

EMPLOYEES' TRUST FUND BOARD

ANNUAL REPORT

—2017—

EMPLOYEES' TRUST FUND BOARD
ANNUAL REPORT 2017

© Employees' Trust Fund Board

CONCEPT, LAYOUT & DESIGN



613/3, High Level Road, Gangodawila,
Nugegoda, Sri Lanka.
+94 11 302 4950 | +94 71 224 11 00
kalawainfo@gmail.com



EMPLOYEES' TRUST FUND BOARD

ANNUAL REPORT 2017

Employees' Trust Fund Board
1st Floor, Labour Secretariat, Colombo 05.
Tel: 011 2581704 / Fax: 011 2806832
Email: finance@etfb.lk / Web: www.etfb.lk

TABLE OF CONTENT

01 Corporate Overview

1.1	About the report	248
1.2	Who we are	249
1.3	Our Value Proposition	249
1.4	Organizational Review	251
1.5	Performance Highlights	254
1.6	2017 year at a Glance	257
1.7	Milestones	259
1.8	Background Analysis	261

02 Corporate Stewardship

2.1	Board of Directors and Senior Management	267
2.2	Chairman's Review	269
2.3	Board of Director's Review	271
2.4	Governance Report	273
2.5	Risk Management Report	278

03 Financial Information

3.1	Statement of Comprehensive Income	284
3.2	Statement of Financial Position	286
3.3	Statement of Changes in Equity	287
3.4	Statement of Cash Flow	289
3.5	Statement of Investments	290
3.6	Notes to the Financial Statements	292

04 Supplementary Information

4.1	Auditor General's Report 2017 and observation of the Board	327
4.2	Statistical Annexure	353
4.3	Other Annexure	357



01

CORPORATE OVERVIEW





ABOUT THIS REPORT

This is the 37th Annual Report of Employees' Trust Fund board which provides a comprehensive account of how the organization has created value primarily to its beneficiaries and to other stakeholders in 2017. The report aims to share the entity's inimitable value creation story over the short, medium and long term with our renowned stakeholders. It also presents concise communication of the strategy, governance & Fund management and demonstrates the relationship between its financial performance and the social footprint created by the organization.

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

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

The contents of the annual report 2017 covers the operations spanning the head office and the branch network for the period 1st January 2017 to 31st December 2017, with the most recent report being for the year ended 31st December 2016 for which comparatives are given throughout this report. The contents of this report have been developed with an emphasis on the aspects that are material for the organization as well as for its key stakeholders.

WHO WE ARE

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

The Objectives of the Board

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

OUR VALUE PROPOSITION

Our VISION

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

Our MISSION

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

Our VALUES

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



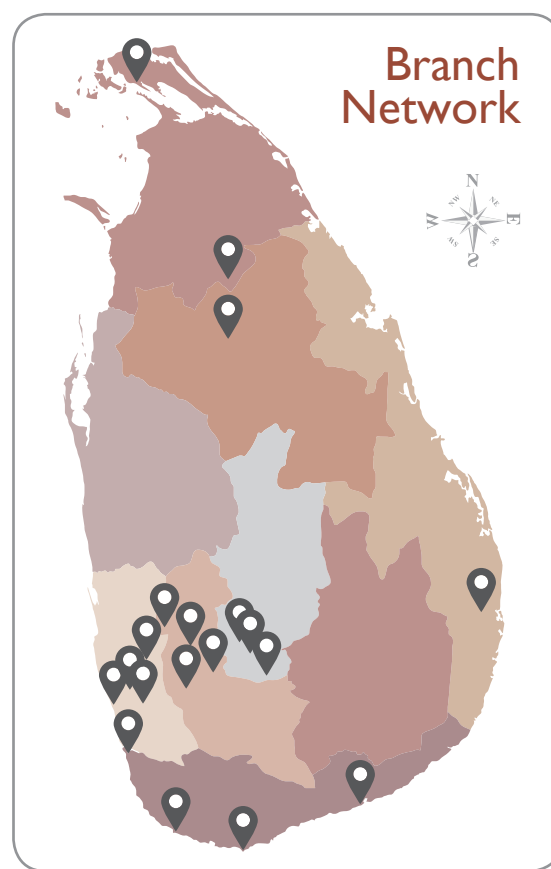
ORGANIZATIONAL REVIEW

The Employees' Trust Fund Board (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 for the conduct of its operations.

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

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

The ETFB was initially structured as a centralized organization, mainly due to the fact that the majority of Employers were concentrated in the Western



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

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

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

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

FUNCTIONS OF DEPARTMENTS/ DIVISIONS/ UNITS OF THE BOARD



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



3 Member Services Division

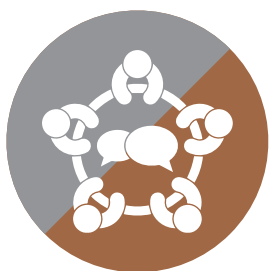
The main functions of this Division include, updating and maintaining Member Accounts, issuing Annual Member Statements (AMS) to members, speedy processing of General Benefits (Normal & Death Claims) and maintain other welfare Benefit schemes for the active members. The adequate steps have been taken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

4 Finance Division

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



5 Administration and Human Resource



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

Information Technology Division 6

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



7 Audit and Assurance Division



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

Legal Division 8

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



9 Planning, Research and Development Division



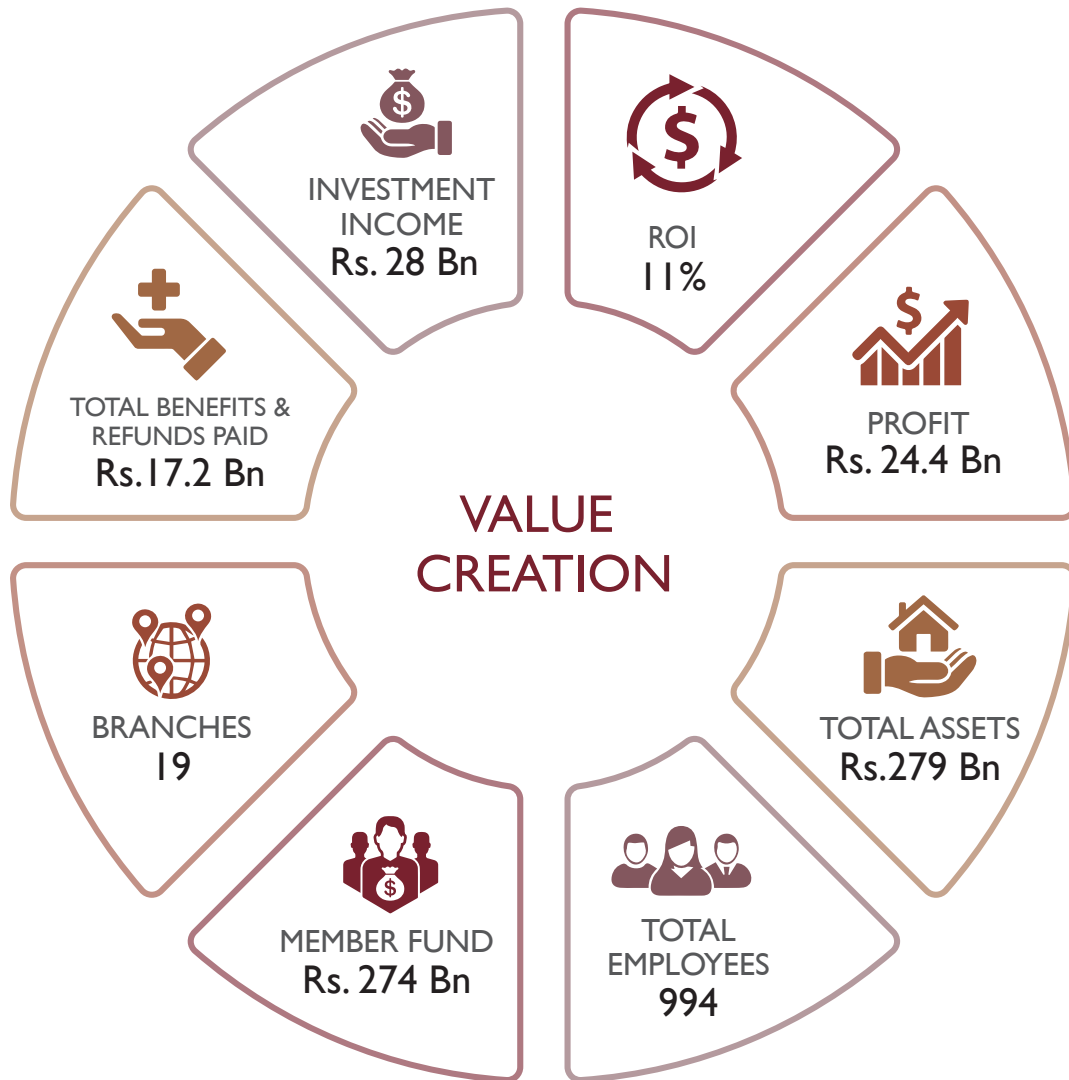
Preparing, monitoring updating and revising of corporate plan for EFTB on yearly basis and new plan made available for implementation by 1st January of each year. Progress reporting EFTB on monthly /quarterly/Annual basis, Making needed corrections and statutory Reporting to Ministry, Parliament and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

Statistics Division 10

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

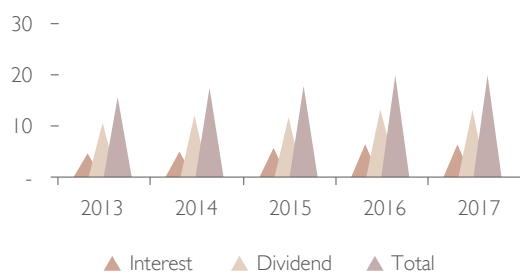


PERFORMANCE HIGHLIGHTS

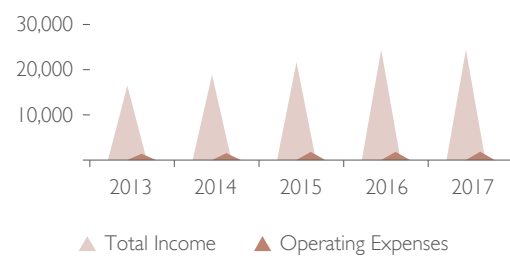


Members Point of View

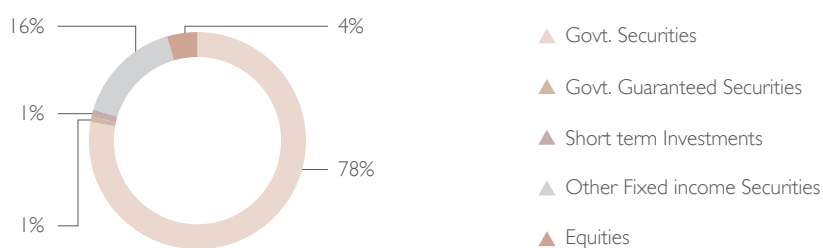
Interest and Dividend (Rs. Bn)



Income vs Operating Expenses (Rs. Mn)

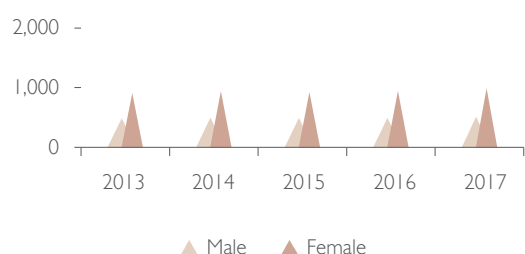


Investment Portfolio 2017

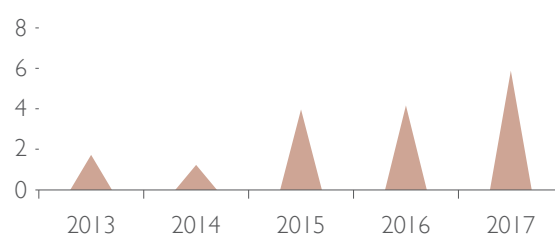


Employees Point of View

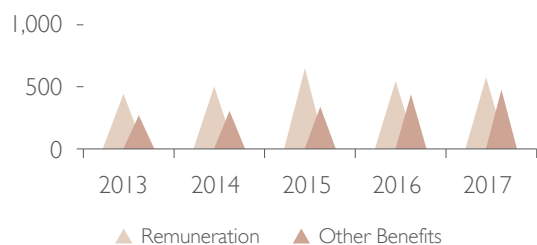
Employee Headcount (Nos)



Training and Development Cost (Rs. Mn)

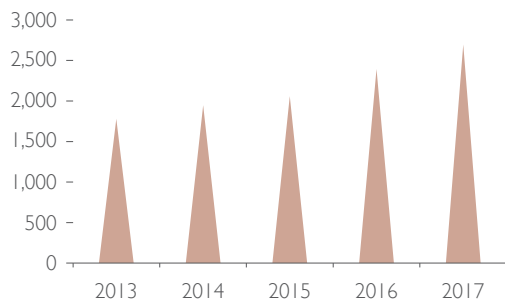


Total Staff Cost (Rs. Mn)

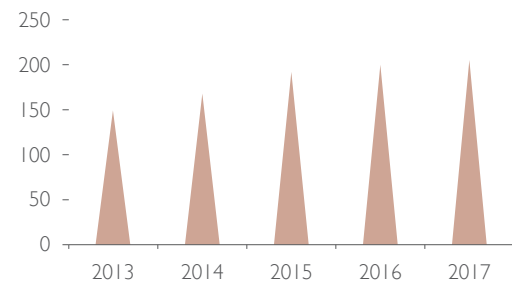


Government Point of View

Taxes Paid to the Government (Rs. Mn)

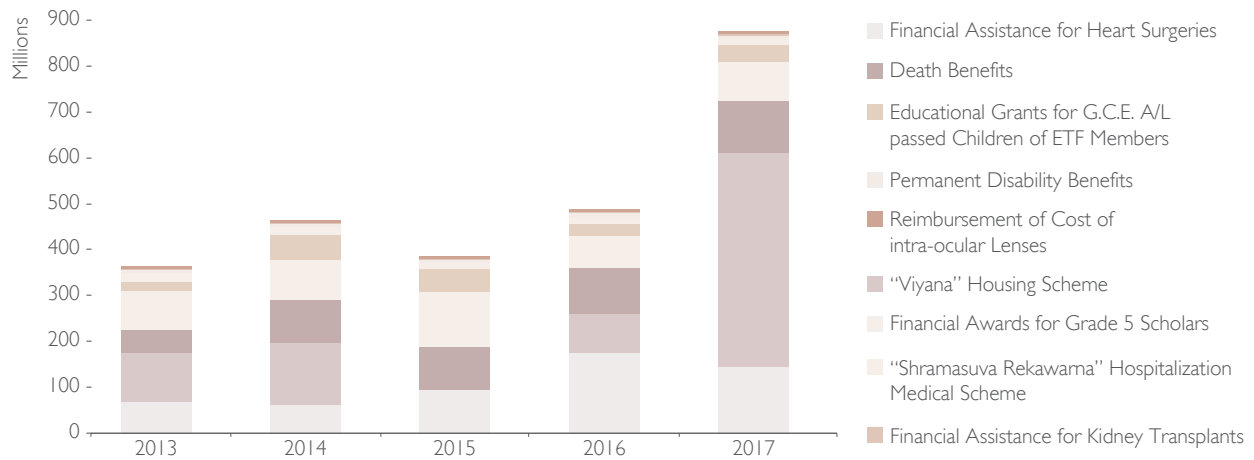


Total Investments in Government Securities (Rs. Mn)



Community Point of View

Benefit Schemes (Rs. Mn)





2017 YEAR AT A GLANCE

The Board recorded a robust performance and had many significant achievements during the year 2017. Some achievements are highlighted below.

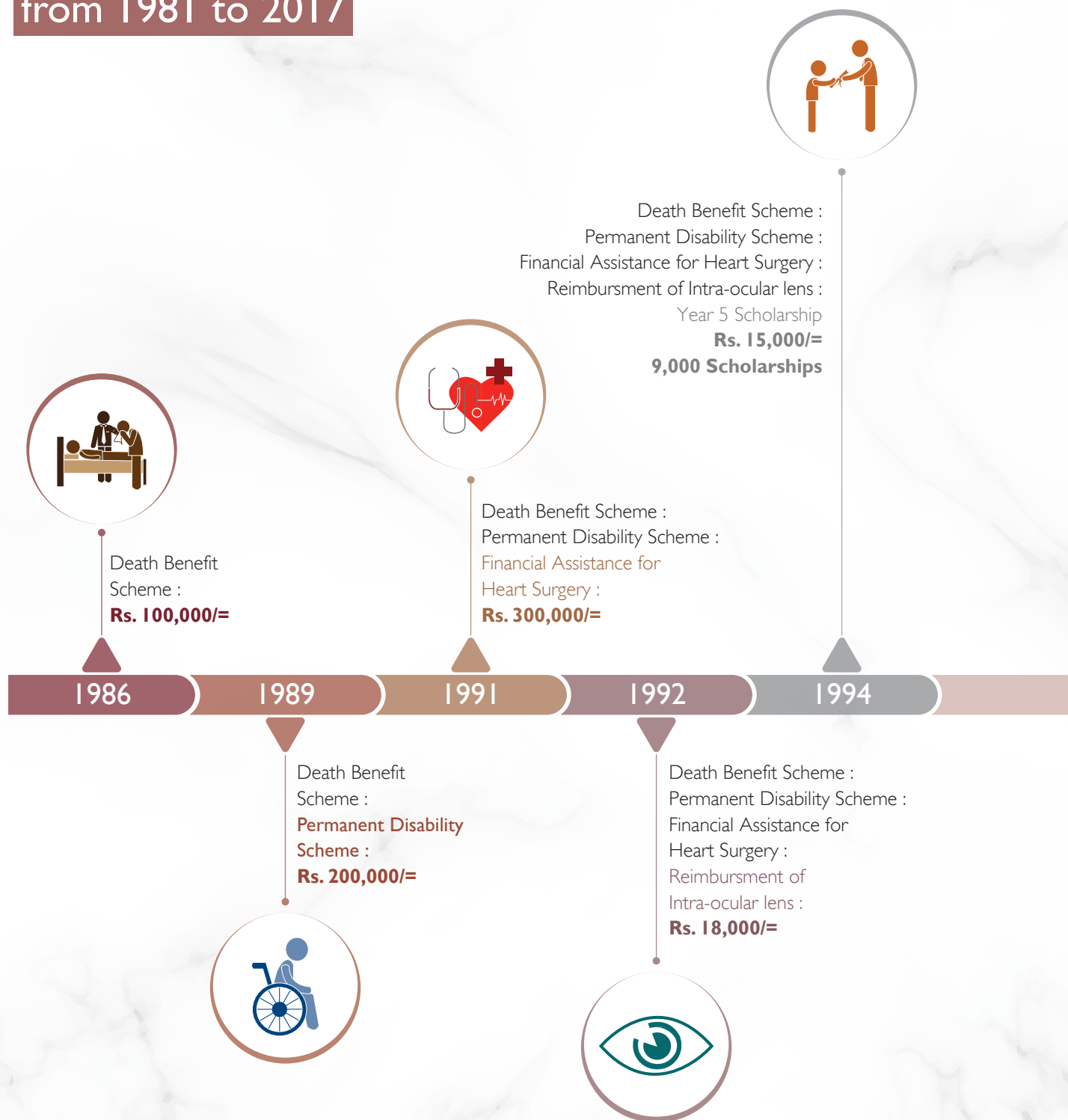
- The total Contributions from employers for the year amounted to Rs. 22.8 Billion which was an increase of 12% compared to the previous year.
- The total Investment income recorded Rs.28.1 Billion during the year compared to Rs.24.0 Billion in 2016 with a growth of 17% while the value of the investment portfolio increased from Rs.235 Billion to Rs.262 Billion as at the end of the reporting period.
- The Board earned a net profit of Rs.24.4 Billion compared to Rs.20.4 Billion in the previous year.
- The total net asset value of the Fund exceeded Rs.279 Billion at the end of the year.
- Board was able to declare a total rate of 9% to its members as interest and dividend for 2017. This is an attractive rate compared to the savings rates offered by state banks to their customers.
- Operating expenses as a percentage of total income decreased to 6.6% in 2017 from 7.2% in 2016. This is a reflection of the improved operating efficiency of the entity for the period.



- The Regional office network continued to function effectively during the year with addition of 02 new Regional Offices in Vavuniya and Nuwara Eliya. The special attention was focused on recovering of outstanding contributions and surcharges and legal dues.
- The decentralized claims payment programme is continued with Gampaha, Kandy, Matara, Badulla and Kurunegala Regional Offices successfully giving efficient service to our members.
- In addition to the monthly contribution payments made by cheque at Head Office by employers, payment could also be made through our Regional Office network and at our Collection Office at Bank of Ceylon, City Office.
- EISA (ETF Inspection System Administration) project was launched during the year successfully. The main focus of implementing this project is to accelerate field inspection work in order to increase the coverage of contribution collection.
- The restructuring program of IT System of the Board was initiated with technical and financial assistance from Information Communication Technology Agency (ICTA) of Sri Lanka.
- The Board managed to earned Rs.972 million on Equity Investment during the year despite depressed market condition when compared to Rs.552 million in year 2016

Milestones

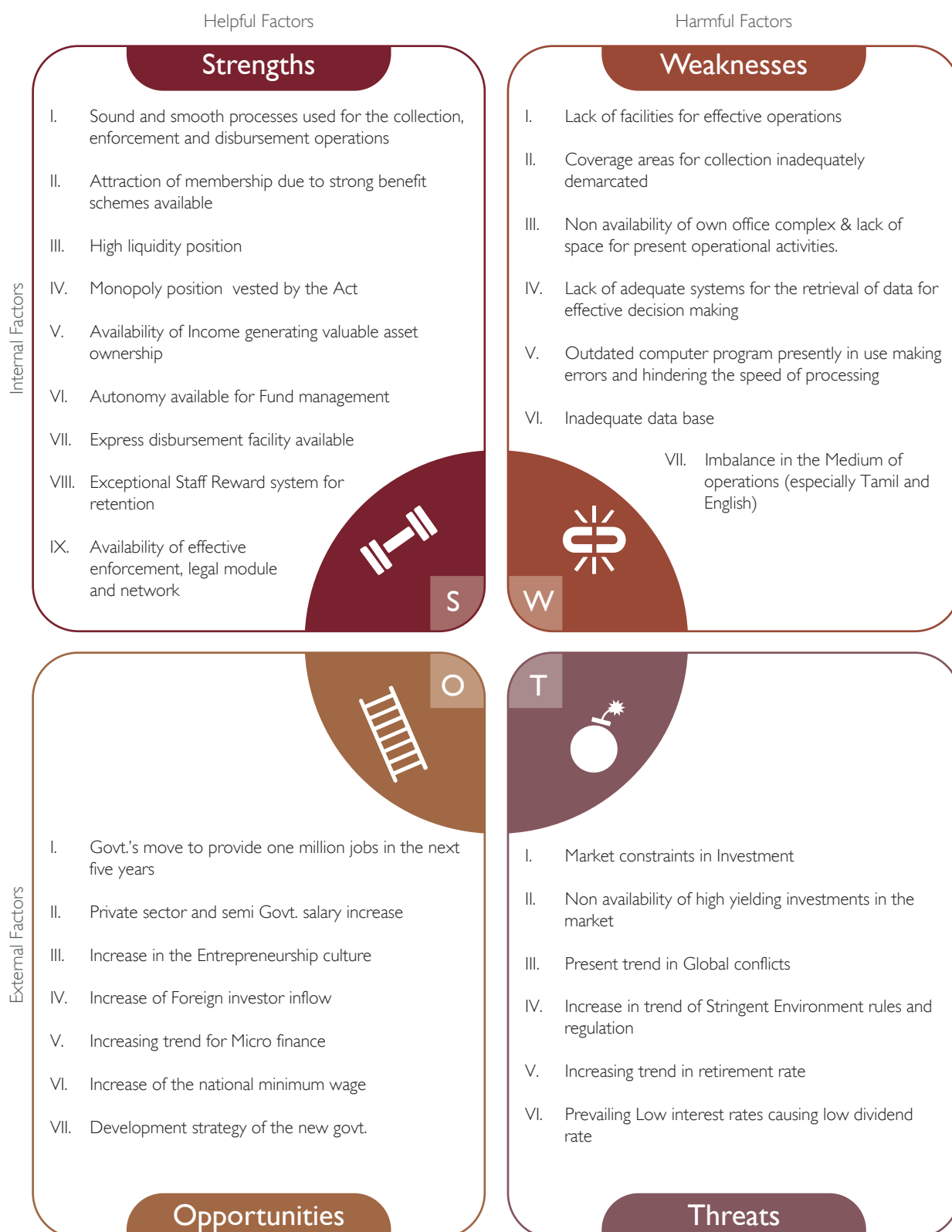
from 1981 to 2017





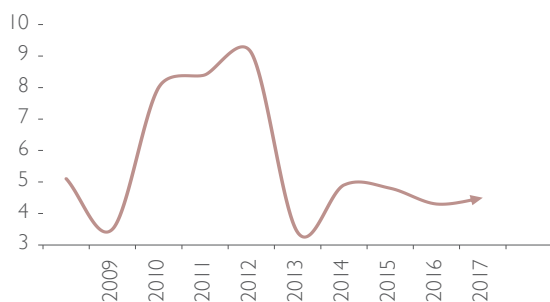
BACKGROUND ANALYSIS

I) SWOT Analysis



II) Economic Outlook

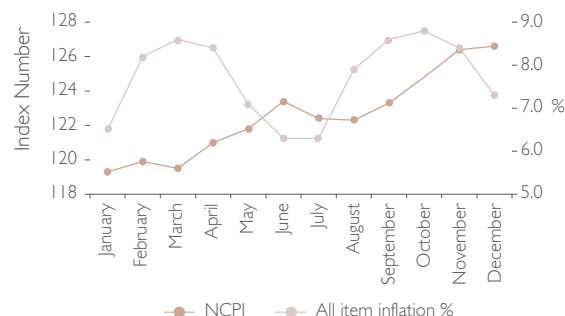
Growth of Real GDP



Source: CBSL & ADB (Asian Development Outlook 2017)

GDP grew by 3.9% and 4% in first and second quarters of 2017, comparing with the corresponding quarters of 2016. Overall GDP growth rate recorded 4.5% during the year. Slow down in GDP continued to persist since 2013. Prevailed adverse weather conditions severely impacted agricultural outputs' contribution to GDP. Thus, contraction of the agricultural sector followed by an impairment to the domestic trade lead to a less favorable growth rate.

