

Rising with Resilience



EMPLOYEES' TRUST FUND BOARD
ANNUAL REPORT 2020

Employees' Trust Fund Board

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FUND BOARD**
ANNUAL REPORT 2020

<http://www.etfb.lk>



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Rising with Resilience

“The Employees’ Trust Fund Board navigated its way through an extraordinarily challenging period demonstrating its strength and resilience. The Board adapted to the ‘new normal’ by streamlining processes and systems and providing a seamless and efficient service resulting in reaching service levels above and beyond expectations. Rising forward as a future-ready state enterprise the Board made significant strides in implementing the fully automated member centric application for its core business which will enable the Board to pivot to a paperless environment. Reiterating the enduring trust and stability as the nation’s second-largest superannuation fund we were successful in delivering the highest return to our members exemplifying the Board’s tenacity to rise with resilience”

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“The ETFB currently operates within a unique organizational structure as a Trustee and Fund manager and is resolute in becoming a future ready financial institution through digitalization of its core and support processes. The Board envisions longer term transitioning towards a paperless environment in line with our aspirations and Government’s e-governance initiative.”

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Icon Guide



Invested
Capital



Member
Capital



Employee
Capital



Partner
Capital



Social &
Community
Capital

ABOUT THIS REPORT



**EMPLOYEES' TRUST
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The Employees' Trust Fund Board navigated its way through an extraordinarily challenging period demonstrating its strength and resilience. The Board adapted to the 'new normal' by streamlining processes and systems and providing a seamless and efficient service resulting in reaching service levels above and beyond expectations. Rising forward as a future-ready state enterprise the Board made significant strides in implementing the fully automated member centric application for its core business which will enable the Board to pivot to a paperless environment. Reiterating the enduring trust and stability as the nation's second-largest superannuation fund we were successful in delivering the highest return to our members exemplifying the Board's tenacity to rise with resilience.

Content of the Report

This is the 40th Annual Report of the 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 2020.

The contents of the Annual Report 2020 covers the operations spanning the head office and the branch network for the period of 1st January 2020 to 31st December 2020, with the most recent report being for the year ended 31st December 2019 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 discusses on how the entity complies with the Code of Best Practice on Corporate Governance for Public enterprises and ETF Act No. 46 of 1980.



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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 the Ministry of Finance. All public sector employees who are not entitled to the Government Pension Scheme and all private sector employees are members of the 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 therefore, 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 Section 07 of the 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

	2020	2019	Change
	LKR 000'	LKR 000'	%
Operations			
Total Income	34,729,466	32,076,433	8%
Total Interest Income	33,397,541	31,554,779	6%
Total Expenses	2,229,296	2,314,889	(4%)
Operating Expenses	1,480,865	1,476,499	0%
Profit Before Tax	32,500,170	29,761,544	9%
Tax Expense	4,492,839	4,242,123	(6%)
Profit After Tax	28,007,331	25,519,421	10%
Statement of Financial Position			
Cash and Cash Equivalent	680,784	548,572	24%
Financial Assets at FVTPL - Fair Value Through Profit and Loss	2,930,900	2,699,451	9%
Financial Assets at FVTOCI - Fair Value Through Other Comprehensive Income	7,638,149	7,899,643	(3%)
Financial Assets at Amortized Cost	360,695,932	324,688,318	11%
Member Fund and Reserves	376,578,656	340,852,277	10%
Member Point of View			
Member Fund	375,215,484	339,244,338	11%
Interest & Dividend	27,793,740	25,129,210	11%
Interest & Dividend (%)	8.00%	8.00%	0%
Member Benefits	405,396	454,714	(11%)
ROI	9.08%	9.44%	(4%)
ROE	7.44%	7.46%	0%
ROA	7.37%	7.40%	0%



MEMBER FUND (LKR MN)

375,216

2019 **339,244**



TOTAL ASSETS (LKR MN)

379,926

2019 **343,325**

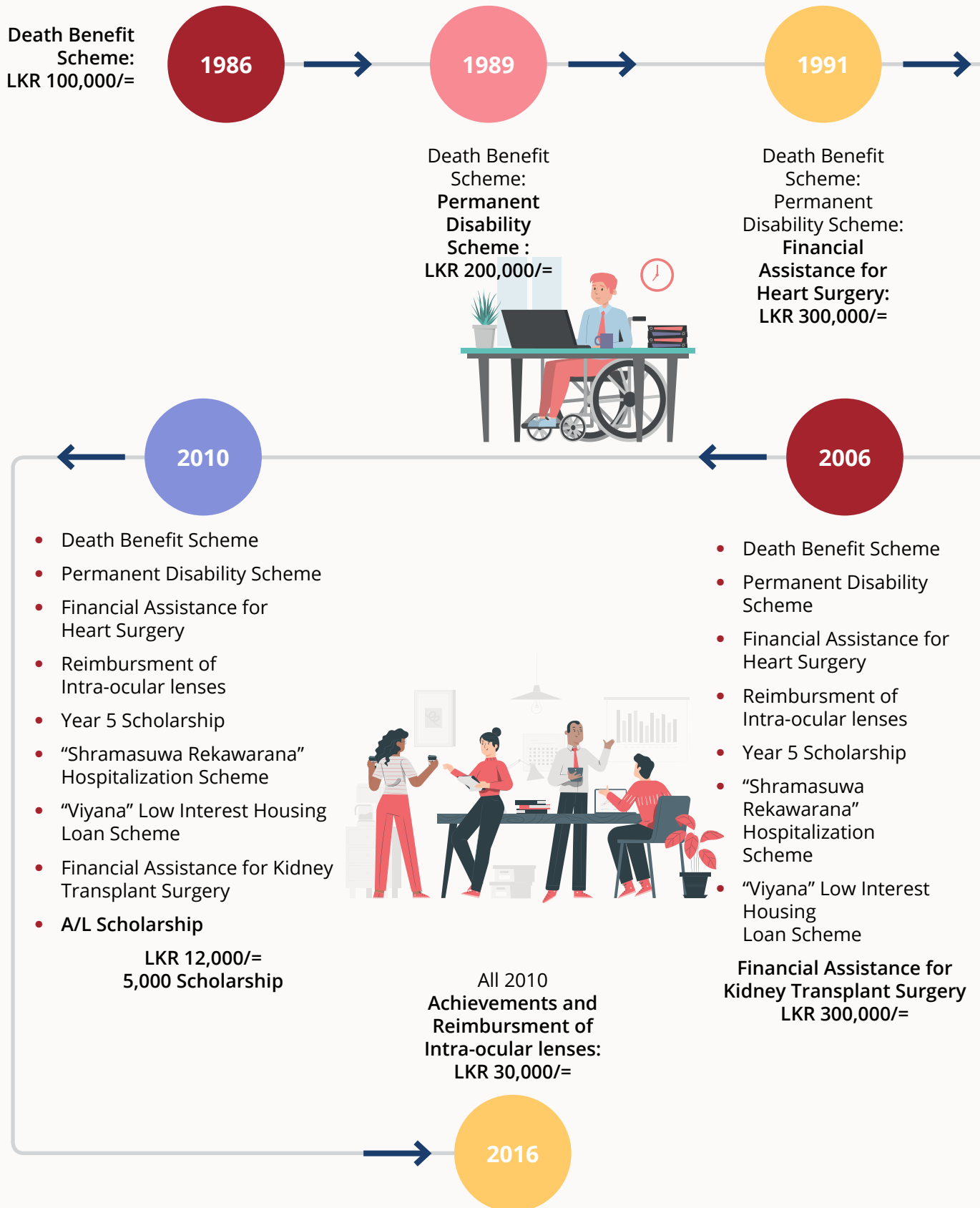


PROFIT AFTER TAX (LKR MN)

28,007

2019 **25,519**

KEY MILESTONES ON MEMBER BENEFITS



1992

- Death Benefit Scheme
- Permanent Disability Scheme
- Financial Assistance for Heart Surgery

Reimbursement of Intra-ocular lenses
LKR 18,000/=



1994

- Death Benefit Scheme
- Permanent Disability Scheme
- Financial Assistance for Heart Surgery
- Reimbursement of Intra-ocular lenses

Year 5 Scholarship
LKR 15,000/=
9,000 Scholarships

2002

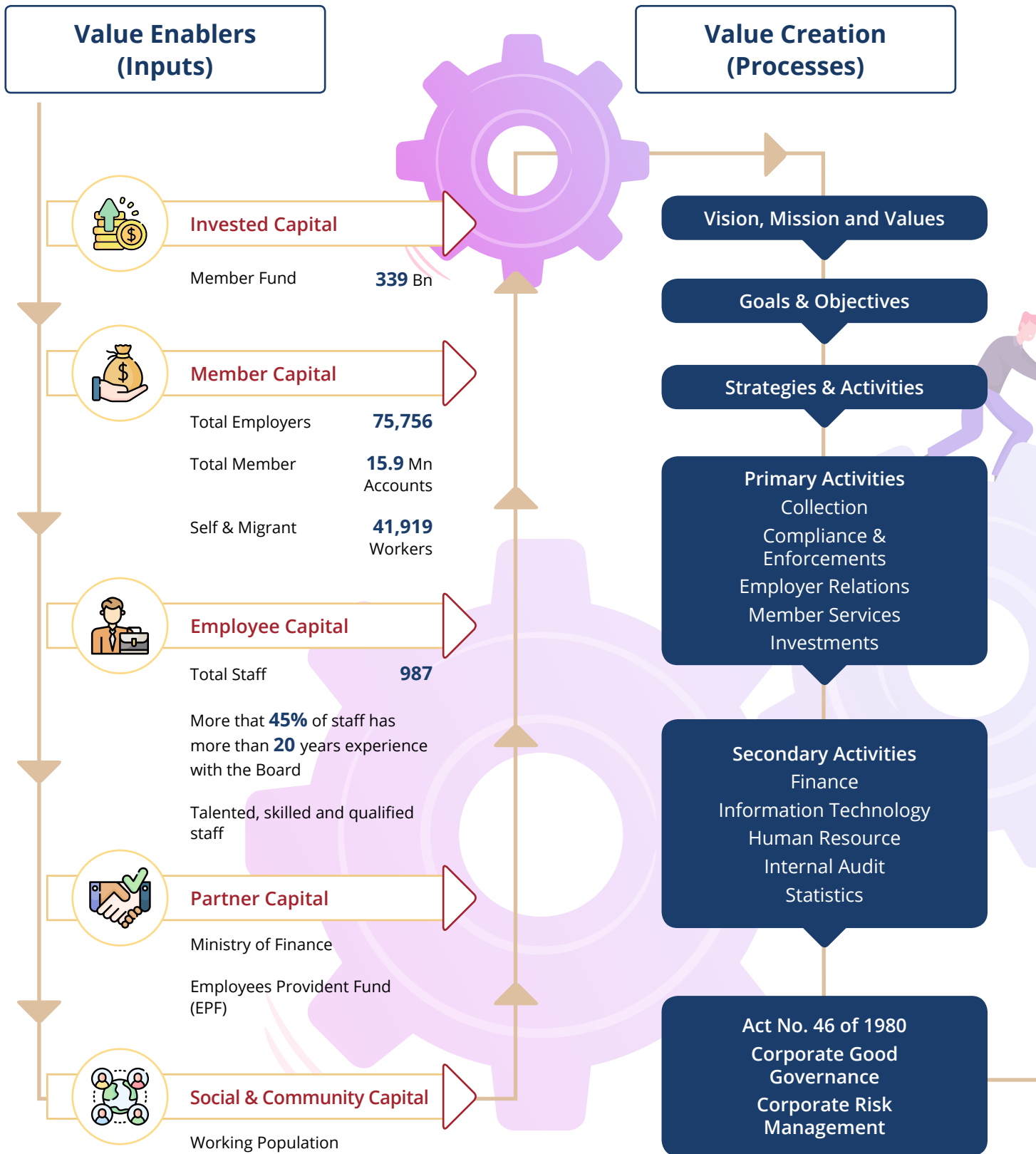
- Death Benefit Scheme
- Permanent Disability Scheme
- Financial Assistance for Heart Surgery
- Reimbursement of Intra-ocular lenses
- Year 5 Scholarship
- "Shramasuwa Rekawarana" Hospitalization Scheme
- "Viyana" Low Interest Housing Loan Scheme



1997

- Death Benefit Scheme
- Permanent Disability Scheme
- Financial Assistance for Heart Surgery
- Reimbursement of Intra-ocular lenses
- Year 5 Scholarship
- "Shramasuwa Rekawarana" Hospitalization Scheme
LKR 25,000/= per year upto maximum of LKR 50,000 during the entire service period

VALUE CREATION MODEL



Value Created (Outputs)



INVESTED CAPITAL

Member Fund **375Bn**
ROI **9.08%**



MEMBERS

Interest **3%**
Dividend **5%**



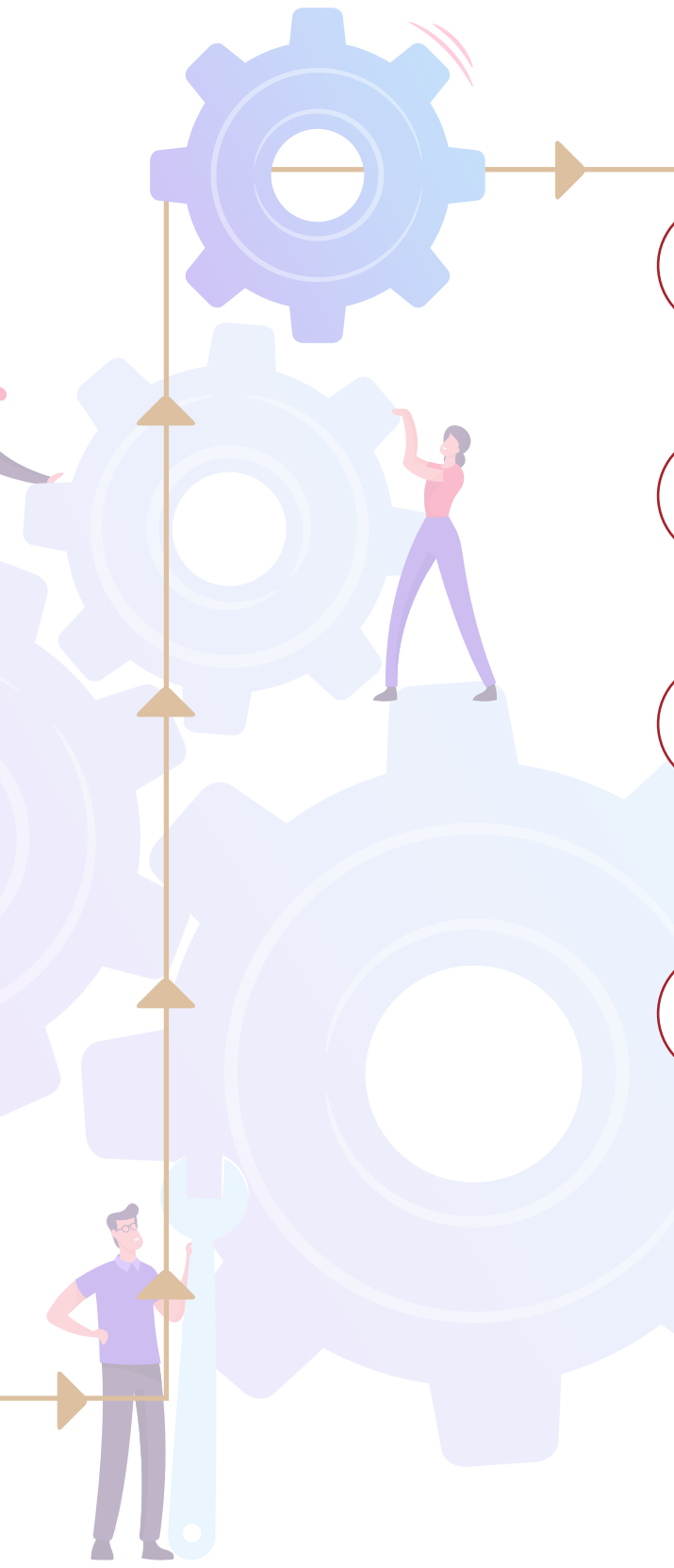
EMPLOYEES

Personal Expenses **1.3Bn**
Training and Development Cost **2.3Mn**
Staff turnover **below 5%**



COMMUNITY

Claims Payment **19Bn**
(Including Dividend & Interest)
Heart surgeries **108Mn**
Housing scheme **1,003Mn**
Death benefits **94Mn**
Year 5 Scholars **135Mn**
Higher Educational grant **45Mn**
Shramasuva scheme **7Mn**
Permanent Disability **11Mn**
Kidney transplants **3Mn**
Intra-ocular lenses **3Mn**



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 to 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 whom four are appointed by the relevant Minister and one member 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 who is selected at the discretion of the Minister in charge is also the Chief Executive Officer (CEO) of the Trust Fund as provided by the Act.

The ETFBoard was initially structured as a centralized organization, mainly due to the fact that the majority of employers were at the Western Province. After completion of the restructuring program of the Regional Office network with the opening of Regional Offices and District Offices in most potential areas, a rapid development took place in the Enforcement and Legal activities. Subsequently most of Member Services activities such as claims acceptance, claims payments, member awareness programs etc. were decentralized.

The functional areas of ETFBoard can be broadly divided into Operations and Support Services. The operational areas are identified as Collection &

Employer Relations, Member Services and Investments. The functions of Administration and Human Resources, Finance, IT and Internal Audit etc. have been recognized as support services.

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



FUNCTIONS OF DIVISIONS, SECTIONS OF THE BOARD

01



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.

02



Investment Division

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

03



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. Adequate steps have been taken to provide the necessary infrastructure to further strengthen the activities of this Division.

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 the corporate plan and other management information reports.

05



Administration and Human Resource Division

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

Functions of Divisions, Sections of the Board

Information Technology Division

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



06

07



Audit and Assurance Division

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

Legal Division

The Legal Division 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 the Regional Office (RO) network. A separate Legal Officer has been assigned to engage for legal matters at each RO. The Legal Division functions are under the supervision of the AGM (Legal) and reports to the DGM (Collection & Employer Relations).



08

RESPONDING TO THE COVID-19 PANDEMIC

The ETFB response to the pandemic underscores its strong commitment to maintaining business continuity amidst the pandemic whilst ensuring the safety of its employees and stakeholders. We ensured that our members had access to our services in a seamless manner and adapted with agility to the business externalities caused by the pandemic.

Health and safety of stakeholders

Maintaining a safe and secure workplace in compliance with health regulations



Monitoring body temperatures of all visitors



Social distancing measures within the offices



Provision of hand-washing facilities at the entrance



Provision of Personal Protection Equipment for staff



Regular sanitization of common spaces to create a clean and healthy environment



Continue service during the pandemic by adhering to all safety measures

Responding to the COVID-19 Pandemic

Encouraging the prevention of the COVID -19 virus through vaccination and responding to the needs of staff infected with the virus

	2020	2021 up to Sep
Number of staff tested positive for the COVID virus.	-	118
Number of PCR tests done in-house	44	146

Maintaining uninterrupted service levels and business continuity

The Board facilitated and enabled the provision of all essential services to the general public such as making contributions, refund claims and processing benefit claims under strict health guidelines which included the regional offices.

(LKR Mn.)	Surcharge waive-offs	Refund claims	Benefit claims
1st Wave (27.01.2020-03.10.2020)	649	2,367	22
2nd Wave (04.10.2020-14.04.2021)		3,700	56
Total	649	6,067	78

To enable seamless and uninterrupted service levels during the lockdown and movement restrictions imposed in 2020, the ETFB team members transitioned to Work From Home (WFH) arrangements demonstrating resilience and adaptability to the 'new normal way' of work. The employees were provided with tabs and other facilities to facilitate a smooth transition. Regular meetings conducted over virtual platforms such as Zoom and MS Teams ensured connectivity and collaboration with the teams.



Facilitating seamless services to employers

The Board granted a relief period of six months on statutory contributions along with a waive off of surcharge during the 1st and 2nd waves of the COVID -19 pandemic.

Digitized solutions were introduced enabling members to settle their contributions via digital methods. Through this method, employers could pay their ETF contributions online and submit the supporting documentation for the payments. The Direct Debit system was launched in 2021 benefiting around 500 large categories of employers who work with international banks.

No of digital contributions in 2020	63,271 Employers
Value of contributions received digitally in 2020	16,259 Million

Caring for the wider community

The ETFB together with the team contributed LKR 2 Million to the COVID-19 relief fund.



PERFORMANCE REVIEW

Value Added Statement

An analysis of the Board's value creation and allocation among the key stakeholder group is depicted below:

	2020	2019	Change
	LKR million	LKR million	%
Value Added			
Income earned from Core Business	33,697.51	31,647.42	6.48
Cost of Services	(238.89)	(253.02)	(5.58)
Value added from Core Business	33,458.61	31,394.40	6.58
Other income	1,031.96	429.01	140.54
Impairment charges for loans and other losses	(0.07)	0.40	(118.54)
Value Addition	34,490.50	31,823.81	8.38
Value Allocation To Employees			
Salaries, Wages and Other Benefits	1,290.11	1,292.86	(0.21)
To Members			
Interest paid to Members	10,668.74	9,684.16	10.17
Dividends paid to Members	17,371.09	15,705.76	10.60
To Government			
Taxes	4,492.84	4,242.12	5.91
To Community			
Member Benefits	405.40	454.71	(10.85)
To Expansion and Growth			
Retained Profit	213.59	390.21	(45.26)
Depreciation and amortization	48.73	53.98	(9.72)
Total value allocated	34,490.50	31,823.81	8.38

Economic Value Added (EVA)

Economic Value Added (EVA) indicates the true economic profit of an organisation. EVA is an estimate of the amount by which earnings exceed or fall short of required minimum return for shareholders at comparable risks

	2020	2019
	LKR million	LKR million
Invested Capital		
Average Member fund	357,229.91	322,849.57
Add: Cumulative impairment provision for loans and other losses	9.17	9.24
	357,239.08	322,858.82
Return on Invested Capital		
Profit after taxation	28,007.33	25,519.42
Add: Impairment provision for loans and other losses	(0.07)	0.40
Total return on invested capital	28,007.26	25,519.82
Opportunity Cost of Invested Capital*	(22,506.06)	(29,703.01)
Economic Value Added	5,501.20	(4,183.19)

*Calculated based on weighted average 12 months Treasury bill rate 2020 - 6.30% (2019 - 9.20%)

FOCUS TRANSITION

Strategic Imperatives

ETFB's long-term strategy is firmly anchored on its core purpose to provide financial stability to its members by providing a consistent and secure return. As a future-centric state organization, the ETFB is focused on three core strategic imperatives in achieving its objective to be a member-oriented organization providing a superior service.

The key strategic imperatives of the ETFB are as follows:

- 1) Growth in the members' fund base and generating consistent stable returns.
- 2) Provision of efficient services to members, employers and other stakeholders with a service-first attitude.
- 3) Enhancing the employment proposition and productivity levels of the organization to deliver superior value.

The Board follows through this strategic path in its vision to be a dynamic and viable Trust for all stakeholders by achieving organisational excellence whilst delivering a superior service. The COVID-19 crisis necessitated a multi-pronged strategic approach for the implementation of these three clear strategic focus areas.

Despite the challenging externalities, the Board was successful in achieving significant strides of progress in the strategic initiatives which are being implemented.

STRATEGIC IMPERATIVES	PROGRESS IN 2020
GROWTH OF THE MEMBERS' FUND BASE AND GENERATING CONSISTENT, STABLE RETURNS	
Growth of members' fund to Rupees Half a Trillion within the next 5 years.	The member's fund balance as of 31st December 2020 stands at LKR 375 Billion. The member fund base has grown at an annual average rate of 10%. Given the continuity of this trend, the fund balance is projected to reach the half a trillion milestone by 2023 given the business externalities remain the same. The ETFB also hopes to broaden the member base by encouraging migrant workers and the self-employed segments to join the Fund.
Ensure 100% coverage of employees by enforcement and customer relation activities. To initiate the signing of MOUs with government institutions to share information (EPF, Registration of Companies, Persons Registrations, Statistic Department, Ministry of Education, etc.)	The ETFB strives to ensure 100% coverage of all the employees who are eligible for ETF benefits. Due to the COVID- 19 pandemic, coverage levels showed a marked decline compared to previous years. The ETFB did not enforce stringent measures in 2020 considering the difficulties faced by business establishments due to the pandemic. However, it hopes to implement focussed measures to ensure compliance by employers in the future.
Increase in income levels to LKR 50 Bn by 2025.	During the financial year 2020, the ETFB recorded an annual income of LKR 34 Bn. The ETFB is committed to enhancing revenue levels by optimising its return on the investment portfolio by adopting sound and prudent investment strategies to generate higher returns, Diversification of the investment portfolio is another strategy that will be adopted to enhance projected income levels in 2025. The Board is committed to enhancing the revenue levels without compromising on the risk parameters of its portfolio of investments to deliver a consistent and stable return to members.

STRATEGIC IMPERATIVES	PROGRESS IN 2020
PROVISION OF EFFICIENT SERVICES TO MEMBERS AND EMPLOYERS	
<p>The ETF Board is currently implementing a process re-engineering project. This fully automated member centric application for its core business will create a paperless environment. The development work has already commenced.</p> <p>The technical and financial support for this project is provided by the Information & Communication Technology Agency of Sri Lanka (ICTA).</p>	<p>Significant progress was made in the year 2020 with the achievement of the following key project milestones:</p> <ul style="list-style-type: none"> • Completion of software development life cycle Iterations • Completion of 60% of User Acceptance Testing (UAT). (It is expected to complete 80% of the project in 2021)
<p>The ETFB hopes to transition to a member-centric database instead of the current employer-centric database. This will enable easy access for members who possess multiple accounts.</p>	<p>The project is in progress and is scheduled to be implemented in 2022.</p>
<p>Development and introduction of customer-friendly processes and procedures with Amendments to the ETF Act.</p>	<p>The amendments to the Act are being drafted and vetted to introduce legislation that is aligned with the needs of the current environment.</p>
<p>Establishment of a real-time benefit and claim processing mechanism to provide a speedy and efficient service. These new online facilities will enable access to the ETF system via modern electronic devices such as smartphones and computers.</p>	<p>This project is expected to be completed within early 2022.</p>
ENHANCING THE EMPLOYMENT PROPOSITION & PRODUCTIVITY LEVELS	
<p>The Board has over the years maintained a consistent focus on building the capacity levels of all employees. It has invested significantly in training and development to enhance the skills and competencies of its employees to drive higher productivity and performance.</p>	<p>With the pandemic and the consequent lockdowns, the Board could not conduct scheduled training and development programs. However, online training sessions were conducted. The Board hopes to continue its training and development initiatives through a series of training sessions in 2021 to coincide with the implementation of the IT project.</p>
<p>The ETFB is committed to upholding the highest standards of efficiency and productivity levels. To obtain technical insights on the latest productivity concepts, the Board works in collaboration with the Productivity Secretariat of Sri Lanka to elevate efficiency levels across the head office and regional offices.</p>	<p>Anuradhapura, Vavuniya, and Hambantota Regional Offices participated in the National Productivity Competition - 2020. All three regional offices have qualified for the site inspection.</p>

CHAIRMAN'S REVIEW



“The ETFB currently operates within a unique organizational structure as a Trustee and Fund manager and is resolute in becoming a future ready financial institution through digitalization of its core and support processes. The Board envisions longer term transitioning towards a paperless environment in line with our aspirations and Government’s e-governance initiative.”

