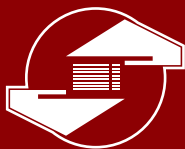




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Ministry of National Policies and Economic Affairs

2016

வாரீதிக வாரீதாவ
ஆண்ட துரீககை
Annual Report



தீவா திடுதூதகதீதீ தார துரீதூதீ துதூதலு
஁தூதூதர் துதூதிககை துருதூத துதூதசு சதத
Employees' Trust Fund Board



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Ministry of National Policies and Economic Affairs

ANNUAL REPORT

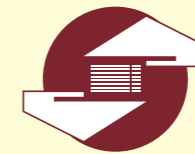
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ஊழியர் நம்பிக்கை பொறுப்பு நிதியச் சபை
Employees' Trust Fund Board

EMPLOYEES' TRUST FUND BOARD
Annual Report 2016

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EMPLOYEES' TRUST FUND BOARD

ANNUAL REPORT 2016

Employees' Trust Fund Board

1st Floor, Labour Secretariat, Colombo 05,

Tel: 011 2581704 | Fax: 011 2806832

Email: finance@etfb.lk | Web: www.etfb.lk

PRINTEC
ESTABLISHMENT

52/1, Ekwattha Road, Mirihana, Nugegoda.

Tel: 0112 815 816

Email: sales@printec.lk

Web: www.printec.lk

CONTACT

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*To promote employee ownership,
employee welfare, economic
democracy through participation in
financing and investment*

CORPORATE OVERVIEW

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Background Analysis

01 ABOUT THIS REPORT

This is the 36th 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 2016. 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 (46 of 1980). The report

thereby is solely based on the financial and operating information of Employees Trust Fund since it does not hold any subsidiaries or associates. 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 2016 covers the operations spanning the head office and the branch network for the period 1st January 2016 to 31st December 2016, with the most recent report being for the year ended 31st December 2015 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.

02 WHO WE ARE

The ETF 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 brought under the Ministry of Finance in 1997 and currently under the Ministry of National Policies and Economic Affairs since October 2015. 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.

03

OUR VALUE PROPOSITION



EMPLOYEES' TRUST FUND BOARD

VALUES

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



VISION

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

MISSION

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

04

ORGANIZATIONAL REVIEW



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

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

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

The ETFBoard was initially structured as a centralized organization, mainly due to the fact that the majority

of Employers were concentrated in the Western Province. After completion of restructuring 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 ETFBoard can be broadly divided into Operations and Support Services. The operational areas are identified as Collection & Employer Relations, Member Services and Investments. The Administration and Human Resources, Finance, IT and Internal Audit functions have been recognized as support services.

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

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

FUNCTIONS OF DEPARTMENTS/DIVISIONS/ UNITS OF THE BOARD

1. Collections and Employer Relations Division

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

2. Investments 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.

6. Information Technology Division

The IT Division is mainly responsible to manage and maintain the Member Administration Software System (MASS). Further IT division has been restructured to cater IT needs of other Divisions as well.

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.

8. Legal Division

The Legal Section operates as an advisory service unit for all legal matters of the Board. The Legal activities have been de-centralized to regional level with the expansion of 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 DGM

(Collection & Employer Relations).

9. Planning, Research and Development Division

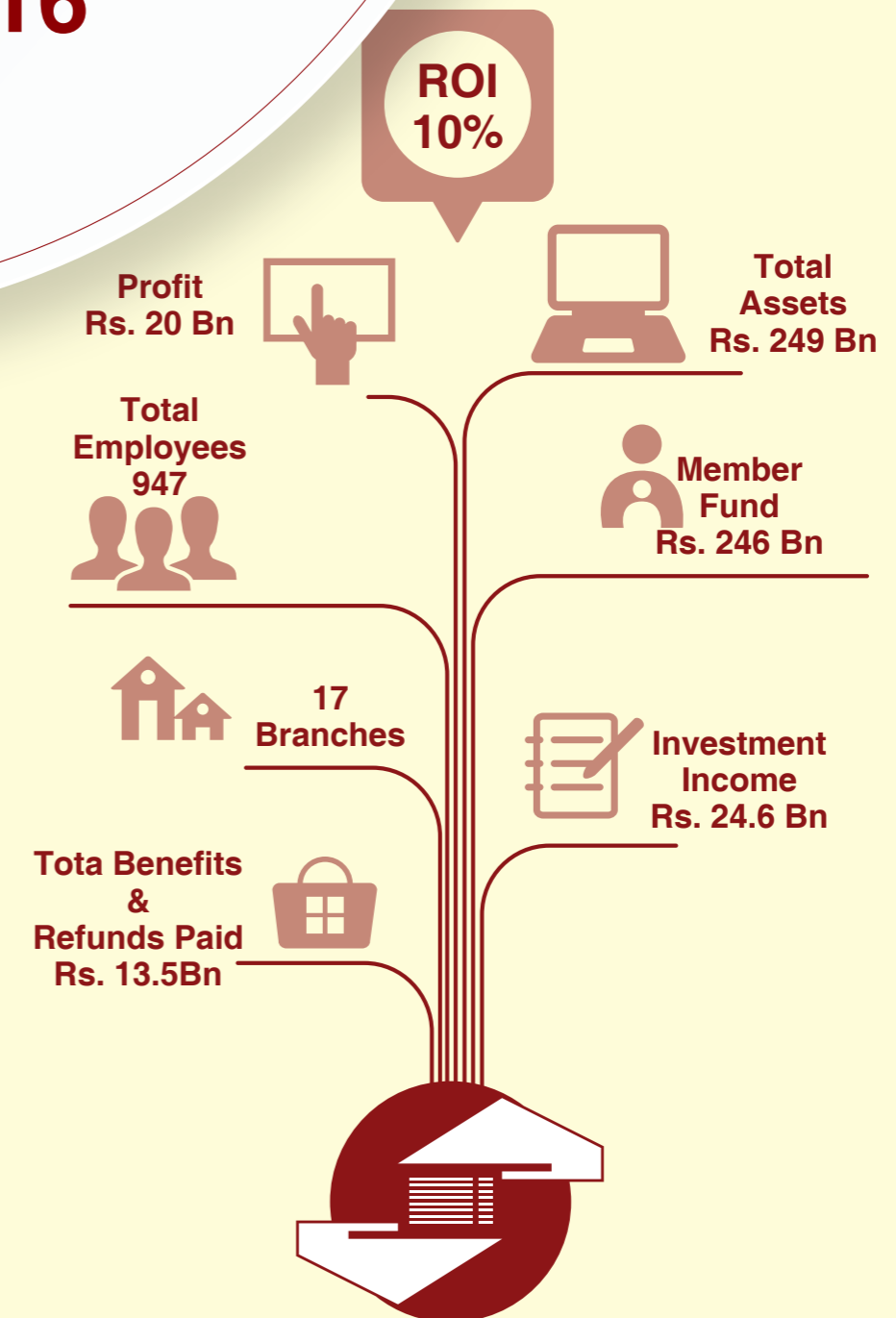
Monitoring updating and revising of corporate plan for EFTB on yearly basis and new plan made available for implementation by 1st January of each year. Progress reporting EFTB on monthly /quarterly/Annual basis, Making needed corrections and statutory Reporting to Ministry, Parliament and other Institutions 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.

10. Statistics Division

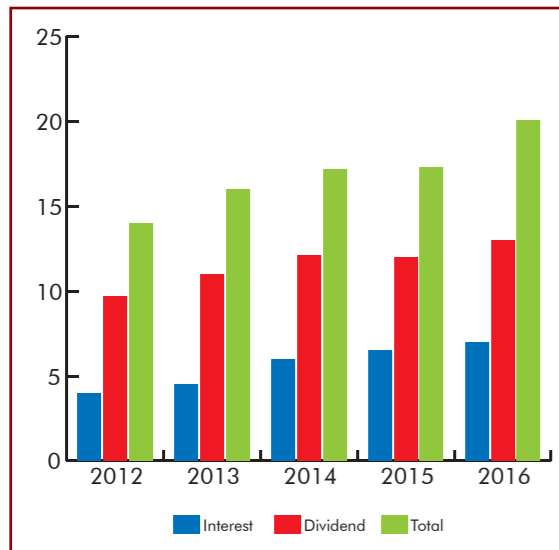
Real time Data Base made available to everyone for effective management decision making, Preparation of trend analysis on required data and analyzing, forecasting and planning for future years on timely basis, provide important signals required for management decision making periodically, Dissemination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

05

PERFORMANCE HIGHLIGHTS 2016

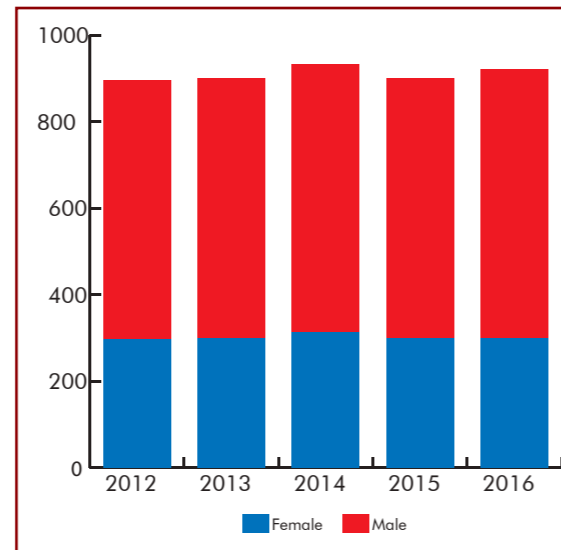


Member Point of View



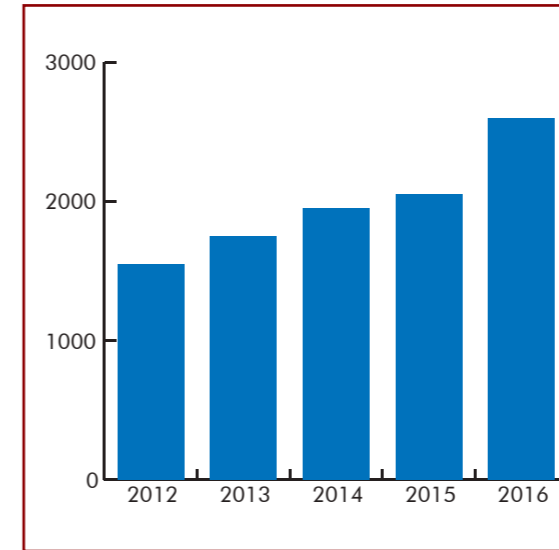
Interest and Dividend (Rs. Bn.)

Employees Point of View

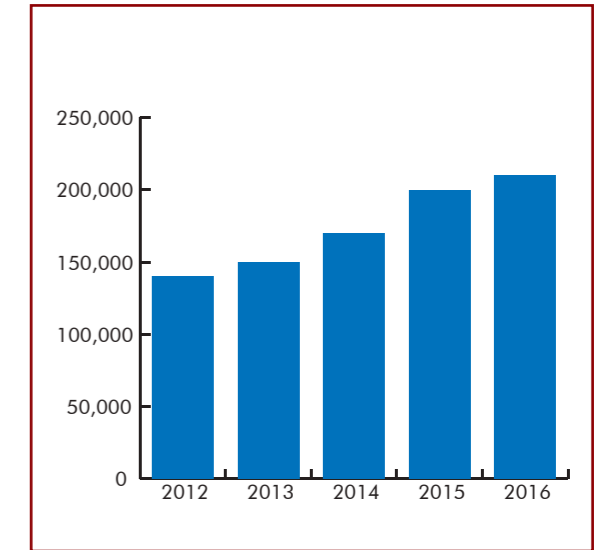


Employees Headcount (Nos.)

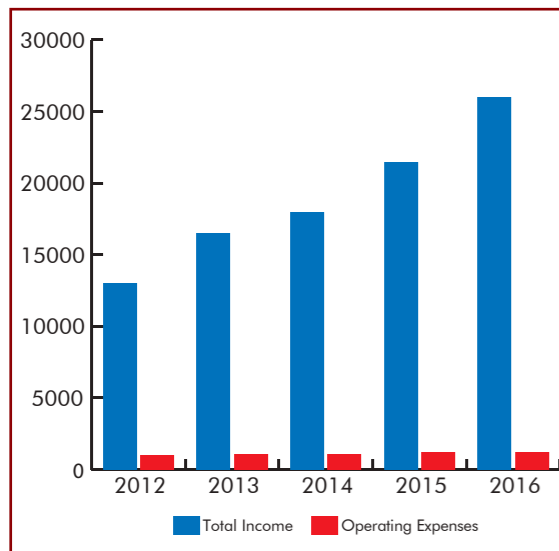
Government Point of View



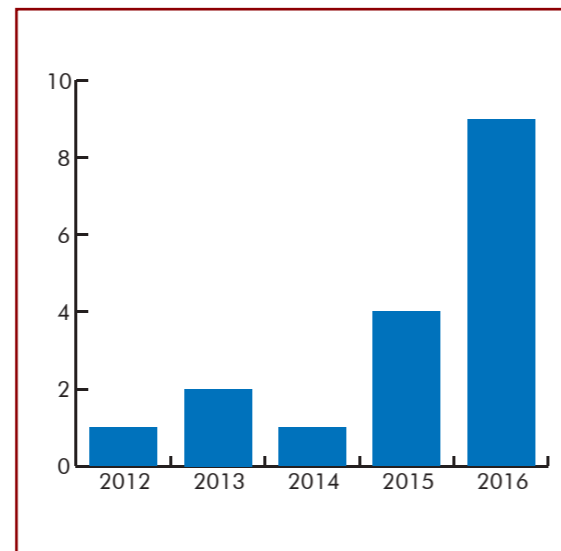
Taxes paid to the Government (Rs. Mn.)



Total Investments in Government Securities (Rs. Mn.)

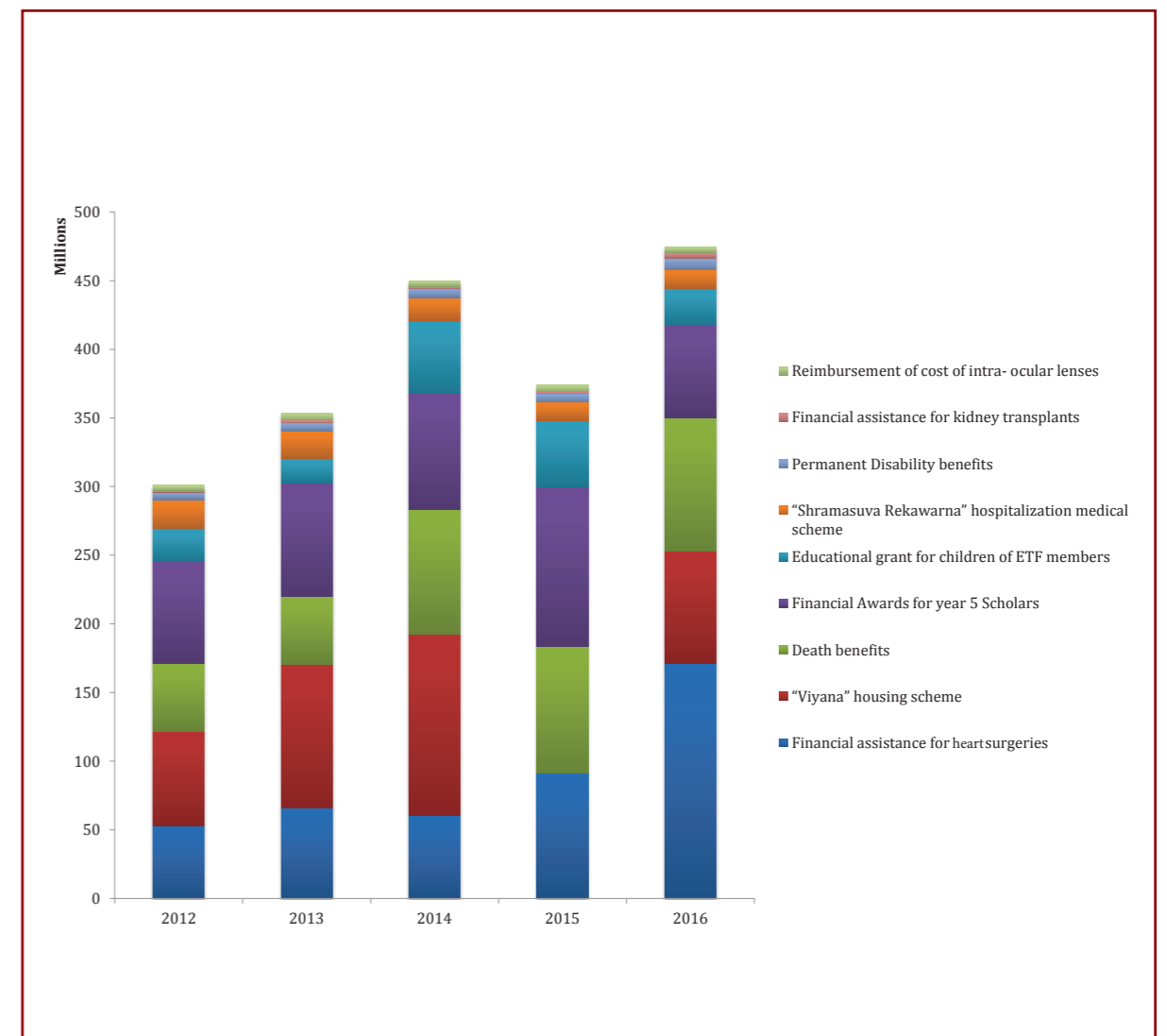


Income Vs. Operating Expenses (Rs. Mn.)