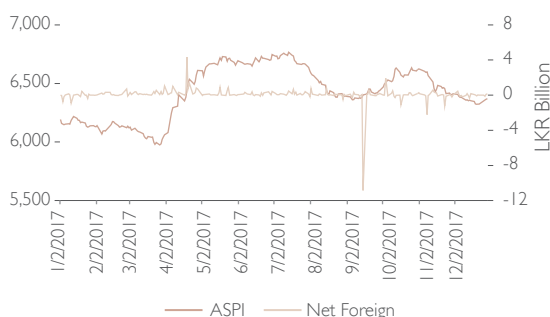
Inflation



Source: Department of Census and Statistics

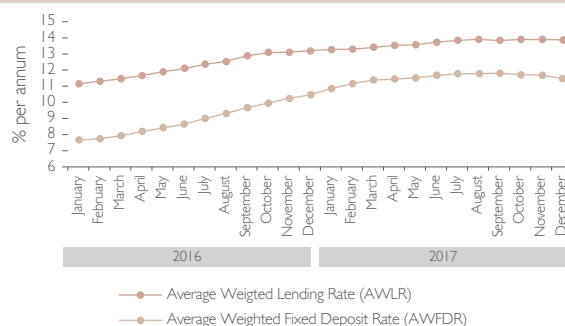
A cyclical pattern of movement was observed in terms of the year on year NCPI change. Year on year inflation of the food group increased during January to March and July to September while non-food segment illustrated a declining trend throughout the year with slight fluctuations. Supply side pressure due to adverse weather conditions, impact of rupee devaluation upon imported commodities, changes to the tax structure resulted in the upward movement of the NCPI.

Interest and Dividend (Rs. Bn)



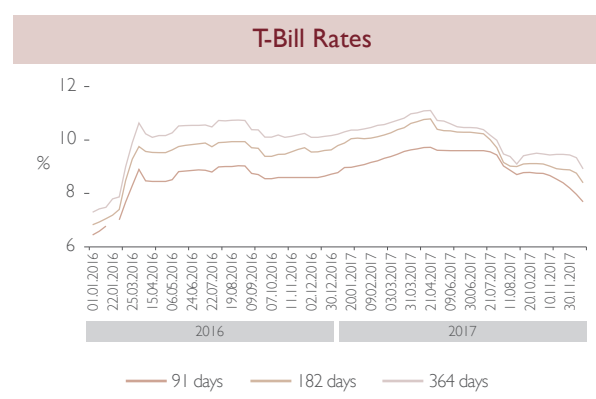
ASPI reflected a stagnant momentum throughout the year 2017, while net foreign participation in capital market activities depicted a mixed sentiment. Degrading investor confidence coupled with the tendency of moving towards risk-averse investment opportunities can be identified as major causes for this sluggish movement of Bourse indexes.

Commercial Bank Lending and Deposit Rates



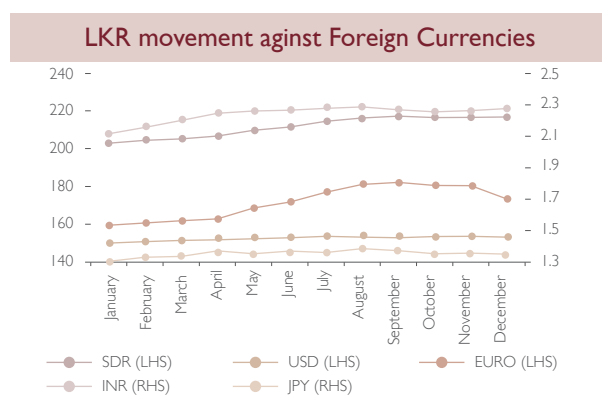
An upward trend was observed in terms of the Average Weighted Lending Rates and Average Weighted Fixed Deposit Rates granted by Commercial banks. Speculative perception of increasing inflation rates among lenders and borrowers, increasing demand for credit accompanied by fund constraints i.e. rates determined through demand and supply forces, uncertainty over defaulting payments which increases the cost per borrower and on contrary restricts the amount of credit available in the market, government intervention in determining interest rates would have lead to this upward momentum.

The increase in T-Bill rates scrutinized since October 2016 reached its peak in March 2017, subsequently following a declining trend. When an economy is witnessing a stagnant growth, investors tend to move towards low risk investment opportunities such as T-Bills and T-Bonds. As a result prices or the face value of Government securities increase and yield tend to decrease. Further, in a low inflation context, prices of T-Bills likely to go up and the yield yet again tend to reduce.



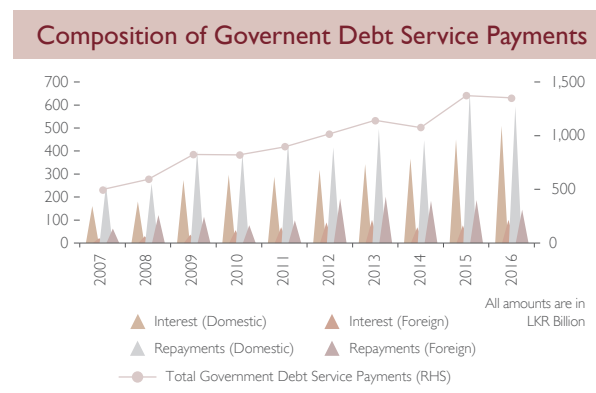
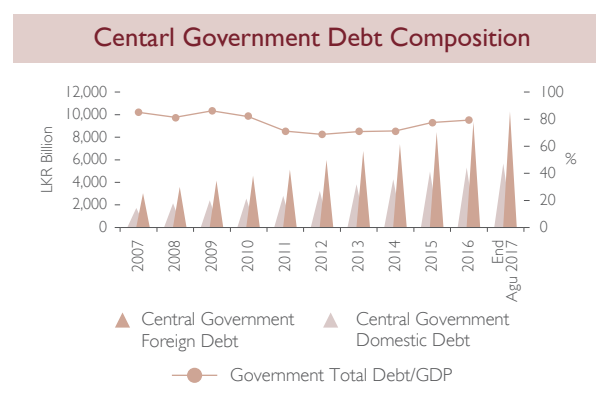
T-Bond Rates (%) - values are based on annual average T- Bond rates

	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year	12 Year	15 Year
2012	11.29	11.77	11.57	12.75	11.84	12.50	14.40	-	12.50	-	-
2013	-	10.93	-	11.01	10.97	-	11.57	11.77	11.78	12.12	12.14
2014	-	-	-	8.79	-	-	8.58	-	9.23	-	10.18
2015	7.42	8.03	8.80	8.88	9.37	8.81	9.69	-	9.68	10.77	10.49
2016	11.11	11.61	11.84	12.05	12.01	12.18	12.07	13.11	12.19	13.72	12.41
2017	10.90	-	11.48	11.51	11.36	12.78	11.22	12.91	11.05	-	-



As the diagram depicts it can be observed that Sri Lankan Rupee is witnessing a depreciating momentum against foreign currencies. Being an export oriented economy; this trend would have a direct impact upon the country's Balance of Payment and Foreign Reserves. However, when the LKR devalues, local exports become cheaper in the international market. The real benefit to a country through this can be determined through elasticity of demand for exports and imports. Further, industries such as Tourism benefits when the local currency devaluates.

A significant increase can be observed in terms of the Central Government debt position over the past decade.



Currency Composition of the Government Foreign Debt (%)

Currency	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
SDR	38.3	36.7	44.6	28.3	25.8	24.6	24	22.7	20.7	18.7
US Dollars	20.1	19.4	26	23.5	29.1	30.9	34.1	52.5	48.9	54.6
Japanese Yen	25.5	30.8	35.6	25.1	24.1	20.8	16.4	14.4	13.3	12.3
Euro	9.2	9.1	11.3	7	6.3	6.3	6.3	5.6	5.1	4.5
Other	6.9	4.1	20.9	16	14.7	17.4	19.2	4.8	12	9.9
Total	100	100	138.5	100	100	100	100	100	100	100
Total Foreign Debt (LKR Billion)	1,327	1,449	1,761	2,025	2,329	2,767	2,96	3,113	3,544	4,046

Source: Ministry of Finance

Rankings on the Ease of Doing Business

	Sri Lanka	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan
Overall Rank	110	183	176	73	130	135	107	144
Starting a business	74	42	122	94	155	65	109	141
Dealing with construction permits	88	186	138	97	185	62	123	150
Getting electricity	86	159	187	54	26	145	131	170
Registering property	155	186	185	51	138	172	72	169
Getting credit	118	101	157	82	44	133	139	82
Protecting minority investors	42	189	70	27	13	123	63	27
Paying taxes	158	163	151	109	172	134	142	156
Trading across borders	90	175	173	56	143	147	69	172
Enforcing contracts	163	180	189	51	172	105	152	157
Resolving insolvency	75	159	151	23	136	135	89	85

Source: CBSL & World Bank - <http://www.doingbusiness.org>

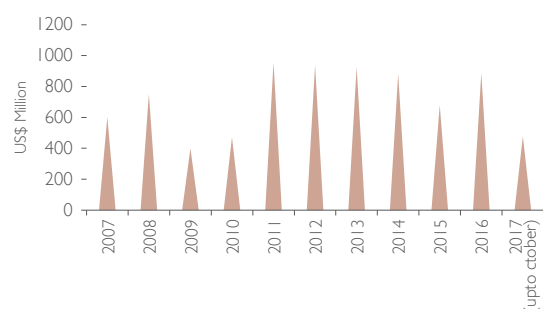
Table above portrays “the ease of doing business in Sri Lanka” comparing with peer countries in the SAARC region. Rankings are based on statistical data collected covering Colombo, the commercial city of Sri Lanka. By 2017, Sri Lanka holds the third position among SAARC countries. Removal of stamp duty on newly

issued shares, introduction of disclosure requirements pertaining to “related party transactions” in order to protect minority investors, simplification of pre-registration formalities are the highlighted plus points of the country.

Year	DB Rank	Year	DB Rank	Year	DB Rank	Year	DB Rank
2010	105	2012	89	2014	85	2016	107
2011	98	2013	81	2015	99	2017	110

However it can be noticed that the position of Sri Lanka is downgrading since 2013. 2017 rankings are based on 190 countries

Foreign Direct Investment (Net Inflows)



Source: Ministry of Finance, World Bank (IAB Report), www.ceicdata.com and tradingeconomics.com

A strong relationship subsists between FDIs and the growth rate of a country. A country must have an investor friendly environment in order to attract more viable investment opportunities. In 2017, 35% the largest proportion of FDIs to the country have emerged from China. As per the World Bank (IAB Report), internal restrictions in terms of foreign investments have weakened the FDI inflow to the country.



CORPORATE STEWARDSHIP

BOARD OF DIRECTORS (2017)

Mr. Mahinda Madihahewa

Chairman/CEO

Appointed by the Minister of Development Assignment

Mr. P B Madagedara

Working Director

Appointed by the Minister of Development Assignment

Mr. K S Kurukulasinghe

Director

Appointed by the Minister of Development Assignment

Mr Jude Dinal Peiris

Director

Appointed by the Minister of Development Assignment

Mr. W M K L Weerasinghe

Director

Representative of Employers' Federation of Ceylon

Mrs. Champa Balasooriya

Director

Appointed by Minister of Finance

Mrs. Shietha Senaratne

Director

Appointed by Minister of Industry and Commerce

Mr. P Ranawakaarachchi

Director

Trade Union Representative

Mr. L S Devendra

Director

Trade Union Representative

Mr. H M A J Kumara

Board Secretary

SENIOR MANAGEMENT

Chairman/CEO

Mr. Mahinda Madihahewa

Working Director

Mr. P B Madagedara

Additional General Manager

Mrs. R N Gnanasekara

Deputy General Managers

Mr. W S Dissanayake	(Member Services)
Mr. L H Nihal	(Administration & Human Resources)
Mr. K S Welivita	(Internal Audit)
Mr. N W Wimalaweera	(Finance)
Mr. A J M S Jayasundara	(Collection & Employer Relations)
Mr Udaya Wickremanayake	(Investments)

Assistant General Managers

Mr. C Mallikarachchi	(Member Services)
Mr. H M Seneviratne	(Member Accounts)
Mr. M S Dissanayake	(Self Employment)
Mr. M A K Aluthgamage	(Finance)
Mrs. H A Y R Fernando	(Contribution Collection)
Mr. W S Dharmasiri	(Information Technology)
Mrs. R A S Rupasinghe	(Administration & Human Resources)
Mr. J K P Ranjith	(Enforcement - Region I)
Mr. B R Ariyawansa	(Enforcement - Region II)
Mr W Jinadasa	(Statistics)
Mrs S Rajapathirana	(Legal) Actg.
Mr W R L de Silva	(Procurement) Actg

CHAIRMAN'S REVIEW

It gives me great pleasure to present the Annual Report of the Employees Trust Fund Board (ETFB) for the year 2017. The ETFB is the 2nd largest social security provider in the country. The Fund was established under the ETF Act No 46 of 1980 and commenced its operations on 1st March 1981 with the objective of, among other things, to provide social security to the private sector as well as semi-government sector employees. Later, the coverage has been extended encompassing self-employed and migrant workers. The members of the fund receive annual interest and dividends on the balance in their member accounts, and, In addition, the Fund offers ten types of benefits to the members in the areas of education, health, and housing.

The Fund continued to perform well in 2017 despite several macroeconomic challenges faced by the economy during the year. During this year various strategic initiatives were taken by the Board of the ETF which were reflected in the corporate plan, and the annual budget and necessary actions were taken to properly measure performance and monitor the operational environment.

During the period under review, the net asset value reached 278 billion, and the total income was recorded as Rs. 29 billion: an increase of 18 percent of profits than the previous year. This, in fact, was the result of ETFB's success of earning a rate of return of 9.8 percent on investments. These commendable achievements, especially, amidst sluggish equity market conditions, is also a demonstration of the ETFB's robust

fund management and investment practices. The ETFB continued to invest its excess funds, primarily, in government securities while diversifying into equities and other corporate debt instruments. As one of the leading superannuation fund in the country, the Fund has been able to pay a steady rate of interest to the members annually, despite regular fluctuations in the financial market.

During the year under review, the membership was recorded as 12.6 million, out of which, 2.6 million are currently active. The employer population for the same period was recorded as 81,515. The total amount of contributions remitted to the fund was Rs. 22.7 billion, which shows a 12 percent growth compared to the previous year. The ETFB was able to declare a return of 9 percent on the total member fund irrespective of the accounts being active or inactive. The return is considered an attractive one when compared with the return offered by other financial institutions for the same period while ensuring utmost security.

As a business strategy, the Fund take measures to further expand the self-employed and migrant worker categories. Besides, being mindful of the prevailing trend and the ensuing result of an increase in the number of withdrawals, the ETFB, has made necessary changes to the fund management strategies with a view to strengthening the Fund.

During the period, the ETFB, with the technical assistance of the ILO and the financial support of the Ministry of Finance embarked on a new project, named,

During the year under review, the membership was recorded as 12.6 million, out of which, 2.6 million are currently active.

ETF Inspection System Application (EISA), in order to enhance the efficiency of the ETF inspection process, and to extend the coverage of both employers and employees.

The branch office network was further extended by adding two new branches in Vauniya and Nuwaraeliya. The e-banking facility introduced has made it convenient for the employers to pay remittances to six designated banks and submit the returns to ETFB, online. Further, in order to transform the current employer-centric system to a member (employee) centric system and allocating a unique to all the members in public social security schemes, an agreement has been signed with the Department of Registration of Persons and the Department of Labour for the validation of National Identity Card Number. The ETFB, with the objective of making newly effected changes to the administration and fund management systems, and the provision of its services more efficient and effective, actions have been taken to transform almost all its operations to a fully-fledged IT-driven environment. Already, initiatives have been taken to restructure the IT division with the financial assistance of the Information Communication Technology Agency (ICTA) of Sri Lanka.

The ETFB is also mindful of the significance of human resources development and the need to build capacities of the staff side by side with the other changes effected to the overall administration system. In this respect, the staff is provided with training locally, as well as training abroad, with the assistance of the

Department of External Resources and other donor agencies.

By and large, all achievements ETFB had made during 2017 is due to the dedication and the commitment of the Board and the staff. I wish to place on record my deep appreciation for their invaluable contributions and look forward their active participation to make ETFB be a premier social security provider in the country.

Finally, I wish to express my sincere thanks to Hon. Thilak Marapana, Hon. Minister of Development of Assignments and Foreign Affairs his leadership and guidance provided to us in all our activities, and Mrs. Dharshana Senanayake, Secretary to the Ministry and her staff for their unstinted support and cooperation.



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

BOARD OF DIRECTOR'S REVIEW

The Directors have pleasure in presenting the 37th Annual Report of Employees' Trust Fund Board (ETFB) together with the Audited Financial Statements for the year ended 31st December 2017 Consolidated Financial Statement for the said year and the Auditors' Report on those Financial Statements. This is to comply with reporting requirements and guidelines issued by Department of Public Enterprise guidelines for good governance.

Directors Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of Employees' Trust Fund Board and, to present a true and fair view of the financial position and performance of the entity. The Directors are of the view that the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 292 to 324 have been prepared in conformity with the

requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs) as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

In complying with the above requirement, the Board of Directors confirms that the financial reporting system of Employees Trust Fund has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards and statutory guidelines.

Review of Principal Activities

The principal activities of the Board are considered as Collection and Employer Relations, Member Services and Investments. The review of the principal activities of the Board during the year 2017 is given below:

Contribution Collection & Employer Relations

A total of 7,639 new employers commenced their contributions to the fund during the year 2017. Similarly the total contributions received from the employers in respect of their employees during 2017 were Rs. 22.7 Billion compared to Rs. 20.3 Billion in 2016. Further, the value of the member's fund increased from Rs. 245.6 Billion to Rs.274 Billion at the end of the year under review.

When compared to previous year, the numbers of Employers were increased up to 81,515 due to the inspection carried out covering all districts through 19 Regional Offices. The operation work and monitoring



were carried out successfully through IT network of the Board. Accordingly it was able to increase contribution by Rs.2,446 million in year 2017 over 2016.

The contribution payments and remitting of member's details through online banking was successfully implemented with Commercial Bank, Bank of Ceylon, Peoples Bank, Sampath Bank, Hatton National Bank and NDB Bank and such collection were reached to 50% of total contribution. Further the entity was also able to maintain the compliance rate at 75% in year 2017. The awareness programs conducted through Regional Office on regular basis were immensely contributed to maintain this favourable position. In focusing of accelerating field inspection work to increase the coverage of contribution collection, the EISA (ETF Inspection System Administration) project was launched and implemented successfully, during the year.

Member Services

Member Benefits and Welfare Benefits

During the year, 179,176 refund claims were processed and the total amount paid was Rs. 16.8 Billion. Comparatively 171,801 Claims were processed and paid Rs.13.5 Billion in year 2016. During the year the average amount paid per claim increased to Rs. 93,983 from Rs 78,451 in the previous year. During 2017, 3,302 benefit claims were processed and Rs.280 Million was paid. Comparatively 3,654 claims were processed in 2016 and Rs.299 Million was paid. In year 2017 Rs.82 Million was paid on behalf of the children of members who had passed the Year Five Scholarship Examination and Rs.36 Million was paid to Children of ETF members who had passed GCE (A/L) Examination, as a means of assisting their higher education.

Maintenance of Member Accounts

The total number of active and inactive accounts of the fund as at the end of the year was approximately 12.6 Million. The fund maintains member accounts for all the active and inactive members. 96% of member accounts were updated up to year 2017 at the year end. Out of these accounts 10 Million were inactive while 2.6 Million member accounts were active and on whose behalf Annual Member Statements were issued to the respective employers during the year.

Investments

The Investments portfolio grew from Rs.235 Billion to Rs.262 Billion in 2017 which is an increase of 11.5% over the previous year. During the year 2017 the Board strictly followed the guidelines of the investments policy and obtained a reasonable return whilst protecting the capital. A major portion of the portfolio amounting to Rs.205 Billion (78%) was invested in Government Securities and Rs.2.0 Billion (0.7%) invested in Government Guaranteed Fixed Income Instruments whilst Rs.10.8 Billion (4.1%) invested in equities and Rs.44.2billion (16.8%) in other fixed income securities. The Board has earned Rs.908 Million as capital gains and dividends equity portfolios during the year 2017. During the year 2017, ETFB earned total investment income of Rs.28 Billion against Rs.24 Billion in 2016 which is an increase of Rs.4 Billion or 17%.

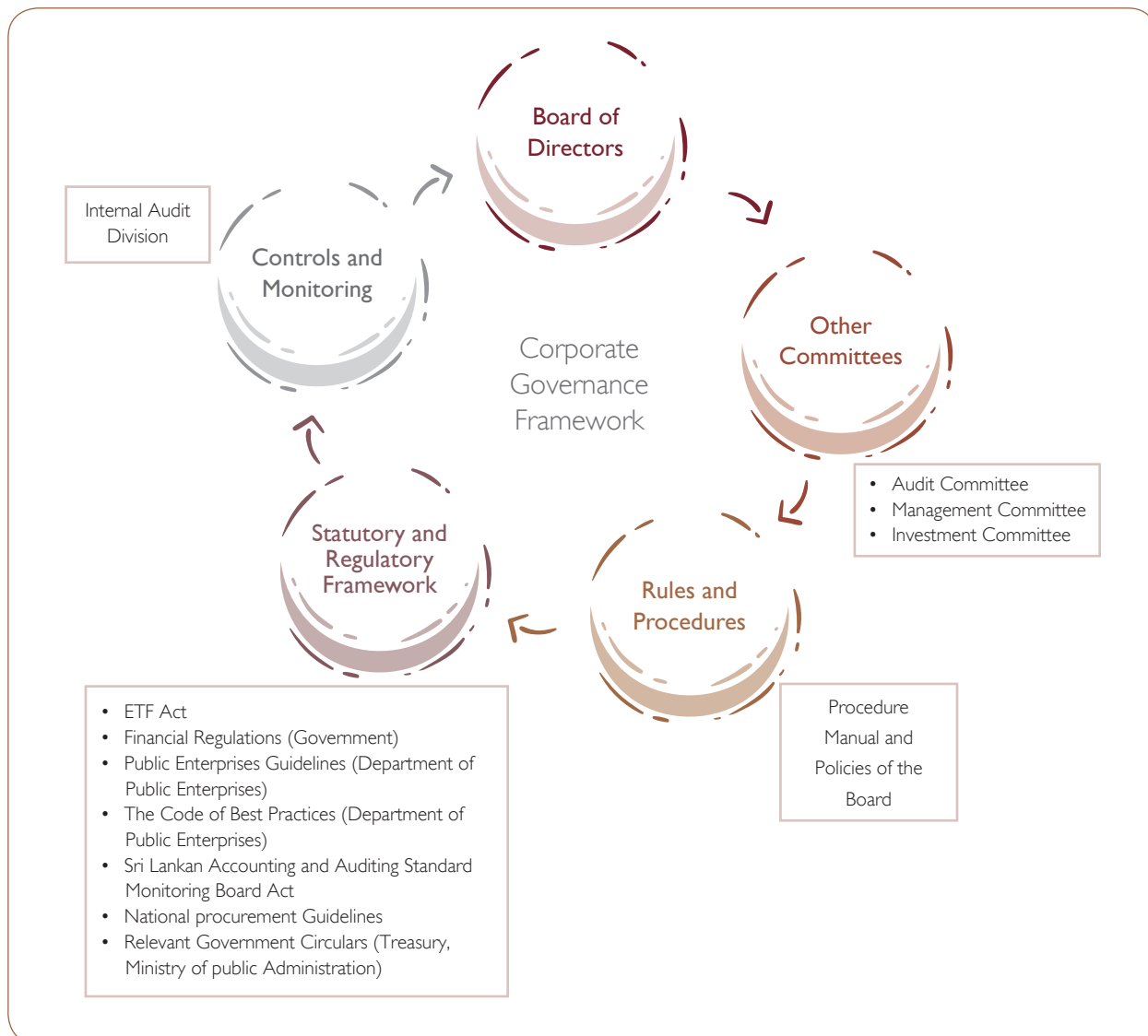
Signed by Chairman on behalf of the board of directors


Mahinda Madihawewa
 Chairman/ Chief Executive Officer

GOVERNANCE REPORT

Employees Trust Fund Board, a semi-government organization which considers Governance a key priority is committed towards uplifting the value creation process with the intent of enhancing return per member. The Board is bound to adhere with statutory and regulatory requirements across all business operations. Transparency, reliability and compliance are the principle guidelines which direct the Board towards achieving its governance goals. This report primarily emphasis upon the Board of Directors obligation and the liability to sustain the highest Standards of Corporate Governance.