Dear Stakeholders,

As the second-largest social security fund in Sri Lanka, the ETF Board (ETF) demonstrating its responsibility and ability to truly support its members and the overall economy amidst an extraordinarily challenging business landscape. The theme of our Annual Report 2020 ‘Rising with Resilience’ aptly reflects the ETF Board’s agility to realign its operating model amidst challenging externalities to ensure continuity of services to its members whilst supporting the nation.

Performing under adversity

Sri Lanka’s GDP contracted by 3.6% in 2020, as the impact of the COVID-19 driven lockdowns and business interruptions took a toll on economic activity. This created challenges within the macro-economic dynamics where the easing of monetary policy and a low-interest rate prevailed, and interest rates declined by nearly 350 Basis

Points during the financial year. Against this backdrop, we were successful in maintaining an attractive rate of return of 8% to members through prudent management of our well-balanced portfolio of investments.

Due to disruptions, many businesses were impacted adversely, resulting in the closure of businesses which thereby contributed to lower contributions. Entities were also financially stretched to keep contributions on time due to cash flow challenges. Amidst all this, commendably, the Fund witnessed a growth in its assets under management to LKR 380 Bn. The net worth of the Fund grew by 10.5% to record LKR 377 Bn by the end of 2020 compared to LKR 341 Bn recorded in the previous financial year. The total income of the ETFB increased by 8% to record LKR 38 Bn. The total expenses were tightly managed and reduced by 4% which resulted in an increase in profits before tax to LKR 32.5 Bn, an increase of 9%

over the previous year. It is noteworthy that, due to all of the above, the ETFB led the way as the most profitable State-Owned Enterprise (SOE) contributing 20% to the overall profitability levels of SOEs’ under the purview of the Ministry of Finance.

Another notable milestone in 2020 was the moving of the operational and support staff to the Labour Secretariat’s spacious and modern building ‘Mehewara Piyesa’, amidst tough COVID limitations.

Navigating the pandemic

As we navigated a year like no other in 2020, the two main priorities were to maintain business continuity whilst ensuring the health and safety of our employees. The ETFB was one of the few non-essential state services that provided an uninterrupted service during the lockdown. Our committed team rallied together, swiftly adapting to new ways of working to successfully disburse over

a Rupees Billion to its members during pandemic times. We also maintained continuity in our investment activities despite severe constraints.

Recognising the challenges faced by the employers, the Board granted a six-month grace period on statutory contributions. Furthermore, surcharges were waived-off during the first and second waves of the pandemic providing much-needed relief for employers.

The concept of "Work from Home" was adopted and steps taken to begin equipping our staff with the necessary laptops and tabs to provide uninterrupted service. Employees worked on a rotational shift basis while adhering to health guidelines, to provide contributions, refunds and benefit claims within our head office and regional offices. The Board provided transportation to its entire staff to ensure the safety of employees. Enforcement and other field-based activities were constrained due to the pandemic.

Digital future

The ETFB currently operates within a unique organizational structure as a Trustee and Fund manager and is resolute in becoming a future ready financial institution through digitalization of its core and support processes. The Board envisions longer term transitioning towards a paperless environment in line with our aspirations and Government's e-governance initiative. The ETFB also obtains technical and financial assistance from the Information Communication Technology Agency in Sri Lanka (ICTA) in this regard.

The volatile business environment in the last two years highlighted the value of modern IT infrastructure. We are in the process of launching a member-centric information system and portal which will elevate the members' experience to facilitate efficient processing of employer contributions, refund claims and benefit claims. This cloud-based application will facilitate our team to even work remotely thereby maintaining service levels through any challenging exigency that might arise in the future. This solution is reaching pilot phase at present.

During 2020, we made steady progress on the Direct Debit facility and are

pursuing the objective of enrolling approximately 500 employers within the large customer segment. The e-payment facilities introduced during the year contributed to faster growth from our larger contributors.

Our human resources

The conditions that prevailed during the year, underscored the critical importance of effective and adaptable teams as well as robust governance practices. The strong policy frameworks needed to be flexed to suit the needs of the times, as indeed governments, people and organisations struggled to redefine how we embrace the "new normal". These times have taught us that those rules and policies can only take us so far and having the right people who can interpret those rules to suit conditions, is what matters most. During the year, the Board focused on ensuring agility given these emerging developments.

We have taken steps to attract new talent and enhance the knowledge, skills, and efficiency of our existing team through process improvement, technology upgrades and training and development. Empowering our teams and bringing in added insights and technology will enable elevating our service experience further. During the year under review, our employees were also granted full remuneration and debt moratorium facilities for staff loans.

Awards and accolades

ETFb's Annual Report - 2019 was recognised with a Gold Award by the Association of Public Finance Accountants of Sri Lanka (APFASL), the public sector wing of Chartered Accountants of Sri Lanka for the second consecutive year in the category of 'Statutory Boards, Authorities and Commissions'. This award reflects our commitment in maintaining the highest standards of transparency, accountability, and corporate governance.

Way forward

The ETFB has envisioned a strategic direction for the next five years in terms of core and support activities. It has formulated key deliverables which include the complete digitalization of the operations, growth in profit and the investment portfolio and delivering an efficient and member-centric experience,

whilst supporting the government monetary policies. At present, we are in the process of revamping the corporate website to be more informative and interactive, thereby providing our employers and members access to a range of online services.

We are committed towards our members, and we will continue to deliver value to our stakeholders. Our objectives are to promote employee ownership, welfare and economic democracy through participation in financing and investment, and to provide non-contributory benefits to employees following their retirement. As an organization whose destiny is inextricably linked with that of the members that we serve we are guided by a deep sense of responsibility to prudently manage the funds to deliver consistent value.

Appreciations

With millions of members, the ETFB plays a pivotal role in the country's recovery from the COVID-19 pandemic. I wish to place my sincere appreciation to the members for their unwavering trust and confidence placed in us in managing their retirement funds. Our dedicated and motivated team rose to the challenges to deliver an exemplary service and I thank them profusely. I take this opportunity to express my sincere appreciation to the team, for their commitment and dedication.

My sincere thanks is extended to the Hon. Minister of Finance for the support provided. I extend my gratitude to the Secretary to the Ministry of Finance and his staff for the unstinted guidance and co-operation extended to us in navigating through the complexities of a challenging year. I express my appreciation to my colleagues on the Board of Directors for their wise counsel and strategic direction. The collective efforts of all stakeholders enabled us to successfully deliver expectation commensurate to being the second-largest superannuation fund in the country.

(Sgd.)

Sriyan de Silva Wijeyeratne
Chairman / Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT DIVISION

Responsibility of the Board of Directors over Financial Reporting

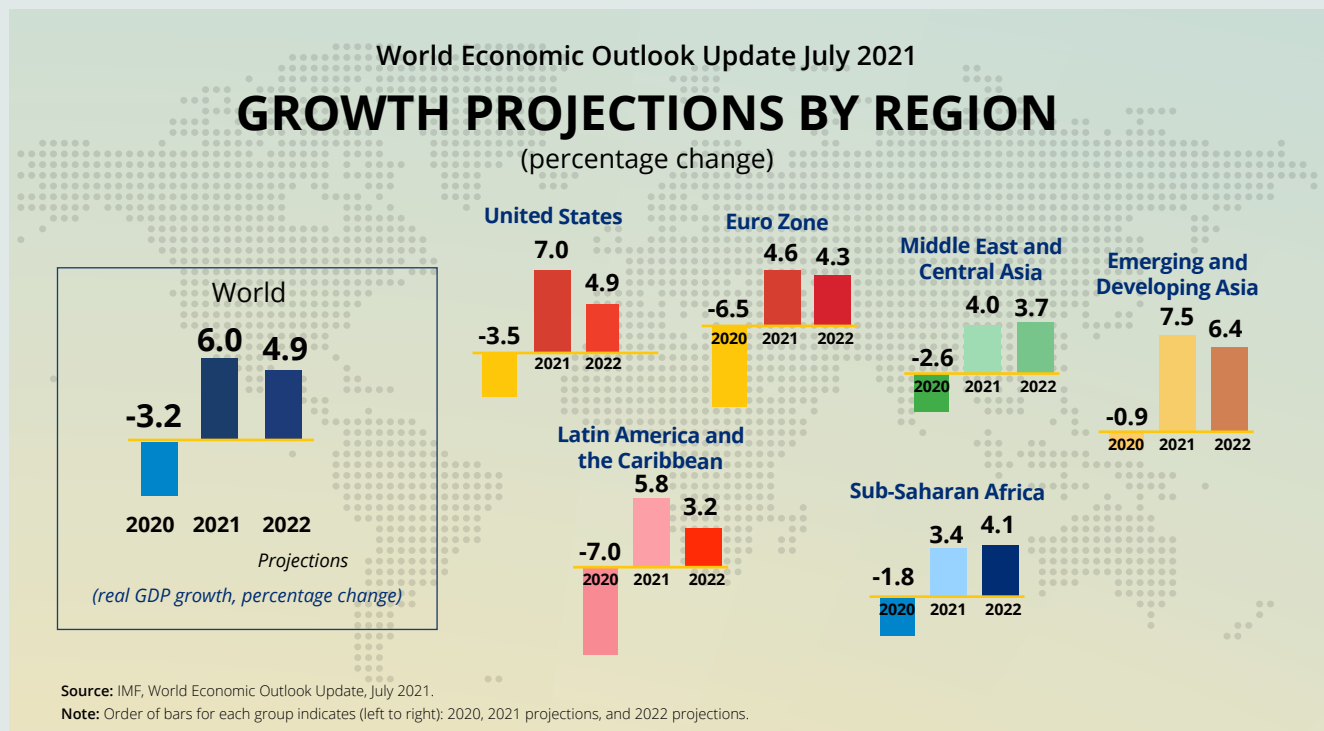
The Directors are responsible for the preparation of the Financial Statements of the Employees' Trust Fund Board (the Board) in order to present a true and fair view of the financial position of the entity and its performance. The Directors are of the view that the Income Statement, the Statement of 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 66 to 95 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

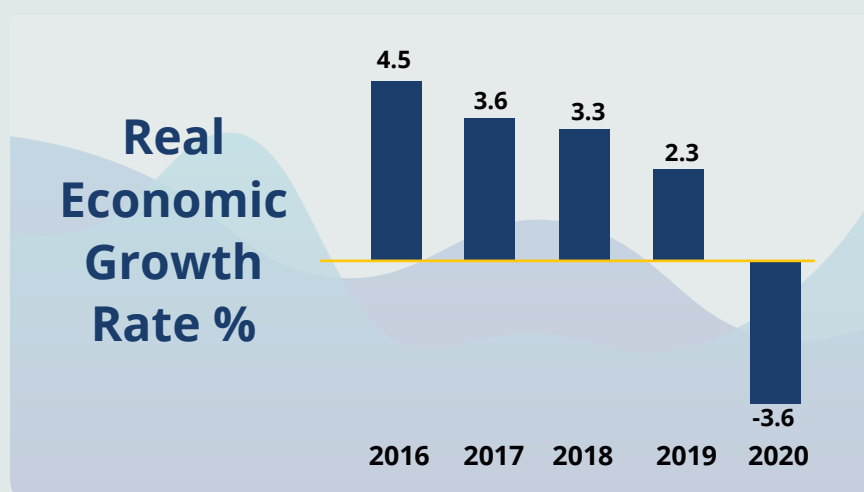
assurance regarding the reliability of the financial reporting.

The health of the global economy and the economic and public health environment that prevailed in Sri Lanka had a direct bearing on the performance of the Employees' Trust Fund Board. Over the next pages, we present a review of our activities within the context of those macro and micro economic conditions that prevailed during 2020.



The outfall of the global economic decline has had a devastating impact on the Sri Lankan economy. By extension, these impacts have reverberated across our financial and labour markets and on our operations and the collection of member contributions. Global recession conditions, and the resulting drop in interest rates has also impacted the return on our fund investments.

Sri Lankan Economic Performance



The Sri Lankan economy shrank by 3.6% in 2020, compared to the 2.3% growth rate achieved in 2019. All key economic sectors experienced a decline during the year.

GDP per capita in 2020 was estimated to be LKR 683,106 (US dollars 3,682) in contrast to the 2019 figures of LKR 688,573 and USD 3,852 respectively.

The decline of per capita GDP in rupee terms is mainly due to the contraction in GDP at current prices. The US dollar GDP decline is the combined result of the contraction in GDP at current prices and the weakening of the rupee against the US dollar when taken on an annual average basis.

External Sector

Export earnings declined by 15.9% from 2019 levels to USD 10 Bn in 2020. Tourism income, which stood at USD 6.7 Bn in 2019 dropped to USD 0.7 Bn in 2020. Similarly, income from the transportation sector dropped from USD 2.3 Bn in 2019 to USD 1.2 Bn in 2020. Workers' remittances which stood at USD 6.7 Bn in 2019, increased to USD 7.1 Bn during 2020.

Expenditure on imports dropped by 19.5% to USD 16 Bn in 2020, when compared with USD 19.9 Bn in 2019. The decline was the net result of government restrictions on the importation of non-essential goods, reduced importation of intermediate goods attributable to subdued economic activity combined with global supply chain disruptions and low oil

prices in the global market. Although the import curtailing measures of the government resulted in reducing the trade gap it created an impacts on economic activities.

The external current account deficit narrowed to USD 1.1 Bn in 2020, compared with USD 1.8 Bn in 2019. The current account deficit as a percentage of GDP stood at 1.3% in 2020 when compared with 2.2% in the previous year.

Sectoral Performance

The industrial sector shrank by 6.9% compared to the growth of 2.6% in 2019 with the contraction in the construction sector being a key driver. The Agricultural sector recorded 2.4% decline in 2020 compared to the growth of 1.0% achieved in the previous year.

The Services sector, which accounted for 58.7% of the national production output in 2020, experienced a shrinkage of 1.5% in 2020 in comparison with the growth of 2.2% in 2019. This was despite the boost from sub-sectors such as IT programming and telecommunications resulting in the increased demand for digital platforms and communications during the pandemic. Tourism-related services including transportation, accommodation, food and beverage service activities were severely interrupted by global and local travel restrictions and lockdowns, contributing largely to the negative growth rate of the services sector.

Sri Lankan Labour Market



Labour Force

8.592 Mn
(2019)

8.467 Mn
(2020)



Economically Inactive Population

7.832 Mn
(2019)

8.273 Mn
(2020)



Labour Force Participation Rate

52.3 Mn
(2019)

50.6 Mn
(2020)



Employed Population

8.181 Mn
(2019)

7.999 Mn
(2020)



Unemployment Rate

4.8%
(2019)

5.5%
(2020)



Foreign Employment

203,087
(2019)

53,713
(2020)

Management Discussion and Analysis

ETF Board Activities

The Divisions, their functions and the organization structure of the ETF Board are depicted in Pages 10 to 12 to this report.

Investment Activities and Investment Climate

Situation of Sri Lanka

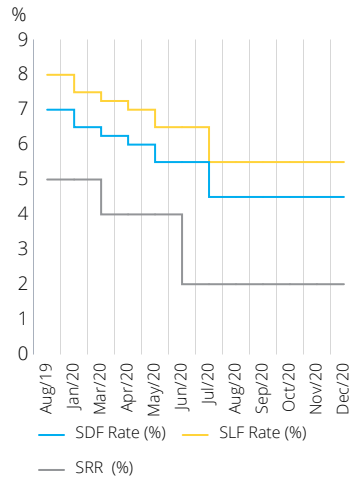
The first COVID-19 wave in Sri Lanka emerged in March followed by the second wave in November 2020. The country was under lockdown for weeks on both occasions. The closedowns together with global travel restrictions affected major foreign exchange earning sectors such as tourism, garments and industrial exports adversely. Further, as a result of the downgrading of Sri Lanka's sovereign rating, the country was compelled to depend primarily on internal funding. Accordingly, the Central Bank of Sri Lanka (CBSL) took measures to reduce the interest rates during the year 2020 to bring down the borrowing cost. This had a direct impact on our investment activities and performance

Interest Rates

The US Federal Reserve and other key central banks revised their interest rates downwards during 2020. The CBSL followed suit as part of its growth, recovery and stability focused monetary policy stance. The expectation was to expand credit growth of banks, support ongoing business operations and safeguard employment levels while also reducing the cost of government borrowing.

CBSL cut policy interest rates five times by a total of 250 basis points in 2020 and reduced the Statutory Reserve Requirement (SRR) applicable on all rupee deposit liabilities of licensed commercial banks by 3 percentage points from 5% to 2%. The Bank Rate was reduced by 650 basis points from 15% to 8.5%. The changes in Policy Interest Rates of the CBSL, including the Standing Deposit Facility (SDF) Rate, Standing Lending Facility (SLF) Rate and SRR are given in the following chart.

Change in Policy Interest Rates of the Central Bank of Sri Lanka



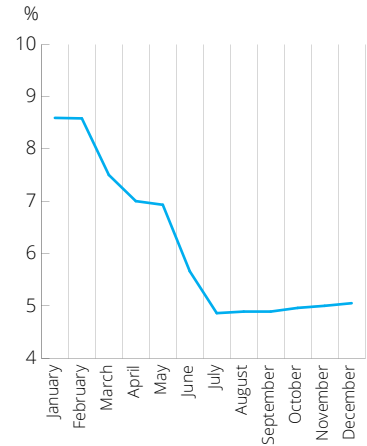
Source: Central Bank of Sri Lanka

The actions of the Central Bank enhanced market liquidity. The highly concessional loan schemes to provide working capital to the pandemic-hit business sector together with reductions in certain lending rates and imposing maximum levels on mortgage-backed housing loans all contributed to a downward movement in interest rates, with some market rates reaching historic lows. This resulted in an overall expansion of credit to the private sector by the end of 2020. Credit to the public sector also increased substantially during the year and lower interest rates facilitated the government funding at the lowest cost.

The historic low levels of interest rates during 2020 is clearly seen in the drastic downward trend of the 12 Month Treasury Bill Rate, which is the benchmark interest rate. Accordingly, the yields on government securities declined significantly during 2020 by 226 - 414 basis points, across all tenors. AWDR of commercial banks also dropped from 8.20% in 2019 to 5.8% in 2020 following the same trend.

Treasury Bill Rate Trend During 2020

12 Month Treasury Bill Rate Movements During 2020

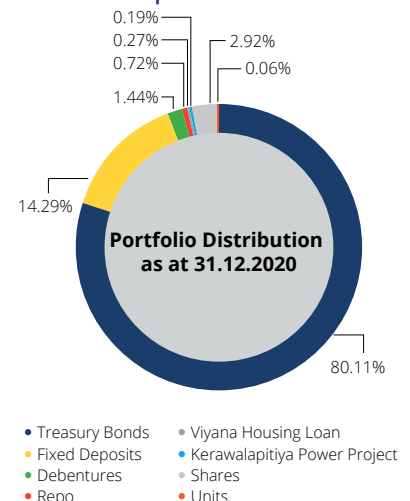


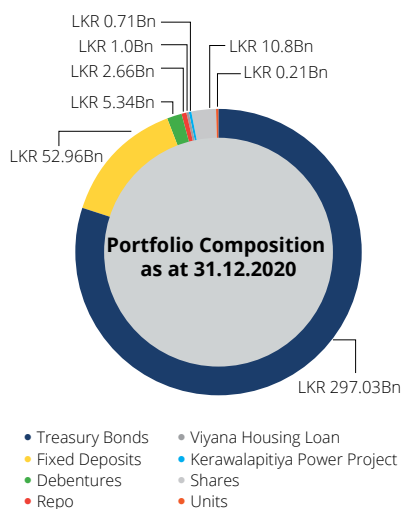
Investment Strategy

ETF, the second largest social security fund in Sri Lanka, has been operating under the three main principles of safety, return and liquidity pertaining to investments. Accordingly, the fund mainly invests in fixed income securities comprising government securities.

As a result, the government bond holdings increased to LKR 297 Bn by the end of 2020 from LKR 258 Bn at the end of 2019. As per the broader asset allocation strategy, the Board should invest not less than 94% in fixed income securities and not higher than 6% in equity investments. Accordingly, the Board invested 97% in fixed income securities and 3% in equity by the year end of 2020. Government bonds make up the majority of fixed income holdings.

Portfolio Composition





The fund mainly invested in fixed income securities totaling to LKR 359,719 Mn at the end of 2020. The main long-term investment of the segment was Government bonds, which increased from LKR 258,372 Mn to LKR 297,027 Mn at the end of 2020 meeting the funding requirements of the government under tough economic conditions. The value of equity portfolio reported as LKR 11,040 Mn at the end of 2020

Fixed Income Investments

As noted above, fixed income investments equaled 97% of the total fund investments at the end of 2020 ensuring the safety of the fund. As such, market interest rates remained the key factor affecting the performance of the fund.

The investment income reduced substantially during the second part of 2020 following the downward trend of the interest rates, in the bond market and on deposits of commercial banks. The maximum yields at the primary auctions also declined. However, the Board managed to minimize the impact by investing in different tenors of government bonds and by balancing the government funding.

Details of Treasury Bonds Maturities as at 31/12/2020

Maturity Period	Amortized Cost (LKR 000)	Percentage
0 - 1	13,651,748	5%
1 - 5	155,470,671	52%
5 - 10	103,691,880	35%
10 <	24,212,800	8%
Total	297,027,099	100%

Equity Investments

As 97% of the fund investments were in fixed income assets, the fund invested the balance 3% in the equity market. Our equity portfolio, is mainly exposed to the S&P 20 index counters to ensure liquidity, continuous dividend, capital gain and steady earnings growth even under volatile market conditions.

Equity investments helped to generate an impressive dividend and realized a capital gain of LKR 858 Mn during the year 2020 recording a growth of 74% over the LKR 494 Mn generated during 2019.

This was achieved within the context of challenging market conditions. The S&P SL20 Index dropped to 2,638 by end of 2020 from 2,937 in January 2020, recording a negative return of 10.18%. However, during the same period the All Share Index improved from 6,129 to 6,774 due to a few counters. Foreign net outflows during 2020 amounted to LKR 51,356 Mn demonstrating the lack of confidence in the Sri Lankan equity market and the anticipated rapid depreciation of the Sri Lankan rupee against major currencies stemming from external pressure. The closure of the Colombo Stock Exchange (CSE) from March to May 2020 during the initial wave of COVID-19 also affected the performance of the equity market.

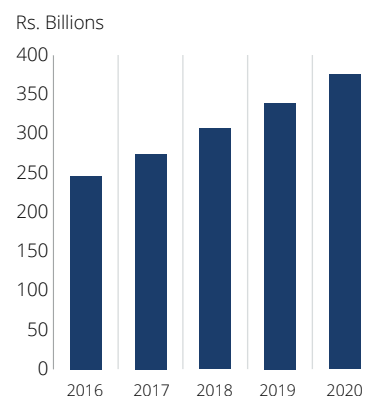
The Board was able to take the benefit of the mixed market performance by cautiously watching both fixed and equity markets for potential and factors that could affect both. We anticipated increasing rates following the increases in inflation expectation. We closely monitored potential future

uncertainties that emerged with the rapid spread of COVID-19 with new emerging variants when making our investment decisions.

Investment Position

The total investment portfolio of the Board increased from LKR 334,863 Mn at the end of 2019 to LKR 370,758 Mn at the end of 2020, an increase of 11%.

ETF Member Fund Growth



This is consistent with the growth rate achieved during the recent years.

Investing During the Pandemic

The ETF Board had to operate within challenging conditions and the uncertainties that prevailed in our investment activities. The Investment team had to alternately work from home using online platforms on some occasions while returning to work on others, following government health guidelines. Despite these operational challenges, we were able to continue our daily operations uninterrupted and were able to maintain a high level of performance owing to the dedication and commitment of our team.

Management Discussion and Analysis

Future Outlook

During 2021 and going forward, we will continue our investment activities following the principles of safety, return and liquidity of the fund investments. We will continue to closely monitor the performance of both fixed income and equity markets and related factors.

During the month of August 2021, CBSL increased policy rates by 50 basis points increasing SDF Rate to 5% and SLF Rate 6%. CBSL also increased the SRR by 200 basis points to 4% effective from 1 September 2021. These policy decisions created a conducive environment for rising interest rates. A portion of the expected substantial budget deficits will be financed internally. Therefore, the Board has to take the full advantage of

the situation by investing in different investment products in the medium to long term and by giving more weight to fixed income securities.

With the rapid implementation of the vaccination program to curtail the COVID-19 pandemic, the economy is expected to recover spurring on economic growth. Recovery of the tourism sector, the commencement of port city operations and the resulting new foreign direct investments (FDIs) would create a conducive business environment in Sri Lanka in the years to come. The resulting economic and employment growth will open up more opportunities for the growth of the fund on a wider level.

CONTRIBUTION COLLECTION AND EMPLOYER RELATIONS

The Contributions and Employer Relations Division of the Board is responsible for the timely collection of employer contributions and compliance activities including the levying and collection of surcharges on delayed contributions.

The Division is also responsible for employer awareness activities and promotion of ETF membership among the self-employed.

	31 Dec 2019	New in 2020	Dropped out during 2020	31 Dec 2020	Change %
EMPLOYERS					
Total Members	2,800,000	480,000	600,000	2,680,000	(4.2%)
Active Employers*	83,777	4,851	12,897	75,731	(9.3%)
ETF MEMBERS					
Members (represented by active and contributing employers)	2,800,000	480,000	600,000	2,680,000	(4.2%)
Self Employed Members Active	41,989	476	598	41,867	(0.029%)
Lapsed					
Migrant Worker Members	231	4	15	220	(4.76%)

The Division, together with the ETF network of regional branches operates according to targets and in order to meet the following key performance indicators:

• Number of Compliant Employers

ETF works with distinct strategy to cover the entire employed population in Sri Lanka. There is a clear disparity between the number of employed people according to Labour Department and Central Bank statistics and those whose employers contribute to the ETF on their behalf. This gap of around 600,000 can only be closed by registering all employers. The provisions of the ETF Act No. 46 of 1980 mandates that employers are required to contribute a 3% of workers basic pay on

behalf of not just permanent staff, but also casual workers, contract workers, piece rate workers, daily wage workers into the system.

• **Rate of Compliance among Contributing Employers.** Membership benefits are granted only for employees whose employers have continuously contributed to the ETF on their behalf over a period of 12 months. As such our work goes beyond detection to ensuring employers continue to make ETF contributions.

• **Branch recovery** is another key metric. This refers to the levels of payments ETF recovers from lapsed, defaulting or non contributing employers.