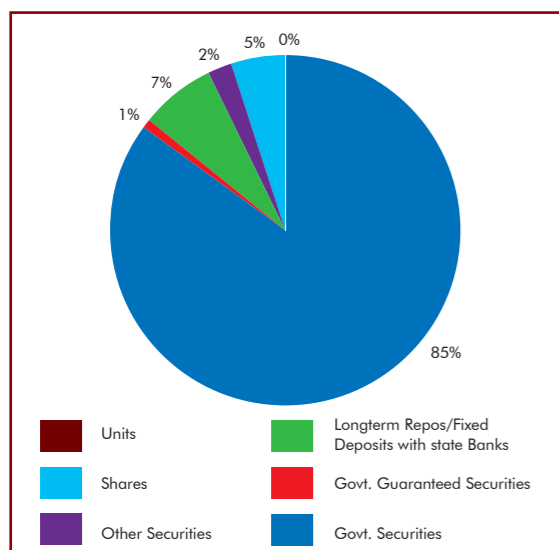


Training and Development Cost (Rs. Mn.)

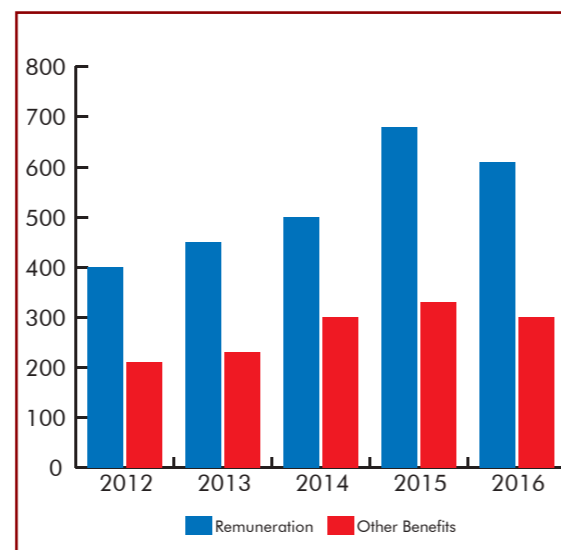
Community Point of View



Benefit Schemes (Rs. Mn.)



Investment Portfolio (%)



Total Staff Cost (Rs. Mn.)

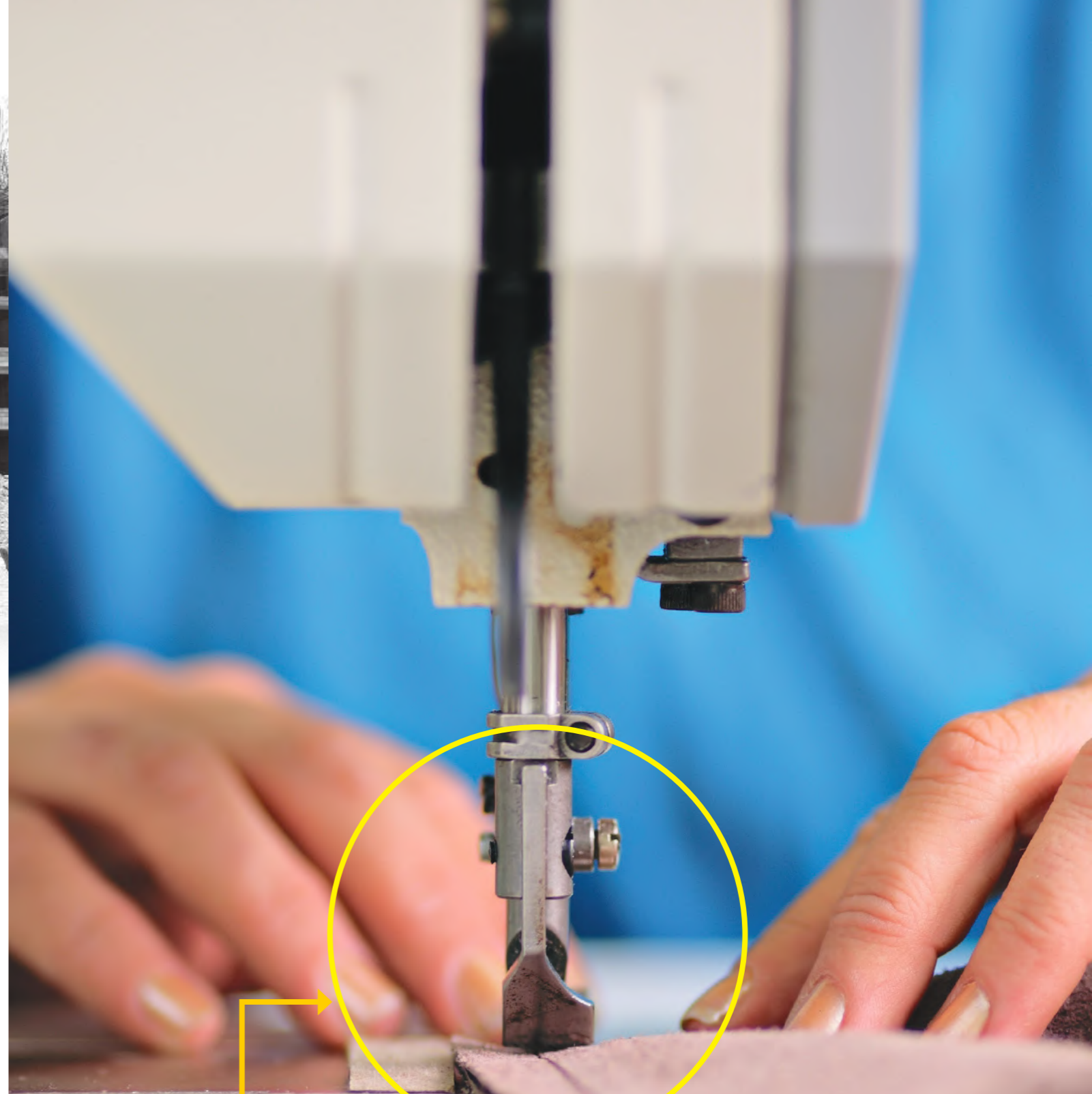
06

2016 YEAR AT A GLANCE



The Board recorded considerable progress and had many significant achievements during the year 2016. Some achievements are highlighted below.

- The total Contributions from employers for the year amounted to Rs. 20 Billion which was an increase of 12% compared to the previous year.
- The total Investment income recorded Rs.24.0 Billion during the year compared to Rs.21.4 Billion in 2015 with a growth of 12% while the value of the investment portfolio increased from Rs.210 Billion to 229.5 Billion as at the end of the reporting period.
- The Board earned a net profit of Rs.20.2 Billion compared to Rs. 18 Billion in the previous year and the whole profit was distributed to members at the end of the year as interest and dividends.
- The total net asset value of the Fund exceeded Rs.248 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 2016. This is an attractive rate compared to the savings rates offered by state banks to its customers.
- Operating expenses as a percentage of total income decreased to 7.3% in 2016 from 7.9% in 2015. 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 special attention 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 and payment of express claims also started in Kandy and Kurunegala Regional Offices.
- 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.
- Continuous progress has been recorded at Jaffna Regional Office which was established in year 2010 by maintaining average monthly contribution collection close to 10 million and 1600 employers.



To promote the employee participation in management through the acquisition of equity interest in enterprises

07 MILESTONES FROM 1986 TO 2016



1986

Death Benefit Scheme:
Rs. 100,000/=

1989
Death Benefit Scheme:
Permanent Disability Scheme:
Rs. 200,000/=



1991

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

1992
Death Benefit Scheme:
Permanent Disability Scheme:
Heart Surgery Scheme:
Reimbursement of Inter - ocular Lens:
Rs. 18,000/=



1994

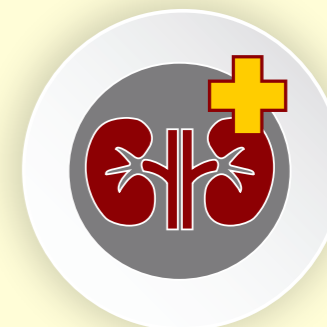
Death Benefit Scheme
Permanent Disability Scheme
Financial Assistance for Heart Surgery
Reimbursement of Intra-ocular lens
Year 5 Scholarship
Rs. 15,000/= -9,000 Scholarships



2002

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

2006
Death Benefit Scheme
Permanent Disability Scheme
Financial Assistance for Heart Surgery
Reimbursement of Intra-ocular lens
Year 5 Scholarship
"Shramasuwa Rekawarana" Hospitalization Scheme
"Viyana" Housing Loan scheme
Assistance from Kidney Transplant Surgery Rs. 300,000/=



2010

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

2016
All 2010 Achievements
Reimbursement of Inter - ocular Lens:
Rs. 30,000/=



BACKGROUND ANALYSIS

I. SWOT Analysis

INTERNAL FACTORS

HELPFUL FACTORS

STRENGTHS

- I. Sound and Smooth processed used for the collection, enforcement and disbursement operations
- II. Attraction of membership due to strong benefit schemes available
- III. High liquidity position
- IV. Monopoly position vested by the Act
- V. Availability of income generating valuable asset ownership
- VI. Autonomy available for Fund management
- VII. Express disbursement facility available
- VIII. Exceptional Staff Reward system for retention
- IX. Availability of effective enforcement, legal modulea and network

OPPORTUNITIES

- I. Govt's move to provide one million jobs in the next five years
- II. Private sector and semi Govt. salary increase
- III. Increase in the Entrepreneurship culture
- IV. Increase of Foreign investor inflow
- V. Increasing trend for Micro finance
- VI. Increase of the national minimum wage
- VII. Development strategy of the new govt

EXTERNAL FACTORS

HARMFUL FACTORS

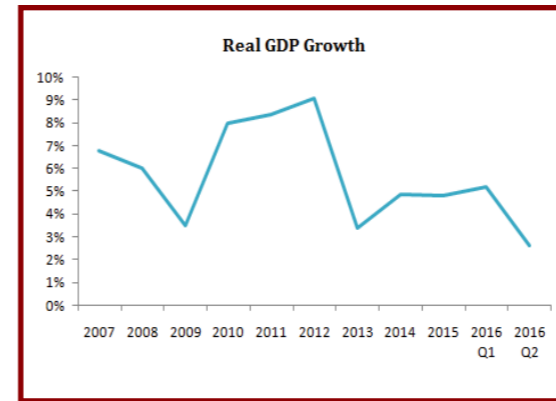
WEAKNESSES

- I. Lack of facilities for effective operations
- II. Coverage areas for collection inadequately demarcated
- III. Non availability of own office complex & lack of space for present operational activities
- IV. Lack of adequate systems for the retrieval of date for effective decision making
- V. Outdated computer program presently in use making errors and hindering the speed of processing
- VI. Inadequated date base
- VII. Imbalance in the Medium of operations (especially Tamil and English)

THREATS

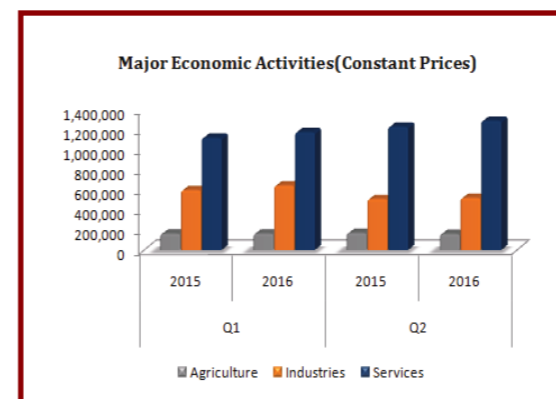
- I. Market Constraints in Investment
- II. Non availability of high yielding investments in the market
- III. Present trend in Global conflicts
- IV. Increase in trend of Stringent Environment rules and regulation
- V. Increasing trend in retirement rate
- VI. Prevailing Low interest rates causing low dividend rate

I. Economic Trend Analysis

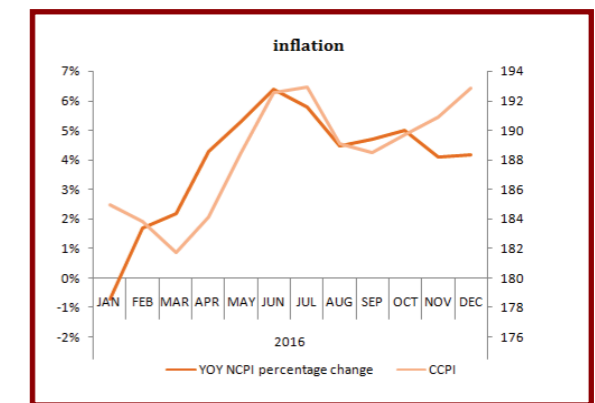


The Sri Lankan economy gathered pace in the third quarter of 2016, buttressed by robust performances in the industry and services sectors. Economic growth for the third quarter was 4.1 percent, notably above the 2.6 percent observed for the second quarter. The economy grew by 3.9 per cent during the first half of 2016 in real terms, in comparison to 5.7 per cent growth recorded in the corresponding period of 2015. The Industrial sector which grew by 7.7 percent during the first quarter of 2016 decelerated to 2.2 percent in the second quarter causing the dip in the overall GDP. However there was significant growth in the construction sector which grew by 8.5 percent for the first half of 2016. The Agriculture sector contracted due to adverse weather conditions, which also affected prices of domestic fresh food items in the first half of the year. The services sector expanded due to wholesale and retail trade activities which grew by 4.5 percent and financial services which recorded exponential growth of 15.1 percent for the first half of 2016.

In the external sector, the cumulative deficit in the trade balance expanded further to USD 8.2 billion during the first eleven months of 2016 from US dollars 7.6 billion during the corresponding period in

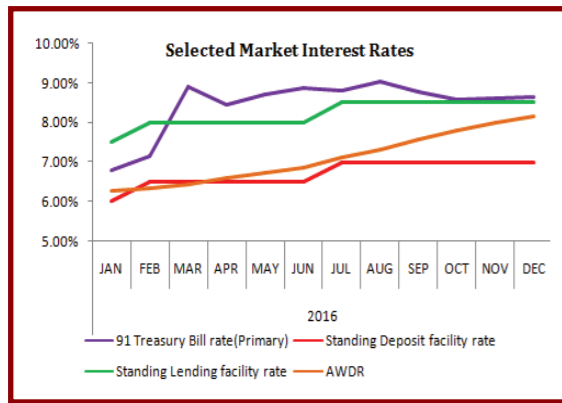


2015, as a result of increased import expenditure, amidst the contraction in export earnings. Earnings from tourism and workers' remittances continued to dampen the adverse impact of the trade deficit on the overall balance of payments. Earnings from tourism were estimated to have increased by 14.0 per cent to around US dollars 3.4 billion during 2016, while workers' remittances increased by 3.7 per cent to US dollars 7.2 billion during the year. The realization of foreign direct investment (FDI) inflows was below expectations in the first nine months of the year, while there were some outflows of foreign investments from the rupee denominated government securities market.

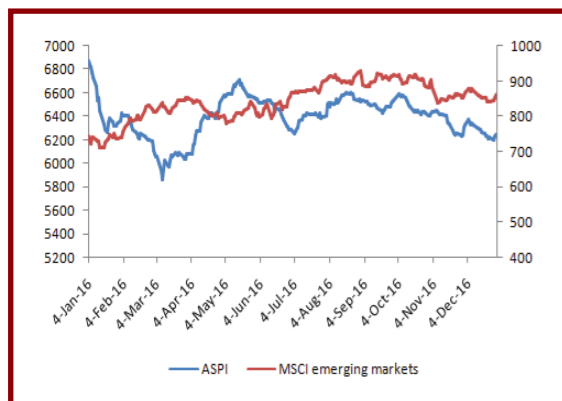


In spite of the price pressures arising from supply side disruptions and the immediate impact of tax adjustments introduced by the government, consumer price inflation remained in single digits throughout the year. However, the year on year inflation picked up in the second quarter as a result of the combined impact of domestic supply side disturbances, particularly due to adverse weather conditions, and the increase in the Value Added Tax (VAT) and the removal of certain exemptions for VAT and NBT from the fiscal front. Inflation reduced thereafter due to the normalization in domestic supply conditions as well as the suspension of the implementation of changes to the government tax structure.

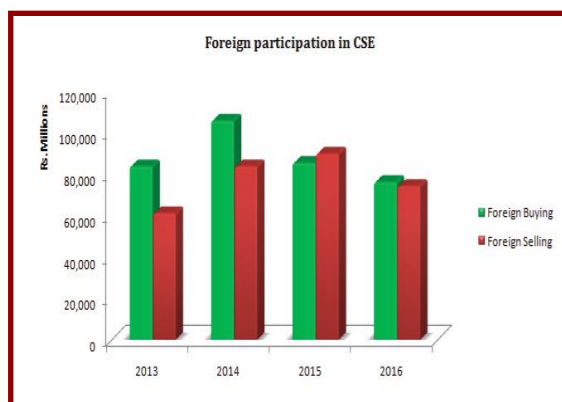
Accordingly, the Central Bank tightened its monetary policy stance, first by raising the Statutory Reserve Ratio (SRR) and then by raising its main policy interest rates in two steps during February and July of the year. The tightening of monetary policy was also expected to support the reduction of the pressure on the external sector through the dampening of



import intensive credit flows to the economy and discouraging portfolio capital outflows in the context of the normalization of monetary policy in the United States of America.



The equity market witnessed a tremendous downturn in the year 2016. The price indices, market capitalization and turnover levels declined. Increased investor uncertainty over future policy directions and political changes, pressure on the exchange rate and significantly lower quantities of foreign buying, seem to have created a negative impact on the equity market despite a low interest rate regime. Consequently ASPI dropped with a 9.5 percent decline for the year.



However S&P 20 Index showed much better performance recording only a decline of 2.8 percent. The performance of ASPI tends to mirror the movement of the MSCI emerging market index for the latter half of the year. Except for the month of February net foreign inflows remained negative during the first half of year 2016 while a slight pickup is seen from the month of July onwards. However the total foreign investor contribution to market turnover improved to 42.5 percent compared to 34.4 percent in 2015, while recording a total net foreign

inflow of Rs. 633.5 million compared to the Rs. 5.4 billion in foreign outflow in 2015. Daily turnover for 2016 reduced to around Rs. 730 million compared to Rs. 1060 million for 2015.