Corporate Governance Framework



CORPORATE GOVERNANCE COMMENTARY

Governance Principles		Comments on 2017																																										
I. Director Board																																												
I.1.	The Board	The Board of Directors has a statutory responsibility in the stewardship of the fund on behalf of the Government and its stakeholders																																										
I.1.1.	Appointments to the Board	The Board shall consist of the following nine members appointed by the Minister • 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																																										
I.1.2.	Board Meetings	The Board usually meets on monthly intervals and whenever it is necessary. The board met thirteen (13) times during the year. Board Papers are circulated well in advance and not less than three working days before Board meetings for the upgrade the effectiveness of the board meeting. The attendance at Board meetings held in 2017 is shown below. Board Meeting Attendance During 2017 <table border="1"> <caption>Board Meeting Attendance Data (2017)</caption> <thead> <tr> <th>Month</th> <th>Directors Attended</th> <th>Directors Not Attended</th> </tr> </thead> <tbody> <tr><td>January</td><td>8</td><td>2</td></tr> <tr><td>February</td><td>8</td><td>2</td></tr> <tr><td>March</td><td>8</td><td>2</td></tr> <tr><td>April</td><td>8</td><td>2</td></tr> <tr><td>May</td><td>8</td><td>2</td></tr> <tr><td>June</td><td>8</td><td>2</td></tr> <tr><td>July</td><td>8</td><td>2</td></tr> <tr><td>August</td><td>8</td><td>2</td></tr> <tr><td>August (Special)</td><td>6</td><td>4</td></tr> <tr><td>September</td><td>8</td><td>2</td></tr> <tr><td>October</td><td>8</td><td>2</td></tr> <tr><td>November</td><td>8</td><td>2</td></tr> <tr><td>December</td><td>8</td><td>2</td></tr> </tbody> </table>	Month	Directors Attended	Directors Not Attended	January	8	2	February	8	2	March	8	2	April	8	2	May	8	2	June	8	2	July	8	2	August	8	2	August (Special)	6	4	September	8	2	October	8	2	November	8	2	December	8	2
Month	Directors Attended	Directors Not Attended																																										
January	8	2																																										
February	8	2																																										
March	8	2																																										
April	8	2																																										
May	8	2																																										
June	8	2																																										
July	8	2																																										
August	8	2																																										
August (Special)	6	4																																										
September	8	2																																										
October	8	2																																										
November	8	2																																										
December	8	2																																										
I.1.3.	Board Responsibilities	The Board should exercise its mandated rights and responsibilities with integrity and in good faith as the custodian of public resources. The Board should at all times be conscious of its onerous responsibilities, as the outcome of any decisions and actions carried out without proper planning will ultimately be borne by the public at large. Matters and issues that should be addressed at Board Meetings :- • Policy Formulation • Monitoring and evaluation of performance of the fund • Monitoring and evaluation of performance of subsidiaries/associates and other investments • Annual Performance Review • Working Capital • Quarterly, Half Yearly and Annual Performance Reports • Board Papers																																										

Governance Principles		Comments on 2017
1.1.4.	Board Secretary	All members of the Board have access to the advice and services of the professionally qualified corporate secretary who is responsible to the Board for advising the Board on compliance with Board procedures, the law and relevant rules and regulations, and for ensuring that reliable and relevant information is provided to the Board in a timely manner. The Secretary ensures that procedures governing Board Meetings are followed and effective functioning of the Board while circulating Board Papers timely.
1.1.5.	Role of the Board Secretary	The Board Secretary has to ensure that Board procedures are followed and should provide guidance on legal requirements regarding Board proceedings. In addition the Secretary's duties involve: - • Circulating notice of Board meetings, Minutes of meetings, Board Papers together with other relevant documents • Follow up actions on Board decisions • Assist Board members by providing both internal and external information
1.1.6.	Board Balance	Directors come from different fields (Finance, Trade, Employers Federation, Trade union, etc.) Provide a balance platform to the board. They give their independent view relating to the each matter.
1.1.7.	Adequate time for effective Board meeting	The Board usually meets on monthly intervals. The average time spent for a board meeting is around 3 hours.
1.2.	Chairman/Chief Executive Officer	
1.2.1.	Appointments of the Chairman	The Chairman of the Board, who shall be the chief executive of the Board, shall be appointed by the Minister.
1.2.2.	Responsibilities of the Chairman	The Chairman/Chief Executive Officer who will be the important link in the entire governance structure will lead the team and the entity in the right direction. He is responsible for implementation of the policies related to core activities and preparation of plans and programs, so as to achieve predetermined targets.
2.	Accountability and Audit	
2.1.	Financial Reporting	Board financial statements are prepared and presented in conformity with Sri Lanka Accounting Standards and also comply with the Accounting and Auditing Standard Monitoring Board Act.
2.1.1.	Statutory and Regulatory Reporting	In terms of the Constitution and the Sec. 13 (1) of the Finance Act, No. 38 of 1971, the Auditor General should be the auditor for every public corporation. The Auditor General may employ the services of any qualified auditor who shall act under his direction and control.
2.1.2.	Auditor's responsibility for the Financial Statements	Refer the Auditor General's report
2.1.3.	Directors' report in the Annual Report	Refer the Board of Director's Review
2.1.4.	Statement of Directors' responsibility for the Financial Statements	Refer the Board of Director's Review
2.1.5.	Management Discussion and Analysis	Refer the Management Discussion and Analysis
2.2.	Internal Control	
2.2.1.	Internal Audit Function	ETFB has its own Internal Audit Division
2.2.2.	Review the effectiveness of Internal controls by the Audit Committee	Internal Audit division regularly report to the Audit Committee about the effectiveness of the Internal Control System including the internal controls over financial reporting.

SUB COMMITTEES

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

I. Audit Committee

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

Composition of Audit Committee

- **Mrs. Champa Balasooriya**
Chairman of Audit committee/Director
Appointed by Minister of Finance
- **Mrs. Shietha Senaratne**
Addl. Secretary/Director
Ministry of Industry and Commerce
- **Mr. P Ranawakaarachchi**
Director
Trade Union Representative
- **Add. General Manager**
- **All Deputy General Managers and All Assistant General Managers**

II. Management Committee

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

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

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

- Any new proposals to be incorporated in the revised Corporate Plan
- All matter relating to administration and establishment
- Any other day-to-day operational issues.

III. Investment Committee

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

• Safety

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

• Liquidity

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

• Return on Investment

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

Investment committee comprises with six members who meet on a daily basis on every working day. They decide upon appropriate investments opportunities for Fund based on the market conditions.

Sub Committees Executive Summary

Board Sub Committees	Coverage	Composition
I. Audit Committee	• Review Internal Controls • Review Internal Audit • Review External Audit • Review financial statements	• Three Directors • All Deputy General Managers and All Assistant General Managers
II. Management Committee	• Review operational issues • Review necessary upgrading • Review performances	• Chairman • Working Director • Senior Management
III. Investment Committee	• Board investment policy • Investment portfolios and their performance • Review the current environmental factors	Investment Committee • Treasury Representatives • Ministry of National Policy and Economic Affairs Representative • Ministry of Development Assignments Representative • Additional General Manager • Deputy General Manager (Investment) • Deputy General Manager (Finance) • Deputy General Manager (I/A)- Observing Member Equity Committee • Assistant General Manager (Finance) • One Manager from Finance Division • Three Investment Analysts

RISK MANAGEMENT REPORT



Risk Management

Employee's Trust Fund Board considers as one of the leading Superannuation funds in Sri Lanka. The Board has the obligation to act in good faith to provide financial assurance to non-pensionable employees of both the private and semi-government sectors by securing their long term contributions flowing to the fund on monthly basis. Further, the Board must ensure that members are entitled to enjoy their defined benefits on retirement while guaranteeing the safety of capital invested on diversified investment portfolios. Significant proportion of the investment portfolio of ETFB consists of government securities. Further, as at 31st December 2017 ETFB possessed 0.4 percent of the total market capitalization of Colombo Stock Exchange. Therefore Risk Management considers a key priority across all stages of business operations.

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

Credit Risk

Credit risk arises when the borrower defaults amounts due to the lender and this increases the cost per borrower and also this can be considered as a credit accumulation from the lenders perspective. Credit risk restricts any economic or financial benefits that a lender could have gained during a specific time period, as a consequence of foregone valuable financial

opportunities. As at 31st December, 2017, 77.79 percent of Boards funds are invested in risk free government securities. Therefore the Board was able to maintain credit risk at a lower level. Investments in debentures accounted for 0.81 percent of the total portfolio. It should be emphasized that the Board invests only in investment grade corporate debt instruments filtered through a comprehensive analysis. Further, Repurchase agreements and overnight repos are secured by adequate government securities. These risk preventive measures have helped the Board to uphold the credit risk at a minimum level.

Market Risk

Uncertainties in financial markets increase an entities' vulnerability to market risk. Fluctuations in interest rates and equity risk have been identified as primary components of market risk. Market risk deteriorates return on investments. When interest rates on Treasury bonds depict an upward momentum, the value tends to decline. And on contrary, when interest rates depict a gradual reduction (price risk) the funds will have to reinvest at lower rate (reinvestment risk) which hinders the profit generating capacity. The exposure to market risk had been mitigated to a certain extent with the strategy of picking up Treasury Bonds with deviating tenures and yields. Adverse fluctuations in capital markets would lead to value depreciation of capital market instruments mainly shares. Mitigating measures such as obtaining access to a diversified investment portfolio by expanding the presence in several key

performing market segments, adherence to price bands can be implemented to avoid any financial losses that could have witnessed. Comprehensive analysis needs to be conducted prior to the execution of counter investments. However the overall impact to the equity portfolio of the Board is relatively low as investment in shares accounted 4.41 percent of the total investment breakdown.

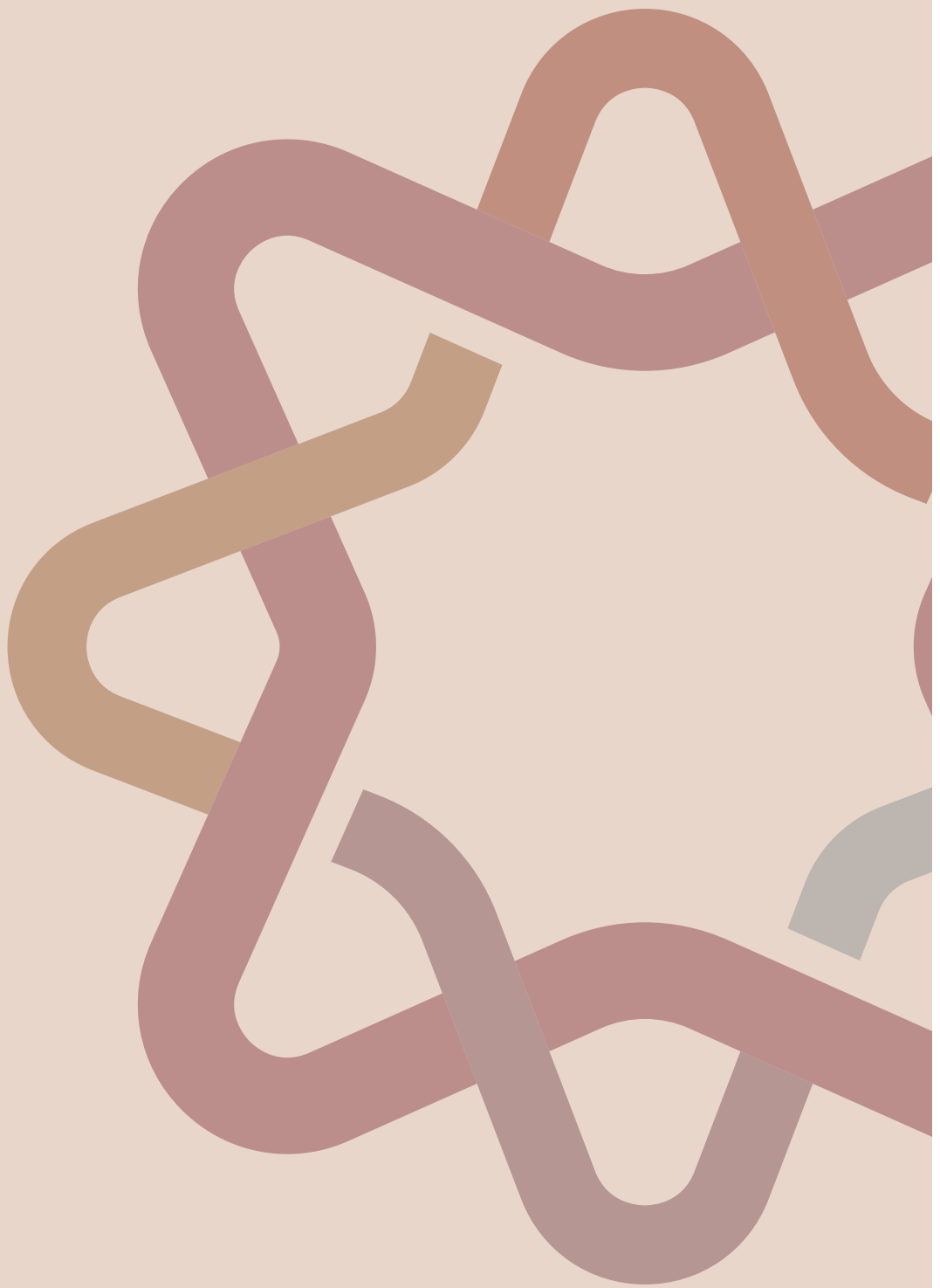
Liquidity Risk

Lower cash adequacy to meet short term financial demands can simply be defined as Liquidity Risk. From Boards' perspective risks falling into this category too can prevent potential investment opportunities and also reduces the marketability of financial instruments. On average, net contribution subsequent to refunds derive a positive cash flow of LKR 1.69 billion per month denoting an uptick in the liquidity standpoint of the Board. Towards the end of 2017, the annual refund payment, excluding other cash flows such as income and maturity proceeds portrayed 74 percent of total cash inflows. Since significant proportion of funds are invested in government securities which

are considered as the most liquid form of investment, refrained the Board from falling into the illiquidity trap. This mechanism provides an additional buffer against any liquidity constraint. With the intention of generating a reasonable return from idle funds, ETF invests in the overnight repo market as a daily liquidity management tool. Therefore, liquidity risk of the Fund also remains low.

Operational Risk

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





A close-up photograph of a black and silver pen resting on a document. The document features a line graph with a red trend line and a bar chart with blue bars. The background is a solid dark red color.

03

FINANCIAL INFORMATION

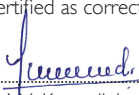


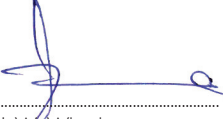
EMPLOYEES' TRUST FUND BOARD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31st December, 2017

	Note	GROUP		ETFB	
		2017	2016	2017	2016
		Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
Total Income					
Interest Income	4	27,303,884	23,530,300	27,239,114	23,492,350
(-) Interest Expense - 3.0% (As per the Section 22 of the ETF Act)		(7,545,681)	(6,759,768)	(7,545,681)	(6,759,768)
Net Trading Income	5	566,370	1,114,228	-	-
Dividend Income	6	373,739	486,194	373,739	486,194
Gain/(Loss) on Financial Assets at Fair Value through Profit/(Loss)	7	535,345	68,592	535,345	68,592
Other Income	8	860,876	540,511	851,903	531,650
		22,094,532	18,980,056	21,454,420	17,819,018
Total Operating Expenses					
Personal Expenses	9	1,174,842	1,059,412	1,053,611	985,963
Administrative Expenses	10	232,510	164,581	167,809	143,887
Financial Expenses	11	11,529	7,967	2,401	2,904
Member Expenses	12	460,603	454,466	460,603	454,466
Depreciation & Amortization	13	61,622	40,660	14,196	15,290
Interest Paid to members on Current Year		208,429	173,630	208,429	173,630
Impairment of Equity Investments	17.1	13,050	283	13,050	283
		2,162,584	1,900,999	1,920,098	1,776,422
Profit Before Tax		19,931,948	17,079,058	19,534,322	16,042,596
Income Tax Expenses	14	(2,779,214)	(2,733,111)	(2,705,842)	(2,394,498)
Profit After Tax		17,152,734	14,345,946	16,828,480	13,648,098
Profit for the Year		17,152,734	14,345,946	16,828,480	13,648,098
Profit Attributable to:					
Equity Holders of the Company		17,120,308	14,276,161	16,828,480	13,648,098
Non-Controlling Interests		32,425	69,785	-	-
Profit for the Year		17,152,734	14,345,946	16,828,480	13,648,098
Retained Profit B/F		3,473,280	3,345,119	3,473,280	3,345,119
Profit Available for Appropriation		17,152,734	14,345,946	16,828,480	13,648,098
Total Profit Available for Appropriation		20,626,014	17,691,065	20,301,760	16,993,217
Less: Proposed Apportionment - Dividend 6.0%		15,091,362	13,519,936	15,091,362	13,519,936
Less: Dividend - Lanka Salt		-	180,000	-	-
Profit After Appropriation		5,534,652	3,991,129	5,210,398	3,473,280

The accounting policies and notes as set out in pages 292 to 324 form an integral part of these financial statement.

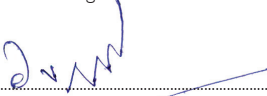
Certified as correct,


M.A.V. Kumudini
Finance Manager


N. W. Wimalaweera
Deputy General Manager (Finance)

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

Approved and signed for and on behalf of the board.


Mahinda Madihahewa
Chairman / Chief Executive Officer


P.B. Madagedara
Working Director

EMPLOYEES' TRUST FUND BOARD

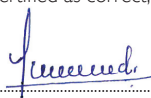
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

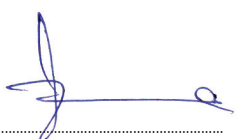
For the year ended 31st December, 2017

	Note	GROUP		ETFB	
		2017	2016	2017	2016
		Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
OTHER COMPREHENSIVE INCOME					
Items that are or may be Reclassified to Statement of Comprehensive Income					
Transfer to Available for Sale Financial Instrument Reserve		(211,202)	(964,030)	(211,202)	(964,030)
Available for Sale Reserve (Units)		8,484	(3,846)	8,484	(3,846)
Items that will not be Reclassified to Statement of Comprehensive Income					
Actuarial Gain /(Loss) on Retirement Benefit Obligation		(11,599)	500	(11,599)	500
Income Tax on Other Comprehensive Income/ (Expenses) for the Year		-	-	-	-
Total Other Comprehensive Income for the Year Net of Tax		(214,317)	(967,376)	(214,317)	(967,376)
Total Comprehensive Income for the Year Net of Tax		16,938,416	13,378,570	16,614,163	12,680,722
Total Comprehensive Income Attributable to					
Equity Holders of the Company		16,905,991	13,308,785	16,614,163	12,680,722
Non-Controlling Interests		32,425	69,785	-	-
Total Comprehensive Income for the Year Net of Tax		16,938,416	13,378,570	16,614,163	12,680,722

The accounting policies and notes as set out in pages 292 to 324 form an integral part of these financial statement.

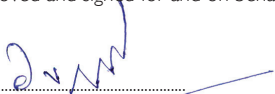
Certified as correct,


 M. A. V. Kumudini
 Finance Manager


 N. W. Wimalaweera
 Deputy General Manager (Finance)

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

Approved and signed for and on behalf of the board.


 Mahinda Madihahewa
 Chairman / Chief Executive Officer

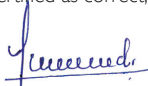

 P. B. Madagedara
 Working Director

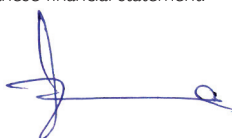
EMPLOYEES' TRUST FUND BOARD
STATEMENT OF FINANCIAL POSITION
For the year ended 31st December, 2017

		GROUP		ETFB	
		2017	2016	2017	2016
	Note	Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
ASSETS					
Cash and Cash Equivalent		929,141	748,033	743,124	614,332
Other Financial Assets Held-for-Trading	15	2,511,005	1,955,837	2,511,005	1,955,837
Investment in Subsidiary	16	-	-	470,961	470,961
Financial Investments - Available-for-Sale	17	7,845,694	9,209,233	7,845,694	9,209,233
Financial Investments - Held-to-Maturity	18	250,864,335	223,110,604	250,616,892	222,454,509
Financial Investments - Loans & Receivables	19	1,788,104	1,357,817	1,782,340	1,343,876
Other Assets	20	11,920,568	9,621,688	11,050,045	9,244,193
Property, Plant & Equipment	21	1,184,809	1,101,719	173,586	176,378
Leasehold Property	22	4,879	5,576	-	-
Intangible Assets	23	140	192	140	192
Investment Property	24	3,812,500	3,400,000	3,812,500	3,400,000
Total Assets		280,861,175	250,510,700	279,006,286	248,869,511
Liabilities					
Interest Bearing Loans and Borrowings	25	183,045	227,124	-	-
Grants and Subsidies	26	35,521	38,042	-	-
Defined Benefit Obligation	27	454,311	401,707	225,391	202,603
Current Tax Liabilities	28	266,777	270,909	211,536	81,082
Other Liabilities	29	604,068	510,550	157,269	104,569
Provisions	30	81,910	87,841	81,910	87,841
Total Liabilities		1,625,632	1,536,175	676,106	476,094
Equity		279,097,910	248,869,319	278,330,180	248,393,417
Non-Controlling Interest		137,632	105,207	-	-
Total Equity		279,235,543	248,974,526	278,330,180	248,393,417
Total Liabilities and Equity		280,861,175	250,510,700	279,006,286	248,869,511

The accounting policies and notes as set out in pages 292 to 324 form an integral part of these financial statement.