Prior to the pandemic, ETF branches have been annually conducting between 40,000 to 45,000 employer visits by the branch network for the purpose of registering eligible employers and for ensuring compliance in already registered employers. Typically, around 70% of these are to defaulting employers. Each year, around 3,000 new employers are registered.

Due to the lockdowns no employer inspections were conducted after March 2020. A total of 7,989 inspections took place during the year. However, we worked on recovering lapsed employer contributions by emailing, telephoning and by sending pay orders in accordance with regular procedures for recovery.

MEMBER SERVICE DIVISION

The Member Services Division is responsible for processing member claims and operating the ten non-statutory benefit schemes. The division also holds the responsibility of updating member accounts, issuing Annual Member Statements and clearing of unallocated member accounts.

Processing Member Claims

The ETF Board processed 157,790 refund claims in 2020 and paid out a total amount of LKR 18.4 billion. In comparison there were 196,382 refund claims in 2019 with a payment of 19.7 billion.

Despite the COVID-19 pandemic disrupting our operations for 10 months of 2020, we were able to provide an excellent service to our members, thanks to the outstanding efforts and commitment of our staff members.

	31 Dec 2020	31 Dec 2019	Dropped out during 2020
Refund Claims			
Number of Member claims processed	157,790	196,382	-19.65%
Amounts paid (LKR Bn)	18.4	19.7	-6.6%
Member Service Expenditure			
Active			
Lapsed	27,295	46,943	-42%
Member Benefits (Rs'000)	44,868	46,320	-11%

How severely the disruptions affected our operations is reflected in the 42% drop in our member services expenses in 2020, from the levels sustained in the previous period.

Member Benefits

The welfare of our members is a priority for us at the ETF Board. Since 1986 we have added on various non statutory benefits for our members. At present, ETF members enjoy ten non statutory benefit schemes that offer financial assistance to our members on top of refund claims payments.

Non-Statutory Benefits Schemes to ETF Members		
Benefit scheme (Year of commencement)	2020 Recipients number) Benefits (LKR Mn)	2019 Recipients (number) Benefits (LKR Mn)
Free Life Insurance Scheme (1986)	951 members LKR 93,943 Mn	1,119 members LKR 110,494 Mn
Permanent Disability Insurance Scheme (1989)	64 members LKR 10,807 Mn	71 members LKR 11,881 Mn
Financial Assistance for Heart Surgeries (1991)	405 members LKR 108,058 Mn	636 members LKR 173,125 Mn
Reimbursement of cost of Intra-ocular Lenses (1992)	219 members LKR 2,939 Mn	310 members LKR 4,058 Mn
Year Five Scholarship Assistance Scheme (1994) Including the children of members terminated due to permanent disability (2010)	6,317 students LKR 94,755 Mn	6,048 students LKR 90,720 Mn
"Shramasuwa Rekawarana" Hospitalization Medical Scheme (1997)	795 members LKR 6,696 Mn	1,087 members LKR 9,812 Mn
'Viyana' Housing Loan Scheme (June 2002)	94 members LKR 192,574 Mn	18 members LKR 38,910 Mn
Financial Assistance for Kidney Transplant Surgery (2006)	12 members LKR 3,085 Mn	20 members LKR 5,708 Mn
Higher Educational Scholarships for children of ETF members who passed GCE (A/L) Examination (Since 2010)	953 students LKR 11,436 Mn	6,001 students LKR 72,012 Mn
Total non statutory member benefits paid	LKR 405,396 Mn	LKR 454,714 Mn

Management Discussion and Analysis

Financial assistance provided for heart surgery, kidney transplants, re-imburement of expenses for intra ocular lenses, and claims for permanent disability, death benefits and under the Shramasuwa Rekawarana added up to LKR 225 Mn in 2020.

In addition to benefits directly given to individual ETF members, we are also offering benefits for members' children. Annually, we celebrate the academic achievements of the children of the members by offering financial benefits for those passing the year 5 scholarship exam and the GCE A/L exam.

During 2020, 6,317 Year Five Scholarship holders were paid a sum of LKR 95 Mn in benefits. The 2020 GCE A/L examination was delayed due to the pandemic. The benefit applications for students who passed the exam are being called at time of writing (in August 2021).



Handing over 5-year Scholarships Cheque to Prime Minister



Handing over Advance Level Scholarships Cheque to Peoples Bank

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 16.4 million of which, 98% of member accounts had been updated by the end of the year 2020. Of these member accounts, 13.7 million accounts had been reported as inactive while 2.7 million member accounts stood as active. Annual member statements for active accounts have been issued to the respective employers during the year under review.

The Way Forward

We are in the process of launching a member-oriented portal for the ETF. More information is provided in the IT Section of this report.

OUR EMPLOYEES

At end of 2020, the ETF Board had 996 employees, a slight movement from 2019 figure of 1040 due to new recruits, retirements and resignations and changes of employment.

Employees by Gender

The ETF Board male to female ratio of employees stood at 51:49 at end of 2020.

Male/Female Analysis

Male	Female	Total
503	493	996
51%	49%	100%

Level	Job Grade	Male	Female	Total
Senior	GM	1	-	1
	Additional General Manager	1	-	1
	Deputy General Manager	4	-	4
	Assistant General Manager	5	2	7
	Manager	24	21	45
	Total	35	23	58
Tertiary	Junior Manager	36	36	72
	Management Assistant 4	82	106	188
	Total	118	142	260
Secondary	Management Assistant 2-2	-	1	1
	Management Assistant 1-2	210	301	511
	Total	210	302	512
Primary	Primary Level	140	26	166
	Total	140	26	166
Grand Total		503	493	996

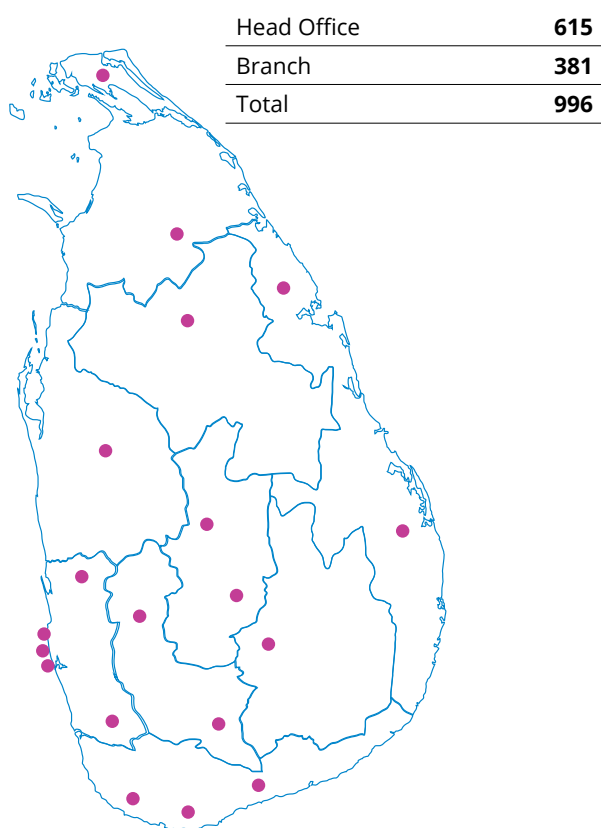
Employees by age

Employees by Age (As at 31.12.2020)		
Age Range (Years)	Total	
21-25	37	4%
26-30	133	13%
31-35	140	14%
36-40	163	16%
41-45	93	9%
46-50	138	14%
51-55	157	16%
Above 55	135	14%
Total	996	100%

Employees by Job Grade

	Job Grade	Total	Percentage
Senior	GM	1	5.82%
	Additional General Manager	1	
	Deputy General Manager	4	
	Assistant General Manager	7	
	Manager	45	
	Total	58	5.82%
Tertiary	Junior Manager	72	7.23%
	Management Assistant 4	188	18.88%
	Total	260	26.10%
Secondary	Management Assistant 2-2	1	0.10%
	Management Assistant 1-2	511	51.31%
	Total	512	51.41%
Primary	Primary Level	166	16.67%
	Total	166	16.67%
Grand Total		996	100.00%

Employees By Location



Employees by Location

Of the 996 employees of the ETF Board, 615 are based at the Head Office and 381 are spread across the branch network.

Employee Engagement



Detail	Executive	Non Executive	Total
Retirement	14	28	42
Recruitment	1	0	1
Promotion	15	0	15

Employee Transfers

A few transfers took place during the year on requests made by employees for their convenience.

Salaries and Benefits

All of the employees of the Board are on permanent basis. As employees of a Statutory Board they are eligible for a number

Management Discussion and Analysis

of benefits in addition to their basic salary, there were no changes to salaries and benefits of employees during the pandemic.

	2020 LKR '000	2019 LKR '000	Change %
Salaries	572,151	537,959	6%
Cost of Living Allowance	93,817	96,312	-3%
Meal Allowance	11,337	3,880	192%
Overtime	13,528	25,505	-47%
Holiday Pay	5,517	14,039	-61%
	696,350	677,695	3%

Benefits

Employees of the ETF Board are eligible for a number of benefits that are granted to employees. These include grade-wise incentives, medical bill reimbursement facilities, annual bonuses, a variety of loans, salary increments credits for higher educational qualifications and compensations for permanent disability or death of employee.

	2020 LKR '000	2019 LKR '000	Change %
Incentive	121,686	145,504	-16%
Uniform and Tailoring Cost	17,417	16,489	6%
Retirement Special Bonus	6,040	3,627	67%
Tea and Other Staff Welfare Expense	8,059	11,423	-29%
Encashment of Leave	25,015	18,146	38%
Annual Bonus	108,744	102,395	6%
Reimbursement of Medical Expense	91,057	103,109	-12%
Interest on Housing Loan	10,481	14,142	-26%
Interest cost	26,523	22,277	19%
Current Service Cost	12,862	10,889	18%
EPF	104,867	100,245	5%
ETF	20,991	20,056	5%
Telephone Bill Reimbursement	5,652	2,566	120%
Total	559,395	570,868	-2%

Incentive

Incentives granted on a grade wise basis include the attendance and performance incentives which are paid on a monthly basis.

Medical Facilities

Medical facilities of ETF Board employees include:

- Annual OPD Medical Reimbursement of up to LKR 60,000.00 per employee.

- Annual hospitalization reimbursements of up to LKR 100,000.00 per employee.

Annual Bonus

The annual bonus paid in the month of December is equivalent to the two months basic salary with cost of living allowance.

Loans

Special Loan

Loan Amount	LKR 100,000.00
Recovery Period	60 Instalments
Interest	4.2% per annum

Housing Loans

Maximum Loan Amount	LKR 3,000,000.00
Recovery Period	25 years or completion of age 60
Interest	1st 2,000,000 for 4.2% per annum
	Balance 1,000,000 for 7.0% per annum

Vehicle Loans

Any employee can obtain one loan from the Motor Vehicle, Three Wheel and Motor Bike Loan categories, along with the push bicycle loan.

Motor Vehicle	Loan Amount	LKR 1,250,000.00 (MA 1-2 and below) LKR 2,500,000.00 (MA 4 and above)
	Recovery Period	15 years
	Interest	4.2% per annum
Three wheel Loan	Loan Amount	LKR 900,000.00
	Recovery Period	15 years
	Interest	4.2% per annum
Motor Bike Loan	Loan Amount	LKR 500,000.00
	Recovery Period	10 years
	Interest	4.2% per annum
Push Bicycle Loan	Loan Amount	LKR 15,000.00
	Recovery Period	36 Installments
	Interest	4.2% per annum

Distress Loan

Loan Amount	Basic+7,800 (Cost of Living) x 12 months
Recovery Period	120 installments
Interest	4.2% per annum

Compensations for Permanent Disability or Death of Employee

Incident	Grade/Designation	Compensation Amount
Death of employee	Chairman/ Working Director	1,500,000.00
	(Higher Management 2-1), (1-3), (1-1)	1,450,000.00
	Middle Management (1-3)	1,350,000.00
	Junior Manager (1-1)	1,250,000.00
	Management Assistant (4)	1,125,000.00
	Management Assistant (2-2), (1-2)	1,000,000.00
	Primary Level (1), (2), (3)	875,000.00

Incident	Grade/Designation	Compensation Amount
Permanent Disability	Chairman/ Working Director	1,750,000.00
	Higher Management (2-1), (1-3), (1-1)	1,700,000.00
	Middle Management (1-3)	1,650,000.00
	Junior Manager (1-1)	1,500,000.00
	Management Assistant (4)	1,350,000.00
	Management Assistant (2-2), (1-2)	1,200,000.00
	Primary Level (1), (2), (3)	1,050,000.00

Additional Salary Increments - Higher Educational Qualifications

Additional salary increment credits for obtaining higher educational qualifications are granted based on job grade and the qualification obtained.

Job Category	Qualification	No of special increments
Management Assistant (1-2) and (4)	Diploma	01
	Degree	02
	Masters	03
Any grade	Masters	03

Reimbursement of Expenses for Highest Education Qualification

Education fee related to the subject area is reimbursed up to Rs 400,000/- with certain terms and conditions.

LKR	2020	2019
Reimbursement of Education	1,582,375	2,614,127

Facing the COVID-19 Pandemic**COVID Safety**

From the outset of the pandemic, the Board followed government Health Guidelines including the following measures:

- Measured body temperature of staff and customers entering all ETFB premises.
- Fixed wash basins opposite the main entrance of each of the ETFB premises.
- Provided face masks, gloves and face shields for customer-care staff and safety gloves for maintenance staff.
- Provided hand sanitizers for all locations.
- Periodically disinfected office premises including floor areas.
- Fixed partitions and safety coverings for staff who come in direct contact with visitors, employers and members.

Additionally, during 2020, The Board established means to provide purified drinking water for all employees.

Vaccinations

Although vaccinations were not available during 2020, it is a priority of HR to ensure that all our staff members are vaccinated against COVID-19. Around 75% of staff members had been fully vaccinated by mid-2021.

Changes in Work Patterns

To the extent possible, considering technology limitations, our staff had to transition to working from home (WFH) and to rotational work in keeping with the Directives issued by the Government of Sri Lanka during the pandemic. These limitations and constraints prevailed throughout 2020, beginning in March.

Management meetings, Board of Directors meetings, Communications with divisional, sectional and branch office staff were conducted on virtual platforms.

Management Discussion and Analysis

Facilities for WFH

- **Tablet computers.** We provided 130 tablets for employees to work from home during lockdowns and periods of rotational work schedules. The tablets which had already been purchased for the use of field staff were recalled and given for employees WFH.
- **Data charges.** We reimbursed data usage charges for work done by employees during WFH periods.
- **Reimbursed fuel expenses** for staff who came to office in their own vehicles during periods of travel restrictions.

COVID-19 Related Expenses incurred in 2020 included the following:

	LKR '000
PCR Cost	43
Sanitization cost	1,145
Staff Transport cost (Hire charges)	448
Staff Fuel Reimbursement	412
Work From Home Cost (Laptops)	4,152
Fuel Expenses	
Fuel Cost	4,290
Fuel Allowance	3,879

Routine HR activities

We continued to carry out some of our routine HR activities during 2020, including the following.

- Internal Grade promotions
- Granting staff loans for employees
- Medical reimbursement facilities
- Annual Asset Verifications of the board had been done as usual
- Disciplinary actions had been conducted against accused employees

Training and Development

The training programmes scheduled to be conducted in 2020 with the objective of capacity building to enhance performance levels were not conducted due to the pandemic and the ensuing lockdowns imposed in 2020. As a result, the investment in training and development in 2020 reduced to LKR 1,992,000 compared to LKR 3,597,000 in 2019.

However, a limited number of training sessions were conducted through virtual platforms. The ICTA Project training program was conducted as scheduled to facilitate the transition to the member-centric system.

Staff also participated in a few external training programmes.

External Training Programmes	No. Participants	Staff Categories	Dates	Rs.
Seminar on Macro Fiscal Overview & Recent Tax changes - CA Sri Lanka	1	DGM (Finance)	30.01.2020	2,500
Microsoft Power BI - Dashboard in a day training program - CA Sri Lanka	1	DGM (Finance)	31.01.2020	9,500
Preparation of Financial Statements and Annual Reports - CA Sri Lanka	2	DGM (Finance) Manager (Finance)	07.02.2020	8,000
Training on Social Protection - UNICEF Foundation	1	Manager (M/A - Lar. Cat)	10.02.2020 14.02.2020	Free
HR for Public Sector: Promising Prospects - CIPM	6	AGM (A & HR) Manager (A & HR) And selected staff	11.02.2020	Free
Public Service Disciplinary Procedures (3 days Training program) – Miloda Academy	2	Legal Officer Asst. Admin Officer	15 – 17 July 2020	36,000
Advanced Excel Training Program	30	Selected staff	17th and 21st August 2020	213,820
Procurement Training - (Organisation) Institute of Supplies and Material Management	2	Management Assistant 12	4 months	50,000
HR Clinic: Reimagining HR amid COVID -19 - CIPM		AGM (A & HR)	05.12.2020	2,500

Moving to Mehewara Piyesa

Beginning in September 2020 we were able to move all of the ETF Board operational and support divisions to the Mehewara Piyesa. By April 2021 we completed the entire transition, bringing together everyone into the 19th to 23rd floors of Mehewara Piyesa, in Narahenpita, Colombo 5. The new premises have an extent of 50,000 square feet and offer a much more modern, ambient workplace for staff and for our visitors.

Previously ETF operations were located at the Labour Secretariat and spread across 4 buildings around Narahenpita. Bringing them all together under one roof improves the productivity of the operations of the Board.



Comparison of costs between 2020 and 2019

Rent and lease costs. Although there is a substantial increase in lease and rent costs following the move, the resulting productivity achievable over the long term and the enhanced quality of service we are able to deliver to our members justifies the investment. Also, it enhances the image of the ETF, the second largest social security fund in the nation.

Due to the transition and limited number of days worked during 2020 electricity and water costs at Head Office cannot be reasonably compared with its previous year.

Sustainable practices

Paperless Environment

ETFB has adopted a clear strategic vision and approach towards achieving a paperless environment in its core and support activities by year 2022. The digitalization activities are performed to be in line with the national drive towards e-governance.

Due to its unique needs, the digitalizing of the ETF Board operations towards a fully automated information and communication technology system with paperless environment needs to be custom developed. The project development is ongoing with technical and financial support from the Information & Communication Technology Agency of Sri Lanka (ICTA). By August 2021, the software development life cycle iterations and 60% of user acceptance testing had been completed. The complete system with paperless office is expected to go live in 2022.

With the transition in mind, we have been prompting and encouraging our staff to make use of digital devices rather than working in the traditional style using printed documents.

The change management training that must take part before the full transition to paperless has been delayed due to lockdowns. But it will need to be completed during the parallel run, before the system can go live.

Management Discussion and Analysis

INFORMATION TECHNOLOGY

The IT Department comprises Software Development and Systems Administration sections. A core function of IT is to maintain the Member Administration Software System which is currently in the process of being replaced with a more member centric custom designed software.

These and other initiatives to re-structure the information technology environment of the Board is done in collaboration with the Information & Communication Technology Agency of Sri Lanka (ICTA).

IT and Infrastructure Investments

The investments made during 2020 included measures to facilitate the continuing of Board operations by working from home during the Coronavirus pandemic and routine planned investments:

IT investments during the year	Cost
34 new laptops	LKR 4,125,358
Remote virtual private network (VPN) soft tokens @ LKR 55,170.72 per month for the duration of 2020	LKR 556,103
Microsoft 365 collaborative software with the following features: <ul style="list-style-type: none"> • Web & mobile version of Office application • Email & calendaring • Teamwork & communication • File storage & sharing • Security & compliance 	LKR 841,402

The collaborative Microsoft 365, together with secure remote access ensured network availability for conducting official work during pandemic lockdowns and during periods of work rotations.

IT Procedures Manual

IT functions are performed according to procedures documented in the IT Procedures Manual of the ETF Board.

Backups and Data Safety

Backups are performed daily. System backups and user libraries are backed up at the end of each month. Backups are stored in a different location outside the Mehewara Piyesa.

The Board retains two months backups at any point to ensure business continuity.

Firewall protection of ICT Network

All 18 branches are connected to the Head Office system via IPVPN technology. The VPN enables staff to work from office or from home as necessary. An SLT managed firewall protects the entire network.

User Awareness and Enforcement Improving user awareness and enforcement of the password policy are some other functions of the IT Department.

Future Plans in IT

New member-centric information system

We are in the process of launching a member-centric information system and portal for the ETF. The existing system database is employer-centric and has the employer as our core contact. Due to this, all processes flow through the employing organisation, including applying for membership benefits.

Recognising the need for a more member friendly system, we have been working with a system developer on a member-centric system with technical support from the ICTA. Due to the complex nature of our operations, the system needs to be custom built.

Through the proposed new system employees can directly register with the system and check statements and their annual balances. They can also directly apply for membership benefits without the hassle of going through their employers.

System and change management training

We will conduct training activities on how to use the new information system for all ETF staff whose work functions will be affected by its implementation. We anticipate the need for some change management training also to support the transition from our employer-centric system to the new member-centric system.

New ETF website

We have been working on a new, more member friendly website to replace the current website of the ETF Board. The new site is to be finalized in November 2021.



LEGAL DIVISION

The Legal Division operates as an advisory service unit for all legal matters of the Board and functions under the supervision of AGM(Legal) and reports to the DGM (Collection & Employer Relations – C&ER).

Following the establishment of the Regional Office network, all relevant legal activities have been decentralized with Legal Officers in charge of all legal matters at the regional level. The Legal Division operates with the other divisions to handle the lawsuits that are filed on behalf of the C&ER in compliance activities.

FINANCE DIVISION

Recognition for Excellence in Corporate Reporting

The ETFB Annual Report – 2019 was recognized with a Gold Award for the second consecutive year under the category of 'Statutory Boards, Authorities and Commissions' at the Association of Public Finance Accountants of Sri Lanka (APFASL) – Annual Report Awards. The APFASL is the public sector wing of the Institute of Chartered Accountants of Sri Lanka. This award recognizes state sector institutions that have demonstrated the highest standards of transparency, accountability, social responsibility and corporate governance in the sphere of corporate reporting and financial disclosures.



INTERNAL AUDIT DIVISION

The Internal Audit function of the ETFB is headed by the DGM (Internal Audit) who directly reports to the Chairman/ CEO. The Internal Audit Division is responsible to ensure that all systems and processes of the Board are conducted.

The findings of ongoing audit investigations are regularly reported to the Board Audit Committee (BAC) which comprises of three independent Board of Directors. Audit Plans are submitted to the Board of Directors and the BAC setting out the areas of prioritization for internal audit.

The BAC monitors and reviews the scope, extent and effectiveness of the activities of the ETFB's Internal Audit Department. This includes reviewing updates on audit activities and achievements against the Internal Audit Plan, advising Corporate Management to take precautionary measures on significant audit findings and assessment of resource requirements.

The Internal Audit also performs regular branch visits covering the network of Regional Offices of the ETFB. At these onsite visits, process audits are conducted on a regular basis.



BOARD OF DIRECTORS



1. Mr. Sriyan de Silva Wijeyeratne

Chairman/CEO

Appointed by the Minister of Finance

2. Mr. Neil Umagiliya

Director

Appointed by the Minister of Finance

3. Mr. K D Ranasinghe

Director

Appointed by the Minister of Finance

4. Mr Jude Dinal Peiris

Director

Appointed by the Employers Federation of Ceylon

5. Mr. R A L Udaya Kumara

Director

Appointed by the Minister of Finance

6. Mr. L S Devendra

Director

Trade Union Representative

7. Ms. E A Ekanayake

Director

Appointed by the Minister of Trade and Commerce

8. Mr. Ariyasena Gallage

Director

Appointed by the Minister of Finance

9. Mr. W M Nurajith Singh

Director

Trade Union Representative



Mr. Sriyan de Silva Wijeyeratne
Chairman/CEO

Appointed by the Minister of Finance

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Academic and Professional Qualifications

- Bachelor of Business Administration - Special Degree (First Class) from the University of Sri Jayewardenepura
- Master of Business Administration from the University of Sri Jayewardenepura
- Fellow Member of Chartered Institute of Management Accountants, UK and CGMA

Other Appointments

- Board Member of Hemas Holdings PLC and Managing Director of Hemas Consumer Ltd

Previous Appointments

- Group CEO – Abans PLC
- Managing Director / CEO of Teejay Lanka PLC
(One of the S&P Top 20 Companies which was recognized during his tenure as a Winner of Forbes "Asia's 200 Best under a Billion-Dollar Company")
- Country Manager of Microsoft Sri Lanka and Bangladesh
- Director Marketing and Sales of Suntel Ltd
- Brand Manager at Nestle Lanka PLC



Mr. Neil Ajantha Umgiliya
Director

Appointed by the Minister of Finance

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Academic and Professional Qualifications

- Fellow Member of the Chartered Institute of Management Accountants, UK
- Member of the British Institute of Management

Previous Appointments

- Managing Director of Dial Textile Industries Pvt Ltd
- Chairman of Bank of Ceylon
- Member of the Monetary Board of Sri Lanka
- Member of the Board of Directors of ICTA
- Member of the NCED
- Board member of the Sri Lanka Export Development Board



Mr. K D Ranasinghe
Director

Appointed by the Minister of Finance

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Academic and Professional Qualifications

- Bachelor of Arts in Economics from the University of Colombo
- Masters degree in Economics from the Michigan State University, USA

Previous Appointments

- Deputy Governor of the Central Bank of Sri Lanka
- Alternate Executive Director at the International Monetary Fund (IMF), Washington D.C., USA *(representing the constituencies Bangladesh, Bhutan, India and Sri Lanka)*
- Director of the HDFC Bank PLC
- Director of the Ceylon Electricity Board
- Chairman of the West Coast Power (Pvt) Ltd
- Chairman of the Institute of Bankers of Sri Lanka

Board of Directors



Mr. Jude Dinal Peiris
Director

Appointed by the Employers Federation of Ceylon

Academic and Professional Qualifications

- Mechanical Engineer
- MBA from the London Business School, UK

Other Appointments

- Council Member of the Employers' Federation of Ceylon
- Board positions in several quoted and non – quoted companies



Mr. R A L Udaya Kumara
Director

Appointed by the Minister of Finance

Academic and Professional Qualifications

- Master of Science in Financial Management from the University of George Washington
- Masters degree in Financial Economics from the University of George Washington
- Fellow Member of the Institute of Chartered Accountants of Sri Lanka
- Successfully completed a Capital Markets Program at the George Washington University, USA

Other Appointments

- At present, functions as the Director of the Department of Public Enterprises
- Member of the Board of Management of the APFA (*the public sector wing of the Institute of Chartered Accountants, Sri Lanka*)
- Board member of the following state-owned enterprises :
 - Selendiva Investments Ltd
 - Coconut Research Institute,
 - Kurunegala Plantations Ltd
 - Sri Lanka Handicraft Board
 - Buddhasasana Fund



Mr. Leslie Devendra
Director

Trade Union Representative

Academic and Professional Qualifications

- Bachelor of Law
- Diploma in Industrial Relations, UK
- Diploma in Labour Policy Development (ILO Geneva)
- Diploma in Training Mythology (ILO Turin)

Other Appointments

- General Secretary of Sri Lanka Nidahas Sevaka Sangamaya
- Member of the Executive Board – of the International Transport Workers Federation
- Vice President of the South Asia Regional Trade Union

Previous Appointments

- Member of the National Pay Commission
- Director of Institute of Business Management
- Director of the Technical and Vocational Education Commission
- Member of the National Press Council
- Member of the National Labour Advisory Council
- Member Sri Lanka Foundation

Other Achievements

Conferred the honorary title Deshabandu at the Presidential National Awards.



