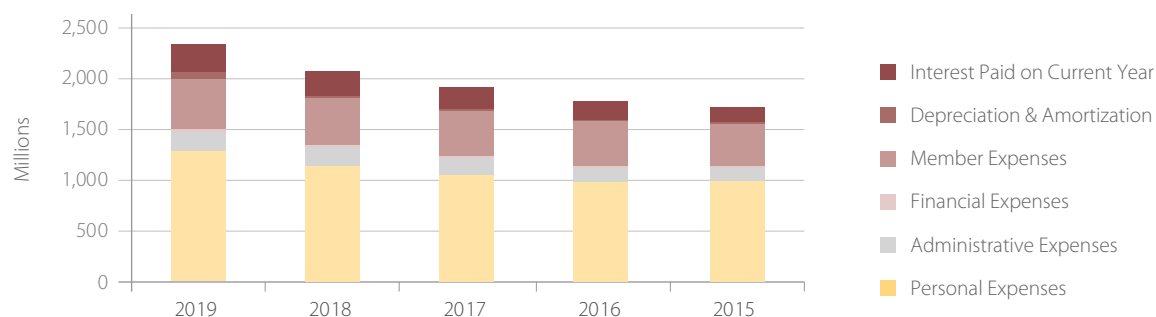
Collection and Refund



■ Collection ■ Refund ■ Surcharge Income

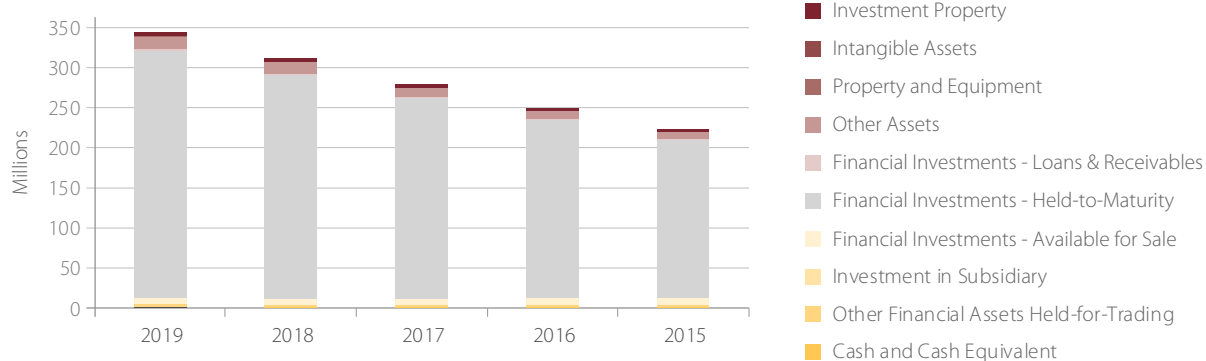
| | 2019 | 2018 | 2017 | 2016 | 2015 | CAGR |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-----------|
| | (Rs:000) | (Rs:000) | (Rs:000) | (Rs:000) | (Rs:000) | % |
| Income | | | | | | |
| Interest Income | 31,554,779 | 28,501,818 | 27,239,114 | 23,492,350 | 20,274,204 | 9% |
| (-) Interest Expense - 3.0% (As per the Section 22 of the ETF Act) | (9,423,454) | (8,434,536) | (7,545,681) | (6,759,768) | (6,013,817) | 9% |
| Dividend Income | 481,081 | 346,254 | 373,739 | 486,194 | 360,582 | 6% |
| Profit on Sale of Quoted Shares & Units | (386,360) | (307,891) | 535,345 | 68,592 | 833,850 | -186% |
| Other Income | 429,011 | 462,952 | 851,903 | 531,650 | 320,139 | 6% |
| Total Income | 22,655,056 | 29,368,597 | 21,454,420 | 17,819,018 | 15,774,958 | 8% |
| Expense | | | | | | |
| Personnel Expenses | 1,292,861 | 1,114,968 | 1,053,611 | 985,963 | 994,389 | 5% |
| Administrative Expenses | 179,517 | 183,496 | 167,809 | 143,887 | 132,608 | 6% |
| Financial Expenses | 4,122 | 5,184 | 2,401 | 2,904 | 1,988 | 16% |
| Member Expenses | 523,298 | 488,148 | 460,603 | 454,466 | 429,610 | 4% |
| Depreciation & Amortization | 54,382 | 14,219 | 27,246 | 15,573 | 16,896 | 26% |
| Interest Paid on Current Year | 260,709 | 240,937 | 208,429 | 173,630 | 148,737 | 12% |
| Total Operating Expenses | 2,314,889 | 2,096,953 | 1,920,098 | 1,776,422 | 1,724,228 | 6% |
| Profit before Taxation | 20,340,167 | 16,291,644 | 19,534,322 | 16,042,596 | 14,050,730 | 8% |
| Income Tax Expenses | 4,242,123 | 3,394,806 | 2,705,842 | 2,394,498 | 2,060,646 | 19% |
| Profit after Taxation | 16,098,044 | 14,896,858 | 16,828,480 | 13,648,098 | 11,990,084 | 5% |