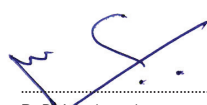
Certified as correct,


M. A. V. Kumudini
Finance Manager


N. W. Wimalaweera
Deputy General Manager (Finance)

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


Mahinda Madhahewa
Chairman / Chief Executive Officer


P. B. Madagedara
Working Director

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December, 2017

Group	Attributable to Equity Holders of the Company											Non-Controlling Interest	Total
	Member Fund			Member Fund	Retained Profit	Available For Sale Reserve	Other Reserves	Dividend Equalization Reserve Fund	Revaluation Reserve	Post Acquisition Reserves			
	Contribution	Interest	Dividend										
Balance as at 01.01.2016				218,504,948	3,345,119	182,466	(29,794)	142,000		27,838	55,422	222,227,999	
Prior Year Adjustment (Note 2.6)											-		
Prior Year Adjustment - Tax					30,376							30,376	
Recording Tax expense - 2016					(30,376)							(30,376)	
Realized Capital Gain on Shares - Share Reserve A/C						(15,395)						(15,395)	
Contribution Adjustment				(16,607)								(16,607)	
Contribution Received	20,318,193			20,318,193								20,318,193	
Refund of Contribution	(13,478,002)			(13,478,002)								(13,478,002)	
Interest on Member Fund Balance 3.0%		6,759,768		6,759,768	(6,759,768)							-	
Dividend 6.0%			13,519,936	13,519,936	(13,519,936)							-	
Accumulated Profit for the Year					20,407,866						69,785	20,477,651	
Available for Sale Reserve						(173,479)						(173,479)	
Available for Sale Reserve (Units)						(3,846)						(3,846)	
Reversal of Fair Value of subsidiary investment						(790,551)						(790,551)	
Revaluation Reserve									200,000			200,000	
Transfer of revaluation gain of investment property									(200,000)			(200,000)	
Actuarial Gain/(Loss)							500					500	
Dividend paid by Subsidiary											(20,000)	(20,000)	
Movement in Subsidiary equity										448,064		448,064	
Balance as at 01.01.2017	6,840,190	6,759,768	13,519,936	245,608,236	3,473,280	(800,805)	(29,295)	142,000	-	475,902	105,207	248,974,526	
Balance as at 01.01.2017				245,608,236	3,473,280	(800,805)	(29,295)	142,000	-	475,902	105,207	248,974,526	
Prior Year Adjustment (Impairment of shares)					-	283						283	
Available for Sale Reserve						(211,202)						(211,202)	
Available for Sale Reserve (Units)						8,484						8,484	
Realized Capital Gain on Shares - Share Reserve A/C						(150,881)						(150,881)	
Impairment of Equity Investments						13,050						13,050	
Contribution Adjustment (Note 3.1)				(10,718)								(10,718)	
Contribution Received	22,764,642			22,764,642								22,764,642	
Refund of Contribution	(16,839,456)			(16,839,456)								(16,839,456)	
Interest on Member Fund Balance 3.0%		7,545,681		7,545,681	(7,545,681)							-	
Dividend 6.0%			15,091,362	15,091,362	(15,091,362)							-	
Accumulated Profit for the Year					24,374,161						32,425	24,406,586	
Actual Gain/(Loss)							(11,599)					(11,599)	
Dividend paid by Subsidiary												-	
Movement in Subsidiary equity										291,828		291,828	
Balance as at 31.12.2017	5,925,186	7,545,681	15,091,362	274,159,747	5,210,398	(1,141,071)	(40,894)	142,000	-	767,730	137,632	279,235,543	

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2017

ETFB	Attributable to Equity Holders of the Company							Total	
	Contribution	Member Fund		Retained Profit	Available For Sale Reserve	Other Reserves	Dividend Equalization Reserve Fund		Revaluation Reserve
		Interest	Dividend						
Balance as at 01.01. 2016		218,504,948		3,345,119	182,466	(29,794)	142,000	-	222,144,738
Prior Year Adjustment - Tax				30,376					30,376
Recording Tax expense - 2016				(30,376)					(30,376)
Realized Capital Gain on Shares - Share Reserve A/C					(15,395)				(15,395)
Contribution Adjustment			(16,607)						(16,607)
Contribution Received	20,318,193		20,318,193						20,318,193
Refund of Contribution	(13,478,002)		(13,478,002)						(13,478,002)
Interest on Member Fund Balance 3.0%		6,759,768	6,759,768	(6,759,768)				-	-
Dividend 6.0%			13,519,936	(13,519,936)				-	-
Accumulated Profit for the Year				20,407,866					20,407,866
Available for Sale Reserve				(173,479)					(173,479)
Available for Sale Reserve (Units)				(3,846)					(3,846)
Reversal of Fair Value of subsidiary investment				(790,551)					(790,551)
Revaluation Reserve							200,000		200,000
Transfer of revaluation gain of investment property							(200,000)		(200,000)
Actuarial Gain/(Loss)						500			500
Balance as at 01.01. 2017	6,840,190	6,759,768	13,519,936	3,473,280	(800,805)	(29,295)	142,000	-	248,393,417
Balance as at 01.01. 2017			245,608,236	3,473,280	(800,805)	(29,295)	142,000	-	248,393,417
Prior Year Adjustment (Impairment of shares)					283				283
Available for Sale Reserve					(211,202)				(211,202)
Available for Sale Reserve (Units)					8,484				8,484
Realized Capital Gain on Shares - Share Reserve A/C					(150,881)				(150,881)
Impairment of Equity Investments					13,050				13,050
Contribution Adjustment (Note 3.1)			(10,718)						(10,718)
Contribution Received	22,764,642		22,764,642						22,764,642
Refund of Contribution	(16,839,456)		(16,839,456)						(16,839,456)
Interest on Member Fund Balance 3.0%		7,545,681	7,545,681	(7,545,681)				-	-
Dividend 6.0%			15,091,362	(15,091,362)				-	-
Accumulated Profit for the Year				24,374,161					24,374,161
Actuarial Gain/(Loss)						(11,599)			(11,599)
Balance as at 31.12.2017	5,925,186	7,545,681	15,091,362	5,210,398	(1,141,071)	(40,894)	142,000	-	278,330,180

EMPLOYEES' TRUST FUND BOARD

STATEMENT OF CASH FLOWS

For the year ended 31st December, 2017

	GROUP		ETFB	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
Operating Activities				
Proceeds from Sale of Financial Instrument Designated at FVTPL	2,004,630	264,734	2,004,630	264,734
Maturities of Financial Instrument Held to Maturity	144,902,638	226,866,952	144,902,638	226,866,952
Maturities of Financial Instrument Loan & Receivables	100,047	128,216	100,047	128,216
Payment for Purchase for Financial Instruments Designated at FVTPL	(1,230,718)	(2,105,430)	(1,230,718)	(2,105,430)
Payment for Purchase of Held to Maturity Financial Instruments	(172,194,646)	(250,088,421)	(172,194,646)	(250,088,421)
Loan Granted for Acquire Loan & Receivable Financial Instrument	(628,139)	(215,730)	(628,139)	(215,730)
Monies received from Customers	1,797,418	2,137,602	-	-
Monies paid to Suppliers	(1,747,492)	(1,160,490)	-	-
Interest Received	21,957,755	19,493,760	21,957,755	19,493,760
Dividend Received	590,871	329,938	590,871	329,938
Other Income Received	574,201	306,894	574,201	306,894
Operational Expenses Paid	(1,137,322)	(1,047,671)	(1,137,322)	(1,047,671)
Member Expenses Paid	(296,644)	(315,819)	(296,644)	(315,819)
Income Tax Paid	29,219	(713)	29,219	(713)
Interest Paid	(220,011)	(181,210)	(211,060)	(176,512)
Defined Benefit Plan Costs paid	(13,947)	(23,142)	-	-
Ground Rent paid to Divisional Secretaries	(9,477)	(25,095)	-	-
Year 5 Scholarship Payment/Refund	(83,641)	(178,314)	(83,641)	(178,314)
Higher Education Scholarship Payment/Refund	(41,496)	(41,908)	(41,496)	(41,908)
Net Cash Flows from Operating Activities	(5,646,753)	(5,855,848)	(5,664,304)	(6,780,024)
Investing Activities				
Purchase of Property and Equipment	(196,211)	(271,465)	(20,544)	(24,990)
Proceeds from Sale of Property and Equipment	503	470	218	73
Acquisition of Investments	408,652	(585,903)	-	-
Interest Received	66,092	40,087	-	-
Net (Grants) / Repayments of Staff Loans	8,177	13,882	-	-
Net Cash Flows from Investing Activities	287,214	(802,930)	(20,326)	(24,917)
Financing Activities				
Contribution Received	22,630,429	20,053,869	22,630,429	20,053,869
Refunds	(16,814,982)	(13,473,997)	(16,814,982)	(13,473,997)
Financial Expenses Paid	(2,026)	(2,547)	(2,026)	(2,547)
Dividends Paid	(228,695)	(200,000)	-	-
Repayment of Interest Bearing Loans & Borrowings	(7,260)	(24,038)	-	-
Principal Payment Under Finance Lease Liability	(5,157)	(4,425)	-	-
Net Cash Flows from Financing Activities	5,572,309	6,348,862	5,813,421	6,577,325
Net Increase in Cash and Cash Equivalents	212,770	(309,916)	128,791	(227,616)
Cash and Cash Equivalents at 01 st January	545,704	855,620	614,332	841,949
Cash and Cash Equivalents at 31st December	758,474	545,704	743,124	614,332

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF INVESTMENT
As at 31st December, 2017

Listed Shares - Available For Sale

	Company Name	Cost (Rs.)	Fair Value (Rs.)	Market Value (Rs.)
1	ACL Cables PLC	98,712	114,448	78,532
2	AHOT Properties PLC	58,213	43,746	40,523
3	Aitken Spence Company PLC	297,844	170,422	141,843
4	Ait. Spence Hotel H PLC	206,275	102,652	69,699
5	Bairaha Farms PLC	287,633	217,186	175,669
6	Carson Cumberbatch PLC	16,147	6,427	6,499
7	Central Finance PLC	256,280	226,335	208,681
8	Ceylon Investment PLC	8,523	3,489	3,058
9	Ceylon Guardian Investment PLC	143,302	54,992	42,717
10	Colombo Fort Land PLC	55,323	13,231	13,301
11	Com. Bank PLC	1,066,007	1,080,308	1,045,665
	Com. Bank PLC (X)	464,740	406,541	382,421
12	CIC Holdings PLC	28,170	20,479	15,177
13	DFCC Bank PLC	646,944	488,524	494,506
14	Dockyard PLC	442,105	131,986	152,479
15	Dipped Product PLC	2,120	1,431	1,402
16	Eden Hotels PLC	75,886	21,356	22,464
17	Expolanka PLC	43,026	21,966	18,828
18	Haycarbs PLC	138,996	117,124	113,611
19	HNB (X)	96,736	106,221	110,485
20	Janashakthi Insurance PLC	14,093	10,024	9,655
21	John Keells PLC	15,800	10,199	9,162
22	John Keells Holdings PLC	2,780,328	2,440,894	2,504,523
23	Kelani Cables PLC	9,032	12,424	9,461
24	Lankem Ceylon PLC	16,823	4,937	3,291
25	Laugfs Gas PLC	1,631	1,557	1,083
26	National Dev. Bank PLC	815,942	891,477	809,793
27	People's Leasing Co. PLC	57,407	40,289	40,053
28	Piramal Glass Co. PLC	32,246	20,035	21,925
29	Property Dev. PLC	5	31	29
30	Renuka Holding PLC	114,533	61,492	71,984
31	Resus Energy PLC	48,544	34,108	28,714
32	Royal Ceramics PLC	52,567	55,604	54,885
33	Sampath Bank	83,148	107,366	136,975
34	Seylan Bank	303,014	278,582	267,432
	Seylan Bank (X)	42,486	35,177	34,546
35	Singer Finance PLC	23,608	23,153	17,540
36	Sri Lanka Telecom PLC	110,326	120,530	93,782
37	Trans Asia PLC	37,073	53,191	50,903
38	Vallibel Power PLC	46,779	45,740	39,503
39	Vallibel One PLC	43,227	31,860	30,482
	Total	9,081,594	7,627,534	7,373,281

EMPLOYEES' TRUST FUND BOARD**STATEMENT OF INVESTMENT**As at 31st December, 2017**Unquoted Shares Investments re-classified as "Available for Sale as at 31/12/2017**

	Company Name	Cost (Rs. '000)	Net Asset Value (Rs. '000)
1	Fitch Ratings Lanka Ltd	1,649	2,477
2	First Capital Treasuries Ltd	73,650	130,567
	Total	75,299	133,044

Investments in subsidiaries as at 31/12/2017

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

Listed Shares - Trading

	Company Name	Cost (Rs. '000)	Fair Value (Rs. '000)	Book Value/ Market Value (Rs.'000)
1	ACL Cables PLC	153,062	157,816	108,290
2	Com. Bank PLC	1,117,913	1,099,886	1,073,141
	Com. Bank PLC (X)	114,495	113,261	106,541
3	Dipped Product PLC	163,099	114,130	111,764
4	Hatton National Bank PLC	144,705	153,181	172,050
	Hatton National Bank PLC (X)	57,739	62,650	65,164
5	John Keells Holdings PLC	588,903	634,888	656,796
6	Lanka IOC PLC	92,236	75,334	65,947
7	Laugfs Gas PLC	6,393	5,382	3,742
8	Seylan Bank PLC	16,146	15,118	14,513
	Seylan Bank PLC (X)	87,667	87,667	84,436
9	Singer Finance PLC	48,443	44,976	34,073
10	Teejay Lanka PLC	11,529	18,230	14,550
	Total	2,602,329	2,582,518	2,511,005

Listed Units as at 31/12/2017

	Company Name	Cost (Rs. '000)	Fair Value (Rs. '000)	Book Value/ Market Value (Rs.'000)
1	Comtrust Equity Fund	20,195	40,021	40,000
2	National Equity Fund	47,549	162,505	163,770
3	Namal Growth Fund	10,000	128,360	135,600
	Total	77,744	330,886	339,370

EMPLOYEES' TRUST FUND BOARD

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

I. CORPORATE INFORMATION

I.1. Domicile and Legal Form

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

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

I.2. Principal Activities and Nature of Operations

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

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

I.3. Parent Enterprise and Ultimate Parent Enterprise

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

I.4. Date of Authorization for Issue

The financial statement of Employees' Trust Fund Board for the year ended 31st December, 2017 were authorised for issue in accordance with a resolution of the board of directors on 2nd March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. General Policies

2.1.1. Presentation of Statement of Financial Position

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

2.1.2. Statement of Compliance

The statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows together with accounting policies and notes ("financial statements") of the company as at 31st December, 2017 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.

EMPLOYEES' TRUST FUND BOARD

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

2.1.3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

Deferred Tax Assets:

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

2.1.4. Basis of Measurement

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

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

2.1.5. Functional and Presentation Currency

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

2.1.6. Going Concern

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

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

2.1.7. Comparative Information

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

2.2. Basis of Consolidation

a) Consolidation

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

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

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

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

Sale of Goods

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

Rendering of Services

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

Interest

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

2.3.2. Interest and Similar Income and Expense

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

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

Interest expense is recognized according to the Section 22 of the 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

EMPLOYEES' TRUST FUND BOARD

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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 interest income on fair value measurement of Staff loans that is amortized over the employees' service period.

2.4. Taxation

2.4.1. Current Taxes

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

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

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

2.4.2. Deferred Taxation

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

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

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

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

2.5. Foreign Currency Transaction

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

2.6. Adjustment to the Previous Year Profit

Error corrections are adjusted retrospectively since it enhances the comparability of the financial statements. Accordingly the opening balance of retained earnings will be restated after the correction of such errors. The following prior period errors were discovered and corrected in 2016.

a) Prior year adjustment is contained following error corrections

The Nature of the Error	LKR (000)
35 th Anniversary expense balance remain out of sponsorships	823
Board incurred expenses for the 35 th Anniversary	2,244
Dividend & Interest on transferred unclaimed refund - 2015	281
Dividend & Interest on transferred unclaimed refund - 2016	36
Dividend & Interest on transferred return benefit - 2015	2,650
Dividend & Interest on transferred return benefit - 2016	364

b) Adjustments to the member fund as follows

b. (I) Adjustments to the member fund of 2016

The Nature of the Error	LKR (000)
Dividend & Interest - up to 2016	317
Dividend & Interest - up to 2016	3,014

c) ETFB has not claimed the tax credit from notional tax for a past period.

In order to rectify the error in previous financial year the Retained Earnings at earliest reporting date (1st January 2015) has been adjusted by LKR 128 million, but that amount has to be increase further LKR 30,180,783.57 that was adjusted from the opening balance of previous financial year the Retained Earnings.

2.7. Financial Instruments

2.7.1. Initial Measurement of Financial Instruments

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

2.7.2. Date of Recognition

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

2.7.3. Fair Value through Profit or Loss (FVTPL)

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

a) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.

EMPLOYEES' TRUST FUND BOARD

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

- b) The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

The value of equity investments not held for trading is periodically reviewed to identify significant or prolonged decline in value. For this purpose the management considers objective evidence of impairment that is not limited to declining market value but qualitative factors such as strategic intent and intrinsic value. Accordingly impairment provisions have recognized in respect of certain equity investments (amounting to LKR 13,049,962.00) where there is a significant or prolonged decline in value and there is no reasonable possibility of a reversal of the situation. Such provisions shall recognize through profit or loss.

2.7.4. Held For Trading

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

2.7.5. Available for sale (AFS)

Available for sale investments include long term equity investment and debt securities which are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available for sale financial investments are subsequently measured at fair value.

2.7.6. Held to Maturity (HTM)

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

2.7.7. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method

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

2.7.8. Repurchase and Reverse Repurchase Agreements

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

Basic Financial Instruments

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

Loan and Receivable

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

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

Financial Liabilities

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

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

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

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

2.8. Property, Plant and Equipment

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

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

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

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

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

EMPLOYEES' TRUST FUND BOARD

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

- **Biological Assets**

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

- **Bearer Biological Assets**

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

2.9. Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or

losses arising from changes in the fair values of investment properties are included in the Income Statement in the period in which they arise.

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

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

2.10. Intangible Assets

2.10.1. Externally Acquired Intangible Assets

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

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment. Whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an 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.

2.10.2. Computer Software Packages

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

2.11. Leasehold Properties

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

2.11.1. Operating Lease

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

2.12. Inventories

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

EMPLOYEES' TRUST FUND BOARD

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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

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

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

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

2.13. Retirement Benefit Liability

2.13.1. Employee benefits

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

2.13.2. Defined Contribution Plans

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

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

2.13.3. Defined Benefit Plans – Gratuity

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

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

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

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

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

2.14. Equity

2.14.1. Member Fund

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

2.14.2. Dividends

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

2.14.3. Reserves

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

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

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

2.15. Provisions

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

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

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

2.16. Trade and Other Receivables

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

2.17. Trade payables

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

EMPLOYEES' TRUST FUND BOARD

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

2.18. Cash and Cash Equivalents

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

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

2.19. Grants & Subsidies

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

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

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

2.20. Impairment of Assets

2.20.1. Impairment of Financial Assets

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

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

2.20.2. Impairment of Non-financial Assets

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

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

EMPLOYEES' TRUST FUND BOARD

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

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

2.21. Accounting Policies

2.21.1. Reclassification of Financial Assets and Financial Liabilities

The entity reclassified listed units out of the 'held-for-trading' category and into the 'available-for-sale', category in year 2016 as permitted by the Sri Lanka Accounting Standard - LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Since there was no evidence of a recent actual pattern of short term profit taking by the entity for the past years these will be reclassified under available for sale category. Reclassifications are recorded at fair value at the date of reclassification.

2.21.2. Valuation of Investment Property

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

2.21.3. Fair Value of Financial Instruments

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

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

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

2.21.5. Business Combinations and Acquisition of Non-controlling Interest

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

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

EMPLOYEES' TRUST FUND BOARD

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. CURRENT YEAR ADJUSTMENTS

3.1. Adjustments to the member fund of 2017

The Nature of the Adjustment	LKR (000)
Unclaimed Refund	119
Returned Benefit	1,399
Unreconciled Balance - 147	31
Unreconciled Balance - 814	2
Refund of over contribution	(5,870)
Dividend & Interest for the previous year contribution	(990)
Surcharges	(3,767)
Dividend & Interest for the previous year surcharges	(1,642)
	(10,718)

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

	Note	GROUP		ETFB	
		2017 Rs. 000	2016 Rs. 000	2017 Rs. 000	2016 Restated Rs. 000
4 Interest Income					
Financial Investments Available for Sale		-	-	-	-
Financial Investments Held to Maturity	4.1	27,197,738	23,442,614	27,132,969	23,404,664
Financial Investments on Loans and Receivables	4.2	106,145	87,686	106,145	87,686
		27,303,884	23,530,300	27,239,114	23,492,350
4.1 Financial Investments Held to Maturity					
Interest on Fixed Deposit		3,438,592	468,050	3,377,384	431,390
Interest from Debenture		244,925	195,881	244,925	195,881
Yield on Treasury Bond		22,585,875	22,132,320	22,585,875	22,132,320
Margin on Treasury Bill		293,172	157,016	293,172	157,016
Interest on Repurchase Agreements		345,189	202,932	345,189	202,932
Interest on Money Market		1,271	1,476	1,271	1,476
Interest on Custodial A/C		3,654	1,459	92	170
Interest on Bonds - Power Project		285,060	283,479	285,060	283,479
		27,197,738	23,442,614	27,132,969	23,404,664
4.2 Financial Investments on Loans and Receivables					
Interest on Vijaya Housing Loan		85,250	68,443	85,250	68,443
Interest on Distress Loans (Special loan)		550	560	550	560
Interest on Vehicle Loan		6,345	6,061	6,345	6,061
Interest on Special Distress Loan		6,452	5,917	6,452	5,917
Interest on Special Festival Loan		130	137	130	137
Interest on Special Advance		726	416	726	416
Interest on Staff Housing Loan - SMIB		6,671	6,077	6,671	6,077
Interest on Sport Club Loan		21	74	21	74
		106,145	87,686	106,145	87,686
5 Net Trading Income					
Net Revenue	5.1	1,464,768	1,902,126	-	-
(-) Cost of Sales		(898,398)	(787,898)	-	-
		566,370	1,114,228	-	-

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

	Note	GROUP		ETFB	
		2017 Rs. 000	2016 Rs. 000	2017 Rs. 000	2016 Restated Rs. 000
5.1 Net Revenue					
Gross Revenue		1,719,765	2,182,064	-	-
(-) Value Added Tax and Nation Building Tax		(254,998)	(279,938)	-	-
		1,464,768	1,902,126	-	-
6 Dividend Income					
Investment Held for Trading	6.1	366,376	298,007	366,376	298,007
Investments Available for Sale	6.2	7,363	188,188	7,363	188,188
		373,739	486,194	373,739	486,194
6.1 Investment Held for Trading					
Dividends on Shares - Quoted		357,939	289,059	357,939	289,059
Dividends on Units - Quoted		8,437	8,948	8,437	8,948
		366,376	298,007	366,376	298,007
6.2 Investments Available for Sale					
Dividend on Shares - Unquoted		7,363	188,188	7,363	188,188
		7,363	188,188	7,363	188,188
7 Gain /(Loss) on Financial Assets at fair value through Profit /(Loss)					
Current Share Trading Profit		78,141	27,166	78,141	27,166
Profit / Loss on Long Term Shares		377,836	32,835	377,836	32,835
Realized Gain on Share Reserve		150,881	15,395	150,881	15,395
Fair Value Adjustment of Units		-	-	-	-
Fair Value Adjustment of Shares		(71,513)	(6,804)	(71,513)	(6,804)
		535,345	68,592	535,345	68,592

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

	Note	GROUP		ETFB	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Restated Rs. '000
8 Other Income					
Property Income - Lease Rent		2,645	3,255	2,645	3,255
Rent Received		418	386	-	-
Profit on Sale of Property, Plant and Equipment		(3,097)	107	(2,347)	6
Surcharges		348,229	235,477	348,229	235,477
Income on Express Claims		28,582	23,777	28,582	23,777
Staff Loan Income		31,645	31,409	30,323	29,271
Sundry Income		5,363	4,015	834	1,237
Donation - Treasury Granted		-	10,000	-	10,000
Profit / (Loss) On Car Park (Nawam Mawatha)		34,551	31,443	34,551	31,443
Profit / (Loss) On Holiday Bungalow		(3,415)	(2,817)	(3,415)	(2,817)
Non Refundable Deposit for Registration of Suppliers		934	241	-	-
Amortisation of grants		2,520	3,217	-	-
Revaluation gain on Investment Property		412,500	200,000	412,500	200,000
		860,876	540,511	851,903	531,650
9 Personal Expenses					
Wages and Salaries	9.1	629,323	588,117	576,990	548,210
Short-Term Monetary and Non-Monetary Benefits	9.2	409,809	354,109	353,408	330,278
Defined Benefit Plans	9.3	38,325	34,784	32,832	30,212
Other Long Term Employee Benefits	9.4	97,384	82,402	90,380	77,263
		1,174,842	1,059,412	1,053,611	985,963
9.1 Wages and Salaries					
Salaries		500,419	473,055	452,587	436,742
Directors' Fees		3,005	2,260	990	850
Cost of Living Allowance		87,736	84,741	87,736	84,741
Overtime		24,725	18,496	22,238	16,312
Holiday Pay		13,439	9,565	13,439	9,565
		629,323	588,117	576,990	548,210