To provide for non-contributory benefit to employees on retirement; and to do all such other acts or things as may be necessary for, the above objectives

CORPORATE STEWARDSHIP

Board of Directors and Senior Management

01

Chairman's Review

02

Board of Director's Review

03

04

Governance Report

05

Risk Management Report



BOARD OF DIRECTORS

BOARD OF DIRECTORS (2016)

Mr. Mahinda Madihahewa Chairman/CEO Appointed by the Minister of National Policies and Economic Affairs	Mr. P B Madagedara Working Director Appointed by the Minister of National Policies and Economic Affairs
Mr. Nihal Fonseka (up to April 2016) Director Appointed by the Minister of National Policies and Economic Affairs	Mr. K S Kurukulasinghe Director Appointed by the Minister of National Policies and Economic Affairs
Mrs. Champa Balasooriya Director Appointed by Minister of Finance	Mrs. Shietha Senaratne Director Appointed by Minister of Industry and Commerce
Mr. C L K P Jayasooriya (Up to September 2016) Director Representative of Employers' Federation of Ceylon	Mr. W M K L Weerasinghe (From October 2016) Director Representative of Employers' Federation of Ceylon
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 Gnanasekera	

DEPUTY GENERAL MANAGERS

Mrs. R N Gnanasekera	Investments
Mr. W S Dissanayake	Member Services
Mr. L H Nihal	Administration & Human Resources
Mr. K S Weliwita	Internal Audit
Mr. N W Wimalaweera	Finance/ Investment
Mr. A J M S Jayasundara	Collection & Employer Relations

ASSISTANT GENERAL MANAGERS

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

"As one of the leading superannuation fund in the country, the Fund's long-term investment strategy has enabled us to pay a steady rate of interest despite regular fluctuations in financial markets. Considering the immense economic potential of our country the Fund is expected to improve over the coming years."



CHAIRMAN'S REVIEW

Chairman's Review

It is my pleasure to present the Annual Report of Employees' Trust Fund (ETF) for the year 2016. The fund continued the strong performance surpassing several obstacles in 2016.

Total asset value reached Rs. 249 billion and total income was recorded as 24.6 billion with a 13% increase from the previous year. Bottom line of the organization was driven by earning a return on Investment of 10 per cent. This is a commendable performance by the ETF amidst depressed equity market conditions, witnessed in 2016, once again demonstrating its robust fund management and investment practices. ETF continued to invest its excess funds mainly in government securities while diversifying into equities and corporate debt instruments, managing the exposures appropriately.

As one of the leading superannuation fund in the country, the Fund's long-term investment strategy has enabled us to pay a steady rate of interest despite regular fluctuations in financial markets. Considering the immense economic potential of our country the Fund is expected to improve over the coming years.

The focus to expand into the migrant and self employment sectors is expected to increase the active membership of the fund. On the other hand the trend of aging population will increase the withdrawals from the fund. Hence ETF, as a dynamic player in the financial sector anticipating these developments have made changes to the fund management strategies in order to increase the value of the fund.

Hence, I wish to assure our members that ETF is capable of deriving utmost benefits from the prevailing economic climate in order to discharge the fiduciary responsibility of managing the Fund efficiently and effectively on behalf of the beneficiaries. Projects are underway in order to provide a more efficient service to the members through streamlining the collection process from employers. By the end of the year, many employers out of employers eligible for the system have successfully registered with the system facilitating faster crediting and more efficient management of member accounts thus, enabling ETF to better serve its members.

EISA Project is another significant step taken by the Fund, which is scheduled to progress in the

coming years. The project targets to improve the efficiency of the inspection process there by increasing the coverage of divisional secretariats and improving the processing of employer master files. Also plans are underway to increase the number of employers utilizing the e banking facilities by expanding the number of banks. In order to transform to a paperless environment it is expected to automate all the functions by the 3rd quarter of 2018. Image Scanning Project will be implemented in the upcoming year. This project targets to convert the enormous amount of existing documents belonging to our members into electronic form. These measures on completion will in turn significantly increase the productivity of the Fund. ETF has collaborated with other government bodies on various grounds. ETF joined in partnership with

EPF to detect non contributors. Further assistance was obtained from relevant authorities related to self employment to implement effective marketing strategies.

In this background, I wish to express my appreciation to the staff for their relentless dedication and commitment. I also wish to express my sincere gratitude to all the Members and Employers of the ETF, for keeping their utmost confidence in order to make our journey a success.



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

The Directors have pleasure in presenting the 36th Annual Report of Employees' Trust Fund together with the Audited Financial Statements for the year ended 31st December 2016 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.



BOARD OF

DIRECTOR'S REVIEW

Review of Financial Statements

The Directors are responsible for the preparation of the Financial Statements of ETF and, which reflect 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 46 to 70 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.

Based on the above 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

Employer Contributions and Members Accounts

A total of 12,892 new employers commenced their contributions to the fund during the year 2016 and out of them 5832 remained active as at the year end. Similarly the total contributions received from the employers in respect of their employees during 2016 were Rs. 20.0 Billion compared to Rs. 17.9 Billion in 2015. Further, the value of the member's fund increased from Rs. 218.5 Billion to Rs.246 Billion at the end of the year under review.

Member Benefits and Welfare Benefits

During 2016, 171,801 refund claims were processed and the total amount paid was Rs. 13.5 Billion. Comparatively during 2015, 162,983 Claims were processed and amounted to Rs. 11.5 Billion. During the year the average amount paid per claim increased to Rs. 78,579 from Rs 70,519 in the previous year. During 2016, 3,654 benefit claims were processed and Rs.299.3 Million was paid. Comparatively 3,481 claims were processed in 2015 and Rs.180 Million was paid. While Rs.176.74 Million was paid in year 2016 on behalf of the children of members who had passed the Year Five

Scholarship Examination, Rs.42.52 Million was paid to Children of ETF members who had passed the GCE (AVL) Examination in year 2016, as a means of assistance for 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 12.5 Million. The fund maintains member accounts for all the active and inactive members. 96% of member accounts were updated up to year 2016 at the year end. Out of these accounts 10 Million were inactive while 2.5 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.210 Billion to Rs.229.5 Billion in 2016 which is an increase of 9.3% over the previous year. During the year 2016 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.194 Billion (84.5%) was invested in Government Securities and Rs.2.3 Billion (1%) invested in Government Guaranteed Fixed Income Instruments whilst Rs.12.3 Billion (5.4%) invested in equities and Rs.5 billion (2.2%) in other investments. The Board has earned a profit of Rs.27.1 Million on share trading and earned a gain of 32.8 Million on long term holding. As stated earlier, during the year 2016, in addition to the above ETF also earned an investment income of Rs.24 Billion against Rs.21.4 Billion in 2015 which is an increase of Rs.2.5 Billion.

Collection & Employer Relations

When compared to previous year, the numbers of Employers were increased up to 77,842 due to the inspection carried out covering all districts through 17 Regional Offices. The operation work and monitoring were carried out successfully through IT network of the Board. Accordingly it was able to increase contribution Collection by Rs.2, 151 million in year 2016 over 2015.

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 and Hatton National Bank and such collection were 45% of total contribution. Further the entity was also able to increase the compliance rate in year 2016 when compared to year 2015 due to the awareness programs conducted through Regional Office on regular basis.

Further, in year 2016 in-house and one day training programs and workshops on labor laws and regulations which are relevant to entire labor force were conducted for regional managers and field officers and from such programs regional office staffs were able to improve their theoretical and practical knowledge. The board of directors hereby acknowledges the contents of this annual report.

Mahinda Madihahewa
Chairman/ Chief Executive officer

GOVERNANCE REPORT

Since Employees' Trust Fund Board is a semi government organization, Strong governance practices are fundamental to the creation of high value to members, which comply with all statutory and regulatory requirements. Commitment to the highest standards of transparency, reliability and compliance are well-established guiding principles within the board. This Report provides an insight into how the Board of directors of ETFB is committed and takes responsibility to maintain the highest Standards of Corporate Governance.



Statutory and Regulatory Framework

- ETF Act
- Financial Regulations (Government)
- Public Enterprises Guidelines (Department of Public Enterprises)
- The Code of Best Practices (Department of Public Enterprises)
- Sri Lankan Accounting and Auditing Standard Monitoring Board Act
- National procurement Guidelines
- Relevant Government Circulars (Treasury, Ministry of public Administration)

Rules and Procedures

- Procedure Manual and Policies of the Board

Other Comities

- Audit Committee
- Management Committee
- Investment Committee

Controls and Monitoring

- Internal Audit Division

CORPORATE GOVERNANCE COMMENTARY

Governance Principles		Comments on 2016																																										
1. Director Board																																												
1.1.	The Board	The Board of Directors has a statutory responsibility in the stewardship of the fund on behalf of the Government and its stakeholders																																										
1.1.1.	Appointments to the Board	<p>The Board shall consist of the following nine members appointed</p> <ul style="list-style-type: none"> • Four members nominated by the Minister • One member nominated by the Minister in charge of the subject of Finance • One member nominated by the Minister in charge of the subject of Trade • One member nominated by the Employers Federation of Ceylon • Two members nominated by the Minister in consultation with the executive of every trade union having more than 100,000 																																										
1.1.2.	Board Meetings	<p>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 2016 is shown below.</p> <div style="text-align: center;"> <p>Board Meeting Attendance During 2016</p> <table border="1"> <caption>Data for Board Meeting Attendance During 2016</caption> <thead> <tr> <th>Month</th> <th>Attended</th> <th>Not Attended</th> </tr> </thead> <tbody> <tr><td>January</td><td>9</td><td>1</td></tr> <tr><td>February</td><td>9</td><td>1</td></tr> <tr><td>March</td><td>5</td><td>5</td></tr> <tr><td>April</td><td>9</td><td>1</td></tr> <tr><td>May</td><td>9</td><td>1</td></tr> <tr><td>June</td><td>9</td><td>1</td></tr> <tr><td>July</td><td>5</td><td>5</td></tr> <tr><td>August</td><td>5</td><td>5</td></tr> <tr><td>September</td><td>9</td><td>1</td></tr> <tr><td>September (Special)</td><td>9</td><td>1</td></tr> <tr><td>October</td><td>9</td><td>1</td></tr> <tr><td>November</td><td>9</td><td>1</td></tr> <tr><td>December</td><td>9</td><td>1</td></tr> </tbody> </table> </div>	Month	Attended	Not Attended	January	9	1	February	9	1	March	5	5	April	9	1	May	9	1	June	9	1	July	5	5	August	5	5	September	9	1	September (Special)	9	1	October	9	1	November	9	1	December	9	1
Month	Attended	Not Attended																																										
January	9	1																																										
February	9	1																																										
March	5	5																																										
April	9	1																																										
May	9	1																																										
June	9	1																																										
July	5	5																																										
August	5	5																																										
September	9	1																																										
September (Special)	9	1																																										
October	9	1																																										
November	9	1																																										
December	9	1																																										
1.1.3.	Board Responsibilities	<p>The Board should exercise its mandated rights and responsibilities with integrity and in good faith as the custodian of public resources. The Board should at all times be conscious of its onerous responsibilities, as the outcome of any decisions and actions carried out without proper planning will ultimately be borne by the public at large.</p> <p>Matters and issues that should be addressed at Board Meetings :-</p> <ul style="list-style-type: none"> • Policy Formulation • Monitoring and evaluation of performance of the fund • Monitoring and evaluation of performance of subsidiaries/associates and other investments • Annual Performance Review • Working Capital • Quarterly, Half Yearly and Annual Performance Reports • Board Papers 																																										

Governance Principles		Comments on 2016
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	<p>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: -</p> <ul style="list-style-type: none"> • Circulating notice of Board meetings, Minutes of meetings, Board Papers together with other relevant documents • Follow up actions on Board decisions • Assist Board members by providing both internal and external information
1.1.6.	Board Balance	Directors come from different fields (Finance, Trade, Employers Federation, Trade union, etc.) Provide a balance platform to the board. They give their independent view relating to the each matter.
1.1.7.	Adequate time for effective Board meeting	The Board usually meets on monthly intervals. The average time spent for a board meeting is around 3 hours.
1.2. Chairman/Chief Executive Officer		
1.2.1.	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

Governance Principles		Comments on 2016
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 ensure that decisions for effective operations are taken after careful deliberations, it is the responsibility of the management to set up Committees, with a team of appropriate persons to deal with matters, which have a material impact on the board. Some of the important Committees that board has are: -

I. Audit Committee

This Committee should comprise at least three non Executive Board members, chaired preferably by a Treasury Representative or person possessing financial management skills. This Committee should meet on a regular basis at least once in three months with the Chief Internal Auditor as CoInvenor and should submit its observations to the Board of Directors with recommendations for necessary action.

The scope of this Committee would include, amongst others, the following: -

- Determination of the responsibilities of the Internal Audit Unit and review of the annual audit plans
- Review and evaluate internal control systems for all activities of the entity
- Review performance at regular intervals for cost effectiveness and to eliminate wasteful expenditure etc.
- Liaise with external auditors and follow up on Auditor General's Management Letters
- Ascertain whether statutes, regulations, rules and circulars are complied with
- Review financial statements to ensure compliance with Accounting Standards
- Review internal audit/external audit reports, Management Letters for remedial action
- Review implementation of recommendations/directives of the Committee on Public Enterprises
- Prepare report on the findings of the Committee for inclusion in the Annual Report

Composition of Audit Committee

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

II. Management Committee

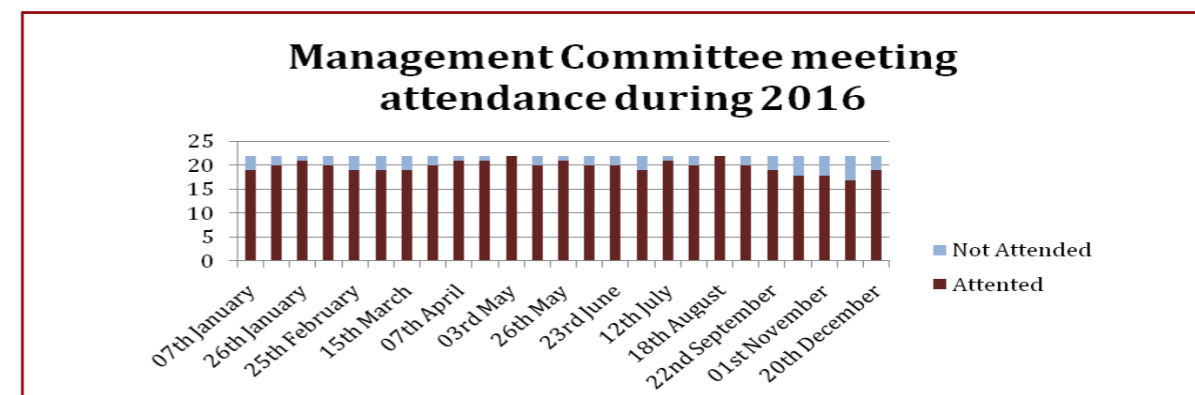
The responsibility for the Management of the operations of the fund lies with the Chairman and the Senior Management. They are responsible for the effective implementation of decisions taken by the Board of Director's. The Chairman and the Senior Management team provide information and necessary clarifications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

The Management Committee therefore is an important management tool in board for periodic progress monitoring. Salient matters this Committee should focus on will include: -

- Board decisions at previous meetings that have still not been implemented
- Reviewing actual performance against targets and identifying reasons for deviations with remedial action that needs to be taken
- Critical evaluation of cash flows and projected requirements for the quarter ahead

- Debt/cash management
- Follow up on procurement delays (if any) to obviate emergency purchases
- Ensuring payment of statutory dues such as EPF, ETF and taxes
- Technology upgrading necessary, with justifications to facilitate decision making by 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 matters relating to administration and establishment
- Any other day-to-day operational issues.



III. Investment Committee

The board primary objective in the investment of board's fund is to ensure the safety of principal, while managing liquidity to pay the financial obligations of the Board and providing optimum investment return using authorized investments. So Investment Committee is trying to ensure those three goals.

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

- **Liquidity**
The investment portfolio shall remain sufficiently liquid to enable the board to meet all operating requirements that might be reasonably projected.
- **Return on Investment**
The investment portfolio shall be designed to obtain the Optimum return using authorized investment instruments.

Investment committee comprises with eight members who meet on a daily basis on every working day. They decide the appropriate investments from the Fund based on the market situation.

SUB COMMITTEES EXECUTIVE SUMMARY

Board Sub Committees	Coverage	Composition
I. Audit Committee	<ul style="list-style-type: none"> • Review Internal Controls • Review Internal Audit • Review External Audit • Review financial statements 	<ul style="list-style-type: none"> • Three Directors • All Deputy General Managers and All Assistant General Managers
II. Management Committee	<ul style="list-style-type: none"> • Review operational issues • Review necessary upgrading • Review performances 	<ul style="list-style-type: none"> • Chairman • Working Director • Senior Management
III. Investment Committee	<ul style="list-style-type: none"> • Board investment policy • Investment portfolios and their performance • Review the current environmental factors 	<p>Investment Committee</p> <ul style="list-style-type: none"> • Treasury Representatives • From Line Ministry Representative • Additional General Manager • DGM (Finance) • DGM (Investments) • DGM (Internal Audit) - Observer <p>Equity Committee</p> <ul style="list-style-type: none"> • Assistant General Manager (Finance) • Two Managers from Finance Division • Three Investment Analysts

RISK MANAGEMENT REPORT

different sectors such as, banking, finance and insurance, diversified holdings, manufacturing, power and beverages. In addition to the fundamentals the quality of management of the counters are assessed before investing. On the overall the market risk on equity portfolio is relatively low since exposure of equity represents only 5.4 per cent of the total portfolio of the Fund.

high liquid government securities portfolio provides an additional buffer against any liquidity constraint. As a daily liquidity management tool, ETF invests in the overnight Repo market to maintain adequate funds on a daily basis while earning a reasonable return. Therefore, liquidity risk of the Fund also remains low.

