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ஊழியர் நம்பிக்கைப் பொறுப்பு நிதியம
EMPLOYEES' TRUST FUND BOARD

ENDURING STRENGTH

වාර්ෂික වාර්තාව 2022
வருடாந்த அறிக்கை 2022
ANNUAL REPORT 2022

ENDURING STRENGTH

Employees' Trust Fund Board proved its stability in the post pandemic period by ensuring its enduring strength in the long term as the country's second largest superannuation fund. The Board has showcased its ability to continue in any adverse economic condition. Our committed team rallied together, swiftly adapting to new ways to successfully serve its members. Meanwhile, we maintain our investment activities during the crisis period despite many challenges.

Reiterating the enduring trust and stability as the nation's second largest social security fund we were successful in delivering the quality service to our members.

CONTENTS

CONTENT OF THE REPORT

EMPLOYEES' TRUST FUND BOARD
ANNUAL REPORT 2022

Contents of the Annual Report

This is the 42nd 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 2022.

The Content of the Annual Report 2022 covers the operations spanning the head office and the branch network for the period of 1st January 2022 to 31st December 2022, with the most recent report being for the year ended 31st December 2021 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.

Strategic Orientation

In addition to a focus on performance over the year, this Annual Report also provides stakeholders with insights into the Board's current and future strategies to drive growth.

Contact Person

Ms. G A S Sumanasena
Deputy General Manager (Finance)
Employees' Trust Fund Board
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WE ARE THE EMPLOYEES’ TRUST FUND BOARD

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, Economic Stabilization and National Policies. 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 or conductive to, the attainment of the objectives specified in paragraphs (a), (b) and (c) above.

OUR VALUE PROPOSITION

FINANCIAL HIGHLIGHTS

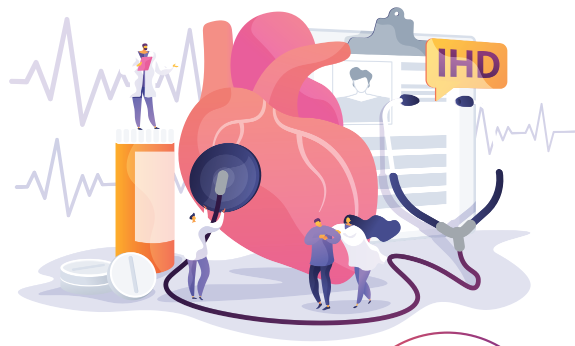
	2022 LKR '000	2021 LKR '000	Change %
Operations			
Total Income	46,121,938	35,489,895	29.96
Total Interest Income	46,316,209	34,095,154	35.84
Total Expenses	2,694,206	2,330,399	15.61
Operating Expenses	1,648,344	1,539,849	7.05
Profit Before Tax	43,427,732	33,159,496	30.97
Tax Expense	6,449,427	4,590,140	40.51
Profit After Tax	36,978,305	28,569,356	29.43
Statement of Financial Position			
Cash and Cash Equivalent	584,266	578,758	0.95
Financial Assets at FVTPL	2,887,168	3,622,159	(20.29)
Financial Assets at FVTOCI	8,646,578	10,561,493	(18.13)
Financial Assets at Amortized Cost	444,308,492	395,922,319	12.22
Member Fund and Reserves	460,561,415	409,285,930	12.53
Member Point of View			
Member Fund	459,630,606	406,288,901	13.13
Interest & Dividend	36,981,107	27,919,952	32.45
Interest & Dividend (%)	8.75%	7.25%	20.69
Member Benefits	477,055	440,912	8.20
ROI	10.01%	8.58%	16.67
ROE	8.05%	6.98%	15.33
ROA	7.95%	6.82%	16.57

TOTAL ASSETS (LKR MN)
464,997
2021 419,121

PROFIT FOR THE YEAR (LKR MN)
36,978
2021 28,569

MEMBER FUND (LKR MN)
459,631
2021 406,289

KEY MILESTONES ON MEMBER BENEFITS



1986

- Death Benefit Scheme: LKR 100,000/=

1989

- Death Benefit Scheme
- Permanent Disability Scheme : LKR 200,000/=

1991

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

1992

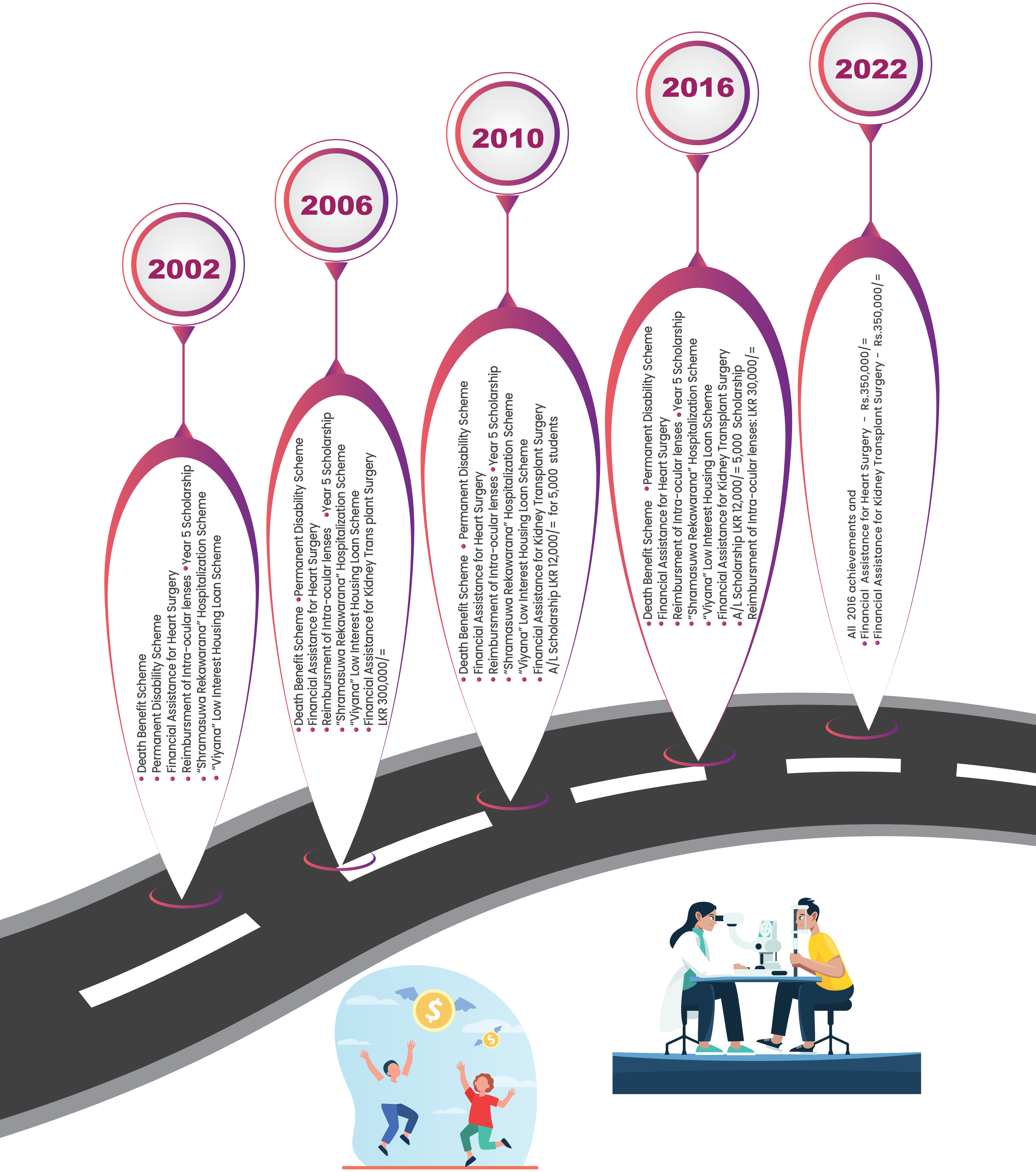
- Death Benefit Scheme
- Permanent Disability Scheme
- Financial Assistance for Heart Surgery
- Reimbursment of Intra-ocular lenses: LKR 18,000/=

1994

- Death Benefit Scheme
- Permanent Disability Scheme
- Financial Assistance for Heart Surgery
- Reimbursment of Intra-ocular lenses
- Year 5 Scholarship LKR 15,000/= for 9,000 students Scholarships

1997

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


2002
• Death Benefit Scheme
• Permanent Disability Scheme
• Financial Assistance for Heart Surgery
• Reimbursment of Intra-ocular lenses • Year 5 Scholarship
• "Shramasuwa Rekawarana" Hospitalization Scheme
• "Viyana" Low Interest Housing Loan Scheme
2006
• Death Benefit Scheme • Permanent Disability Scheme
• Financial Assistance for Heart Surgery
• Reimbursment of Intra-ocular lenses • Year 5 Scholarship
• "Shramasuwa Rekawarana" Hospitalization Scheme
• "Viyana" Low Interest Housing Loan Scheme
• Financial Assistance for Kidney Trans plant Surgery LKR 300,000/=
2010
• Death Benefit Scheme • Permanent Disability Scheme
• Financial Assistance for Heart Surgery
• Reimbursment of Intra-ocular lenses • Year 5 Scholarship
• "Shramasuwa Rekawarana" Hospitalization Scheme
• "Viyana" Low Interest Housing Loan Scheme
• Financial Assistance for Kidney Transplant Surgery
A/L Scholarship LKR 12,000/= for 5,000 students
2016
• Death Benefit Scheme • Permanent Disability Scheme
• Financial Assistance for Heart Surgery
• Reimbursment of Intra-ocular lenses • Year 5 Scholarship
• "Shramasuwa Rekawarana" Hospitalization Scheme
• "Viyana" Low Interest Housing Loan Scheme
• Financial Assistance for Kidney Transplant Surgery
• A/L Scholarship LKR 12,000/= 5,000 Scholarship
• Reimbursment of Intra-ocular lenses: LKR 30,000/=
2022
All 2016 achievements and
• Financial Assistance for Heart Surgery - Rs.350,000/=
• Financial Assistance for Kidney Transplant Surgery - Rs.350,000/=

VALUE CREATION MODEL

Value Enablers (Inputs)

Invested Capital

- Member Fund 406Bn

Member Capital

- Total Employers 67,101
- Total Member Accounts 2.7Mn
- Self & Migrant Works 43,129

Employee Capital

- Total Staff 965
- More than 40% of staff has more than 20 years experience with the board
- Talented, skilled and qualified staff

Partner Capital

- Ministry of Finance, Economics Stabilization and Natonal Policies
- Employees Provident fund (EPF)
- Information & Communication Technology Agency (ICTA)

Social & Community Capital

Working Population

Value Creation (Processes)

Vision, Mission and Values

Goals & Objectives

Strategies & Activities

Primary Activities
Collection
Compliance & Enforcements
Employer Relations
Member Services
Investments

Secondary Activities
Finance
Information Technology
Human Resource
Internal Audit

Act No. 46 of 1980
Corporate Good Governance
Corporate Risk Management

Value Creation (Output)

Investors

Member Fund 460Bn
ROI 10.01%

Members

Interest 3.00%
Dividend 5.75%

Employees

Personal Expenses 1.4Bn
Training Cost 4.2Mn
Staff turnover is below 5%

Community

Claims Payment	25Bn
Dividend	24Bn
Interest	13Bn
For heart surgeries	98Mn
For Deth Benefits	149Mn
For year 5 Scholars	87Mn
For Educational grant	103Mn
Shramasuva Scheme	23Mn
Permanent Disability	9Mn
For Kidney Transplants	4Mn
For intra-ocular lenses	4Mn

ORGANIZATIONAL REVIEW

The Employees' Trust Fund Board (ETFB) 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 Minister 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 ETFB 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 ETFB 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

1 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.

2 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.

3 Member Services Division

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

4 Finance Division

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

5 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

6

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)

7

Internal Audit 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.

8

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 DGM (Legal).

PERFORMANCE REVIEW

Value Added Statement

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

	2022 LKR million	2021 LKR million	Change %
Value Added			
Income earned from Core Business	45,677.35	35,201.80	29.76
Cost of Services	(292.05)	(330.07)	11.52
Value added from Core Business	**45,385.29**	**34,871.73**	**30.15**
Other income	444.59	288.09	54.32
Impairment charges for loans and other losses	76.82	0.48	16,049.81
Value Addition	**45,906.70**	**35,160.30**	**30.56**
Value Allocation			
To Employees			
Salaries, Wages and Other Benefits	1,392.35	1,264.34	(10.13)
To Members			
Interest paid to Members	12,679.22	11,808.66	7.37
Dividends paid to Members	24,301.89	16,366.67	48.48
To Government			
Taxes Expense	6,449.43	4,590.14	(10.51)
To Community			
Member Benefits	477.05	440.91	8.20
To Expansion and Growth			
Retained Profit	(2.80)	649.40	(100.43)
Depreciation and amortization	36.06	39.97	(9.78)
Total value allocated	**45,333.20**	**35,160.30**	**28.93**

Economic Value Added (EVA)

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

	2022 LKR million	2021 LKR million
Invested Capital		
Average Member Fund	432,959.75	390,752.19
Add: Cumulative impairment provision for loans and other losses	86.47	9.65
	433,046.22	**390,761.84**
Return on Invested Capital		
Profit after taxation	36,978.31	28,569.36
Add: Impairment provision for loans and other losses	76.82	0.48
Total return on invested capital	**37,055.12**	**28,569.83**
Opportunity cost of invested Capital*	(108,218.25)	(24,618.00)
Economic Value Added	**(71,163.13)**	**3,951.84**

*Calculated based on weighted average 12 months Treasury bill rate 2022 – 24.99% (2021 - 6.00%)

CHAIRMAN'S **REVIEW**

"The ETFB was one of the few non-essential state services that provided an uninterrupted service during the crisis. Our committed team rallied together, swiftly adapting to new ways to successfully disburse claims to its members."

Dear Stakeholders,
Employees' Trust Fund Board, being one of the largest social security funds in the country, continuously proved its support to the members and the society.

This year's theme of the report "Enduring Strength"shows the ability of the ETFB to sustain strongly despite all challenges in the country with higher returns to its members and to the country.

Performing Under Adversity

The unstable political situation and heightened fiscal, external, and financial sector imbalances posed significant uncertainty for Sri Lanka's economic outlook on year 2022. The economy contracted by 4.8 percent year-on-year in the first half of 2022. Due to these disruptions, many businesses were impacted adversely, resulting in the closure of many businesses thereby contributed to lower contributions to the Board. Amidst all this, the Fund witnessed a growth in its assets under management to LKR 465 Bn. The net worth of the Fund grew by 12.5% to record LKR 460 Bn by the end of 2022 compared to LKR 406 Bn recorded in the previous financial year.

The central bank raised policy rates by 150 basis points in Q1 2022, by an unprecedented 700 basis points in April as a recovery measure to inflation. This interest rate hike has a significant impact on the Boards income for the year under review. The total income of the Board increased by 30% to record LKR 46Bn. The total expenses of the board increased by only 16% even with a recorded average annual inflation of 34.6%. The expenditure was tightly managed with government guidance on the reduction of expenditure. The recoded profit before tax of Rs 43.4 Bn shows an increase of 30% over the previous year. With these achievement the Board was able to distribute 8.75% dividend and interest to its members as a return .

Subsidiary Company

During the year under review the Board has taken the initiative to restructure the composition of the subsidiary Lanka Salt Ltd (LSL) by appointing new board members to the LSL Board and monitoring the performance of the Subsidiary. The subsidiary company also showed remarkable performance during the year contributing towards the Boards performance through higher dividends.

Navigating the Economic Crisis

The ETFB was one of the few non-essential state services that provided an uninterrupted service during the crisis. Our committed team rallied together, swiftly adapting to new ways to successfully disburse claims to its members. We were also able to maintain our investment activities during the crisis period despite many challenges.

Adopting the "work from home" concept and a rotational working schedules with untiring efforts of the employees from top to bottom pave the way to success for the uninterrupted service to the members at large.

E-Governance

In order to align with the government policy on" Digital Government ",ETFB has already begun the digitalization of its core business and the support services. The Board envisions longer term transitioning towards a paperless environment in line with Government's e-governance initiative.

The new system will be 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 will be a cloud-based application which will facilitate our employees to work even remotely thereby maintaining service levels through any challenging exigency that might arise in the future.

The project is in the final stage & new system will be in place by the end of 2023 which will be a remarkable milestone in the history of ETFB journey. The ETFB obtained the technical and financial assistance from the Information Communication Technology Agency in Sri Lanka (ICTA) in this regard.

In order to facilitate this remarkable journey, the e payment scheme has been made compulsory for the employers with more than 15 employees by a special Gazette notification in December 2022.

Our Human Resources

I'm proud to state that despite all the challenges in the country ,we were able to provide an uninterrupted service to our members not because anything else but due to the strength of our work force.

We have taken steps to 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 technology will enable elevating our service experience further.

Awards and accolades

ETFB's Annual Report - 2020 was recognized as an overall winner award by the Association of Public Finance Accountants of Sri Lanka (APFASL), the public sector wing of the institue of Chartered Accountants of Sri Lanka for the second time and the Gold winner for the 'Statutory Boards, Authorities and Commissions' category for the consecutive second time. This award reflects our commitment in maintaining the highest standards of transparency, accountability, and corporate governance.

Way Forward

ETFB has envisioned its future direction through a complete digitalization process, growth in its profitability with the aim of delivering an efficient service to its member portfolio.

Our vision is to maintain an efficient portfolio whilst supporting the government monetary policies.

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 flowing their retirement.

Appreciations

I wish to place my sincere appreciation to the members for their 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 management team and the staff members for their commitment and dedication towards their work.

My sincere thanks extended to the Hon. Minister of Finance, Economic Stabilization and National Polices, the Secretary to the Ministry of Finance, Economic Stabilization and National Polices, and his staff, Director General of Department of Public Enterprises and the staff for the co-operation extended to us in navigating in a challenging year. I express my appreciation to my colleagues on the Board of Directors for their support to the strategic direction of the Board. Finally my gratitude towards the all stakeholders who enabled us to successfully deliver the expectation of the Board being the second- largest superannuation fund in the country.

D. L. P. Rohana Abeyaratne
Chairman /
Chief Executive Officer(Acting)

DIRECTOR'S REPORT

"ETFB delivered a strong performance yet again in 2022. Both Total Income and Profit increased nearly by 30%, despite challenging microeconomic conditions, and a weakening macroeconomic outlook. ETFB made good progress against its strategic targets and continued to deliver the best towards the betterment of the members. The Board of Directors believes customer satisfaction and optimum returns are the driving forces and key pillars to operate as the second-largest social security fund in the Island."

Operational Excellence

ETFB stayed focus on bringing satisfaction to its members despite internal and external challenges. On the back of multiple micro and macro-economic volatile years, the year under review brought extraordinary challenges for the Island. However, it is pleased to report that Employees' Trust Fund Board (ETFB) posted a strong performance in 2022 whilst continuing its duty towards the Island.

"Enduring Strength" would be the definition for the performance of the ETFB during 2022. ETFB has drawn from more than four decades of experience to manage financial crises and recessions. In every season of adversity, the winners have been those who were both prepared and agile. This has led us to ensure that we are at all times in a constant state of preparedness and to take a diligent approach in managing risks and crises. ETFB takes all possible measures to deliver an attractive return on investment to the members through a well-managed investment portfolio and digitization activities to enhance customer services while improving internal efficiencies at all levels for optimum operations.

Despite the unstable environment, ETFB managed to pull through with a reasonably solid performance to deliver a dividend of 5.75% with the 3.00% minimum interest rate mandated by the ETF Act. Our results are a testament to the success of our strategies, combined with the commitment of our staff, and anchored on our vision to achieve the very best that we can for our members' well-being and future. Since the inception, the ETFB's investment has been guided by a disciplined approach to ensure that the investment is optimized while ensuring its ability to meet its mandate despite the volatility in the market. Meanwhile, ETFB's investment assets are primarily allocated to government securities with the aim of safety. ETFB take every investment decision rooted in safeguarding our members' retirement savings while offering optimum return to them.

Digitalization

The digital journey begun in 2016 has come to an end and ETFB is ready to welcome the new member centric system in first time in ETFB history, which is planned to come on Board in 2023. The system was structured to implement in a modern state-of-the-art ERP data base conceptualized to operate in a member centric environment with the view of serving customers better.

Reward & Recognitions

ETFB was awarded overall – Gold award and also the Gold award for the category of Statutory Board, Authorities and Commission by the Association of Public Financial Accountant of Sri Lanka (APFASL). This was the fourth consecutive year that the ETFB was awarded in this competition. 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.

Future Outlook

The ETFB embraces its mandate as a moral obligation to create the conditions for a quality retirement, for all of its members. Based on the current visibility, we expect to complete the implementation process of core business digitalization in 2023 and move towards the e-governance. Board will take a step beyond the conventional to redefine the strategies of the board to resilient in the challenging economic conditions

Appreciation

We are committed to create shared values for our members and all stakeholders connected to the board by unlocking the power of enhancement of quality life. We could not achieve it without our loyal employees. We are proud of the efforts of our hardworking staff members at ETFB, who responded to a rapidly changing operating environment strategically. In this challenging year, we would pay our gratitude to the General Manager, Senior Management and all staff members for their endless dedication towards the interest of the members of the Fund.

D. L. P. Rohana Abeyaratne
Chairman /
Chief Executive Officer(Acting)

MANAGEMENT DISCUSSION AND ANALYSIS

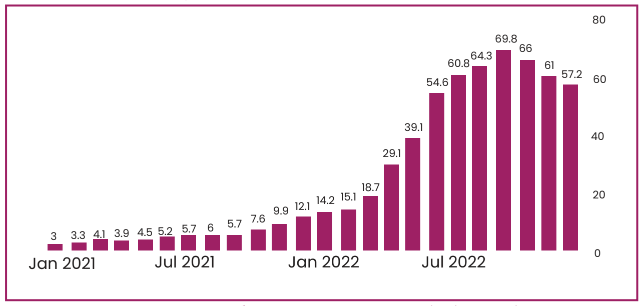
2022 AT A GLANCE

Year 2022 under reviewed was a period of amidst challenges encompassed with combination of factors based on, economic instability, social unrest and political uncertainty. Sri Lanka embarked on year 2022 with a fresh aspiration towards to unprecedented improvement in all sectors of the economy after successfully combating Covid-19 pandemic situation. In consequence of failure in macro-economic policy application, Sri Lanka was unable to maintain a sustainable economic growth over the past periods. The weak investment climate, loose monetary policy and an administered exchange rate had contributed to external imbalances. Sustained fiscal disparities, driven by low revenue collections, combined with tax cuts in 2019, have contributed to high fiscal deficits, and a rapid growth in unsustainable debt burden.

Sri Lanka lost access to international financial markets, after credit rating downgrades. Without market access, Sri Lanka continued to service its external debt and pay for imports using official reserves and loans obtained from the banking sector. Official reserves dropped to less than US$400 million (excluding a currency swap equivalent to US$1.5 billion with China) in June 2022. On the ground of foreign exchange shortage, from the second quarter of 2022, Sri Lanka fell on shortages of fuel, medicines, cooking gas, and various inputs needed for economic activities. Corporate sector faced supply chain disruption owing to shortage of foreign currency in maintaining their production and farmers faced to fertilizer and fuel shortage. Ultimately Sri Lankan economy was driven to a severe contraction of 7.8%.

Year-on-year inflation reached an unprecedented 64.3 percent in August 2022, largely due to high food inflation of 93.7 percent. This reflected the impact of rising global commodity prices, money printing to meet fiscal deficit, currency depreciation and supply chain disruptions. With the appointment of a new Governor for Central Bank of Sri Lanka, the Monetary Board of CBSL decided to increase the Standing Deposit facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 700 bps to 13.50 percent and 14.50 percent respectively and subsequently these rates were increased by an another 100 bps with a view to curtail hyper inflationary situation. Due to unbearable inflationary situation people have been compelled to change their consumption and expenditure pattern. This situation directly impact to contraction of market bases of companies ultimately hit their sale volume and revenue as well.

Inflation During 2022

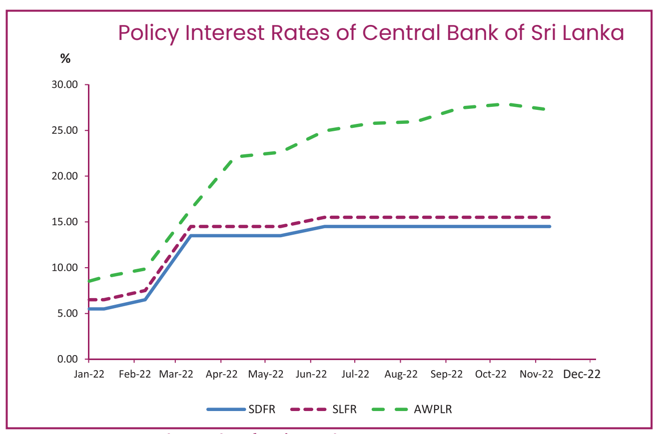


Source: Department of Census and Statistics, Sri Lanka

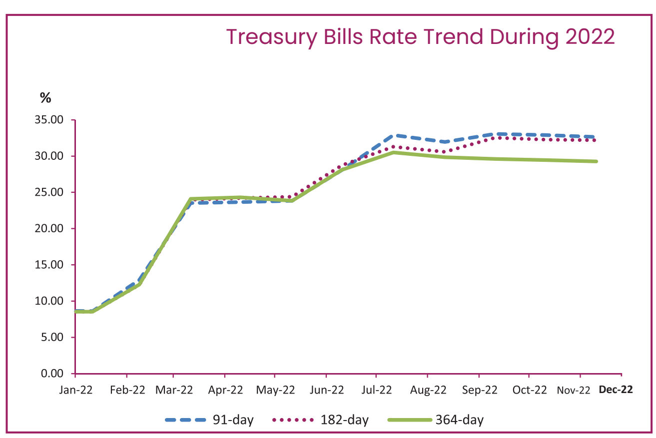
Interest Rates

Consequence of maintaining high policy interest rates to curtail inflationary pressure, impacted to increase key market interest rates. CBSL being lender to commercial banks at last resort, increased interest rate (AWPLR) constantly over the year 2022 at the end of the year AWPLR reached to 27.24%. This higher interest regime created pressure on businesses to manage their finance costs. Increase in borrowing cost impact on operating cost of manufacturing process thereby to increase pressure on price level in another round. SME sectors enterprises were compelled to curtail their business or cease operation.

CBSL move maintaining high policy rates resulted to increase yield rates of Treasury Bills and Treasury bond market so as to mitigate currency circulation within country.