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

	Note	GROUP		ETFB	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Restated Rs. '000
9.2	Short - Term Monetary and Non-Monetary Benefits				
	Training & Development Expenses	5,891	4,164	5,891	4,164
	Recruitment Expenses	1,037	528	1,037	528
	Staff Welfare	31,587	27,206	27,612	27,050
	Incentive	125,249	95,206	93,165	88,862
	Overseas Training	2,358	3,220	2,358	3,220
	Encashment of Leave	13,707	12,425	13,707	12,425
	Bonus	106,857	100,072	87,491	83,778
	Reimbursement of Medical Expenses	76,177	65,180	75,199	64,144
	Staff Loan Cost	30,323	29,271	30,323	29,271
	Interest on Housing Loans	16,625	16,783	16,625	16,783
	Employees Accident Compensation Scheme	-	53	-	53
		409,809	354,109	353,408	330,278
9.3	Defined Benefit Plans				
	Interest Cost	22,286	21,239	22,286	21,239
	Current Service Cost	16,039	13,545	10,546	8,973
		38,325	34,784	32,832	30,212
9.4	Other Long Term Employee Benefits				
	E.P.F. Board's Contribution	81,407	68,853	75,317	64,385
	E.T.F. Board's Contribution	15,977	13,548	15,063	12,878
		97,384	82,402	90,380	77,263

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

	Note	GROUP		ETFB	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Restated Rs. '000
10 Administrative Expenses					
Building Rent		68,660	57,131	59,183	48,140
Rates		9,769	1,398	755	805
Electricity Charges		18,584	18,472	18,584	18,472
Telephone Charges		11,411	9,103	10,930	9,103
Water Charges		1,470	1,460	1,470	1,460
Consultancy Fees		3,231	1,861	1,064	763
Audit Fees		955	1,164	427	603
Security Charges		10,837	7,596	10,837	7,596
Legal Fees		579	1,222	579	1,222
Hiring Charges		9,953	7,482	8,112	5,872
Secretarial Expenses		120	120	120	120
Postage & Telegrams - Admin.		1,941	2,209	1,941	2,209
Travelling & Subsistence - Admin.		640	635	640	635
Printing & Stationery - Admin.		2,786	2,400	2,093	1,895
Media & Publicity - Admin.		26,746	351	537	272
IT Expenses - Admin.		1,306	1,206	1,306	1,206
Advertisement & Press Notices		6,851	2,182	6,851	2,182
Vehicle Insurance & License Fees		2,275	2,459	2,275	2,459
Newspapers & Periodicals		838	610	838	610
Donations		1,957	859	-	50
Disciplinary Inquiries		83	316	83	316
Other Insurance		3	-	3	-
Office Upkeep & Requirements		519	657	519	657
Workers Compensation		73	-	73	-
Stamp Duty		166	103	166	103
Miscellaneous Expenses		13,389	9,630	5,673	3,623
Valuation Fee		4,083	-	4,083	-
Vehicle Repairs & Maintenance		8,354	9,723	7,964	9,623
Fuel Charges		12,520	10,896	10,155	10,608
Maintenance of Building		7,987	8,172	7,684	8,172
Board Anniversary Expense		-	3,068	-	3,068
Maintenance of Machine, Furniture & Equipments		4,423	2,098	2,864	2,044
		232,510	164,581	167,809	143,887

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

	Note	GROUP		ETFB	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Restated Rs. '000
11 Finance Expenses					
Custodial Fee		375	352	375	352
Bank Charges		2,203	2,907	2,026	2,542
Interest expenses		8,951	4,699	-	-
Release of Write Back Claims		-	9	-	9
		11,529	7,967	2,401	2,904
12 Member Expenses					
Member Benefits	12.1	397,835	393,349	397,835	393,349
Member Services	12.2	44,785	45,261	44,785	45,261
IT Services	12.3	17,983	15,856	17,983	15,856
		460,603	454,466	460,603	454,466
12.1 Member Benefits					
Death Benefits Scheme		110,836	97,518	110,836	97,518
Permanent Disablement Scheme		7,937	8,598	7,937	8,598
I.O.L. Implanting Scheme		5,019	4,293	5,019	4,293
Sramasuwa Rekawarana Scheme		11,501	13,558	11,501	13,558
Heart Surgery Scheme		140,625	171,420	140,625	171,420
Kidney Transplant Scheme		3,695	3,926	3,695	3,926
Year 5 Scholarship Scheme		82,410	67,898	82,410	67,898
Higher Education Scholarship Scheme		35,812	26,136	35,812	26,136
		397,835	393,349	397,835	393,349
12.2 Member Services					
Postage & Telegrams - Memb.		18,167	19,106	18,167	19,106
Printing & Stationery - Memb.		14,994	13,807	14,994	13,807
Computer Stationery		3,857	3,782	3,857	3,782
Self Employment Promotion Expenses		24	4	24	4
Member Related Expenses		303	357	303	357
Employees Awareness Scheme		304	445	304	445
Travelling & Subsistance - Memb.		5,309	4,830	5,309	4,830
Media & Publicity - Memb.		703	755	703	755
Medical Consultat. for Members		13	42	13	42
Scholarship Expenses		1,112	2,134	1,112	2,134
		44,785	45,261	44,785	45,261

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

	Note	GROUP		ETFB	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Restated Rs. '000
12.3 IT Services					
Maintenance of Hardware		4,729	4,292	4,729	4,292
Maintenance of Software		483	526	483	526
Depreciation - IT		6,433	5,658	6,433	5,658
Insurance - IT		148	29	148	29
Rental on Leased Lines		6,191	5,351	6,191	5,351
		17,983	15,856	17,983	15,856
13 Depreciation & Amortization					
Depreciation for property, Plant & Equipment		30,916	35,778	14,196	15,290
Amortization of Lease Hold Land & Development Work		30,349	4,882	-	-
Depreciation/Impairment of Biological Asset		357	-	-	-
		61,622	40,660	14,196	15,290

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

	Note	GROUP		ETFB	
		2017	2016	2017	2016
		Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
14	Income Tax Expenses	2,779,214	2,733,111	2,705,842	2,394,498
14.1	Income Tax - ETF Board				
	Income on Money Market	109	132	109	132
	Dividend on share	13,986	32,770	13,986	32,770
	Debenture	1,083	2,699	1,083	2,699
	Bond - Power Project	28,506	28,348	28,506	28,348
	Fixed deposits	287,854	43,139	287,854	43,139
	Treasury bill	29,317	15,702	29,317	15,702
	Treasury bond	2,258,587	2,213,232	2,258,587	2,213,232
	Ruppee Loan	-	-	-	-
	Repo	34,518	20,293	34,518	20,293
	SMIB Housing Loan	5	6	5	6
	Income on Express Claims	2,858	2,378	2,858	2,378
	Interst on Viyana Housing Loan	8,525	6,844	8,525	6,844
	Property Income - Lease Rent	264	326	264	326
	Surcharges	34,588	23,279	34,588	23,279
	Surcharges Form I I	235	269	235	269
	Interest on Distress Loans (Special loan)	55	56	55	56
	Interest on Vehicle Loan	635	606	635	606
	Interest on Special Distress Loan	645	592	645	592
	Interest on Special Festival Loan	13	14	13	14
	Interest on Special Advance	73	42	73	42
	Interest on Computer Loan	-	-	-	-
	Interest on Staff Hosing Loan - SMIB	662	601	662	601
	Interest on Sport Club Loan	2	7	2	7
	Sundry Income	83	124	83	124
	Profit / (Loss) On Car Park (NW) + H/B	3,238	3,041	3,238	3,041
		2,705,842	2,394,498	2,705,842	2,394,498
14.2	Income Tax - Lanka Salt Limited				
	Current Income Tax charge	95,281	198,882	95,281	198,882
	Under Provision of current taxes in respect of prior years	(1,172)	-	(1,172)	-
	Deferred Income Tax	-	-	-	-
	Deferred Taxation Charge / (Reversal)	(20,737)	139,732	(20,737)	139,732
	Income tax expense reported in the Income Statement	73,372	338,613	73,372	338,613

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

	Note	GROUP		ETFB	
		2017	2016	2017	2016
		Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
15 Other Financial Assets Held for Trading					
Quoted Share Investment (Trading)		2,511,005	1,955,837	2,511,005	1,955,837
Less: Provision for Diminution in Value of Quoted Shares		-	-	-	-
		2,511,005	1,955,837	2,511,005	1,955,837
16 Investment in Subsidiary					
Lanka Salt Limited		-	-	470,961	470,961
		-	-	470,961	470,961
17 Financial Investments - Available-For-Sale					
Quoted Share Investment Long Term		7,386,330	8,788,639	7,386,330	8,788,639
Unquoted Share Investment		133,044	89,992	133,044	89,992
Quoted Units		339,370	330,886	339,370	330,886
Promissory Notes		12,174	12,174	12,174	12,174
Shares - Delisted & Under Liquidation		25,228	25,228	25,228	25,228
Less: Provision for Diminution in Value Shares		(25,228)	(25,228)	(25,228)	(25,228)
Impairment on Promissory Notes		(12,174)	(12,174)	(12,174)	(12,174)
Impairment on Equity Investment		(13,050)	(283)	(13,050)	(283)
		7,845,694	9,209,233	7,845,694	9,209,233
17.1 Impairment on Equity investment not held for trading					
"The value of equity investments not held for trading is periodically reviewed to identify significant or prolonged decline in value. For this purpose the management considers objective evidence of impairment that is not limited to declining market value but qualitative factors such as strategic intent and intrinsic value. Accordingly impairment provisions have recognised in respect of certain equity investments (amounting to LKR 13,049,962) where there is a significant or prolonged decline in value and there is no reasonable possibility of a reversal of the situation. Such provisions shall recognise through profit or loss.					
18 Financial Investments Held To Maturity					
Treasury Bonds		205,239,775	196,302,449	205,239,775	196,302,449
Treasury Bills		-	3,624,832	-	3,624,832
Quoted - Debenture		2,289,134	2,194,114	2,289,134	2,194,114
Less: Impairment on Debenture		(7,450)	(7,450)	(7,450)	(7,450)
Fixed Deposits		38,347,443	15,783,095	38,100,000	15,127,000
Repurchase Agreement		2,940,528	2,846,294	2,940,528	2,846,294
Debentures Unquoted		-	-	-	-
Bonds - Power Project		2,054,906	2,367,270	2,054,906	2,367,270
		250,864,335	223,110,604	250,616,892	222,454,509

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

	Note	GROUP		ETFB	
		2017	2016	2017	2016
		Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
19 Financial Assets - Loans & Receivables					
Housing Finance - N.D.B		1,010,922	642,046	1,010,922	642,046
Staff Loans					
Distress Loan (Special Loan)		15,162	13,723	15,162	13,723
Special Distress Loan		207,155	176,103	207,155	176,103
Festival Advance		559	571	559	571
Special Festival Loan		817	849	817	849
Special Advance		9,241	17,216	3,477	3,275
Vehicle Loan		181,431	167,925	181,431	167,925
SMIB-Staff Housing Loan		358,366	339,383	358,366	339,383
Loan - Flood Relief		4,452	-	4,452	-
		1,788,104	1,357,817	1,782,340	1,343,876
20 Other Assets					
Accrued Income	20.1	8,851,491	7,015,577	8,851,491	7,015,577
Receivables & Prepayments	20.2	2,154,484	2,157,048	2,132,655	2,123,869
Tax Recoverable	20.3	88,645	127,986	60,816	98,235
Inventories	20.4	825,949	321,077	5,084	6,512
		11,920,568	9,621,688	11,050,045	9,244,193
20.1 Accrued Income					
Interest Receivable		8,879,356	7,043,442	8,879,356	7,043,442
Less: Provision Against Doubtful Income		(27,866)	(27,866)	(27,866)	(27,866)
		8,851,491	7,015,577	8,851,491	7,015,577

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

		GROUP		ETFB	
		2017	2016	2017	2016
	Note	Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
20.2 Receivables & Prepayments					
Contribution Receivable		1,946,870	1,806,052	1,946,870	1,806,052
Trade Debtors		8,676	7,561	-	-
Money Order Control		5,537	5,385	5,537	5,385
Postal Franking Machine Imprest		479	772	479	772
Sundry Debtors		36,633	177,052	36,633	177,052
Dues from Ex-employees		1,522	1,913	1,522	1,913
Security Deposits		4,964	4,039	4,964	4,039
Prepayment		9,399	7,155	9,399	7,155
Pre - Paid Staff Loan Cost		124,461	119,273	124,461	119,273
Advance Payment		15,943	27,347	2,791	1,729
Loan - Sports Club		-	499	-	499
		2,154,484	2,157,048	2,132,655	2,123,869
20.3 Tax Receivable - ETFB					
Tax Recoverable					
Tax Paid in Advance		88,645	127,986	60,816	98,235
		88,645	127,986	60,816	98,235
20.4 Inventories					
Common Salt Stock		740,964	242,991	-	-
Potassium Iodated Stock		1,724	3,482	-	-
Work in Progress		26,935	23,604	-	-
Consumables and Spares		51,241	44,489	-	-
Less: Provision for Consumables and Spares		-	-	-	-
Stock of Stationery & Consumable		3,602	5,030	3,602	5,030
Library		172	172	172	172
Holiday Bungalow Inventory		1,310	1,310	1,310	1,310
		825,949	321,077	5,084	6,512

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

21 PROPERTY, PLANT & EQUIPMENT

21.1	Group	Bearer Biological Assets												Rs. '000	
		Land	Buildings	Buildings on Leasehold Land	Plant & Machinery	Motor Vehicles	Leased Motor Vehicles	Furniture Fittings & Office Equipment	Computer Equipment	Equipment	Immature Plantations	Mature Plantations	Development Work		In the Course of Construction
Cost															
	Balance at 1st January 2016	20,000	37,380	581,810	171,890	210,049	19,538	109,283	144,087	33,029	14,128	17,841	38,130	24,246	1,421,412
	Additions	-	2,139	6,374	66,092	31,253	10,318	14,755	13,276	3,811	-	-	129,805	172,767	450,591
	Adjustment	-	-	-	(26)	(779)	-	(2,208)	(254)	-	-	-	-	(1,230)	(4,497)
	Disposals	-	-	-	-	-	-	(73)	(2,278)	-	-	-	-	-	(2,351)
	Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Revaluations/Transfer	-	-	-	-	-	-	-	-	-	-	-	-	(169,384)	(169,384)
	Balance at 31st December 2016	20,000	39,519	588,185	237,956	240,523	29,856	121,757	154,831	36,840	14,128	17,841	167,935	26,400	1,695,772
	Balance at 1st January 2017	20,000	39,519	588,185	237,956	240,523	29,856	121,757	154,831	36,840	14,128	17,841	167,935	26,400	1,695,772
	Additions	-	-	7,470	23,530	15,652	-	20,696	14,329	2,460	-	-	106,284	113,636	304,057
	Disposals	-	-	(477)	(961)	(377)	-	(7,015)	(12,965)	(315)	-	-	-	-	(22,110)
	Adjustment	-	-	-	-	-	-	(12)	-	-	-	-	-	-	(12)
	Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Revaluations/Transfer	-	-	-	-	-	-	-	-	-	-	-	-	(106,284)	(106,284)
	Balance at 31st December 2017	20,000	39,519	595,178	260,525	255,799	29,856	135,425	156,195	38,985	14,128	17,841	274,219	33,752	1,871,423

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

	Bearer Biological Assets													Total
	Land	Buildings	Buildings on Leasehold Land	Plant & Machinery	Motor Vehicles	Leased Motor Vehicles	Furniture Fittings & Office Equipment	Computer Equipment	Equipment	Immature Plantations	Mature Plantations	Development Work	In the Course of Construction	
Accumulated Depreciation														
Balance at 1st January 2016	-	3,188	76,560	75,285	152,164	1,109	69,260	89,266	19,459	-	357	38,130	-	524,777
Depreciation Charge for the Month	-	2,285	14,551	17,277	15,005	3,641	7,422	7,026	3,050	-	-	4,185	-	74,441
Disposals	-	-	-	(26)	(776)	-	(2,016)	(2,348)	-	-	-	-	-	(5,166)
Balance at 31st December 2016	-	5,472	91,111	92,535	166,394	4,750	74,666	93,944	22,509	-	357	42,314	-	594,053
Balance at 1st January 2017	-	5,472	91,111	92,535	166,394	4,750	74,666	93,945	22,509	-	357	42,314	-	594,053
Depreciation Charge for the Month	-	2,220	14,713	23,387	16,529	2,986	10,265	7,988	2,967	-	357	29,652	-	111,064
Disposals	-	-	(86)	(796)	(237)	-	(5,727)	(11,423)	(236)	-	-	-	-	(18,504)
Balance at 31st December 2017	-	7,692	105,738	115,127	182,686	7,735	79,204	90,510	25,241	-	714	71,967	-	686,613
Net Book Value														
At 1st January 2016	20,000	34,193	505,250	96,606	57,884	18,429	40,023	54,821	13,570	14,128	17,484	(0)	24,246	896,635
At 31st December 2016	20,000	34,047	497,074	145,421	74,130	25,106	47,091	60,887	14,331	14,128	17,484	125,620	26,400	1,101,719
At 31st December 2017	20,000	31,827	489,439	145,399	73,113	22,121	56,221	65,685	13,744	14,128	17,128	202,252	33,752	1,184,809

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

21 PROPERTY, PLANT & EQUIPMENT

21.2 ETFB	Land	Buildings	Motor Vehicles	Furniture Fittings & Office Equipment	Computer Equipment	Total Rs. '000
Cost						
Balance at 1 st January 2016	20,000	37,380	130,390	88,430	144,087	420,288
Additions	-	2,139	-	10,940	13,276	26,355
Adjustment	-	-	-	-	-	-
Disposals	-	-	-	(2,185)	(254)	(2,439)
Revaluations	-	-	-	(73)	(2,278)	(2,351)
Balance at 31st December 2016	20,000	39,519	130,390	97,112	154,831	441,853
Balance at 1 st January 2017	20,000	39,519	130,390	97,112	154,831	441,853
Additions	-	-	-	7,777	14,329	22,106
Disposals	-	-	-	(5,818)	(12,965)	(18,784)
Adjustment	-	-	-	(12)	-	(12)
Revaluations	-	-	-	-	-	-
Balance at 31st December 2017	20,000	39,519	130,390	99,058	156,195	445,163
Accumulated Depreciation						
Balance at 1 st January 2016	-	3,188	96,742	57,947	89,267	247,144
Depreciation Charge for the Month	-	2,285	7,498	5,876	7,026	22,685
Disposals	-	-	-	(2,006)	(2,348)	(4,354)
Balance at 31st December 2016	-	5,472	104,240	61,817	93,945	265,475
Balance at 1 st January 2017	-	5,472	104,240	61,817	93,945	265,475
Depreciation Charge for the Month	-	2,220	5,824	6,284	7,988	22,316
Disposals	-	-	-	(4,790)	(11,423)	(16,213)
Balance at 31st December 2017	-	7,692	110,065	63,310	90,510	271,577
Net Book Value						
At 1 st January 2016	20,000	34,193	33,648	30,483	54,820	173,144
At 31 st December 2016	20,000	34,047	26,150	35,295	60,887	176,378
At 31 st December 2017	20,000	31,827	20,326	35,748	65,685	173,586

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

	Note	GROUP		ETFB	
		2017	2016	2017	2016
		Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
22 Leasehold Property					
Cost					
At 1 January		20,910	20,910	-	-
Additions		-	-	-	-
At 31st December		20,910	20,910	-	-
Receivables & Prepayments					
Accumulated Amortization					
Balance as at 1 st January		15,334	14,637	-	-
Charge for the Year		697	697	-	-
Balance as at 31st December		16,031	15,334	-	-
Net Book Value as at 31st December		4,879	5,576	-	-
23 Intangible Assets					
Balance as at 1 st January		192	266	192	266
Amortization during the year		(53)	(74)	(53)	(74)
Balance as at 31st December		140	192	140	192
24 Investment Property					
Balance as at 1 st January		3,400,000	3,200,000	3,400,000	3,200,000
Change in Fair Value		412,500	200,000	412,500	200,000
Balance as at 31st December		3,812,500	3,400,000	3,812,500	3,400,000

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

25 Interest Bearing Borrowings

Lanka Salt Limited

		31 st December 2017			31 st December 2016		
		Amount	Amount	Total	Amount	Amount	Total
		Repayable	Repayable		Repayable	Repayable	
		Within 1 Year	After 1 Year		Within 1 Year	After 1 Year	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank Loans	25.1	-	-	-	7,260	-	7,260
Finance Leases		5,157	7,221	12,378	5,157	12,378	17,535
Bank Overdrafts		170,667	-	170,667	202,329	-	202,329
		175,824	7,221	183,045	214,746	12,378	227,124

25.1 Bank Loans

	As At 01.01.2017 Rs. '000	Loans Obtained Rs. '000	Repayment Rs. '000	As At 31.12.2017 Rs. '000
Hatton National Bank PLC	7,260	-	7,260	-
Bank of Ceylon	-	-	-	-
	7,260	-	7,260	-

26 Grants & Subsidies

Lanka Salt Limited

	Iodized Plant Rs. '000	Building Rs. '000	Pump House Rs. '000	Compensation to Employees Rs. '000	Iodine for Plant Rs. '000	Total 2017 Rs. '000	Total 2016 Rs. '000
Cost							
As at 1 st January	19,515	41,124	1,387	4,260	-	66,287	68,837
As at 31 st December	19,515	41,124	1,387	4,260	-	66,287	68,837
Amortization							
As at 1 st January	18,058	9,853	335	-	-	28,246	27,579
Reversal during the Year	1,457	1,028	35	-	-	2,520	3,217
As at 31 st December	19,515	10,881	370	-	-	30,766	30,796
Written Down Value							
As at 31 st December	-	30,244	1,017	4,260	-	35,521	38,041

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

	Note	GROUP		ETFB	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Restated Rs. '000
27 Defined Benefit Obligation					
Opening Defined Benefit Obligation 01 st January		401,707	356,924	202,603	193,085
Interest Cost		66,048	79,648	22,286	21,239
Current Service Cost		10,546	8,973	10,546	8,973
Benefit Paid		(35,591)	(43,337)	(21,643)	(20,195)
Actuarial (Gains) / Losses on Obligations		11,599	(500)	11,599	(500)
Closing Defined Benefit Obligation 31st December		454,311	401,707	225,391	202,603
28 Current Tax Liabilities					
Gross Tax Liability		2,761,084	2,584,325	2,705,842	2,394,498
Accrued WHT on FD		166,917	43,663	166,917	43,663
Notional Tax Credit		(2,322,423)	(2,249,227)	(2,322,423)	(2,249,227)
Tax Paid Source		(331,543)	(107,094)	(331,543)	(107,094)
ESC Paid		(7,257)	(758)	(7,257)	(758)
Tax Payable to IRD		266,777	270,909	211,536	81,082
29 Other Liabilities					
Accounts Payables and Sundry Creditors	29.1	523,992	409,738	157,269	104,569
Deferred Tax Liabilities	30.2	80,076	100,813	-	-
		604,068	510,550	157,269	104,569

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

		GROUP		ETFB	
		2017	2016	2017	2016
	Note	Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
29.1 Accounts Payables and Sundry Creditors					
Retained Tax on Claims & Benefits Paid		35,487	15,214	35,487	15,214
Trade and Other Payables	29.1.1	366,723	305,169	-	-
Stamp Duty Payable on Claims		709	604	709	604
Unpaid Emoluments		6	6	6	6
Stamp Duty Payable on Salaries		98	93	98	93
Superintendent of EPF		13,601	11,796	13,601	11,796
Sundry Creditors		57,830	38,772	57,830	38,772
Unclaimed Refunds		6,534	5,310	6,534	5,310
Unpaid Death Benefits		10,171	9,992	10,171	9,992
E.T.F. Payable		1,632	1,415	1,632	1,415
P.A.Y.E. Tax		2,659	2,498	2,659	2,498
VAT		269	731	269	731
N.B.Tax		110	106	110	106
Unclaimed Scholarship		1,865	2,113	1,865	2,113
Unreconcile Balance		588	-	588	-
Returned Benefit		17,341	16,087	17,341	16,087
Library Fund		47	45	47	45
Board Anniversary Fund		-	(308)	-	(308)
E.T.F CSR Project		100	-	100	-
Refundable Deposit		-	14	-	14
EISA Project		4,180	-	4,180	-
Security Deposits - Car park		3,958	-	3,958	-
Salary Deductions Clearance		75	80	75	80
Income Paid in Advance		9	-	9	-
		523,992	409,738	157,269	104,569

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

		LANKA SALT LIMITED	
29.1.1	Trade and Other Payables	2017	2016
		Rs. '000	Rs. '000
	Financial Liabilities		
	Trade Payables	76,684	39,615
	Salt Transport Payable	11,124	9,890
	Deposits Payables	30,855	16,785
	Dividends Payable	1,258	18,952
	Ground Rent Payable	-	-
	Non Financial Liabilities		
	Accrued Expenses	174,794	127,803
	Other Payables	12,784	26,640
	Value Added Tax Payables	14,437	26,356
	Contractor Payables	44,787	39,129
		366,723	305,169

		LANKA SALT LIMITED			
29.2	Deferred Tax Liabilities	Capital Allowances for Tax Purposes	Defined Benefit Plans	Grants and Subsidies	Deferred tax attributable to Tax Losses
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
	As at 01.01.2015	104,910	(45,875)	(11,552)	(86,402)
	Charge (credit) to profit or loss for the year	62,304	(9,875)	901	86,402
	As at 01.01.2016	167,213	(55,749)	(10,651)	-
	Charge (credit) to profit or loss for the year	(13,094)	(8,348)	706	-
	As at 31.12.2016	154,119	(64,097)	(9,946)	-
	Deferred tax liability				(154,119)
	Deferred tax asset				74,043
	Unutilized Business Loss C/F				-
	Net Deferred Tax Liability				(80,076)

		GROUP		ETFB	
30	Provisions	2017	2016	2017	2016
		Rs. '000	Rs. '000	Rs. '000	Restated Rs. '000
	Provision for Audit fee	1,810	1,990	1,810	1,990
	Provision for Telephone	255	709	255	709
	Provision for Electricity	46	90	46	90
	Provision for Water	34	105	34	105
	Provn. for Employees' Accident Compensation Scheme	2,000	2,000	2,000	2,000
	Provision for Bonus	113	153	113	153
	Provision for Leave Encashment	11,492	10,488	11,492	10,488
	Provision for Postage	302	779	302	779
	Provision for Higher Education Scholarship	65,844	71,528	65,844	71,528
	Provision for Year 5 Scholarship	15	-	15	-
		81,910	87,841	81,910	87,841





04

SUPPLEMENTARY INFORMATION

AUDITOR GENERAL'S REPORT - 2017



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No. }

LEW/B/ETF/FA/2017

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

23 October 2018

The Chairman,
Employees' Trust Fund Board.