Ms. Erandi Ekanayake
Director

Appointed by the Minister of Trade and Commerce

Academic and Professional Qualifications

- Bachelor of Arts (Business Statistics) from the University of Sri Jayawardenapura
- Master of Social Science from the University of Kelaniya
- Master of Science (Operations Research) from the University of Moratuwa

Other Appointments

- Assistant Secretary of the Ministry of Trade

Previous Appointments

- Assistant Director of the Ministry of Industries and Commerce



Mr. Ariyasena Gallage
Director

Appointed by the Minister of Finance

Academic and Professional Qualifications

- LL.B. Degree from the University of Colombo

Other Appointments

- Director of the Polonnaruwa District Corporative Rural Bank Union Ltd
- A practicing senior lawyer with more than 28 years of experience

Previous Appointments

- Managing Director of the Central Engineering Consultation Bureau
- Chairman of Provincial Road Development Authority North Central Province
- Director of the Janatha Fertilizer Company
- Director of the Coconut Research Institute



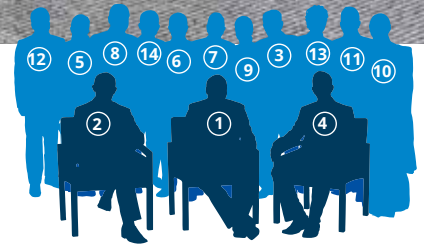
Mr. W M Nurajith Singh
Director

Trade Union Representative

Current Appointments

- Deputy Human Resources Manager (Covering) at the Sri Lanka Transport Board (Head office),
- Board member of the CTB
- President of the Sri Lanka Podujana Transport Workers' Federation

MANAGEMENT TEAM



General Managers

1. Mr. D P G Fernando

Deputy General Managers

2. Mr. A J M S Jayasundara

3. Mr. K S Weliwita

4. Mr. Udaya Wickremanayake

5. Ms. G A S Sumanasena

6. Mr. W G K Rathnayake

Assistant General Managers

7. Mr. M A K Aluthgamage

8. Mr. J K P Ranjith

9. Ms. P L I C P Alwis

10. Ms. V N Jayaratne

11. Mr. K G N Ratnayake

12. Mr. H M A J Kumara

13. Mr. Pushparanga Weerasekara

14. Mr. H G D N Prasanna



Mr. D P G Fernando
General Manager

Skills & Experience

- Experience in auditing and assurance in one of the leading 'Big 4' accountancy firms.
- Over 25 years of post-qualification experience in diversified industries across manufacturing, trading, property development, automobile and leisure.
- Held senior positions in finance & strategic management in large conglomerates in Sri Lanka and overseas with a strong track record of transforming businesses for growth and expansion along with exposure to regional level new business development.
- Served as a Non – Executive Director/ CEO in subsidiaries of large conglomerates in Qatar & Maldives.
- Exposure in conducting international investor forums and being a resources person in professional forums relating to Accountancy and Information Technology.

Academic & Professional Qualifications

- Bachelor of Science in Business Administration (Special Hons.) Degree from the University of Sri Jayewardenepura
- Fellow member of the Institute of Chartered Accountants of Sri Lanka
- Fellow member of the Institute of Certified Management Accountants of Sri Lanka
- Fellow member of the Australian Computer Society in Australia
- Fellow member of the British Computer Society, UK (FBCS)

- Fellow member of the Association of Accounting Technicians of Sri Lanka
- Finalist of the Association of Chartered Certified Accountants, UK



Mr. A J M S Jayasundara
Deputy General Manager
(Contribution Collection & Employer Relations) Retired on 09/10/2021

Skills & Experience

- Joined the ETFB in 1999 as Regional Manager (served in the Regional Offices located in Badulla, Hatton, Kandy, Kegalle and Kurunegala.)
- Previously served the Regional Rural Development Bank, Badulla.

Academic & Professional Qualifications

- Bachelor of Commerce from the University of Sri Jayewardenepura
- Master of Business Administration from the University of Wayamba
- Post Graduate Diploma in Management University of Peradeniya
- Doctoral Degree in Business Administration from the IIC University of Technology, Cambodia



Mr. K S Weliwita
Deputy General Manager
(Internal Audit)

Skills & Experience

- More than 30 years of experience in finance and auditing in private and public sector organizations.

Academic and Professional Qualifications

- Bachelor of Science in Applied Accounting from the University of Sri Jayewardenepura
- Fellow member of the Institute of Chartered Accountants of Sri Lanka
- Fellow member of the Institute of Association of Accounting Technician
- Fellow member of the Institute of Public Financial Accountants of Sri Lanka



Mr. Udaya Wickremanayake
Deputy General Manager
(Investments)

Skills & Experience

- Over 33 years of experience in the financial services sector which includes 29 years in banking and capital markets of Sri Lanka. Was attached to the NDB Bank PLC prior to joining ETFB.

Academic & Professional Qualifications

- Bachelor of Science in Business Administration (Special Degree with a class) from the University of Sri Jayewardenepura
- MBA from the Postgraduate Institute of Management from the University of Sri Jayewardenepura
- Member of AAT Sri Lanka

Management Team



Ms. G A S Sumanasena
Deputy General Manager
(Finance)

Skills & Experience

- Experience in auditing and assurance in one of the leading 'Big 4' accountancy firms.
- Over 20 years of experience in multitude of industries in manufacturing, export sector conglomerates and trading.

Academic & Professional Qualifications

- Bachelor of Science in Accountancy & Financial Management (Special Degree) from the University of Sri Jayewardenepura
- Master of Business Administration (General degree) from the Cardiff Metropolitan University, UK
- Fellow member of the Institute of Chartered Accountants of Sri Lanka
- Fellow member of the Institute of Chartered Management Accountants of Sri Lanka



Mr. K G N Rathnayake
Deputy General Manager
(Member Services)

Skills & Experience

- Possesses extensive administrative experience of over 24 years in the capacities of CEO cum Administrative Manager with wide exposure in overseeing and leading both small and large administrative teams of reputed organizations.

Academic & Professional Qualifications

- Bachelor of Science in Human Resource Management from the University of Sri Jayewardenepura
- Fellow member of the Institute of Chartered Accountants of Sri Lanka
- Fellow member Society of Certified Management Accountants of Sri Lanka
- Completed Stage II of Chartered Institute of Management Accountants, UK



Mr. M A K Aluthgamage
Assistant General Manager (Finance)

Skills & Experience

- Over 22 years of experience in the finance department of the ETFB having joined in 1999 as an Accountant.

Academic and Professional Qualifications

- Bachelor of Commerce (Special) degree from University of Sri Jayewardenepura
- Master of Business in Finance degree from University of Kelaniya
- Member of the Association of Accounting Technicians of Sri Lanka,
- Associate Member of Sri Lanka Institute of Credit Management
- Member of Sri Lanka Institute of Management



Mr. J K P Ranjith
Assistant General Manager
(Enforcement Region 1) Actg. DGM
with effect from 11/10/2021

Skills & Experience

- Senior-level managerial experience in the state as well as private sector organizations including multinational companies.
- Served as the Director of Finance at the National Child Protection Authority (NCPA and the Project Finance Head in GFATM, a project under the purview of the Ministry of Health.
- Served Coca-Cola - Sri Lanka for 24 years where he held several senior positions in its Finance Division.
- Completed Executive Diploma in Labor Law and industrial relations offered by Employer's Federation of Ceylon in Partnership with ILO

Academic and Professional Qualifications

- Masters in Business Administration from the Post Graduate Institute of Management of the University of Sri Jayewardenepura.
- Fellow member of the Chartered Institute of Management Accountants, UK
- Member of the International Association of Bookkeepers
- Finalist of the Institute of Chartered Accountants of Sri Lanka
- Membership of CBA
- Membership of CGMA (USA)



Ms P L L C P Alwis
Assistant General Manager
(Enforcement Region 3)

Skills & Experience

- Held key positions of Deputy Registrar and Assistant Registrar at the General Sir John Kotelawala Defence University and the University of Ruhuna respectively.
- Served in the private sector and in the Ministry of Science and Technology.

Academic & Professional Qualifications

- Bachelor of Science degree (First-Class) from the University of Colombo
- Master of Science degree from University of Peradeniya (Specialization Biotechnology)
- Master of Public Management degree from Sri Lanka Institute of Development Administration



Ms. Vajira Jayaratne
Assistant General Manager
(Contribution Collection)

Skills & Experience

- Over 26 years of experience in the ETF Board having joined as an Accountant.
- Served as an Account Executive at DSI Samson Exports Ltd.

Academic & Professional Qualifications

- Bachelor of Commerce (Special) Degree from the University of Kelaniya.

- Master of Business Administration (MBA) from the Business School of Australian Institute of Management.
- Member of the Institute of Certified Management Accounts, Australia (CMA).



Mr. K G N Ratnayake
Assistant General Manager –
Administration & Human Resources

(Covering up the duties of DGM Human Resources and AGM Procurement during the last 2 years)

Skills & Experience

- Over 24 years of experience in the human resources and administration fields having held positions in the private sector and government corporations.

Academic and Professional Qualifications

- Bachelor of Commerce (Special) degree from the University of Kelaniya
- Associate Member of Chartered Institute of Personnel Management



Mr. H M A Jayantha Kumara
Designation: Asst. General Manager -
Legal cum Board Secretary.

Skills & Experience

- Over 17 years of experience in the legal department of the ETFB having joined the ETFB in 2004 as a Legal Officer.
- Author of the updated chapter - "The Employees' Trust Fund Act" in the "Understanding Labor Law" book published by the Department of Labour.
- A lecturer covering the subject "Labour Law for Labour Officers" conducted by the National Institute of Labour Studies (NILS), Ministry of Labour.
- A key resource person who represented the Employees' Trust Fund Board to develop the Legal and Enforcement AS 400 Computer Modules which is currently in force.
- A key resource person who contributed to drafting the proposed amendments to the ETF Act.
- A key resource person involved in drafting the "Procedure Code for the Legal Activities" of the ETF Board.

Academic & Professional Qualifications

- Bachelor of Science degree (Honours) from the University of Peradeniya
- Master of Arts in International Relations from the University of Colombo
- LL.M from the General Sir John Kotelawala Defence University
- LLB degree from the Open University of Sri Lanka
- Attorney-at-law of the Supreme Court of Sri Lanka
- Notary Public and Commissioner for Oaths
- Registered Company Secretary

Management Team



Mr. Pushparanga Weerasekara
Assistant General Manager
(Information Technology)

Skills & Experience

- Wide experience in planning, analyzing, designing, programming and implementing engineering projects with specialist expertise in software, hardware, electronics and networking.

Academic & Professional Qualifications

- Bachelor of Engineering Technology Degree from the Open University of Sri Lanka. (Specialization: Computer Engineering)
- Master's degree in Computer Science from the Staffordshire University, UK
- Associate Member of the Institution of Engineers, Sri Lanka (IESL)
- Diploma in Artificial Intelligence (AI) System Program
- Diploma in JAVA Programming Development



Mr. H G D Nihal Prasanna
Assistant General Manager
(Member Services) Actg.

Skills & Experience

- Joined the ETF Board as a Supervisory Officer. Possesses exposure in key divisions of enforcement, administration and HR divisions.
- Gained overseas exposure in IT training in Wuhan Fiber Home, China
- Participated in several local and overseas training programs organized by the International Labour Organization (ILO) and UNICEF.
- Lecturer at the National Institute of Labour Studies

Academic & Professional Qualifications

- Bachelor of Science degree from the University of Ruhuna
- Master's in Public Management degree from the Sri Lanka Institute of Development Administration
- PA from the University of HUST, Wuhan, China

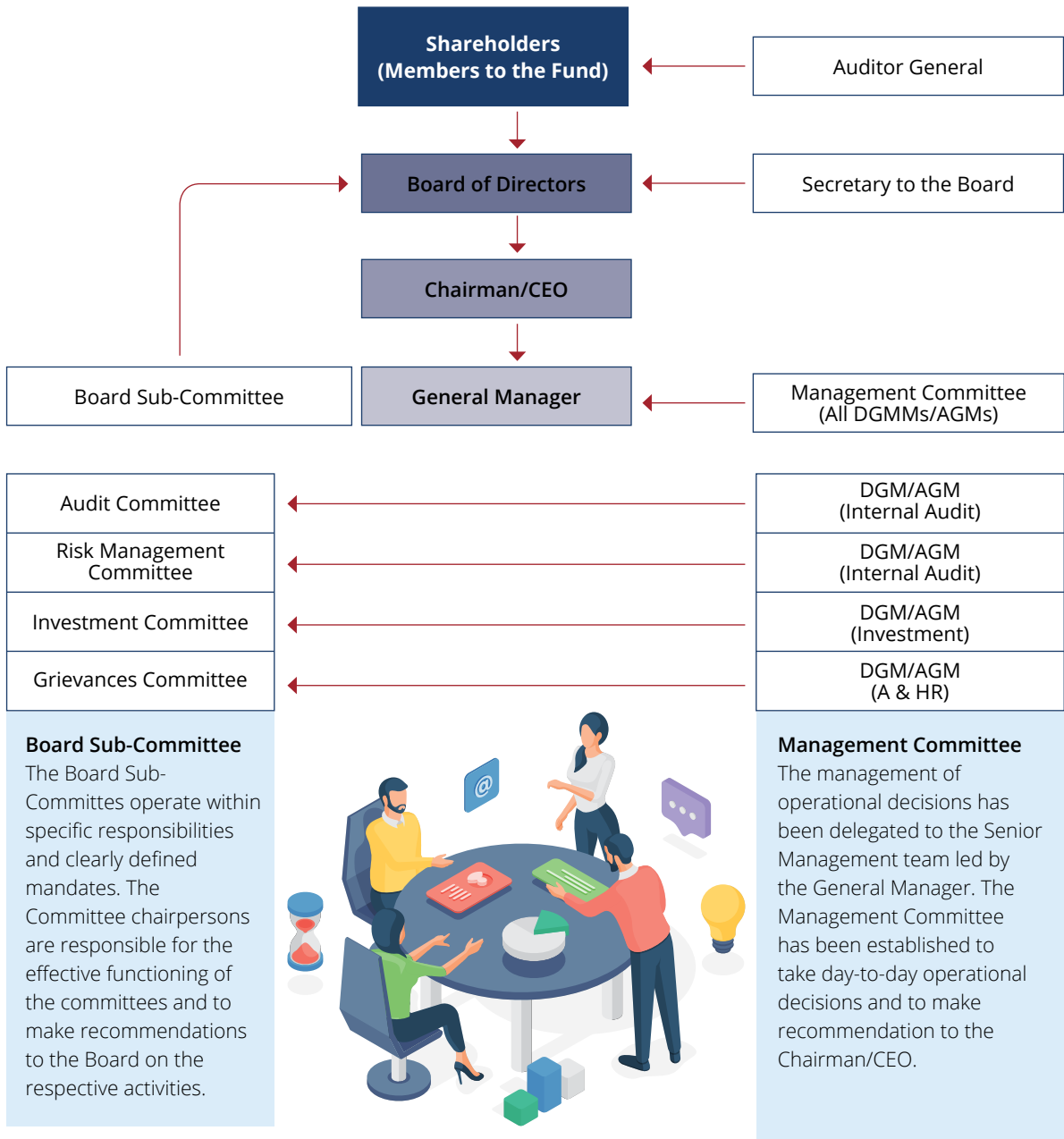
CORPORATE GOVERNANCE

The Employees Trust Fund Board is a semi-government organization which considers good corporate governance as a key business imperative. The Board is committed to comply with all statutory and regulatory requirements across its business operations. The Board is guided by the key principles of transparency, reliability and compliance in directing the Board to achieve its governance objectives.

Corporate Governance Framework

The Governance Structure is graphically illustrated below:

The Board's corporate governance structure consists of multi-layer governance bodies with specific roles and responsibilities and clear reporting lines. The Board of Directors provides oversight and deliberates with the higher management about the Board's strategic direction, financial goals, resource allocation and risk appetite.



Board Sub-Committee
The Board Sub-Committees operate within specific responsibilities and clearly defined mandates. The Committee chairpersons are responsible for the effective functioning of the committees and to make recommendations to the Board on the respective activities.

Management Committee
The management of operational decisions has been delegated to the Senior Management team led by the General Manager. The Management Committee has been established to take day-to-day operational decisions and to make recommendation to the Chairman/CEO.

Corporate Governance

The Board of Directors of the ETF Board holds apex responsibility for implementing sound governance structures and formulating policy frameworks, thereby effectively setting the tone at the top. Governance practices are reviewed and updated regularly to reflect regulatory changes, emerging risks and opportunities and internal changes.

The Board's Governance Framework has been developed to comply with several external and internal steering instruments, as listed below:

- ETF Act No. 46 of 1980
- Financial Regulations (Government)
- Public Enterprises Guidelines (Department of Public Enterprises)
- The Code of Best Practices (Department of Public Enterprises)
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka which seeks to address how corporates operate while fulfilling the rights of key stakeholder groups
- Sri Lanka Accounting and Auditing Standard Monitoring Board Act
- National procurement Guidelines
- Shop and Office Employees Act No. 19 of 1954 and amendments thereto addressing the rights and responsibilities of employees
- Acts, Circulars, Gazettes issued by the Taxation Authorities for collecting agents
- Relevant Government Circulars (Treasury, Ministry of public Administration)

1. The Board of Directors

1.1. The Board

The Board of Directors possess a statutory responsibility in the stewardship of the funds on behalf of the Government and its stakeholders. The Board strives to ensure that the Management of the ETFB maintains an effective system of internal controls that provides assurance on efficient

operations and compliance with applicable laws and regulations.

1.1.1. Appointments to the Board

Directors are drawn from a wide cross-section of backgrounds. (Finance, Trade, Employers Federation, Trade union, etc.) to infuse greater diversity. This enables them to provide an independent view relating to matters discussed at the Board meetings.

The Board shall consist of the following nine members :

- 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

1.1.2. Board Meetings

The Board usually meets at monthly intervals and whenever it is necessary. The Board met 07 times during the year. Board Papers are circulated well in advance and not less than three working days before Board meetings to enhance the effectiveness of Board Meetings.

The attendance at Board meetings held in 2020 is shown below.

Name	No of Meetings Attended	No of Meetings Held During the Financial Year 2020	Percentage of Meetings Attended
Mr. Sriyan de Silva Wijeyeratne	07	07	100%
Mr. Neil Umagiliya	07	07	100%
Mr. K D Ranasinghe	07	07	100%
Mr. Jude Dinal Peiris	04	07	57%
Mr. R A L Udaya Kumara	07	07	100%
Mr. L S Devendra	07	07	100%
Ms. E A Ekanayake	05*	07	71%
Mr. Ariyasena Gallage	07	07	100%
Mr. W M Nurajith Singh	04	07	57%

Note: * Ms. E A Ekanayake was appointed on 24th February 2020

1.1.1. Board Responsibilities

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.

Matters and issues that should be addressed at Board Meetings :-

- Policy Formulation.
- Monitoring and evaluation of performance of the fund.
- Monitoring and evaluation of performance against objectives of subsidiaries/associates and other investments whilst ensuring adequate internal controls with the highest ethical standards.

- Annual Performance Review
- Working Capital management
- Analysis of Quarterly, Half Yearly and Annual Performance Reports and taking pro-active action

1.1.2. Board Secretary

All members of the Board have access to the advice and services of the professionally qualified Board 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 Board Papers are circulated in a timely manner for the effective functioning of the Board.

1.1.2. Role of the Board Secretary

The Board Secretary must ensure that the standard Board procedures are followed while providing guidance on legal requirements regarding Board proceedings. In addition, the Secretary's duties involve: -

- 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

1.1.4. Board Balance

The members of the Board possess the required expertise, skills and experience to effectively manage and direct the institution towards the highest standards of good governance and attain the organizational goals. They are persons with vision, leadership qualities, proven competence and integrity. The individual profiles of the members of the Board are given in pages 35 to 37 of this Report

1.1.5. Adequate time for effective Board meeting

The Board usually meets at monthly intervals. The average time spent for a board meeting is around 3 hours. Board Papers are generally circulated not less than 3 working days prior to the meeting to ensure that the Board members have adequate time to peruse and study the Board Papers.

1.2 Chairman/Chief Executive Officer

The Chairman/Chief Executive Officer will be the important link in the entire governance structure who is responsible to lead the team and the Board towards its strategic direction. He is responsible for implementation of the policies related to core activities and preparation of plans and programs, to achieve predetermined targets.

1.2.1 Appointments of the Chairman

The Chairman of the Board, shall be the Chief Executive of the Board. The Chairman is appointed by the Minister.

1.2.2 Responsibilities of the Chairman

The Chairman/Chief Executive Officer serves as the important link in the entire governance structure to lead

Chairman

Overall strategic vision to the Board

Setting the strategic tone at the top

Ensure the board effectiveness to all strategic directions

Facilitating effective participation of all Board members

Maintaining effective communication with all the stakeholders including the Government of Sri Lanka

Ensuring that adequate information is available to all Directors

Setting the ethical tone across the board.

the entire team and the Board towards the right strategic direction. He is responsible for implementation of the policies related to core activities and preparation of strategic plans and initiatives to achieve pre-determined objectives.

1.2.3 Strategic and Operational Balance

Appropriate balance of power is ensured through clarity in roles and effective segregation of responsibilities. The role of Chairman is separate from that of the General Manager; the Chairman is an Executive Director and provides leadership to the Board while the General Manager provides operational leadership and does not hold a Board position.

The major role/responsibilities of the Chairman and General Manager are given below:

General Manager

Execution of the strategic vision by setting up the objectives to achieve the vision.

Achieve the performance goals stipulated at the corporate plan.

Regular monitoring of targets and notify to the board of its achievements.

Ensuring that the Board operates within the approved risk appetite and robust internal control.

Provides operational leadership to the senior management.

Corporate Governance

2 Accountability and Audit

2.2 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.

2.2.1 Statutory and Regulatory Reporting

In terms of the Constitution and the Sec. 13 (1) of the Finance Act, No. 38 of 1971, the Auditor General will be the auditor of the Board.

2.2.2 Auditor's responsibility for the Financial Statements

Refer the Auditor General's report attached on page 97.

2.2.3 Management Discussion and Analysis

Refer the Management Discussion and Analysis set on pages 20 to 33 which provides an in-depth account of the operations of the ETFB.

2.3 Internal Control

2.3.1 Internal Audit Function

ETFB has its own Internal Audit Division which reviews the adequacy and the integrity of the internal control system by way of internal audit reports submitted to the Board through the Audit Committee.

2.3.2 Review the effectiveness of Internal controls by the Audit Committee

Internal Audit division regularly reports 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 are 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;

AUDIT COMMITTEE REPORT

Composition

Chairman

Mr. R.A.L.Udayakumara

Independent Non-Executive Director
Treasury Representative

Members

Mr. K.D.Ranasinghe

Independent Non-Executive Director

Mr. Neil Umagiliya

Independent Non-Executive Director

Composition of the Committee during 2020

The composition of the Committee, which remained unchanged during the financial year 2020, is composed of three Independent Non-Executive Directors. The Committee is chaired by the Treasury Representative who is a financial professional whilst the other two members are also high ranked industry experts.

Secretary to the Committee

The Secretary to the Board of Employees' Trust Fund Board also acts as the Secretary to the Audit Committee in line with the provisions given under the circular PED 55.

Regular Participants

- General Manager
- Additional General Manager
- Deputy General Manager (Internal Audit)
- All Divisional and Sectional Heads

Attend Upon Invitation

- Representative of the Auditor General (The External Auditor of the ETFB)
- Chief Internal Auditor of Line Ministry i.e. Ministry of Finance

Committee Meetings

The Audit Committee functioned throughout the financial year and was able to hold three formal meetings despite the pandemic condition. The attendance at the Audit Committee Meetings held during the year under review were as follows.

Meetings held in 2020: 03

Name	Dates of Meetings		
	12.03.2020	30.07.2020	10.12.2020
Mr.R.A.L. Udayakumara	√	√	√
Mr.K.D. Ranasinghe	√	√	√
Mr.Neil Umagiliya	√	√	√

Present √

Excused X

The quorum for the Audit Committee is a majority of members; nonetheless, all the members participated in 2020 to all meetings in order to discharge their role in efficient and effective manner.

Role of the Audit Committee

Role of the Audit Committee is to ensure the systematic oversight of the financial reporting system of the Employees Trust Fund Board (ETFb) with a view to safeguard the interest of the members and all other stakeholders.

Having considered the nature of the business of the entity, the ETFB appointed a separate Risk Committee. Hence the Audit Committee was more focussed on internal control and compliance as well the reporting perspective.

Scope of Work

Financial Reporting and Regulatory Compliance

- Systematic oversight over the Board's Financial Reporting to ensure that the financial statements are prepared, presented and the information is adequately disclosed in accordance with the requirements i.e. regulatory authorities, government circulars, applicable rules & regulations and applicable reporting standards.
- Review the duly compliance with the Employees Trust Fund Act, No. 46 of 1980 (as amended) and the other relevant Acts and regulations including Finance Act.

Sub Committees

Internal Control

- Review and assess the adequacy and effectiveness of the internal controls in line with the applicable circulars and highlight the areas which require special attention in terms of safeguarding public resources.

Internal Audit

- Review and evaluate the independence, effectiveness and competency of the Internal Audit functions, their resources requirements and make recommendations for improving the internal audit tasks.
- Ensure the coordination between Internal Audit Division and the External Auditors.
- Review and approve the Annual Internal Audit Plan as well as significant internal audit findings.

External Audit

- The External Audit of the ETFB is carried out by the Auditor General in pursuance of provisions in the Constitution of the country while also adhering to the National Audit Act, No. 19 of 2018.
- The Audit Committee made appropriate communications with the representative of the Auditor General regarding audit findings and to make required recommendations to the Board of Directors to rectify any deviations identified.

Summary of the Key Focus Area during the Audit Committee Meetings

During the period under review, due consideration has been made for the matters relating to the unallocated member balance, financial reporting, divisional procedure manuals, new ICTA project, ex-employee balances, external and internal audit matters by the Audit Committee. As such, the committee strongly believes that its involvement had a sizable impact to strengthen the

few concerns to minimizing some of the weaknesses arising from the traditional systems followed by the ETFB. The new system development carried out in collaboration with the ICTA shall be expedited with proper controlling mechanism and modern ERP solution to enable the ETFB to function in a more user-friendly, efficient and reliable manner to ensure the safeguarding of the members' wealth.