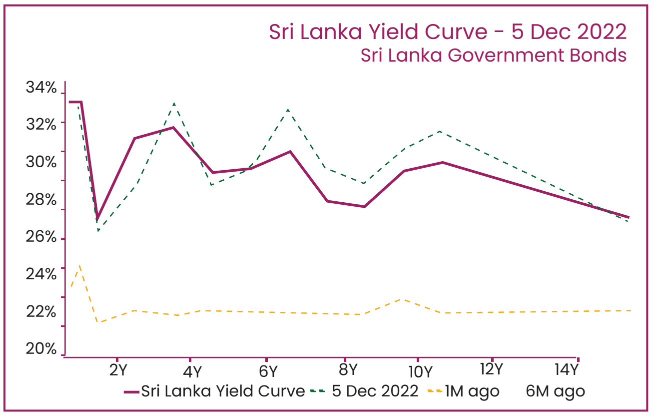


Source: Central Bank of Sri Lanka

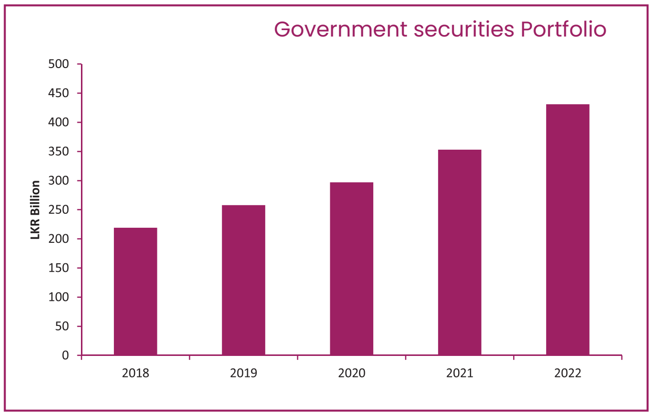


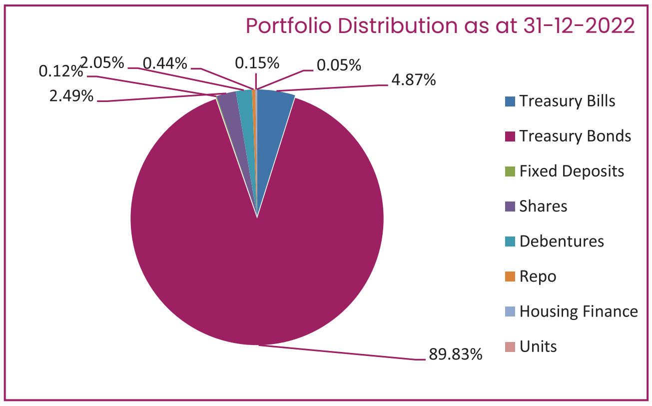
Sources: Central Bank of Sri Lanka

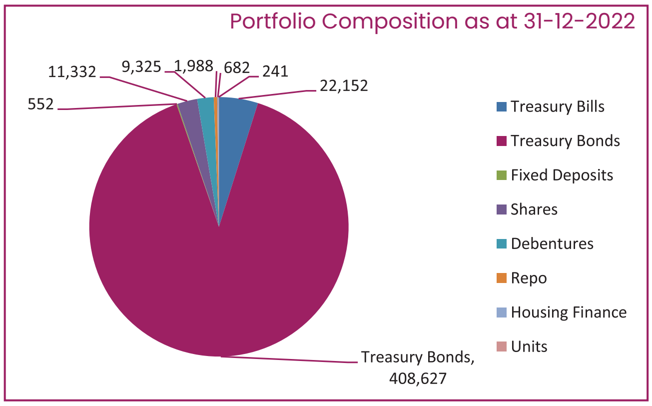
MANAGEMENT DISCUSSION AND ANALYSIS



Source : Central Bank of Sri Lanka







Sri Lankan Economy

The economy contracted by 4.8 percent year-on-year in the first half of 2022. All key sectors contracted, amid shortages of inputs and supply chain disruptions. Sri Lankan economy was driven a real contraction of around 7.8 percent in 2022. Owing to high inflation, power cuts, high interest rates, a dollar deficit and shortages of fuel , fertilizer and supply chain disruptions, impact on economy sector wise agriculture plunged 4.6%, industries 16.0%, and services 2.0%.

INVESTMENT DIVISION

Investment objectives

ETF being 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. In line with Investment Policy of the ETF board, the main investment source shall be the fixed income securities comprising government securities.

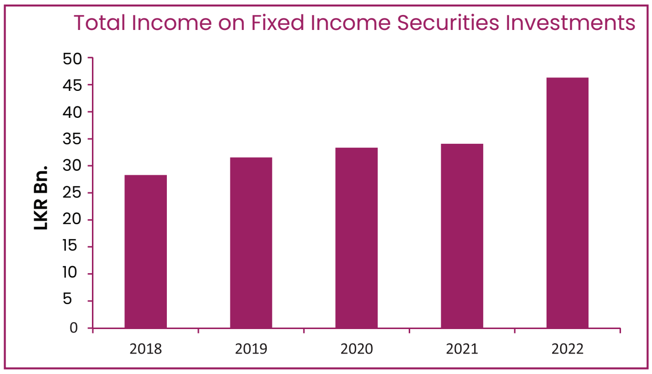
As per the investment policy guidelines, ETF board shall always maintain its asset allocation not less than 94% in fixed income securities and not greater than 6% in equity investments. During year under review, ETF board has invested LKR 443.30 Billion as at 31-Dec-2022 in fixed income securities which is 97.46% out of total investment in contrast to year 2021 which is an increase of 12.26% whereas the Board has invested LKR 11.53 Billion in equities which is 2.53% out of total investment portfolio with an increase of 12.27% in comparison to year 2021. During the year under review the Board has invested LKR 430.78 Billion in government securities which is an increase of 22.19% when compared to LKR 352.54 Billion at the end of 2021.

Fixed Income Investments

Fund investment in fixed income sources equals 97.46 % from the total fund for the year ended 31st Dec 2022. With the increase in policy interest rates by CBSL, interest rates of fixed income market followed upward trend from second quarter of 2022. With a view to increase Board total income and sustain its advantage for a longer period, ETF Board had been able to invest fund in Treasury bills and bonds under different tenors. With the appointment of new governor for CBSL, monetary board decided to increase policy rates, Standing Deposit rate and Standing Lending Rates increase by basis point 700 to Standing Deposit Rate 13.50% and Standing Lending rate to 14.50% subsequently by an another round policy rates were increased with 100 basis points to Standing Deposit rate to 14.50% and Standing Lending Rate to 15.50%. Consequence of this constant increase in AWPLR could be viewed during the year 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

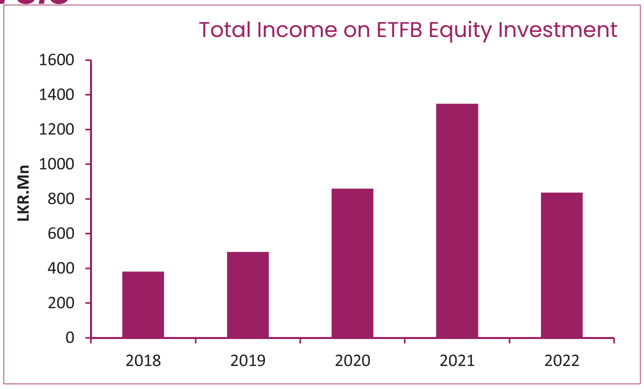
In this instance, yield rates of government securities depicted an upward trend during the year. The actual benefit of this investment on high end yield situation can be realized for ETF Board in years to come. During the year 2022 ETF Board has been able to increase fixed income to LKR 46.29 Billion from LKR 34.07 Billion in year 2021 which is a notable increase of 35.87% in comparison to year 2021.



Equity Investment

During 1st quarter of 2022, Colombo bourse reported its highest performance level where ASPI and S & P SL 20 indices reached 13,462.39 and 4,627.03 respectively it is highest ever level in the history of Colombo Stock Exchange. Local investors played major role in ushering market performance to this level in 1st quarter 2022. Subsequently to 1st quarter, Sri Lanka had to undergo a challenging situation encompassed with economically and politically uncertainty situation with severe social unrest. Colombo Stock Exchange performance too was affected with this situation, both indices followed a decline trend with subdues investor's sentiment. In generally Colombo bourse performance witnessed a frequent volatile market all over the year.

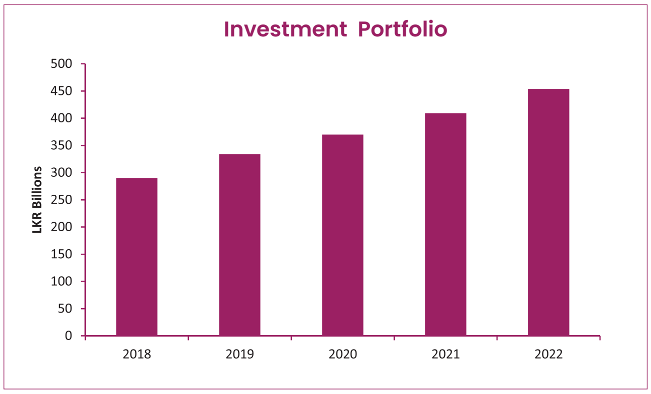
ETF Board had been able to maintain its investment on equities at the level of 2.53% out of its total fund at the end of the year 2022. Most of the listed companies in Colombo bourse had performed well even with amidst of difficulties on supply chain disruption and fuel shortage. Most of companies were able to declare dividends in the financial year 2022. ETF Board was able to generate LKR 835.4 Million income on its equity investment for the financial year 2022. Due to the high volatility and uncertainty prevailed in the equity market, the ETF board resorted to give more weight on allocating excess fund for investing in fixed income securities in different tenors under upward high end interest rate regime which resulted notable increase in total investment income of the ETF Board for the year 2022.



Investment Portfolio Position

The total investment portfolio of ETF Board increased to LKR 454 Billion at the end of 2022 which is an increase of 11.00% in comparison to LKR 409 Billion reported at the end of 2021.

While experiencing an economically and politically challenging situation, ETF board focused its fund investment on high yield segments in view to reap higher return. Having proportionally changed investment mix spreading on different tenors and portfolio categories, ETF Board effort is to maintain sustainable portfolio position in the years to come.



Future Outlook

Sri Lankan economy in the year 2023 is expected a contraction of 4.2%. A challenging situation in Sri Lankan fixed income market can be foreseen with coming arrangements to par with requirements sought by IMF in its offered financial bailout. Sri Lankan Financial authority will formulate to maintain lower interest regime in the coming period. In line with this situation monitory board will decide to bring down policy interest rates thereby to maintain lower yield rates in fixed income securities market. An arrangement is offing for restructuring government debts. Under these circumstances, severe repercussion would impact on funds invested in government securities and fixed deposits in financial institutions. With the contraction in Sri Lankan economy, a favorable climate for business community cannot be expected and hard fiscal policy reforms would dampen corporate sector performance. As a result, there is a possibility of declining cash flows generated from member contributions and increase member refunds which would adversely affecting growth of ETF board investments in years to come.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTRIBUTION COLLECTION AND EMPLOYER RELATIONS

The contribution 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 the promotion of ETF membership among the self-employed. The division together with the ETF network of regional branches operates according to target and in order to meet the following key performance indicators.

	31 Dec 2021	New in 2022	Dropped out during 2022	31 Dec 2022	%
Employers					
Active Employers	69,094	2,471	7,539	64,026	(7%)
ETF Members					
Member (Represented by active & Contributing Employers)	2,430,091	679,313	663,795	2,445,609	0.63%
Self-Employment Members	41,517	474	878	41,113	(0.97%)
Migrant Worker Members	228	16	3	241	5.7%

• Compliant Employers

ETFB works with a distinct strategy to cover the entire employed population in Sri Lanka. There is a clear disparity between the number of employed people according to Labor Department and Central Bank statistics and those whose employers contribute to the ETF on their behalf. This gap 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 3 per cent of workers' basic pay on behalf of not just permanent staff, but also casual workers, and contract workers, piece rate, daily wages workers into the system.

• Rate of Compliance among Contributing Employers

Membership benefits are granted only to 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 ensure employers continue to make ETF contributions.

• Branch Recovery

This refers to the levels of payments ETF recovers from lapsing, defaulting or non-contributing employers prior to the pandemic. ETF branches have annually conducted between 40,000 to 45,000 employer visits by the branch network for the purpose of registering eligible employers and for ensuring compliance with already registered employers, typically, around 70 per cent of these are to default employers. Each year, 3,000 new employers are registered. The functions of Enforcement have been severely affected by COVID-19 in 2020, and 2021 and an economic downturn in 2022.

As a result, the detection of defaulters has dropped due to the difficulty of carrying out field visits compared with the past few years. However, we worked on recovering lapsed employer contributions by emailing, telephoning, and sending pay orders in accordance with regular procedures.

ETF is urging its members to switch to an e-mechanism to eliminate the need for physical visits in light of fuel shortages etc., and thus 70% of the large sector is in the e-mode. In 2021 a direct debit facility was launched for a client who is not willing to come on the ETFs cloud-based payment mechanism. This system allows payments to be made through any of the banking networks in Sri Lanka. Concessionary time was also granted to contribute due to delays during the covid-19 effcted period. ETF's social security fund is all the more important in the present climate as it gives members a financial safety net.

In December 2022 an extra special Gazette Notification was issued by the Minister of Finance, Economic Stabilization & National Policies making It is mandatory for every employer having in his employment a minimum of fifteen (15) employees to make payments through the online payment method w.e.f. 01.02.2023. With this new development, it is expected all larger category employers would shift to electronic banking systems from the year 2023.

MEMBER SERVICE DIVISION

The member services division is responsible for processing of member claims and operating 10 non statutory benefit schemes. The division also holds the responsibility of updating member accounts, issuing annual member statements and clearing of unallocated contributions.

• Processing Member Claims

The ETF Board processed 195,212 refund claims including death claims in 2022 and paid out a total amount of LKR 25 Billion. In comparison, there were 149,019 refund claims in 2021 with a payment of LKR 20.1 Billion.

	31 Dec 2022	31 Dec 2021	Change during 2022
Refund Claims			
Number of Member claims processed	195,212	149,019	31.00%
Amounts paid (LKR Bn)	25	20.1	24.38%

MANAGEMENT DISCUSSION AND ANALYSIS

- **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 10 non statutory benefit schemes that offer financial assistance to our members on top of refund claims payments.

Financial assistance provided for heart surgery, kidney transplants, re-imbursement of expenses for intra ocular lenses, and claims for permanent disability, death benefits and under the Shramasuwa Rekawarana added up to LKR 287 Million in 2022.

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 examination and the GCE A/L examination.

- **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 17.04 million of which 98 percent of member accounts had been updated by the end of 2022 out of these member accounts, 14.6 Million accounts had been reported as inactive while 2.44 Million member accounts stood as active. Annual member statements for active accounts have been issued to the irrespective employers during the year under review. The Board is in the process of launching a member-oriented portal for ETF (details provided in the IT section).

Non-Statutory Benefits Schemes to ETF Members		
Benefit scheme (Year of commencement)	2022 No of Recipients Benefits(LKR 000')	2021 No of Recipients Benefits(LKR 000')
Free Life Insurance Scheme (1986)	1,502 149,236	1,014 100,536
Permanent Disability Insurance Scheme (1989)	52 8,761	67 10,777
Financial Assistance for Heart Surgeries (1991)	359 98,048	457 122,480
Reimbursement of cost of Intra-ocular Lenses (1992)	294 4,230	257 3,480
Year Five Scholarship Scheme (1994) Including the children of members terminated due to permanent disability (2010)	2131 31,965	6,039 90,585
"Shramasuwa Rekawarana" Hospitalization Medical Scheme (1997)	1365 23,477	1293 11,742
'Viyana' Housing Loan Scheme(June 2002)	-	-
Financial Assistance for Kidney Transplant Surgery (2006)	13 3,646	17 4,454
Higher Educational Scholarships for children of ETF members who passed GCE (A/L) Examination (Since 2010)	6,337 76,044	3,859 46,308
Total non-statutory member benefits paid	**395,409**	**390,364**

MANAGEMENT DISCUSSION AND ANALYSIS

Our Employees

At end of 2022, the ETF Board had 924 employees, as light movement from the 2021 figure of 968 due to retirements and resignations.

Level	Job Grade	Male	Female	Total
Senior	GM	1	-	1
	Additional General Manager	-	-	-
	Deputy General Manager	2	1	3
	Assistant General Manager	5	2	7
	Manager	25	16	41
	Total	33	19	52
Tertiary	Junior Manager	33	31	64
	ManagementAssistant	81	118	199
	Total	114	149	263
Secondary	Management Assistant 2-2	-	1	1
	Management Assistant 1-2	172	284	456
	Total	172	285	457
Primary	Primary Level	126	26	152
	Total	126	26	152
Grand Total		**445**	**479**	**924**

Employees by Age

Employees by Age (As at 31. 12. 2022) Age Range (Years)		
21-25	13	1%
26-30	107	12%
31-35	141	15%
36-40	160	17%
41-45	102	11%
46-50	117	13%
51-55	167	18%
Above 55	117	13%
Total	**924**	**100%**

Employees by Job Grade

	Job Grade	Total	Percentage
Senior	GM	1	0.10%
	Deputy General Manager	3	0.41%
	Assistant General Manager	7	0.72%
	Manager	41	4.44%
	Total	52	5.67%
Tertiary	Junior Manager	64	7.75%
	Management Assistant 4	199	21.90%
	Total	263	29.65%
Secondary	Management Assistant 2-2	1	10.10%
	Management Assistant 1-2	456	48.04%
	Total	457	48.14%
Primary	Primary Level	152	16.53%
	Total	152	16.53%
Grand Total		**924**	**100.00%**

Employees by Gender

The ETF Board male to female ratio of employees stood at 51:49 at the end of 2022.

Male	Female	Total
467	457	924
51%	49%	100%

Employees by Location

Head Office	519
Branch	405
Total	924

Out of the 924 employees of the ETF Board, 519 are based at the Head Office and 405 are spread across the branch network.

Detail	Executive	Non-Executive	Total
Retirement	2	19	21

Employee Transfers

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

Salaries and Benefits

All employees of the Board are permanent. As employees of a Statutory Board they are eligible for a number of benefits in addition to their basic salary.

	2022 LKR'000	2021 LKR'000	Change %
Salaries	598,118	552,333	8%
Cost of Living Allowance	87,785	90,864	-3%
Meal Allowance	13,649	9,754	40%
Overtime	21,587	20,455	6%
Holiday Pay	9,546	8,561	12%
Total	**730,685**	**681,967**	**7%**

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, and a variety of loans, salary increments credits for higher educational qualifications and compensations for permanent disability or death of employee.

MANAGEMENT DISCUSSION AND ANALYSIS

	2022 LKR '000	2021 LKR '000	Charge %
Incentive	137,573	112,304	23%
Uniform and Tailoring Cost	17,664	17,253	2%
Retirement Special Bonus	1,406	6,040	-77%
Tea and other Staff Welfare Expense	10,241	9,576	7%
Encashment of Leave	33,775	23,766	42%
Annual Bonus	103,408	106,165	-3%
Reimbursement of Medical Expense	119,713	95,618	25%
Interest on Housing Loan	9,805	10,678	-8%
Interest cost	24,872	22,929	8%
Current Service Cost	46,018	10,639	333%
EPF	97,249	102,252	-5%
ETF	19,450	20,414	-5%
Telephone Bill Reimbursement	4,187	5,652	-26%
Total	**625,361**	**543,286**	**15%**

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 reimbursement of up to LKR 100,000.00 per employee.

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

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 Loans Table

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	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 25,000.00
	Recovery Period	36 Installments
	Interest	4.2% per annum

Some of the above staff Loan Schemes were temporally suspended according to the budget circular 3/2022

MANAGEMENT DISCUSSION AND ANALYSIS

Distress Loan

Loan Amount	Rs. 250,000.00
Recovery Period	120 installments
Interest	4.2% per annum

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 Higher Education Qualification

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

LKR	2022	2021	2020
Reimbursement of Education	3,515,594	2,358,826	1,582,375

HR Activities

We continued to carry out some of our routine HR activities during 2022, including the following:

- Granting staff loans for employees
- Medical reimbursement facilities
- Disciplinary actions had been conducted against errant employees

Training and Development

The training programmes scheduled in 2022 with the objective of capacity building to enhance performance levels were not conducted due to the cost reduction circulars. As a result, the investment in training and development in 2022 reduced to LKR 425,222.50 compared to LKR 963,952.50 in 2021. However, a limited number of training sessions were conducted through physical and 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.

Training Programme	No of Participants	Participants	Training Date	Cost LKR
Manager Training	30	All regional managers	19.01.2022	20,812.50
Petty Cash online training	30	All regional office & head office petty cash unit	31.01.2022	-
Importation for COVID 19	100	ETF & Labor department Member	23.02.2022	22,000.00
Principals of internal audit procedures of government sector	7	Internal audit member	23.03.2022 &24.03.2022	49,000.00
Bar Association legal training Share trading for potential and existing investors	1 7	Legal Officer A & HR Investment member	04.03.2022 12.03.2022 (6 week every Saturday)	13,500.00 35,000.00
Virtual workshop(Productivity)	1	T.H.C.P. Kumara	13.07.2022 to 15.07.2022	FREE
Virtual workshop(Productivity)	1	Chandima Pathirana	08.08.2022 to 10.08.2022	FREE
ICT Programme	68	All managers	15.08.2022	53,720.00
ICT Programme	68	All managers	23.08.2022	53,720.00
ABO Office Management Training	19	All ABO Manager	26.08.2022	-
ICT Programme	70	All managers	05.09.2022	45,100.00
ICT Programme	68	All managers	08.09.2022	41,280.00
ICT Programme	53	All managers	28.09.2022	42,800.00
Driver Discipline	27	All Drivers	24.10.2022	16,790.00
Sustainable Supply Chain Solutions	1	Supply manager-T.M.I. Amidon	24.10.2022	6,000.00
HRIS Training Programes	82	ETF Members	21.11.2022	-
Digital Transformation Session	42	ETFB Change Management Team	24.11.2022	13,000.00
Payroll Test Training	12	Finance and HR member	29.11.2022	-
Digital Transformation Session	32	ETFB Change Management Team	22.12.2022	12,500.00
Total	**719**			**425,222.50**

MANAGEMENT DISCUSSION AND ANALYSIS

1st January starts work with religious activities

Blood donation camp

Monthly sermon

MANAGEMENT DISCUSSION AND ANALYSIS

Openning of Colombo 02 Sub Office

MANAGEMENT DISCUSSION AND ANALYSIS

Regional Managers Meeting

MANAGEMENT DISCUSSION AND ANALYSIS

IT AND INFRASTRUCTURE INVESTMENTS

1. Change Request Development in ETFB Core System

Change Requests – even though the development of the ETFB core system was completed, since there were a few bugs identified during the QA process, additional time was required to fix these prior to conducting the planned UAT session which impacted the project timelines by 2 weeks. UAT sessions were completed on 5th January 2023. On the document management unit module as per the suggestions received by ETFB there was a small change to be made to the output report.

Change Requests (CRs) for data migration interface and Lanka-pay integration – ETFB has given confirmation to ICTA for the CR development and CR board approval process to be initiated.

Full QA – since the initial UAT was done in August 2021 (more than 16 months), and the subsequent 11 CRs were completed by 05th January 2023 the service provider carried out a full QA round to make sure there were no any bugs on the system. This QA round was completed by January 31, 2023.

2. Initiated the Procurement Process for the Hardware device of the core system

ETF Board was requested to grant special approval to procure IT-related hardware identified as highly essential to implement the ETFB core system project and got the approval for the same. The procurement process has already been started and is planned to be completed in May 2023.

The details of the items that required are as follows;

	Name of Items	Quantity
1	Notebook Computers	124 nos.
2	ADF Scanners	35 nos.
3	QR Code Scanners	45 nos.
4	QR Code Printers	21 nos.
5	Personal Computers	10 nos.

3. Implementation of Human Resource Information System (HRIS)

The HR process was a completely manual process in ETFB, and it was a prime need of the HR application due to the high volume of data and its manual process.

The UAT training of HRIS was successfully completed and sign off the UAT of HRIS in 2022.The user training for the head office staff for the 1st phase of the HRIS was completed.

The key objectives are as follows:

- Improve the operational efficiency and effectiveness of the HR Division of the ETFB through the establishment of a digital HR information system that is technically and operationally compatible with the ETFB finance system.

4 Other IT Investment during the Year

	Quantity	Cost (LKR)
Dot Matrix Printer	11	2,551,636
Personal Computers	17	3,143,550
Laptop Computer	205	41,566,380
ADF Scanner	17	9,674,000
UPS - Line Interactive 2 KVA	2	134,000

Security

Strengthen the security of the MASS (Member Administration Software System).

The Key Objectives are as follows:

The protection of information and the MASS systems from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide confidentiality, integrity and availability.

Trainings

System and Change Management training

ETFB has to be ready to welcome the new system, which is planned to come on board in 2023. To this end, a very important companion or underpinning to engaging with the new solution of ETFB by mapping the business with solution and program must be a structured and aligned change management plan which addresses the various areas that could affect staff and members, employers at large. The ETFB "Steering Committee" closely work with change management team to execute the internal and external strategy of change management upon it's approval.

Awareness Program for the ETFB Core System Development Project

It was found that a method of passing on knowledge about the ETFB core system was imperative. Since the proposed system is planned to be implemented and go live in 2023, the need to introduce change management concepts within the board is essential. This awareness program was very effective for the ETFB staff.

Digital Transformation Training Session for ICTA Core System Change Management Steering Committee

This session was done as a physical session. This session was very useful for our new change management and digitalization processes. The members of the change management steering committee participated in this session.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Trainings

- Firewall training program for IT staff.
- MS 365 training program.
- Power BI training program.
- UAT training and user training for HRIS.

Future Plans

New Member-centric Information System

Successfully completed User Acceptance Testing (UAT) of new member-centric information system (core system). A significant amount of new change requests has been identified during the User Acceptance Testing (UAT) of iteration 2 development. ETFB consider only 11 change requests as the final list of change requests and the development of the CRs have been completed. After completing user training and operational acceptance testing, the system is planned to go live by 2023.

Wi-Fi Network Infrastructure Development in 'Mehewara Piyesa'

It is required to resolve issues related to the computer network in the head office immediately since the ICTA core system is a web-based solution and it is planned to go live in 2023. A location can be classified as high-density environment if more than 30 clients are connecting to an access point. The head office network is identified as a high-density environment. In order to support the high-density wireless, enterprise level access points are built with a dedicated radio for RF spectrum monitoring allowing the AP to handle the high-density environments. The enterprise-level access points give visibility into the network that is directly tied to understanding network performance and allow ETFB to have a better awareness of the behavior of traffic on the network, which they can use to improve the efficiency, security, and performance of the network.

Implement a SD-WAN

It is required to implement a software-defined wide area network (SD-WAN) to interconnect the head office network and regional office networks since the ICTA core system is web-based solution.
By implementing a SD-WAN, firewalls and centrally manageable policies can be applied to regional offices as well. High-cost VPN connections can be replaced with low-cost internet connections by introducing SD-WAN. As SD WAN is well placed to support multiple connectivity types with traffic routing decisions, the choice of 3G/4G/5G and broadband becomes one of sending traffic where conditions make sense. There's the ability to load balance or share depending on the best available connectivity. The nature of software control means we can invoke Disaster Recovery (DR) plans which prioritize applications and/or user types to ensure the business remains operational. SD WAN providers offer more visibility into the network than ever before with granular easy to understand data on application and user behavior.

Implement an Active Directory (AD) and a Domain Controller

Most of the enterprise level networks are operated through an active directory. Active directory provides features such as superior security, advanced management tools, and fast access to information. Active Directory allows us to customize how our organization's data needs to be organized, manage, planned as per our needs.