Report of the Auditor General on the Consolidated Financial Statements of Employees' Trust Fund Board and its Subsidiary for the year ended 31 December 2017 in terms of Section 10(7) of the Employees' Trust Fund Act, No.46 of 1980.

The audit of consolidated financial statements of the Employees' Trust Fund Board and its Subsidiary for the year ended 31 December 2017 comprising the consolidated statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10(1) of the Employees' Trust Fund Act, No.46 of 1980. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 10(7) of the Employees' Trust Fund Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). Those Standards require that, I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Section 10 (1) of the Employees'

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

+94 11 2 88 70 28 - 34

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

+94 11 2 88 72 23

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.

ag@auditorgeneral.gov.lk

www.auditorgeneral.gov.lk



Trust Fund Act, No. 46 of 1980 gives powers to the Auditor General to determine the scope and extent of the audit.

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

2. Financial Statements

2.1 Opinion – Group

In my opinion, the consolidated financial statements give a true and fair view of the financial position of the Employees' Trust Fund Board and its Subsidiary as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion – Board

In my opinion, the financial statements give a true and fair view of the financial position of the Employees' Trust Fund Board as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements - Group

The financial statements of the Lanka Salt Limited, a subsidiary company of which 90 per cent of the shares had been owned by the Board, for the year ended 31 December 2017, had been directly audited by the Auditor General, and a qualified audit opinion was expressed.

2.3 Comments on Financial Statements – Board

2.3.1 Sri Lanka Accounting Standards

Despite the existence of assets being further depreciated under diminishing balance over a period of 25 years, in the fixed assets of the Board costing Rs. 441,163,000 as at 31 December 2017, those assets had not been revalued in terms of Section 34 of the Sri Lanka Accounting Standard 16 in order to show the fair value thereof.

2.3.2 Accounting Deficiencies

A sum of Rs. 588,000 had been shown as balances that could not be identified under current liabilities as at 31 December of the year under review, but action had not been taken to identify and settle those balances.

2.4 Accounts Receivable and Payable

The following observations are made.

- a) Action had not been taken even up to 31 December 2017 to settle the unclaimed scholarship funds amounting to Rs. 1,865,000 that should have been paid to the

students who had passed GCE Advanced Level Examination during the period 1994 – 2009.

- b) Action had not been taken even up to 31 December of the year under review to identify the relevant members and settle an aggregated sum of Rs. 34,046,205 comprising Rs. 10,170,557 of unclaimed death benefits that had continuously remained increasing since 1995, and retained benefits amounting to Rs. 17,341,449 and unclaimed benefits amounting to Rs. 6,534,199 that had continued to exist since 2001.

However, according to the comments of the Chairman of the Employees' Trust Fund Board, a sum of Rs. 69,454 from the death benefits, a sum of Rs. 4,499,697 from the retained benefits and a sum of Rs. 2,514,785 from the benefits not requested that had not been claimed during the period January – July, 2018 had been paid.

- c) Property income of Rs. 7,515,346 shown under miscellaneous debtors as being receivable to the Board over several years, could not be recovered even up to the end of the year under review.

2.5 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The following non-compliances with Laws, Rules, Regulations, and Management Decisions, were observed.

Reference to Laws, Rules and Regulations	Non-compliance
a) Section 1985, and 13.1 (b) of Chapter III of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	An acting appointment should be made only in the absence of permanent holder of the post, to fill a temporary vacancy, or to cover the duties of a post in addition to the duties assigned. Nevertheless, acting appointments had been made for the non-vacant post of Administrative and Human Resources Manager included in the approved cadre, and the post of Postal Manager not included in the approved cadre of the Board, with effect from 01 April 2016 and 03 November 2014 respectively. Those persons had later been made permanent in the said posts from 01 October 2016.
b) Public Enterprises Circular, No. PED/12, dated 02 June 2003.	
i. Section 9.3.1 (vii)	Acting appointments should be restricted for a period of 03 months in accordance with the



Circular. Contrary to the said provisions, the Board had appointed 07 officers in the year under review for a period ranging from 1 ½ years to 4 years on acting basis.

ii. Section 9.14.2

Action had not been taken to obtain Treasury approval on the scheme of administration and discipline being followed by the Board at present.

3. Financial Review

3.1 Financial Results

According to the consolidated financial statements presented, the profits of the Group and the Board for the year ended 31 December of the year under review, amounted to Rs. 17,153 million and Rs. 16,828 million respectively as compared with that of the preceding year's being Rs. 14,346 million and Rs. 13,648 million respectively, thus indicating an improvement in the financial results of the year under review by sums of Rs. 2,807 million and Rs. 3,180 million respectively. The increase in the interest income of the Board for the year under review by a sum of Rs. 3,747 million had mainly attributed to the said improvement.

The analysis on the financial results of the year under review and 04 preceding years indicated that the profit that had amounted to Rs. 14,913 million in the year 2013 had increased to Rs. 17,072 million in the year 2014; but, the profit had decreased to Rs. 13,648 million by the year 2016, and then increased again in the year under review to Rs. 16,828 million. However, when the employee remuneration, income tax, and depreciation on the non-current assets had been adjusted to the financial result, the contribution of the Board in the year 2013 amounting to Rs. 15,905 million had increased to Rs. 17,051 million and Rs. 20,610 million in the year 2016 and 2017 respectively. As compared with the year 2016, the contribution of the year under review had improved by 20.87 per cent.

3.2 Legal Cases Instituted by the Board

A number of 2,321 cases had been filed by the Board at Courts throughout the island in view of the recovery of a sum of Rs. 1,902,318 from a private company, and the recovery of contributions and surcharges totalling Rs. 166,687,328.



4. Operating Review

4.1 Performance

4.1.1 Planning

The following observations are made.

- a) The weaknesses such as, lack of facilities for effective operations, non-availability of own office complex and the inadequacy of existing space for operations, inadequate storage for data, failure to attract skilled professionals, and restrictions on career development, along with the threats such as, difficulties in the business realm relating to investments, and lack of investments for achieving higher productivity, had been identified as being detrimental in the SWOT Analysis on the Board (strengths, weaknesses, opportunities, and threats). Nevertheless, strategies had not been identified in the Corporate Plan and Annual Action Plan to overcome the said hurdles.
- b) It had been planned to maintain the percentage of Government securities and deposits in state banks at 87 per cent under the strategies for achieving the objective of managing the investment portfolio in the Action Plan of the Investment Division for the year 2017. However, according to the investment policy statement of the Board, a percentage of at least 87 per cent should be maintained solely on the Government securities (Treasury bonds, Treasury bills, and rupee loans). Fixed deposits, debentures, and commercial papers are considered to be other fixed income securities, and the maximum limit of those investments should be 5 per cent. Accordingly, it was observed that key performance indicators had not been accurately identified to measure the performance of Investment Division.

4.1.2 Functionality and Review

The following observations are made.

- a) Despite being planned in accordance with the Action Plan to grant membership for 2000 self-employed persons in the year under review, only 996 self-employed persons had been given membership.
- b) It had accommodated to join self-employed persons to the Employees' Trust Fund, in terms of Section 20(1) of the Employees' Trust Fund Act, No.46 of 1980 as amended by Section 7 of Employees' Trust Fund (amendment) Act, No.47 of 1988. However, according to the report of the Central Bank of Sri Lanka as at 31 December 2017, the number of self-employed persons had been 2,571,023, but only 40,265 or 1.57 per cent therefrom had been enrolled for the membership of the Board. Although strategies had been set out in the Action Plan by establishing a separate division in the Board for promoting that field which had specifically been mentioned in the Act of the Board, the attention brought thereon remained poor by the end of the year 2017.

- c) The improvement of strategies on the development and update of the methodologies for evaluating the performance of the staff set out in the Action Plan of the Human Resource Management Division for the year under review, had been achieved by 30 per cent less than the expected level. Furthermore, the performance, achieved with respect to the strategies linking the individual performance with the monthly incentive scheme, had only been 25 per cent.
- d) The interest dividends payable to the members of the Trust in terms of Sections 14 and 22 of the Employees' Trust Fund Act, No. 46 of 1980, had dropped from 12.5 per cent to 10 per cent during the period 2010 – 2014. As for the 2 preceding years and the year under review, the said value had become an unchanged figure of 9 per cent.

4.2 Management Activities

Action had not been taken to obtain approval of the Treasury and the Board of Directors on the scheme of financial procedure formulated by the Board.

4.3 Investment of Funds

The following observations are made.

- a) The methodology of making investments in a manner that maximizes income whilst minimizing risks when maintaining the investment portfolio of the Employees' Trust Fund, has been stated in Chapter 4 of the investment policy statement of the Board. Accordingly, limits had been defined in the manner of, 87 per cent for Government securities, a maximum of 5 per cent for other fixed income securities, 2 per cent for short-term repurchase, and 6 per cent for share investments (maximum). The composition of investment portfolio relating to the year under review and 2 preceding years, is given below.

Investment Portfolio	Value	2015		2016		2017	
		As a Percentage of the Total Investment Portfolio	Value	As a Percentage of the Total Investment Portfolio	Value	As a Percentage of the Total Investment Portfolio	Value
	Rs. Million	%	Rs. Million	%	Rs. Million	%	
I. Government Securities	194,723	93.08	202,295	86.18	207,295	79.29	
II. Other Fixed Income Securities	1,917	0.92	17,970	7.65	40,382	15.45	
III. Short-term Repurchases	1,751	0.84	2,846	1.21	2,940	1.12	
IV. Share Market	10,803	5.16	11,636	4.96	10,828	4.14	
	<u>209,194</u>		<u>234,747</u>		<u>261,445</u>		

Accordingly, of the overall investment portfolio relating to the years 2015 and 2016, ninety three per cent and 86 per cent had respectively been invested in Government securities, but that investment had dropped to 79 per cent in the year 2017, thus observing a decrease of 8 per cent as against the limit of 87 per cent in accordance with the investment policy statement. Furthermore, the investment in other fixed income securities, being 0.92 per cent in the year 2015, had exceeded the approved limit and reached 7.65 per cent and 15.45 per cent in the years 2016 and 2017 respectively. The increase in the investment in fixed deposits amounting to Rs. 70 million in the year 2015, up to Rs. 38,100 million by the year 2017 had directly attributed thereto. As such, it was observed that the increase in investments in securities with short-term periods of maturity whilst the decrease in investments in Government securities with low risks would cause an increased risk with respect to overall investment portfolio.

- b) Of the 16 auctions of Treasury bonds conducted by the Central Bank of Sri Lanka in the year 2017, there had been 15 auctions of which bids had been accepted, and the Board had taken part in 14 auctions therefrom. As for the 14 auctions thus attended, all the bids had been rejected in 04 instances whereas over 90 per cent of the bids submitted had been rejected in another 04 instances.
- c) When bids are submitted by the Board for Treasury bonds, the bid value submitted under a single ISIN Code is divided into smaller values without properly studying the market behavior thereby submitting bids for each of those values under higher yield rates. Owing to the fact that bids were submitted under higher yield rates by exceeding the average yield rates of the market, it was observed that secondary bids were rejected.
- d) The Treasury bonds purchased by the Board through primary market and secondary market were maintained by being classified as “ bonds retained until maturity”. Hence, attention was not brought on the reaping of financial gains by selling them at the secondary market.
- e) Although the Board had been a leading institution in investing funds in the Government securities, action had not been taken even up to 31 December 2017 to obtain the direct bidding facility from the Central Bank of Sri Lanka.
- f) The Board had withdrawn from the secondary market transactions relating to the Treasury bonds after the year 2016. Due to failure in taking measures even up to 30 June 2018 in order to be involved in secondary market transactions again, it was revealed that investing the excess funds had become problematic, and the opportunity for investing in low-risk Government securities when maintaining the investment portfolio as mentioned in 4.3 (a) above had been deprived of. It was also observed that no attention had been brought on the activities such as, enhancing the technical facilities required in the involvement in the secondary market of the Treasury bonds, improving the internal controls relating to the investment process, and the development of human resources.



- g) No dividend income whatsoever had been received for the year 2017 from the investments of which the average costs had amounted to Rs. 200,402,855, made in 7 companies classified as financial assets to be sold as at 31 December 2017. Dividends had not been received for the year 2016 as well with respect to 05 of those companies.

4.4 Operating Activities

The following observations are made.

- a) Contributions totalling Rs. 2,166,965,613 as at 31 December 2017 collected by the Board from client institutions during the period 1981-2016, together with unidentified contributions totalling Rs. 1,307,367 relating to the period 1996-2002, had not been credited to the personal accounts of relevant members in terms of Section 16 of the Employees' Trust Fund Act; instead, those monies had been retained in other temporary accounts. As the monies had been retained in such a manner without being credited to the relevant accounts of the members, the risk for the relevant members to be deprived of their monies had existed.
- b) The employers registered only with the Employees' Trust Fund had been registered by the Board as dummy employers. The number of dummy employers so registered from 1984 to 31 December 2017, had been 14,139. The contributions of the said dummy employers had been credited to an account named "XX" instead of being credited to personal accounts, and the balance thereof amounted to Rs. 142,751,290 as at 31 December 2017. A methodology suitable for the dummy employers to be registered as actual employers, had not been formulated.
- c) The holiday resort in Anuradhapura being maintained by the Board to provide accommodation for employees of the Board, had continuously sustained losses, and in the year 2017, a net loss of Rs. 3,415,000 had been sustained. The net losses sustained in the preceding years of 2015 and 2016 amounted to Rs. 2,938,000 and Rs. 2,817,000 respectively. Sustaining losses in such a manner had made an impact on the decline of funds to be made use of for paying benefits to the members of the Board.

4.5 Transactions of Contentious Nature

Stating that the Institute had functioned under the Shop and Office Employees Act, overtime payments had been made by considering an hour of overtime had equaled one and half hours, and adding a day's pay when completing 08 hours of overtime on Saturdays/Sundays. The cost on overtime for the year under review amounted to Rs. 22,238,000 indicating an increase of 36 per cent as compared with the year 2016. Officers of the Board should work for 5 ½ days per week in order to claim overtime in terms of the said Act. Although annual leave had been limited only to 21 days, the officers had been provided with 42 annual leave and allowed to work for 5 days per week.



4.6 Staff Administration

The following observations are made.

- a) Nineteen posts of the Board had remained vacant as at 31 December 2017 whereas an excess staff had been employed for 16 posts. As the post of General Manager had also remained vacant since the year 2013 in the said vacant staff, a direct impact had been caused on the administration of the Board and supervision of the top level management.
- b) Applications should have been called through a public advertisement for the post of Management Assistant- iii (MA 1-2) in accordance with the recruitment procedure set out in Scheme of Recruitment of the Board. However, without doing so, action had been taken in the year under review to fill 39 vacancies in that post based on the applications received from the children of the staff members.
- c) The Circulars of the Administrative and Human Resource Divisions had stated that no-pay leave obtained, and disciplinary action taken should be taken into account when granting promotions. Nevertheless, despite the issues relating to the officer who had been appointed on acting basis in the post of Manager of the Postal Division, such as disobedience to official instructions, continuous behavior of misconduct at the regional offices, and problems relating honesty and transparency in dealing with employers officially, he had been made permanent in the said post with effect from 01 October 2016. Furthermore, evidence to the effect that performance reports had been obtained from the Divisional Head of the said officer prior to being made permanent, had not been revealed.
- d) In the staff absorption of the year 2013, the post of “Self-employment Manager” had been identified to be maintained in the approved cadre until the end of service of the then officer albeit the said post had not been required any more. However, even after the end of service of the officer employed at the said period, a new appointment had been made since the year 2015 by continuing the post.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals

In terms of Letter, No. NP/SP/SDG/17 of the Secretary to the Ministry of National Policies and Economic Affairs Every relating to sustainable development, every Government institution should comply with the 2030 Agenda for Sustainable Development adopted by the United Nations. As the Board had not been aware as to how to act in regard to the activities under its purview, no action had been taken to identify the sustainable development goals and targets, milestones in reaching those targets, and the indicators to measure the achievement of the targets.



6. Accountability and Good Governance

6.1 Internal Audit

- a) According to the Internal Audit Plan furnished along with the Action Plan of the Board for the year 2017, it had been planned to examine the investments made in listed shares and non-listed shares. However, it had not been done so in the year under review.
- b) The Internal Audit Unit should have annually revised the final accounts, annual budget, annual report, and the Corporate Plan of the Board in accordance with the Action Plan of the Board. But, it had not been done so, and no internal audit had been conducted on the main duty of the Board- investment of funds and the benefits thereof.

6.2 Budgetary Control

The comparison between budgeted income and actual income of the Board for the year 2017 revealed that the profit from the sale of quoted shares, and lease rents of properties had decreased than the budgeted amounts by 84 per cent and 28 per cent respectively whilst variances ranging from 25 per cent to 200 per cent had been observed in 31 Items of Expenditure. The expenditure on the maintenance of machines and equipment, advertisements, miscellaneous expenses, and office maintenance and requirements, had increased over the budgeted amounts by 200 per cent, 174 per cent, 149 per cent, and 69 per cent respectively. Due to overestimates relating to 14 Items of Expenditure, the actual expenditure had decreased from 35 per cent to 95 per cent. As such, considerable variances ranging from 35 per cent to 95 per cent were observed between the budgeted values and the actuals; hence, it was observed that the budget had not been made use of as an instrument of management control.

6.3 Procurements

The following observations are made.

- a) Although the Board had obtained consultancy services valued at Rs. 1,423,750 during the year under review, the following instances were observed in which the Guidelines issued in August 2007 by the Procurement Agency had not been followed with respect to “Selection and employment of consultants” in the execution of procurements.
 - (i) In terms of Paragraph 5.2.1 of the Procurement Guidelines, obtaining the consultancy services mentioned above had not been included in the main Procurement Plan prepared by the Board for the year under review. A total cost estimate had not been prepared as well for those activities in terms of Paragraph 3.4 of the Procurement Guidelines.
 - (ii) A Procurement Committee had not been appointed for obtaining consultancy services for the Board in terms of Paragraph 2.6.3 of the Procurement Guidelines. The said consultancy services had been obtained without being

evaluated by a Procurement Committee on consultancy services in terms of provisions set out in Paragraph 8 of the Guidelines.

(iii) The said consultancy services had been obtained without formulating Terms of Reference (TOR) by detailing out the objectives and scope of the consultation in terms of Paragraph 3.3 of the Procurement Guidelines. The time to be taken for assessing the risk had not been identified as well.

b) There had been severe differences between the purchases actually made and what had been planned as the Procurement Plan for the year 2017 had not been revised in a timely manner. Furthermore, instances were observed in which, failure to purchase the items planned to have been purchased in 47 instances in the year under review, in the specified period, purchasing items in 15 instances that had not been planned to be purchased, and purchases made in small quantities in 05 instances with respect to items planned to be purchased in extensive quantities in the year under review. Hence, it was observed that the Board had planned procurements for the year 2017 without properly identifying the requirements.

c) The following observations are made in regard to the procurement of uniforms costing Rs. 10,325,914 for the officers of the Board for 2018.

(i) A cost estimate had not been prepared for the said procurement in terms of Section 4.3 of the Government Procurement Guidelines-2006, and hence, the bid surety had been requested as a percentage of the bid value instead of the estimated value contrary to Section 5.3.13 (b) of the Procurement Guidelines.

(ii) A minimum of 21 days should be allowed to furnish bids under national competitive bidding in terms of Section 6.2.2 of the Procurement Guidelines. Nevertheless, only 18 days had been provided therefor.

(iii) The number of members in a Technical Evaluation Committee should be 3 to 5 officers in terms of Section 2.8.4 of the Government Procurement Guidelines- 2006. However, the Technical Evaluation Committee relating to the said procurement comprised 20 members, and contrary to Section 2.8.4 (e), the Head and his subordinate of the same Division had represented the Technical Evaluation Committee.

(iv) Cheques had been furnished in place of bid securities by 02 out of 10 bidders whilst another 02 bidders had furnished bid securities with values lower than 1 per cent of the bid value. According to the bid documents, bid securities up to 120 days of validity should be furnished, but 04 institutions had furnished bid securities of which the period of validity had been lower than that. As bidders had been selected at the discretion of the members of the Technical Evaluation Committee without evaluating the bids contrary to Section 7.8.4 of the Procurement Guidelines, it had been decided to obtain samples for trouser and shirt materials from 3 institutions and one institution respectively both of which had extensive deviations.



(v) According to Section 2.11.3 (a) of the Procurement Guidelines, the Minutes of the meetings of the Procurement Committee and the Technical Evaluation Committee should be recorded in accordance with a specific Format given in the Procurement Guidelines. However, it had not been done so.

(vi) Due to failure in efficiently planning the overall process of procurement in terms of Section 4.1.1 (a) of the Procurement Guidelines sarees and trouser materials had been selected at the discretion of those who had worn uniforms. As such, uniforms that had not complied with the specifications had been purchased , and those uniforms had failed in the quality assurance tests as well.

6.4 Unresolved Audit Paragraphs

The following observations are made.

- a) The interest income of Rs. 27,497,905 receivable up to 31 December 2006 in respect of the investment made by the Board in the debentures of 02 companies, had remained unrecovered even up to the end of the year under review. Furthermore, neither provisions had been made in the financial statements nor had the disclosures been made in terms of Sri Lanka Accounting Standard 37 relating to the measures taken for the recovery, or the possibility of recovering the said income.
- b) Two listed companies in which the Board had invested a sum of Rs. 25,227,541, had been liquidated. The Board had no certainty as to the possibility of recovering the value of those investments.
- c) Sums of Rs. 12,174,382 and Rs. 7,450,259 invested in the promissory notes of the Vanik Company, and debentures respectively should have been realized in the years 2002 and 2007 respectively, but the Board had not been able to realize the said sums even up to 31 December 2017.
- d) Despite being recommended at the COPE meeting held on 26 August 2016 that the Section 5(2) – the Chief Executive Officer of the Board should be the Chairman of the Board, set out in the Employees' Trust Fund Act, be amended, it had not been so done even up to 31 May 2018.



7. Systems and Controls

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

Areas of Systems and Controls	Observations
a) Management of Members' Funds	(i) Failure to promptly credit the contributions that had not been credited so far to the personal accounts of the members of the Board, to the relevant accounts. Failure to take action to promptly pay the retained benefits to the relevant persons. (ii) Failure to invest contributions collected from the employers yielding more benefits and ensuring higher security.
b) Budgetary Control.	Failure to act in compliance with the budgeted income and expenditure.
c) Procurement Process	Failure to plan procurements by identifying the requirements and make procurements in accordance with Procurement Guidelines.
d) Staff Administration	Failure to implement a proper administration process for the staff of the Board.
e) Planning	Failure to identify the strategies by identifying the risks and opportunities in the business environment.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesinghe.
Auditor General

OBSERVATION OF THE BOARD
for the Auditor General's Report 2017

2.3.1 Sri Lanka Accounting Standards

The net value is only Rs. 173 million after deducting the accumulated depreciation of the fixed assets of Rs. 441 million stated in the audit query.