Operational Risk

Operational risk is the risk inherent in company operations. It is the residual risk after determining financing and systematic risk, and includes risks resulting from breakdowns in internal procedures, people and systems. Main sources of operational risks of the fund include IT related risk, risk arising from human errors and intervention and natural disasters. In order to mitigate these risks, the Fund 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 rectify weaknesses and deviations found immediately.

Liquidity Risk

Liquidity risk is the risk arising from the inability to meet short term financial demands. This is affected by the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. The net contribution after refunds arrives to positive cash flow of 548 million on average per month improving the liquidity position of the Fund. After considering other cash flows such as income and maturity proceeds, the annual refund payment as a percentage of total cash inflows was on average 67% by the end of 2016. In addition, availability of a

Risk Management

Being one of the premier Superannuation Funds in Sri Lanka, ETF manages long term savings of private sector and semi - government employees to provide maximum retirement benefits while ensuring safety of capital. ETF is an important entity in the financial sector as it holds a significant amount of government securities and owns 0.3% of the market capitalization of the Colombo stock exchange. Therefore, the management has been placing a heavy emphasis on the management of the risks associated with the fund.

The key risks faced by the ETF are credit risk, market risk, liquidity risk and operational risk.

Credit Risk

Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. The credit risk of the Fund was minimal as 84.5 per cent of the investments were held in government securities (as at 31st Dec 2016) which are considered as risk free investments. Credit risk arising from the corporate debentures, which accounted for 1 per cent of the portfolio, is low

since the Fund invests only in rated corporate debt instruments. Such investments are made only after a thorough consideration of issuer ratings and other risk factors. In addition, all reverse Repo investments which assumed about 0.03 per cent of the fund has been collateralized by adequate government securities. Therefore the credit risk of ETF is remains at a very low level.

Market Risk

Market risk is the risk arising due to fluctuations in financial markets. At present, the market risks that make a direct impact on the fund is interest rate risk and equity risk. When the market interest rates increase, the value of the Treasury bond portfolio deteriorates (price risk) and when the interest rates decrease, the fund will have to reinvest at low interest rates (reinvestment risk). However, this risk has been managed periodically by selecting Treasury bonds of different maturities and yields appropriately. The equity risk refers to the risk faced by the fund in holding equity in a particular investment. Such can arise by the reduction in the value of the equity portfolio due to the decline in the share prices. This risk has been mitigated by imposing limits on the equity portfolio, diversifying equity portfolio into

FINANCIAL INFORMATION

Statement of
Comprehensive Income

Statement of Financial
Position

Statement of Changes in
Equity

Statement of Cash Flow

Notes & Significant Accounting Policies to
the Financial Statements

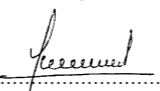
Financial Statement

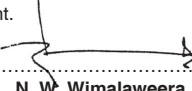
2016

EMPLOYEES' TRUST FUND BOARD STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2016

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
Total Income					
Interest Income	5	23,530,300	20,277,559	23,492,350	20,274,204
"(-) Interest Expense - 3.0% (As per the Section 22 of the ETF Act)"		(6,759,768)	(6,013,817)	(6,759,768)	(6,013,817)
Net Trading Income	6	1,114,228	(78,146)	-	-
Dividend Income	7	486,194	360,582	486,194	360,582
Gain/(Loss) on Financial Assets at Fair Value through Profit/(Loss)	8	68,592	833,850	68,592	833,850
Other Income	9	540,511	332,623	531,650	320,139
		18,980,056	15,712,651	17,819,018	15,774,958
Total Operating Expenses					
Personal Expenses	10	1,059,412	1,048,211	985,963	994,389
Administrative Expenses	11	161,514	147,519	140,819	132,608
Financial Expenses	12	7,967	14,336	2,904	1,988
Member Expenses	13	454,466	429,610	454,466	429,610
Depreciation & Amortization	14	40,660	43,515	15,290	16,896
Interest Paid to members on Current Year		173,630	148,737	173,630	148,737
Impairment of Equity Investments	19	283	-	283	-
		1,897,931	1,831,929	1,773,355	1,724,228
Profit Before Tax		17,082,125	13,880,722	16,045,663	14,050,730
Income Tax Expenses	15	(2,733,111)	(2,007,460)	(2,394,498)	(2,060,646)
Profit for the Year		14,349,014	11,873,262	13,651,165	11,990,084
Profit Attributable to:					
Equity Holders of the Company		14,279,229	11,884,945	13,651,165	11,990,084
Non-Controlling Interests		69,785	(11,682)	-	-
Profit for the Year		14,349,014	11,873,262	13,651,165	11,990,084
Retained Profit B/F		3,317,869	18,090	3,317,869	18,090
Profit Available for Appropriation		14,349,014	15,082,088	13,651,165	15,327,413
Total Profit Available for Appropriation		17,666,883	15,100,178	16,969,034	15,345,503
Less: Proposed Apportionment - Dividend 6.0%		13,519,536	12,027,634	13,519,536	12,027,634
Less: Dividend - Lanka Salt		180,000	7,875	-	-
Profit After Appropriation		3,967,347	3,064,669	3,449,498	3,317,869

The accounting policies and notes as set out in pages 293 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)

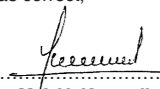
The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the board.

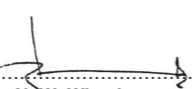

Mahinda Madihawewa
Chairman / Chief Executive Officer

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2016


	GROUP		COMPANY		
	31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015	
	Note	Rs. '000	Restated 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		(964,030)	60,425	(964,030)	60,425
Available for Sale Reserve (Units)		(3,846)	-	(3,846)	-
Items that will not be Reclassified to Statement of Comprehensive Income					
Actuarial Gain/(Loss) on Retirement Benefit Obligation		500	(29,794)	500	(29,794)
Income Tax on Other Comprehensive Income/(Expenses) for the Year		-	-	-	-
Total Other Comprehensive Income for the Year Net of Tax		(967,376)	30,631	(967,376)	30,631
Total Comprehensive Income for the Year Net of Tax		13,381,638	11,903,893	12,683,789	12,020,715
Total Comprehensive Income Attributable to					
Equity Holders of the Company		13,311,853	11,915,576	12,683,789	12,020,715
Non-Controlling Interests		69,785	(11,682)	-	-
Total Comprehensive Income for the Year Net of Tax		13,381,638	11,903,893	12,683,789	12,020,715

The accounting policies and notes as set out in pages 293 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

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2016


	GROUP		COMPANY		
	31 st December 2016	31 st December 2015	31 st December 2016	31 st De- cember 2015	
	Note	Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
ASSETS					
Cash and Cash Equivalent		748,033	863,226	614,332	841,949
Other Financial Assets Held-for-Trading		1,955,837	1,494,287	1,955,837	1,494,287
Investment in Subsidiary	17	-	-	470,961	470,961
Financial Investments - Available-for-Sale	18	9,209,233	8,837,699	9,209,233	8,837,699
Financial Investments - Held-to-Maturity	19	223,110,604	198,376,078	222,454,509	198,305,886
Financial Investments - Loans & Receivables	20	1,357,817	1,364,362	1,343,876	1,336,538
Other Assets	21	9,591,507	8,213,782	9,214,010	8,053,014
Property, Plant & Equipment	22	1,101,719	896,635	176,379	173,144
Leasehold Property	23	5,576	6,273	-	-
Intangible Assets	24	192	266	192	266
Investment Property	25	3,400,000	3,200,000	3,400,000	3,200,000
Total Assets		250,480,519	223,252,608	248,839,330	222,713,744

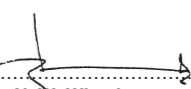
Total Operating Expenses

	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Liabilities					
Interest Bearing Loans and Borrowings	26	227,124	53,667	-	-
Grants and Subsidies	27	38,041	41,258	-	-
Defined Benefit Obligation	28	401,707	356,924	202,603	193,085
Current Tax Liabilities		270,909	33,582	81,082	33,582
Other Liabilities	29	507,483	355,606	101,501	158,766
Provisions	30	87,841	213,754	87,841	213,754
Total Liabilities		1,533,106	1,054,790	473,027	599,187

Equity		248,842,206	222,142,396	248,366,304	222,114,558
Non-Controlling Interest		105,207	55,422	-	-
Total Equity		248,947,413	222,197,818	248,366,304	222,114,558
Total Liabilities and Equity		250,480,519	223,252,608	248,839,330	222,713,744

The accounting policies and notes as set out in pages 293 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

**EMPLOYEES' TRUST FUND BOARD
STATEMENT OF CHANGES IN EQUITY
AS AT 31ST DECEMBER, 2016**

Group	Attributable to Equity Holders of the Company										
	MEMBER FUND			OTHER RE-SERVES				NON-CON-TROLLING INTEREST			
	CONTRI-BUTION	INTEREST	DIVI-DEND	MEMBER FUND	RETAINED PROFIT	AVAIL-ABLE FOR SALE RE-SERVE	OTHER RE-SERVES	DIVIDEND EQUAL-IZATION-RESERVE FUND	REVAL-UATION RESERVE	POST ACQUISITION RE-SERVES	TOTAL TOTAL
Balance as at 01.01.2015				193,868,676	18,090	1,468,737		142,000	3,155,730	140,853	198,862,065
Restatement of Tax Asset					128,503						128,503
Prior Year Adjustment - Tax					30,073						30,073
Recording Tax expense - 2015					(30,073)						(30,073)
Treasury Bond Income Adjustment					74,995						74,995
Realized Capital Gain on Shares - Share Reserve A/C					(475,070)						(475,070)
Quoted Share Investment (Long Term)					(871,627)						(871,627)
Previous Year Contribution Adjustment				(2,815)							(2,815)
Contribution Received	18,087,249			18,087,249							18,087,249
Refund of Contribution	(11,492,543)			(11,492,543)							(11,492,543)
Interest on Member Fund Balance 3.0%		6,013,817		6,013,817	(6,013,817)						-
Dividend 7.0%			12,027,634	12,027,634	(12,027,634)						-
Accumulated Profit for the Year					18,003,901						17,992,219
Dividend paid by Subsidiary											(875)
Movement in Subsidiary equity									(113,015)		(113,015)
Available for Sale Reserve						60,425					60,425
Contingent Liability Provision					(21,900)						(21,900)
Deposit - Summervill & Co.					21,900						-
Actuarial Gain/(Loss)					(29,794)						(29,794)
Transfer of previously recognised revaluation gain of investment property					3,155,730			(3,155,730)			-
Balance as at 31.12.2015	6,594,705	6,013,817	12,027,634	218,502,017	3,317,869	182,466	(29,794)	142,000	-	27,838	222,197,818
Balance as at 01.01.2016				218,502,017	3,317,869	182,466	(29,794)	142,000	-	27,838	222,197,818

**EMPLOYEES' TRUST FUND BOARD
STATEMENT OF CHANGES IN EQUITY
AS AT 31ST DECEMBER, 2016**

Group	Attributable to Equity Holders of the Company										
	MEMBER FUND			OTHER RE-SERVES				NON-CON-TROLLING INTEREST			
	CONTRI-BUTION	INTEREST	DIVI-DEND	MEMBER FUND	RETAINED PROFIT	AVAIL-ABLE FOR SALE RE-SERVE	OTHER RE-SERVES	DIVIDEND EQUAL-IZATION-RESERVE FUND	REVAL-UATION RESERVE	POST ACQUISITION RE-SERVES	TOTAL TOTAL
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)
Previous Year 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 7.0%			13,519,536	13,519,536	(13,519,536)						-
Accumulated Profit for the Year					20,410,933						20,480,718
Dividend paid by Subsidiary											(20,000)
Movement in Subsidiary equity									448,064		448,064
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
Actuarial Gain/(Loss)						500					500
Transfer of revaluation gain of investment property						(200,000)					(200,000)
Balance as at 31.12.2016	6,840,190	6,759,768	13,519,536	245,604,905	3,449,498	(800,805)	(29,295)	142,000	-	475,902	248,947,413

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF CHANGES IN EQUITY
AS AT 31ST DECEMBER, 2016

Company	Attributable to Equity Holders of the Company									
	CONTRI- BUTION	INTEREST	MEMBER FUND		RETAINED PROFIT	AVAILABLE FOR SALE RESERVE	OTHER RE- SERVES	DIVIDEND EQUALIZATION- RESERVE FUND	REVAL- UATION RESERVE	TOTAL
Balance as at 01.01.2015	-	-	-	193,868,676	18,090	1,468,737	-	142,000	3,155,730	198,653,233
Restatement of Tax Asset	-	-	-	-	128,503	-	-	-	-	128,503
Prior Year Adjustment - Tax	-	-	-	-	30,073	-	-	-	-	30,073
Recording Tax expense - 2015	-	-	-	-	(30,073)	-	-	-	-	(30,073)
Treasury Bond Income Adjustment	-	-	-	-	74,995	-	-	-	-	74,995
Realized Capital Gain on Shares - Share Reserve A/C	-	-	-	-	-	(475,070)	-	-	-	(475,070)
Quoted Share Investment (Long Term)	-	-	-	-	-	(871,627)	-	-	-	(871,627)
Previous Year Contribution Adjustment	-	-	-	(2,815)	-	-	-	-	-	(2,815)
Contribution Received	18,087,249	-	-	18,087,249	-	-	-	-	-	18,087,249
Refund of Contribution	(11,492,543)	-	-	(11,492,543)	-	-	-	-	-	(11,492,543)
Interest on Member Fund Balance 3.0%	-	6,013,817	-	6,013,817	(6,013,817)	-	-	-	-	-
Dividend 7.0%	-	-	12,027,634	12,027,634	(12,027,634)	-	-	-	-	-
Accumulated Profit for the Year	-	-	-	-	18,003,901	-	-	-	-	18,003,901
Available for Sale Reserve	-	-	-	-	-	60,425	-	-	-	60,425
Contingent Liability Provision	-	-	-	-	-	-	(21,900)	-	-	(21,900)
Deposit - Summerville & Co.	-	-	-	-	(21,900)	-	21,900	-	-	-
Actuarial Gain/(Loss)	-	-	-	-	-	-	(29,794)	-	-	(29,794)
Transfer of previously recognised revaluation gain of investment property	-	-	-	-	3,155,730	-	-	-	(3,155,730)	-
Balance as at 31.12.2015	6,594,705	6,013,817	12,027,634	218,502,017	3,317,869	182,466	(29,794)	142,000	-	222,114,558
Balance as at 01.01.2016	-	-	-	218,502,017	3,317,869	182,466	(29,794)	142,000	-	222,114,558

EMPLOYEES' TRUST FUND BOARD
STATEMENT OF CHANGES IN EQUITY
AS AT 31ST DECEMBER, 2016

Company	Attributable to Equity Holders of the Company									
	CONTRI- BUTION	INTEREST	MEMBER FUND		RETAINED PROFIT	AVAILABLE FOR SALE RESERVE	OTHER RE- SERVES	DIVIDEND EQUALIZATION- RESERVE FUND	REVAL- UATION RESERVE	TOTAL
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)
Previous Year 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 7.0%	-	-	13,519,536	13,519,536	(13,519,536)	-	-	-	-	-
Accumulated Profit for the Year	-	-	-	-	20,410,933	-	-	-	-	20,410,933
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
Actuarial Gain/(Loss)	-	-	-	-	-	-	500	-	-	500
Transfer of revaluation gain of investment property	-	-	-	-	-	-	-	(200,000)	-	(200,000)
Balance as at 31.12.2016	6,840,190	6,759,768	13,519,536	245,604,905	3,449,498	(800,805)	(29,295)	142,000	-	248,366,304

**EMPLOYEES' TRUST FUND BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
Operating Activities					
Proceeds from Sale of Financial Instrument Designated at FVTPL	1	264,734	2,953,322	264,734	2,953,322
Maturities of Financial Instrument Held to Maturity	2	226,866,952	243,132,309	226,866,952	243,132,309
Maturities of Financial Instrument Loan & Receivables	3	128,216	6,263,837	128,216	6,263,837
Payment for Purchase for Financial Instruments Designated at FVTPL	4	(2,105,430)	(5,006,253)	(2,105,430)	(5,006,253)
Payment for Purchase of Held to Maturity Financial Instruments	5	(250,088,421)	(271,650,535)	(250,088,421)	(271,650,535)
Loan Granted for Acquire Loan & Receivable Financial Instrument	6	(215,730)	(148,464)	(215,730)	(148,464)
Monies received from Customers		2,137,602	1,011,685	-	-
Monies paid to Suppliers		(1,160,490)	(783,195)	-	-
Interest Received	7	19,493,760	16,872,388	19,493,760	16,872,388
Dividend Received	8	329,938	524,271	329,938	524,271
Other Income Received	9	306,894	281,709	306,894	281,709
Operational Expenses Paid	10	(1,047,671)	(1,010,390)	(1,047,671)	(1,010,390)
Member Expenses Paid	12	(315,819)	(228,298)	(315,819)	(228,298)
Income Tax Paid	13	(713)	(11,395)	(713)	(11,395)
Interest Paid		(181,210)	(158,976)	(176,512)	(149,122)
Defined Benefit Plan Costs paid		(23,142)	(11,962)		
Ground Rent paid to Divisional Secretaries		(25,095)	(4,472)		
Year 5 Scholarship Payment/Refund		(178,314)	(8,368)	(178,314)	(8,368)
Higher Education Scholarship Payment/Refund		(41,908)	(19,704)	(41,908)	(19,704)
Net Cash Flows from Operating Activities		(5,855,848)	(8,002,490)	(6,780,024)	(8,204,693)
Investing Activities					
Purchase of Property and Equipment		(271,465)	(28,515)	(24,990)	(8,633)
Proceeds from Sale of Property and Equipment		470	17,164	73	12,462
Acquisition of Investments		(585,903)	(12,494)	-	-
Interest Received		40,087	7,149	-	-
Net (Grants) / Repayments of Staff Loans		13,882	17,691	-	-
Net Cash Flows from Investing Activities		(802,930)	995	(24,917)	3,829
Financing Activities					
Contribution Received		20,053,869	17,902,928	20,053,869	17,902,928
Refunds		(13,473,997)	(11,493,449)	(13,473,997)	(11,493,449)
Financial Expenses Paid	11	(2,547)	(1,639)	(2,547)	(1,639)
Dividends Paid		(200,000)	(8,750)	-	-
Repayment of Interest Bearing Loans & Borrowings		(24,038)	(35,843)	-	-
Principal Payment Under Finance Lease Liability		(4,425)	(1,676)	-	-
Net Cash Flows from Financing Activities		6,348,862	6,361,570	6,577,325	6,407,840
Net Increase in Cash and Cash Equivalents		(309,916)	(1,639,925)	(227,616)	(1,793,024)
Cash and Cash Equivalents at 01st January		855,620	2,495,545	841,949	2,634,973
Cash and Cash Equivalents at 31st December		545,704	855,620	614,332	841,949

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

1. CORPORATE INFORMATION

1.1. Domicile and Legal Form

Employees' Trust Fund Board (ETFBoard) is a State Owned Enterprise, established under Act No.46 of 1980 and commenced operations on 1st March 1981. It was established under the Ministry of Labor and was brought under the Ministry of Finance in 1997 and from October 2015 functioning under the Ministry of National Policies and Economic Affairs, until transfer to the Ministry of Development Assignments in 2016.