Resolve the Issues in Network at Regional Offices

There is no centralized manageable network, and no firewall has been implemented in regional offices. Hence, blocking unnecessary internet access and controlling security threats can not be done in the network at regional offices. Since the ICTA core system is going to be implemented in the 2023, networks in the regional offices are not sufficient to fulfill that requirement.

The regional offices' internet connections should be upgraded to enterprise-level broadband connections.

The regional office networks should be connected to the head office through a software-defined wide area network (SD-WAN).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE DIVISION

ETFB on the Annual Report award competition for 2020 of the Public Sector Wing of CA Sri Lanka was held on 02nd December 2022 at BMICH. ETFB was awarded overall – Gold award and also the Gold award for the category of Statutory Board, Authorities and Commission by the Associationof Public Financial Accountant of Sri Lanka (APFASL). This was the fourth consecutive year that the ETFB was awarded in this competition. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

LEGAL DIVISION

The legal division functions as an advisory service unit for all legal matters of the ETF Board and takes legal action against employers who fail to comply with the provisions of the Employees' Trust Fund Act, No. 46 of 1980. The legal division currently functions under the supervision of DGM-Legal (covering up) and consists of AGM-Legal, Legal Managers, Legal Officers and support staff. The legal division reports directly to the Chairman/CEO of the ETF Board. Legal proceedings related to recovery of dues under the ETF Act have been decentralized at the regional level after the establishment of regional office network.

A major objective of the legal division is to obtain necessary information from the concerned authorities and ensure recovery of arrears through legal enforcement against employers defaulting on accumulated contributions/surcharges through field inspections. The legal division also conducts training and awareness programs on basic principles and new trends in labour law to improve the knowledge of the staff of the Board.

INTERNAL AUDIT DIVISION

Internal Audit is an independent appraisal function within the organization for the review of activities as a service to the management. It is a control that measures, evaluates and reports on the effectiveness of internal controls, financial and other as a contribution to the efficient and effective use of resources within an organization.

The Deputy General Manager (Internal Audit) as head of internal audit division, reports to the Board through the audit committee and for all administrative functions reports only to the Chairman/CEO of the Board. The DGM (Internal Audit) works with the audit committee to set priorities and develop an audit plan and to provide key findings and information accurately and in a timely manner to the board of directors through the audit committee.

The management is responsible for ensuring that there are sound, efficient systems and controls within an organization. Internal control comprises the whole system of controls methods, both financial and otherwise, which are established by management for; safeguard of its assets and investments, ensure reliability of records, promote operational efficiency and monitor adherence to policies, regulations, contracts and directives.

BOARD OF DIRECTORS

Mr. D.L.P. Rohana Abeyaratne
Chairman/CEO (Acting)
Nominated by the Minister under Section 5(1) (a) of the Act and appointed as per Section 5(2) of the Act

Academic and Professional Qualification

- B. Com (Special) degree (Commerce and Management) from the University of Kelaniya
- Master of Arts (Sociology) from University of Kelaniya, Sri Lanka
- Diploma in International Relations

Previous Appointments

- Member of the Board of Directors - NSB
- Member of the Board of Directors - NSB Fund Management Company
- Member of the Board of Directors - Social Security Board
- Member of the Board of Directors - Public Service Provident Fund
- Postmaster General of Department of Postal (Sri Lanka Administrative Service - Special Grade)
- Secretary to the Ministry of Export Agriculture
- Deputy Director General - Sri Lanka Institute of Hotel Management
- Social/Gender and Resettlement Specialist at Conflict Affected Region Emergency Project (ADB) Under the Ministry of Economic Development
- Senior Assistant Secretary (Tourism) of Ministry of Economic Development of Sri Lanka
- Senior Assistant Secretary (Tourism) of Ministry of Tourism
- Director General of National Gem and Jewellary Authority of Sri Lanka
- Divisional Secretary of Minuwangoda
- Assistant Director (Project Coordination and Monitoring) of Ministry of Urban Development and Water Supply
- Assistant Controller (Immigration and Emigration) of Department of Immigration and Emigration

Other Appointments

- Senior Additional Secretary to the President of Sri Lanka
- Faculty Board Member - Faculty of Commerce & Management of University of Kelaniya
- External Member of the Department of Commerce & Financial Management Advisory Committee of University of Kelaniya
- Visiting Lecturer of Institute of Human Resource Advancement - University of Colombo

Mr. Neil Umagiliya
Director
Nominated by the Minister under Section 5(1) (a)of the Act

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. Ariyasena Gallage
Director
Nominated by the Minister under Section 5(1) (a) of the Act

Academic and Professional Qualifications

- LL.B. Degree from the University of Colombo
- 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

Other Appointments

- Director of the Polonnaruwa District Corporative Rural Bank Union Ltd

BOARD OF DIRECTORS

Ms. K S Dayaratne
Director
Nominated by the Minister under Section 5(1) (a)of the Act

Academic and Professional Qualifications

- B.Sc. Business Administration from the University of Sri Jayewardenepura
- Master of Art in Financial Economics from the University of Colombo
- Associate Member of the Institute of Chartered Accountants of Sri Lanka

Previous Appointments

- Actg. Chairperson of the Sri Lanka Export Credit Insurance Corporation

Board Member of the following state-owned Enterprises

- Sri Lanka Export Credit Insurance Corporation
- National Medicines Regulatory Authority
- Sri Lanka Accounting & Auditing Standards Monitoring Board

Other Appointments

- Director of the Department of Treasury Operations
- Board Member of Lanka Salt Ltd.

Mr. Jude Dinal Peiris
Director
Nominated by the Minister under Section 5(1) (d)of the Act

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

Ms. E A Ekanayake
Director
Nominated by the Minister incharge of the subject of Trade under section 5(1) (c) of the Act

Academic and Professional Qualifications

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

Previous Appointments

- Assistant Director of the Ministry of Industries and Commerce

Other Appointments

- Assistant Secretary of the Ministry of Trade

BOARD OF DIRECTORS

Mr. L S Devendra
Director
Nominated by the Minister as a Representative of Trade Union under Section 5(1) (e)of the Act

Academic and Professional Qualifications

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

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 Institute

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

Other Achievements

- Conferred the honorary title Deshabandu at the Presidential National Awards.

Mr. W M Nurajith Singh
Director
Nominated by the Minister as a Representative of Trade Union under Section 5(1) (e)of the Act

Current Appointments

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

Mr. Udesh I. W. Seneviratna
Director
Nominated by the Minister under Section 5(1) (a)of the Act

Academic and Professional Qualifications

- Bachelor's Degree in Physical Science
- Post Graduate Diplomas in the fields of International Relations, Economics and Public Management
- Master's Degree in Management and Information Sciences

Previous Appointments

- Senior Assistant Secretary (Development) at the Prime Minister's Office
- Senior Assistant Secretary to the President
- Director (East Asia & Pacific) of Ministry of Foreign Affairs
- Director (South Asia & SAARC) of Ministry of Foreign Affairs
- Senior Assistant Secretary (ICT for Development) of Ministry of Foreign Affair
- Minister, Consulate General of Sri Lanka in Frankfurt am Main, Germany
- Assistant Secretary to the President of the Bureau of Secretary to the President.
- Assistant Secretary to the President Policy Coordination & Monitoring Division of the Presidential Secretariat
- Assistant Director (Management Information Systems and Industry Registration) of Ministry of Industry
- Assistant Director (Regional Industrial Development) of Ministry of Industry, Tourism & Investment Promotion

Other Appointments

- Additional Director General (Policy & Development) of the Department of Information Technology Management (ITMD) of the General Treasury
- Chief Executive Officer of the National Agency for Public Private Partnership (NAPPP) of Sri Lanka.

SENIOR MANAGEMENT TEAM *(As at 31/12/2022)*

Mr. D P G Fernando
General Manager

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. K S Weliwita
Deputy General Manager (Internal Audit)

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
- Master of Business Administration (Finance) from the University of Sri Jayawardanepura

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

Academic & Professional Qualifications

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

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

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 Institute of Certified Management Accountants of Sri Lanka
- Partly qualified Stage II of Chartered Institute of Management Accountants, UK

SENIOR MANAGEMENT TEAM *(As at 31/12/2022)*

Mr. M A K Aluthgamage
Deputy General Manager (Investment) Covering up duties

Academic & Professional Qualifications

- Bachelor of Commerce (Special) degree from University of Sri Jayewardenepura
- Master of Business in Finance 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
Deputy General Manager (C & ER) Acting

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)

Mr. H M A Jayantha Kumara
Deputy General Manager Legal (Covering up duties) cum Board Secretary

Academic & Professional Qualifications

- Bachelor of Science degree (Honours) from the University of Peradeniya
- Master of Arts in International Relations from the University of Colombo
- LLM 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

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

Academic and Professional Qualifications

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

SENIOR MANAGEMENT TEAM *(As at 31/12/2022)*

Ms. Vajira Jayaratne
Assistant General Manager
(Contribution Collection)

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. Pushparanga Weerasekara
Assistant General Manager
(Information Technology)

Academic and 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)
- Member of British Computer Socitey, UK (MBCS)
- Registred Engineering Practisioner of the Engineering counsil of Sri Lanka. (ECSL)
- Diploma in Artificial Intelligence (AI) System Program
- Diploma in JAVA Programming Development

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

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

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

Academic & Professional Qualifications

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

MANAGEMENT TEAM

(As at 31/12/2022)

Corporate Office

Contribution Collection & Employer Relations

01. Miss. K M D A U Gunawardena
Finance Manager
(Contribution Collection)

02. Mrs. A Vidanapathirana
Manager (Surcharge)

03. Mr. A J R Anura
Manager (Self Employment)

Internal Audit

15. Mr. N G Bimantha
Manager (Internal Audit)

16. Mr. D L C D Kumara
Manager (Internal Audit)

Administration & Human Resource

17. Mr. T M I Amidon
Manager (Procurement)

18. Mr. T H C Preethi Kumara
Manager (Productivity)

19. Mr. B Sarath
Manager (Admin & HR)

20. Mr. S Weerasinghe
Manager (Admin & HR)

Member Services

04. Mr. M I Raufdeen
Manager (Member Accounts-SPU)

05. Mrs. A H N Priyanthi
Finance Manager
(Claims Payment)

06. Mrs. I Wijetunge
Manager (Member Accounts-SC)

07. Mrs. W R Nandaseeli
Manager (Claims Determination)

08. Mr. H K K P Pushpa Kumara
Manager (Claims)

09. Mr. W A K S Dilantha
Actg. Manager (Benefit Admin.)

Information Technology

21. Mrs. R V W M G M De Costa
Manager (System Admin)
(Retired on 31/12/2022)

22. Mr. B D Waduge
Manager (Info. Technology)

Investment

10. Mrs. N R N Fernando
Finance Manager (Finance)

11. Mrs. H M C Damayanthi
Finance Manager (Investment)

12. Mr. N Gawthaman
Manager (Investment Research & Operation)
(Resigned on 2022.08.20)

Finance

13. Miss. M A V Kumudini
Finance Manager (Finance)

14. Mr. R T Wickramaratne
Finance Manager (Finance)

Legal

23. Mrs. S R S Punchihewa
Manager (Legal)

24. Mrs. S P Rajapakse
Manager (Legal)

Regional Offices

01. Mr. H P Perera
Actg. Regional Manager
(Col. District)

02. Mr. B B Sudubanda
Regional Manager (N' Eliya)
(Retired on 13/01/2023)

03. Mr. N K U K Nagasinghe
Regional Manager (Badulla)

04. Mr. H M Anurakumara
Regional Manager (Kalutara)
(Retired on 31/12/2022)

05. Mr. M A Chandrasena
Regional Manager (Colombo 1-7)

06. Mr. D D Kularatne
Regional Manager (Rathnapura)

07. Mr. E M S K Ekanayake
Regional Manager (Ku' gala)

8. Mr. D K S S Dissanayake
Regional Manager (Hambantota)

9. Mr. D M K G A Dassanayake
Regional Manager (Kandy)

10. Mrs. A K N Prasangani
Legal Manager (Kandy)

11. Mrs. J M S B Tennakoon
Regional Manager (Kegalle)

12. Mr. Sagara Hewagama
Regional Manager (Gampaha)

13. Mrs. C Abeygunasekara
Regional Manager (Matara)

14. Mrs. K M N S Adikari
Legal Manager (Matara)
(Resigned on 2023.02.04)

15. Mr. K N Asoka
Regional Manager
(Colombo 8-15)

16. Mr. H P Chandima
Regional Manager (A' pura)

17. Mr. J Thamilalagan
Regional Manager (Jaffna)

18. Mr. A G G Gunendra
Regional Manager (Galle)

19. Mrs. S M Gunasinghe
Regional Manager (Vauniya)

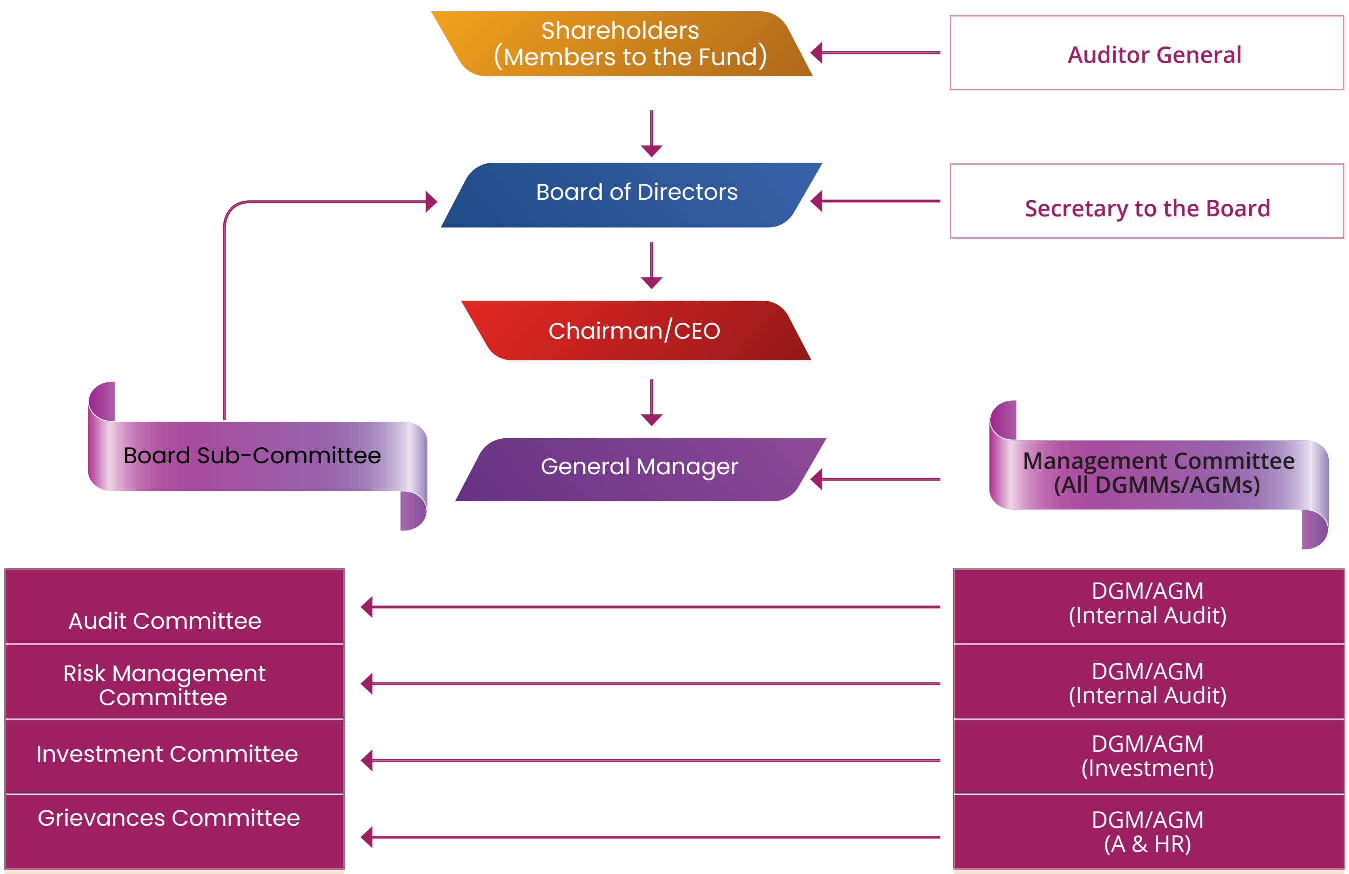
20. Ms. J. C. Jayasinghearachchi
Actg. Regional Manager
(Ampara)

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-Committes operate within specific responsibilities and clearly defind 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 possesses 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.

1.2 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**

1.3 Board Responsibilities

The Board should exercise its mandated rights and responsibilitieswith 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**

1.4 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 2022 is shown below.

Name	No of Meetings Attended	No of Meetings Held During the Year 2022	Percentage of Meetings Attended
Dr. Nihal Jayathilake	12	14	100%
Mr. A R Desapriya	02*		
Mr. Neil Umagiliya	12	14	86%
Mr. Udesh I. W. Seneviratna	02**	14	14%
Ms. K S Dayaratne	11	14	79%
Mr. Jude Dinal Peiris	06	14	43%
Mr. L S Devendra	13	14	93%
Ms. E A Ekanayake	14	14	100%
Mr. Ariyasena Gallage	13	14	93%
Mr. W M Nurajith Singh	13	14	93%

*Appointed on 14.11.2022
**Appointed on 18.11.2022

CORPORATE GOVERNANCE

1.5 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 11 of this Report.

1.6 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.

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.

2.1 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

3. 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.

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

3.2 Responsibilities of the Chairman
The Chairman/Chief Executive Officer serves as the important link in the entire governance structure to lead 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 predetermined objectives.

3.3 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:

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.

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

4 Accountability and Audit

4.1 Financial Reporting

Board Financial Statements are prepared and presented in conformity with Sri Lanka Accounting Standards and also comply with the Accounting and Auditing Standard Monitoring Board Act.

4.1.1 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.

4.1.2 Auditor's Responsibility for the Financial Statements

Refer the Auditor General's report attached on page 93-98.

4.1.3 Management Discussion and Analysis

Refer the Management Discussion and Analysis set on pages 17 to 33 which provides and in-depth account of the operations of the ETFB.

4.2 Internal Control

4.2.1 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.

4.2.2. Review the effectiveness of Internal controls by the Audit Committee

Internal Audit division regularly report to the Audit Committee about the effiectiveness of the Internal Control System including the internal controls over financial repoting

SUB COMMITTEES

AUDIT COMMITTEE REPORT

Composition of the Committee

During the year under review, the Audit Committee comprised of the following members.

Chairman
Ms. K.S. Dayaratne
Independent Non-Executive Director/ Treasury Representative

Members
Mr. Neil Umagiliya
Independent Non-Executive Director

Ms. E.A. Ekanayake
Independent Non-Executive Director

Secretary
Mr. K.S.Welivita
Deputy General Manager (Internal Audit)

Attendance at Meetings

Meetings

Name	No. of meetings attended
Ms.K.S.Dayaratne	4/4
Mr.Neil Umagiliya	4/4
Ms.E.A. Ekanayake	4/4

Superintendent of Audit of National Audit Office and Chief Internal Auditor of the Ministry of Finance were attended to the meetings as observers whilst general manager and all divisional heads were attended to the meetings by invitation.

Purpose

The Guidelines on Corporate Governance for State Owned Enterprises (SOE) clearly defines the purpose of the committee.

The Audit Committee provides the assistance to the Board of Directors in fulfilling its responsibility including;

- Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Financial Reporting Standards;
- Compliance with financial reporting requirements, Employees Trust Fund Act No. 46 of 1980, and other relevant financial reporting related regulations and requirements;
- Processes to ensure that the entity's internal controls are adequate to meet the requirements of the Sri Lanka Auditing Standards;
- Ensuring the performance of the internal audit function
- Reporting on related party transactions of Board Members and key management personnel.

Financial Reporting System

During the year committee assisted the Board in its oversight on the preparation of Financial Statements based on Employee's Trust Fund Board's accounting records and in accordance with the stipulated requirements of the Sri Lanka Accounting Standards and by reviewing the financial reporting system adopted and accounting policies, preparation, presentation and adequacy of disclosure requirements of financial statements and significant estimates and judgments underlying the financial statements.

Internal Audit

The Audit Committee reviewed the independence, objectivity and performance of the internal audit function, annual audit plan prepared on risk based planning methodology, significant findings and recommendations of the internal audits completed, and assessed the

Sub Committees

resource requirements of Internal Audit Division. Internal Control weaknesses highlighted in the internal audit reports are critically examined and follow up actions taken by the management on the audit recommendations are reviewed by the Committee.

External Audit

The Audit Committee assisted the Board in engaging the external auditor for audit services, in compliance with regulatory provisions and reviewed the Auditor General's Report, its key findings and actions taken by the management in response to the issues raised, as well as remedial actions were recommended wherever necessary.

Risk and Internal Control

The committee evaluate whether adequate controls and procedures are in place to provide reasonable assurance to the effect that the Board's assets are safeguarded. The committee reviewed the efficiency of the internal control system and compliance with regulatory requirements and accounting and other operational policies.

Summary of Key Focus Area during the Audit Committee Meetings and Conclusion

During the year under review following areas were considered duly;

Internal controls over member claims payment to mitigate the occurrence of frauds, segregation of duties over member accounts updating process, unallocated receipts, Board of Survey, IT policy, divisional charters, suspense accounts, Internal and External audit observations etc. The effectiveness of the Committee was self-evaluated and results were presented to the Board.

On behalf of the Audit Committee

(Sgd)
Ms. K. S. Dayaratne
Chairman
Audit Committee

Sub Committees

REPORT OF THE MANAGEMENT RISK COMMITTEE (MRC)

Composition

Heads of the divisions along with General Manager/Additional General Manager collectively form the MRC and responsible for risk management within their sphere of operations, including review of existing unit risk profiles, action plans and identification of new risks as they occur.

Meetings

There were three number of MRC meetings held during the year.

Risk Management Policy

The Board approved Risk management Policy clearly defined the duties and responsibilities of the committee.

The MRC assist the Chairman/CEO in ensuring risk management is adequately carried out, as part of their responsibility in evaluating the making key strategic and operational decisions.

Key responsibilities of the Committee

- Recommends or advise on significant proposed changes to risk management policies and strategies.
- Together with other committees, management, auditors review any significant risks and exposures that exist and assess the steps management has taken to mitigate such risks.

Summary of KRIs during the year

No	Risk	Impact			Likelihood			Strategy for Mitigation
		Low	Medium	High	Low	Medium	High	
01	Member Accounts updating process – Segregation of duties		✓				✓	Modification to AS 400 system
02	Claims payment process		✓				✓	Strong password control, Restrictions on changes to member master file data, restriction on data entry to work sheet, adding member NIC to Slip Payments schedules
03	Lack of IT Policy			✓			✓	New IT Policy introduction
04	Unallocated receipts			✓		✓		Lock of long outstanding balances
05	Member Accounts without name and NIC		✓			✓		Lock of all identified member accounts without name and NIC
06	Manual payment of Self Member claims – Migrant workers		✓			✓		Computerization of migrant self member claims.
07	Board of Survey		✓			✓		Introduction of New capitalization
08	Dummy employer accounts			✓		✓		Lock of long outstanding inactive dummy employer accounts

On behalf of the Risk Management Committee

(Sgd)
K.S.Welivita
Risk Management Coordinator

Sub Committees

INVESTMENT COMMITTEE REPORT

Composition

The members of the committee during the year under review were as follows;

Ms. K. S. Dayaratne	Board Director
Ms. K V C Dilrukshi	Treasury Representatives
Mr. D P G Fernando	General Manager
Mr. W A D U K Wickremanayake	Deputy General Manager (Investment)
Ms. G A S Sumanasena	Deputy General Manager (Finance)
Mr. K S Weliwita	Deputy General Manager (Internal Audit) Observer

Meetings

Name	No. of meetings attended *
Ms. K. S. Dayaratne	1/10
Mrs. K V C Dilrukshi	10/10
Mr. D P G Fernando	09/10
Mr. W A D U K Wickremanayake	10/10
Mrs. G A S Sumanasena	10/10
Mr. K S Weliwita	10/10

* Both virtual and physical

The Investment committee is duly comprised by the relevant internal members and members from the line ministry. The committee meets at least once a month to get views and opinions on risk appetite investments.

The primary objective of the Board in terms of investments is to safeguard the principal, while managing liquidity to meet financial commitments and to provide optimum investment return by appropriately utilizing upon authorized investment. Consequently the board strives to ensure the achievement of following three goals.

(a) Safety

The safety of capital is the foremost objective of the Board. A substantial portion of the investment portfolio will be invested in gilt-edged government securities in order to ensure safety of the capital.

(b) Liquidity

The Investment portfolio shall remain sufficiently liquid to enable the Board to meet all operating requirement that might be reasonably projected.

(c) Return on Investment

The Investment portfolio shall be designed to obtain the highest available return, taking into the account constrains and cash flow needs.

Sub Committees

MANAGEMENT COMMITTEE REPORT

Composition

The members of the committee during the year under review were as follows;

Chairman
General Manager
Senior Management

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.

RISK MANAGEMENT

Background

ETFB as a well-governed statutory board, looks at risk as an opportunity to exercise authority by being in charge of exposure; and at risk control as an ongoing process starting with definition of business objectives, followed by policies on exposures which could, should or should not be assumed; identification and assessment of risk factors, as well as elaboration of ways and means for the management of risks associated with its activities.

Every organization faces risks that present threats to its success. Shocks or natural events, pandemic crisis, ESG issues have the potential to adversely affect the national, or even the global, economy. The COVID- 19 pandemic brought about huge upheaval and uncertainty with ramifications across all industries.

Technology has become an integral part of our lives. The development of new technology is behind of the increases in productivity that create economic growth.