As the properties, plants and equipment of the Board are brought to account under the cost model in terms of Sections 16 and 30 of the Sri Lanka Accounting Standards, Sections 16 and 34 of the Sri Lanka Accounting Standards as stated in the audit query are not relevant.

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

2.3.2 Accounting Deficiencies

The value of the unrecognized balances that have been shown under current liabilities is Rs. 588,000. These balances include the aggregate of the receipts of contributions that remained unrecognized in 09 cash book summaries pertaining to the collections of contributions. These contributions, after recognizing them in the ensuing accounting periods, will be brought to account correctly whilst also being credited to the member accounts.

2.4 Accounts Receivable and Payable

- (a) It does not reveal through accounts an unclaimed sum of scholarship money amounting to Rs. 1,865,000 payable to the students who were successful in their Advanced Level examinations, during the Accounting Year of 2017 in respect of the period from the year 1994 to the year 2009. There is no sum of money to be paid to the Advanced Level passed students during the Accounting Year of 2017 in respect of the period from the year 1994 to the year 2009 and all claims have been paid.
- (b) The balance that was lying in the unclaimed death benefits account as at 31.12.2017 was Rs. 10,170,557.24. (Number of claimants of benefits - 841) After the death of the members, there are instances where it is decided that there exists more than one claimant for the member benefits. Reasons such as all the claimants not coming forward at the same time and the difficulties at times for certain persons in submitting sufficient written information (non submission of certificates promptly) lead to the adherence of measures as at present in retaining their dues in the accounts of the Board and making payments only on claims from the persons whose documents have been duly submitted. Accordingly, 04 claimants have been paid out a sum amounting to Rs. 69,454.13 in consideration of the particulars submitted by the claimants of death benefits for the period from January 2018 to September 2018 and the value of liability to be paid to the claimants as at 30.09.2018 was Rs. 10,101,103.11. (Number of applications of death benefits - 837)

The balance of Returned Benefits – Slips Account as at 31.12.2017 is Rs. 17,341,449.36. (Number of beneficiaries - 1061) Even though the benefits due to these members have been sent to their bank accounts indicated in their applications for benefits through inter banking payment system, the amount referred to above remained processed following this amount of money returned by the banks due to defectiveness in the bank account particulars of the said applicants has been brought to this account.

Out of these claimants of benefits, a sum amounting to Rs. 5,669,220.77 claimed by 245 claimants of benefits has been paid as benefits from the month of January 2018 to the month of September 2018 and the value of the liability as at 30.09.2018 is Rs. 11,672,248.59. (Number of beneficiaries - 816)

The unclaimed balance of Returned Benefits – Cheques Account as at 31.12.2017 is Rs. 6,534,199.35. (Number of beneficiaries - 1004) The cheques dispatched by registered post to 1004 beneficiary applicants whose particulars were not available to effect payments of benefits through inter banking payment system are shown in the Unclaimed Benefits Account as a result of such cheques not being deposited in the banks by those beneficiary applicants.

Out of these 1004 beneficiary applicants, a sum amounting to Rs. 4,199,314.54 has been repaid to 482 beneficiaries during the period from the month of January 2018 to the month of September 2018 and the value yet remains to be paid to the unpaid beneficiaries as at 30.09.2018 is Rs. 2,334,884.81. (Number of beneficiaries - 522)

According to a decision made at the management committee meeting on 09.12.2015, steps were taken towards activating the member accounts belonging to the members in respect of whose balances of accounts lying in these ledgers from 2001 to 2005 and seeing to each of such accounts being updated and transferring the values thereof to the member account in the ledger and the member accounts of 223 members in the Returned Benefits – Slips ledger (Rs. 1,818,867.42) were accordingly made active whilst the relevant values of each of such accounts have

been transferred to the member account in the ledger. The member accounts of 67 unclaimed members in the Returned Benefits – Cheques ledger (Rs. 118,719.57) were made active and the relevant values of each of such accounts have been transferred to the member account in the ledger.

According to a decision made at the audit committee meeting on 23.07.2018, steps will be taken to activate the member accounts belonging to the members in respect of whose balances of accounts lying in these ledgers from 2005 to 2015 and see to each of such accounts being updated whilst transferring the values thereof to the member account in the ledger.

- (c) Action has already been filed at the District Court, Horana under Case Ref. No. 9109/ M in order to recover a sum amounting to Rs. 7,512,346 due from Asset and Property Developers Ltd. to the Board and the next hearing of the case will be on 27.11.2018.

2.5 Non –compliances with Laws, Rules, Regulations and Managmeent Decisions

(a) Acting Appointments

The management with a view to systematically and continuously carry on with the human resource development in keeping with the projects, EISA and ICTA slated to be implemented in our Board, decided to establish a Training and Development Unit under a separate Manager for that purpose. Accordingly, the Administration and Human Resources Development Division of the Board was divided into three units as stated below.

- Administration Unit
- Human Resources Development Unit
- Human Resources Management Unit

Accordingly, arrangements for the time being were made to operate the said Units under three Managers in such a manner as not to exceed the positions of Manager in the approved cadre. Under such circumstances, this acting appointment, following an interview, has been granted on priority basis to the officer who was placed 2nd in the order of merit. Later, he has been confirmed in his post with effect from 01.10.2016 subject to approval of the Board of Directors as his annual performance reports were at a satisfactory level.

Similarly, in accordance with the recommendation made in connection with the complaint made by an officer to the Parliamentary Commissioner for Administration for not giving him the promotion to a post of Manager, the officer concerned was appointed to a post of Manager on acting basis with effect from 03.11.2014 so as not to exceed the total number of the approved cadre of Managers and stationed him in the same Postal Section where he was serving. Later, he has been confirmed in his post with effect from 01.10.2016 subject to approval of the Board of Directors as his annual performance reports were at a satisfactory level. Since the orders for his appointment have been received to the Board from outside, it was one that was made beyond the control of the Board.

- (b) (i) The Board as a semi government institution does not follow directly the provisions made in the Establishments Code wherein the period of acting appointment has been stipulated. However, the extension or the discontinuation of the period of acting of an officer or the confirmation of the post in which an officer was acted etc. are worked out only if the various factors inclusive of the performance and conduct of the officer concerned is in a satisfactory level. Hence, the period of acting appointment of each officer may vary on the basis of such factors.
- (ii) The approval of the Board of Directors for the Administrative and Disciplinary Procedure of the Board has been received and it will be submitted for the approval of the General Treasury after having them updated.

3. FINANCIAL REVIEW

3.1 Financial Results

Agreed.

3.2 Legal matters initiated by the Institution

The case filed by the Board against one of the private firms for recovering a sum amounting to Rs. 1,902,318 has seen a request presenly made thereto before the court of law by the lawyers of the accused for a settlement and the court of law has made an order on the said private firm to make the settlement conditions available in writing to the Board whilst also ordering to fix the next hearing date of the case on 27.11.2018 if the said firm fails to forward written settlement conditions to the Board before 28.08.2018.

2321 cases have been filed throught the island for the recovery of the contribution and surcharge money amounting to Rs. 166,687,328.

4. OPERATING REVIEW

4.1 Performance

4.1.1 Planning

- (a) All measures identified in the analysis of the Strengths, Opportunities, Weaknesses and Threats (SWOT) set out in the Corporate Plan prepared for the period of 3 years ahead and expected to be taken by the Board against weaknesses and threats within its control have been explained in detail in the Corporate Plan prepared for the ensuing period of 3 years.

The development of human resources, introduction of new technological methods, local and foreign training programmes, introduction of new investment measures, relocation to a new new building and the new changes introduced to the recruitment policy are only some of the goals envisaged by the Board to alleviate the weaknesses stated above. The Corporate Plan explains in detail the particulars with regard to the manner in which the said goals are achieved, its timelines, financial value and the persons holding responsibility thereto.

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

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

Accordingly, the Board can purchase government securities only through the preliminary market where the method of auction is in operation from the year 2015 and the competitive secondary market. The purchase of Treasury Bonds from the secondary market was suspended in view of the situation then prevailed. As such, the only alternative available for investing the funds in hand at the time of the respective bids being rejected through the preliminary market and where there is no bond auction taking place was to invest monies in the fixed deposits of the three main state banks. Moreover, the Central Bank of Sri Lanka has stopped issuing previously mentioned Rupee Loans within the percentage of 87%. And also, investments were not made by the Board in the said preliminary market in view of the fact that the rates of interest of the Treasury Bonds were far less. Furthermore, there is no limit in investing in the Treasury Bills within the percentage of 87%. Nevertheless, investments are made in the fixed deposits of the state banks under the limits of investment preapproved by the Board of Directors.

4.1.2 Operation and Review

- (a) For the purpose of recruiting self employed persons dispersed across Sri Lanka to the self employment membership of the Board, various projects towards educating and recruiting the self employed persons were carried out in accordance with the action plan after having prepared programmes in coordination with the government, semi government and private sector institutions. Even though a considerable number of persons are in attendance at these awareness meetings of the self employed, individuals coming forward out of them to obtain membership are so few, however much they are being made aware of it.

Despite the fact that the Employees Trust Fund (Amendment) Act, No. 47 of 1988 provides for the recruitment of self employed persons, only those who are coming forward on their own on voluntary basis obtain the membership as it is not mandatory to possess the membership.

Even though the plans were drawn out to have 2000 self employed persons enrolled as members as per the Action Plan prepared during the year under review, it is within their voluntarily coming forward trend on their own accord persons numbering 996 have been enrolled. Steps have been taken to raise awareness among self employed persons by way of various exhibitions, mobile services and awareness programmes through 18 Regional Offices situated throughout the island and action has been taken to enroll the persons who are coming forward on their own.

- (b) In spite of the fact that it has been recorded 2,571,023 self employed persons in Sri Lanka as at 31 December 2017 according to reports of the Central Bank of Sri Lanka, enrollments have been on the decrease as it is not mandatory to obtain the membership and the personnel presenting themselves voluntarily is at a minimal level despite being given a correct knowledge on the security they derive by obtaining this membership after making an effort to mobilize the self employed persons stationed in the provinces, districts and regional divisions.

It is proposed that all the self employed persons can be given the membership by way of providing for the imposition of regulations at the government level to secure membership for self employed in a manner that it is made compulsory.

- (c) The improvement of the performance appraisal system presently in operation and the linking of the monthly incentive allowance scheme with the performance of employees have been set out in the Action Plan of the Board as a strategy towards developing the overall performance of the Board and an external consultative team has been appointed for the purpose of attending to such task. Accordingly, such assignments are being completed by them and the progress of such assignments has been shown as 30% and 25% respectively. Such projects to reach the level of 100% would consume a considerable period of time.
- (d) In accordance with Sections 14 and 22 of the Employees Trust Fund Act, No. 46 of 1980, interest and dividends are paid by means of annual earnings. As 95% of the investment portfolio of the Board represents the interest income realized from government securities and state banks, rates of interest prevailing in the country have a direct bearing on the profit of the Board. As stated in the audit query, payment of 12.5% interest was possible in the year 2010 as the then investment portfolio comprised of the government securities that paid higher interest values and the earnings of the Board have assumed relatively less value in proportion as the depreciatory rates of interest have assumed a decreased value of about 10% by the year 2017. Since the fiscal policies of the government have a direct impact on the earnings of the Board, the annual yield of earnings of the Board is subject to fluctuations annually.

4.2 Management Activities

As the Board is a statutory body, provisions of the Financial Regulations are put into practice in the same manner as it is, in its financial transactions. However, a procedure relating to financial matters has been prepared internally for the convenience of getting the operational activities done and it is merely a set of guidelines and is not used as a legal document. Nevertheless, the financial procedure referred to in the audit query on the full approval of the Board of Directors has been referred for the sanctioning of the General Treasury during the year itself it was so prepared.

4.3 Investment of Funds

- (a) The reply to 4.1.1 above relates to this as well.

Furthermore, it is the Board of Directors that has approved the investment policy. It is also the Board of Directors that makes amendments to it in keeping with the timely changes. Making changes to it should be quintessentially done in a manner conducive to the Board in order to overcome the challenges in the prevailing business environment. The investments made in accordance with the amendments introduced following the approval of the Board of Directors are meant to mitigate the risk of the investment portfolio and to optimize the income generated from it. Moreover, the investments are made in accordance with the action plan and the revised investment policy. Accordingly, the government securities and the fixed deposits in the state banks are considered under the minimum percentage of 87%. As such, by the end of the year 2017, the percentage of investments in the sector of the government securities and the fixed deposits in the state banks was a total of 93.87% and it was a value in excess of the percentage of 87%. The investments made in the the government securities alone by the end of the year 2017 was 79.29%. As at the end of the year 2017 the investment made in other fixed securities with more risk was only 0.88%. However, the approved percentage for it was 5%. Under this situation, the unutilized percentage was 4.12%. The percentage set aside for the short term repurchases is 2% whilst the utilized percentage was 1.12%. The unutilized percentage of it was 0.88%. The percentage set aside for the share market is 6% whilst the utilized percentage was 4.14%. The unutilized percentage of it was 1.86%. The percentage of investments in the government securities and the state banks was maintained on a high utilizing also the percentages so unused as at the end of the year 2017.

The Board from the year 2017 makes investments in the fixed deposits within the limits of making investments in

the fixed deposits approved by the Board of Directors. Likewise, such investments are made in the company of the three most prominent state banks in Sri Lanka. However, there is no limit whatsoever to invest in Treasury Bills maturing within one year or a period less than one year reckoned as a government security. As such, the investments of both types of Treasury Bills and deposits in state banks are short term investments of one year or less than a duration of one year. Accordingly, the low interest rates yielding Treasury Bills were the ones that would have been an alternative investment in place of investments in fixed deposits in the investment environment that prevailed. Moreover, when the purchases become open in the secondary market, it is possible to gradually reduce the percentage of fixed deposits in the state banks by systematically increasing the percentage of investments in the government securities.

- (b) Total rejection or rejection with a higher percentage of bids tendered in the auction is a general market condition. It happens so as a result of the weighted average yield (W.A.Y.) declining unexpectedly or else the weighted average yield (W.A.Y.) is not on the increase as expected. Except for the above few instances, a higher bid acceptance percentage has been retained in the rest of the occasions.
- (c) Average rates of yield prevailing in the secondary market are not the sole factor that affects the determination of the rates of yield in the preliminary market. In certain instances, the rates of yield in the preliminary market are determined at a much higher level than the rates of yield prevailing in the secondary market. Several bids under a higher rate splitting them into small portions are tendered at times with the expectation of the increase in prices in the preliminary market and also with the objective of raking in an optimum advantage therefrom when prices go up. The Board at all times tender bids following a thorough study of the market. Even then, the prices might behave in an unexpected manner at the auctions concerned due to varied reasons.
- (d) The Fund has a long term vision. Therefore, by continuing to keep in the same manner the bonds that have been purchased on a higher rate of interest, our Board can lay claim to such high interest rates until the bond gets matured. If the capital gains are to be derived by selling bonds with high rate of interest, market interest rates have to be lower than the said rates of interest. Only in the instances of the rates of interest being low as such, the bonds should be sold for the purpose of raking in profits. Even though a profit is derived then, the proceeds from the sale have to be reinvested instantly in the bonds with low rates of interest. It is for the purpose of contributing to retain the percentage of 87%. If such a situation is to prevail continuously, only the bonds with low rates of interest would remain in the Fund. Even though such a sale can be put into practice only in the instances of strategy, it will be an unwholesome task as a policy to indulge in it in the long run.

However, a practical study on the benefits derived from the sale of bonds in the secondary market is due to be undertaken after the commencement of the process of purchasing in the secondary market.

- (e) A request in this regard has been made from the Central Bank of Sri Lanka and reminders have been sent on several occasions. An additional cost has to be incurred for seeing to its implementation. In accordance with the existing method, there is no necessity to incur an additional cost for this. Nevertheless, action is being taken to have the required environment laid to muster the Direct Bidding Facility. The approval of the Board of Directors has been received for the recruitment of the staff needed to expand the Investments Division and the matter has now been referred to the Department of Management Services for further approval. Accordingly, as soon as the approval of the Central Bank of Sri Lanka is received and following the recruitment of necessary personnel, this can be put into operation with the approval of the Board of Directors.
- (f) Necessary background for this is being laid. The approval of the Board of Directors has been obtained with a view to making required additional human resources available in order to continue in business with proper internal control and minimum of risk and also putting in place restructuring arrangements needed for investment. In order to obtain the approval required for recruitment of the respective personnel, the request concerning it has been referred to the Department of Management Services. Moreover, the employers are being trained in tandem with the current business world. In addition to this, the approval to purchase computers has been obtained and the purchasing process is underway. Besides, necessary background to obtain technical facilities required for the transactions in the secondary market has been prepared.
- (g) The incidence of earning or not earning profits by companies depends on the operation of each of such companies. Internal and external factors have an impact on it and this risky situation used to be the common scenario that is inherent to the investments made in the share market. Furthermore, when reckoned the cost of the respective 7 companies as Rs. 200 million, it is a negligible proportion of about 1.68% out of the total investment value of the Board in the share market. Moreover, of the 7 companies, except for one, investments in all other companies are old ones and despite the fact that no dividends have been received from the seven companies during the year under review, a sum amounting to Rs. 42,789,484 has been received as dividends from 5 companies as from the dates of their investments during different years. From yet another three companies, a sum amounting to Rs. 5,850,004 has been received as dividends during the month of March in the year 2018. Moreover, it is expected

to sell the shares referred to in the audit query with capital gains when there prevails an upward trend in prices of such shares in the market.

4.4 Operating Activities

- (a) During the period from the year 1981 to 31.12.2016, a sum amounting to Rs. 174,184 million has been received as contribution money and the amount of value remained to be credited to each of the member accounts as at 31.12.2017 is Rs. 2,167 million. The said value when reckoned as a percentage of the member contributions that have been received is 1.24%.

The amount of value credited to the member accounts up to 01.10.2018 from 01.01.2018 out of the value remained to be credited to each of the member accounts as at 31.12.2017 will be Rs. 653 million. Accordingly, the amount of value to be credited to the member accounts in view of the following reasons out of the member contributions received up to 31.12.2016 as at 01.10.2018 will be Rs. 1,532 million. The said value when reckoned as a percentage of the member contributions that have been received is 0.88%.

1. Even though the employers have paid membership money, no particulars of employees necessary for crediting such monies have been made available.
2. Difficulty in making it clear as to how the membership money is to be divided separately into institutions concerned where such monies have been paid by a single cheque in favour of several institutions. (The respective institutions of employees being rendered inactive as of now.)
3. The data contained in the half yearly returns furnished by the institutions being not clear. (The respective institutions of employees being rendered inactive as of now.)
4. Due to change in management of the institutions, getting information related to previous terms of management being impossible and cooperation being not extended by the new management to make amends on the problems that arose during such periods of time.
5. There exist problems in identifying correct members due to national identity cards being not in possession specially by the members of the estate based institutions and also in view of the fact that the employees indicating only the parts of names of the employers.

As such, a separate special unit has been opened on 10.01.2016 for obtaining accurate particulars of members in respect of the membership contributions to be adjusted to member accounts from the institutions of the employees and necessary action has been taken to adjust such monies to the member accounts concerned.

- (b) From the year 2017 onwards, the Department of Labour in association with the Employees Trust Fund undertakes a process of exchanging information on the registered employers monthly and the dummy numbers, based on such information, are transferred to the permanent numbers of the employers.

Moreover, there are instances where such information is conveyed to us by employers following registration in the Employees Trust Fund also in accordance with the permanent numbers of the employers that are obtained at the time when the institutions are inspected by the Regional Offices of this Board and at that time too, the transferring of the contributions paid under the dummy numbers is carried out on to the permanent numbers of the employers.

- (c) The holiday resort set up in the city of Anuradhapura for lodging needs as a benefit to all members of the Board is not a project commenced merely for the purpose of earning profits. It is a benefit given away towards the Board's membership of nearly 2.6 million solely for the purpose of their welfare. This holiday resort is a far more significant benefit made available to the members of the Board as of now in addition to the 10 benefits introduced to them in relation to benefits towards health, housing and education. Therefore it is the fundamentals of welfare that come into the forefront in operating and maintaining this holiday resort, not the fundamentals based on gains over cost or net profits.

4.5 Transactions of Contentious Nature

The provisions of the Shop and Office Act approved by the Cabinet of Ministers spell out that the overtime payment should be at the ratio of 01½ hours to 01 hour. And also, the Act stipulates that the period of work per day should not exceed 08 hours whereas the period of work per week should not exceed 45 hours. As such, the Monograph – 17 issued by the Employers' Federation of Ceylon sets out that it is legal to work less than 08 hours per day and less than 45 hours per week if such an arrangement has been introduced within the office practice.

4.6 Personnel Administration

- (a) Employees are placed to necessary sections and divisions in such a manner as not to go in excess of the approved cadre of each of the categories of the Board. It happens on the need of continuing with the tasks of the Board smoothly. In spite of the fact that there were advertisements published in the leading newspapers on several instances in order to fill up the vacancy existed in the post of General Manager of the Board, it was evident that there were put through the interviews on certain occasions, i.e., on 27.12.2016 and 06.01.2017, the post of General Manager could not be filled as there was information to suggest that they were not fit to hold such a post following inquiries made into their background and conduct.

However, as the posts of Chairman, Chief Executive Officer and Additional General Manager within the hierarchy of the Board is functioning actively, the administrative functions and the supervisory activities of the top management of the Board confronts no severe impact.

- (b) The Department of Management Services, making revisions on the sources of calling for applications to fill up the vacant positions of the Board, has granted approval to us after having introduced new sources for that purpose in the following manner:

- Public press notices
- Websites
- Institutions that have registered job aspirants
- Job banks

Accordingly, applications to fill up the vacant positions of the Management Assistants have been called for through such approved sources in the year 2017.

- (c) Further to the reply 2.2.4 (a) of this letter in this regard. In the confirmation of the acting post of such officer, performance reports have been obtained from the Head of the Section concerned.
- (d) As per the recommendation made on a grievance laid before the Public Petitions Committee, the officer who was serving then in the self employment section has been appointed to the post of Self Employment Manager in a manner that do not exceed the total number of approved manager posts. This was a matter due to circumstances beyond the control of the Board.

5. SUSTAINABLE DEVELOPMENT

5.1 Accomplishment of the Sustainable Development Goals

Studies are being carried out in this regard as at present and the goals in relation to the Board are to be identified in the future.

6. ACCOUNTABILITY AND GOOD GOVERNANCE

6.1 Internal Audit

- (a) Matters involving member benefits, Viyana and State Mortgage and Investment Bank housing loan reimbursement, employee incentive allowances, bonus and payments for unutilized leave, monies payable at the termination of service, employee medical bills reimbursement etc. are subject to pre-audit as required by the management.

In addition to the said pre-audit, following post audits have been undertaken and reports have been furnished.

Inspection of the Regional Office in Gampaha, Examination of the Attendance and Departure Registers of the staff, Examination of the progress on contributions and surcharge income, loans to purchase vehicles, monies recoverable from the employees who have terminated their service in the Board, maintenance of the cash book of computerized receipts, audit of the Regional Office in Hambantota, receiving claims on vehicle accident insurance indemnity, recovery of surcharges for self employment and issuing and depositing receipts.

- (b) The annual accounts incorporated in the annual report of the Board are subject to internal audit annually and as the other macro economic clarifications and other detailed explanations stated in an annual report are general matters, there is no necessity to subject it to internal audit. The Corporate Plan is a document that sets out the objectives envisaged by the Board over an ensuing period of 03 years and they are the matters contemplated to

attend to by all the divisions over an ensuing period of 03 years, but is not supposed to be a document containing actual information that should be referred to an internal audit. As such, a necessity to audit the Corporate Plan as well does not arise.

6.2 Budgetary Control

Almost 94% of the budgeted income of the Board depends on the investment in risk free government securities and the financial ratios that exist in the financial market as at the date of realization of the investments with other fixed interest income and the dividends and capital gains that are received from the listed companies in the market. As such, the strategy of the Board is to reach for the budgeted income having it considered as an investment portfolio in spite of the fact that the income received from each of the item of investments could be more variable than the budget in its actual value. Accordingly, the Board was able to maintain the difference between the budgeted total gross income and the actual total gross income advantageously as 7.12% during the year 2017.

In the consideration of the variation in expenditure as stated in the audit query, the Board manages all its expenditure that can be controlled by it under a tight control and the Board is not in a position whatsoever to control some items of expenditure such as member benefits. Even though the member benefit values expected to be borne by the Board during the forthcoming year are stated in the preparation of the annual budget, the actual expenditure is determined only if the members make claims on such benefits. It is not practical to mention that the budget has not been utilized as a strategy of control after having the budgeted expenditure compared with the actual expenditure in the case of member benefits.