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

1.2. Principal Activities and Nature of Operations

During the year, the principal activities of the 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.

1.3. Parent Enterprise and Ultimate Parent Enterprise

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

1.4. Date of Authorization for Issue

The financial statement of Employees' Trust Fund Board for the year ended 31st December, 2016 were authorised for issue in accordance with a resolution of the board of directors on 10th August, 2016.

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, 2016 and for the year then ended and comply with the Sri Lanka Accounting Standards (SLFRS/LKAS). The preparation and presentation of these Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

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).

2.1.3. Significant Accounts Judgements, 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 recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, 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. All Financial Information is presented in Sri Lankan Rupees.

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, 2016.

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

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

b) Subsidiaries

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

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

c) Reporting Date

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

2.3. Basis of Measurement Profit and Loss

2.3.1. Revenue

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

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

a) Sale of Goods

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

b) Rendering of Services

Revenue from rendering of services is recognised 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 recognised only to the extent of expenses incurred that are recoverable.

c) Interest

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

d) Others

Other income is recognized on an accrual basis.

2.3.2. Interest and Similar Income and Expense

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

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

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

ETFb has not claimed the tax credit from notional tax for a past period, hence there is a tax receivable which should have been recognised as an asset. However, an accounting error has committed where no tax receivable has been recognised. In order to rectify the error in current financial year the Retained Earnings at earliest reporting date (1st January 2015) has been adjusted by LKR 128 million. And respective tax assets have been reduced by an equivalent amount of tax credit claimable in respective years.

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. Deferred tax assets are recognized for all temporary differences that are expected to reduce 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

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 Translation

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) The amount of LKR 21,900,000 which the company has deposited as the bank guarantee to the court will be recognized as an expense occurred in the prior year and therefore will be reduced from retained earnings rather than recognizing as a provision.
- b) The amount of LKR 74,995,085.96 will be adjusted from prior year as an error correction from Bond valuation.
- c) With reference to the paragraph 35 of LKAS 40 – Investment Property, "a gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises."

Hence, the revaluation gain of LKR 200,000,000 in 2016 and previously identified revaluation gains of LKR 3,155,730,000 shall be reclassified from equity (AFS reserve) to profit or loss.

- d) ETFB has not claimed the tax credit from notional tax for a past period, hence there is a tax receivable which should have been recognised as an asset. However, an accounting error has committed where no tax receivable has been recognised.

In order to rectify the error in current financial year the Retained Earnings at earliest reporting date (1st January 2015) has been adjusted by LKR 128 million. And respective tax assets have been reduced by an equivalent amount of LKR 30,072,932.91 and LKR 30,376,202.80 as tax credit claimable in respective years.

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.
- 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 recognised in respect of certain equity investments (amounting to LKR 282,738) 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.

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 derecognised 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 derecognition 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 recognised 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 has to be disclosed as 6.67% per annum on residual balancing method.

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

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

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

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

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition 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.

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.

2.10. Intangible Assets

2.10.1. Externally Acquired Intangible Assets

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

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

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

2.10.2. Computer Software Packages

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

2.11. Leasehold Properties

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

2.11.1. Operating Lease

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

2.12. Inventories

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

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable 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 Work-in-progress	-	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.

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 recognised 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 recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the Company receives non-monetary grants, the asset and that grant are recorded at nominal amounts and is released to the income statement over the expected useful life of the relevant asset by equal annual installments as follows.

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

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

2.20. Impairment of Assets

2.20.1. Impairment of Financial Assets

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.

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. Changes in 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 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.

**EMPLOYEES' TRUST FUND BOARD
AS AT 31ST DECEMBER, 2016**

BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST

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

The details of the business combination are as follows:

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

**EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS**

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
5 INTEREST INCOME					
Financial Investments Available for Sale					
Financial Investments Held to Maturity	5.1	23,442,614	20,008,796	23,404,664	20,005,441
Financial Investments on Loans and Receivables	5.2	87,686	268,763	87,686	268,763
		23,530,300	20,277,559	23,492,350	20,274,204
5.1 Financial Investments Held to Maturity					
Interest on Fixed Deposit		468,050	32,751	431,390	29,396
Interest from Debenture		195,881	184,916	195,881	184,916
Yield on Treasury Bond		22,132,320	18,836,118	22,132,320	18,836,118
Margin on Treasury Bill		157,016	604,096	157,016	604,096
Interest on Repurchase Agreements		202,932	114,422	202,932	114,422
Interest on Money Market		1,476	1,320	1,476	1,320
Interest on Custodial A/C		1,459	7,145	170	7,145
Interest on Bonds - Power Project		283,479	228,028	283,479	228,028
		23,442,614	20,008,796	23,404,664	20,005,441
5.2 Financial Investments on Loans and Receivables					
Interest on Rupee Loan		-	169,832	-	169,832
Interest on Vijana Housing Loan		68,443	81,243	68,443	81,243
Interest on Distress Loans (Special loan)		560	570	560	570
Interest on Vehicle Loan		6,061	5,713	6,061	5,713
Interest on Special Distress Loan		5,917	5,697	5,917	5,697
Interest on Special Festival Loan		137	145	137	145
Interest on Special Advance		416	-	416	-
Interest on Computer Loan		-	2	-	2
Interest on Staff Hosing Loan - SMIB		6,077	5,424	6,077	5,424
Interest on Sport Club Loan		74	137	74	137
		87,686	268,763	87,686	268,763
6 NET TRADING INCOME					
Net Revenue	6.1	1,902,126	893,578	-	-
(-) Cost of Sales		(787,898)	(971,724)	-	-
		1,114,228	(78,146)	-	-
6.1 Net Revenue					
Gross Revenue		2,182,064	1,010,620	-	-
(-) Value Added Tax and National Building Tax		(279,938)	(117,042)	-	-
		1,902,126	893,578	-	-

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
7 Dividend Income					
Investment Held for Trading	7.1	298,007	325,340	298,007	325,340
Investments Available for Sale	7.2	188,188	35,243	188,188	35,243
		486,194	360,582	486,194	360,582
7.1 Investment Held for Trading					
Dividends on Shares - Quoted		289,059	313,960	289,059	313,960
Dividends on Units - Quoted		8,948	11,380	8,948	11,380
		298,007	325,340	298,007	325,340
7.2 Investments Available for Sale					
Dividend on Shares - Unquoted		188,188	35,243	188,188	35,243
		188,188	35,243	188,188	35,243
8 GAIN /(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT /(LOSS)					
Current Share Trading Profit		27,166	450,204	27,166	450,204
Profit / Loss on Long Term Shares		32,835	-	32,835	-
Realized Gain on Share Reserve		15,395	475,070	15,395	475,070
Fair Value Adjustment of Units		-	(21,696)	-	(21,696)
Fair Value Adjustment of Shares		(6,804)	(69,727)	(6,804)	(69,727)
		68,592	833,850	68,592	833,850
9 OTHER INCOME					
Property Income - Lease Rent		3,255	15,093	3,255	15,093
Rent Received		386	481		
Profit on Sale of Property ,Plant and Equipment		107	12,923	6	12,358
Surcharges		235,477	232,543	235,477	232,543
Income on Express Claims		23,777	19,042	23,777	19,042
Staff Loan Income		31,409	32,843	29,271	29,049
Sundry Income		4,015	3,710	1,237	1,597
Donation - Treasury Granted		10,000	-	10,000	-
Profit / (Loss) On Car Park (Nawam Mawatha)		31,443	13,395	31,443	13,395
Profit / (Loss) On Holiday Bungalow		(2,817)	(2,938)	(2,817)	(2,938)
Non Refundable Deposit for Registration of Suppliers		241	169		
Amortisation of grants		3,217	5,361		
Revaluation gain on Investment Property		200,000	-	200,000	-
		540,511	332,623	531,650	320,139

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
10 PERSONAL EXPENSES					
Wages and Salaries	10.1	588,117	611,446	548,210	574,681
Short-Term Monetary and Non-Monetary Benefits	10.2	354,109	327,838	330,278	318,523
Defined Benefit Plans	10.3	34,784	26,987	30,212	24,852
Other Long Term Employee Benefits	10.4	82,402	81,940	77,263	76,333
		1,059,412	1,048,211	985,963	994,389
10.1 Wages and Salaries					
Salaries		473,055	491,143	436,742	458,218
Directors' Fees		2,260	1,343	850	593
Cost of Living Allowance		84,741	85,761	84,741	85,761
Overtime		18,496	21,645	16,312	18,555
Holiday Pay		9,565	11,554	9,565	11,554
		588,117	611,446	548,210	574,681
10.2 Short-Term Monetary and Non-Monetary Benefits					
Training & Development Expenses		4,164	2,477	4,164	2,477
Recruitment Expenses		528	-	528	-
Staff Welfare		27,206	22,013	27,050	21,664
Incentive		95,206	90,650	88,862	88,344
Overseas Training		3,220	1,490	3,220	1,490
Encashment of Leave		12,425	12,299	12,425	12,299
Bonus		100,072	89,902	83,778	84,253
Reimbursement of Medical Expenses		65,180	62,690	64,144	61,679
Staff Loan Cost		29,271	29,049	29,271	29,049
Interest on Housing Loans		16,783	17,267	16,783	17,267
Employees Accident Compensation Scheme		53	-	53	-
		354,109	327,838	330,278	318,523
10.3 Defined Benefit Plans					
Interest Cost		21,239	16,110	21,239	16,110
Current Service Cost		13,545	10,877	8,973	8,742
		34,784	26,987	30,212	24,852
10.4 Other Long Term Employee Benefits					
E.P.F. Board's Contribution		68,853	68,486	64,385	63,610
E.T.F. Board's Contribution		13,548	13,454	12,878	12,723
		82,402	81,940	77,263	76,333

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
11 ADMINISTRATIVE EXPENSES					
Building Rent		57,131	59,857	48,140	49,739
Rates		1,398	1,902	805	547
Electricity Charges		18,472	18,303	18,472	18,280
Telephone Charges		9,103	8,208	9,103	8,208
Water Charges		1,460	1,567	1,460	1,567
Consultancy Fees		1,861	2,002	763	828
Audit Fees		1,164	1,428	603	900
Security Charges		7,596	6,076	7,596	6,076
Legal Fees		1,222	797	1,222	797
Hiring Charges		7,482	751	5,872	259
Secretarial Expenses		120	150	120	150
Postage & Telegrams - Admin.		2,209	1,982	2,209	1,982
Travelling & Subsistence - Admin.		635	759	635	759
Printing & Stationery - Admin.		2,400	1,876	1,895	1,371
Media & Publicity - Admin.		351	273	272	14
IT Expenses - Admin.		1,206	1,257	1,206	1,257
Advertisement & Press Notices		2,182	1,239	2,182	1,239
Vehicle Insurance & License Fees		2,459	2,482	2,459	2,482
Newspapers & Periodicals		610	535	610	535
Donations		859	416	50	416
Disciplinary Inquiries		316	-	316	-
Other Insurance		-	2	-	2
Office Upkeep & Requirements		657	209	657	209
Workers Compensation		-	2,320	-	2,320
Stamp Duty		103	175	103	175
Miscellaneous Expenses		9,630	2,705	3,623	2,705
Vehicle Repairs & Maintenance		9,723	11,173	9,623	11,094
Fuel Charges		10,896	10,228	10,608	9,924
Maintenance of Building		8,172	6,435	8,172	6,378
Maintenance of Machine, Furniture & Equipments		2,098	2,414	2,044	2,397
		161,514	147,519	140,819	132,608
12 FINANCE EXPENSES					
Custodial Fee		352	333	352	333
Bank Charges		2,907	4,134	2,542	1,638
Interest expenses		4,699	9,854	-	-
Release of Write Back Claims		9	16	9	16
		7,967	14,336	2,904	1,988

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
13 MEMBER EXPENSES					
Member Benefits	13.1	393,349	373,882	393,349	373,882
Member Services	13.2	45,261	40,651	45,261	40,651
IT Services	13.3	15,856	15,076	15,856	15,076
		454,466	429,610	454,466	429,610
13.1 Member Benefits					
Death Benefits Scheme		97,518	92,209	97,518	92,209
Permanent Disablement Scheme		8,598	6,093	8,598	6,093
I.O.L. Implanting Scheme		4,293	4,909	4,293	4,909
Sramasuwa Rekawarana Scheme		13,558	13,423	13,558	13,423
Heart Surgery Scheme		171,420	91,263	171,420	91,263
Kidney Transplant Scheme		3,926	1,292	3,926	1,292
Year 5 Scholarship Scheme		67,898	116,250	67,898	116,250
Higher Education Scholarship Scheme		26,136	48,444	26,136	48,444
		393,349	373,882	393,349	373,882
13.2 Member Services					
Postage & Telegrams - Memb.		19,106	18,230	19,106	18,230
Printing & Stationery - Memb.		13,807	12,340	13,807	12,340
Computer Stationery		3,782	3,071	3,782	3,071
Self Employment Promotion Expenses		4	55	4	55
Member Related Expenses		357	522	357	522
Employees Awareness Scheme		445	315	445	315
Travelling & Subsistence - Memb.		4,830	4,975	4,830	4,975
Media & Publicity - Memb.		755	235	755	235
Medical Consultat. for Members		42	40	42	40
Scholarship Expenses		2,134	868	2,134	868
		45,261	40,651	45,261	40,651
13.3 IT Services					
Maintenance of Hardware		4,292	4,355	4,292	4,355
Maintenance of Software		526	660	526	660
Depreciation - IT		5,658	5,407	5,658	5,407
Insurance - IT		29	87	29	87
Rental on Leased Lines		5,351	4,568	5,351	4,568
		15,856	15,076	15,856	15,076
14 DEPRECIATION & AMORTIZATION					
Depreciation for property, Plant & Equipment		35,778	36,140	15,290	16,896
Amortization of Lease Hold Land & Development Work		4,882	697	-	-
Depreciation/Impairment of Biological Asset		-	6,678	-	-
		40,660	43,515	15,290	16,896

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
15 INCOME TAX EXPENSES		2,733,111	2,007,460	2,394,498	2,060,646
15.1 Income Tax - ETF Board					
Income on Money Market				132	820
Dividend on share				32,770	18,308
Debenture				2,699	5,269
Bond - Power Project				28,348	22,803
Fixed deposits				43,139	2,940
Treasary bill				15,702	60,410
Treasary bond				2,213,232	1,883,612
Ruppee Loan				-	16,983
Repo				20,293	11,442
SMIB Housing Loan				6	8
Income on Express Claims				2,378	1,904
Interst on Viyana Housing Loan				6,844	8,124
Property Income - Lease Rent				326	1,509
Surcharges				23,279	23,254
Surcharges Form 11				269	-
Interest on Distress Loans (Special loan)				56	57
Interest on Vehicle Loan				606	571
Interest on Special Distress Loan				592	570
Interest on Special Festival Loan				14	15
Interest on Special Advance				42	-
Interest on Computer Loan				-	-
Interest on Staff Hosing Loan - SMIB				601	534
Interest on Sport Club Loan				7	14
Sundry Income				124	160
Profit / (Loss) On Car Park (NW) + H/B				3,041	1,339
				2,394,498	2,060,646
Less :-					
Notional Tax Credit					
Tax Paid Source				(2,249,227)	(1,955,464)
Tax Payable to IRD				(107,094)	(67,131)
				38,177	38,052
15.2 Income Tax - Lanka Salt Limited					
Current Income Tax charge				198,882	-
Under Provision of current taxes in respect of prior years				-	2,207
Deferred Income Tax				-	-
Deferred Taxation Charge/(Reversal)				139,732	(55,394)
Income tax expense reported in the Income Statement				338,613	(53,186)

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
16 Other Financial Assets Held For Trading					
Quoted Share Investment (Trading)		1,955,837	1,494,287	1,955,837	1,494,287
Less: Provision for Diminution in Value of Quoted Shares		-	-	-	-
		1,955,837	1,494,287	1,955,837	1,494,287
17 Investment In Subsidiary					
Lanka Salt Limited		-	-	470,961	470,961
		-	-	470,961	470,961
18 Financial Investments - Available-For-Sale					
Quoted Share Investment Long Term		8,788,639	8,427,668	8,788,639	8,427,668
Unquoted Share Investment		89,992	75,299	89,992	75,299
Quoted Units		330,886	334,732	330,886	334,732
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		(283)	-	(283)	-
		9,209,233	8,837,699	9,209,233	8,837,699
19 Financial Invetments Held To Maturity					
Treasury Bonds		196,302,449	187,759,682	196,302,449	187,759,682
Treasury Bills		3,624,832	4,269,404	3,624,832	4,269,404
Quoted - Debenture		2,194,114	1,653,914	2,194,114	1,653,914
Less: Impirement on Debenture		(7,450)	(7,450)	(7,450)	(7,450)
Fixed Deposits		15,783,095	70,192	15,127,000	-
Repurchase Agreement		2,846,294	1,750,702	2,846,294	1,750,702
Debentures Unquoted		-	200,000	-	200,000
Bonds - Power Project		2,367,270	2,679,635	2,367,270	2,679,635
		223,110,604	198,376,078	222,454,509	198,305,886

"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 recongnised in respect of certain equity investments (amounting to LKR 282,738) 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 recongnise through profit or loss.