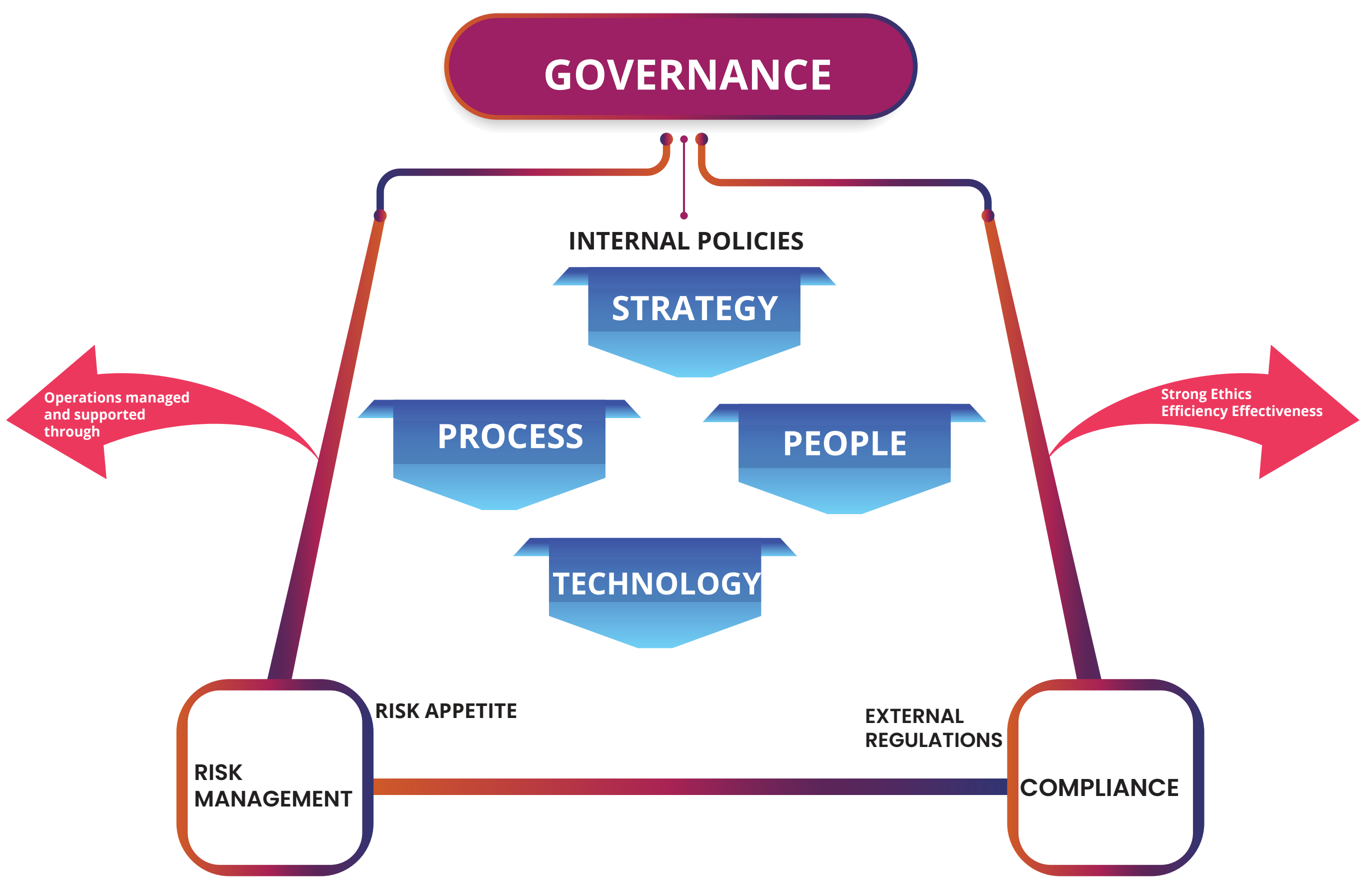
However, disruptive innovations such as 'Fintech' and 'Regtech', Cryptoassets, Financial Crime, Cyber security, Data Security etc, are emerging considerations for risk management process.

Road to Effective Principles

Governance, risk and compliance or GRC, is an increasingly recognized term that reflects a new way in which enterprises today are adopting an integrated approach to these aspects of their businesses. GRC is a paradigm to help grow ETFB in the in the best possible way.

Risk Governance

The Board of Directors delegates the management of risk to the Board Risk Management Committee (RMC). The RMC is responsible for independently reviewing the identification, measurement, monitoring and controlling of all types of risks. Moreover, RMC recommends to the Board of Directors an amount at risk that it is prudent for approval in line with the firm's business strategies. To ensure that risks are understood and manage, ETFB has adopted the three lines of defense model which plays an important role in the analysis, measurement and management of risk.



RISK COMPARISON

Internal Risk Drivers	Risk Factors	Mitigation Strategy
Strategic Risk	The current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.	With compliance to the respective guidelines and circulars, in advance preparation of Corporate Plan and Action Plan for the whole organization and continuous monitoring of variances, internal and external Strategic Risk is being mitigated.
Operational Risk	The risk of loss resulting from inadequate or failed internal process, people and systems or from external events.	By application of controls, insurance, system audits and regular IT system updates, Business Continuity planning (BCP) and Disaster recovery (DP) procedures, information and cyber security , physical security, Risk awareness training, etc consequential risks of Operational Risk is being mitigated.
Credit Risk	The risk of loss caused by the counterparty or issuer to meet its obligations.	By signing agreements, maintain and monitoring of credit limits and getting sureties, Credit Risk has been mitigated.
Market Risk	One of the major aim of ETFB is the generation of returns through investment in local financial market thus its nature, is based on price uncertainty and losses will be arisen from changes in the value of financial instruments.	By considering the volatility risk, market liquidity risk, interest rate risk and equity price risk, market risk has been mitigated through applying cutting-edge investment methods and tools.
Investment Risk	Investment is the decision to forgo the use of current resources, in the belief that they can instead be used to create future benefits which are greater than their current value. Investment risk is the risk that these future benefits do not materialized or are less than required.	By considering the concept of responsible investment (RI) through ESG factors, investment risk mitigation has been done through adherence to investment policy and

RISK COMPARISON

Liquidity Risk	The liquidity of ETFB depends on, among other things, its immediate need of cash for member claims payment, how much cash it currently has, and how easily it can transform its investment assets into cash.	By construction of maturity ladder, analysis of actual and contractual cash receipts, invest in liquid assets such as repo, diversified marketable stock market investments, liquidity risk has been mitigated.

Operational Risk Management

Having identified, categorized under the operational risk causes: process, people, systems and external events, and then assessed the various operational risks facing the ETFB, and having then ranked the risks to decide the priority order to mitigate consequential risks of operational risk , a risk register has been constructed.

	Division/Section/Committee			MRC – 2nd Line of Defense						
	Key Risk Area (KRA)	Activity or particular of risk	Risk Owner	Impact/Severity of Risk			Probability of occurrence/Likelihood			Strategy to mitigate risk
				Low	Medium	High	Low	Medium	high	
1	Member Accounts updating	Fraud risk	DGM MS			✕	✕			Segregation of duties
2	Password Control	Misappropriation of MASS passwords and options – Fraud risk	AGM IT			✕			✕	i. Maintenance of IT database ii. More complex passwords
3	IT Policy	Operational risk	AGM IT			✕			✕	i. Preparation of comprehensive IT policy ii. IT system audit
4	Changes to Member master file data	Fraud risk	DGM MS			✕	✕			i. Limited authorization to member master file data changes and overriding facility
5	Claims Process-slip payments	Fraud risk	DGM MS			✕				Integration of member National ID/Passport number of MASS to bank slip payments system
6	Claims process-Work Sheet preparation	Fraud risk	AGM IT			✕		✕		IT system control
7	Unallocated receipts	Fraud risk	DGM MS			✕			✕	Block up to 2015
8	Member Accounts without Member Name and ID	Fraud risk	DGM MS			✕			✕	i. Block of migrated accounts ii. Block accounts before 2015 iii. update 2015 onwards accounts and submit progress to the committee monthly
9	MASS System access log maintenance	Fraud risk	AGM IT			✕	✕			Extend backups up to 3 years
10	Deletion of previous NIC when entering new NIC	i. Fraud risk ii. Dual payment risk iii. Loss of data	AGM IT			✕	✕			Intrusion detection
11	Nawam Mawatha Car Park Income	i. Loss of income ii. Credit risk /Default Risk iii. Fraud risk iv. Compensation risk	AGM A&HR			✕	✕			i,ii,iii. Proper supervision and debt management iv. Valid and binding bilateral agreements
12	Nuwara eliya regional office - enforcement files	i. Compliance risk ii. Fraud risk iii. Legal risk iv. Loss of income	Act. DGM C&ER			✕	✕			i. Proper supervision and escalation process
13	Inventory Management	i. Misappropriation of assets ii. Loss of assets	DGM F			✕	✕			i. Board of survey ii. Inventory management
14	Paid but shown as unpaid Member Accounts In the MASS	Fraud risk	DGM MS AGM IT			✕	✕			i. Identify and block all duplicated accounts
15	Under Value Motor Vehicle Insurance	Unexpected Losses	AGM A&HR			✕	✕			All vehicles to be insured at prevailing market value.

Conclusion

Having gained an understanding of the broad spectrum of risks to which ETFB is potentially exposed, and the underlying drivers of each type, ETFB addressed the various ways in which the actual risks it faces can be managed. A risk register of risk types was compiled and used so that the risks and the associated mitigating actions and controls have been understood, owned and monitored.

FINANCIAL INFORMATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2022		GROUP		ETFB	
		31st December 2022	31st December 2021 *Restated	31st December 2022	31st December 2021 *Restated
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total Income					
Interest Income	5	46,442,799	34,121,505	46,316,209	34,095,154
Net Trading Income	6	1,296,862	286,766	-	-
Dividend Income	7	736,919	556,112	736,919	556,112
Gain/(Loss) on Financial Assets at Fair Value through Profit /(Loss)	8	(1,375,782)	550,535	(1,375,782)	550,535
Other Income	9	473,899	323,589	444,592	288,094
		47,574,697	35,838,507	**46,121,938**	35,489,895
Total Operating Expenses					
Personal Expenses	10	1,690,272	1,422,359	1,392,354	1,264,336
Administrative Expenses	11	346,572	318,975	252,293	271,857
Financial Expenses	12	4,314	6,151	3,697	3,656
Member Expenses	13	577,743	496,881	574,568	494,523
Depreciation & Amortization	14	56,103	58,511	36,063	39,973
Interest Paid to Members on Current Year		358,411	255,578	358,411	255,578
Impairment Charge/(Reversal)	15	76,820	476	76,820	476
Other Expenses	16	121,030	80,964	-	-
		3,231,266	2,639,893	**2,694,206**	2,330,399
Profit Before Tax		44,343,431	33,198,613	43,427,732	33,159,496
Income Tax Expenses	17	(6,663,194)	(4,603,284)	(6,449,427)	(4,590,140)
Profit for the Year		**37,680,237**	28,595,330	**36,978,305**	28,569,356
Profit Attributable to:					
Equity Holders of the Company		37,610,044	28,592,732	36,978,305	28,569,356
Non-Controlling Interests		70,193	2,597	-	-
Profit for the Year		**37,680,237**	28,595,330	**36,978,305**	28,569,356
OTHER COMPREHENSIVE INCOME					
Items that are or may be Reclassified to Statement of Comprehensive Income					
Transfer to Fair Value Through Other Comprehensive Reserve (Shares)		(2,151,584)	477,451	(2,151,584)	477,451
Transfer to Fair Value Through Other Comprehensive Reserve (Units)		(39,196)	55,287	(39,196)	55,287
Items that will not be Reclassified to Statement of Comprehensive Income					
Actuarial Gain /(Loss) on Retirement Benefit Obligation		55,129	44,997	55,129	44,997
Total Other Comprehensive Income for the Year Net of Tax		(2,135,651)	577,735	(2,135,651)	577,735
Total Comprehensive Income for the Year Net of Tax		**35,544,586**	29,173,065	**34,842,654**	29,147,092
Total Comprehensive Income Attributable to					
Equity Holders of the Company		35,474,393	29,170,468	34,842,654	29,147,092
Non-Controlling Interests		70,193	2,597	-	-
Total Comprehensive Income for the Year Net of Tax		**35,544,586**	29,173,065	**34,842,654**	29,147,092
Retained Profit B/F		5,230,602	4,160,201	4,732,140	3,685,116
Impact on change in capitalization policy		-	(9,097)	-	(9,097)
Net Gain / (Loss) on Financial Assets Designated Under FVTOCI		83,102	406,717	83,102	406,717
Profit Available for Appropriation		37,680,237	28,595,330	36,978,305	28,569,356
Total Profit Available for Appropriation		**42,993,941**	33,153,151	**41,793,547**	32,652,092
Less: Proposed Apportionment - Dividend Paid 5.75% (2021 - 4.25%)		(24,301,886)	(16,366,867)	(24,301,886)	(16,366,867)
Interest Expense - 3.0%		(12,679,221)	(11,553,085)	(12,679,221)	(11,553,085)
Less: Dividend - Lanka Salt		(14,175)	-	-	-
Less: Non-Controlling Interests		(70,193)	(2,597)	-	-
Profit After Appropriation		**5,928,466**	5,230,602	**4,812,440**	4,732,140

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31ST DECEMBER, 2022		GROUP			ETFB		
		31st December 2022	31st December 2021 *Restated	01st January 2021 *Restated	31st December 2022	31st December 2021 *Restated	01st January 2021 *Restated
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS							
Cash and Cash Equivalent		760,157	678,419	707,573	584,266	578,758	680,784
Financial Assets at Fair Value Through Profit and Loss	18	2,887,168	3,622,159	2,930,900	2,887,168	3,622,159	2,930,900
Investment in Subsidiary	19	-	-	-	470,961	470,961	470,961
Financial Assets at Fair Value Through Other Comprehensive Income	20	8,646,578	10,561,493	7,638,149	8,646,578	10,561,493	7,638,149
Financial Assets at Amortized Cost	21	445,527,175	396,441,984	361,008,932	444,308,492	395,922,319	360,695,932
Other Assets	22	3,843,321	3,409,892	3,166,007	3,206,136	3,119,825	2,621,831
Property, Plant & Equipment	23	973,832	973,974	1,081,908	297,256	253,610	297,503
Leasehold Property	24	1,394	2,091	2,788	-	-	-
Intangible Asset	25	9,017	4,238	743	9,017	4,238	743
Investment Property	26	4,587,406	4,587,406	4,587,406	4,587,406	4,587,406	4,587,406
Total Assets		**467,236,049**	420,281,655	381,124,407	**464,997,280**	419,120,768	379,924,210
LIABILITIES							
Interest Bearing Loans and Borrowings	27	11,049	4,904	76,771	-	-	-
Grants and Subsidies	28	36,134	33,335	28,074	4,512	-	-
Defined Benefit Obligation	29	466,499	476,249	513,974	215,479	236,877	286,616
Current Tax Liabilities	30	3,828,019	2,349,898	2,596,843	3,701,367	2,349,898	2,596,843
Other Liabilities	31	542,592	7,148,941	398,432	107,206	6,930,925	161,922
Deferred Tax Liabilities	32	90,684	59,085	51,283	-		
Provisions	33	407,301	328,007	301,945	407,301	328,007	301,945
Total Liabilities		**5,382,277**	10,400,418	3,967,320	**4,435,866**	9,845,707	3,347,325
Total Net Assets		**461,853,773**	409,881,237	377,157,087	**460,561,415**	409,275,061	376,576,885
Member Fund	34	459,630,606	406,288,901	375,215,484	459,630,606	406,288,901	375,215,484
Reserves		2,046,835	3,484,622	1,836,486	930,809	2,986,160	1,361,400
Non-Controlling Interest		176,332	107,714	105,116	-	-	-
Net Assets Attributable to Members / Non-Controlling Interest		**461,853,772**	409,881,237	377,157,087	**460,561,415**	409,275,061	376,576,885

* Comparative information as at 31st December 2021 and 01st January 2021 has been restated to reflect the effect of Fixed Asset Policy change (Refer Note 3)

The accounting policies and notes as set out in pages 63 to 91 form an integral part of these financial statement.
Certified as correct,

M.A.V. Kumudini
Finance Manager

R. T. Wickramaratne
Finance Manager

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

D. P. G. Fernando
General Manager

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.

D. L. P. Rohana Abeyaratne
Chairman / Chief Executive Officer (Actg.)

STATEMENT OF CHANGES IN EQUITY

GROUP	ATTRIBUTABLE TO MEMBERS OF THE BOARD						
FOR THE YEAR ENDED 31ST DECEMBER, 2022	RETAINED PROFIT Rs. '000	FAIR VALUE THROUGH OCI RESERVE Rs. '000	OTHER RESERVES Rs. '000	DIVIDEND EQUALIZATION RESERVE FUND Rs. '000	POST ACQUISITION RESERVES Rs. '000	NON-CONTROLLING INTEREST Rs. '000	TOTAL Rs. '000
Balance as at 01.01.2020	**3,214,003**	**(1,786,902)**	**(69,234)**	**142,000**	**466,714**	**104,186**	**2,070,766**
Impact on change in capitalization policy	(1,772)	-	-	-	-	-	(1,772)
Net fair value gains/(losses) on remeasuring financial assets	-	(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 Subsidary equity	-	-	-	-	8,372	-	8,372
Balance as at 31.12.2020	**3,685,116**	**(2,350,880)**	**(114,835)**	**142,000**	**475,086**	**105,116**	**1,941,602**
Balance as at 01.01.2021	3,685,116	(2,350,880)	(114,835)	142,000	475,086	105,116	1,941,602
Impact on change in capitalization policy	(9,097)	-	-	-	-	-	(9,097)
Net fair value gains/(losses) on remeasuring financial	-	532,738	-	-	-	-	532,738
Interest on Member Fund Balance 3%	(11,553,085)	-	-	-	-	-	(11,553,085)
Dividend 4.25%	(16,366,867)	-	-	-	-	-	(16,366,867)
Accumulated Profit for the Year	28,569,356	-	-	-	-	2,597	28,571,954
Net Gain / (Loss) From Financial Assets Designated Under FVTOCI	406,717	-	-	-	-	-	406,717
Actuarial Gain/(Loss)	-	-	44,997	-	-	-	44,997
Dividend paid by Subsidiary	-	-	-	-	-	-	-
Movement in Subsidary equity	-	-	-	-	23,376	-	23,376
Balance as at 31.12.2021	**4,732,140**	**(1,818,142)**	**(69,838)**	**142,000**	**498,462**	**107,714**	**3,592,336**
Balance as at 01.01.2022	4,732,140	(1,818,142)	(69,838)	142,000	498,462	107,714	3,592,336
Net fair value gains/(losses) on remeasuring financial assets measured at FVTOCI	-	(2,190,780)	-	-	-	-	(2,190,780)
Interest on Member Fund Balance 3%	(12,679,221)	-	-	-	-	-	(12,679,221)
Dividend 5.75%	(24,301,886)	-	-	-	-	-	(24,301,886)
Accumulated Profit for the Year	36,978,305	-	-	-	-	70,193	37,048,498
Net Gain / (Loss) From Financial Assets Designated Under FVTOCI	83,102	-	-	-	-	-	83,102
Actuarial Gain/(Loss)	-	-	55,129	-	-	-	55,129
Dividend paid by Subsidiary	-	-	-	-	-	(1,575)	(1,575)
Movement in Subsidary equity	-	-	-	-	617,564	-	617,564
Balance as at 31.12.2022	**4,812,440**	**(4,008,922)**	**(14,709)**	**142,000**	**1,116,026**	**176,332**	**2,223,167**

STATEMENT OF CHANGES IN EQUITY

ETFB FOR THE YEAR ENDED 31ST DECEMBER, 2022	ATTRIBUTABLE TO MEMBERS OF THE BOARD				
	RETAINED PROFIT Rs. '000	FAIR VALUE THROUGH OCI RESERVE Rs. '000	OTHER RESERVES Rs. '000	DIVIDEND EQUALIZATION RESERVE FUND Rs. '000	TOTAL Rs. '000
Balance as at 01.01.2020	**3,214,003**	**(1,786,902)**	**(69,234)**	**142,000**	**1,499,866**
Impact on change in capitalization policy	(1,772)	-	-	-	(1,772)
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	**3,685,116**	**(2,350,880)**	**(114,835)**	**142,000**	**1,361,400**
Balance as at 01.01.2021	3,685,116	(2,350,880)	(114,835)	142,000	1,361,400
Impact on change in capitalization policy	(9,097)	-	-	-	(9,097)
Net fair value gains/(losses) on remeasuring financial assets measured at FVTOCI	-	532,738	-	-	532,738
Interest on Member Fund Balance 3%	(11,553,085)	-	-	-	(11,553,085)
Dividend 4.25%	(16,366,867)	-	-	-	(16,366,867)
Accumulated Profit for the Year	28,569,356	-	-	-	28,569,356
Net Gain / (Loss) From Financial Assets Designated Under FVTOCI	406,717	-	-	-	406,717
Actuarial Gain/(Loss)	-	-	44,997	-	44,997
Balance as at 31.12.2021	**4,732,140**	**(1,818,142)**	**(69,838)**	**142,000**	**2,986,160**
Balance as at 01.01.2022	4,732,140	(1,818,142)	(69,838)	142,000	2,986,160
Net fair value gains/(losses) on remeasuring financial assets measured at FVTOCI	-	(2,190,780)	-	-	(2,190,780)
Interest on Member Fund Balance 3%	(12,679,221)	-	-	-	(12,679,221)
Dividend 5.75%	(24,301,886)	-	-	-	(24,301,886)
Accumulated Profit for the Year	36,978,305	-	-	-	36,978,305
Net Gain / (Loss) From Financial Assets Designated Under FVTOCI	83,102	-	-	-	83,102
Actuarial Gain/(Loss)	-	-	55,129	-	55,129
Balance as at 31.12.2022	**4,812,440**	**(4,008,922)**	**(14,709)**	**142,000**	**930,809**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2022	GROUP 31st December 2022	GROUP 31st December 2021	ETFB 31st December 2022	ETFB 31st December 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Operating Activities				
Proceeds from Sale of Financial Instrument Designated at FVTPL	247,354	2,162,528	247,354	2,162,528
Maturities of Financial Instrument Designated at Amortized Cost	52,955,675	71,450,196	52,955,675	71,450,196
Maturities of Financial Instrument Loan & Receivables	155,571	231,548	155,571	231,548
Payment for Purchase for Financial Instruments Designated at FVTPL	(999,321)	(4,651,461)	(999,321)	(4,651,461)
Payment for Purchase for Financial Instruments Designated at Amortized Cost	(103,095,316)	(110,469,070)	(103,095,316)	(110,469,070)
Loan Granted for Acquire Loan & Receivable Financial Instrument	(140,816)	(195,916)	(140,816)	(195,916)
Monies received from Customers	2,942	1,613	-	-
Monies paid to Suppliers	(2,176)	(1,206)	-	-
Interest Received	47,878,326	37,745,650	47,878,326	37,745,650
Dividend Received	820,045	808,390	820,045	808,390
Other Income Received	415,942	248,311	415,942	248,311
Operational Expenses Paid	(4,581,441)	(1,414,991)	(4,581,441)	(1,414,991)
Member Expenses Paid	(291,969)	(261,445)	(291,969)	(261,445)
Income Tax Paid	(2,241,332)	(4,837,084)	(2,241,332)	(4,837,084)
Interest Paid	(358,412)	(255,580)	(358,411)	(255,578)
Defined Benefit Plan Costs paid	(4)	(5)	-	-
Ground Rent paid to Divisional Secretaries	(13)	(16)	-	-
Year 5 Scholarship Payment/Refund	(31,966)	(112,096)	(31,966)	(112,096)
Higher Education Scholarship Payment	(76,044)	(46,200)	(76,044)	(46,200)
Net Cash Flows from Operating Activities	**(9,342,955)**	(9,596,836)	**(9,343,703)**	(9,597,220)
Investing Activities				
Purchase of Property and Equipment	(135)	(24,446)	(87)	(24,408)
Proceeds from Sale of Property and Equipment	244	1	242	-
Acquisition of Investments	(648)	(207)	-	-
Interest Received	116	24	-	-
Net (Grants) / Repayments of Staff Loans	(51)	0	-	-
Net Cash Flows from Investing Activities	**(474)**	(24,627)	**155**	(24,408)
Financing Activities				
Contribution Received	34,372,190	29,315,885	34,372,190	29,315,885
Refunds	(25,019,500)	(19,794,145)	(25,019,500)	(19,794,145)
Financial Expenses Paid	(3,635)	(2,139)	(3,635)	(2,139)
Dividends Paid	(52)	(18)	-	-
Repayment of Interest Bearing Loans & Borrowings	-	-	-	-
Principal Payment Under Finance Lease Liability	(2)	(5)	-	-
Net Cash Flows from Financing Activities	**9,349,002**	9,519,578	**9,349,055**	9,519,601
Net Increase in Cash and Cash Equivalents	5,573	(101,886)	5,508	(102,026)
Cash and Cash Equivalents at 01st January	578,857	680,740	578,758	680,784
Cash and Cash Equivalents at 31st December	**584,431**	578,854	**584,266**	578,758

MARKET VALUE OF TREASURY BILL AND BOND PORTFOLIO

Market Value of Treasury Bond Portfolio as at 31/12/2022

(Rs. '000)

Year	Face Value	Purchase Cost	Market Value	Amortized Cost
2022	-	-	-	-
2023	34,040,648	37,457,608	31,769,017	35,471,396
2024	21,001,181	20,832,265	16,404,389	21,494,867
2025	52,195,884	49,142,455	40,133,810	51,043,772
2026	40,215,741	37,902,717	27,696,424	39,755,815
2027	37,099,783	37,599,688	23,006,589	38,161,667
2028	70,020,619	66,849,538	46,668,033	70,199,856
2029	13,964,368	12,888,801	10,629,317	13,617,796
2030	10,177,461	10,764,475	5,545,790	10,812,077
2031	49,655,898	48,648,974	28,030,281	49,722,282
2032	45,540,515	31,479,362	32,458,369	35,206,107
2033	30,236,118	29,089,105	16,235,646	30,698,625
2034	2,825,000	2,816,447	1,373,196	2,902,915
2035	1,426,190	1,522,598	778,253	1,562,245
2039	7,600,000	7,676,208	3,729,996	7,977,305
Total	415,999,406	394,670,241	284,459,110	408,626,726

Market Value of Treasury Bond Portfolio as at 31/12/2021

(Rs. '000)

Year	Face Value	Purchase Cost	Market Value	Amortized Cost
2022	69,732,096	74,848,201	73,292,287	73,047,479
2023	34,040,648	37,457,608	35,825,220	36,017,307
2024	21,001,181	20,832,265	21,197,484	21,474,601
2025	29,360,884	29,613,683	30,876,916	30,488,423
2026	33,876,059	32,710,455	34,306,379	34,240,939
2027	34,274,783	35,531,579	35,218,441	36,151,642
2028	47,088,588	48,938,131	46,815,595	50,384,352
2029	6,825,000	7,329,674	7,559,739	7,391,906
2030	10,177,461	10,764,475	10,100,825	10,854,945
2031	23,594,874	25,136,554	23,786,865	25,892,220
2032	8,514,087	8,464,858	7,341,876	8,653,907
2033	5,126,118	5,247,410	5,272,592	5,499,397
2034	2,825,000	2,816,447	2,625,829	2,902,667
2035	1,426,190	1,522,598	1,443,269	1,565,540
2039	7,600,000	7,676,208	7,145,087	7,978,666
Total	335,462,969	348,890,145	342,808,403	352,543,991

MARKET VALUE OF TREASURY BILL PORTFOLIO

Market Value of Treasury Bill Portfolio as at 31/12/2022

(Rs. '000)

Year	Face Value	Purchase Cost	Market Value	Amortized Cost
2023	23,300,000	21,547,877	22,160,993	22,152,226

Market Value of Treasury Bill Portfolio as at 31/12/2021

(Rs. '000)

Year	Face Value	Purchase Cost	Market Value	Amortized Cost
2023	-	-	-	-

The Fair Values of the Government Securities are based on the average of Buying and Selling quotes as at 31st December 2021 and 2022 respectively published by the Central Bank