However, the Board's continuation of the difference between the budgeted income and expenditure and the actual income and expenditure of the year in the percentages between 7.12% and 18.25% respectively vouches for the fact that the Board is in possession of a very good budgetary control.

Moreover, the Board on monthly basis furnishes a comparative report on the budgeted income and expenditure and the actual income and expenditure to the Board of Directors and there, the variances are discussed at length to give necessary instructions in order to convert the said variances to be advantageous to the Board.

6.3 Procurements

(a) i, ii, iii

- Procurement of consultancy services for the assessment of risk (Rs. 1,050,000)

In pursuance of the decision taken by the Board of Directors as per the recommendations made by the Audit Committee having taken into consideration the financial investment in excess of Rs. 263 billion and the risk faced by the Employees Trust Fund with the liability over Rs. 274 billion for the balances of the member accounts, action was taken by the Procurement Division to call for quotations for the said service from 04 reputed companies (as per the Board Decision No. 09/2016 dated 25.02.2016). In response to this calling for quotations, only 02 firms have forwarded their quotations. (Ernst & Young and BDO Partners)

Following the intimation on the decision of the Board of Directors to the two firms above to pay us a visit and make a presentation on how the said matter was going to be pursued by them, only the firm, Ernst & Young called in and made the presentation concerned. The Board of Directors, having satisfied with the presentation, decided to obtain the said service from the firm, Ernst & Young. (as per the Board Decision No. 194/2016 dated 27.10.2016)

As of now, the said firm had completed all of their tasks and has furnished following documents to us.

1. Risk Management Policy
2. Risk Assessment Dev. Risk Register

The Risk Management Committee and the Management Risk Committee comprising three Directors have already been appointed and the future action entailed is being pursued.

- Procurement of consultancy services for the preparation of the consolidated financial statements (Rs. 293,250)

As the need of obtaining the above service was a requirement that cropped up urgently, this task had not been included in the procurement plan in respect of the year 2017 which is prepared during the year 2016.

However, as this consultancy service was to be completed within a very short period of about 02 weeks and in view of the fact that it was also an unable to predetermine consultancy service of a very complex nature involving the holding of discussions with the Auditor General, the holding of discussions with the officers of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), dealing with matters in liaison with the said

two parties in writing and issuing instructions to prepare consolidated accounts or whether to prepare or not to prepare the consolidated accounts according to the recommendations of both parties but a task that is expected to be completed within a very short period of about 02 weeks, the said consultancy service was obtained on a sole source selection in terms of Section 3.13.1 of the National Procurement Guidelines.

Furthermore, the Terms of Reference (TOR) extensively defined for the procurement of this service had been made available to the consultancy service firm and the full approval of the Board of Directors has also been obtained for the purpose. Moreover, the Employees Trust Fund Board had entered into a formal agreement with the consultancy firm concerned.

As such, the appointment of a consultant for the said consultancy service has been made in keeping with the provisions of the National Procurement Guidelines in such an appropriate and transparent manner as not to be an impediment to the work of the Board.

- Procurement of service of an Actuary (Rs. 80,500)

In view of the fact that it was not practical to secure competitive bids and it was a very difficult task to find a professional Actuary, the said consultancy service has been obtained in terms of the provisions in Section 3.13.1 (c) of the National Procurement Guidelines with a view to determining and certifying the annual liability of the gratuity of the Board.

As such, it is the conclusion on our part that the expenditure of a sum of Rs. 80,500 for obtaining the services of an Actuary cannot be considered a displacement in the context of the Procurement Guidelines.

- (b) Even though the plans were worked out for annual procurements, such funds head towards the investments of the Board when those particular funds are not actually utilized for procurements. As such, in view of the fact that the procurements do not materialize in the same manner they were planned out to be, the Board never faces with any financial downfall, except for a financial gain. Moreover, as the Board is more focused on cost control with the objective of availing the members of maximum benefits upon optimization of the annual profit, it maintains a tight control in the execution of the procurements. Officers are encouraged to make use of the existing equipment more sparingly than showing tendency towards new purchases at all times whilst encouraging them to reuse such equipment after making repairs thereto when found defective. The Board therefore endeavours to maintain the actual procurement cost at a more minimal level than the budgeted procurement. It is an example that "the cost control" of the Board in the sense of commitment towards procurement has been on the right track falling in line with a lesser value than the budgeted value as stated in the audit query.
- (c)
 - (i) As the selection of uniforms is made with priority being given to the liking and willingness of its users and also due to the reason that it is impossible to assess the features such as its quality and mixture of the raw material and the brand name selected before the clothing material is selected, the maximum expenditure involving the expected number of personnel and each one of such officers being considered in the preparation of the annual budget is made by means of the budget estimate even though a detailed estimate is not prepared as per Section 4.3 of the National Procurement Guidelines.
 - (ii) The notices calling for bids were published in the leading newspapers on the 20th and 21st of June 2017 and the invitation for bids has been closed on 12.07.2017. Accordingly, the bids have been kept open over a period of 22 days from the publication of the press notice concerned.
 - (iii) According to the method of procurement, the technical evaluation committee comprises of 03 to 05 members. In the task of purchasing uniform material for the use of the Board, a technical evaluation committee constituting a team (of about 20) including Directors of the Board, an expert of textiles, Deputy General Managers, Assistant General Managers and two persons each from the trade unions in order to represent each of such all bodies of the Board is appointed with a view to maintaining transparency and obtaining high quality clothing material.
 - (iv) It has been stated that the bid bond of the Board should be a one that is made via a bank. As the firm, Insri and Salusala have been faced with a certain problem with the bank, a request has been made from the Board to obtain money as an alternative measure. It has been stated that it is possible to obtain a refundable cash security as per Section 7 (5.3.11) of the National Procurement Guidelines on Guarantees. They were made eligible for quoting prices following the receipt of a cheque in respect of it. As per Section 5.3.10 of the National Procurement Guidelines, the bid security is for 90 days. We have demanded the security for 120 days to ensure its high effectiveness. As all the bidders are within the minimum number of days, none of them has been displaced from Section 5.3.10 of the National Procurement Guidelines.

- (v) In the task of selecting uniform material, the report has been prepared as per the notice, giving more consideration to the need of the employee than to the price.
- (vi) Number of reputed firms for textiles made their way into this tender and finally, none of these suppliers was able to supply the items in accordance with the specifications to be on par with 100%. This is not a blunder on the part of our Board. Despite making an effort as far as possible to purchase items in keeping with the specifications, non availability of the merchandise in the market is a matter of concern. You are ultimately compelled to make do with the next best available to be purchased in the market place.

6.4 Unresolved audit Paragraphs

- (a) The sum amounting to Rs. 27,497,905 herein referred to is in relation to debenture investments connected to two companies. It amounts to Rs. 12,291,556 in respect of one company and Rs. 15,206,349 in respect of the other company. There is a court case pending against the company with Rs. 12,291,556. The Board is also appearing as a mediating party in order to have the monies owing to the Board recovered.

For the purpose of recovering the sum amounting to Rs. 15,206,349 in respect of the other company, several rounds of discussions were held and an agreement was thereafter reached to pay the said sum of money in instalments. However, the company after paying few instalments put an end to the payment of remaining instalments due to financial difficulties. As this institution is still in operation, it is further expected to have the monies recovered. Furthermore, as this company is a government affiliated institution, the assistance of the Department of Public Enterprises has been sought through the respective line Ministry from time to time with the objective of recovering the money. A request in this regard has been last made on the 20th of July 2018.

The pending legal action pertaining to the first company above can be stated in the Accounts Report and the measures taken to recover the monies from the aforesaid second company too can be stated in the same manner.

- (b) There is a very old investment to the value of Rs. 25,227,541 made in two companies. These two companies have been subject to the liquidation process and the court cases connected to them are still pending. The Board of Directors has decided to seek the approval of the General Treasury to write off the above sum of money so invested from the books having reckoned it as an unrealizable investment. The line Ministry requesting approval for the implementation of the said decision has referred the matter to the Department of Public Enterprises. It is hoped to take action in this regard in future in accordance with the decision the Department of Public Enterprises.
- (c) There is a case lying before the District Court in Colombo to liquidate this company.

The order has been received for the liquidation in the year 2008. Thereafter, 03 appeal petitions were filed by the different parties before the superior courts against this order. Later, this case was called before the District Court on 14.02.2018 for the appointment of a liquidator. Subsequently, this case was called in on 28.03.2018 and laid by until such time the petitioner takes steps to appoint a liquidator.

The Board is also appearing as a mediating party to the case concerned. After the completion of the liquidation process, a definite conclusion can be arrived at whether there is a sum of money to be recovered for the Board and on the amount of money that is recoverable.

- (d) The manner in which the act should be amended is being studied and steps will be taken in future for such amendment.

7. SYSTEMS AND CONTROLS

- (a)
 - (i) Contributions that have so far not been credited to the personal accounts of the members of the Board.
 - (ii) Investment of Funds

The Board always makes investments in the prevailing external business environment in a manner that gives a higher protection and an increased yield. As at the end of the year 2017, the percentage of investment in treasury bonds and fixed deposits of the state banks was 93.87%. The percentage of investments in treasury bonds alone was 79.29%. Furthermore, the percentage of investments in other fixed income securities with high risk was 0.88% only. Moreover, the percentage of investments with high risk such as share market was maintained at a minimum rate such as 4.14%. And also, the ratio of earning during the year was maintained as 11%. The policy of investments is subject to regular changes in a manner that makes it suitable for the prevailing business environment in order to muster a higher protection and an increased yield.

(b) Budgetary Control

The Board by maintaining the variance between the budgeted income and expenditure and the actual income and expenditure of the year as 7.12% and 18.25% respectively vouches for the fact that it has a very good budgetary control.

(c) Procurement Process

The procurement plan of the Board is prepared on the basis of the budget estimates of the respective year. If defects caused to the fixed assets presently in use, though found to be very old, procurement plans are drawn out also for the replacement of such assets in the preparation of the annual budget of the Board.

Accordingly, plans were drawn out for the procurement of new items and replacement items in the preparation of the procurement plan in respect of the year 2017. As most of the items planned as replacements for the year 2017 was without defects or the very same old ones that were put to use after repairs, such items were not purchased. Moreover, there were no purchases of certain new items taking place as planned during the year 2017 due to reasons such as limited space to accommodate new items, physical changes not taking place as planned, change of duty stations and postponement of effecting procurements to the forthcoming year for the purpose of minimizing cost in spite of the fact that the procurements were planned as new items at the beginning of the year.

(d) Staff Administration

The Manual of Administration and Discipline for the administration of the staff of the Board has been introduced and the employee administration and disciplinary matters are dealt with in accordance with the provisions of the other laws and statutes governing the employees. In the mean time, action has been taken to implement measures such as the provision of cumulative plans and action plans, introduction of job descriptions, introduction of succeeding plans, introduction of performance targets for the employees and collation of them as management strategies with a view to enhancing the productivity of the employees.

(e) Planning

A detailed plan inclusive of the entirety of the goals the Board expects to have accomplished and the manner in which they are to be achieved during the period of 03 years that lie ahead has been set out in the corporate plan for the period from 2018 to 2021.

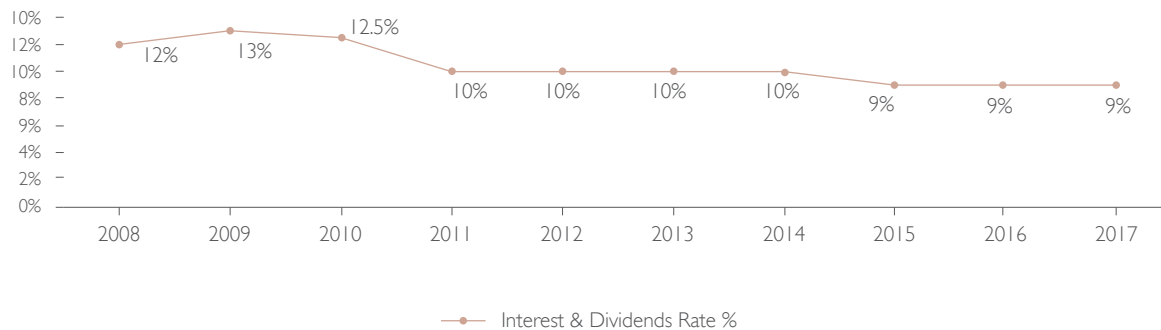


Mahinda Madihahewa

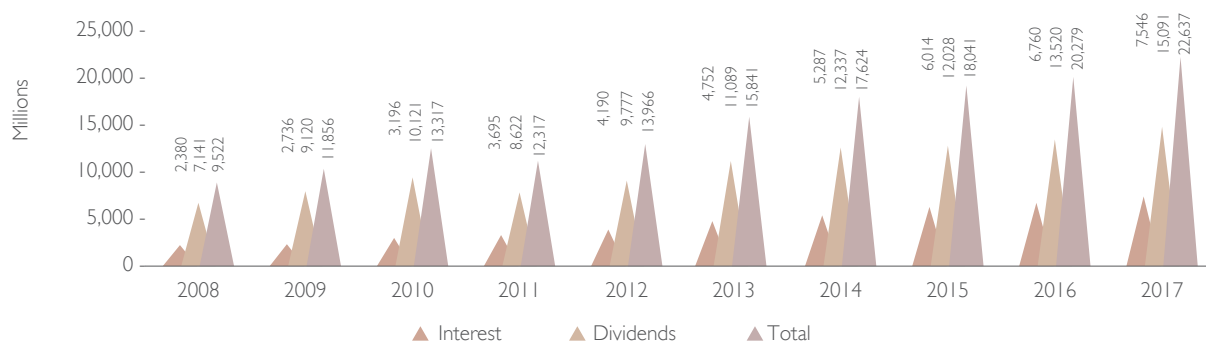
Chairman / Chief Executive Officer
Employees Trust Fund Board

Statistical Annexure

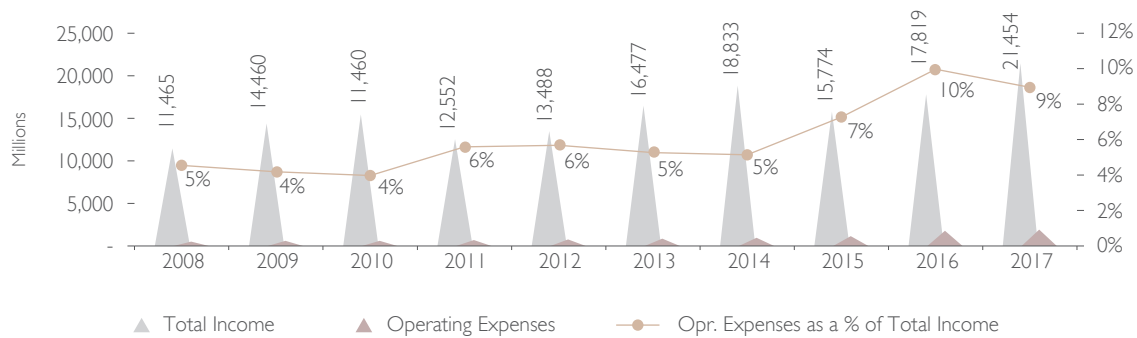
Interest and Dividends Rates



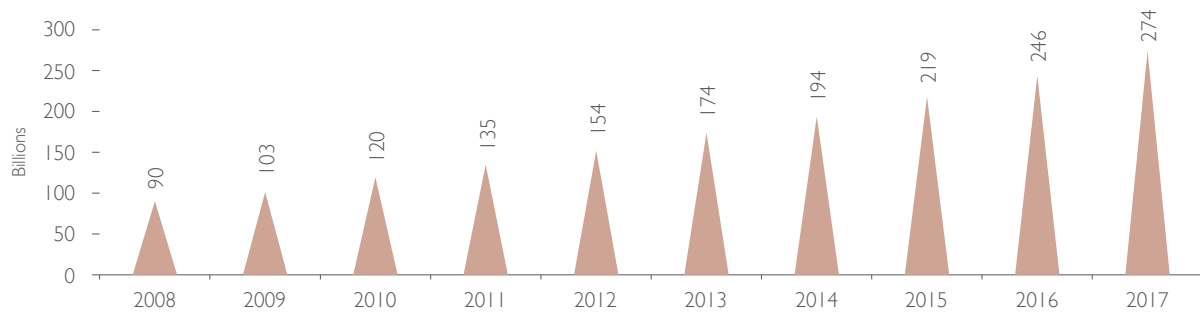
Declared Interest and Dividends



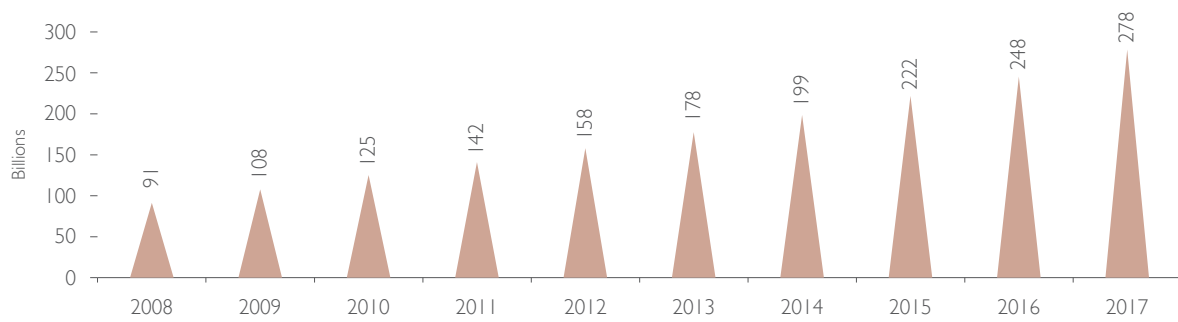
Income vs Expense



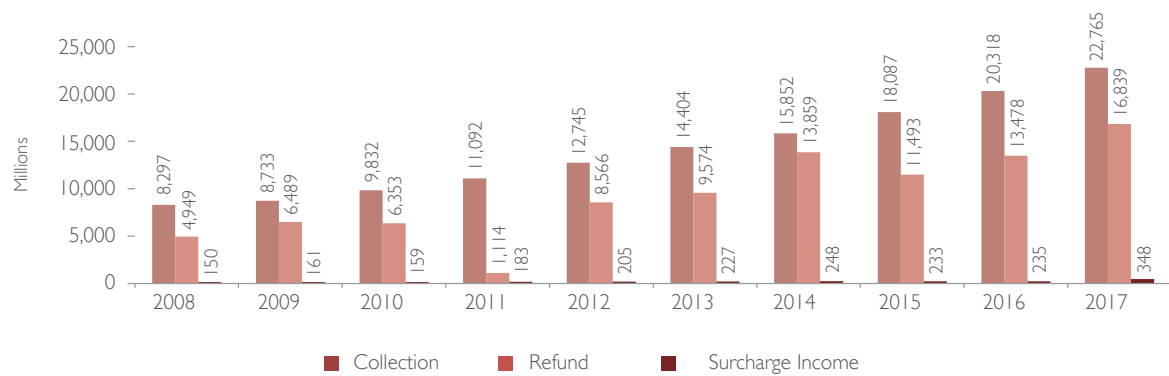
Member Fund



Net Assets

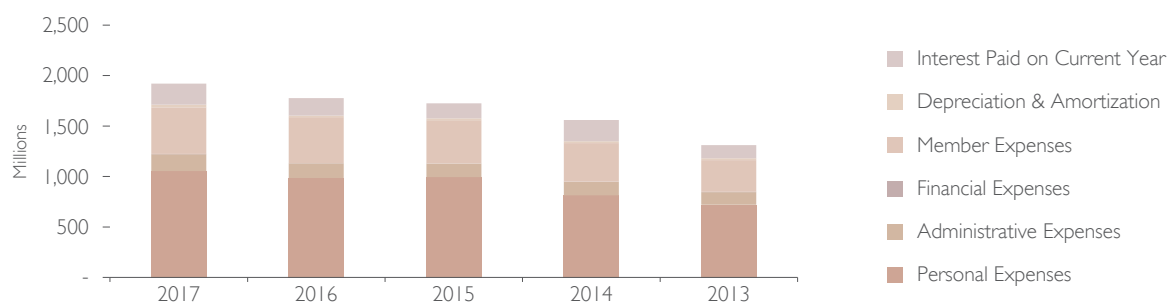


Collection and Refund



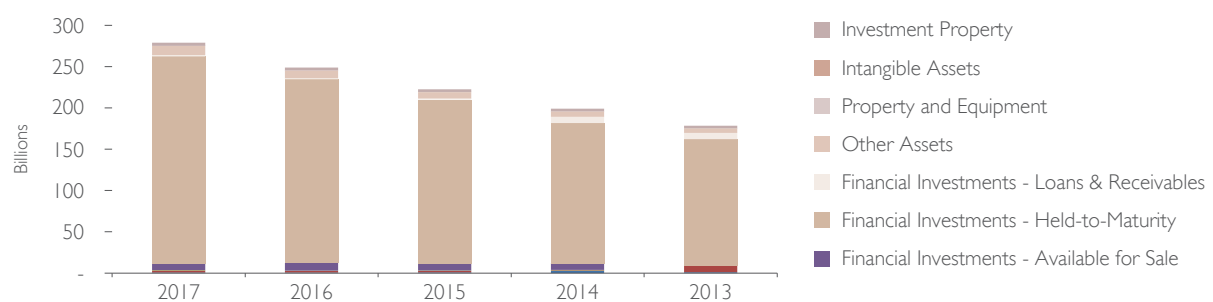
	2017	2016	2015	2014	2013	CAGR
	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)	%
Income						
Interest Income	27,239,114	23,492,350	20,274,204	19,056,836	17,331,497	9%
(-) Interest Expense - 3.0%						
(As per the Section 22 of the ETF Act)	(7,545,681)	(6,759,768)	(6,013,817)	(5,287,328)	(4,752,333)	10%
Dividend Income	373,739	486,194	360,582	309,256	318,660	3%
Profit on Sale of Quoted Shares & Units	535,345	68,592	833,850	894,917	68,178	51%
Other Income	851,903	531,650	320,139	317,455	286,047	24%
Total Income	21,454,420	17,819,018	15,774,958	15,291,136	13,252,049	10%
Expense						
Personal Expenses	1,053,611	985,963	994,389	813,000	720,022	8%
Administrative Expenses	167,809	143,887	132,608	134,786	125,307	6%
Financial Expenses	2,401	2,904	1,988	3,041	2,657	-2%
Member Expenses	460,603	454,466	429,610	380,512	314,372	8%
Depreciation & Amortization	27,246	15,573	16,896	18,605	18,863	8%
Interest Paid on Current Year	208,429	173,630	148,737	209,073	128,958	10%
Total Operating Expenses	1,920,098	1,776,422	1,724,228	1,559,017	1,310,179	8%
Profit before Taxation	19,534,322	16,042,596	14,050,730	13,732,119	11,941,870	10%
Profit after Taxation	16,828,480	13,648,098	11,990,084	11,784,987	10,160,770	11%

Expense Breakup



	2017	2016	2015	2014	2013
	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)
ASSETS					
Cash and Cash Equivalent	743,124	614,332	841,949	2,653,133	1,043,164
Other Financial Assets Held-for-Trading	2,497,955	1,955,837	1,829,018	733,167	7,550,428
Investment in Subsidiary	470,961	470,961	470,961	470,961	470,961
Financial Investments - Available-for-Sale	7,858,744	9,209,233	8,502,967	8,121,823	14,874
Financial Investments - Held-to-Maturity	250,616,892	222,454,509	198,320,192	169,651,791	153,137,676
Financial Investments - Loans & Receivables	1,782,340	1,343,876	1,336,538	7,535,296	7,418,615
Other Assets	11,050,045	9,244,193	7,865,283	6,512,779	5,478,972
Property and Equipment	173,586	176,378	173,144	187,008	183,067
Intangible Assets	140	192	266	369	514
Investment Property	3,812,500	3,400,000	3,200,000	3,200,000	3,200,000
Total Assets	279,006,286	248,869,511	222,540,319	199,066,327	178,498,271
Liability and Equity					
Current Tax Liabilities	211,536	81,082	33,582	68,330	122,359
Other Liabilities	382,660	304,104	351,851	267,841	235,917
Provisions	81,910	87,841	213,754	76,923	41,482
Total Liabilities	676,106	473,027	599,187	413,094	399,758
Total Equity	278,330,180	248,396,485	221,941,132	198,653,233	178,098,513
Total Liabilities and Equity	279,006,286	248,869,511	222,540,319	199,066,327	178,498,271

Asset Breakup



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

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

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

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

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

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

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

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

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

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

No: 9A, Main Road,
Hatton.
+94 51-2223840

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

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

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

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

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

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

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

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

Other Annexure