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
20 Financial Assets - Loans & Receivables					
Housing Finance - N.D.B		642,046	667,860	642,046	667,860
Staff Loans		-	-	-	-
Distress Loan (Special Loan)		13,723	13,737	13,723	13,737
Special Distress Loan		176,103	169,824	176,103	169,824
Festival Advance		571	610	571	610
Special Festival Loan		849	917	849	917
Special Advance		17,216	32,484	3,275	4,660
Vehicle Loan		167,925	170,987	167,925	170,987
SMIB-Staff Housing Loan		339,383	307,943	339,383	307,943
		1,357,817	1,364,362	1,343,876	1,336,538
21 Other Assets					
Accrued Income	21.1	7,015,577	6,246,206	7,015,577	6,246,206
Receivables & Prepayments	21.2	2,157,048	1,712,072	2,123,869	1,700,924
Tax Recoverable	21.3	97,805	151,626	68,054	98,430
Inventories	21.4	321,077	103,878	6,512	7,454
		9,591,507	8,213,782	9,214,011	8,053,014
21.1 Accrued Income					
Interest Receivable		7,043,442	6,274,072	7,043,442	6,274,072
Less: Provision Against Doubtful Income		(27,866)	(27,866)	(27,866)	(27,866)
		7,015,577	6,246,206	7,015,577	6,246,206
21.2 Receivables & Prepayments					
Contribution Receivable		1,806,052	1,547,314	1,806,052	1,547,314
Trade Debtors		7,561	6,175	-	-
Money Order Control		5,385	3,590	5,385	3,590
Postal Franking Machine Imprest		772	457	772	457
Sundry Debtors		177,052	12,493	177,052	12,493
Dues from Ex-employees		1,913	1,523	1,913	1,523
Security Deposits		4,039	2,989	4,039	2,989
Prepayment		7,155	8,356	7,155	8,356
Pre - Paid Staff Loan Cost		119,273	121,324	119,273	121,324
Advance Payment		27,347	6,775	1,729	1,802
Deposit - Summervill & Co.		-	21,900	-	21,900
Less: Transfer to Other Comprehensive Income		-	(21,900)	-	(21,900)
Medical Advance		-	15	-	15
Loan - Sports Club		499	1,060	499	1,060
		2,157,048	1,712,072	2,123,869	1,700,924

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
21.3 Tax Receivable - Etfb					
Tax Recoverable					
Tax Paid in Advance		97,805	151,626	68,054	98,430
		97,805	151,626	68,054	98,430
21.4 Inventories					
Common Salt Stock		242,991	35,981	-	-
Potassium Iodated Stock		3,482	1,516	-	-
Work in Progress		23,604	19,404	-	-
Consumables and Spares		44,489	39,524	-	-
Less: Provision for Consumables and Spares		-	-	-	-
Stock of Stationery & Consumable		5,030	6,146	5,030	6,146
Library		172	-	172	-
Holiday Bungalow Inventory		1,310	1,308	1,310	1,308
		321,077	103,878	6,512	7,454

22. PROPERTY, PLANT & EQUIPMENT
22.2. Group

	Land	Buildings	Buildings on Leasehold Land	Plant & Machinery	Motor Vehicles	Leased Motor Vehicles	Furniture Fittings & Office Equipment	Computer Equipment	Equipment	Bearer Biological Assets		Development Work	In the Course of Construction	Total Rs. '000
										Immature Plantations	Mature Plantations			
Cost														
Balance at 1st January 2015	20,000	37,380	581,608	176,397	221,208	-	100,769	139,538	31,740	-	-	38,130	51,839	1,398,610
Additions	-	-	202	564	3,975	19,538	8,757	4,549	1,288	5,386	-	-	5,533	49,793
Adjustment	-	-	-	(5,071)	-	-	(243)	-	-	-	-	-	(221)	(5,293)
Disposals	-	-	-	-	(15,134)	-	-	-	-	-	-	-	-	(15,377)
Impairment	-	-	-	-	-	-	-	-	-	(6,321)	-	-	-	(6,321)
Revaluations/Transfer	-	-	-	-	-	-	-	-	-	15,064	17,841	-	(32,905)	(0)
Balance at 31st December 2015	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
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
Disposals	-	-	-	(26)	(779)	-	(2,208)	(254)	-	-	-	-	(1,230)	(4,497)
Adjustment	-	-	-	-	-	-	(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
Accumulated Depreciation														
Balance at 1st January 2015	-	823	62,068	63,379	145,709	-	62,628	82,611	16,552	-	-	38,130	-	471,900
Depreciation Charge for the Month	-	2,365	14,492	16,744	17,535	1,109	6,851	6,655	2,907	-	357	-	-	69,015
Disposals	-	-	-	(4,839)	(11,080)	-	(219)	-	-	-	-	-	-	(16,137)
Balance at 31st December 2015	-	3,188	76,560	75,285	152,164	1,109	69,260	89,266	19,459	-	357	38,130	-	524,777
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
Net Book Value														
At 1st January 2015	20,000	36,558	519,540	113,018	75,498	-	38,142	56,927	15,189	-	-	-	51,839	926,711
At 31st December 2015	20,000	34,193	505,250	96,606	57,884	18,429	40,023	54,821	13,570	14,128	17,484	-	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

22. PROPERTY, PLANT & EQUIPMENT
22. Company

	Land	Buildings	Buildings	Motor Vehicles	Furniture Fittings & Office Equipment	Computer Equipment	Total
Cost							
Balance at 1st January 2015	20,000	37,380	37,380	138,183	82,849	139,538	417,951
Additions	-	-	-	5,824	4,549	-	10,373
Adjustment	-	-	-	-	-	-	-
Disposals	-	-	-	(7,793)	(243)	-	(8,036)
Revaluations	-	-	-	-	-	-	-
Balance at 31st December 2015	20,000	37,380	37,380	130,390	88,430	144,087	420,288
Balance at 1st January 2016	20,000	37,380	37,380	130,390	88,430	144,087	420,288
Additions	-	2,139	-	-	10,940	13,276	26,355
Disposals	-	-	-	-	(2,185)	(254)	(2,439)
Adjustment	-	-	-	-	(73)	(2,278)	(2,351)
Revaluations	-	-	-	-	-	-	-
Balance at 31st December 2016	20,000	39,519	39,519	130,390	97,112	154,831	441,853
Accumulated Depreciation							
Balance at 1st January 2015	-	823	823	94,695	52,813	82,611	230,942
Depreciation Charge for the Month	-	2,365	2,365	9,689	5,353	6,655	24,062
Disposals	-	-	-	(7,642)	(219)	-	(7,861)
Balance at 31st December 2015	-	3,188	3,188	96,742	57,947	89,266	247,143
Balance at 1st January 2016	-	3,188	3,188	96,742	57,947	89,266	247,143
Depreciation Charge for the Month	-	2,285	2,285	7,498	5,876	7,026	22,685
Disposals	-	-	-	-	(2,006)	(2,348)	(4,354)
Balance at 31st December 2016	-	5,472	5,472	104,240	61,817	93,944	265,474
Net Book Value							
At 1st January 2015	20,000	36,558	36,558	43,488	30,036	56,927	187,008
At 31st December 2015	20,000	34,193	34,193	33,648	30,483	54,821	173,144
At 31st December 2016	20,000	34,047	34,047	26,150	35,295	60,887	176,379

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	Note	GROUP		COMPANY	
		31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
23 LEASEHOLD PROPERTY					
Cost					
At 1 January		20,910	20,910	-	-
Additions		-	-	-	-
At 31 December		20,910	20,910	-	-
Accumulated Amortization					
Balance as at 1st January		14,637	13,940	-	-
Charge for the Year		697	697	-	-
Balance as at 31 December		15,334	14,637	-	-
Net Book Value as at 31 December		5,576	6,273	-	-
24 INTANGIBLE ASSETS					
Balance as at 1st January		266	369	266	369
Amortization during the year		(74)	(103)	(74)	(103)
Balance as at 31 December		192	266	192	266
25 INVESTMENT PROPERTY					
Balance as at 1st January		3,200,000	3,200,000	3,200,000	3,200,000
Change in Fair Value		200,000	-	200,000	-
Balance as at 31 December		3,400,000	3,200,000	3,400,000	3,200,000

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

26 INTEREST BEARING BORROWINGS

Lanka Salt Limited

	31st December 2016			31st December 2015		
	Amount Repay- able Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repay- able Within 1 Year	Amount Repay- able After 1 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank Loans	27.1	7,260	-	24,038	7,260	31,298
Finance Leases		5,157	12,378	3,565	11,197	14,762
Bank Overdrafts		202,329	-	-	7,607	7,607
	214,746	12,378	227,124	27,603	26,064	53,667

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	Note	As At.	Loan	Repay-	As At.
		01.01.2016	obtained	ment	30.09.2016
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
		Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
26.1 Bank Loans					
Hatton National Bank PLC		16,020	-	8,760	7,260
Bank of Ceylon		15,278	-	15,278	-
		31,298	-	24,038	7,260

27 GRANTS & SUBSIDIES

Lanka Salt Limited

	Iodized Plant Rs. '000	Building Rs. '000	Pump House Rs. '000	Compen- sation to Employ- ees Rs. '000	Iodine for Plant Rs. '000	Total 2016 Rs. '000	Total 2015 Rs. '000
	Cost						
As at 1 January	19,515	41,124	1,387	4,260	2,550	68,837	68,837
As at 31 December	19,515	41,124	1,387	4,260	2,550	68,837	68,837
Amortization							
As at 1 January	16,107	8,825	301	-	2,347	27,579	22,218
Reversal during the Year	1,952	1,028	35	-	203	3,217	5,361
As at 31 December	18,058	9,853	335	-	2,550	30,796	27,579
Written Down Value							
As at 31 December	1,457	31,272	1,052	4,260	-	38,041	41,258

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	Note	GROUP		COMPANY	
		31 st December 2016 Rs. '000	31 st December 2015 Restated Rs. '000	31 st December 2016 Rs. '000	31 st December 2015 Restated Rs. '000
28 DEFINED BENEFIT OBLIGATION					
Opening Defined Benefit Obligation 01st January		356,924	300,119	193,085	146,459
Interest Cost		79,648	38,250	21,239	16,110
Current Service Cost		8,973	8,742	8,973	8,742
Benefit Paid		(43,337)	(19,982)	(20,195)	(8,020)
Actuarial (Gains) / Losses on Obligations		(500)	29,794	(500)	29,794
Closing Defined Benefit Obligation 31st December		401,707	356,924	202,603	193,085
29 OTHER LIABILITIES					
Accounts Payables and Sundry Creditors	29.1	406,670	355,606	101,501	158,766
Deferred Tax Liabilities	30.2	100,813	-	-	-
		507,483	355,606	101,501	158,766
29.1 Accounts Payables and Sundry Creditors					
Retained Tax on Claims & Benefits Paid		15,214	12,730	15,214	12,730
Trade and Other Payables	29.1.1	305,169	196,840	-	-
Stamp Duty Payable on Claims		604	528	604	528
Unpaid Emoluments		6	142	6	142
Stamp Duty Payable on Salaries		93	93	93	93
Superintendent of EPF		11,796	11,775	11,796	11,775
Sundry Creditors		38,772	96,196	38,772	96,196
Unclaimed Refunds		5,310	4,754	5,310	4,754
Unpaid Death Benefits		9,992	9,914	9,992	9,914
E.T.F. Payable		1,415	1,412	1,415	1,412
P.A.Y.E. Tax		2,498	2,957	2,498	2,957
VAT		731	534	731	534
N.B.Tax		106	96	106	96
Unclaimed Scholarship		2,113	2,258	2,113	2,258
Returned Benefit		16,087	15,305	16,087	15,305
Library Fund		45	-	45	-
Board Anniversary Fund		(3,376)	-	(3,376)	-
Refundable Deposit		14	-	14	-
Salary Deductions Clearance		80	72	80	72
		406,670	355,606	101,501	158,766

Ground Rent Payable

LANKA SALT LIMITED

	31st December 2016 Rs. '000	31st December 2015 Rs. '000
29.1.1 Trade and Other Payables		
Financial Liabilities	39,615	50,098
Trade Payables	9,890	8,212
Salt Transport Payable	16,785	32,823
Deposits Payables	18,952	905
Dividends Payable	-	16,215
Ground Rent Payable		
Non Financial Liabilities	127,803	35,593
Accrued Expenses	26,640	5,934
Other Payables	26,356	7,931
Value Added Tax Payables	39,129	39,129
Contractor Payables	305,169	196,840

LANKA SALT LIMITED

	Capital Allowances for Tax Purposes Rs. '000	Defined Benefit Plans Rs. '000	Grants and Subsidies Rs. '000	Deferred tax attributable to Tax Losses Rs. '000	Total Rs. '000
As at 01.01.2015	99,315	(43,025)	(12,339)	(27,476)	16,475
Charge (credit) to profit or loss for the year	5,595	(2,850)	787	(58,926)	(55,394)
As at 01.01.2016	104,910	(45,875)	(11,552)	(86,402)	(38,919)
Charge (credit) to profit or loss for the year	62,304	(9,875)	901	86,402	139,732
As at 31.12.2016	167,213	(55,749)	(10,651)	-	100,813
Deferred tax liability				(167,213)	(104,910)
Deferred tax asset				66,401	57,427
Unutilized Business Loss C/F				-	86,402
Net Deferred Tax Liability				(100,813)	38,919

EMPLOYEES' TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	31 st December 2016	31 st December 2015	31 st December 2016	31 st December 2015
	Rs. '000	Restated Rs. '000	Rs. '000	Restated Rs. '000
30 PROVISIONS				
Provision for Audit fee	1,990	3,300	1,990	3,300
Provision for Telephone	709	208	709	208
Provision for Electricity	90	59	90	59
Provision for Water	105	30	105	30
Provn. for Employees' Accident Compensation Scheme	2,000	2,000	2,000	2,000
Provision for Bonus	153	584	153	584
Provision for Leave Encashment	10,488	10,804	10,488	10,804
Provision for Postage	779	718	779	718
Provision for Higher Education Scholarship	71,528	87,300	71,528	87,300
Provision for Year 5 Scholarship	-	108,750	-	108,750
	87,841	213,754	87,841	213,754

Auditor General Report 2016



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



විගණකාධිපති දෙපාර්තමේන්තුව
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Auditor General's Department

මගේ අංකය } LEW/B/ETF/FA/2016
எனது இல. }
My No. }
මගේ අංකය }
உமது இல. }
Your No. }
දිනය } 30 November 2017
திகதி }
Date }

The Chairman,
Employees' Trust Fund Board

Report of the Auditor General on the Consolidated Financial Statements of the Employees' Trust Fund Board for the year ended 31 December 2016 in terms of Section 10(7) of the Employees' Trust Fund Act, No.46 of 1980

The audit of financial statements of the Employees' Trust Fund Board and its Subsidiary for the year ended 31 December 2016 comprising the consolidated statement of financial position as at 31 December 2016 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(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10(1) of the Employees' Trust Fund Act, No.46 of 1980. The financial statements of the Subsidiary had been audited by a Firm of Chartered Accountants in public practice appointed by the members of the relevant Subsidiary. 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.

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

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

Qualified Opinion - Group

In my opinion, except for the effects of the matters described in paragraphs 2.2 and 2.3 of this report, 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 2016 and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Qualified Opinion - Board

In my opinion, except for the effects of the matters described in paragraph 2.3 of this report, the financial statements give a true and fair view of the financial position of the Employees' Trust Fund Board as at 31 December 2016 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

In the acquisition of a subsidiary, the goodwill acquired shall be recognized as an intangible asset in the statement of financial position in terms of Sri Lanka Accounting Standard 03 and an impairment test shall be performed annually on that intangible asset in terms of Sri Lanka Accounting Standard 36. However, in the acquisition of Lanka Salt Ltd. by the Board, the goodwill acquired amounting to Rs.378,926,440 had been fully written off in the year under review contrary to the Standard.

2.3 Comments on Financial Statements - Board

2.3.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 08

Even though the nature of error, extent rectified and information on the items affected the rectifications should be disclosed in financial statements in terms of Section 49 of this Standard in rectifying the errors in the prior periods, information on the prior year adjustments made to the Members' Fund in the statement of changes in equity of the Board in the years 2015 and 2016 amounting to Rs.2,815,000 and Rs.16,607,000 respectively had not been disclosed in the financial statements.

(b) Sri Lanka Accounting Standard 16

In terms of Section 51 of the Standard, the useful life and the residual value for non-current assets should be reviewed annually. However, the Board had not taken action accordingly and the non-current assets costing Rs.441,853,000 as at 31 December 2016 comprised of assets being further depreciated under Reducing Balance Method of Depreciation from over a period of 25 years.