MARKET VALUE OF QUOTED DEBENTURE PORTFOLIO

Market Value of Quoted Debenture Portfolio as at 31/12/2022

Name of Company	Date of Purchase	Date Redemption	Debentures		Market Value			Amortized Cost (Rs.'000)
			Number	Cost (Rs..'000)	Per Debenture	(Rs.'000)	Rate (P.a)	
Hatton National Bank PLC	01.11.2016	01.11.2023	547,100	54,710	107.25	58,676	13.00%p a	55,899
People's Leasing Finance PLC	18.04.2018	18.04.2023	5,000,000	500,000	98.00	490,000	12.80%p a	545,238
Commercial Bank of Ceylon Ltd	23.07.2018	22.07.2023	1,859,700	185,970	100.00	185,970	12.00%p a	195,936
Sampath Bank PLC	28.02.2019	28.02.2024	1,750,000	175,000	100.50	175,875	13.90%p a	195,460
DFCC Bank PLC	28.03.2019	28.03.2024	7,500,000	750,000	100.00	750,000	13.50%p a	827,394
National Savings Bank	10.09.2019	10.09.2024	13,500,000	1,350,000	100.00	1,350,000	11.25%p a	1,397,019
Hatton National Bank PLC	23.09.2019	22.09.2024	3,500,000	350,000	74.00	259,000	12.30%p a	361,795
National Development Bank PLC	25.09.2020	24.09.2025	4,750,000	475,000	100.00	475,000	09.50%p a	487,116
DFCC Bank PLC	23.10.2020	23.10.2025	5,000,000	500,000	100.00	500,000	09.00%p a	508,630
Sampath Bank PLC	12.04.2021	12.04.2028	6,000,000	600,000	100.00	600,000	09.00%p a	639,058
Ceylon Electrcity Board	16.04.2021	15.04.2026	20,000,000	2,000,000	88.61	1,772,200	9.35%p a	2,133,205
Singer Finance (Lanka) PLC	25.06.2021	25.06.2026	1,750,000	175,000	100.00	175,000	09.25%p a	183,426
Nation Trust Bank PLC	09.07.2021	09.07.2026	8,000,000	800,000	100.00	800,000	09.15%p a	835,296
People's Leasing Finance PLC	05.08.2021	05.08.2026	10,000,000	1,000,000	100.00	1,000,000	09.00%p a	1,036,740
Total				**8,915,680**		**8,591,721**		**9,402,211**

The Fair Value of the Corporate Debentures - Listed are based on the prices as at 31st December 2022 published by the Colombo Stock Exchange

Market Value of Quoted Debenture Portfolio as at 31/12/2021

Name of Company	Date of Purchase	Date Redemption	Debentures		Market Value			Amortized Cost (Rs.'000)
			Number	Cost (Rs.'000)	Per Debenture	(Rs.'000)	Rate (P.a)	
Hatton National Bank	01.11.2016	01.11.2023	547,100	54,710	107.25	58,676	13.00%	55,899
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%	195,936
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
Sampath Bank PLC	12.04.2021	12.04.2028	6,000,000	600,000	100.00	600,000	9.00%	639,058
Ceylon Electracity Board	16.04.2021	16.04.2026	20,000,000	2,000,000	88.61	1,772,200	9.35%	2,132,693
Singer Finance (Lanka PLC)	25.06.2021	25.06.2026	1,750,000	175,000	100.00	175,000	9.25%	183,426
Nations Trust Bank Plc	09.07.2021	09.07.2026	800,000	80,000	100.00	80,000	9.15%	835,296
People's Leasing Finance PLC	05.08.2021	05.08.2026	10,000,000	1,000,000	100.00	1,000,000	9.00%	1,036,740
Total				**8,395,680**		**8,196,906**		**9,603,167**

The Fair Value of the Corporate Debentures - Listed are based on the prices as at 31st December 2021 published by the Colombo Stock Exchange

STATEMENT OF EQUITY INVESTMENT

Quoted shares investments re- classified as " Fair Value through Other Comprensive Income" As At 31.12.2022

	Company Name	Original Cost (Rs. '000)	Fair Value (Rs. '000)	Mkt. Price as at 31.12.2022 (Rs. '000)
1	AHOT Properties	58,213	33,769	26,938
2	Aitken Spence Co	381,225	217,615	340,843
3	Ait. Spence Hotel	206,275	101,466	119,721
4	Asiri Hospital	129,516	138,412	110,388
5	Asiri Surgical	66,124	77,195	57,444
6	Bairaha Farms	206,974	241,770	149,358
7	Carson Cumber	16,147	11,085	9,749
8	Central Finance	199,653	169,832	114,504
9	Ceylon Investment	8,575	3,757	2,223
10	Ceylon Guardian Inv.	143,302	51,064	30,000
11	Ceylon Grain Elevator	204,860	187,512	125,994
12	Central Industries	92,966	169,021	47,668
13	CIC Holdings	118,893	151,647	198,308
14	Colombo Fort Land	55,327	17,571	19,881
15	Com. Bank	1,196,030	717,159	458,249
	Com. Bank (X)	498,325	297,997	170,687
16	DFCC Bank	673,587	263,891	141,316
17	Dockyard	437,865	137,891	102,463
18	Dialog Axiata	355,601	332,581	256,994
19	Dipped Product	78,476	77,483	47,041
20	Eden Hotels	75,885	53,470	27,684
21	First Capital Tresu	11,733	281,266	659,327
22	HNB	28,784	30,417	17,971
	HNB (X)	153,101	131,341	75,300
23	HNB Assurance	202,920	190,051	165,604
24	Hayleys Febric	118,443	137,144	75,451
25	Haycarb PLC	77,441	77,441	60,242
26	John Keells	15,800	11,678	11,066
27	JKH	2,836,575	2,589,885	2,336,059
28	Kelani Cables	14,561	56,980	30,205
29	Kelani Tyres	246,394	280,276	164,467
30	Keells Foods	7,847	7,888	7,961
31	Lankem Ceylon	16,823	3,933	7,693
32	Lanka IOC	14,746	59,580	165,002
33	Lanka Milk Food	97,757	153,303	71,973
34	Lanka Tiles	8,247	17,371	7,311
35	Lanka Walltile	19,329	25,208	12,692
36	Laugfs Gas	780	1,058	688
37	Laugfs Power	815	484	415
38	NDB Bank	1,405,873	889,127	412,564
39	Nawaloka Hospital	68,652	70,377	55,601
40	Overseas Reality	151,227	188,337	145,558
41	People's Leasing	182,879	132,436	65,249
42	People's Insurance	54,022	72,894	42,504
43	PGP Glass PLC	55,314	56,089	40,881
45	Renuka Holdings	115,698	58,869	41,982
46	Resus Energy	47,018	63,868	20,442
47	Richard Peiris Co	115,544	142,261	138,671
48	Sampath Bank	416,926	369,326	243,387
49	Seylan Bank	381,582	214,376	148,534
	Seylan Bank (X)	82,770	56,029	26,923
50	Singer Finance	23,608	20,464	11,927
51	Sri Lanka Telecom	110,326	130,106	224,219
52	Teejay Lanka	115,357	117,545	86,485
53	Trans Asia	37,073	31,457	25,737
54	Tokyo Cement PLC	230,758	210,892	116,966
55	Vallibel Power	83,752	83,519	61,035
56	Vidulanka PLC	701	701	537
57	Windforce PLC	131,660	127,115	104,067
	Total	**12,886,657**	**10,543,284**	**8,440,150**

DELISTED SHARES

1	Property Develop	5	45	-

Property Dev. PLC-has been de-listed with effect from 27th October 2022.

STATEMENT OF EQUITY INVESTMENT

Investments in subsidiaries as at 31.12.2022

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

Quoted Share Investments Classified As " Fair Value through Profit or Loss"
As At 31.12.2022

Company Name	Original Cost (Rs. '000)	Fair Value (Rs. '000)	Mkt. Price as at 31.12.2022 (Rs. '000)
1 Access Engineering	51,441	53,257	17,905
2 ACL Cables PLC	32,969	32,969	24,692
3 Com. Bank	1,440,530	892,811	570,486
Com. Bank (X)	159,012	108,906	62,379
4 Dialog Axiata	225,457	216,694	167,445
5 Dipped Products	219,258	198,011	114,350
6 HNB	523,420	396,684	234,369
HNB (X)	68,870	61,718	35,384
7 Haycarb PLC	10,145	10,145	9,641
8 Hayleys Fabrics	40,766	41,127	26,412
9 JKH	177,625	194,349	175,302
10 Lanka IOC	38,612	77,415	214,397
11 Lanka Tile PLC	121,425	121,425	60,878
12 Lanka Walltile	256,940	288,289	157,548
13 Laugfs Power	3,196	1,672	1,433
14 People's Leasing	82,549	68,960	33,975
15 People's Insurance	57,882	59,773	34,853
16 PGP Glass Co	40,073	46,081	39,747
17 Richard Peiris Co.	64,590	92,619	91,490
18 Resus Energy PLC	29,828	29,828	13,849
19 Royal Ceramic	254,428	271,957	132,197
20 Sampath Bank	1,037,398	801,284	528,049
21 Seylan Bank	84,110	51,987	36,020
Seylan Bank (X)	82,804	61,254	29,433
22 Sierra Cables PLC	34,477	34,477	21,567
23 Singer Finance	48,443	39,752	23,170
24 Sunshine Holdings	33,185	33,185	30,198
Total	**5,219,433**	**4,286,627**	**2,887,168**

EMPLOYEES' TRUST FUND BOARD
INVESTMENTS IN UNITS TRUST AS AT 31.12.2022

	Type	Original Cost (Rs. '000)	Fair Value (Rs.' 000)	Mkt. Price as at 31.12.2022 (Rs. '000)
1	Comtrust Equity Fund	14,261	39,806	34,770
2	National Equity Fund	41,681	167,161	136,736
3	Namal Growth Fund	2,250	34,705	30,970
	Total	**58,192**	**241,671**	**202,475**

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

Lanka Salt Limited is a Limited Liability Company incorporated & domiciled in Sri Lanka. The registered office and the principal Place of Business of the company is located at Mahalewaya, Hambantota.

1.2. Consolidated Financial Statements
The Consolidated Financial Statements of the Board as at and for the year ended 31st December 2022 comprise the Board (Parent) and its fully-owned Subsidiary (together referred to as the "Group"). The subsidiary of the Board as at 31st December 2022 was Lanka Salt Limited, ETFB is the ultimate parent of the Group.

The Financial Statements of the Board and its Subsidiary have a common financial year which ends on 31 December. The Financial Statements of the "Board" and the "Group" are prepared for the 12 months period ended 31 December each.

1.3. 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.

1.4. 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 ETFB Act No 46 of 1980 and amendments thereon and Sri Lanka Accounting Standards (LKAS/SLFRS).

1.5. Date of Authorization for Issue
The financial statements of Employees' Trust Fund Board for the year ended 31st December, 2022 were authorised for issue in accordance with a resolution of the board of directors on 27th February 2023.

EMPLOYEES' TRUST FUND BOARD

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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. (Comparative information for the year ended 31 December 2021 and 1 January 2021 have been restated to reflect the effect of fixed assets policy change)

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, 2022 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.

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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 state ments are continued to be prepared on the going concern basis.

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

2.1.10. Comparative Information

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

2.2. Basis of Consolidation

(a) Consolidation

The consolidated financial statements comprise the financial statements of the Board and its subsidiary as at 31st December 2022.

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

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

(b) Subsidiaries

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

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

(c) Reporting Date

The financial statements of the subsidiaries are prepared for the common reporting period, which is 12 months ending 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.

2.3.2. Interest and similar Income and expense 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

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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 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 as staff loan interest recognized in interest income

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-re lated 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 reliability, 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.

2.4. 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.

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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 function all and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.6. Investments & Other Financial Assets

2.6.1. Classification

From 1 January 2018, the fund classi fies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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

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

2.6.2. Recognition & Derecognition

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

2.6.3. Measurement

At initial recognition, the fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (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.

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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

2.6.3.1. Debt instruments

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

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 interest 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 statement of profit or loss.

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 FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

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 profit or loss and presented net within other gains/(losses) in the period in which it arises.

2.6.3.2. Equity instruments

The fund subsequently measures all equity investments at fair value. Where the fund's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as dividend 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 statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI 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 amortized cost. The losses arising from impairment are recognized in the statement of Comprehensive Income.

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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

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 subse quently 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.

2.7. Property, Plant and Equipment
2.7.1. Basis of Recognition
Property, Plant and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Board cost of the asset can be reliably measured. It is the new policy adopted by the Board with effect from 1st January 2022 that, an unit cost (including ancillary cost) of an item below Rs.10,000.00 will not be recognize as a Property, Plant and Equipment and such item will be recognized as an expense. This method is followed on retrospective basis. The financial impact of Rs.10.9 million charged to the retained earnings as at 1st January 2022. However, costs (including ancillary cost) of land, buildings and vehicles, are capitalized regardless of unit threshold of Rs.10,000.00

2.7.2. Basis of Measurement
Items of Property, Plant and Equipment other than freehold land are measured at cost less accumulated depreciation and any impairment losses.

As at 01st January 2022, the Written down Value of the existing Assets were taken as the initial cost of the assets considering the practical difficulty of revaluation and materiality.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and borrowing costs eligible are capitalized.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

2.7.3. Subsequent Costs

The cost of replacing part of an item of Property, Plant and Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of Property, Plant and Equipment are expensed as incurred.

2.7.4. Depreciation

Prior to 01st January 2022 the depreciation was calculated using the reducing balancing method and with effect from 01st January 2022 depreciation is based on the cost amount of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Land is not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized.

Depreciation methods, useful lives, residual values are assessed at the reporting date and adjusted if appropriate.

2.7.5. Derecognition of Property, Plant and Equipment

An item of Property, Plant and Equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation on assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

	No. of years (Useful Life Time)		Depreciation Rate	
	Prior to 31 December 2021	After 01 January 2022	Prior to 31 December 2021	After 01 January 2022
Buildings	15 Years	40 Years	6.67%	2.5%
Motor Vehicles	4 Years	5 Years	25%	20%
Computer Equipment	5 Years	5 Years	20%	20%
Furniture	6 2/3 Years	10 Years	15%	10%
Fixtures and Fittings	3 Years	10 Years	33.33%	10%
Other Equipment	5 Years	5 Years	20%	20%

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

2.8. 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 year 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.

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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 11th October 2022. The fair-value of the land and building has increased to Rs.4,587,406,450/= during the year 2020 as per the Government Valuer's Report.

2.8.1. (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

2.8.2. (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 "Valuation House" No 748, Maradana Roard, Colombo 10.	Market comparable method • Price per Perches • Price per square foot	11,823,212.50 p.p 625 – 1955 p.sq.ft.	4,566,000,000.00 21,406,450.00

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

Valuation Technique	Significant unobservable valuation inputs	Estimated fair value would increase/(decrease) if; Price per Perches would increase/(decrease) Price per square foot would increase/(decrease)
Market comparable method 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 asset making appropriate adjustments for differences in size, nature, location and condition of specific property.	• Price per Perches • Price per square foot	Estimated fair value would increase/(decrease) if; Price per Perches would increase/(decrease) Price per square foot would increase/(decrease)

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

2.9. Intangible Assets

2.9.1. 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 in tangible 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.

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

2.10. 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.

2.10.1. 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.

2.11. Inventories
Inventories are valued at lower of the cost and net realizable value, after making due allow ances 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.

2.12. Retirement Benefit Liability

2.12.1. 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.

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

2.12.2. 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.

2.12.3. 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.

2.13. Equity

2.13.1. Member Fund Equity or Liability

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.

2.13.2. Dividends

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

2.13.3. Declarred Dividend

The fair value through other comprehensive income reserve comprises of the cumulative net change in fair value of fair value through other comprehensive income financial investments until the assets are de-recognized or impaired.

The other reserves relate to the annual adjustments of actuarial gains or losses and it represents the net change of the actuarial gains or losses as at the balance sheet date.

Dividend Equalization Reserve serves as a buffer between a certain dividend level and profits available. It is a distributable reserve which is specifically set up to ensure that dividends remain stable for despite being changes in earnings.

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

2.14. Provisions

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

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

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

2.15. Trade and Other Receivables

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

2.16. 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.

2.17. 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.

2.18. 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 over the expected useful life of the related asset. Where the board receives non-monetary grants, the asset and that grant are recorded at nominal amounts and are released to the income statement over the expected useful life of the relevant asset by equal annual installments as follows.

Computer Software	33.33%

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.

2.19. Impairment of Assets

2.19.1. 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.

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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 2021 Annual Global Corporate Default Study and Rating Transitions, were utilized.

- **Estimating the Loss Given Default (LGD)**
  As per the Guidelines issued by Banks Super vision 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:

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

2.19.2. 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 recover able 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.

2.20. Accounting Policies

2.20.1. 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.

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

2.20.2. 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.

2.20.3. 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.

2.20.4. 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.

3. CHANGES IN ACCOUNTING POLICIES
The board has consistently applied the Accounting Policies set out in these Financial Statements, except for the changes arising out of fixed asset policy change as set out below.

3.1. Adoption of new Capitalization policy

3.1.1. Cost

a. The accuracy of the unit value of an asset which is over of a specified economic value or above considered for inclusion in the assets categories of "Furniture & Fittings", "Other Assets" and "Computer Equipment"

b. The accuracy of the unit value of an asset which is below of a specified economic value considered for exclusion from the three categories as stated in item 'a' above.

c. The accuracy of the impact in terms of value as a result of the item 'b' above assessed and determine by the management under each cate gory of PPE amounting to Rs.36.7 million. The format given therein represents with retrospective effect and disclosed in the note number 22 in the financial statements of The Board.

The details of the business combination are as follows:

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

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

EMPLOYEES' TRUST FUND BOARD
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

3.1.2. Adoption of a new depreciation method

3.1.3. Accumulated Depreciation

d. The accuracy of the value ascertained amounting to Rs.25.9 million as a result of eliminating the depreciation provided and stated against each asset that are below the value applied as capitalization threshold.

3.1.4. Accounting entries

e. The respective values of the impact assessed that corresponds to the above as stated in item 'c' and 'd' to be incorporated into the books of accounts of the Board during the year 2022. The measurements applied to determine the values are in compliance with "LKAS – 8 Accounting Policies, Changes in Accounting Estimates and Errors" The relevant accounting entries consequent to the change of accounting policy of recognizing Property, Plant and Equipment from 1st January 2022 are as follows;

	Dr (Rs.)	Cr (Rs.)
01. Retained Profit as at 01-01-2022		36,778,682
Furniture and Fittings	28,835,561	
Computer Equipment	7,943,121	
(Adjustment required derecognizing office equipment and Computer equipment items which have been capitalized in the previous year)		
02. Furniture and Fittings	22,507,762	
Computer Equipment	3,402,380	
Retained Profit as at 01-01-2022		25,910,142
(Adjustment required to derecognize over Depreciation on office equipment and Computer equipment items which have been capitalized in the previous year)		

3.1.5. Change in the Method of Depreciation

f. As a result of migrating to a new method of depreciation i.e. reducing balance method to straight line method, the depreciation calculation for the year 2020 has to be done based on the written down value (WDV) of the PPE stated as at 01 January 2022. The WDV ascertained therewith, under each class of asset, has been stated in note 23. Also, with effect from 01 January 2022, the useful lives of assets as stated in new accounting policy adopted (refer note 2.7), will be applied based on the WDV values as of 01 January 2022.

4. ADJUSTMENTS TO MEMBER FUND

4.1. Adjustments to the member fund of 2022

Nature of Adjustment	LKR '000
Reconciled Contribution	(66.64)
Refund of Overpayment	(2,189.60)
Dividend on Member Fund	6,738,389.35
Refund Benefit (Cheques)	50.18
Refund Benefit (Slip)	279.70
Total Adjustment	**6,737,462.99**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2022			GROUP		ETFB	
			31st December 2022	31st December 2021	31st December 2022	31st December 2021
		Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
5	**INTEREST INCOME**					
	Financial Investments at Amortized Cost	5.1	46,442,799	34,121,505	46,316,209	34,095,154
			46,442,799	34,121,505	**46,316,209**	34,095,154
	5.1 Financial Investments at Amortized Cost					
	Interest on Fixed Deposit		243,624	2,151,225	119,880	2,124,874
	Interest from Debenture		948,986	840,747	948,986	840,747
	Yield on Treasury Bond		42,701,855	30,803,220	42,701,855	30,803,220
	Margin on Treasury Bill		2,017,212	-	2,017,212	-
	Interest on Repurchase Agreements		430,393	179,432	430,393	179,432
	Interest on Money Market		4,080	1,228	4,080	1,228
	Interest on Bonds - Power Project		-	32,683	-	32,683
	Interest on NDB Scheme Deposit		71,527	88,376	71,527	88,376
	Interest on SMIB Housing Loan Deposit		9,440	7,984	9,440	7,984
	Interest on SMIB Savings A/C		398	162	398	162
	Staff Loans					
	Interest on Special loan		598	621	598	621
	Interest on Vehicle Loan		5,550	7,961	5,550	7,961
	Interest on Special Distress Loan		8,741	7,121	5,896	7,121
	Interest on Special Festival Loan		180	200	180	200
	Interest on Special Advance		215	544	215	544
			46,442,799	34,121,505	**46,316,209**	34,095,154
6	**NET TRADING INCOME**					
	Net Revenue	6.1	2,652,579	1,438,761	-	-
	(-) Cost of Sales		(1,355,717)	(1,151,995)	-	-
			1,296,862	286,766	-	-
	6.1 Net Revenue					
	Gross Revenue		2,983,285	1,553,862	-	-
	(-) Value Added Tax and Nation Building Tax		(330,707)	(115,101)	-	-
			2,652,579	1,438,761	-	-
7	**DIVIDEND INCOME**					
	Dividends on Shares - Quoted		722,744	524,624	722,744	524,624
	Dividends on Units - Quoted		-	721		721
	Dividend on Shares - Unquoted		14,175	30,768	14,175	30,768
			736,919	556,112	**736,919**	556,112
8	**GAIN /(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT /(LOSS)**					
	Current Share Trading Profit		23,677	385,604	23,677	385,604
	Fair Value Adjustment of Shares		(1,399,459)	164,931	(1,399,459)	164,931
			(1,375,782)	550,535	**(1,375,782)**	550,535
9	**OTHER INCOME**					
	Amortization of Government Grant		3,969	1,238	2,256	-
	Rent Income		1,900	1,344	363	260
	Profit on Sale of Furniture and Equipment		1,544	915	105	(31)
	Surcharges		373,436	201,782	373,436	201,782
	Staff Loan Income		26,531	37,615	26,531	37,615
	Sundry Income		15,391	33,610	5,790	9,300
	Profit / (Loss) On Car Park (Nawam Mawatha)		38,926	42,456	38,926	42,456
	Profit / (Loss) On Holiday Bungalow		(2,813)	(3,287)	(2,813)	(3,287)
	Transport Recovery		15,015	7,917	-	-
			473,899	323,589	**444,592**	288,094

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2022		GROUP 31st December 2022	GROUP 31st December 2021	ETFB 31st December 2022	ETFB 31st December 2021
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
10 PERSONAL EXPENSES					
Wages and Salaries	10.1	794,868	740,943	732,254	683,399
Short-Term Monetary and Non-Monetary Benefits	10.2	698,484	514,478	472,424	424,703
Defined Benefit Plans	10.3	72,895	36,440	70,890	33,568
Other Long Term Employee Benefits	10.4	124,025	130,498	116,786	122,666
		1,690,272	1,422,359	**1,392,354**	1,264,336
10.1 Wages and Salaries					
Staff Costs (Including Directors' Fee) Comprise:					
Salaries		655,532	605,968	598,118	552,333
Directors' Fees		3,157	2,158	1,569	1,433
Cost of Living Allowance		87,785	90,864	87,785	90,864
Meal Allowance		13,649	9,754	13,649	9,754
Overtime		25,200	23,638	21,587	20,455
Holiday Pay		9,546	8,561	9,546	8,561
		794,868	740,943	**732,254**	683,399
10.2 Short-Term Monetary and Non-Monetary Benefits					
Training & Development Expenses		4,215	3,851	4,215	3,797
Recruitment Expenses		-	1,025	-	1,025
Staff Welfare		57,961	47,364	37,285	32,869
Incentive		137,707	112,601	137,573	112,304
Encashment of Leave		33,775	23,766	33,775	23,766
Bonus		307,984	180,382	103,408	106,165
Reimbursement of Medical Expenses		120,385	97,197	119,713	96,484
Staff Loan Cost		26,531	37,615	26,531	37,615
Interest on Housing Loans		9,805	10,678	9,805	10,678
Employees Accident Compensation Scheme		120	-	120	-
		698,484	514,478	472,424	424,703
10.3 Defined Benefit Plans					
Interest Cost		24,872	22,929	24,872	22,929
Current Service Cost		48,023	13,511	46,018	10,639
		72,895	36,440	**70,890**	33,568
10.4 Other Long Term Employee Benefits					
E.P.F. Board's Contribution		103,040	108,517	97,249	102,252
E.T.F. Board's Contribution		20,898	21,981	19,450	20,414
Pension Fund Contibution		88	-	88	-
		124,025	130,498	**116,786**	122,666
11 ADMINISTRATIVE EXPENSES					
Building Rent		161,497	173,088	145,347	162,591
Rates		614	829	16	377
Electricity Charges		24,002	19,840	15,535	13,658
Telephone Charges		10,539	12,504	9,047	10,968
Water Charges		1,212	1,174	1,212	1,174
Consultancy Fees		6,248	2,447	748	430
Audit Fees		3,133	4,980	1,849	1,566
Security Charges		4,837	5,594	4,837	5,594
Legal Fees		876	519	528	174
Hiring Charges		4,199	12,358	4,199	12,358
Secretarial Expenses		120	120	120	120
Postage & Telegrams		2,078	1,456	1,532	1,139
Travelling & Subsistance		252	247	252	247
Printing & Stationery		3,282	2,981	2,840	2,595
Media & Publicity		1,499	892	-	
Advertisement & Press Notices		3,975	2,015	3,975	2,015
Vehicle Insurance & License Fees		2,273	1,964	2,273	1,964
Newspapers & Periodicals		630	398	505	309
Donations		72	-	-	-
Other Insurance		22	18	22	18
Office Upkeep & Requirements		3,640	2,126	192	210
Workers Compensation		33,445	417	-	-
Stamp Duty & Registration Fee		46	166	46	166
Miscellaneous Expenses		5,712	14,869	5,712	14,869
Consumable		792	-	792	-
Written off - Staff Recoveries		-	1,431	-	1,431
Vehicle Repairs & Maintenance		28,037	23,888	7,294	5,669
Fuel Charges		17,461	8,298	17,461	8,298
Maintenance of Building		21,449	20,435	21,449	20,435
Maintenance of Machine,Furniture & Equipments		4,632	3,919	4,510	3,482
		346,572	318,975	**252,293**	271,857