Way Forward

The Audit Committee will continuously engage to achieve sound internal control mechanism by monitoring and reporting to the Board of Directors on matters relating to financial reporting, internal control, utilization of resources, governance and other key areas aimed at the successful achievement of the Board's goals and objectives.

On behalf of the Audit Committee

(Sgd.)

R.A.L. Udayakumara
Chairman
Audit Committee

March 2021

BOARD RISK MANAGEMENT COMMITTEE REPORT

Background

Growing incidences of internal and external shocks, technological innovations, industry convergence, more frequent financial and banking crises, and emergencies such as the outbreak of the COVID-19 pandemic etc. compel business organizations, especially fund managers to be more vigilant on possible operational and market risks. Accordingly, the Board of Directors has set up a Board Risk Management Committee and an internal Management Risk Committee to closely monitor risks and effectiveness of risk management practices across the Employees Trust Fund Board (ETFB). The Board of Directors has approved a Risk Management Policy and a Risk Register of the ETFB with a view to eliminate or mitigate possible risks. The ETFB is also working towards establishing an Enterprise Risk Management (ERM) system at the ETFB.

Composition of the Board Risk Management Committee

The Board Risk Management Committee (RMC) was established in 2020. The members listed below have been appointed by the Board of Directors to the RMC.

- Mr K D Ranasinghe – Independent non- executive director / Chairman of the Committee
- Mr Neil Umagiliya- Independent Non-Executive Director / Member of the Committee
- Mr R A L Udayakumara – Director/ Treasury representative / Member of the Committee

Mr K.S. Welivita, Deputy General Manager (Internal Audit) acts as the Secretary to the Committee

The RMC assists the Board of Directors in fulfilling its responsibility of overseeing the Board's risk management framework and activities, including the review of major risk exposures and steps taken to monitor and control those risk exposures pertaining to risks faced by the Board in its business operations.

The Management Risk Committee (MRC) which is presided by the Chairman of ETFB with the General Manager and all divisional heads and sectional heads of ETFB as members, monitors the operational and market risks of ETFB on continuous basis.

RMC Charter

The RMC is to function as per the Board Risk Management Committee Charter, which has been approved by the Board.

Meetings of RMC

During the year 2020, amidst restrictions due to the COVID-19 pandemic, the RMC held two meetings.

Activities during the Year 2020

During the year 2020, the RMC paid special attention to the following matters in its deliberations.

Data security, Cyber Security, implementation of firewalls IT procedure manual, new ICTA Project, Disaster recovery plan, Scattered member balances, bank accounts operations, succession plan, collection of contribution due to the fund, investments and investment procedure manual and new risk profile.

Focus of the Committee for 2020 and Beyond







According to the Charter, the RMC will focus particular attention on following areas;

- Any material regulatory issues
- Material emerging risks to the ETFB
- New or proposed projects, investments, services or businesses that may expose the ETFB to new material risks or present reputational risks.
- Other significant matters relating to liquidity, credit, market or operational risk.
- The liquidity position of the ETFB
- The sensitivity of the ETFB's earnings under varying interest rate scenarios
- Rate of annual dividend declaration for members
- Possible impact of economic trends in general and interest rates trends in particular on the performance of ETFB.
- Compliance with both external regulations and internal policies regarding assets, liabilities and risk management.
- Risks relating to ETFB's information technology (IT), including the current operating environment and strategic deployment of new technologies, and risks associated with the ETFB's technology infrastructure.
- Assessment of risk regarding the ETFB's compliance with legal, regulatory, and ethical requirements.
- As appropriate, issues relating to the business continuity planning, risk relating to financial controls, human capital, fixed income and equity investments.

Sub Committees

Scope of the ERM

The proposed ERM in capitals structure consists of three lines of defense;

1st line of Defense	2nd line of Defense	3rd line of Defense
 Daily Risk Management	 Risk Management Function	 Independent Assurance
 Divisions	 MRC	 RMC/Audit Committee
<ul style="list-style-type: none"> • Risk ownership • Effective Internal Controls • Useful Risk Management reports for decision making • Risk based KPIs 	<ul style="list-style-type: none"> • Risk advisory • Risk training • Risk monitoring • Regulatory compliance 	<ul style="list-style-type: none"> • Overall functioning and effectiveness of risk management • Internal audit • Investigations

(Sgd.)

K.D. Ranasinghe

Director/Chairman of the Board Risk Management Committee

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. Consequently the Investment Committee strives to ensure the achievement of the 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.

The Investment Committee comprises of six members who meet on requirement at least once a month. They decide upon appropriate investments opportunities for Fund based on the market conditions.

Composition

Investment Committee

- Treasury Representatives
- Line Ministry Representatives
- General Manager
- Deputy General Manager (Investment)
- Deputy General Manager (Finance)
- Deputy General Manager (Internal Audit) as an Observer

Equity Committee

- Assistant General Manager (Finance)
- Manager Finance
- Three Investment Analysts

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 making 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 and 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.

Composition

- Chairman
- General Manager
- Senior Management

RISK MANAGEMENT

Overall Risk Management

Employee's Trust Fund Board considers as one of the leading Superannuation funds in Sri Lanka. According to the size and its impact on the market, ETFB is a very important entity in the financial sector in Sri Lanka which manages long term retirement savings of the private and semi-Government sector employees with a view of providing maximum retirement benefits to its members while supporting the improvement of the entire financial system of the country.

The Board's Risk Management strategy is therefore fundamentally based on maintaining adequate capital, liquidity and operational control at all times in order to safeguard the interest of members and other stakeholders. The significant proportion of the investment portfolio of ETFB consists of government securities to ensure the safety of capital invested on diversified investment portfolios.

In the year under review, the Board took several measures in response to the COVID-19 pandemic including, work from home arrangements for staff, strict adherence to safety instructions issued by Health Authorities to ensure staff health and safety, and Board maintains and facilitates all the essential services to general public such as making contribution, refund claims and benefit claims under strict health guidelines including the regional network.



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 lender's 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, 2020, 77.5% of Board's 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 1.3% 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 the operational competency of an organization. It is the residual risk after determining financing and systematic risk and includes risks pertaining to breakdowns in internal procedures, people and systems. Main sources of operational risks of the Board include IT destructions, human errors and intervention and natural disasters. In order to mitigate these risks, the Board has put in place a sound operational

risk management process. Operational activities are audited by an independent internal auditor and audit findings are discussed on a monthly basis to instantaneously address weaknesses and deviations detected.

Market Risk

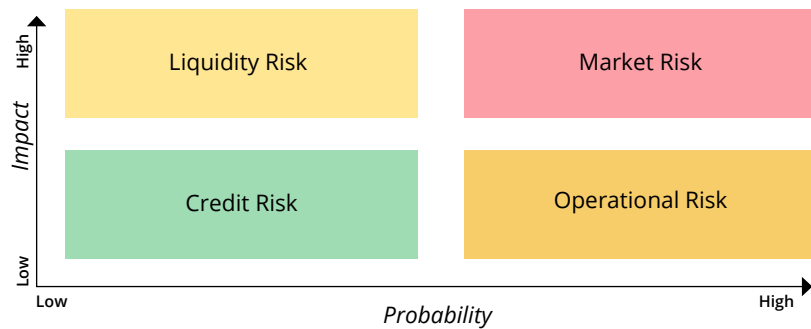
Uncertainties in financial markets increase an entities' vulnerability to market risk. Fluctuations in interest rates and equity risk have been identified as primary components of market risk. Market risk deteriorates return on investments. When interest rates on Treasury bonds depict an upward momentum, the value tends to decline. And on the contrary, when interest rates depict a gradual reduction (price risk) the funds will have to reinvest at a 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 are witnessed. A 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 for 3.48% of the total investment breakdown.

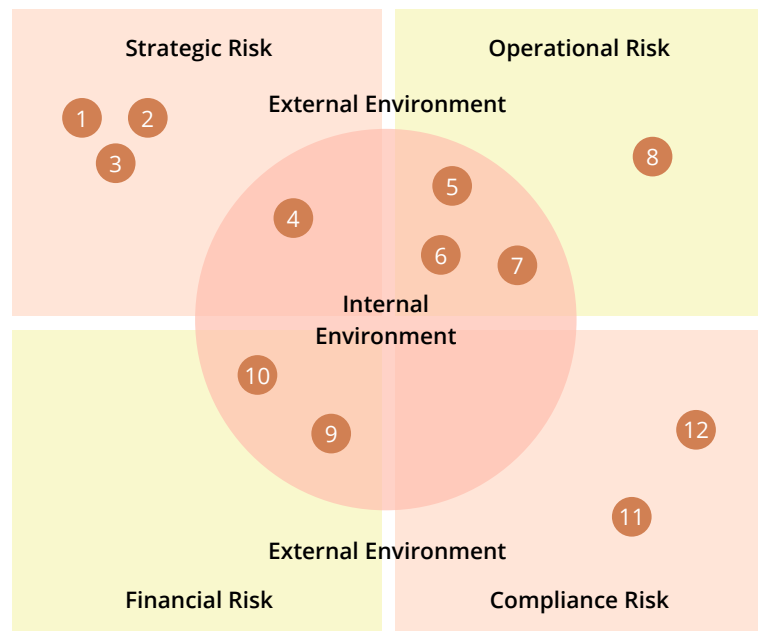
Liquidity Risk

Lower cash adequacy to meet short term financial demands can simply be defined as Liquidity Risk. From the Boards' perspective risks falling into this category too can prevent potential investment opportunities and also reduces the marketability of financial instruments. On average, net contribution subsequent to refunds derive a positive cash flow of LKR 639 million per month denoting an uptick in the liquidity standpoint of the Board. Towards the end of 2020, the annual refund payment, excluding other cash flows such as income and maturity proceeds portrayed 72% of total cash inflows. Since a significant proportion of funds are invested in government securities which are considered as the most liquid form of investment, the Board did not fall 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 Impact Matrix



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

Risk Management

No	Risk	Impact / Severity of Risk			Probability of occurrence/Likelihood			Mitigation Strategy
		Low	Medium	High	Low	Medium	High	
01	Market risk			✓		✓		Tenor mixing of fixed income portfolio Proper mixing of fixed income products Diversification of share portfolio
02	Technological risk		✓			✓		Maintaining IT backups regularly Maintaining of safe custody Scanning of documents Timely updating of Anti- virus
03	Socioeconomic (Pandemics like COVID-19) & Political risk			✓	✓			Evaluating Socio-economic and political factors in preparation of Corporate plan, Action plan and Disaster Recovery Plan
04	Information Systems Risk			✓	✓			Implement a manual DRP Implement an automatic scheduling backup process Get SSL certificate and move form http to https Monitor the firewall- arrange an admin portal training
05	Operating risk		✓		✓			Regular training of people Recruitment of experienced qualified people with relevant skills and competencies with positive attitude. Proper internal control systems
06	Internal Controls risk		✓		✓			Monitoring internal controls by Internal Audit Department
07	Human capital and labor risk	✓				✓		Adopting proper motivation methodology Proper career path for individuals recruitment of people with required skills, competence with proper attitude without any canvassing
08	Procurement risk	✓			✓			Following transparent tender procedures to select suppliers.
09	Investment risk	✓			✓			Investing to mature in different time products Maturities and collection are to be planned with reinvestment opportunities
10	Fraud risk			✓	✓			The Internal Audit Department conducts audits on a regular basis in the areas, which are susceptible to the occurrence of frauds.
11	Reputation risk		✓		✓			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	✓			✓			Ensuring compliance with relevant laws and regulations

A person in a dark blue suit is holding a tablet. The background is a blurred office setting. Overlaid on the image are various financial data visualizations: a bar chart with blue bars, a line graph with a white arrow pointing up, and several numerical values. The text 'FINANCIAL INFORMATION' is written in bold, dark blue capital letters in the lower-left quadrant.

**FINANCIAL
INFORMATION**

210.95

149.16

23.26

1.41%

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st December, 2020	GROUP		ETFb		
	31st December 2020	31st December 2019	31st December 2020	31st December 2019	
		Restated		Restated	
Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Total Income					
Interest Income	4	33,422,690	31,583,490	33,397,541	31,554,779
Net Trading Income	5	237,141	(144,896)	-	-
Dividend Income	6	442,950	481,081	442,950	481,081
Gain/(Loss) on Financial Assets at Fair Value through Profit/(Loss)	7	(142,983)	(388,437)	(142,983)	(388,437)
Other Income	8	1,059,896	445,951	1,031,958	429,011
		35,019,694	31,977,188	34,729,466	32,076,433
Total Operating Expenses					
Personal Expenses	9	1,370,236	1,370,681	1,290,108	1,292,861
Administrative Expenses	10	233,422	209,009	186,834	179,517
Financial Expenses	11	20,227	27,368	3,923	4,122
Member Expenses	12	453,682	523,298	453,682	523,298
Depreciation & Amortization	13	67,104	74,662	48,735	53,983
Interest Paid to members on Current Year		246,088	260,709	246,088	260,709
Impairment Charge/(Reversal)	14	(74)	399	(74)	399
Other Expenses	15	69,496	98,718	-	-
		2,460,181	2,564,844	2,229,296	2,314,889
Profit Before Tax		32,559,513	29,412,344	32,500,170	29,761,544
Income Tax Expenses	16	(4,542,879)	(4,155,085)	(4,492,839)	(4,242,123)
Profit After Tax		28,016,633	25,257,259	28,007,331	25,519,421
Adjustment for the Prior year Profit		-	(108,073)	-	(108,073)
Profit for the Year		28,016,633	25,149,186	28,007,331	25,411,348
Profit Attributable to:					
Equity Holders of the Company		28,015,703	25,175,402	28,007,331	25,411,348
Non-Controlling Interests		930	(26,216)	-	-
Profit for the Year		28,016,633	25,149,186	28,007,331	25,411,348

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st December, 2020	GROUP		ETFB	
	31st December 2020	31st December 2019	31st December 2020	31st December 2019
		Restated		Restated
Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
OTHER COMPREHENSIVE INCOME				
Items that are or may be Reclassified to Statement of Comprehensive Income				
Transfer to Fair Value Through Other Comprehensive Reserve (Shares)	(586,588)	(8,665)	(586,588)	(8,665)
Transfer to Fair Value Through Other Comprehensive Reserve (Units)	22,610	1,513	22,610	1,513
Items that will not be Reclassified to Statement of Comprehensive Income				
Actuarial Gain /(Loss) on Retirement Benefit Obligation	(45,601)	(41,900)	(45,601)	(41,900)
Income Tax on Other Comprehensive Income/(Expenses) for the Year	-	-	-	-
Total Other Comprehensive Income for the Year Net of Tax	(609,579)	(49,053)	(609,579)	(49,053)
Total Comprehensive Income for the Year Net of Tax	27,407,054	25,100,133	27,397,752	25,362,295
Total Comprehensive Income Attributable to				
Equity Holders of the Company	27,406,124	25,126,349	27,397,752	25,362,295
Non-Controlling Interests	930	(26,216)	-	-
Total Comprehensive Income for the Year Net of Tax	27,407,054	25,100,133	27,397,752	25,362,295
Retained Profit B/F	3,680,717	3,699,948	3,214,003	2,929,788
Net Gain / (Loss) on Financial Assets Designated Under FVTOCI	259,293	2,077	259,293	2,077
Profit Available for Appropriation	28,016,633	25,149,186	28,007,331	25,411,348
Total Profit Available for Appropriation	31,956,643	28,851,211	31,480,627	28,343,213
Less: Proposed Apportionment - Dividend 5.0% (2019 - 5.0%)	(17,371,087)	(15,705,756)	(17,371,087)	(15,705,756)
Interest Expense - 3.0%	(10,422,652)	(9,423,454)	(10,422,652)	(9,423,454)
Less: Dividend - Lanka Salt	-	(67,500)	-	-
Less: Non-Controlling Interests	(930)	26,216	-	-
Profit After Appropriation	4,161,973	3,680,717	3,686,887	3,214,003

STATEMENT OF FINANCIAL POSITION

As at 31st December, 2020	GROUP		ETFb	
	31st December 2020	31st December 2019	31st December 2020	31st December 2019
		Restated		Restated
Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS				
Cash and Cash Equivalent	718,088	591,254	680,784	548,572
Financial Assets at Fair Value Through Profit and Loss	17 2,930,900	2,699,451	2,930,900	2,699,451
Investment in Subsidiary	18 -	-	470,961	470,961
Financial Assets at Fair Value Through Other Comprehensive Income	19 7,638,149	7,899,643	7,638,149	7,899,643
Financial Assets at Amortized Cost	20 361,008,932	324,974,213	360,695,932	324,688,318
Other Assets	21 3,137,957	3,454,166	2,621,831	2,839,598
Property, Plant & Equipment	22 1,083,679	1,259,768	299,275	364,213
Leasehold Property	23 2,788	3,485	-	-
Intangible Assets	24 743	1,039	743	1,039
Investment Property	25 4,587,406	3,813,493	4,587,406	3,813,493
Total Assets	381,108,643	344,696,512	379,925,982	343,325,287
LIABILITIES				
Interest Bearing Loans and Borrowings	26 77,285	199,354	-	-
Grants and Subsidies	27 28,073	29,137	-	-
Defined Benefit Obligation	28 513,974	477,383	286,616	252,600
Current Tax Liabilities	29 2,596,843	1,940,265	2,596,843	1,940,265
Other Liabilities	30 380,382	515,545	161,922	175,542
Deferred Tax Liabilities	31 51,283	7,050	-	-
Provisions	32 301,945	104,603	301,945	104,603
Total Liabilities	3,949,784	3,273,335	3,347,325	2,473,010
Total Net Assets	377,158,858	341,423,177	376,578,656	340,852,277
Member Fund	33 375,215,484	339,244,338	375,215,484	339,244,338
Reserves	1,838,258	2,074,653	1,363,172	1,607,939
Non-Controlling Interest	105,116	104,186	-	-
Net Assets Attributable to Members / Non-Controlling Interest	377,158,858	341,423,177	376,578,656	340,852,277

The accounting policies and notes as set out in pages 66 to 95 form an integral part of these Financial Statement.

Certified as correct,

(Sgd.)
M.A.V. Kumudini
Finance Manager

(Sgd.)
G.A.S. Sumanasena
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.

(Sgd.)
D.P.G. Fernando
General Manager

(Sgd.)
Sriyan de Silva Wijeyeratne
Chairman / Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

As at 31st December, 2020

Rs. '000

Group	Attributable to members of the Board							Total
	Retained Profit	Available for Sale Reserve	Other Reserves	Dividend Equalization Reserve Fund	Post Acquisition Reserves	Non-Controlling Interest		
Balance as at 01.01.2019	2,929,788	(1,779,750)	(27,334)	142,000	770,160	137,902	2,172,766	
Net fair value gains/(losses) on remeasuring financial assets measured at FVTOCI	-	(7,153)	-	-	-	-	(7,153)	
Previous Year Contribution Adjustment	-	-	-	-	-	-	-	
Interest on Member Fund Balance 3%	(9,423,454)	-	-	-	-	-	(9,423,454)	
Dividend 5%	(15,705,756)	-	-	-	-	-	(15,705,756)	
Accumulated Profit for the Year	25,519,421	-	-	-	-	(26,216)	25,493,205	
Net Gain / (Loss) From Financial Assets Designated Under FVTOCI	2,077	-	-	-	-	-	2,077	
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	3,322,075	(1,786,902)	(69,234)	142,000	466,714	104,186	2,178,839	
Prior Year Adjustment	(108,073)	-	-	-	-	-	(108,073)	
Adjusted Balance as at 31.12.2019	3,214,003	(1,786,902)	(69,234)	142,000	466,714	104,186	2,070,766	
Net fair value gains/(losses) on remeasuring financial assets measured at FVTOCI	-	(563,978)	-	-	-	-	(563,978)	
Interest on Member Fund Balance 3%	(10,422,652)	-	-	-	-	-	(10,422,652)	
Dividend 5%	(17,371,087)	-	-	-	-	-	(17,371,087)	
Accumulated Profit for the Year	28,007,331	-	-	-	-	930	28,008,262	
Net Gain / (Loss) From Financial Assets Designated Under FVTOCI	259,293	-	-	-	-	-	259,293	
Actuarial Gain/(Loss)	-	-	(45,601)	-	-	-	(45,601)	
Dividend paid by Subsidiary	-	-	-	-	-	-	-	
Movement in Subsidiary equity	-	-	8,372	-	-	-	8,372	
Balance as at 31.12.2020	3,686,887	(2,350,880)	(114,835)	142,000	475,086	105,116	1,943,374	

Statement of Changes in Equity

As at 31st December, 2020

Rs. '000

ETFB	Attributable to members of the Board				Total
	Retained Profit	Fair Value Through OCI Reserve	Other Reserves	Dividend Equalization Reserve Fund	
Balance as at 01.01.2019	2,929,788	(1,779,750)	(27,334)	142,000	1,264,704
Net fair value gains/(losses) on remeasuring financial assets measured at FVTOCI	-	(7,153)	-	-	(7,153)
Previous Year Contribution Adjustment	-	-	-	-	-
Interest on Member Fund Balance 3%	(9,423,454)	-	-	-	(9,423,454)
Dividend 5%	(15,705,756)	-	-	-	(15,705,756)
Accumulated Profit for the Year	25,519,421	-	-	-	25,519,421
Net Gain / (Loss) From Financial Assets Designated Under FVTOCI	2,077	-	-	-	2,077
Actuarial Gain/(Loss)	-	-	(41,900)	-	(41,900)
Balance as at 31.12.2019	3,322,075	(1,786,902)	(69,234)	142,000	1,607,939
Prior Year Adjustment	(108,073)	-	-	-	(108,073)
Adjusted Balance as at 31.12.2019	3,214,003	(1,786,902)	(69,234)	142,000	1,499,866
Net fair value gains/(losses) on remeasuring financial assets measured at FVTOCI	-	(563,978)	-	-	(563,978)
Interest on Member Fund Balance 3%	(10,422,652)	-	-	-	(10,422,652)
Dividend 5%	(17,371,087)	-	-	-	(17,371,087)
Accumulated Profit for the Year	28,007,331	-	-	-	28,007,331
Net Gain / (Loss) From Financial Assets Designated Under FVTOCI	259,293	-	-	-	259,293
Actuarial Gain/(Loss)	-	-	(45,601)	-	(45,601)
Balance as at 31.12.2020	3,686,887	(2,350,880)	(114,835)	142,000	1,363,172

STATEMENT OF CASH FLOWS

For the Year Ended 31st December, 2020	GROUP		ETFB	
	31st December 2020	31st December 2019	31st December 2020	31st December 2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Operating Activities				
Proceeds from Sale of Financial Instrument Designated at FVTPL	1,105,330	263,759	1,105,330	263,759
Maturities of Financial Instrument Designated at Amortized Cost	58,633,298	128,394,676	58,633,298	128,394,676
Maturities of Financial Instrument Loan & Receivables	177,043	124,578	177,043	124,578
Payment for Purchase for Financial Instruments Designated at FVTPL	(1,524,550)	(828,966)	(1,524,550)	(828,966)
Payment for Purchase for Financial Instruments Designated at Amortized Cost	(97,052,503)	(160,674,715)	(97,052,503)	(160,674,715)
Loan Granted for Acquire Loan & Receivable Financial Instrument	(394,438)	(239,676)	(394,438)	(239,676)
Money received from Customers	1,250,297	1,748,418	-	-
Money paid to Suppliers	(1,068,145)	(1,711,011)	-	-
Interest Received	35,910,067	31,440,122	35,910,067	31,440,122
Dividend Received	438,677	291,553	438,677	291,553
Other Income Received	218,474	399,859	218,474	399,859
Operational Expenses Paid	(1,296,951)	(1,221,942)	(1,296,951)	(1,221,942)
Member Expenses Paid	(236,276)	(332,405)	(236,276)	(332,405)
Income Tax Paid	(3,649,906)	(4,690,504)	(3,649,906)	(4,690,504)
Interest Paid	(262,393)	(283,956)	(246,088)	(260,709)
Defined Benefit Plan Costs paid	(11,501)	(12,591)	-	-
Ground Rent paid to Divisional Secretaries	(1,458)	(9,477)	-	-
Year 5 Scholarship Payment/Refund	(95,883)	(92,207)	(95,883)	(92,207)
Higher Education Scholarship Payment	(12,252)	(71,616)	(12,252)	(71,616)
Net Cash Flows from Operating Activities	(7,873,071)	(7,506,101)	(8,025,958)	(7,498,194)
Investing Activities				
Purchase of Property and Equipment	(22,114)	(274,412)	(16,873)	(249,515)
Proceeds from Sale of Property and Equipment	956	2,595	-	38
Acquisition of Investments	(25,431)	(26,421)	-	-
Interest Received	25,149	28,711	-	-
Net (Grants) / Repayments of Staff Loans	(1,674)	707	-	-
Net Cash Flows from Investing Activities	(23,114)	(268,819)	(16,873)	(249,477)
Financing Activities				
Contribution Received	26,745,015	27,366,900	26,745,015	27,366,900
Refunds	(18,567,668)	(19,806,558)	(18,567,668)	(19,806,558)
Financial Expenses Paid	(2,303)	(2,168)	(2,303)	(2,168)
Dividends Paid	(30,000)	(16,950)	-	-
Repayment of Interest Bearing Loans & Borrowings	-	-	-	-
Principal Payment Under Finance Lease Liability	(5,719)	(6,757)	-	-
Net Cash Flows from Financing Activities	8,139,325	7,534,466	8,175,044	7,558,173
Net Increase in Cash and Cash Equivalents	243,140	(240,454)	132,212	(189,499)
Cash and Cash Equivalents at 01st January	403,755	644,209	548,572	738,070
Cash and Cash Equivalents at 31st December	646,895	403,755	680,784	548,572

MARKET VALUE OF TREASURY BOND PORTFOLIO

Market Value of Treasury Bond Portfolio as at 31/12/2020

(Rs. 000)

Year	Face Value	Purchase Cost	Market Value	Amortized Cost
2020	-	-	-	-
2021	13,239,550	13,372,115	13,921,434	13,651,748
2022	69,732,096	74,848,201	77,305,262	73,869,659
2023	32,955,648	36,363,123	37,333,199	35,426,071
2024	15,276,181	15,086,700	17,198,208	15,659,742
2025	29,360,884	29,613,683	34,862,666	30,515,199
2026	25,485,000	24,345,961	30,932,145	25,505,227
2027	31,253,141	32,418,470	38,850,290	33,072,465
2028	28,289,079	28,655,815	35,322,342	29,615,507
2029	6,825,000	7,329,674	9,389,016	7,426,281
2030	7,518,684	7,988,339	9,304,702	8,072,400
2031	6,050,000	6,050,564	7,706,375	6,257,923
2033	5,126,118	5,247,410	6,733,951	5,504,020
2034	2,825,000	2,816,447	3,456,727	2,902,443
2035	1,426,190	1,522,598	1,894,193	1,568,512
2039	7,600,000	7,676,208	9,736,086	7,979,900
	282,962,571	293,335,308	333,946,596	297,027,099

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

(Rs. 000)