(c) Sri Lanka Accounting Standard 39

(i) In terms of Section 58 of the Standard, the entity shall assess whether there is any objective evidence of an impairment loss at the end of each financial year. Moreover, in terms of Section 61, if there is a significant or prolonged decline in the fair value of an investment below its cost, it should be recognized as objective evidence. Even though an assessment on impairment losses should be carried out in terms of the said Standard in every financial year according to the Accounting Policies of the Board, the Board had not carried out such an assessment for the financial year 2016.

(ii) There were 9 instances where the fair value of financial investments for sale as at 31 December 2016 had decreased from 30 per cent to 67 per cent as compared with its cost and the relevant impairment losses thereon was Rs.295,655,000. Nevertheless, only the impairment loss of Rs.282,739 had been adjusted in the year 2016. As such, the impairment loss not adjusted to the income statement amounted to Rs.295,372,261.

2.3.2 Unexplained Differences

According to the tax report of the Board prepared for the year of assessment 2016/2017, a difference of Rs.107,093,775 was observed between the gross tax liability as at 31 December 2016 and the tax liability shown in the income statement. Moreover, a difference of Rs.43,663,000 was observed between the tax liability in the income tax report as compared with the statement of financial position. However, reconciliation statements on those unreconciled balances had not been shown in the financial statements by the Board.

2.3.3 Lack of Evidence for Audit

Evidence indicated against the following items had not been made available to audit.

Item	Value	Evidence not made Available
-----	-----	-----
	(Rs.)	
(i) Revaluation Profits on Investment Assets	200,000,000	Revaluation Report
(ii) Rectification of the error in valuation of Treasury Bonds	74,995,000	Relevant detailed Reports and Schedules

2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken even by 31 December 2016 to settle or to take into the income unclaimed bursaries amounting to Rs.2,113,000 payable to students who passed Advanced Level relating to years prior to the year 2011.
- (b) A sum totalling Rs.31,390,228 existed by 31 December of the year under review comprising unclaimed death donations amounting to Rs.9,992,462 increasing continuously from the year 1995, benefits retained amounting to Rs.16,087,267 brought forward from the year 2001 and benefits not applied for amounting to Rs.5,310,499 and only a sum of Rs.2,800,844 had been settled to the relevant beneficiaries by 31 May 2017.

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

The following instances of non-compliance with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, and Regulations	Non-compliances
-----	-----
Shop and Office Employees Act, No.19 of 1954	(i) The Board functions under the Shop and Office Employees Act and accordingly, the maximum number of leave entitled to employees is 21 days, being 14 days annual leave and 07 days casual leave. Nevertheless, the employees had been granted 42 days leave per annum contrary to that.

(ii) In terms of the Act, in paying for overtime, one and a half hour rate as a wage of an ordinary hour should be paid. However, contrary to that, the Board had paid overtime for one and a half hour per overtime hour adding salary of one day. As such, the overtime cost of the Board for the year 2016 amounted to a value as high as Rs.16,312,000.

(iii) Even though over the ordinary maximum period of 45 hours per week should be served for entitlement for overtime, payments on overtime had been made by the Board for every hour exceeding 8 hours per day without considering the maximum period of 45 hours per week.

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.14,349 million and Rs.13,651 million respectively. As compared with the corresponding profits of the Group and the Board amounted to Rs.11,873 million and Rs.11,990 million respectively, thus indicating an improvement in the financial results by Rs.2,476 million and Rs.1,661 million respectively in the year under review as compared with the preceding year. The increase in interest income of the Board by Rs.3,218 million had mainly attributed to the improvement of the above financial results. However, in consideration of the impairment loss of Rs.295,372,261 on financial assets for sale shown in paragraph 2.3.1 (c) (ii) of this report, the actual improvement of the profit should be decreased by that amount.

The analysis of financial results of the year under review and 4 preceding years revealed that the profit of the Board had continuously increased and the profit of Rs.7,958,000,000 in the year 2012 had been Rs.13,651,165,000 in the year under review. Moreover, after readjusting the employees' remuneration, income tax and depreciation for non-current assets to the financial result, the contribution of the Board which was Rs.8,776,771,000 in the year 2012 had increased up to Rs.17,052,574,000 as at the end of the year under review.

3.2 Analytical Financial Review

The following observations are made.

- (a) As indicated in 2.3.1 (c) (ii), after adjusting the impairment loss and deducting the sum of Rs.3,317,869,000 added to the profit of the year under review from the profit of the preceding year, in terms of Section 22 of the Employees' Trust Fund Act, the payment of compulsory interest at the rate of 3 per cent payable in the year under review and after payment of benefits of dividends at the rate of 6 per cent stated according to Section 14, the net loss carried forward was Rs.163,743,261. The impossibility of an unfavourable effect towards the financial performance of the Board in the current year could not be ruled out in audit.
- (b) The total income of the year had remained unchanged as 11.24 per cent in the years 2016 and 2015 as compared with the value of the Fund as at the date of commencement of the year while it was 10.8 per cent as compared with the net contributions and opening Members' Fund of the year.
- (c) The operating profit ratio of the Board had remained unchanged as 89 per cent in the years 2016 and 2015.
- (d) The improvement of the Members' Fund and the gross income of the Board had been 12.7 per cent and 12.9 respectively by January 2016 as compared with January 2015.

3.3 Legal Action instituted by or against the Board

Cases had been filed against 2 external institutions for claiming of a compensation of Rs.21,900,000 paid by the Board and recovery of tax of Rs.1,902,318 while 2,415 cases had been filed in courts island wide for recovery of contributions amounting to Rs.242,887,355 and surcharge. Moreover, 18 cases had been filed in courts against the Board by external institutions in respect of amounts of Rs.16,292,987 recoverable. Adequate information on their nature, current position etc. had not been disclosed in the financial statements as well.

4. Operating Review

4.1 Performance

The Employees' Trust Fund Board had been established with a view to achieving the objectives such as promoting employees' ownership, employees' welfare, democracy through participation in financing and investment, promoting the employee participation in management through the acquisition of equity interest in enterprises and providing for non-contributory benefit to employees on retirement in terms of Section 7 of the Employees' Trust Fund Board Act, No.46 of 1980.

The following observations are made in respect of achieving the aforesaid objectives.

- (a) Accommodations had been made 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. According to the Report of the Central Bank of Sri Lanka, the number of self-employed persons of Sri Lanka as at 31 December 2016 stood at 2,511,568. However, only 39,629 members or 1.58 per cent out of the total number could be enrolled as members of the Board. The receipt of contributions from the self-employed persons during the year 2016 amounted to Rs.43,716,657 and it represented 0.22 per cent of the total contribution for that year. The contribution received from the self-employed persons from the year 1989 up to the year 2016 totalled Rs.277,457,066 and it was 0.13 per cent of the Members' Fund

existed at the beginning of 2016. Even though a separate Division had been established in the Board to promote this area specifically prescribed through the Funds' Act and strategies had been specified in the Action Plan according to the above observations, the attention paid for it by the end of the year 2016 had been at a minimum level.

- (b) The following matters were observed in respect of the compulsory interest of 3 per cent announced to the members of the Board in terms of Section 22 of the Employees' Trust Fund Act and the total return along with the dividend percentage of 6 per cent announced in terms of Section 14 of the Act and the way in which those payments had been funded in the year under review and the preceding years.

- (i) A percentage of 12.5 as interest and dividends had been announced to the members in the year 2010 and that percentage had dropped to 9 per cent by 3.5 per cent by the years 2015 and 2016 during 5 years.
- (ii) Even though the Members' Fund of the Board increased continuously, the profit earned during the year did not increase. As such, retained profits or reserves had to be used continuously in the payment of members' dividends. Accordingly, a profit adequate enough to pay interest and dividends could not be earned in the current year and as a result, a sum of Rs.3,858,000,000 had been obtained from the Dividend Equalization Reserve during the period from the year 2010 up to the year 2014. The Dividend Equalization Reserve which was Rs.4,000,000,000 in the year 2010, had dropped to Rs.142,000,000 by the year 2016 and as such, non-existence of a risk in paying dividends to members of the Board in future could not be ruled out in Audit. Moreover, a sum of Rs.37,550,000 had been used from the profits retained for settling dividends of 9 per cent relating to the year 2015.

- (iii) Even though a sum of Rs.492,167,000 should have been obtained from the Dividend Equalization Reserve after using the profit earned in that year for funding of interest and dividends amounting to Rs.17,624,426,000 of the year 2014, a sum of Rs.515,000,000 had been obtained from the Dividend Equalization Reserve in that year.
- (c) The Board implements about 10 Welfare Benefit Schemes on behalf of its members and in considering the information of the year under review and 3 preceding years, out of the total number of members, the number of members entitled for welfare benefits had taken a low percentage as 0.41 per cent and 0.57 per cent in the year 2015 and the year 2016 respectively. However, the expenditure incurred thereon as a percentage of operating expenditure had taken a high percentage as 22 per cent.
- (d) According to the Corporate Plan, plans had been made to study the Members' Accounts Management System and other software systems in developing a new software system by the Information Technological Division and to implement the Disaster Prevention Plan. Nevertheless, those functions had not been performed even by 31 December 2016.

4.2 Investment of Funds

Even though the assistance of a private firm in fund management had been obtained from July 2015 for the consultation on investments relating to the tenor, the productive ratio and the amount in the purchase of Government securities by the Employees' Trust Fund Board, no agreement had been entered into between the two parties. The face value of the primary and secondary market Treasury Bonds purchased with the consultation assistance of that firm in the year 2016 amounted to Rs.24,055,225,802. The legal validity of advice given free of charge without entering into a written agreement and the impossibility of a problematic situation rising on safeguarding the confidentiality of important financial information relevant to the Board could not be ruled out in Audit.

The following observations are further made in respect of investments made on the instructions of the aforesaid private firm in fund management.

- (a) Out of 22 successful instances in which quotations were called for auction of Treasury Bonds by the Public Debt Department in the year 2016, there were 13 instances in which 100 per cent of the bids submitted by the Employees' Trust Fund Board had been rejected. In considering the secondary market productive ratios for Bonds so rejected, the quotations submitted to the primary market had been rejected due to submission of bids under high productive ratios without a proper study on the existing market situation. As such, the financial benefits that could have been gained by investing in the primary market had been lost.
- (b) Even though the Board had applied through International Securities Identification Number LKB01226F014 issued in May and June 2016 for purchase of Bonds of Rs.2,200 million at a productive ratio between 12.6 per cent and 13.5 per cent at the primary market, all those bids had been rejected. However, the Bond bearing that number itself had been purchased at the secondary market by spending a sum of Rs.1,927 million in May, June and July 2016 under the low productive ratios between 11.8 per cent and 12.8 per cent. Even though Bonds of Rs.2,100 million had been applied to be purchased at the primary market in June 2016 through International Securities Identification Number LKB01025C157 under a productive ratio between 12.7 per cent and 13.26 per cent, those bids had been rejected as well. However, the Bond bearing that number itself had been purchased at the secondary market in July 2016 under a lower productive ratio between 12.25 per cent and 12.58 per cent by spending a sum of Rs.416 million. Accordingly, the Board had lost the opportunity of direct purchasing at the primary market by submitting fair quotations and the Board and the members as well had been deprived of the financial gains due to purchase of the same Bonds with low productivity at the secondary market.

(c) As compared with the productivity ratios submitted in applying for purchase of Treasury Bonds at the primary market by the Employees' Trust Fund Board with those of a Fund engaged in a similar field, the Employees' Trust Fund Board had submitted extremely high productive ratios. As such, instances of lost opportunities of investment are as follows.

Date of Purchase	International Securities Number	Employees' Trust Fund Board		Fund engaged in the same field	
		Rejected Value	Productivity Ratio	Accepted Bond Value	Productivity Ratio
		(Rs.Millions)	(%)	(Rs.Millions)	(%)
11/01/2016	LKB01025H016	1,300	11.13-11.49	1,000	11.10
01/03/2016	LKB00821H019	605	11.6-12.2	1,000	11.4
				2,000	11.45
16/05/2016	LKB01024A014	440	12.2-12.5	1,000	12.10

(d) Treasury Bonds purchased by the Board through the primary and secondary market are classified and maintained as "Bonds retained until maturity". As such, attention had not been paid in gaining financial benefits by selling them at the secondary market.

(e) Even though the Employees' Trust Fund Board is a major institution that invests funds in Government securities, action had not been taken even by 31 December 2016 to acquire the facility of Direct Dealership from the Central Bank of Sri Lanka in the auction of securities.

(f) At the examination of purchase of Treasury Bonds through the secondary market by the Board in the year 2016, those transactions had been carried out by 08 primary dealers and one of the highest percentages representing 41 per cent of the purchases had been made with a controversial private firm. A further 40 per cent had been carried out with another private firm. All purchases made with another six primary dealers had been at a level less than 19 per cent.

(g) The Board had invested a sum of Rs.4,000 million in the bills that mature in 364 days at a productive ratio of 10.35 per cent at the auction of Treasury Bills held on 13 September 2016. The above investment had been made for a low interest rate without a proper study of alternative investment opportunities (debentures/ fixed deposits). As such, the impossibility of losing the financial benefits that could have been obtained by the Board could not be ruled out in Audit.

The Chairman of the Board had informed me that the above investment had to be made on a directive of the General Treasury on 12 September 2016 and that it was not possible to carry out a previous study on that investment.

4.3 Transactions of Contentious Nature

The following observations are made.

(a) It had been indicated according to Section 09 of the lease agreement relating to the vesting of the Palatupana saltern with Lanka Salts Limited by the Government that the relevant land or buildings cannot be made use of without prior approval of the Divisional Secretary for any other purpose whatsoever, except for the purposes of the subsidiary. However, the subsidiary had vested 80 perches with the sports club of the Board for the construction of a holiday resort on that land. A loan of Rs.3,000,000 had been granted without any legal basis whatsoever by the Board to the sports club in the years 2012 and 2013 for the construction of that holiday resort for an interest ratio of 10 per cent to be settled in 24 installments.

(b) A basic deposit of Rs.500,000,000 is maintained in a state bank by the Board on an agreement between the two parties in the year 2006 for providing the facility of encashment of cheques on the following day for the cheques deposited in a current account maintained by the Board in the relevant bank. No proper agreement had been entered into between the two parties in respect of that deposit maintained as an agreement of repurchase matured annually and the manner of deciding the annual interest rate as well had become problematic. The bank had charged an additional monthly fee of Rs.100,000 for supplying the relevant service while it was required to maintain a minimum daily balance of Rs.5,000,000 in the account. The interest rate received relating to that deposit had been 6.5 per cent in

2015/2016 and 8.9 per cent to 10.8 per cent in 2016/2017. As a result of the above agreement, the Board had been deprived of the financial benefits that could have been obtained by investing the said amount in an investment with a higher interest of benefit.

4.4 Identified Losses

The following observations are made.

- (a) The interest income of Rs.27,497,905 receivable up to the year 2006 for investments made by the Board in debentures of three companies had not been recovered from that year up to the end of the year under review. No provisions in terms of Sri Lanka Accounting Standard 37 or disclosures in the financial statements had been made regarding the legal steps taken in its recovery or the nature of the possibility of recovery.
- (b) The net loss from circuit bungalows maintained by the expenditure of the Board for accommodation of the employees of the Board was Rs.2,817,000 in the year 2016 and the net loss of Rs.2,938,000 sustained in the preceding year had affected the decrease in funds existing for paying benefits of members of the Board.
- (c) The market value of investments made in three unit trust funds was Rs.356,426,847 as at 31 December 2014. It had decreased by Rs.21,696,000 by 31 December 2015 and by Rs.3,846,000 by 31 December 2016. As such, losses had occurred in those amounts.
- (d) Out of 03 companies in which the Board had invested a sum of Rs.25,284,181, two companies had been liquidated and the remaining company had been shown under the Default Board. Even though legal action had been taken in respect of the two companies subjected to liquidation, the Board did not have a definite confirmation of the possibility of the recovery of the value of investments.

- (e) The sums of Rs.12,174,382 and Rs.7,450,259 invested in promissory notes and debentures in the Vanik Incorporation PLC should have been realized in the years 2002 and 2007 respectively. However, the Board had failed to realize those amounts even by 31 December 2016.
- (f) The fair value of investments in ordinary shares of the Board as at 31 December 2016 was Rs.12,095,980,000 while the fair value had dropped by Rs.465,748,000 or 4 per cent by 31 March 2017.

4.5 Staff Administration

The post of General Manager, which is a chief executive post existing in the approved cadre of the Board had been vacant since the year 2013. The vacancy of this post had directly affected the administrative activities and top management supervision of the Board. Moreover, the non-recruitment of a Chartered Financial Consultant for giving instructions required for the operation and control of the Board's portfolio had not affected the decisions taken in respect of optimum investments, could not be ruled out in audit. This situation had been further confirmed by paragraph 4.2 on observations in respect of investment of funds.

4.6 Operating Activities

The following observations are made.

- (a) Contributions totalling Rs.1,764,995,612 recovered from clients from the year 1981 to the year 2014 by the Board and unidentified contributions of Rs.1,228,101 for the period from the year 1996 to the year 2002 had been retained in other temporary accounts instead of crediting to the personal accounts of each member in terms of Section 16 of the Fund Act. As such, there was a risk of the relevant members losing their money. Even though a special unit had been established on 10 February 2016 for crediting these monies to the accounts of the members without delay, only a sum of Rs.137,000,000 out of that had been settled from 01 March up to 30 June 2017.

(b) The Board provides the employers who have obtained membership only of the Employees' Trust Fund Board without obtaining membership of the Employees' Provident Fund, with temporary registration numbers by registering them as Dummy employers and maintaining those contributions in an account named 'XX'. The number of Dummy employers who had been so registered since the year 1984 had been 14,232 by 31 May 2017. Accordingly, the balance remaining in Account 'XX' as at 31 May 2017 without crediting to the personal accounts of the relevant members amounted to Rs.140,265,923 and the value of contributions and surcharge recovered from those employers in the year 2016 alone amounted to Rs.45,189,980. In this manner, action had not been taken to prepare an appropriate arrangement in registering the employers who are registered as Dummy employers as actual employers of the Board.