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2022			GROUP 31st December 2022	GROUP 31st December 2021	ETFB 31st December 2022	ETFB 31st December 2021
		Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
12	**FINANCE EXPENSES**					
	Custodial Fee		1,539	1,517	1,539	1,517
	Bank Charges		2,647	2,300	2,158	2,138
	Interest expenses		128	2,334	-	-
			4,314	6,151	**3,697**	3,656
13	**MEMBER EXPENSES**					
	Member Benefits	13.1	477,055	440,912	477,055	440,912
	Member Services	13.2	47,609	31,190	44,434	28,832
	IT Services	13.3	53,079	24,778	53,079	24,778
			577,743	496,881	**574,568**	494,523
	13.1 Member Benefits					
	Life Insurance Scheme (Death)		149,236	100,537	149,236	100,537
	Permanent Disablement Scheme		8,762	10,777	8,762	10,777
	I.O.L. Implanting Scheme		4,231	3,481	4,231	3,481
	Sramasuwa Rekawarana Scheme		23,477	11,742	23,477	11,742
	Heart Surgery Scheme		98,048	122,480	98,048	122,480
	Kidney Transplant Scheme		3,646	4,455	3,646	4,455
	Year 5 Scholarship Scheme		86,670	129,405	86,670	129,405
	Higher Eduacation Scholarship Scheme		102,984	58,035	102,984	58,035
			477,055	440,912	**477,055**	440,912
	13.2 Member Services					
	Postage & Telegrams		15,485	10,732	15,485	10,732
	Printing & Stationery		25,664	16,677	25,664	16,677
	Member Related Expenses		109	98	109	98
	Employees Awareness Scheme		-	8	-	8
	Travelling & Subsistance		6,315	3,054	3,140	696
	Media & Publicity		35	425	35	425
	Scholarship Expenses		1	196	1	196
			47,609	31,190	**44,434**	28,832
	13.3 IT Services					
	Maintenance of Hardware		3,289	2,433	3,289	2,433
	Maintenance of Software		8,549	882	8,549	882
	Depreciation		23,703	13,703	23,703	13,703
	Insurance		372		372	-
	Rental on Leased Lines		17,165	7,760	17,165	7,760
			53,079	24,778	**53,079**	24,778
14	**DEPRECIATION & AMORTIZATION**					
	Depreciation for property, Plant & Equipment		54,125	57,192	36,063	39,973
	Amortization of Lease Hold Land & Development Work		875	875	-	-
	Depreciation/Impairment of Biological Asset		1,103	443	-	-
			56,103	58,511	**36,063**	39,973
15	**IMPAIREMENT CHARGE/REVERSAL**					
	Impirement on Debenture		75,155	717	75,155	717
	Impirement on SMIB Deposit		931	(79)	931	(79)
	Impirement on NDB Deposit		438	(162)	438	(162)
	Impirement on Fixed Deposit		295	-	295	-
			76,820	476	**76,820**	476

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2022		LANKA SALT 31st December 2022	LANKA SALT 31st December 2021
		Rs. '000	Rs. '000
16	**OTHER EXPENSES**		
	Sales Promotion Expenses	30,048	15,156
	NBT Expenses	21,318	37
	Panelties & Surcharges	-	4
	Expenses of Biological Assest	4,165	3,237
	Enviormental Work	16,469	18,911
	Circuit Bungalow Maintenance	7,947	10,014
	Salt Musium Expenses	2,735	1,681
	Sanitary Services	13,751	14,261
	Atrimea Expenses	746	2,537
	Services Station Expenses	9,153	7,573
	Mineral Tax Expenses	14,697	7,554
		121,030	80,964

		ETFB 31st December 2022	ETFB 31st December 2021
		Rs. '000	Rs. '000
17	**INCOME TAX EXPENSES**		
	Accounting Profit/(Loss) before Tax	43,419,857	33,159,496
	Exempt and other source of income	1,217,350	(695,338)
	Disallowable expenses	1,042,212	368,655
	Allowable Expenses	(37,159)	(38,309)
	Assessable Income from Investment	**45,642,259**	32,794,503
	Gross Income Tax Expense @ 14%	6,389,916	4,591,230
	Over Provision Adjustment	59,510	(1,091)
	Current Income Tax Expense	**6,449,427**	4,590,140

			LANKA SALT 31st December 2022	LANKA SALT 31st December 2021
			Rs. '000	Rs. '000
Accounting Profit/(Loss) before Tax from operations			915,699	39,117
Disallowable Expenses for Taxation			(76,796)	130,363
Allowable Expenses for Taxation			-	281,779
Claim for the year (35% total Statutory Income)			-	-
Tax Loss B/F			(222,280)	(302,371)
Tax Loss C/F			-	(222,280)
Taxable Profit on Business Income			616,623	-
Taxable Profit on Interest Income			126,590	22,256
Net Taxable Profit/(Loss)			**743,213**	22,256
Current Tax Expense				
From 01/01/2022 to 30/06/2022				
Income Tax on Business income	308,312	18%	55,496	5,341
Income Tax on Investment income	63,295	24%	15,191	-
From 01/07/2022 to 31/12/2022				
Income Tax on Business income	308,312	30%	92,493	-
Income Tax on Investment income	63,295	30%	18,989	-
Current Income Tax Charge			**182,169**	5,341
Deferred Income Tax				
Deferred Taxation Charge/(Reversal)			31,598	7,802
Income tax expense reported in the Income Statement			**213,767**	13,144

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2022	Note	GROUP 31st December 2022	GROUP 31st December 2021	ETFB 31st December 2022	ETFB 31st December 2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
18 FINANCIAL ASSETS AT FVTPL					
Quoted Share Investment (Trading)		2,887,168	3,622,159	2,887,168	3,622,159
		2,887,168	3,622,159	**2,887,168**	3,622,159
19 INVESTMENT IN SUBSIDIARY					
Lanka Salt Limited		-	-	470,961	470,961
		-	-	470,961	470,961
20 FINANCIAL ASSETS AT FVOCI					
Quoted Share Investment Long Term		8,440,195	10,316,891	8,440,195	10,316,891
Unquoted Share Investment		3,908	2,931	3,908	2,931
Quoted Units		202,475	241,671	202,475	241,671
Promissory Notes		12,174	12,174	12,174	12,174
Less: Impairment on Promissory Notes		(12,174)	(12,174)	(12,174)	(12,174)
		8,646,578	10,561,493	**8,646,578**	10,561,493
21 FINANCIAL ASSETS AT AMORTIZED COST					
Treasury Bonds		408,626,726	352,543,991	408,626,726	352,543,991
Treasury Bills		22,152,226	-	22,152,226	-
Quoted - Debenture		7,177,346	7,378,301	7,177,346	7,378,301
Less: Impirement on Debenures		(84,052)	(8,897)	(84,052)	(8,897)
Fixed Deposits		1,716,541	29,007,972	552,554	28,492,037
Less: Impirement on Fixed Deposits		(295)	-	(295)	-
Repurchase Agreement		1,987,586	3,454,220	1,987,586	3,454,220
Debentures Unquoted		2,232,315	2,232,315	2,232,315	2,232,315
SMIB-Scheme Deposit		374,800	396,162	374,800	396,162
Less: Impirement on SMIB Deposit		(1,284)	(353)	(1,284)	(353)
NDB Scheme Deposit		682,188	810,226	682,188	810,226
Less: Impirement on NDB Deposit		**(835)**	(397)	**(835)**	(397)
Staff Loans					
Special Loan		36,483	28,708	36,483	28,708
Special Distress Loan		360,150	311,110	305,453	307,380
Festival Advance		527	403	527	403
Special Festival Loan		1,212	1,074	1,212	1,074
Special Advance		34	2,514	34	2,514
Vehicle Loan		265,506	284,628	265,506	284,628
Loan - Flood Relief		-	5	-	5
		445,527,175	396,441,984	**444,308,492**	395,922,319
22 OTHER ASSETS					
Accrued Income	22.1	-	-	-	
Receivables & Prepayments	22.2	3,277,006	3,165,656	3,190,888	3,112,767
Inventories	22.3	566,315	244,236	15,248	7,057
		3,843,321	3,409,892	3,206,136	3,119,825
22.1 Accrued Income					
Interest Receivable		24,966	24,966	24,966	24,966
Less: Provision Against Doubtful Income		**(24,966)**	(24,966)	**(24,966)**	(24,966)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2022	Note	GROUP 31st December 2022 Rs. '000	GROUP 31st December 2021 Rs. '000	ETFB 31st December 2022 Rs. '000	ETFB 31st December 2021 Rs. '000
22.2 Receivables & Prepayments					
Trade Debtors		72,149	26,686	-	-
Tax Receivable		-	16,642	-	-
Contribution Receivable		2,999,668	2,722,723	2,999,668	2,722,723
Money Order Control		3,209	4,123	3,209	4,123
Postal Franking Machine Imprest		427	97	427	97
Sundry Debtors		13,515	216,646	13,515	216,646
Suspense		-	52	-	52
Dues from Ex-employees		2,531	2,293	2,531	2,293
Security Deposits		6,572	5,359	6,572	5,359
Prepayment		45,640	30,172	23,796	20,611
Pre - Paid Staff Loan Cost		131,828	125,439	131,828	125,439
Dividend Receivable		-	-	7,875	-
Advance Payment		1,466	15,424	1,466	15,424
		3,277,006	3,165,656	**3,190,888**	3,112,767
22.3 Inventories					
Common Salt Stock		325,486	152,272	-	-
Artimea Stock		652	139	-	-
Work in Progress		44,484	25,491	-	-
Consumables and Spares		1,800	149	-	-
Stock of Stationery & Consumable		192,311	64,603	13,666	5,475
Library		272	272	272	272
Holiday Bungalow Inventory		1,310	1,310	1,310	1,310
		566,315	244,236	**15,248**	7,057

NOTES TO THE FINANCIAL STATEMENTS

23. PROPERTY, PLANT & EQUIPMENT

23.1 Group

Rs. '000

FOR THE YEAR ENDED 31ST DECEMBER, 2022	Land	Buildings	Motor Vehicle	Computer Equipment	Furniture Fittings & Office Equipment	Buildings on Leasehold Land	Plant & Machinery	Leased Motor Vehicles	Bearer Biological Assets		Development Work	In the Course of Construction	Total
									Immature Plantations	Mature Plantations			
Cost													
Balance at 1st January 2020	20,000	38,526	442,148	223,223	207,571	599,751	276,558	48,544	11,618	19,035	317,293	26,646	2,230,914
Additions	-	-	18	11,250	12,496	12,860	2,263	-	-	-	8,957	(25,389)	22,455
Adjusment	-	-	-	-	272	-	-	-	-	-	-	-	272
Disposals	-	-	(290)	-	(3,849)	-	(1,964)	-	-	-	-	-	(6,103)
Revaluations/Transfer	-	-	10,014	-	-	-	-	(10,014)	-	-	-	-	-
Impact on change in capitalization policy	-	-	-	(3,039)	(676)	-	-	-	-	-	-	-	(3,715)
Balance at 31st December 2020	**20,000**	**38,526**	**451,891**	**231,434**	**215,814**	**612,612**	**276,857**	**38,530**	**11,618**	**19,035**	**326,250**	**1,257**	**2,243,823**
Balance at 1st January 2021	20,000	38,526	451,891	231,434	215,814	612,612	276,857	38,530	11,618	19,035	326,250	1,257	2,243,823
Additions	-	-	9,370	15,481	15,120	298	23,531	-	-	-	-	300	64,099
Adjusment	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(36)	-	-	-	-	-	-	-	(36)
Revaluations/Transfer	-	-	25,693	-	-	-	-	(25,693)	-	-	-	-	-
Impact on change in capitalization policy		-	-	(4,904)	(28,159)	-	-	-	-	-	-	-	(33,063)
Balance at 31st December 2021	**20,000**	**38,526**	**486,954**	**242,011**	**202,739**	**612,909**	**300,388**	**12,837**	**11,618**	**19,035**	**326,250**	**1,556**	**2,274,823**
Balance at 1st January 2022	20,000	38,526	486,954	242,011	202,739	612,909	300,388	12,837	11,618	19,035	326,250	1,556	2,274,823
Accumulated Depreciation as at 1st January 2022	-	(1 4,906)	(185,508)	(164,967)	(68,983)	-	3,493	-	-	-	-	-	(430,870)
Additions	-	-	-	86,863	18,071	93	-	-	-	-	-	11,882	116,910
Adjusment	-	-	17,946	-	-	-	-	(12,837)	(543)	(209)	-	-	4,357
Disposals	-	-	(1,438)	(174)	(3,547)	(16)	(9,241)	-	-	-	-	-	(14,416)
Revaluations/Transfer	-	-	-	-	-	-	-	-	-	-	-	(5,283)	(5,283)
Balance at 31st December 2022	**20,000**	**23,620**	**317,954**	**163,733**	**148,280**	**612,987**	**294,641**	**-**	**11,075**	**18,826**	**326,250**	**8,156**	**1,945,521**

NOTES TO THE FINANCIAL STATEMENTS

GROUP FOR THE YEAR ENDED 31ST DECEMBER, 2022	Land	Buildings	Motor Vehicle	Computer Equipment	Furniture Fittings & Office Equipment	Buildings on Leasehold Land	Plant & Machinery	Leased Motor Vehicles	Bearer Biological Assets Immature Plantations	Bearer Biological Assets Mature Plantations	Development Work	In the Course of Construction	Rs. '000 Total
Accumulated Depreciation													
Balance at 1st January 2020	-	11,703	241,829	115,140	132,865	135,570	159,962	17,908	-	1,459	154,709	-	971,147
Depreciation Charge for the Year	-	1,559	46,709	36,538	13,983	14,996	23,837	4,173	-	381	55,833	-	198,008
Disposals	-	-	(269)	-	(3,212)	-	(1,814)	-	-	-	-	-	(5,295)
Transfer	-	-	6,427	-	-		-	(6,427)	-	-	-	-	-
Impact on change in capitalization policy	-	-	-	(892)	(1,052)	-	-	-	-	-	-	-	(1,944)
Balance at 31st December 2020	**-**	**13,262**	**294,696**	**150,786**	**142,584**	**150,566**	**181,985**	**15,655**	**-**	**1,839**	**210,542**	**-**	**1,161,916**
Balance at 1st January 2021	-	13,262	294,695	150,786	142,585	150,566	181,985	15,655	-	1,839	210,542	-	1,161,916
Depreciation Charge for the Year	-	1,644	35,788	16,691	13,232	15,272	22,707	3,685	-	443	53,439	-	162,900
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer	-	-	(14,533)	14,533	-	-	-	-	(14,533)	-	-	-	-
Impact on change in capitalization policy	-	-	-	-	(2,510)	(21,456)	-		-	-	-	-	(23,966)
Balance at 31st December 2021		**14,906**	**345,016**	**164,967**	**134,361**	**165,838**	**204,692**	**4,806**	**-**	**2,282**	**263,981**		**1,300,849**
Balance at 1st January 2022	-	14,906	345,016	164,967	134,361	165,838	204,692	4,806	-	2,282	263,981		1,300,849
Accumulated Depreciation as at 1st January 2022	-	(14,906)	(198,619)	(164,967)	(63,093)	15,276	23,245	1,284	-	377	27,972	-	(373,432)
Depreciation Charge for the Year	-	591	26,189	28,500	6,832			(6,090)	-	(25)	-	-	55,997
Transfer	-	-	-	-	(2,078)	(2)	(8,171)	-	-	-	-	-	(11,689)
Disposals	-	-		(29)	(7)		-		-		-	-	(36)
Balance at 31st December 2022		**591**	**172,586**	**28,500**	**78,100**	**181,114**	**227,937**	**(0)**	**-**	**2,634**	**291,953**	**-**	**971,689**
Net Book Value	-	-	-	-	-	-	-	-	-	-	-	-	-
At 1st January 2021	20,000	25,264	157,195	80,648	73,229	462,045	94,872	22,875	11,618	17,195	115,708	1,257	1,081,908
At 31st December 2021	20,000	23,620	141,937	77,044	68,378	447,071	95,696	8,031	11,618	16,752	62,269	1,556	973,974
At 31st December 2022	20,000	23,030	145,368	135,233	70,180	431,873	66,703	0	11,075	16,192	34,297	8,156	973,832

23.2 Board

FOR THE YEAR ENDED 31ST DECEMBER, 2022	Land	Buildings	Motor Vehicles	Computer Equipment	Furniture & Other Equip	Total
Balance at 1st January 2020	**20,000**	**38,526**	**313,993**	**223,223**	**119,438**	**715,180**
Additions	-		-	11,250	6,418	17,668
Adjustment	-		-	-	272	272
Disposals	-		-		(36)	(36)
Revaluations	-	-	-	-	-	-
Impact on change in capitalization policy	-		-	(3,039)	(676)	(3,715)
Balance at 31st December 2020	**20,000**	**38,526**	**313,993**	**231,434**	**125,416**	**729,369**
Balance at 1st January 2021	**20,000**	**38,526**	**313,993**	**231,434**	**125,416**	**729,369**
Additions	-	-	-	15,481	4,212	19,693
Adjustment	-	-	-	-	-	-
Disposals	-	-	-	-	(36)	(36)
Revaluations	-	-	-	-	-	-
Impact on change in capitalization policy	-		-	(4,904)	(28,159)	(33,063)
Balance at 31st December 2021	**20,000**	**38,526**	**313,993**	**242,011**	**101,433**	**715,963**
Balance at 1st January 2022	**20,000**	**38,526**	**313,993**	**242,011**	**101,433**	**715,963**
Accumulated Depreciation as at 1st January 2022		(14,906)	(213,498)	(164,967)	(68,983)	(462,353)
Additions	-	-	-	86,863	13,021	99,885
Adjustment	-	-	-	-	-	-
Disposals	-	-	-	(174)	(79)	(254)
Revaluations	-	-	-	-	-	-
Balance at 31st December 2022	**20,000**	**23,620**	**100,495**	**163,733**	**45,393**	**353,241**
Accumulated Depreciation						
Balance at 1st January 2020	-	11,703	147,442	115,140	76,682	350,967
Depreciation Charge for the Year	-	1,559	37,172	36,538	7,586	82,855
Disposals	-	-	-	-	(12)	(12)
Transfer	-	-	-	-	-	-
Impact on change in capitalization policy	-	-	-	(892)	(1,052)	(1,944)
Balance at 31st December 2020	**-**	**13,262**	**184,614**	**150,786**	**83,204**	**431,866**
Balance at 1st January 2021	**-**	**13,262**	**184,613**	**150,786**	**83,205**	**431,866**
Depreciation Charge for the Year	-	1,644	28,885	16,691	7,234	54,453
Disposals	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
Impact on change in capitalization policy	-	-	-	(2,510)	(21,456)	(23,966)
Balance at 31st December 2021	**-**	**14,906**	**213,498**	**164,967**	**68,983**	**462,353**
Balance at 1st January 2022	**-**	**14,906**	**213,498**	**164,967**	**68,983**	**462,353**
Accumulated Depreciation as at 1st January 2022	-	(14,906)	(213,498)	(164,967)	(68,983)	(462,353)
Depreciation Charge for the Year	-	591	20,099	28,500	6,832	56,022
Disposals	-	-	-	(29)	(7)	(36)
Transfer	-	-	-	-	-	-
Balance at 31st December 2022	**-**	**591**	**20,099**	**28,471**	**6,825**	**55,986**
Net Book Value						
At 1st January 2021	20,000	25,264	129,379	80,648	42,212	297,503
At 31st December 2021	20,000	23,620	100,495	77,044	32,450	253,610
At 31st December 2022	20,000	23,030	80,396	135,262	38,568	297,256

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2022		GROUP 31st December 2022	GROUP 31st December 2021	ETFB 31st December 2022	ETFB 31st December 2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
24 LEASEHOLD PROPERTY					
Cost					
At 1 January		20,910	20,910	-	-
Additions		-	-	-	-
At 31st December		20,910	20,910	-	-
Accumulated Amortization					
Balance as at 1st January		18,819	18,122	-	-
Charge for the Year		697	697	-	-
Balance as at 31st December		19,516	18,819	-	-
Net Book Value as at 31st December		**1,394**	2,091	**-**	**-**
25 INTANGIBLE ASSETS					
Balance as at 1st January		4,238	1,039	4,238	1,039
Additions		-	3,199	-	3,199
Amortization during the year		267	-	267	-
Computer Software from Government Grant	24.1	4,512	-	4,512	
Balance as at 31st December		**9,017**	4,238	**9,017**	4,238
25.1 Computer Software from Government Grant					
At Beginning of Period		-	-	-	-
Additions		6,768	-	6,768	-
Amortization		(2,256)	-	(2,256)	-
At End of Period		**4,512**	**-**	**4,512**	**-**
26 INVESTMENT PROPERTY					
Balance as at 1st January		4,587,406	4,587,406	4,587,406	4,587,406
Balance as at 31st December		**4,587,406**	4,587,406	**4,587,406**	4,587,406

NOTES TO THE FINANCIAL STATEMENTS

27 INTEREST BEARING BORROWINGS

Lanka Salt Limited

FOR THE YEAR ENDED 31ST DECEMBER, 2022	GROUP Amount Repayable Within 1 Year	GROUP Amount Repayable After 1 Year	GROUP Total	ETFB Amount Repayable Within 1 Year	ETFB Amount Repayable After 1 Year	ETFB Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Finance Leases	-	-	-	1,831	0	1,831
Bank Overdrafts	11,049	-	11,049	3,073	-	3,073
	11,049	-	11,049	4,904	0	4,904

28 GRANTS & SUBSIDIES

	ETFB 31st December 2022	ETFB Total
	Rs. '000	Rs. '000
At Beginning of Period	-	-
Additions	6,768	-
Amortization	(2,256)	-
At End of Period	4,512	-

LANKA SALT LIMITED

	Iodized Plant	Building	Pump House	Pump House	Pump House	Total 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost						
As at 1 January	19,515	41,124	1,387	6,500	68,527	68,527
As at 31 December	19,515	41,124	1,387	6,500	68,527	68,527
Amortization						
As at 1 January	19,515	14,993	509	175	35,192	33,954
Reversal during the Year	-	1,028	35	650	1,713	1,238
As at 31 December	19,515	16,021	543	825	36,905	35,192
Written Down Value						
As at 31 December	-	25,103	844	5,675	31,622	33,335

		GROUP 31st December 2022	GROUP 31st December 2021	ETFB 31st December 2022	ETFB 31st December 2021
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
29 DEFINED BENEFIT OBLIGATION					
Opening Defined Benefit Obligation 01st January		476,249	513,974	236,877	286,616
Interest Cost		24,872	22,929	24,872	22,929
Current Service Cost		61,844	28,017	46,018	10,639
Benefit Paid		(41,338)	(43,675)	(37,159)	(38,309)
Actuarial (Gains) / Losses on Obligations		(55,129)	(44,997)	(55,129)	(44,997)
Closing Defined Benefit Obligation 31st December		**466,499**	476,249	**215,479**	236,877
30 CURRENT TAX LIABILITIES					
Gross Tax Liability		6,449,427	4,590,140	6,449,427	4,590,140
(-) Estimated Income Tax Payments		(2,688,549)	(2,240,242)	(2,688,549)	(2,240,242)
(-) Previous Year (Over)/ Under Provision		(59,510)	-	(59,510)	-
Tax Payable to IRD		**3,701,367**	2,349,898	**3,701,367**	2,349,898
31 OTHER LIABILITIES					
Accounts Payables and Sundry Creditors	31.1	542,592	7,148,941	107,206	6,930,925
		542,592	7,148,941	**107,206**	6,930,925

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2022		GROUP 31st December 2022	GROUP 31st December 2021	ETFB 31st December 2022	ETFB 31st December 2021
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
31.1 Accounts Payables and Sundry Creditors					
Trade and Other Payables	31.1.1	433,169	216,674	-	-
Retained Tax On Claims Paid & Benefit		2,151	1,812	2,151	1,812
Stamp Duty Payable on Claims		1,114	829	1,114	829
Dividend Payable		2,217	6,740,731	-	6,739,389
Unpaid Emoluments		60	60	60	60
Stamp Duty Payable		89	106	89	106
EPF Payable		12,616	19,775	12,616	19,775
ETF Payable		1,673	2,373	1,673	2,373
Sundry Creditors		44,230	118,726	44,230	118,726
Returned Benefit (Cheques)		2,470	2,691	2,470	2,691
Returned Benefit (Welfare)		891	2,494	891	2,494
Returned Benefit (Slip)		12,246	12,105	12,246	12,105
Unpaid Death Benefits		21,432	21,695	21,432	21,695
Retained W.H.T		401	401	401	401
Unclaimed Scholarship		-	1,270	-	1,270
Unreconcile Balance		523	456	523	456
Library Fund		58	53	58	53
E.T.F CSR Project		207	207	207	207
Refundable Deposit			60	-	60
Security Deposits - Car park		6,862	6,164	6,862	6,164
Salaries Control		189	-	-	189
Salary Deductions Clearance		91	18	91	18
Income Paid in Advance		30	109	30	109
		542,592	7,148,941	**107,206**	6,930,925

31.1.1 Trade and Other Payables

	LANKA SALT 31st December 2022	LANKA SALT 31st December 2021
	Rs. 000	Rs. 000
Financial Liabilities		
Trade Payables	122,790	30,681
Salt Transport Payable	3,079	4,118
Deposits Payables	64,775	61,402
Social Security Contribution Levy	8,822	
Ground Rent Payable	7,268	4,374
Non Financial Liabilities		
Accrued Expenses	124,134	48,307
Other Payables	26,206	18,600
Value Added Tax Payables	37,261	10,358
Incentive Payable	473	473
Contractor Payables	38,361	38,361
	433,169	216,674

NOTES TO THE FINANCIAL STATEMENTS

32 Deferred Tax Liabilities

FOR THE YEAR ENDED 31ST DECEMBER, 2022	LANKA SALT LIMITED			
	Capital Allowances for Tax Purposes	Defined Benefit Plans	Deferred tax attributable to Tax Losses	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 01.01.2021	109,208	(40,925)	(17,000)	51,283
Charge (credit) to profit or loss for the year	(7,035)	(2,162)	17,000	7,802
As at 01.01.2022	102,172	(43,087)	-	59,085
Charge (credit) to profit or loss for the year	63,817	(43,087)	(32,219)	59,085
As at 31.12.2022	**165,989**	**(75,306)**	**-**	**90,684**

Deferred tax liability	(165,989)	(102,172)
Deferred tax asset	75,306	43,087
Unutilized Business Loss C/F	-	-
Net Deferred Tax Liability	**(90,684)**	**(59,085)**

33 PROVISIONS

	GROUP		ETFB	
	31st December 2022	31st December 2021	31st December 2022	31st December 2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Provision for Audit fee	3,000	4,367	3,000	4,367
Provn. for Employees' Accident Compensation Scheme	800	2,000	800	2,000
Provision for Bonus	294	241	294	241
Provision for Leave Encashment	20,703	20,446	20,703	20,446
Provision for Postage	43	136	43	136
Provision for Higher Education Scholarship	147,156	120,216	147,156	120,216
Provision for Year 5 Scholarship	235,305	180,600	235,305	180,600
	407,301	328,007	**407,301**	328,007

34 Member Fund

	ETFB	
	31st December 2022	31st December 2021
	Rs. 000	Rs. 000
Opening Member Fund Balance 01st January	406,288,901	375,215,484
Previous Year Contribution Adjustment	6,737,463	(4,750)
Contribution Received	34,642,546	29,686,853
Refund of Contribution	(25,019,411)	(19,789,249)
Interest on Member Fund Balance	12,679,221	11,553,085
Dividend	24,301,886	9,627,478
Closing Member Fund Balance 31st December	**459,630,606**	406,288,900

The above member fund balance consist of Rs. 290 million amount as at 31/12/2022 as unallocated to the individual member accounts.