Expense Breakup



| | 2019 | 2018 | 2017 | 2016 | 2015 |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | (Rs:000) | (Rs:000) | (Rs:000) | (Rs:000) | (Rs:000) |
| ASSETS | | | | | |
| Cash and Cash Equivalent | 548,572 | 738,070 | 743,124 | 614,332 | 841,949 |
| Financial Assets at FVTPL | 2,699,451 | 2,886,959 | 2,497,955 | 1,955,837 | 1,829,018 |
| Investment in Subsidiary | 470,961 | 470,961 | 470,961 | 470,961 | 470,961 |
| Financial Assets at FVTOCI | 7,899,643 | 7,563,896 | 7,858,744 | 9,209,233 | 8,502,967 |
| Financial Assets at Amortized Cost | 316,263,488 | 280,623,627 | 252,399,232 | 223,798,384 | 199,656,731 |
| Other Assets | 11,264,427 | 14,713,208 | 11,050,045 | 9,244,193 | 7,865,283 |
| Property and Equipment | 365,206 | 218,161 | 173,586 | 176,378 | 173,144 |
| Intangible Assets | 1,039 | 102 | 140 | 192 | 266 |
| Investment Property | 3,812,500 | 3,812,500 | 3,812,500 | 3,400,000 | 3,200,000 |
| Total Assets | 343,325,287 | 311,027,484 | 279,006,286 | 248,869,511 | 222,540,319 |
| Liability and Equity | | | | | |
| Current Tax Liabilities | 1,298,360 | 1,903,071 | 211,536 | 81,082 | 33,582 |
| Other Liabilities | 817,448 | 540,815 | 382,660 | 304,104 | 351,851 |
| Provisions | 357,203 | 344,947 | 81,910 | 87,841 | 213,754 |
| Total Liabilities | 2,473,010 | 2,788,833 | 676,106 | 473,027 | 599,187 |
| Total Equity | 340,852,277 | 307,981,965 | 278,330,180 | 248,396,485 | 221,941,132 |
| Total Liabilities and Equity | 343,325,287 | 310,770,798 | 279,006,286 | 248,869,511 | 222,540,319 |

Asset Breakup



70, Martyn Road,
Jaffna.
+94 21-2220010

69/1/1, Mill Street,
Vavuniya.
+9452-2224458

87/25, 1st Lane,
Dharmapala Mw,
Anuradhapura.
+94 25-2222185

No. 27, Sri Lanka Red Cross Building,
Kachchiri Road,
Kurunegala.
+94 37-2228194

No; 79, Housing Secretariat,
Yatinuwara Veediya,
Kandy.
+94 81-2233793

No: 247, Main Street,
Kegalle.
+94 35-2222991

No. 230, Keppitipola Mawatha,
Badulla.
+94 55-2224482

No: 23, Wijayarama Rd,
Queen Mary's Mawatha,
Gampaha.
+94 33-2234520

No.693, Malwatta Road,
Ampara.
+94 63-2222845

No: 122, Nawala Road, Narahenpita,
Colombo 05.
+94 11 2369698

No: 455, Andam Kulama, Kandy Road,
Trincomalee
+94 26 2056606

No: 92 A, Kirula Road, Narahenpita,
Colombo 05.
+94 11 2368616

164, Kandy Road,
Nuwara Eliya.
+9452-2224458

No: 44/5, Narahenpita Road,
Nawala.
+94 11 2806834

No: 114, Gonnoruwa Road,
Hambantota.
+94 47-2220655

No: 63/2, Kalidasa road,
Matara.
+94 41-2222625

No: 80/C1, Havelock Place,
Galle
+94 91-2245814

No: 90/1/1, Main, Street,
Ratnapura.
+94 45-2222529

No: 294, Galle Rd,
Kalutara North.
+94 34-2237722

Other Annexure