Year	Face Value	Purchase Cost	Market Value	Amortized Cost
2020	1,310,000	1,365,396	1,335,713	1,335,321
2021	13,239,550	13,372,115	13,860,496	13,682,113
2022	68,269,879	73,360,994	73,123,533	73,127,161
2023	25,110,648	28,278,398	27,270,181	27,616,846
2024	8,676,181	8,400,597	9,371,265	8,845,772
2025	28,520,884	28,761,978	30,483,022	29,676,115
2026	20,985,000	19,762,773	23,012,067	20,653,649
2027	22,984,641	23,661,163	25,467,253	24,219,823
2028	25,089,079	25,355,084	27,271,366	26,190,411
2029	6,825,000	7,329,674	8,161,029	7,456,998
2030	1,268,684	1,330,930	1,358,369	1,348,831
2031	6,050,000	6,050,564	6,687,505	6,257,729
2033	5,126,118	5,247,410	5,766,014	5,508,219
2034	2,825,000	2,816,447	2,917,752	2,902,226
2035	1,426,190	1,522,598	1,601,667	1,571,192
2039	7,600,000	7,676,208	8,011,520	7,980,157
	245,306,854	254,292,327	265,698,750	258,372,563

The Fair Values of the Government Securities are based on the average of Buying and Selling quotes as at 31st December 2019 and 2020 respectively published by the Central Bank

MARKET VALUE OF QUOTED DEBENTURE PORTFOLIO

Market Value of Quoted Debenture Portfolio as at 31/12/2020

Name of Company	Date of Purchase	Date Redemption	Debentures		Market Value			Amortized Cost (Rs.000)
			Nos.	Cost (Rs.000)	Per Debenture	(Rs.000)	Rate (p.a)	
Commercial Bank of Ceylon Ltd.	28.10.2016	27.10.2021	1,494,900	149,490	90.00	134,541	12.00%	152,685
Hatton National Bank	01.11.2016	01.11.2023	547,100	54,710	107.19	58,644	13.00%	55,899
People's Leasing Finance PLC	16.11.2016	16.11.2021	4,000,000	400,000	100.00	400,000	12.60%	406,352
L B Finance PLC	11.12.2017	11.12.2022	2,000,000	200,000	100.00	200,000	12.75%	201,397
People's Leasing Finance PLC	18.04.2018	18.04.2023	5,000,000	500,000	100.00	500,000	12.80%	545,238
Commercial Bank of Ceylon Ltd.	23.07.2018	22.07.2023	1,859,700	185,970	100.00	185,970	12.00%	195,814
Sampath Bank PLC	28.02.2019	28.02.2024	1,750,000	175,000	114.32	200,060	13.90%	195,460
DFCC Bank PLC	28.03.2019	28.03.2024	7,500,000	750,000	100.00	750,000	13.50%	827,394
National Savings Bank	10.09.2019	10.09.2024	13,500,000	1,350,000	100.00	1,350,000	11.25%	1,397,019
Hatton National Bank PLC	23.09.2019	22.09.2024	3,500,000	350,000	100.00	350,000	12.30%	361,795
National Development Bank PLC	24.09.2021	24.09.2025	4,750,000	475,000	100.00	475,000	9.50%	487,116
DFCC Bank PLC	23.10.2021	23.10.2025	5,000,000	500,000	100.00	500,000	9.00%	508,630
Total				5,090,170		5,104,215		5,334,797

The Fair Value of the Corporate Debentures - Listed are based on the prices as at 31st December 2020 published by the Colombo Stock Exchange

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.000)
			Nos.	Cost (Rs.000)	Per Debenture	(Rs.000)	Rate (p.a)	
National Development Bank PLC	24.06.2015	24.06.2020	6,000,000	600,000	87.00	522,000	9.40%	653,580
Commercial Bank of Ceylon Ltd.	28.10.2016	27.10.2021	1,494,900	149,490	90.00	134,541	12.00%	152,685
Hatton National Bank	01.11.2016	01.11.2023	547,100	54,710	100.00	54,710	13.00%	55,899
People's Leasing Finance PLC	16.11.2016	16.11.2021	4,000,000	400,000	100.00	400,000	12.60%	406,352
L B Finance PLC	11.12.2017	11.12.2022	2,000,000	200,000	100.00	200,000	12.75%	201,467
People's Leasing Finance PLC	18.04.2018	18.04.2023	5,000,000	500,000	100.00	500,000	12.80%	545,238
Commercial Bank of Ceylon Ltd.	23.07.2018	22.07.2023	1,859,700	185,970	100.00	185,970	12.00%	195,875
Sampath Bank PLC	28.02.2019	28.02.2024	1,750,000	175,000	104.85	183,488	13.90%	195,460
DFCC Bank PLC	28.03.2019	28.03.2024	7,500,000	750,000	100.00	750,000	13.50%	827,394
National Savings Bank	10.09.2019	10.09.2024	13,500,000	1,350,000	100.00	1,350,000	11.25%	1,397,019
Hatton National Bank PLC	23.09.2019	22.09.2024	3,500,000	350,000	100.00	350,000	12.30%	361,795
Total				4,715,170		4,630,709		4,992,762

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

STATEMENT OF EQUITY INVESTMENT

Quoted shares investments re- classified as " Fair Value through Other Comprehensive Income" As At 31.12.2020

Company Name	Actual	Fair	Mkt. Value
	Cost	Value	31.12.2020
	(Rs. 000)	(Rs. 000)	(Rs. 000)
1 ACL Cables	27,384	29,519	42,097
2 AHOT Properties	58,213	31,083	32,925
3 Aitken Spence Co	381,225	123,228	151,282
4 Ait. Spence Hotel H	206,275	64,246	78,233
5 Asiri Surgical	6,066	6,066	10,421
6 Bairaha Farms	287,633	137,751	167,989
7 Carson Cumberbatch	16,147	8,088	10,038
8 Central Finance	261,647	249,321	193,925
9 Ceylon Investment	8,575	3,636	5,221
10 Ceylon Guardian Inv.	143,302	44,828	62,602
11 Colombo Fort Land	55,327	9,240	9,030
12 Com. Bank	1,152,796	808,502	690,080
Com. Bank (X)	478,660	326,508	271,072
13 DFCC Bank	648,946	368,487	260,758
14 Dockyard	437,865	107,673	150,916
15 Dialog Axiata	278,071	281,680	299,622
16 Eden Hotels	75,885	29,266	17,876
17 HNB	5,270	5,270	5,774
HNB (X)	131,288	107,511	88,956
18 HNB Assurance	36,455	36,455	52,618
19 John Keells	15,800	8,329	10,454
20 JKH	2,836,575	2,873,826	2,576,118
21 Kelani Cables	5,368	5,094	6,873
22 Lankem Ceylon	16,823	2,098	2,715
23 Lanka IOC	14,207	14,207	20,124
24 Laugfs Gas	815	806	1,221
25 Laugfs Power	815	230	461
26 NDB Bank	1,121,311	906,433	706,251
27 Overseas Reality PLC	31,238	31,238	32,910
28 People's Leasing Co	136,251	121,282	108,813
27 People's Insurance	34,464	34,464	43,580
29 Property Dev.	5	43	40
30 Renuka Holdings	114,532	56,538	44,006
31 Resus Energy	61,415	53,852	57,975
32 Richard Peiris Co	12,302	12,302	18,542
33 Royal Ceramics	51,683	46,044	106,772
34 Sampath Bank	403,072	345,770	313,091
35 Seylan Bank	361,424	232,407	201,661
Seylan Bank (X)	75,925	49,751	50,619
36 Singer Finance	23,608	15,202	17,423
37 Sri Lanka Telecom	110,326	105,670	111,284
38 Trans Asia	37,073	39,864	37,748
39 Vallibel Power	47,195	32,746	41,062
40 Vallibel One	43,277	30,137	44,431
Total	10,252,535	7,796,691	7,155,610

Unquoted Shares investments re- classified as " Fair Value through Other Comprehensive Income" As At 31.12.2020

Company Name	Cost	Net Assets Value	Net Assets Value
		31.12.2019	31.12.2020
	(Rs. 000)	(Rs. 000)	(Rs. 000)
1 Fitch Ratings Lanka Ltd	1,649	2,856	3,880
2 First Capital Treasuries Ltd	73,650	216,905	263,434
Total	75,299	219,761	267,314

Investments in subsidiaries as at 31.12.2020

Company Name	Cost
	(Rs. 000)
3 Lanka Salt Ltd	470,961
Total	470,961

Quoted Share Investments Classified As " Fair Value through Profit or Loss" As At 31.12.2020

Company Name	Actual Cost	Fair Value	Mkt. Value
			31.12.2020
	(Rs. 000)	(Rs. 000)	(Rs. 000)
1 ACL Cables	29,075	28,467	37,631
2 Com. Bank	1,387,640	999,190	859,909
Com. Bank (X)	151,826	119,326	99,066
3 Dialog Axiata	192,048	191,200	208,782
4 HNB	680,702	605,803	532,010
HNB (X)	155,795	131,706	115,367
5 JKH	224,631	251,456	244,579
6 Lanka IOC	104,371	57,429	65,086
7 Laugfs Gas	3,196	2,786	4,220
8 Laugfs Power	3,196	796	1,592
9 People's Leasing	4,369	4,369	4,292
11 Sampath Bank	888,305	663,786	585,018
12 Seylan Bank	79,221	56,359	48,904
Seylan Bank (X)	123,316	89,047	90,600
13 Singer Finance	48,443	29,530	33,846
Total	4,076,133	3,231,251	2,930,900

Investments in Units Trust as at 31.12.2020

Type	Actual Cost	Fair Value	Mkt. Value
			31.12.2020
	(Rs. 000)	(Rs. 000)	(Rs. 000)
1 Comtrust Equity Fund	14,261	23,661	23,704
2 National Equity Fund	41,681	116,962	134,303
3 Namal Growth Fund	4,500	51,992	57,218
Total	60,442	192,615	215,225

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1. Domicile and Legal Form

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

Lanka Salt Limited is a Public Limited Company incorporated and domiciled in Sri Lanka. The Registered Office and the principal place of Business of the Company is 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 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 Company- ETFB is the Parent.

1.4. Responsibility for Financial Statements

The Board of Directors of the ETFB 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, 2020 were authorised for issue in accordance with a resolution of the board of directors on 29th March 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, 2020 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 company and its subsidiary as at 31st December 2020.

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.

Note: Consolidated Financial Statements are prepared based on drafted, unaudited, board of directors approved LSL final accounts.

b) Subsidiaries

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

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

Significant Accounting Policies to the Financial Statements

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.

a) 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.

b) 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 reliably, revenue is recognized only to the extent of expenses incurred that are recoverable.

c) Interest

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

d) Others

Other income is recognized on an accrual basis.

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 ETFB Act the shall pay interest at such rate, not less than three per centum, as may from time to time be fixed by the Board with concurrence of the Minister and the Minister in charge of the subject of Finance shall be paid for each year, out of the income from the investment of the money of the fund, on the amount standing to the credit of the individual account of each member of the 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 ETFB Act the board shall declared dividends from the profits realized by investing of money of the fund.

2.3.4. Other Income

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

2.4. Taxation

2.4.1. Current Taxes

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

The board 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. The applicable tax rate is 14%.

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 Income Statement. 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'
Year Five Scholarship Provision/Payment	(117,960)
Lanka Salt's Dividend - Tax adjustment 2019	(9,450)
Lanka Salt's Dividend - adjustment 2019	67,500
Tax Under/ Over Provided	(85,671)
Reversal of over provided W.H.T payable	54,260
Under provided Depreciation of Computer Equipment	(19,177)
Interest & Dividend adjustment for Contribution	73
Over Provided Interest on NHDA Debenture	(2)
Reversal of Depreciation (Investment Property)	201
Surcharges	1,774
Reversal of Interest on Surcharge Income	381
Total	(108,073)

2.7. Investments and Other Financial Assets

2.7.1. Classification

From 1 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

Significant Accounting Policies to the Financial Statements

at fair value through other comprehensive income (FVOCI). Amount presented in other comprehensive income are not subsequently transferred to Income Statement. Dividends on such investments are recognized in Income Statement.

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

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 ETFB. 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 (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in Income Statement.

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 Income Statement and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the Income Statement.

Fair Value Through Other Comprehensive Income (FVTOCI): 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 Income Statement. 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 Income Statement.

Fair Value Through Profit or Loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in Income Statement 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 Income Statement as other income when the fund's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the Income Statement 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 at amortized cost, FVTPL, FVTOCI. 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 cost. 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. Depreciation rates of the assets are as follows.

Buildings	6.67%
Motor Vehicles	25%
Computer Equipment	20%
Furniture	15%
Fixtures & Fittings	33.33%
Other Equipment	20%

The estimated useful economic life time of Buildings is 15 years and depreciation on reducing balance 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 Property Plant and Equipment 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.

Significant Accounting Policies to the Financial Statements

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 Income Statement 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 those which are held either to earn rental income or for capital appreciation or for both. An investment property is recognized, if it is probable that future economic benefits that are associated with the investment property will flow to the board and cost of the investment property can be reliably measured.

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 2 Acres 1 Root 28 Perch at Nawam Mawatha, Colombo 02 which has been valued by the Government Valuer on 22nd February 2021. The fair-value of the land has increased to Rs.4,587,406,450/= during the year 2020 as per the Government Valuer's Report.

2.9.1. (a) Information on investment properties of the Board – Extents and Locations

Location	Extent (Perches)	Fair value of the investment property
Employee's Trust Fund Board, Nawam Mawatha, Colombo 02	388	Rs. 4,566,000,000.00

Location	Buildings (Square feet)	Fair value of the investment property
Employee's Trust Fund Board, Nawam Mawatha, Colombo 02	19,319	Rs. 21,406,450.00

(b) Information on investment properties of the Board – Valuations

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs Rs.	Fair value of the investment property Rs.
Department of Government Valuation	Market comparable method		
"Valuation House" No 748, Maradana Road, Colombo 10.	• Price per Perches	11,823,212.50 p.p	4,566,000,000.00
	• Price per square foot	625 – 1955 p.sq.ft.	21,406,450.00

(c) Valuation techniques and sensitivity of the fair value measurement of the Investment properties of the Group

Valuation Technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
<p>Market comparable method</p> <p>This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.</p>	<ul style="list-style-type: none"> • Price per Perches • Price per square foot 	<p>Estimated fair value would increase/(decrease) if;</p> <p>Price per Perches would increase/(decrease)</p> <p>Price per square foot would increase/(decrease)</p>

Significant Accounting Policies to the Financial Statements

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 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.

Significant Accounting Policies to the Financial Statements

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 Income Statement.

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 and 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.

Significant Accounting Policies to the Financial Statements

The details of the business combination are as follows:

	Group	
	Rs.	Rs.
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. ADJUSTMENTS TO MEMBER FUND

3.1. Adjustments to the member fund of 2020

Nature of Adjustment	LKR 000'
Reconciled Contribution	22
Refund of Overpayment	(875)
Refund of Overpayment - Contribution, Interest & Dividend	(73)
Transfer Surcharge	(1,774)
Transfer Surcharge -Interest & Dividend	(381)
Total Adjustment	(3,081)

NOTES TO THE FINANCIAL STATEMENTS

	Note	GROUP		ETFB	
		31st December 2020 Rs. '000	31st December 2019 Rs. '000	31st December 2020 Rs. '000	31st December 2019 Rs. '000
4 INTEREST INCOME					
Financial Investments at Amortized Cost	4.1	33,422,690	31,583,490	33,397,541	31,554,779
		33,422,690	31,583,490	33,397,541	31,554,779
4.1 Financial Investments at Amortized Cost					
Interest on Fixed Deposit		5,212,069	6,767,845	5,186,922	6,739,292
Interest from Debenture		555,741	434,619	555,741	434,619
Yield on Treasury Bond		27,257,466	23,839,870	27,257,466	23,839,870
Interest on Repurchase Agreements		163,875	234,152	163,875	234,152
Interest on Money Market		1,214	2,021	1,214	2,021
Interest on Bonds - Power Project		103,403	182,888	103,403	182,888
Interest on NDB Scheme Deposit		104,335	97,222	104,335	97,222
Interest on SMIB Housing Loan Deposit		7,414	7,514	7,414	7,514
Staff Loans					
Interest on Special loan		510	525	510	525
Interest on Vehicle Loan		8,688	8,637	8,688	8,637
Interest on Special Distress Loan		7,144	7,311	7,143	7,153
Interest on Special Festival Loan		200	192	200	192
Interest on Special Advance		630	693	630	693
		33,422,690	31,583,490	33,397,541	31,554,779
5 NET TRADING INCOME					
Net Revenue	5.1	1,285,368	1,521,523	-	-
(-) Cost of Sales		(1,048,227)	(1,666,419)	-	-
		237,141	(144,896)	-	-
5.1 Net Revenue					
Gross Revenue		1,389,770	1,741,278	-	-
(-) Value Added Tax and Nation Building Tax		(104,402)	(219,755)	-	-
		1,285,368	1,521,523	-	-
6 DIVIDEND INCOME					
Dividends on Shares - Quoted		412,587	462,241	412,587	462,241
Dividends on Units - Quoted		-	4,295	-	4,295
Dividend on Shares - Unquoted		30,363	14,545	30,363	14,545
		442,950	481,081	442,950	481,081

Notes to the Financial Statements

	Note	GROUP		ETFB	
		31st December 2020	31st December 2019	31st December 2020	31st December 2019
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
7					
GAIN /(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT /(LOSS)					
Current Share Trading Profit		157,368	10,722	157,368	10,722
Fair Value Adjustment of Shares		(300,351)	(399,159)	(300,351)	(399,159)
		(142,983)	(388,437)	(142,983)	(388,437)
8					
OTHER INCOME					
Rent Income		387	811	60	253
Profit on Sale of Furniture and Equipment		174	1,586	3	(196)
Surcharges		192,376	338,518	192,376	338,518
Income on Express Claims		4,424	20,799	4,424	20,799
Staff Loan Income		34,756	33,249	34,756	33,249
Sundry Income		18,880	9,970	2,871	5,373
Profit / (Loss) On Car Park (Nawam Mawatha)		25,930	33,114	25,930	33,114
Profit / (Loss) On Holiday Bungalow		(3,276)	(4,099)	(3,276)	(4,099)
Income Write-back		900	2,000	900	2,000
Fair Value Gain on Investment Property		773,914	-	773,914	-
Amortisation of grants		1,063	1,063	-	-
Transport Recovery		10,368	8,940	-	-
		1,059,896	445,951	1,031,958	429,011
9					
PERSONAL EXPENSES					
Wages and Salaries	9.1	747,027	735,771	697,262	678,739
Short-Term Monetary and Non-Monetary Benefits	9.2	449,327	471,214	427,475	460,351
Defined Benefit Plans	9.3	41,182	35,417	39,385	33,166
Other Long Term Employee Benefits	9.4	132,701	128,279	125,985	120,605
		1,370,236	1,370,681	1,290,108	1,292,861
9.1					
Wages and Salaries					
Staff Costs (Including Directors' Fee) Comprise:					
Salaries		619,302	590,753	572,151	537,959
Directors' Fees		1,625	3,069	913	1,044
Cost of Living Allowance		93,817	96,312	93,817	96,312
Meal Allowance		11,337	3,880	11,337	3,880
Overtime		15,429	27,719	13,528	25,505
Holiday Pay		5,517	14,039	5,517	14,039
		747,027	735,771	697,262	678,739

	Note	GROUP		ETFB	
		31st December 2020 Rs. '000	31st December 2019 Rs. '000	31st December 2020 Rs. '000	31st December 2019 Rs. '000
9.2 Short-Term Monetary and Non-Monetary Benefits					
Training & Development Expenses		3,146	4,495	2,295	4,488
Recruitment Expenses		545	668	545	668
Staff Welfare		46,458	33,928	32,661	31,539
Incentive		121,914	145,694	121,686	145,504
Overseas Training		234	6,512	234	6,512
Encashment of Leave		25,015	18,146	25,015	18,146
Bonus		114,672	109,694	108,744	102,395
Reimbursement of Medical Expenses		92,105	104,087	91,057	103,109
Staff Loan Cost		34,756	33,249	34,756	33,249
Interest on Housing Loans		10,481	14,142	10,481	14,142
Employees Accident Compensation Scheme		-	600	-	600
		449,327	471,214	427,475	460,351
9.3 Defined Benefit Plans					
Interest Cost		26,523	22,277	26,523	22,277
Current Service Cost		14,659	13,140	12,862	10,889
		41,182	35,417	39,385	33,166
9.4 Other Long Term Employee Benefits					
E.P.F. Board's Contribution		110,240	106,385	104,867	100,245
E.T.F. Board's Contribution		22,334	21,591	20,991	20,056
Pension Fund Contribution		127	304	127	304
		132,701	128,279	125,985	120,605

Notes to the Financial Statements

	Note	GROUP		ETFB	
		31st December 2020	31st December 2019	31st December 2020	31st December 2019
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
10 ADMINISTRATIVE EXPENSES					
Building Rent		117,421	84,014	103,934	70,527
Rates		671	1,209	219	756
Electricity Charges		25,426	21,331	18,388	21,331
Telephone Charges		14,280	13,450	12,925	11,516
Water Charges		1,751	1,346	1,751	1,346
Consultancy Fees		2,557	3,400	625	1,884
Audit Fees		2,264	3,899	1,664	3,371
Security Charges		8,580	13,134	8,580	13,134
Legal Fees		1,152	2,967	304	1,176
Hiring Charges		2,079	2,151	2,079	2,151
Secretarial Expenses		120	120	120	120
Postage & Telegrams		1,037	1,582	818	1,248
Travelling & Subsistence		347	923	347	923
Printing & Stationery		1,485	2,080	1,168	1,917
Media & Publicity		681	1,154	-	59
IT Expenses		-	313	-	313
Advertisement & Press Notices		1,711	1,744	1,711	1,744
Vehicle Insurance & License Fees		2,328	4,074	2,328	4,074
Newspapers & Periodicals		525	843	385	674
Donations		545	1,208	423	-
Office Upkeep & Requirements		1,386	1,215	222	387
Workers Compensation		240	-	240	-
Stamp Duty & Registration Fee		181	91	181	91
Miscellaneous Expenses		2,080	5,576	2,080	5,576
Written off - Staff Recoveries		-	40	-	40
Vehicle Repairs & Maintenance		22,249	13,504	4,577	7,587
Fuel Charges		8,169	12,738	8,169	12,738
Maintenance of Building		11,561	11,874	11,561	11,874
Maintenance of Machine, Furniture & Equipments		2,596	3,030	2,033	2,960
		233,422	209,009	186,834	179,517
11 FINANCE EXPENSES					
Custodial Fee		1,620	1,954	1,620	1,954
Bank Charges		2,395	2,309	2,303	2,168
Interest expenses		16,212	23,105	-	-
		20,227	27,368	3,923	4,122

	Note	GROUP		ETFB	
		31st December 2020 Rs. '000	31st December 2019 Rs. '000	31st December 2020 Rs. '000	31st December 2019 Rs. '000
12 MEMBER EXPENSES					
Member Benefits	12.1	405,396	454,714	405,396	454,714
Member Services	12.2	27,295	46,943	27,295	46,943
IT Services	12.3	20,991	21,641	20,991	21,641
		453,682	523,298	453,682	523,298
12.1 Member Benefits					
Death Benefits Scheme		93,943	110,494	93,943	110,494
Permanent Disablement Scheme		10,807	11,754	10,807	11,754
I.O.L. Implanting Scheme		2,939	4,059	2,939	4,059
Sramasuwa Rekawarana Scheme		6,696	9,930	6,696	9,930
Heart Surgery Scheme		108,058	172,835	108,058	172,835
Kidney Transplant Scheme		3,085	5,708	3,085	5,708
Year 5 Scholarship Scheme		135,000	93,615	135,000	93,615
Higher Education Scholarship Scheme		44,868	46,320	44,868	46,320
		405,396	454,714	405,396	454,714
12.2 Member Services					
Postage & Telegrams		8,804	16,547	8,804	16,547
Printing & Stationery		10,513	17,278	10,513	17,278
Computer Stationery		4,162	3,516	4,162	3,516
Self Employment Promotion Expenses		-	423	-	423
Member Related Expenses		57	462	57	462
Employees Awareness Scheme		62	555	62	555
Travelling & Subsistence		1,954	5,642	1,954	5,642
Media & Publicity		231	552	231	552
Medical Consultat. for Members		72	29	72	29
Scholarship Expenses		1,440	1,939	1,440	1,939
		27,295	46,943	27,295	46,943
12.3 IT Services					
Maintenance of Hardware		1,133	1,904	1,133	1,904
Maintenance of Software		275	441	275	441
Depreciation		14,125	13,294	14,125	13,294
Insurance		-	129	-	129
Rental on Leased Lines		5,458	5,872	5,458	5,872
		20,991	21,641	20,991	21,641

Notes to the Financial Statements

		GROUP		ETFB	
		31st December 2020	31st December 2019	31st December 2020	31st December 2019
Note		Rs. '000	Rs. '000	Rs. '000	Rs. '000
13	DEPRECIATION & AMORTIZATION				
	Depreciation for property, Plant & Equipment	66,723	73,898	48,735	53,983
	Amortization of Lease Hold Land & Development Work	-	-	-	-
	Depreciation/Impairment of Biological Asset	381	763	-	-
		67,104	74,662	48,735	53,983
14	IMPAIRMENT CHARGE/REVERSAL				
	Impirement on Debenture	18	193	18	193
	Impirement on SMIB deposit	(43)	180	(43)	180
	Impirement on NDB deposit	(48)	26	(48)	26
		(74)	399	(74)	399
				LANKA SALT	
				31st December 2020	31st December 2019
				Rs. '000	Rs. '000
15	OTHER EXPENSES				
	Sales Promotion Expenses			9,748	9,142
	NBT Expenses			-	27,865
	Amortization of Lease Hold Land			697	697
	Amortization of Development Work			178	45,472
	Provision Losses for Cash Fraudulent			7,579	-
	Panelties & Surcharges			2	861
	Expenses of Biological Assesst			8,515	7,531
	Expenses of Non Moving Items			4,000	-
	Enviormental Work			13,403	-
	Circuit Bungalow Maintenance			5,348	-
	Salt Museum Expenses			1,623	-
	Sanitary Services			11,090	-
	Mineral Tax Expenses			7,313	7,150
				69,496	98,718

		ETFB	
		31st December 2020	31st December 2019
		Rs. '000	Rs. '000
16	INCOME TAX EXPENSES		
	Assessible Income from the Investment	32,092,129	29,763,621
	Exempt and other source of income	-	(493,879)
	Disallowable expenses	(423)	762,388
	Allowable Expenses	-	(34,629)
	Assessable Income from Investment	32,091,706	29,997,501
	Gross Income Tax Expense @ 14%	4,492,839	4,199,650
	Tax on Exempt Income	-	42,473
	Current Income Tax Expense	4,492,839	4,242,123