SUPPLEMENTARY INFORMATION

AUDITOR GENERAL'S REPORT -2022

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය
எனது இல.
My No. LSW/F/ETF/1/2022/10

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date 31st of May 2023

Chairman,
Employees' Trust Fund Board.
The Auditor General's Report on the Financial Statements of the Employees' Trust Fund Board and its Subsidiary for the year ended as of the 31st of December 2022 and 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 audit of the financial statements of the Employees' Trust Fund Board ("Board") and its Subsidiary ("Group") for the year ended as at the 31st of December 2022 comprising the Consolidated Statement of Financial Position for the year ended 31 December 2022 comprising the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flow for the year then ended and the explanatory notes to Financial Statements and a summary of Significant Accounting Policies was carried out under my direction in pursuance of the provisions of the National Audit Act, No. 19 of 2018 and the Finance Act, No. 38 of 1971 read in conjunction with Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My report will be tabled in Parliament in due course in terms of Article 154 (6) of the Constitution.

In my opinion, except for the effects of the matters described in the part of the 'Basis for Qualified Opinion' of my Report, the financial position of the Board and the Group as at 31 December 2022 and its financial performance and cash flows for the year then ended give a true and fair view in accordance with the Sri Lanka Accounting Stan dards.

1.2 Basis for qualified opinion

(a) Contributions amounting to a total of Rs. 581.35 million recovered by the Board from 3912 employers during the period from the year 1981 to the year 2021 as of 28 April 2023 were left to be retained provisionally in the employers' accounts without crediting them to the relevant individu al accounts of the members in pursuance of section 16 (3) of the Employees' Trust Fund Board Act, No. 46 of 1980. During this year, the balance continued to coming down over a period of 07 to 41 years was Rs. 97.12 million.

(b) Pursuant to Section 16 (3) of the Employees' Trust Fund Act, No. 46 of 1980, a sum amounting to Rs. 71.25 million out of the contributions and surcharges to the value of Rs. 1,511.14 million recovered by the Board through court proceedings from the year 1985 to 2022 in respect of certain employees in terms of subsection (1) thereof had not been credited to the personal accounts of the respective employees even by the end of the year under review.

(c) Even though the balance lying un-credited to the personal accounts of the members as of 31 December 2021 was Rs. 781.05 million, the said balance had been disclosed as Rs. 290 million under Note No. 34 to the financial statements.

(d) A separate account (V999) is maintained in order to record contribution receipts in respect of which the employer institutions cannot be identifiable out of the contributions and surcharges remitted to the Board and a balance of Rs. 7.59 million so received was found to be lying in the said account over the period from 1982 to 2022. There was an unrecognized received-in balance of Rs. 6.22 million lying in this balance for the period from 1982 to 2006.

The audit was carried out by me in accordance with the Sri Lanka Audit Standards. My responsibility under these audit standards has been further described in the part of the 'Responsibility of the Auditor over the Audit of the Financial Statements' in this report. It is my belief that the audit evidence obtained by me is sufficient and appropriate for providing a basis for my opinion.

1.3 Other information contained in the Annual Report 2022 of the Group

AUDITOR GENERAL'S REPORT -2022

Other information means the information incorporated in the Annual Report 2021 of the Board that was obtained by me prior to the date of this audit report, but not included in the financial statements and my audit report in that regard. The management is responsible for this other information.

My opinion in relation to financial statements does not encompass other information and I do not express any assurance or opinion whatsoever in that connection. My responsibility with regard to the audit is to read the other aforesaid information so identified and, in doing so, to consider such other information are substantially inconsistent with the financial statements or in accordance with my knowledge I obtained during the course of the audit or otherwise.

If I, on the basis of other information received by me prior to the date of this audit report and the tasks carried out by me, come to the conclusion that this other information has substantially been misrepresented, it becomes necessary that I should report the particular matter. In this regard, I do not have anything to report.

1.4 Responsibility of the Management and the Controlling Parties over the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.
In the preparation of the financial statements, it is a responsibility of the management to decide on the continued existence of the Group whereas it is also a responsibility of the management to disclose the matters pertaining to the keeping of accounts on the basis of the Group's continued existence and its going concern status unless the management intends to liquidate the Group or resort to go for wind up operations in the absence of any other alternative.

The controlling parties hold the inspection responsibility over the financial reporting process of the Group.
The Group should duly maintain the relevant books and reports pertaining to its income and expenditure and assets and liabilities so as to enable it for the preparation of Group's annual and periodic financial statements in terms of subsection 16 (1) of the National Audit Act, No. 19 of 2018.

1.5 Responsibility of the Auditor over the Audit of Financial Statements

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

- designed and implemented audit procedures that are appropriate in the circumstances in identifying and assessing the risks of material misstatements that could result in the financial statements owing to frauds and errors, in setting up of an audit opinion. It was in view of the fact that the impact caused by a fraud is more severe than that caused by the reasons such as material misstatements resulting from erroneous recording and the collusion, preparation of forged documents, intentional avoidance or the avoidance of internal controls.

- acquired an understanding on the Group's internal control in order to design circumstantially suitable audit procedures, even though it was not with the intension of expressing an opinion on the effectiveness of its internal control.

- evaluated the suitability of the accounting policies used, the reasonableness of the accounting estimates and the related disclosures made by the management.

- decided on the relevance of applying the basis of the continued sustainability of the entity for accounting purposes based on the audit evidence acquired as to whether there exists a quantitative uncertainty on the Group's sustainability due to incidents or conditions. In case I determine that such

AUDITOR GENERAL'S REPORT -2022

uncertainty exists, my report should pay attention to the disclosures regarding the financial statements and if those disclosures are not sufficient, my opinion must be modified. However, the continued sustainability may cease to exist on the future incidents or conditions.

- assessed the overall presentation of the financial statements inclusive of the fact as to whether the relevant transactions and incidents upon which the structure and the content of the financial statements were based have been suitably and fairly incorporated and of the related disclosures.

- acquired sufficient and eligible audit evidence in regard to financial information pertaining to the activities of the entities or the businesses within the Group in order to express an opinion on the consolidated financial statements concerned. I am supposed to be responsible for the conduct, supervision and performance of the Group's audit. And, I shall also hold responsibility in toto for my audit opinion.

The related controlling parties were educated on the significant audit findings, major weaknesses of the internal controls and other matters identified during the course of the audit.

2. Reports on other legal and regulatory requirements

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

2.1.1 All information and clarifications necessary for the audit except for the effect caused by the matters described in the qualified opinion" in my report were obtained by me in accordance with the requirements set out in section 12 (a) of the National Audit Act, No. 19 of 2018 and the Board had maintained proper financial records in such manner as evident by way of my examination.

2.1.2 According to the requirement set out in section 6 (i) (d) (iii) of the National Audit Act, No. 19 of 2018, the financial statements of the Board correspond with those of the preceding year.

2.1.3 The recommendations made by me during the previous year barring the observations at para 1.2 (a) of this report have been included in the financial statements that have been presented in accordance with the requirement set out in section 6 (i) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 The recommendations made by me during the previous year barring the observations at para 1.2 (a) of this report have been included in the financial statements that have been presented in accordance with the requirement set out in section 6 (i) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2.1 That any member of the Board, in accordance with the requirement set out in section 12 (d) of the National Audit Act, No. 19 of 2018, has an interest directly or otherwise over any agreement connected to the Board outside of his general affairs of the business therein.

2.2.2 That the Board, in accordance with the requirement set out in Section 12 (f) of the National Audit Act, No. 19 of 2018, has acted in a manner that is inconsistent with any relevant written law or other general or special provisions issued by the controlling body of the Board excluding the observations given below.

AUDITOR GENERAL'S REPORT -2022

	Reference to rules and regulations/directions	Description
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F. R. 394	107 cheques to the total value of over Rs. 1.9 million that had become invalid being in excess of a period of 6 months after issuance were not dealt with in accordance with the Financial Regulations.
(b)	Public Administration Circulars	
	(i) Circular No. 05 / 2008 dated 6 February 2008 and No. 05 / 2008 (I) dated 24 January 2018 of the Ministry of Public Administration & Home Affairs	Although the Citizens / Clients Charter should have been prepared and implemented, it had not been so acted upon.
	(ii) Section 10 of Chapter XXIV of the Establishments Code as amended by P.A. Circular No. 30 / 2008 dated 31 December 2008.	During the course of the sample audit conducted in relation to 67 loan files pertaining to the year under review, it was observed that although the maximum loan amount that can be given to the officers concerned was Rs. 16.75 million, a sum amounting to Rs. 41.23 million, i.e., Rs.24.48 million had been overpaid in contravention of the provisions of the circular,

2.2.3 That the Board, in accor dance with the require ment set out in section 12 (g) of the National Audit Act, No. 19 of 2018, has acted in a manner that is inconsistent with the Board's powers, functions and duties.

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

Even though the most competitive prices were to be obtained having adhered to the national competitive price procedure in terms of section 3.2 of the procurement guidelines without planning it out as one procurement, 205 laptops with a value of Rs. 41.57 million had been purchased in 04 instances following the price reference method. It was also observed that the procurement method selected for this purpose was not correct as it was to be followed the price reference method for purchases of low value in accordance with section 3.4 of the procurement guidelines.

3. Other matters

(a) Even though each of the personal accounts of the members should be credited such a rate of interest not less than 3 percent per annum before the 31st of December of a given year as may be prescribed by the Board from time to time with the concurrence of the respective Minister and the Minister in charge of the subject of Finance from the income on investments of the fund in terms of section 22 of the Employees' Trust Fund Act, No. 46 of 1980, the management had not worked towards increasing the level of member benefits despite the Board's investment income level was on the increase at a substantial rate over the past 5 years, and the members had only been paid 3 percent of the benefits ever since the year 1981.

(b) Section 14 of the Employees' Trust Fund Act, No. 46 of 1980 spells out that the dividends shall be declared from the profits obtained from the investments of the fund and such dividends shall be credited to the personal account of each member of the fund. Even though the devisable profit for the members of the Board had increased by 181 percent in comparison to the period from the year 2018 to 2022, the Board had not focused on increasing the percentage of benefits accorded to the mem-bers at a substantial level.

AUDITOR GENERAL'S REPORT -2022

(c) Sums of Rs. 12.17 million invested in promissory notes and Rs. 7.45 million invested in debentures of a company currently under liquidation should have been realized in the years 2002 and 2007 respectively. Furthermore, the interest income to be collected from the investment in debentures of Vanik Incorporation till 31 December 2006 was Rs. 15.21 million and the interest income to be collected from the investment in promissory notes was Rs. 367,724 million, but the Board was not in a position to recover the dues even by the 31st of December 2022 despite the legal action going on for its recovery.

(d) The amount of Rs. 9.39 million yet to be collected further from the debenture interest money that was due from a plantation company over several years had not been recovered even by 31 December 2022.

(e) Even though the Board is a major institution that invests funds in government securities, it has not obtained the Direct Bidding Facility from the Central Bank of Sri Lanka. At the Committee on Public Enterprises held on 26 August 2016, it was directed to register the Board as a primary dealer of the Central Bank of Sri Lanka, but it was not complied with even by the 31st of December 2022.

(f) As of 31 December 2022, the Board had 1,107 approved cadre with 923 actual strength of staff rendering 184 vacancies. In that situation, there were 70 vacancies related to 39 positions belonging to top management whilst there existed 84 vacancies related to 08 positions of management level.

(g) An irrecoverable amount of Rs. 455,308 was observed in respect of 58 inactive institutions out of the outstanding balance of Rs. 1.73 million due on 26 April 2023 from the car park which is run on a land in Navam Mawatha belonging to the Board.

(h) In the balance of Rs. 147.16 million set apart as of 31 December 2022 towards making payments under the higher education scholarship scheme, sums amounting to Rs. 0.12 million and Rs. 3.04 million respectively in relation to the years 2019 and 2020 remained due for settlement.

(i) Under the five-year scholarship financial assistance scheme from the year 1994 to 2014, the unpaid amount of Rs. 1.27 million for 73 students had been credited to the income during the year under review without paying them out to the respective scholarship recipients. In the balance of Rs. 235.3 million allocated for the five-year scholarship financial assistance payments under the statement of financial position as at 31 December 2022, sums amounting to Rs. 0.075 million and Rs. 13.6 million set aside for the years 2020 and 2021 respectively remained due for further settlement.

(j) No dividend income had been received during the year 2022 for the shares with an average cost of Rs. 909.89 million of the investments made in 13 listed companies as of 31 December 2022. Two companies out of these entities had not received continuous dividends from the year 2015 to 2022 and 11 of such companies had received only occasional partly dividends from the years 2015 to 2022.

(k) In the examination of the stock purchases made by the Board in a company, it was observed that the monies had been invested in 7,106,832 shares and 615,542 shares in the years 2021 and 2022 respectively. Despite it being a loss-making company during the years 2017, 2019 and 2021 as revealed by a scrutiny into the financial statements of the said company in the preceding years, shares thereof had been purchased during the years 2021 and 2022 by spending Rs. 64.01 million and Rs. 4.99 million respectively without paying attention to such a situation. Furthermore,

AUDITOR GENERAL'S REPORT -2022

this company, by the audit date of December 2022, had been placed under watch list due to its non-compliance with the stock market rules.

(l) The Board had tendered bids for 28 series numbers of treasury bonds out of such numbers presented in 23 auctions held by the Central Bank of Sri Lanka during the year 2022. More than 50 percent of the bids submitted for 12 series numbers had been rejected. As a result, it was observed that the Board had lost opportunities to invest funds in bonds with higher yields. It was herein observed that although the GS Committee of the Board had considered the market factors in its bid making decision, the Board had moved ahead with it looking for a higher rate of yield beyond the prevailing market conditions, an action which had also led to the curtailed bid acceptance as such.

(m) At the end of the year under review, a sum amounting to Rs. 21.43 million remained payable in respect of 1,207 members as unclaimed death benefits. In the time analysis of the death beneficiaries related to members who had died between the years 1995 and 2022, the amount of death benefits to be paid to 786 beneficiaries belonging to the time span of more than 07 to 20 years was Rs. 8.87 million.

W. P. C. Wickramaratne
Auditor General

OBSERVATIONS OF THE BOARD ON THE AUDITOR GENERAL'S REPORT 2022

1.2 Basis for qualified opinion

(a) A contribution amount worth Rs. 208.45 million out of the contribution amount of Rs. 781.05 million that had been collected from 5,341 employers as at 31.12.2022 has been divided by 31.05.2023 in respect of the period from 1981 to 2021. Accordingly, a sum amounting to Rs. 572.59 million recovered from 3,782 employers has to be distributed among the members.

Progress of the undivided contributions

Year	31.12.2022 (Rs.)	31.05.2023 (Rs.)	Progress (Rs.)
1981-2015	97,121,814.00	81,277,523.16	15,844,290.84
2016	19,308,442.00	15,326,037.93	3,982,404.07
2017	33,304,876.00	27,700.283.63	5,604,592.37
2018	54,305,961.00	47,890,315.68	6,415,645.32
2019	80,420,152.00	67,301,477.80	13,118,674.20
2020	142,869,009.00	112,636,870.90	30,232,138.10
2021	353,718,850.00	220,463,387.22	133,255,462.78
Total	781,049,104.00	572,595,896.32	208,453,207.68

(b) The unapportioned amount of Rs. 71,248,517 referred to in the audit query should be corrected to read as Rs. 34,231,401.

	Classification	Value (Rs.)	No. of Files	Annex	Other Remarks
1	Amounts already credited to the members' personal accounts (Allocated)	8,726,401.92	31	01	These amounts of money has already been credited to the relevant employees' personal accounts in accordance with Section 16 (3) of the Employees' Trust Fund Act. Therefore, it is observed that it does not pertain to the subject matter referred to in the query.

OBSERVATIONS OF THE BOARD ON THE AUDITOR GENERAL'S REPORT 2022

2	Money related to other institutions that have been returned back to the courts at the behest of the courts of law (Refunded)	1,576,757.12	34	02	As these amounts of money are not the monies paid by the respective employers to the Employees' Trust Fund on behalf of their employees under Section 16 (1) of the Employees' Trust Fund Act, they are not supposed to be the money to be credited to the personal accounts of the members of the fund under Section 16 (3) of the Act. Therefore, it is observed that the amount of money related to such information does not pertain to the subject matter referred to in the audit query.
3	Amounts returned to the court of law in consequence of the cheques being dishonored (Returned Cheques)	308,000.00	01	03	
4	The amounts which have already been notified about in writing to the courts informing the fact that the sums of money have been overpaid for the court cases of the Board and the amounts for which a request has not been made as yet by the courts of law following the confirmation of the related matters (Over Payments) related matters (Over Payments)	18,283,624.38	358	04	
5	The amounts which have already been notified about in writing to the courts informing the fact that the sums of money do not pertain to the court cases of the Board and the amounts for which a request has not been made as yet by the courts of law following the confirmation of the related matters (To be Refunded)	4,663,057.26	60	05	
6	Files observed as allocated to a part of a same file where the balance has been overpaid. (Overpayments)	2,225,077.87 (Allocated) 1,234,197.45 (Over Payments)	08	06	
	The total amount related to the categories 1 to 6 belonging to this classification in Rupees.	37,017,116.00	492		

OBSERVATIONS OF THE BOARD ON THE AUDITOR GENERAL'S REPORT 2022

The details related to the said amount of Rs. 34.23 million are shown below:

	(Rs.) m.
Amount relating to the period before the new computer system being operative where the details of the old files could not be traced	18.28
Amount in respect of which the credit details have not yet been prepared by the Regional Offices where it remains not credited to the member accounts	15.95
	34.23

(c) Even though the total amount not allocated to personal accounts as of 31 December 2021 was Rs. 781.05 million over the period from 1981 to 2021, the allocation of membership money takes place in the nearest period of two years (i.e., of the years 2020 and 2021) during the years 2022 and 2023, depending on the nature of the business of the Board. As such, the membership contributions that have not been allocated in consequence of the issues in actual practice are the membership monies that had been received prior to the year 2019.

As a result, it is the value of such actual balances that have been confronted with issues over a long period of time where they have been disclosed under Note No. 34 to the financial statements. We will disclose the total value of the unallocated membership contributions, if it is necessary.

(d) Two suspense accounts named V 999 and V 100 are continued to be carried on in order to maintain the information related to the credits that have been made by the employers to the bank accounts of our Board without the knowledge of it, until the related information is sorted out and given below are the age analysis of such unidentified payments under those accounts as of 31.12.2022.

No.	Period	Value (Rs.)
01	Payments made during or prior to 2006	6,219,198.51
02	Payments made during the period from 2020 to 2022	1,301,334.77

Since the information related to the amount of Rs. 6,219,198.51 cannot be traced, it is put under lock in the computer system, and a sum of Rs. 600,132.72 of the remaining amount of Rs. 1,301,334.77 has been sorted out by now while the remainder of the amount of Rs. 701,202.05 is got to be sorted out in the future.

2.2.2

(a) A paper in this regard was submitted to the Audit Committee meeting held on 29.03.2023, and on its recommendations, the monthly accounts of April 2023 were correctly adjusted. In this connection, a board paper has also been submitted to the Board on 24 April 2023 for its information.

(b)

i. Action has been taken to submit the citizens / clients charter for the entire Board after having it prepared soon.

ii. Since this institution is a statutory Board, the basic substances related to the special disaster loans have been drawn out in accordance with the provisions of the Establishments Code and the Board of Directors has given approval to treat the maximum ceiling of the loan as 12 months' salary inclusive of all allowances by the internal circular dated 01.06.1994 under the Board Provisions Circular No. 08 /1994. However, in the year 2022, the Board of Directors, in terms of the provisions of the Circular No. PED 03 /2022, has reviewed this loan and has it being subjected to the maximum limit of Rs. 250,000/- by now.

2.2.4 The arrangements for the purchase of 228 laptop computers got underway on 03 January 2021 and were carried out under the "Departmental Procurement Committee". But, by December 2021, only 90 laptops were provided. Accordingly, the supplier has failed to duly complete the supply of goods related to the tender within the stipulated time. Due to the corona pandemic situation, economic problems and import restrictions prevailed in the country, the company to which the order was assigned has failed to honour the supply of the items concerned. Despite the situation as such, a market analysis confirmed that it would not yield desired results by way of a repeated tender process which would consume a long period of time amidst a continued unwholesome economic climate prevailing in the country.

In such a situation, a market survey with a view to meeting the laptop computer requirement of the Board revealed that the companies selling laptops under all the famous brands have a certain amount of computers in their possession, but in the face of the high demand in the country, they preferred to sell such laptops for ready cash, and that the prices are not going to be quoted for long-term bid validity periods amidst a rapidly changing market. (For the National Competitive Price System, the supplier is bound to supply the goods in his possession at the offered price over a period of 91 days.)

OBSERVATIONS OF THE BOARD ON THE AUDITOR GENERAL'S REPORT 2022

Taking into account the market behavior and its practicality, it was understood that there exists the potential to purchase more quickly as well as the ability to fulfill the objectives of the Board without serious hazels at the same time by way of handling the procurement process in several stages. The price comparing Shopping Method in its definition spells out that it should be a product that can be easily purchased in general terms. Accordingly, it is possible under this method to purchase a product like laptop computers from a marketplace where stocks are available. As such, action was taken to purchase laptop computers of reputed brands not exceeding Rs. 10 million at a one-off instance.

Accordingly, following the price comparison Shopping Method under several stages, prices were invited from the suppliers engaged in the laptop computer trade and several frontline firms in the business have tendered competitive prices showing an overwhelming response to our call.

Accordingly, within a short period such as 08 months, it was possible to purchase 205 laptop computes of reputed worldwide brands such as HP, ACER and DELL at competitive prices prevailed at that time, fetching the best value for money from the leading business places in Sri Lanka like Abans, Metropolitan and Softlogic out of their own stocks.

If the national competitive bids were to be called for 205 laptop computers under the departmental procurement committee without resorting to such action, there would have been significant disruptions to the operational activities of the ETFB due to the formidable length of time taken for the process involved causing non-delivery of goods on time with financial disadvantages to the Board at the same time.

03. Other Remarks

(a) and (b)

Pursuant to Section 22 of the Employees' Trust Fund Act, No. 46 of 1980, an annual interest rate of not less than 3% shall be credited to the personal account of the members and dividends shall be paid as per Section 14 thereof.

Details of the investment interest income, member fund, divisible profit, interest and dividend payments over the preceding five years are as given below.

Year	Investment Interest Income (Rs.)	Member Fund (Rs.)	Interest of 3% (Rs.)	Divisible Profit (Rs.)	Dividends	
					(%)	(Rs.)
2018	28,301,818	306,454,810	8,434,536	14,850,912	6.00	16,869,072
2019	31,554,779	339,244,338	9,423,454	16,098,044	5.00	15,705,756
2020	33,397,541	375,215,484	10,422,652	3,1480,627	5.00	17,371,087
2021	34,095,154	406,288,900	11,553,085	32,662,961	4.50	16,366,867
2022	46,316,209	459,630,606	12,679,221	41,793,547	5.75	24,301,886

As such, due to the fact that the membership fund in parallel to the increase in investment income, has also grown by 150%, the percentage paid as 3% of interest has increased by 150%, even though the interest of 3% has not shown any growth.

Likewise, even though the percentage of dividends had not increased, the amount paid as dividends had also increased by 144%. Therefore, I would like to intimate that the benefits accrued to the member, in parallel to the income and divisible profit, have been on the increase in spite of the fact that the percentages have not seen any growth.

(c) The court of law has ordered the appointment of a liquidator at the behest of a third party in order that this company be liquidated. Once the liquidation process is over, the Board can come to a definite conclusion as to whether there is money available to be recovered and the extent to which it can be recoverable. The legal proceedings thereof have not been completed as yet.

(d) This entity is a government affiliated company and a discussion was held with the company on 09.03.2023 with the intervention of the Public Enterprises Department of the Ministry of Finance regarding the recovery of this outstanding amounts of interest.

Accordingly, the company said that, considering the current financial situation they are in, it may take some time more for the settlement of this amount of interest, and that it will discuss this with the relevant line Ministry and present a future plan for the settlement of these outstanding amounts of interest. Upon submission of proposals on the matter at issue, steps will be taken to pursue further action thereon.

H Accomplishment of this task is found to be difficult in consideration of the issues such as problems of the nature of drawbacks in obtaining approval for this facility, limitations on capital expenditure to be incurred, limitations on new recruitments, difficulty in recruiting, retaining and re-recruiting qualified skilled officers in the related field under existing salary scales and other related infrastructure facilities. On this backdrop of the circumstances, taking such facts into account, this facility is currently being made available for the Board through the People's Bank,

OBSERVATIONS OF THE BOARD ON THE AUDITOR GENERAL'S REPORT 2022

which is a state-owned bank, at no cost and without employing additional staff for the purpose. The state of affairs continues to be operative in the same manner.

(f) In relation to filling up of the existing vacancies in the Board, the approval of the Public Enterprises Department of the General Treasury is being sought and the phase by phase action thereon taken. At present, the government has suspended the recruitment, and as such, it is not possible to make recruitments for all vacancies immediately. And with a view to carrying on with the activities of the Board without any breakdown in service, the prior approval of the Department of Public Enterprises is being set to seek for essential positions of the ETF after having the related matter submitted to the Board of Directors for its approval.

(g) At the board meeting held on 29.05.2023, approval has been given to write off the amount of Rs. 455,308/25 related to 58 institutions which had been rendered inactive.

(h) The sum amounting to Rs. 147.156 million referred to as the balance allocated for the higher education scholarship assistance scheme as of 31.12.2022, has been worked out as follows:

The amount of Rs. 3.036 million allocated to be further settled for 253 students in respect of the year 2022 and the amount of Rs. 120,000/- allocated to be further settled for 10 students in respect of the year 2019 in addition to the balance allocated for the above two years in sums of money amounting to Rs. 60 million for the year 2022 and Rs. 84 million set aside for the year 2021 in a total balance set apart amounting to Rs.147.156 million.

The advanced level examination for the year 2022 was held in January 2023, and the results have not been released as yet.

As the results of the advanced level examination for the year 2021 were released in August 2022, a sum of money worth Rs. 57.71 million, after the release of the examination results, has been settled in respect of 4,809 applications upon the receipt of 6,495 applications reached by 31 May 2023 following their acceptance in response to the invitation of applications for the purpose from the respective students with selected ones out of the lot getting Rs. 12,000/- each.

Regarding the sum of Rs. 120,000/- to be settled for the year 2020, the members concerned were notified by registered post, telephone and via WhatsApp in order to bringing down omissions concerning the respective applications, but such moves did not meet with avid response, and as such, it remained impossible to go for its further settlement.

(I) The balance of Rs. 235.3 million allocated under the Year Five scholarship financial assistance scheme as of 31 December 2022 includes the allocation of Rs. 135 million for the year 2022 (Rs. 15,000/- each for 9,000 students) whereas the amount of Rs. 253.3 million referred to above constitutes a sum amounting to Rs.13.6 million to be further settled for the year 2021 and a sum amounting to Rs. 75,000/- to be further settled for the year 2020.

In the case of the year 2022, the applications have been called for and closed by the deadline on 10.03.2023 and the data of the applications are now being computerized.