		LANKA SALT	
		31st December 2020	31st December 2019
		Rs. '000	Rs. '000
	Accounting Profit/(Loss) before Tax from operations	59,343	(349,200)
	Disallowable Expenses for Taxation	143,290	133,726
	Allowable Expenses for Taxation	(110,254)	(129,072)
	Claim for the year (35% total Statutory Income)	-	-
	Tax Loss B/F	(394,749)	(50,203)
	Tax Loss C/F	(302,371)	(394,749)
	Taxable Profit on Business Income	-	-
	Taxable Profit on Interest Income	24,197	-
	Net Taxable Profit/(Loss)	24,197	-
	Current Tax Expense		
	Income Tax @ 28%	5,807	-
	Under Provision of current taxes in respect of prior years	-	-
	Deferred Income Tax	-	-
	Deferred Taxation Charge/(Reversal)	44,233	(87,038)
	Income tax expense reported in the Income Statement	50,041	(87,038)

Notes to the Financial Statements

	Note	GROUP		ETFb	
		31st December 2020	31st December 2019	31st December 2020	31st December 2019
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
17 FINANCIAL ASSETS AT FVTPL					
Quoted Share Investment (Trading)		2,930,900	2,699,451	2,930,900	2,699,451
		2,930,900	2,699,451	2,930,900	2,699,451
18 INVESTMENT IN SUBSIDIARY					
Lanka Salt Limited		-	-	470,961	470,961
		-	-	470,961	470,961
19 FINANCIAL ASSETS AT FVOCI					
Quoted Share Investment Long Term		7,155,610	7,487,266	7,155,610	7,487,266
Unquoted Share Investment		267,314	219,761	267,314	219,761
Quoted Units		215,225	192,615	215,225	192,615
Promissory Notes		12,174	12,174	12,174	12,174
Less: Impairment on Promissory Notes		(12,174)	(12,174)	(12,174)	(12,174)
		7,638,149	7,899,643	7,638,149	7,899,643
20 FINANCIAL ASSETS AT AMORTIZED COST					
Treasury Bonds		297,027,099	258,372,563	297,027,099	258,372,563
Quoted - Debenture		3,945,228	3,603,194	3,945,228	3,603,194
Impirement on Debenures		(8,180)	(8,162)	(8,180)	(8,162)
Fixed Deposits		53,273,606	56,107,736	52,964,785	55,824,345
Repurchase Agreement		2,665,450	2,194,037	2,665,450	2,194,037
Debentures Unquoted		1,397,019	1,397,019	1,397,019	1,397,019
Bonds - Power Project		715,088	1,430,176	715,088	1,430,176
SMIB-Scheme Deposit		388,017	380,602	388,017	380,602
Less: Impirement on SMIB Deposit		(432)	(475)	(432)	(475)
NDB Scheme Deposit		1,004,081	972,156	1,004,081	972,156
Less: Impirement on NDB Deposit		(559)	(607)	(559)	(607)
Staff Loans					
Special Loan		13,862	14,993	13,862	14,993
Special Distress Loan		282,508	233,646	278,330	231,142
Festival Advance		1,184	417	1,184	417
Special Festival Loan		1,812	1,368	1,812	1,368
Special Advance		2,702	3,154	2,702	3,154
Vehicle Loan		300,442	271,258	300,442	271,258
Loan - Flood Relief		5	1,140	5	1,140
		361,008,932	324,974,213	360,695,932	324,688,318

	Note	GROUP		ETFB	
		31st December 2020 Rs. '000	31st December 2019 Rs. '000	31st December 2020 Rs. '000	31st December 2019 Rs. '000
21 OTHER ASSETS					
Accrued Income	21.1	-	2	-	2
Receivables & Prepayments	21.2	2,655,669	2,888,639	2,613,393	2,831,110
Inventories	21.3	482,288	565,525	8,438	8,485
		3,137,957	3,454,166	2,621,831	2,839,598
21.1 Accrued Income					
Interest Receivable		24,966	25,868	24,966	25,868
Less: Provision Against Doubtful Income		(24,966)	(25,866)	(24,966)	(25,866)
		-	2	-	2
21.2 Receivables & Prepayments					
Trade Debtors		33,589	13,902	-	-
Contribution Receivable		2,354,794	2,340,987	2,354,794	2,340,987
Money Order Control		3,812	6,515	3,812	6,515
Postal Franking Machine Imprest		336	620	336	620
Sundry Debtors		76,565	42,555	76,565	42,555
Suspense		52	-	52	-
Dues from Ex-employees		1,499	1,986	1,499	1,986
Security Deposits		4,961	5,831	4,961	5,831
Prepayment		15,831	22,809	6,721	16,350
Pre - Paid Staff Loan Cost		135,928	131,422	135,928	131,422
Tax Receivable		26,231	314,765	-	278,994
W.H.T		1,397	5,254	-	3,857
Dividend Receivable		-	-	28,050	-
Advance Payment		676	1,993	676	1,993
		2,655,669	2,888,639	2,613,393	2,831,110
21.3 Inventories					
Common Salt Stock		393,326	490,455	-	-
Potassium Iodated Stock		206	2,155	-	-
Work in Progress		38,221	21,599	-	-
Consumables and Spares		42,097	42,830	-	-
Stock of Stationery & Consumable		6,856	6,903	6,856	6,903
Library		272	272	272	272
Holiday Bungalow Inventory		1,310	1,310	1,310	1,310
		482,288	565,525	8,438	8,485

Notes to the Financial Statements

22 PROPERTY, PLANT & EQUIPMENT

22.1 Group

Rs. '000

	Land	Buildings	Buildings on Leasehold Land	Plant & Machinery	Motor Vehicles	Leased Motor Vehicles
Cost						
Balance at 1st January 2019	20,000	39,519	599,208	267,792	257,357	48,544
Additions	-	-	544	8,767	187,135	-
Adjustment	-	(993)	-	-	(2,344)	-
Disposals	-	-	-	-	-	-
Revaluations/Transfer	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Balance at 31st December 2019	20,000	38,526	599,751	276,558	442,149	48,544
Balance at 1st January 2020	20,000	38,526	599,751	276,558	442,149	48,544
Additions	-	-	12,860	2,263	18	-
Disposals	-	-	-	(1,964)	(290)	-
Adjustment	-	-	-	-	10,014	(10,014)
Revaluations/Transfer	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Balance at 31st December 2020	20,000	38,526	612,612	276,857	451,891	38,530
Accumulated Depreciation						
Balance at 1st January 2019	-	9,766	120,631	137,114	189,751	12,263
Depreciation Charge for the Year	-	1,938	14,940	22,848	53,848	5,646
Disposals	-	-	-	-	(1,770)	-
Transfer	-	-	-	-	-	-
Balance at 31st December 2019	-	11,703			241,829	17,908
Balance at 1st January 2020	-	11,703	135,570	159,962	241,829	17,908
Depreciation Charge for the Year	-	1,559	14,996	23,837	46,709	4,173
Disposals	-	-	-	(1,814)	(269)	-
Transfer	-	-	-	-	191,040	(6,427)
Balance at 31st December 2020	-	13,262	150,566	181,985	288,269	22,081
Net Book Value						
At 1st January 2019	20,000	29,753	478,577	130,677	67,607	36,281
At 31st December 2019	20,000	26,823	599,751	276,558	200,320	30,636
At 31st December 2020	20,000	25,264	462,045	94,872	163,622	16,449

Furniture Fittings & Office Equipment	Computer Equipment	Equipment	Bearer Biological Assets			Development Work	In the Course of Construction	Total
			Immature Plantations	Mature Plantations				
152,063	205,681	43,947	12,827	18,209	316,402	15,114	1,996,663	
11,382	17,953	835	-	-	891	11,532	239,038	
(682)	(2,171)	-	(826)	826	-	-	(6,189)	
26	1,760	-	-	-	-	-	1,785	
-	-	-	(383)	-	-	-	(383)	
-	-	-	-	-	-	-	-	
162,789	223,223	44,781	11,618	19,035	317,293	26,646	2,230,915	
162,789	223,223	44,781	11,618	19,035	317,293	26,646	2,230,915	
7,608	11,250	4,887	-	-	8,957	(25,389)	22,455	
(2,752)	-	(1,097)	-	-	-	-	(6,103)	
272	-	-	-	-	-	-	272	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
167,918	234,473	48,572	11,618	19,035	326,250	1,257	2,247,539	
Furniture Fittings & Office Equipment	Computer Equipment	Equipment	Bearer Biological Assets			Development Work	In the Course of Construction	Total
			Immature Plantations	Mature Plantations				
91,142	100,626	28,486	-	1,078	109,238	-	800,094	
10,450	16,481	3,213	-	381	45,472	-	175,216	
(425)	(1,967)	-	-	-	-	-	(4,162)	
-	-	-	-	-	-	-	-	
101,167	115,140	31,698	-	1,459	154,709	-	971,147	
101,167	115,140	31,698	-	1,459	154,709	-	971,147	
10,614	36,538	3,369	-	381	55,833	-	198,007	
(2,247)	-	(965)	-	-	-	-	(5,295)	
84,257	-	-	-	-	-	-	268,870	
109,534	151,678	34,102	-	1,839	210,542	-	1,163,860	
60,921	105,055	15,461	12,827	17,131	207,164	15,114	1,196,569	
61,622	108,083	13,083	11,618	17,576	162,583	26,646	1,259,768	
58,384	82,795	14,470	11,618	17,195	115,708	1,257	1,083,679	

Notes to the Financial Statements

22.2 ETFB

Rs. '000

	Land	Buildings	Motor Vehicles	Fixtures & Fittings	Computer Equipment	Furniture & Other Equip.	Total
Balance at 1st January 2019	20,000	39,519	127,818	15,810	205,681	94,068	502,896
Additions	-	-	186,175	-	17,953	10,013	214,141
Adjustment	-	(993)	-	-	1,760	26	792
Disposals	-	-	-	-	(2,171)	(478)	(2,649)
Revaluations	-	-	-	-	-	-	-
Balance at 31st December 2019	20,000	38,526	313,993	15,810	223,223	103,628	715,181
Balance at 1st January 2020	20,000	38,526	313,993	15,810	223,223	103,628	715,181
Additions	-	-	-	-	11,250	6,418	17,668
Disposals	-	-	-	-	-	(36)	(36)
Adjustment	-	-	-	-	-	272	272
Revaluations	-	-	-	-	-	-	-
Balance at 31st December 2020	20,000	38,526	313,993	15,810	234,473	110,282	733,085
	Land	Buildings	Motor Vehicles	Fixtures & Fittings	Computer Equipment	Furniture & Other Equip.	Total
Accumulated Depreciation							
Balance at 1st January 2019	-	9,766	104,574	15,751	100,626	54,018	284,735
Depreciation Charge for the Year	-	1,938	42,868	17	16,481	7,319	68,622
Disposals	-	-	-	-	(1,967)	(423)	(2,591)
Balance at 31st December 2019	-	11,703	147,442	15,768	115,140	60,914	350,767
Balance at 1st January 2020	-	11,703	147,442	15,768	115,140	60,914	350,767
Depreciation Charge for the Year	-	1,559	37,172	12	36,538	7,574	83,055
Disposals	-	-	-	-	-	(12)	(12)
Balance at 31st December 2020	-	13,262	184,613	15,780	151,678	68,477	433,810
Net Book Value							
At 1st January 2019	20,000	29,753	23,245	59	105,055	40,050	218,161
At 31st December 2019	20,000	26,823	166,552	42	108,083	42,714	364,213
At 31st December 2020	20,000	25,264	129,380	30	82,795	41,806	299,275

	Note	GROUP		ETFb	
		31st December 2020 Rs. '000	31st December 2019 Rs. '000	31st December 2020 Rs. '000	31st December 2019 Rs. '000
23 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		17,425	16,728	-	-
Charge for the Year		697	697	-	-
Balance as at 31 December		18,122	17,425	-	-
Net Book Value as at 31 December		2,788	3,485	-	-
24 INTANGIBLE ASSETS					
Balance as at 1st January		1,039	102	1,039	102
Additions		-	1,078	-	1,078
Amortization during the year		(296)	(142)	(296)	(142)
Balance as at 31 December		743	1,039	743	1,039
25 INVESTMENT PROPERTY					
Balance as at 1st January		3,813,493	3,813,493	3,813,493	3,813,493
Change in Fair Value		773,914	-	773,914	-
Balance as at 31 December		4,587,406	3,813,493	4,587,406	3,813,493

Notes to the Financial Statements

26 INTEREST BEARING BORROWINGS

	31st December 2020			31st December 2019		
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
Lanka Salt Limited	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Finance Leases	3,159	2,933	6,092	6,907	4,948	11,855
Bank Overdrafts	71,193	-	71,193	187,499	-	187,499
	74,352	2,933	77,285	194,406	4,948	199,354

27 GRANTS & SUBSIDIES

Lanka Salt Limited	Iodized Plant	Building	Pump House	Compensation to Employees	Total	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost						
As at 1 January	19,515	41,124	1,387	-	62,027	62,027
As at 31 December	19,515	41,124	1,387	-	62,027	62,027
Amortization						
As at 1 January	19,515	12,937	439	-	32,892	32,892
Reversal during the Year	-	1,028	35	-	1,063	-
As at 31 December	19,515	13,965	474	-	33,954	32,892
Written Down Value						
As at 31 December	-	27,159	913	-	28,073	29,136

	Note	GROUP		ETFB	
		31st December 2020	31st December 2019	31st December 2020	31st December 2019
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
28 DEFINED BENEFIT OBLIGATION					
Opening Defined Benefit Obligation 01st January		477,383	433,819	252,600	212,163
Interest Cost		26,523	22,277	26,523	22,277
Current Service Cost		26,940	26,606	12,862	10,889
Benefit Paid		(62,472)	(47,220)	(50,970)	(34,629)
Actuarial (Gains) / Losses on Obligations		45,601	41,900	45,601	41,900
Closing Defined Benefit Obligation 31st December		513,974	477,383	286,616	252,600

	Note	GROUP		ETFb	
		31st December 2020 Rs. '000	31st December 2019 Rs. '000	31st December 2020 Rs. '000	31st December 2019 Rs. '000
29 CURRENT TAX LIABILITIES					
Gross Tax Liability		4,492,839	4,242,123	4,492,839	4,242,123
(-) ESC Paid		(1,895,996)	(1,917,346)	(1,895,996)	(1,917,346)
(-) Estimated Income Tax Payments		-	(1,815)	-	(1,815)
(-) WHT Credits		-	(382,697)	-	(382,697)
Tax Payable to IRD		2,596,843	1,940,265	2,596,843	1,940,265
30 OTHER LIABILITIES					
Accounts Payables and Sundry Creditors	30.1	380,382	515,545	161,922	175,542
		380,382	515,545	161,922	175,542
30.1 Accounts Payables and Sundry Creditors					
Trade and Other Payables	30.1.1	218,460	340,003	-	-
Retained Tax On Claims Paid & Benefit		1,473	12,882	1,473	12,882
Stamp Duty Payable on Claims		579	825	579	825
Salary Deductions Clearance		76	82	76	82
Unpaid Emoluments		60	120	60	120
Unpaid Death Benefits		17,469	14,452	17,469	14,452
Unclaimed W.H.T		-	61,301	-	61,301
Unclaimed Scholarship		1,270	1,316	1,270	1,316
Unreconcile Balance		1,306	791	1,306	791
Stamp Duty Payable		110	112	110	112
EPF Payable		19,379	17,325	19,379	17,325
E.T.F. Payable		2,326	2,076	2,326	2,076
Sundry Creditors		85,319	42,838	85,319	42,838
Returned Benefit (Cheques)		2,691	2,762	2,691	2,762
Returned Benefit (Welfare)		2,368	1,406	2,368	1,406
Returned Benefit (Slip)		21,793	10,697	21,793	10,697
P.A.Y.E. Tax Payable		-	1,055	-	1,055
Retained W.H.T		401	672	401	672
V.A.T. Payable		-	42	-	42
Pension Fund		-	23	-	23
Library Fund		53	53	53	53
E.T.F. CSR Project		207	207	207	207
Refundable Deposit		5	-	5	-
Security Deposits - Car park		4,907	4,362	4,907	4,362
Income Paid in Advance		130	145	130	145
		380,382	515,545	161,922	175,542

Notes to the Financial Statements

30.1.1 Trade and Other Payables

	LANKA SALT LIMITED	
	31st December 2020	31st December 2019
	Rs. '000	Rs. '000
Financial Liabilities		
Trade Payables	46,006	61,977
Salt Transport Payable	3,072	4,479
Deposits Payables	26,777	38,417
Dividends Payable	1,342	59,308
Ground Rent Payable	24,057	12,029
Non Financial Liabilities		
Accrued Expenses	62,666	55,834
Other Payables	8,756	7,958
Value Added Tax Payables	6,670	8,314
Incentive Payable	754	42,376
Contractor Payables	38,361	49,311
	218,460	340,003

31 DEFERRED TAX LIABILITIES

	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
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 01.01.2020	180,519	(62,939)	-	(110,530)	7,050
Charge (credit) to profit or loss for the year	(71,311)	22,015	-	93,530	44,233
As at 31.12.2020	109,208	(40,925)	-	(17,000)	51,283
Deferred tax liability				(109,208)	(180,519)
Deferred tax asset				40,925	62,939
Unutilized Business Loss C/F				17,000	110,530
Net Deferred Tax Liability				(51,283)	(7,050)

	GROUP		ETFB	
	31st December 2020	31st December 2019	31st December 2020	31st December 2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
32 PROVISIONS				
Provision for Audit Fee	5,964	4,300	5,964	4,300
Provn. for Employees' Accident Compensation Scheme	2,000	2,000	2,000	2,000
Provision for Bonus	50	287	50	287
Provision for Leave Encashment	20,846	15,416	20,846	15,416
Provision for Postage	1,030	1,366	1,030	1,366
Provision for Higher Education Scholarship	108,960	76,344	108,960	76,344
Provision for Year 5 Scholarship	163,095	4,890	163,095	4,890
	301,945	104,603	301,945	104,603

33 MEMBER FUND

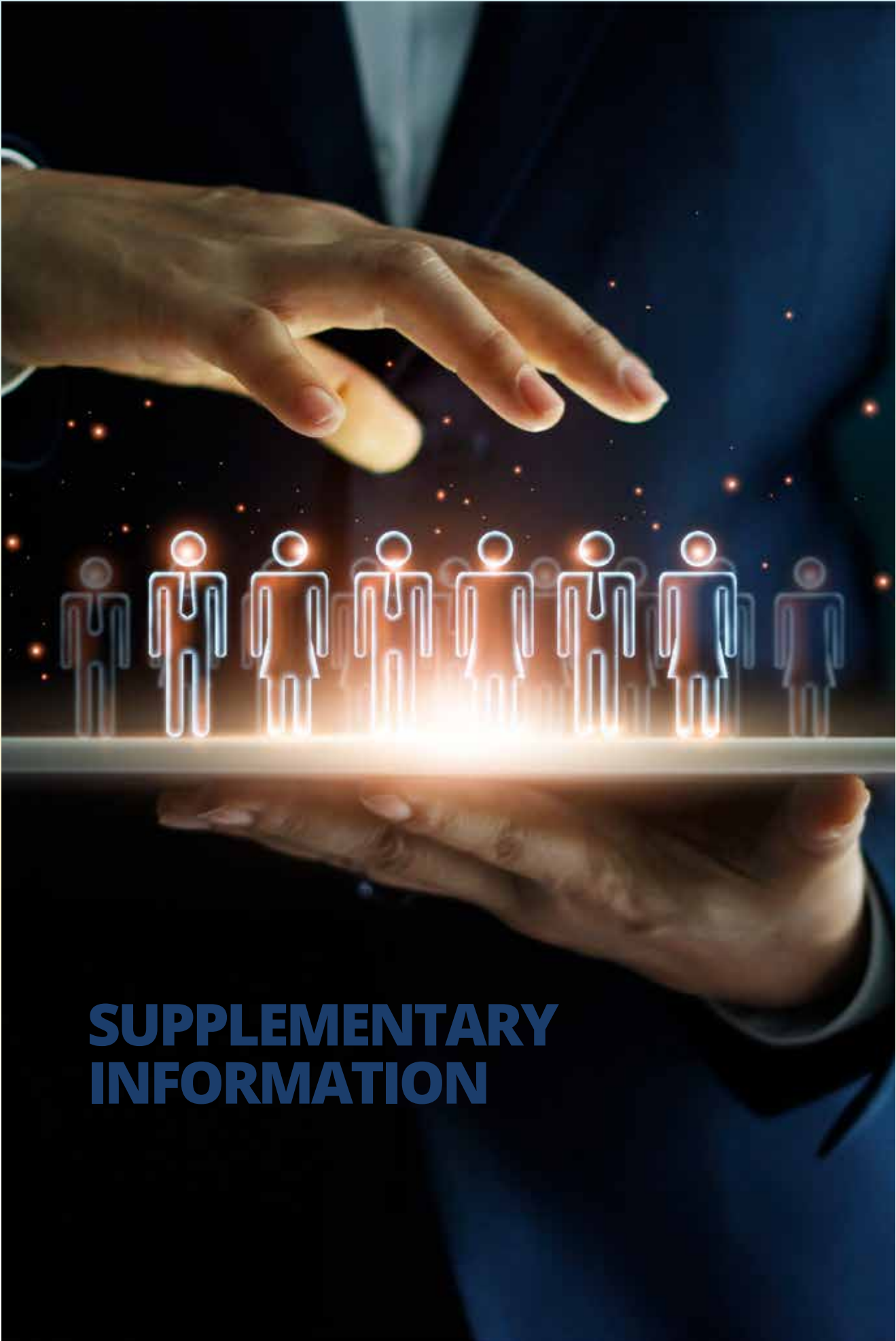
Error Correction

Up to 31/12/2019 Board has recognized its member fund as equity. However, As per paragraph 11 of Sri Lankan Accounting standard LKAS 32 (Financial Instruments); presentation, an equity instrument is any contract that evidences a residual interest in the assets of entity deducting all of its liabilities.

As per section 15 (1) of the Employees' Trust Fund Act No. 46 of 1980 (ETF Act), "where an employer first becomes liable under the provisions of this Act to contribute to the fund in respect of any employee employed by such employer, such employee shall then become a member of the Fund and continue to be a member of the Fund so long as there is any sum to the credit of his individual account in the fund." As per section 23, 24, and 25 of the ETF Act, amount standing to the credit of any employee in his individual account shall be payable by the Fund to such employee or his/her nominee/s on termination of employment, termination of employment due to disablement or on death of employee. Therefore, as per paragraph 11 of Sri Lankan Accounting standard LKAS 32, any liability that is a contractual obligation to deliver cash or another financial asset to another entity, has been defined as a financial liability.

Based on above observations, the board has a contractual obligation to deliver cash to its members when its become due. Accordingly, member fund meets the definition of a financial liability. Therefore, board has decided correct the error according to Sri Lankan Accounting standard LKAS 08 and classify member fund as Liability in the financial statements of the Board.

	ETFB	
	31st December 2020	31st December 2019
	Rs. '000	Rs. '000
Opening Member Fund Balance 01st January	339,244,338	306,454,810
Previous Year Contribution Adjustment	(3,081)	(7,993)
Contribution Received	26,750,691	27,476,206
Refund of Contribution	(18,570,203)	(19,807,895)
Interest on Member Fund Balance	10,422,652	9,423,454
Dividend	17,371,087	15,705,756
Closing Member Fund Balance 31st December	375,215,484	339,244,338



**SUPPLEMENTARY
INFORMATION**

AUDITOR GENERAL'S REPORT - 2020



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. } LSW/C/ETF/F/1/2020/4
My No. }

මගේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி } 18th October 2021
Date }

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 2020 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 Qualified Opinion

The joint financial statements for the year ended as at 31st December 2020 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 2020 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.38 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

- (a) As at 31st December 2020 a total of Rs. 943.74 million collected from 8,213 employers during the period from 1981 to 2019 kept in the employer's accounts without crediting it to the personal accounts of the members under Section 16 of the Employees' Trust Fund Board Act. The Chairman of the Board had informed me that Rs. 381.86 million had been settled out of this balance as on 16th August 2021, although it was observed that the relevant members were at risk of losing their money due to their withholding without crediting the relevant member accounts.
- (b) As per the section No 79 (b) of Sri Lanka Accounting Standard No 01, the nature and the objectives of the reserves should be disclosed in the financial statements. However, no such disclosure has been done for the two reserves namely, the dividend equalization reserve and other reserves.
- (c) The measurement base used to determine the carrying value of the Non Current Assets should

be disclosed in the financial statements as per para 73 (b) of Sri Lanka Accounting Standards No 16. However, the basis of subsequent measurement (cost or revaluation format) has not been disclosed in the financial statements.

The audit was carried out in accordance with the Sri Lanka Audit Standards. My responsibility under these Audit Standards has been further described in the part the responsibility of the auditor on auditing Financial Statements in this Report. It is my belief that the audit evidence perceived is sufficient and eligible to provide a basis for my quantified opinion.

1.3 Other information contained in the Annual Report 2020

Other information is the information, the Board intends to provide me after the date of this Audit Report and the information already included in the annual report but not in the financial statements and my Audit Report. The Management is responsible for other information.

My opinion of Financial Statements does not cover other information and I do not express any assurance or opinion on any of such information.



Auditor General's Report - 2020



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 தேசிய கணக்காய்வு அலுவலகம்
 NATIONAL AUDIT OFFICE

My responsibility with regard to the audit is to read the other information when available and to consider whether the other information is quantitatively compatible with the financial statements and my knowledge obtained at the audit or by some other means.

If I identify and conclude that quantifiable misrepresentations are being done when I go through the Annual Report of the Office, such information should be reported to the governing bodies in order to rectify such errors. I have none to report in this regard.

1.4 The responsibility of the Management and the parties in control over Financial Statements

It is the responsibility of the Management for preparing and fair presentation of these Financial Statements in accordance with the Sri Lanka Public Sector Accounting Standards and to determine the internal control required for preparing the Financial Statements free of quantitative error statements which might occur due to frauds and defaults.

In preparing the Financial Statements, it is the responsibility of the Management to decide the sustainability of the Institute. And, unless the Management is of the view to liquidate the Institute or to terminate the operations in the absence of any other alternatives, it is also a responsibility of the Management to disclose the matters pertaining to book keeping and the sustainability of the Institute, on sustainability basis.

The parties in control are vested with the responsibility on the Financial Reporting process of the Institute.

In terms of subsection 16(1) of the National Audit Act, No.19 of 2018, the books and reports on income, expenditure, assets and liabilities must be duly maintained enabling to prepare the annual and periodical Financial Statements of the Institute.

1.5 Responsibility of the auditor 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 are 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

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

2.1.1 As per the requirements mentioned in Section 12 (a) of National Audit Act No 19 of 2018, all the information and explanations required for the audit were obtained by me except the effect made by the matters mentioned in Qualified Opinion in my report. Proper financial statements had been maintained as per my observation.

2.1.2 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.

2.1.3 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.

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

2.2.1 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.

2.2.2 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. 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. Accordingly, the accuracy of the overtime payment of Rs. Mn 13.53 is disputable.
(b)	Letter of the Minister of Finance and Planning No PE/IN/ETF/Gen dated 10th November 2014	Even though consent has been expressed to grant loans for a rate of 4.2 percent under the staff housing loan scheme implemented together with State Mortgage and Investment Bank, the Board has granted housing loans for the staff up to 2 million at a rate of 4 percent.
(c)	Section 9.14.2 of the State Enterprise Circular No.PED/12 dated 02nd June 2003	Approval of the General Treasury had not been obtained for the Financial Procedure and Administrative Procedure implemented by the Board at present.
(c)	Public Enterprise Circular No 95 dated 14th June 1994 and Public Finance Circular No PF/PE 5 dated 11th June 2000	Even though additional allowances, incentives and other types of financial benefits should not be paid to the employees and members of the Board of Directors, Rs. Mn 11.34, Rs. Mn 25.02, Rs.Mn. 91.06, Rs Mn 10.48 had been paid totaling of Rs. Mn 137.90 as food allowance, allowance on saved leave, medical reimbursement and reimbursement of housing loan interest respectively.

Auditor General's Report - 2020



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 தேசிய கணக்காய்வு அலுவலகம்
 NATIONAL AUDIT OFFICE

2.2.3 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.

2.2.4 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) Dividend income for share investments of Rs. Mn 31.41, Rs. Mn. 30.14, Rs.Mn 49.10 which had been done in 6 listed companies in year 2015, 2018 and 2019 respectively, had not received as at 31st December 2020.

(b) Investments made by the Board in 12 listed companies with the market value of Rs. Mn. 902.71 in 2015 were not submitted for market transactions in the stock exchange. Therefore, the Board had not paid attention to minimize the capital losses. The market value of the said shares had dropped to Rs. Mn. 553.10 as at 31st December 2020.

(c) Board had invested in three trust funds and the market value of 450,000 units invested in Namal Growth Fund was Rs. Mn 57.21 as at 31st December 2021. Dividends have not been received for this investment for year 2020 and even though the market value of the Namal Growth Fund was increased in year 2020, it was observed that the fund had faced losses in year 2019 and year 2020 at the inspection of the financial statements. Further, it was

observed that this investment is at risk since the net asset value of the said fund had reduced from Rs. Mn 703 (in 31st December 2017) to Rs. Mn 350 as at 31st December.

(d) Debenture interest of Rs. Mn 9.39 which has been due from Elkaduwa Plantations for many years had not been recovered by 31st July 2021.

(e) Even though the Board is one of the main institutions which invest in government securities, it has not obtained Direct Bidding Facility from the Central bank. At the meeting of the Committee of the Public Enterprises held on 26th August 2016, an order was issued to register the Board at Central Bank as a Primary Dealer, but actions had not been taken accordingly even on 31st December 2020.

(f) Pursuant to the agreement entered into with State Mortgage and Investment Bank, the Bank should remit the principal amount and the interest recovered from the employees for the staff housing loan scheme once in three months to the Board. However, it has been observed that the Bank adds the interests and installements at the end of each financial year. Therefore, the Board does not receive any interest for the amounts collected in a year and thereby it doesn't get the opportunity to invest the said amount in any alternative profitable investments. Accordingly, no benefits were received for the recovery of Rs. Mn 24.47 and Rs. Mn 6.15 which were the principal amounts and interests recovered during the year.

2.3 Other Matters

(a) As per the Section 20 (1) of Employers Trust Fund Board Act No 46 of 1980 and Section 7 of Employers Trust Fund Board Act No 47 of 1988 (revised), it has been allowed to register self employees. It has been reported by the Department of Census and Statistics that the self employees in Sri Lanka amounts to 2,746,711. However the number of self employees who have been registered in the Board is just 42,694 which is 1.55%, out of that active members were 5,308. Even though a separate division has been established to promote this which is mandated by the Funds Act and strategies are given in the corporate plan, only 481 have been registered in year 2020.

(b) As per the incorporated act, the Chief Executive Officer of the Board is the Chairman of the Board. However, it was recommended at the meeting of the Committee on Public Enterprises held on 26th August 2016 to revise Section 5 (2) of the Employees Trust Fund Board Act. Since the institution is related to financial activities. However, relevant revisions had not been done even at the end of year 2020.

(c) No actions had been taken to settle the total amount of Rs. Mn 44.32 as at 31st December of the year under review, which is the unclaimed death benefits of Rs. Mn 17.47 from year 1995 and retained benefits of Rs. 26.85 from year 2001.



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 NATIONAL AUDIT OFFICE

(d) The Board provides a temporary registration number to the employers who register in Employees Trust Fund without obtaining the membership of Employees' Provident Fund and register them as dummy employers. The contributions received from them are maintained in temporary accounts named as 'X'. Accordingly, the balance of the said temporary accounts amounted to Rs. Mn 317.70 as at 31st December 2020. Since there was not appropriate programme to register these dummy employers as real employers, the contributions could not be credited to the personal accounts of the members.

31/08/2006, "unmarried and unemployed dependent children of the employee" are eligible to be benefited by this scheme. However, the maximum age limit of the children has not been prescribed and no methodology has been set to check the employment status and marital status of the children, Further, it is stated that an amount subject to a maximum of Rs. 5,000/- is paid once in two years for special equipment under treatments without getting hospitalized. However, a special remark is not entered into the computer system on such bills and therefore the relevant condition is not checked. Such weaknesses in the internal control were also observed.

(e) The Board has paid Rs. Mn 18.15 on the encasement of unutilised leaves for the year 2019. However, even in the year 2020, when working from home was introduced due to pandemic situation, Rs. Mn 25.02 had been spent on the same. This raises a question of fairness.

W P C Wickramaratne
Auditor General

(f) The monthly contribution of the members of the Board for the Medical Scheme (for member, spouse and the dependents) was revised by the Administration and Human Resource Circular No 2011/10 as Rs. 30 and no revision was made to that amount within the last 10 years. However, in year 2020, reimbursement of medical bills amounted to Rs. Mn 92.57 and the member contribution was Rs. Mn 1.51, i.e. 1.6%. Further, the balance amount of Rs. Mn 91.06, i.e., 98.4% was borne by the Board. Further, as per the Circular No 2006/25 issued by Administration and Human Resource Division on

OBSERVATIONS OF THE BOARD ON THE AUDITOR GENERAL'S REPORT 2020

1.2 Basis for the opinion

- (a) The Board has disclosed the financial statements after having duly recognized its responsibility in accordance with the Sri Lanka Accounting Standard No. 01. The Board has duly recognized and disclosed in the financial statements the liabilities, based on the actual receipts and the payments of contributions in respect of the accounting period. As such, the value of the liability of the membership contributions in the accounting statements has been stated correctly. However, due to the following reasons, the values referred to in the audit query could not be transferred to the individual member accounts from the employer accounts.

This apportionment of funds has been delayed in view of the fact that the employers not submitting the Form 11 and Form R4 they ought to have made available inclusive of the particulars of their employee contributions and also due to the fact that there were defects in the above reports submitted by them. Moreover, the opportunity for the field officers to make visits to the relevant institutions and obtain and/or make necessary corrections to these reports has been denied due to the current epidemic situation of Covid-19. Furthermore, as a result of the fact that only a limited number of employees are called up for duties in batches, these funds still remain to be shown as an undivided balance in the accounts.

Even though our accounts as of 31.12.2020, showed an unapportioned receipt amounting to Rs. 931 million, the Board by the year 2016 has made a substantial progress in the reduction of the aggregate

amount of the unapportioned monies that stood as Rs. 2,501 million for the period from 1981 to 2014 by a sum amounting to Rs. 2,319 million during the past few years through the establishment of a special unit for that purpose.

When it is taken into consideration as such, a sum amounting to Rs. 435 million out of the unapportioned receipts as at 31.12.2020 in respect of the financial year 2020 is applicable for the period from the year 1981 up to the year 2018 and a sum amounting to Rs. 106 million out of it has been apportioned to the relevant member accounts during the period from 31.12.2020 to 28.09.2021. Necessary follow-up action is already being taken to have apportioned a sum amounting to Rs. 141 million out of the remaining amount of monies to the relevant member accounts through a special computer programme.

The balance of Rs. 12,758,720.00 that stood as of the 31st of December 2020 in the V-999 Contingent Account is Rs. 43,174,678.47 as of the 16th of August 2021. Its membership has increased up to 81. These amounts could not be apportioned due to the inability in finding out the numbers of the employers pertaining to the receipts of the contribution of monies.

- (b) The Board identifies the reserves of the Board separately and shows them separately in the Statement in Changes of Equity. The Board under other reserves has shown actuarial gain / loss. If it needs to be disclosed further, action will be taken to do so in the future.

- (c) In accordance with paragraph 29 of the Sri Lanka Accounting Standard No. 16, the Board measures its non-current assets on the format of cost. Moreover, action has also been taken to disclose the said policy through Note 2.7. If it needs to be disclosed further, action will be taken to do so in the future.

2.2.2 Regarding the non-compliance with other general or special orders

- (a) Regulations have been made to grant approval for the overtime duties of the Board only for two days a month per employee and to deploy the relevant personnel on overtime duties only during the first and last Saturday of the respective month and action thereon is being pursued accordingly. Right from the very inception of this Board, overtime hours have been calculated on the basis of 01½ hours to 01 hour each only for the grades of staff in PL-1, PL-2, PL-3, MA 1-2, MA 2-2 and A 4 categories and in addition, action has also been taken to grant them a day's pay for the 08 hours of their service.

In terms of the provisions of the Shop and Office Employees Act meant for all Public Corporations and Statutory Bodies in Sri Lanka, an employee is entitled to 21 days of leave being calculated as 07 days of casual leave and 14 days of annual leave per annum. It has to be stated that, under the Shop and Office Employees Act, there exists an entitlement of 21 days of medical leave as well for all public and statutory institutions except the private sector in Sri Lanka and many an institution avails themselves of the opportunity of adhering to a system of making payments for the medical leave that is remaining on annual basis. As such, I would like to state that

the medical leave of 21 days is not a practice adopted only by this Board.

According to the Shop and Office Employees Act, engagement in duties over a period of 45 hours a week for the calculation of overtime allowance is practically non-functional in Public Corporations and Statutory Bodies. The overtime payment for employees is made for the full day of Saturday through 05 working days of the week by taking into account the five days of service less 1/2 hour for tea breaks or lunch during such period and deploying them in duties over the remaining time.

- (b) A new agreement with regard to the provision of concessionary housing loans to the staff of the Board has been entered into with the State Mortgage and Investment Bank with effect from 21.05.2021. In terms of the said agreement, 4.2% of interest will be charged on the first 2 million Rupees and 7% of interest on the remainder of the 1 million Rupees. Accordingly, I would like to state that action through the new agreement has been taken to see the rectification of all those deficiencies experienced in this loan scheme. (Copy of the new agreement is at Annex IV.)
- (c) As the Board is a statutory body, the provisions of the Financial Regulations are put into practice in the same manner in its financial transactions. Even so, an internally prepared Financial Procedure is put in place for the facile execution of the operational activities and it is merely a set of guidelines, not used as a legitimate document. However, the Financial and Administrative Procedures of the Board have been met with

the approval of the Board of Directors and are scheduled to be updated and submitted to the General Treasury for approval in the due course.

- (d) The food allowance paid to the staff of the Board, the payment made for the remaining 14 days of leave and the reimbursement of medical expenses are the benefits made available to the staff from the very beginning of the Board with the approval of its Board of Directors. Accordingly, the approval of the Board of Directors was sufficient at the initial stage for that purpose and the approval has been subsequently obtained for all these allowances under the Ministry of Finance and Planning letter No. PE/IN/ETF/Gen dated 10.11.2014 under its heading, "Incentive Allowances" in pursuance of the instructions given in this regard at the Committee on Public Enterprises held on 08.10.2013. We would also wish to state that no other new allowances has been introduced to the staff after the relevant date and that the system of incentive allowances existed up to that point is still continued to be in operation.

2.2.4 Not having been procured and put into use in compliance with the rules and regulations

- (a) The fact as to whether or not the companies receive dividends from the equity investments depends on the performance of those companies. Likewise, it is also influenced by the economic and external factors associated with the sector. In addition, the entire country was in isolation and locked down for months due to the epidemic situation of the Covid-19 that prevailed in the country during the year 2020, and the country's economic growth too assumed a negative

ratio at 3.2 percent. As such, many companies were faced with a situation where they could not carry on with their day-to-day operations smoothly and it was no secret that they were not in a position to be able to declare any dividends. Similarly, certain companies have declared dividends for the year 2020 but could not go on to have them disbursed. (E.g. Trans Asia - Rs. 0.50 per share, Ex: Date - 18.03.2020) This company which is related to the tourism industry represents as many as Rs. 39.9 million out of the sum amounting to Rs. 49.10 million that was referred to in the year 2019. And also, the company that was referred to in the year 2018 as "the company representing Rs. 30.14 million" has sold out with a net capital profit of Rs. 57.96 million during the first quarter of 2021.

Likewise, a sum as many as Rs. 29.23 million is also represented by the sum of Rs. 31.41 million in reference to the year 2015 by a company associated with the tourism sector. Accordingly, in tandem with the likely resurgence of the tourism sector in the future, companies related to that sector may also be able to pay dividends in the coming years and the other companies too will be in a position to pay dividends along with the growth in the economy. In addition to that, shares of these companies could also be sold out with capital gains if prices tend to thrive.

- (b) The fluctuations in share market prices are a hallmark exclusive to that sector. When the market price of the shares of the projected companies assumes a higher proportion than its actual cost, the shares are on sale for the purpose of raking in capital gains.

Observations of the Board on the Auditor General's Report 2020

The 12 companies referred to in the audit query are also expected to make a sale of it and derive capital gains under such conditions of the market.

Furthermore, out of these 12 companies, as many as 5 entities are hotels related to the tourism sector and, as such we expect to sell them out at a profit margin when the market price per share is at higher value than the actual cost in an environment where the tourism industry in the country likely to experience a boom.

Since the rest of the companies too are listed in the Share Market, we expect to make a profit by selling them out when their market price assumes a higher ratio than the actual cost. All of these investments are companies falling within a long-term investment portfolio. Moreover, two of the companies involved in this category have gone on to make further inroads in expanding their business operations by raising additional capital requirements through the rights issues during the years 2020 and 2021.

- (c) Of the investment in the Namal Growth Fund made out of the unit trust investments, a parcel of 55% thereof were gradually put on sale. The remaining 450,000 units are also expected to be put on sale with capital gains by and by when the market turns out into a favourable position.
- (d) Several letters have been sent to the Elkaduwa Plantations Company requesting them to pay these amounts of monies that are outstanding. The last letter to that effect was sent on 12.07.2021. When communicated over the phone, the company has said that they

were faced with a financial crisis due to the current Covid-19 pandemic situation. Since the money involved in this transaction is a no-interest-bearing affair, the opportunity for recovering this amount of money at one stretch by resorting to legal action seems very remote. Therefore, it is prudent to recover the monies outstanding in a peaceful manner. Furthermore, this company is also a government-owned entity.

- (e) The Board incurs a considerable cost to have secured and carried on with this facility. The Central Bank has informed the Board of the tasks to be carried out by it for securing this facility. Action will be taken to meet the requirements conveyed by the Central Bank after the finalization of the recruitment of personnel and obtaining the approval of the Board of Directors for the purpose.

As the Central Bank has outlined the quotable maximum cut-off rate for each of the Government Securities as per the existing system of auctions, the Central Bank does not issue the Government Securities at the rates beyond the said rate. In such a scenario, the competitiveness in purchasing government securities from the primary market is at a very minimal level.

As at present, this Direct Bidding Facility facility has been made available through the People's Bank which is a state-owned bank, at no cost and without the use of additional human labour. That makes the business of the Board facile.

- (f) Even though the State Mortgage and Investment Bank has been informed of it from time to time,

the loan recoveries referred to have not been remitted to the Board every three months. Arrangements have been made to duly recover the repayments of loans once in three months in accordance with the new agreement coming into effect from 21.05.2021.

2.3 Other Matters

- (a) 1614 new members have been recruited as of 31.12.2019 under the innovation programme introduced in the year 2019. Even though the plans have been put forward under the said innovation programme for the year 2020, it could not be implemented in the face of the corona epidemic.
- (b) Section 5 (2) of the Employees Trust Fund Act, No. 46 of 1980 relating to the recommendation made by the Committee on Public Enterprises (COPE) has been incorporated by the Act (Amendment), No. 46 of 1988 that amended the principal Ordinance. The recommendation of the COPE Committee was discussed with the relevant parties at length. Accordingly, following the receipt of the approval of the Board of Directors for appointing two persons to the two posts of the Chairman and the Chief Executive Officer instead of such positions being held by one and the same person and also, for amending the Act so that the General Manager of the Board can be appointed as the Chief Executive Officer of the Board, the proposals concerned have been referred to the Secretary of the Ministry of Finance being the Ministry in charge of the respective subject, for the purpose of obtaining approval of the Cabinet of Ministers. Likewise, these proposals have also been forwarded by now to the other

- relevant parties including the Secretary to the President and the Commissioner General of Labour in order to make them aware of this development.
- (c) The balance lying in the Non-Claiming Death Benefits Account up to 31.12.2020 was Rs. 17,469,405.51. (Applicants for Benefits – 1079) There are instances where it is determined that there is more than one claimant for the benefits of a particular member after the death of such members. The current course of action adopted in such cases is to retain their share of benefits in the board account in view of the fact that all such beneficiaries do not come forward to make their relevant claims at one stretch together and also, due to the reasons of difficulties faced by certain persons in submitting sufficient written information (Relevant certificates not being produced expeditiously) and to make necessary arrangements thereafter to pay only the share of benefits to those beneficiaries who have duly submitted their documents. This account contains the total sum of the shares of the benefits so retained and the value of the cheques not made into the respective bank accounts by the beneficiaries of the death benefits who were paid by means of cheques. For the period from January 2021 to July 2021, a sum of Rs. 809,752.87 has been paid to 04 death beneficiaries after considering the submissions made by such beneficiaries and the value of the liability payable to the relevant beneficiaries as of 31.07.2021 is Rs. 16,659,652.64 out of the aforesaid sum. (Applications for Death benefits - 1075)
- The balance of the Returned Benefits - Slips Account as of 31.12.2020 is Rs. 21,792,642.72. (Beneficiaries - 829) The amount of money above has come into existence as a result of the sums of money returned by the respective banks being accounted for in this account due to the defectiveness in the bank account details of the member applicants with entitlements even though the relevant benefits of these members have been sent under the Interbank Payment Scheme to their bank accounts they have indicated in their Applications for Benefits. For the period from January 2021 to July 2021, the amount of Rs. 10,483,409.39 claimed by 138 beneficiary applicants has been paid as benefits and the value of the liability payable to the relevant beneficiaries as of 31.07.2021 out of the aforesaid amount of money is Rs. 11,309,233.33. (Beneficiaries - 691)
- The balance of the Returned Benefits - Cheques & Welfare is Rs. 5,058,164.23. (Beneficiaries - 603) Persons numbering 30 out of these 603 beneficiaries have been paid the dues entitled to them under the Interbank Payment Scheme and their dues have been returned to us owing to the inaccuracies in the bank account details provided by them. The cheques sent by registered post to the remaining 573 beneficiary applicants are yet to be realized due to their failure in depositing the respective beneficiary cheques in the banks of those beneficiary applicants. However, during the period from January 2020 to July 2021, 15 of these applicants were repaid their dues in sums amounting to Rs. 408,401.59 and the value of the unpaid beneficiaries further awaiting
- their benefits amounts to Rs. 4,649,762.64 as of 31.07.2021. (Beneficiaries – 588)
- As the Board does not have sufficient information in its possession to get in touch with the legal beneficiaries for the death benefits that have been withheld, I intend to collect their information through newspaper advertisements and across the banking network in the future.
- The beneficiaries of the general benefits and the welfare benefits remaining without laying any claims were communicated by telephone calls and letters and it is proposed to continuously follow the same course of action in the future as well. Obtaining information of the beneficiaries via the banks in order to make the relevant payments is also to be pursued effectively.
- (d) Since 2017, the Department of Labour has been in the process of exchanging registered information on a monthly basis with the Employees Provident Fund. Based on such information, transfers of dummy numbers to the permanent employer numbers are made.
- Furthermore, there are instances where Regional Offices of this Board inform us of the permanent employer numbers that were obtained during the inspection of the institutions, in accordance with such numbers after the employer registers himself with the Employees Provident Fund, and even at that stage, the transfer of contributions made under the dummy numbers to the permanent payment process is undertaken regularly.

Observations of the Board on the Auditor General's Report 2020

(e) In the monthly incentive allowance scheme of attendance, the employee is entitled to avail three types of leave, i.e., medical, casual and annual leave. Furthermore, the incentive payment is based on the leave availed of by the employees on a monthly basis. However, I would like to point out that the payment for medical leave saved by the employees is a system that got underway almost 30 years ago and it is seen as a course of action taken to have further reduced the amount of leave availed of by the employees. Due to the epidemic situation during the year 2020, incentive allowances were paid adhering to a certain method owing to the reasons that the staff of the Board was compelled to work from their homes and a particular category of employees had to report for service to attend to the essential duties in their respective offices.

(f) I wish to admit the fact that the medical contributory scheme remained unrevised over a period of 10 years. I would like to state that necessary measures will be taken to increase the amounts of contribution to the said scheme in the future.

The maximum age limit of the employee-dependent "unemployed unmarried children" has recently been set at 25 years. In the case of medical assistance payments for children over 21 years of age, I would like to state that action will be taken to ascertain the fact that such children are not employed and are unmarried by way of perusing the certificates of the Grama Niladhari / the testimonials from the Higher Education Institutions, etc.

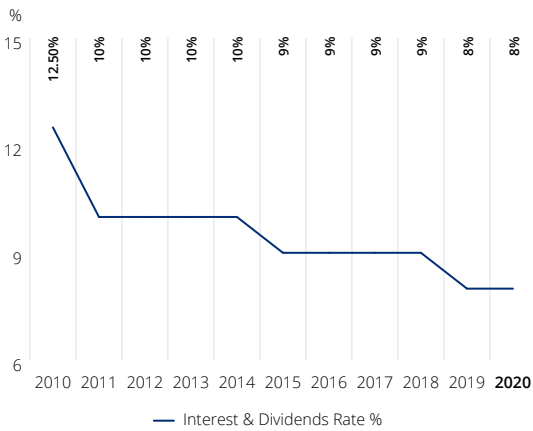
Action will be taken for the reimbursement of expenditure involving the purchase of special equipment up to Rs. 5000.00 every two years and the computer system will be updated for that purpose in the future.

(Sgd.)

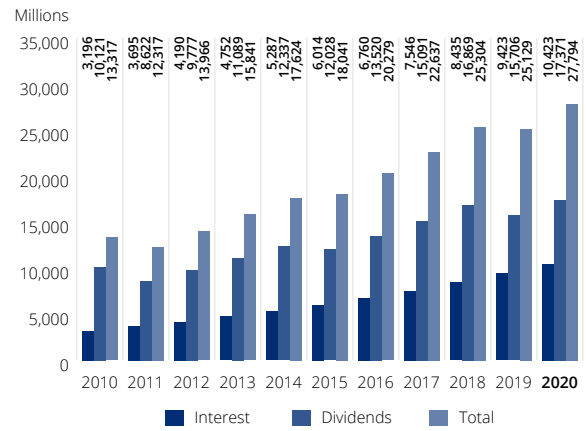
Sriyan de Silva Wijeyeratne
Chairman / Chief Executive Officer
Employees' Trust Fund Board

STATISTICAL ANNEXURE

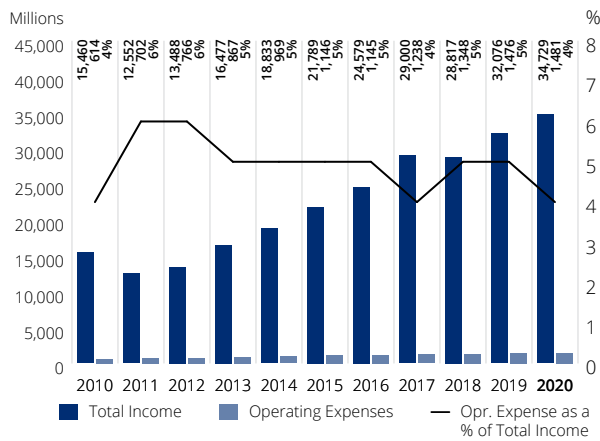
Interest & Dividends Rates



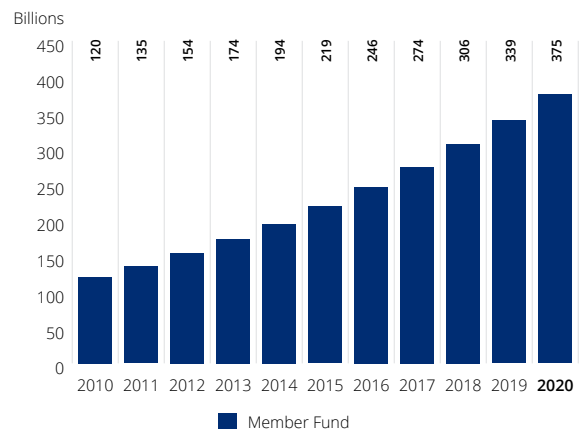
Interest & Dividends Rates



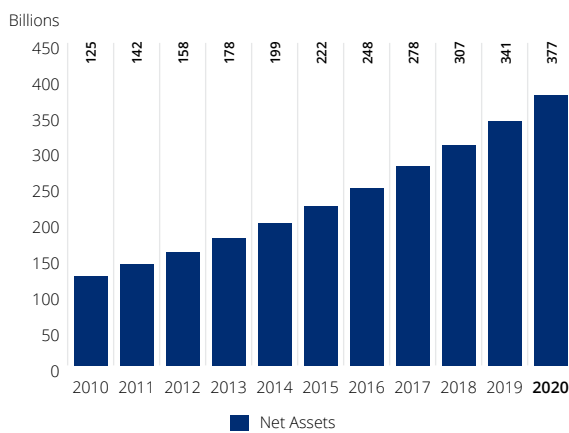
Income vs Expense



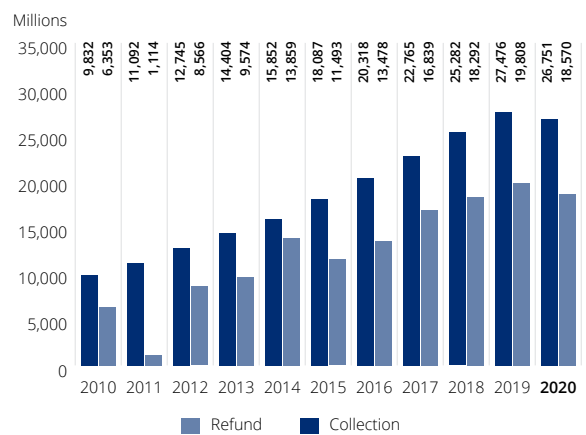
Member Fund



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