An amount of Rs. 9.075 million has been settled in respect 605 students from the balance allocated on 31.12.2022 in relation to the year 2021, and in addition, a sum amounting to Rs. 288,000/- has been paid as of 31.05.2023 for the 24 applications received after the re-scrutiny of the examination results. Furthermore, the amount to be settled for the year 2021 has been reduced up to Rs. 835,000/- as the aforesaid allocated balance consists of Rs. 3.69 million in respect of the rejected applications out of the lot numbering 246.

In order to settle the amount of Rs. 0.075 million allocated for the year 2020 under the year five scholarship financial assistance scheme, the relevant student claimants have been notified by registered post, telephone and via WhatsApp for resolving the omissions concerning their respective preliminary documents, but such moves did not meet with avid response, and as such, it remained impossible to go for its further settlement.

(j) A sum amounting to Rest. 49.2 million has been received as dividends by June 2023 from 3 companies out of the 13 companies. It is expected that the other companies from among the said 13 companies too will declare dividends for the ETF shares under profitable conditions of their entities in the future.

(k) During the latter part of 2021, the Board, with the aim of diversifying its equity investment portfolio, made an investment in the issued share capital of the Navasota Company associated with the hospital sector in an extent of about 0.5% of such capital in view of the revival and high demand in the hospital sector during that year after analyzing

OBSERVATIONS OF THE BOARD ON THE AUDITOR GENERAL'S REPORT 2022

the opportunities of the said sector's future growth. This investment has been made as a long term investment.

Even though the Navasota Hospital Company, as pointed out in the audit query, showed a loss situation in the accounting year 2020/2021, the financial statements of the Navaloka Hospital Group of Hospitals for the year 2020/2021, as a whole, has shown a position of profitability. Moreover, in view of the fact that the Navaloka Hospitals is in possession of the 100% ownership of all 4 subsidiary companies of the Navaloka Hospitals Company and those 4 subsidiary companies are 4 entities associated with the hospital sector, the said investment in that company has been made on the basis of the financial results of Navaloka Group of Hospitals. Apart from that, the future performance of the Navaloka Hospital Company was also taken into consideration. Likewise, continuous profitability has been shown in the inter-financial reports of the year 2021/2022 as well, and as such, the investment has been made based on those reports. Even though the annual financial reports of the financial year 2021/2022 however show a loss situation following the income tax readjustment of Navaloka Group of Hospitals, those reports will be made public only in the month of December 2022, and the Board has not invested in the Navaloka Hospital Company after March 2022. By the end of the year 2022, the total investment of the ETF in this company stood as 0.58 percent.

(I) Even though, only 12 instances were less than 50% of success out of the 28 cases the Board participated in, it is observed that that there are cases met with success at a rate of 57% as a whole in consideration of the success achieved at the rate of more than 50%. Moreover, out of the 12 cases referred to in the audit query, 02 cases where more than 43% were successful, and 03 cases where 21% - 43% were successful are evident. Out of those 12 cases, in one of the instances, i.e., in the auction held on 11.07.2022, the Board tendered bids for 02 cases, and its overall success rate was 85%. In the other category the Board had participated in the auction, all of Rs. 5,160 million was invested under a success rate of 100%. The strategy applied to the categories that achieved success was applied to the rest of the categories as well. Similarly, within the Lot No. 16 the Board associated with out of 28 auction lots the Board took part where there was a success rate of more than 50%, there were 07 successful instances with a yield percentage ranging between 95% - 100% at the very first time, and also, there existed 05 instances of 100% success. Besides, there were 07 instances where the success achieved was ranging between 73% - 95%.

Likewise, out of the 12 categories referred to in the audit query, 02 bids falling under the similar categories to which the Board made its presence at the auctions under Phase II met with 100% successful rate whilst, at the two instances where bids were tendered under the Window facility on the same category, one bid saw 100% success rate and the other bid achieved 53% success rate. And also, the bids submitted under 03 different categories also achieved 100% success. Similarly, out of these 12 cases, one more instance saw the achievement of success following the investments made under the Phase II and the Window facility at a rate of 60% in the entire auction overall. Accordingly, we are of the opinion that it is the most precisely applicable method to measure the receiving value of not only the bids received in the first instance at the auctions, but also the values received in the instances under the Phase II and the Window facility thereof when considering the success of an auction.

As explained above, the bids which were lowly received in the first instance out of the 12 categories referred to in the audit query were again tendered under the Phase II and the Window facility on many occasions and the opportunity arose as a result for reinvesting more money under the weighted average yield interest rate. This is supposed to be a normal process when bidding on bond auctions.

In the investments on bonds, efforts are always made to get a higher rate of return. Bidding at the top level is strategic in a situation where the rate of return on investments is on the rise. Successful results have been achieved when dealing with in other cases as well in this manner. Participation in the auctions is carried out under preconceived assumptions and it is typical of the market performance sometimes to have it recorded as instances of yield less than 50%.

Also in some cases, the Central Bank accepts bids submitted for auction at a value lower than the value

OBSERVATIONS OF THE BOARD ON THE AUDITOR GENERAL'S REPORT 2022

quoted and in such cases too, there is a high probability of rejection of the bids submitted by the Board at the expected rates. For example, LKB 01031L016 (30%) of 11.02.2022, LKB 01031L016 (68%) of 11.03.2022 and LKB 00425F013 (89%) of 11.07.2022 have been rejected. In some cases, the unexpected behavior of the large scale competitive applicants would also affect the results we looked for. When making our presence at the auctions, the entire auction is considered as a whole with action taken according to a previously drawn out plan and, in many cases, the bids have to be tendered under a very uncertain market conditions. Bidding in such cases happens to be under a very challenging situation.

Accordingly, the determination of yield rates for bids is a pre-planned process based on the overall market behavior, the primary broker information, the secondary market behavior, the participation of other investors, the state of the economy, the forecasts of the committee and the approval of the higher management.

In a situation where the interest rates in the treasury bond market are on an upward trend, bids were made with the aim of taking advantage of that opportunity and obtaining an anticipated yield rate at all times. Accordingly, the bids that are rejected from the auction in the first instance were invested under the weighted average yield interest rate through the Phase II or Window facility introduced by the Central Bank, and it was thereby possible to achieve strategic success whenever possible.

(m) The balance of the unclaimed death benefits account as at the end of the year under review (as of 31.12.2022) is Rs. 21,432,228.11. (For 1207 members) There are cases where more than one beneficiary is determined to be entitled to the benefits of a member after the death of such members. The presently adopted method in regard to the payment of such beneficiary claims is that the rightful share of the respective claim is paid out only to those who have duly submitted the required documents as all claimants do not appear at the same time (i.e., some claimants are abroad) and some people find it difficult to submit sufficient written information (some of them not submitting the related certificates promptly) after having held their shares in the Board's account.

Accordingly, for the period from January 2023 to 06.05.2023, a sum amounting to Rs. 207,612.79 has been paid out to 05 claimants in consideration of their submissions and the remaining total value of the obligation payable to the claimants as of 06.05.2023 stands as Rs. 21,224,615.32 out of the amount referred to in the audit query. (Presently the number of the death benefit claimants is 1202.)

Now a method to pay out the dues to the respective claimants has been devised after having obtained necessary information from the Election Commission and the Divisional Secretary through the Grama Niladhari and thereafter informing such claimants of members by way of letters and telephone calls.

	No. of Applications	Amount (Rs.)
Balance as at 31.12.2021	1,169	21,695,321.62
Released during the year 2022	(29)	(2,676,754.08)
	1,140	19,018,567.54
Retained during the year 2022	67	2,413,660.57
Balance as at 31.12.2022	1207	21,432,228.11
Released during the year 2023	(05)	(207,612.79)
Balance as at 06.05.2023	1202	21,224,615.32

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D L P Roahana Abeyaratne
Chairman/Chief Executive Officer
Employees' Trust Fund Board

DECADE AT A GLANCE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

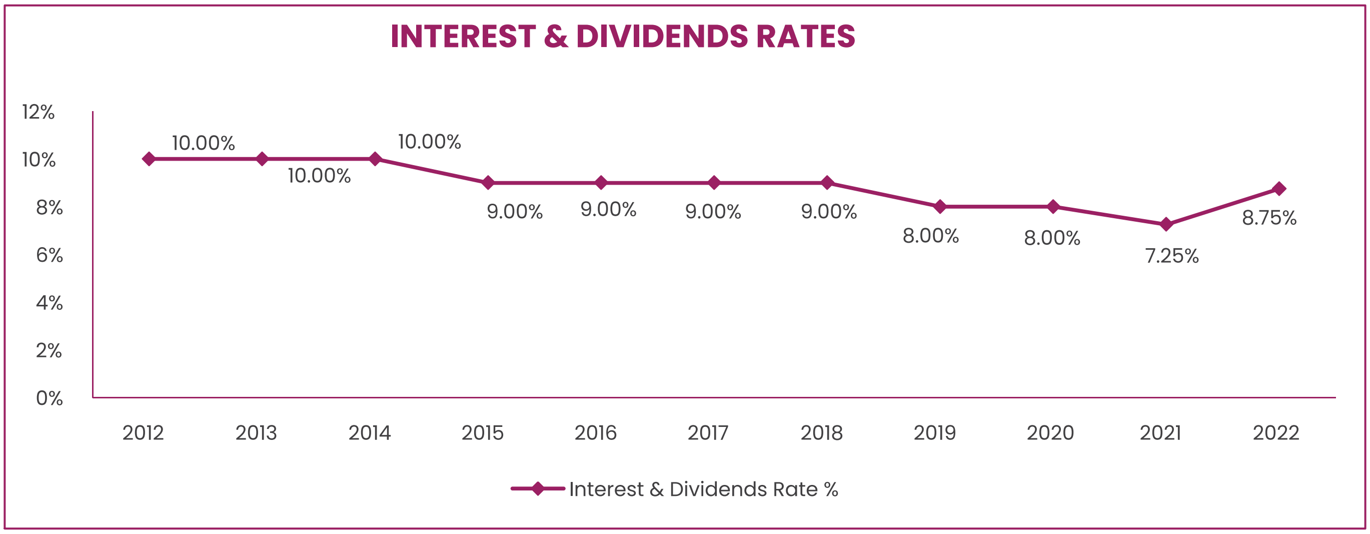
(Rs. Mn.)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Income										
Interest Income	46,316	34,095	33,398	31,555	28,302	27,239	23,492	20,274	17,312	15,804
Dividend Income	737	556	443	481	346	374	486	361	309	319
Gain/(Loss) on FA at FVTPL	(1,376)	551	(143)	(388)	(308)	535	69	834	895	68
Other Income	445	288	1,032	429	-	852	532	320	317	286
Total Income	**46,122**	**35490**	**34,729**	**32,076**	**28,340**	**29,00**	**24,579**	**21,789**	**18,833**	**164,77**
Expense										
Personal Expenses	1,392	1,264	1,290	1,293	1,145	1,054	986	994	813	720
Administrative Expenses	252	272	187	180	183	168	141	133	135	125
Financial Expenses	4	4	4	4	5	2	3	2	3	3
Member Expenses	575	495	454	523	488	461	454	430	381	314
Depreciation	36	40	49	54	14	14	15	17	19	19
Interest Paid on Current Year	358	256	246	261	241	208	174	149	209	129
Impairment Charge/(Reversal)	77	-	-	-	-	13	-	-	-	-
Total Operating Expenses	2,694	2,330	2,229	2,315	2,077	1,920	1,773	1,724	1,559	1,310
Profit before Taxation	43,428	33,199	32,500	29,762	26,263	27,080	22,805	20,065	17,274	15,167
Less - Income Tax Expenses	6,449	4,603	4,493	4,242	3,395	2,706	2,394	2,061	202	253
Profit after Taxation	36,978	58,596	28,007	25,519	22,868	24,374	20,411	18,004	17,072	14,913

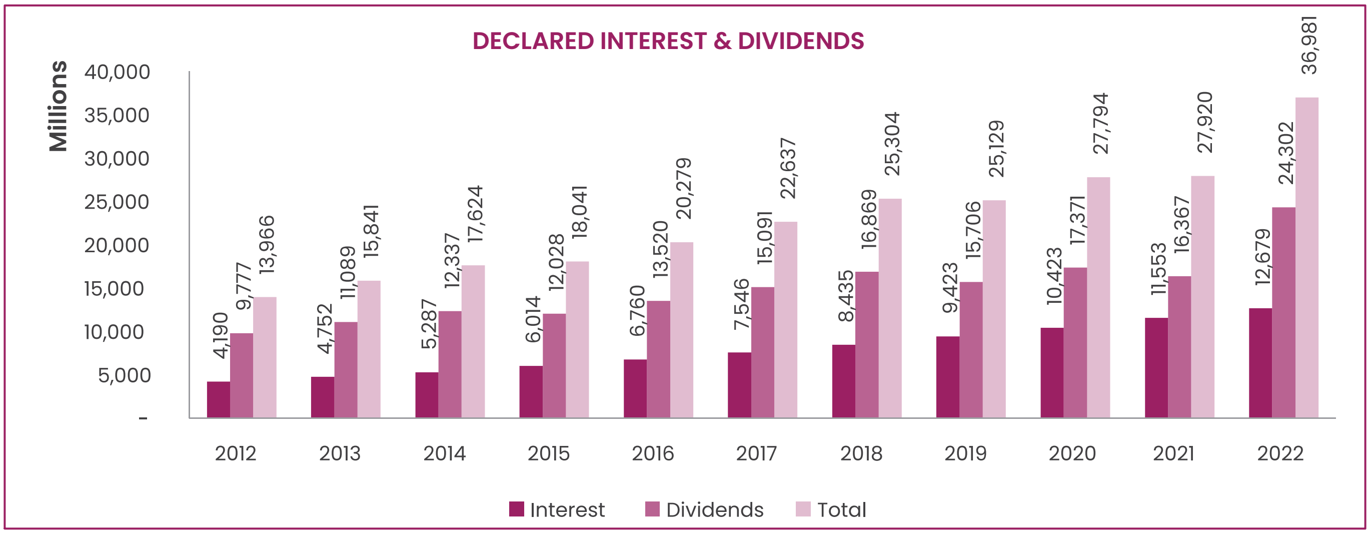
DECADE AT A GLANCE

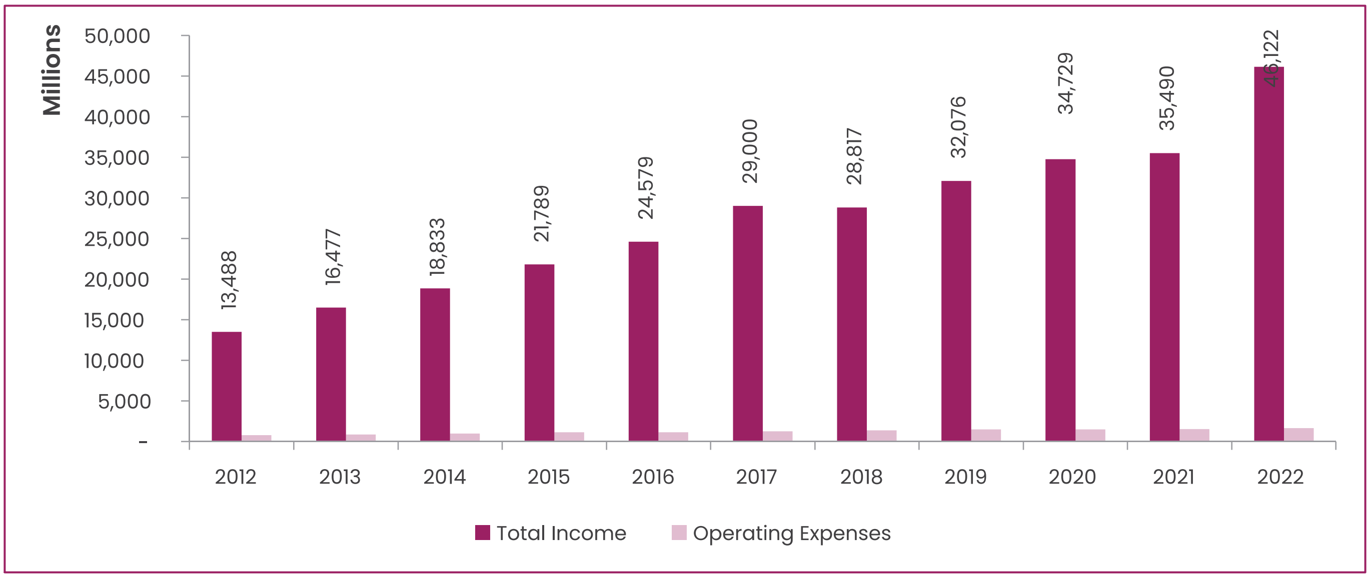
STATEMENT OF FINANCIAL POSITION

(Rs. Mn.)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
ASSETS										
Cash and Cash Equivalent	584	579	681	549	738	743	614	842	2,635	1,043
Financial Assets at FVTPL	2,887	3,622	2,931	2,699	2,887	2,511	1,956	1,494	733	7,550
Gain/(Loss) on FA at FVTPL	471	471	471	471	471	471	471	471	471	471
Investment in Subsidiary	8,647	10,561	7,638	7,900	7,564	7,846	9,209	8,838	8,122	15
Financial Assets at FVTOCI	444,308	395,922	360,696	324,688	292,668	252,399	223,798	199,642	177,187	160,556
COST										
Other Assets	3,206	3,120	2,622	2,840	2,412	11,050	9,244	8,053	6,513	5,479
Property, Plant & Equipment	297	264	299	364	218	174	176	173	187	183
Intangible Assets	9	0	1	1	0	0	0	0	0	1
Investment Property	4,587	4,587	4,587	3,813	3,813	3,813	3,400	3,200	3,200	3,200
Total Assets	**464,997**	**419,132**	**379,926**	**343,325**	**310,771**	**279,006**	**248,870**	**222,714**	**199,048**	**178,498**
LIABILITIES										
Current Tax Liabilities	3,701	2,350	2,597	1,940	1,903	212	81	34	68	122
Government Grant	5	-	-	-	-	-	-	-	-	-
Defined Benefit Obligation	215	237	287	253	212	225	203	193	-	-
Other Liabilities	107	6,931	162	176	753	157	105	159	250	236
Provisions	407	328	302	105	133	82	88	214	77	41
TOTAL LIABILITIES	4,436	9,846	3,347	2,473	2,789	676	476	599	395	400
TOTAL NET ASSETS	**460,561**	**409,286**	**376,579**	**340,852**	**307,982**	**278,330**	**248,393**	**221,941**	**198,653**	**178,099**
Member Fund	**459,631**	**406,289**	**375,215**	**339,244**	**306,455**	**274,160**	**245,605**	**218,502**	**193,869**	**174,252**
Reserves	931	2,997	1,363	1,608	1,527	4,170	2,789	3,439	4,785	3,846
Net assets attributable to Members	**460,561**	**409,286**	**376,579**	**340,852**	**307,982**	**278,330**	**248,393**	**221,941**	**198,653**	**178,099**

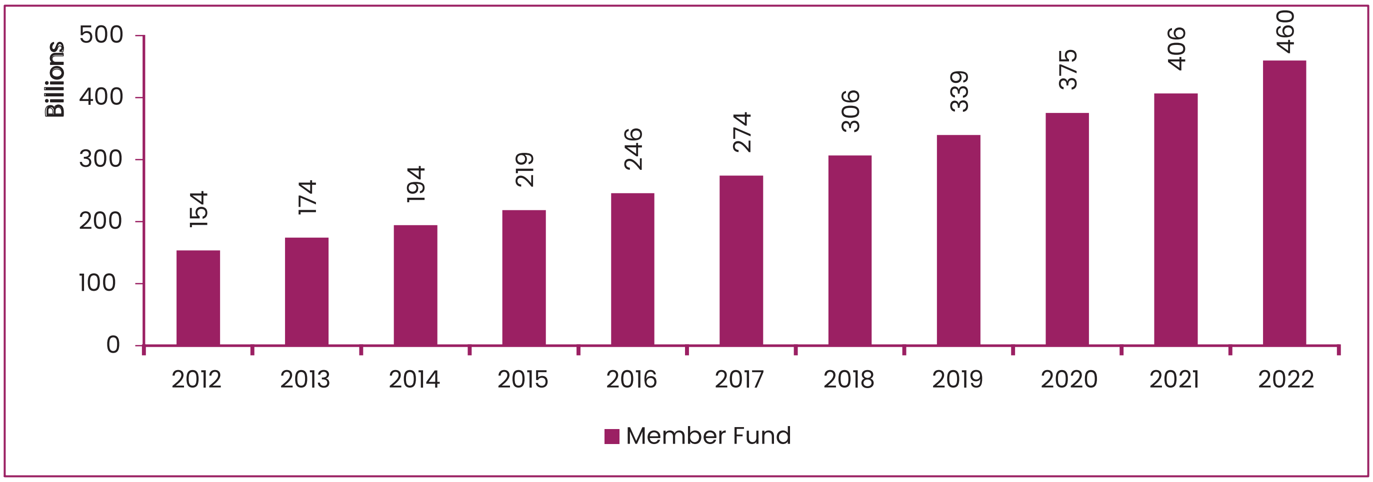
STATISTICAL ANNEXURE

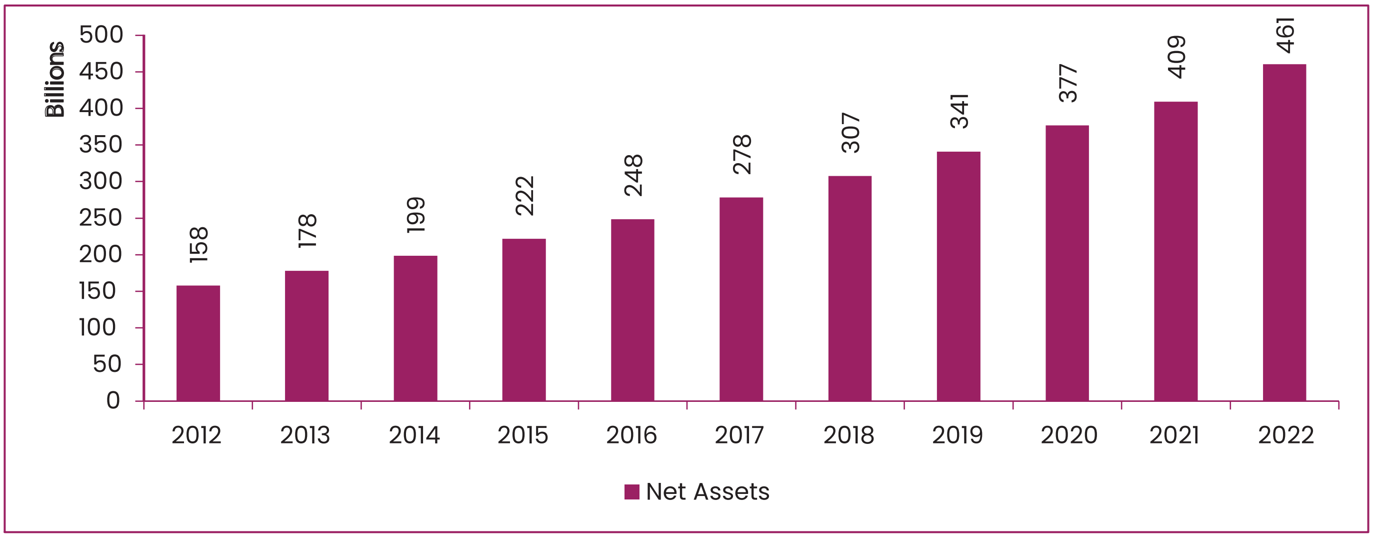


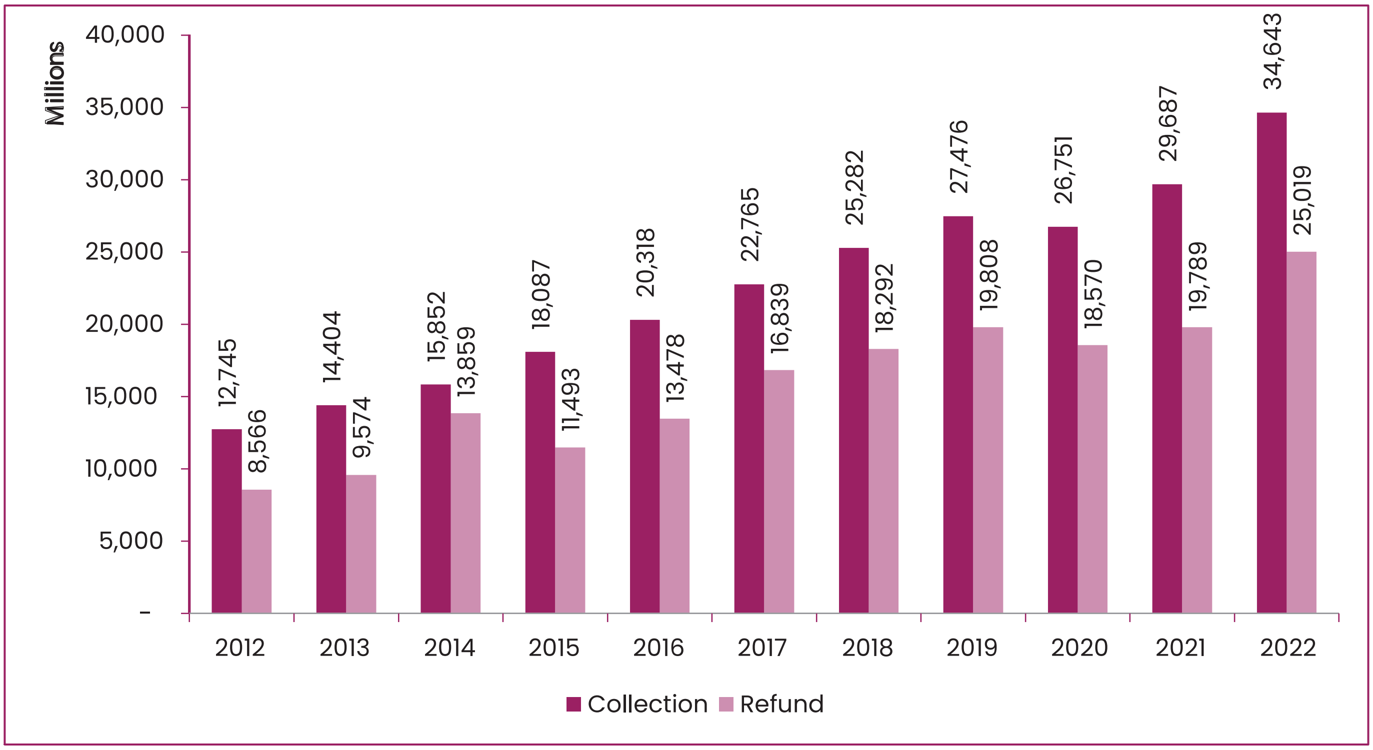




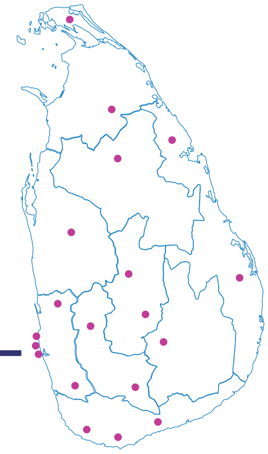
STATISTICAL ANNEXURE







OUR REACH



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