5. Accountability and Good Governance

5.1 Internal Audit

The following observations are made.

- (a) According to the Action Plan of the Board, the Internal Audit Unit should prepare the monthly account every month, the annual account, budget, annual report and corporate plan annually and carry out the investigations assigned by the Chairman. Nevertheless, action had not been so taken.
- (b) Attention had not been paid by the internal audit in covering areas such as investment of funds and its benefits, which is the main role of the Fund.
- (c) The staff directly involved in audit in the Internal Audit Unit of the Board was limited to 34 and out of them, graduates and fully qualified or partly qualified persons were 09. The unavailability of an adequately qualified staff in the Internal Audit Unit of a firm with net assets valued at Rs.249,089,083,000 by 31 December 2016 had affected the limitation of its scope.

5.2 Budgetary Control

The following observations are made.

- (a) Six instances of variances between the revenue heads ranging from 25 per cent to 96 per cent were observed as compared with the budgeted income prepared by the Board in the year 2016 with the actual income. Dividends on the price quoted shares and money and interest on market deposits had been less than the budgeted amount as 96 per cent and 29 per cent respectively.
- (b) Variances relating to 16 items of expenditure ranging from 25 per cent to 50 per cent and 13 items ranging from 50 per cent to 202 per cent were observed between the budgeted and the actual expenditure in the year 2016. Definite benefit planning interest cost, official maintenance and requirements, miscellaneous expenses, and building maintenance expenses had increased by 66 per cent, 130 per cent, 71 per cent and 53 per cent respectively over the budgeted amount while the total expenditure on members had decreased by 39 per cent. Accordingly, significant variances between the budgeted and actual values were observed, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.3 Procurement and Contract Process

It was observed that Guidelines 2.8.1 (b), 2.8.4, 4.2.2 (a) 4.3.1, 4.3.2, 5.2.1 (a), 5.3.10 and 8.9.1 of the Government Procurement Guidelines had been violated due to deficiencies including non-representation of the Technical Evaluation Committee by a subject specialist and a representative of the Line Ministry, non-preparation of a Procurement Time Schedule, non-preparation of a total cost estimate, failure in mentioning the validity period of bids and failure in entering into a proper contract agreement in respect of 5 procurement activities valued at Rs.16,252,053 carried out by the Board for the year 2016.

5.4 Non-implementation of Directives of the Committee on Public Enterprises

It had been recommended at the meeting of the Committee on Public Enterprises held on 26 August 2016 that as a firm involved in financial activities, the Chief Executive Officer of the Employees' Trust Fund Board should be the Chairman of the Board as well and that Section 5(2) of the Employees' Trust Fund Act should be amended. However, amendments thereon had not been made even by 31 May 2017.

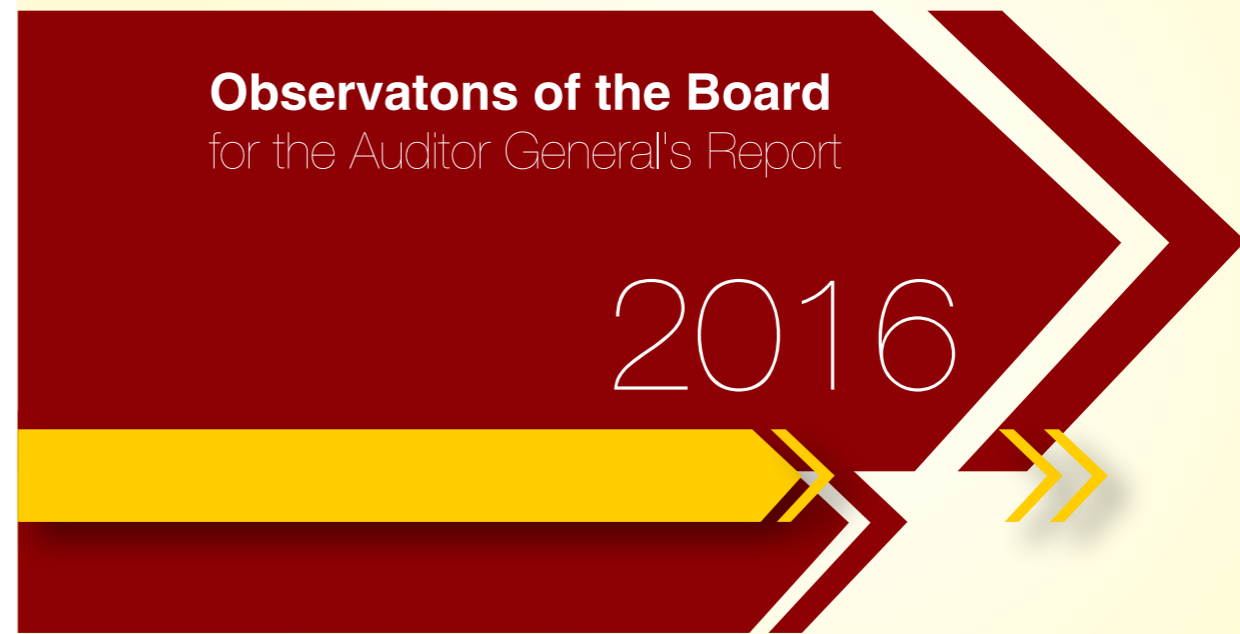
6. Systems and Controls

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 systems and controls.

Areas of Systems and Controls	Observations
(a) Accounting	Availability of instances of non-compliance with Sri Lanka Accounting Standards.
(b) Control of Operations	Failure in crediting monies collected from clients to the members' accounts without delay.
(c) Funds Management	(i) Non-investment of monies collected from clients in a manner of obtaining high security and more benefits. (ii) Failure in paying attention to the valuation of invested funds.
(d) Budgetary Control	Failure in taking action in accordance with budgeted income and expenditure.
(e) Internal Audit	Failure in carrying out an adequate internal audit as to cover all areas.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H. M. Gamini Wijesinghe
 Auditor General



2.3.1 Sri Lanka Accounting Standards

(a) **Noted for future action.**

(b) **Sri Lanka Accounting Standard 16**

In terms of section 51 of the Sri Lanka Accounting Standard 16, if it is deemed to have changed the method of the depreciation of assets and their residual life span annually, it is stated that the said adjustment could be accounted for as a difference in the accounting estimate in terms of the Sri Lanka Accounting Standard 8.

It is our conclusion that the use of an asset for 25 years and depreciating such an asset in use under reducing balance method should not be a reason to change the existing depreciation policy in accordance with section 51 of the Sri Lanka Accounting Standard 16.

Cost of the assets amounting to LKR 441 million referred to in the audit query has been reached to LKR 176 million as at 31/12/2016 and a sum of LKR 54 million out of such assets represents lands and buildings whereas the remainder of assets worth a net value of LKR 122 million represents motor vehicles, office equipment, furniture and fittings and computer accessories that are made use of by the Board on day to day basis. In pursuance of the accounting policies of the Board, the reducing balance method is applied for the purpose of depreciation of assets and until such time an asset is disposed of after determining as being unfit for use, the reducing balance thereof is continued to show in the books. Therefore, necessity has not yet been arisen to change remaining lifetime and the method of annual depreciation of the Assets.

(c) **Sri Lanka Accounting Standard 39**

(i) Not in agreement with your observations.

Even though the assumption of a value of an investment less than that of the fair value of its cost in accordance with section 61 of the Sri Lanka Accounting Standard 39 would be one of the factors that may be considered a permanent impairment of the investment, that is not the sole factor. In accordance with section 61 of the Sri Lanka Accounting Standard 39, the facts such as technical aspects, market conditions, economic factors and legal scenarios that would have an impact on the future results of the contemplated investments should have to be studied in greater extent.

The investment analysts of the Board regularly engage in detailed study on all investments in the composition of investments and are also educating the Board of Directors on monthly basis about the price variations of the market. The Board of Directors has not decided on any investment to write down to Profit or Loss Account considering that there was such a permanent impairment occurred in respect of the year 2016.

However, several investments of the year 2017 have already been written down to the Profit or Loss Account after having considered as being permanently impaired and yet another several investments are expected to be so written down at the end of the year 2017. Therefore, the quoted investments decided upon by the management as being permanently impaired after such a systematic study will be accounted for in the books in compliance with the provisions of the the Accounting Standards.

(ii) Your observation cannot be agreed with.

Despite the fact that the deceleration of a market value of a share in between 20% or 30% over a short term would be one matter from amongst a very large number of aspects to be taken into consideration in order to reckon that there might be permanent loss of capital, treating the investment in listed shares

as being permanently impaired based only on the deceleration of the fair value of a share is a statement that is not correct in accordance with the Section 59 of Sri Lanka Accounting Standard No. 39.

When looking at the recent behaviour of the Colombo Stock Exchange, for most of the investments, there seems to be a situation where it evolves definable levels that could be considered as substantial investments and the investments to be considered in the long term. However, any of these investments, as stated in section 59 of the Sri Lanka Accounting Standard 39 for the purpose of identifying the evaluation of financial investments, has not shown any such other objective evidence as a decrease in profit contributing beneficially to permanent loss of capital, a decrease in the earnings of a share and a decrease in net assets.

Furthermore, despite the fact that there was an apparent decrease in the market prices of quoted investments at the time when the audit query was raised, such notes as at present have assumed a position of generating capital gains in excess of the cost of investments and such percentage in variation in the ordinary investments has improved promisingly.

Accordingly, a detailed study and analysis on the following matters has to be undertaken in order to consider an asset or group of asset as being impaired in accordance with section 59 of the Sri Lanka Accounting Standard 39.

If and only if, there is objective evidence of likely impairment as a result of one or more events that has occurred after the initial recognition of a financial asset and that loss event has an impact on the estimated future cash flows of such financial asset or group of assets that has been reliably estimated, the said financial asset or group of assets may be impaired and allowed to have incurred impairment losses. It might not be possible to identify single or separate occurrences that could result in the impairment. A combined event or various other events might have caused the impairment. The losses anticipated as a prior result of an event occurring in the future is not recognized despite the proximation of possibility to an extent whatsoever of such losses being incurred.

The holder of the assets, at the time of the occurrence of the loss events, should pay attention to the following observations and data contained in the objective evidence made use of for the impairment of a financial asset or group of financial assets.

- (a) A significant financial difficulty of the issuer or bearer of the liability
- (b) Breach of agreement such as default in principal or interest payment
- (c) Relief granted on financial difficulties experienced by the debtor due to economic and legal reasons the grantor might not otherwise take into consideration
- (d) The possibility that the debtor will succumb to bankruptcy or subject to financial reorganization
- (e) There is no observable active market for financial assets owing to financial difficulties
- (f) A measurable decrease in the estimated future cash flow in the group financial assets that indicates observable data including the following in spite of the fact that the decrease in each of the financial asset constituted in the group remains hitherto unrecognizable,

(i) An unfavourable change in the status of payments of debtors in the group (Eg: increase in payments due to default or existing credit card holders who have reached the prescribed credit limit whilst continuing to pay the minimum monthly fee.)

(ii) Correlation with the national or provincial economic conditions for defaulting on the assets in the group (Eg: Increase in the unemployment ratio within the geographical territory of the debtor,

decrease in prices of the properties under mortgage in such areas, decrease in oil prices for loan properties of the oil producers or unfavourable changes taking place in the industry affecting the debtors in the group.)

Furthermore, in addition to the circumstances referred to in section 59 as per para 61 of the Sri Lanka Accounting Standard No. 39, information with substantial changes taking place in the technological market or economic or legal environment in such a manner as to cause an adverse impact leading to the level of un-recoverability of the cost of the investments in shares could be adduced as objective evidence for the impairment of investments.

However, the Board of Directors during the year 2017 has decided to dispose following investments that substantiate the most of the factors referred to above constituting the composition of the investments.

Institution	No. of Shares	Rs.	Amount Rs.	Sale Price Rs.	Loss
P.C. House		188,500	113,280	18,668	94,611
The Finance Browns		30,600	306,000	156,385	149,614
Investments		59,400	142,560	105,722	36,837
Blue Diamonds		52	182	71	110
Farm Garden		49	3,062	1,497	1,565
Total Loss					282,738

The optimum unfavorable impact that could have happened to the profit owing to the shares that were subject to permanent impairment as stated above is Rs. 282,738.

As such, action has been taken to write down the investments of the above 05 institutions from the investments referred to in the audit query to the Profit and Loss Account and to show the price variation in the rest of the investments in the Comprehensive Profit and Loss Account as a change in price.

2.3.2 Unexplained Differences

According to the tax computation of the Board prepared for the Year of Assessment 2016/2017, even though the gross liability of the tax as at 31 December 2016 was Rs. 2,287,404,225/-, it comprises of the cost of the withholding tax deducted at source within the value shown as Rs. 2,394,498,000/- in the Statement of Income. The said value is Rs. 107,093,775/-. The difference amounting to Rs. 43,663,000/- between the tax liability and the Statement of Financial Position according to the income tax report comprises of the accrued tax in respect of the taxes deducted at the source from the quoted debenture interest and the fixed deposit interest received during 2017 in relation to the year 2016.

2.3.3 Lack of Evidence for Audit

- (i) The land situated at Nawam Mawatha owned by the Board has been revalued by the Valuer of the Government. As the fee charged by the Government Valuer for furnishing the relevant valuation report was so exorbitant, a request has been made from the institutions concerned to have the said fee reduced. Necessary action is being taken to obtain the report concerned as at present.

Furthermore, the profit generated through the revaluation of this land which has been classified as investment assets, though accounted for as a reserve under the Available for Sale (AFS), the revaluation

profit of the land situated at Nawam Mawatha was transferred to the Loss or Profit Account in terms of the Sri Lanka Accounting Standard 40.

- (ii) This is an arithmetical error occurred in the computation of the carrying cost of the treasury bonds. It has now been rectified. A disclosure in regard to such rectification has also been made under Note No.4.4.1 (2) in the Financial Statements. Moreover, I would like to state that the mere fact that the income realized from the treasury bonds during the year under review has been computed accurately is one of the best evidence to substantiate the accuracy of the the said adjustment.

2.4 Observations on Accounts Receivable and Payable

- (a) Before year 2011 - to be corrected as "passed student of year 5 scholarship exams".

Year 5 scholarship benefit payments had been made through National Savings Bank up to year 2009. Bank had returned unpaid scholarship benefit fund as beneficiaries had not made claims thereon. Out of this amount, a sum of Rs. 263, 324.42 was paid for 16 students after identification. In addition, 25 students were identified later and a sum amounting to Rs. 404, 953.75 is being paid currently. Balance 83 students have been informed to their newly found addresses by registered post. Arrangements will be made to pay their benefits once they produce their identity.

- (b) Retained death benefits account balance is Rs. 9, 992,461.53 (for 842 claimants) as at 31st December, 2016. There are instances where more than one claimant exists or determined to share the unclaimed balance of a deceased member. Since all such claimants have not submitted their claims at one instance or some of them have failed to submit adequate documents and the prevalence of long term unsettled testamentary cases were also there. Therefore, the share of claim entitled to others is released while retaining the unclaimed balance in the accounts. Hence, the above balance remains unattended in these accounts as usual. 31 claimants have been identified and Rs. 680, 749.93 had been paid, from January 2017 to October 2017. Outstanding liability balance is Rs. 9,311,711.60 (for 811 claimants) as at 31/10/2017.

These benefits will be paid in future as well once claimants produce their identity and relevant documents correctly. Returned benefit (slips) account balance is Rs. 16, 087,267.34 relevant for 1274 claimants as at 31/12/2016. This account reflects the value of the refunds which had been directly sent to the bank accounts of the claimants and returned by the banks due to non availability of adequate details of such claimants.

Arrangements have been made to inform to the claimants and action would be taken to repay these money to the relevant claimants on receipt of the correct information. It has been identified 334 claimants from January 2017 to October 2017 and Rs. 5,026,562.89 has been paid. Outstanding liability balance is Rs. 11,060,704.45 for 940 claimants as at 31/10/2017.

Beneficiary applicants are being made aware through regional offices and mobile services and of the amount of benefits that are being paid to the relevant members. Balance of returned benefits (cheque) account as at 31/12/2016 is Rs. 5,310,499.29 for 1026 claimants. These benefits are being paid while calling them to get the benefits. Relevant benefit value is sent by cheques through registered post to the beneficiary applicants, who do not have access to the slip transaction system, and, if any cheque is returned through above means, they would be directed to the relevant bank.

Even if the cheques were sent, but not realized, those values are reflected in the above account. Accordingly, Rs. 259, 650.53 has been paid to 68 claimants, from January 2017 to October 2017. Outstanding liability balance is Rs. 5,050,848.76 for 958 claimants as at 31/10/2017.

Balances of returned benefit accounts (relevant to the period from 2001 to 2005) are transferred to member fund account and then to individual member accounts (after activating those individual member accounts) in the memorandum ledger, as per the decision of the management committee held on 09/12 /2015.

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

2.5. Non Compliance with Laws, Rules and Regulations and Management Decisions

- (i) Although the Shop and Office Employees' Act applies to the Employees Trust Fund Board employees, from the inception the employees are granted leave by combining the provisions of both the Establishments Code and Shop and Office Employees' Act. As per the opinion of the Employers Federation of Ceylon (EFC) withdrawing of the existing privileges may cause damages to the Industrial Peace.
- (ii) Overtime is paid as per terms and conditions of the Shop and Office Employees' Act.
- (iii) Overtime is paid to the Employees Trust Fund Board employees as per terms and conditions of the Shop and Office Employees' Act and the practices of the Industry.

3. Financial Review

3.1 Financial Results

Since there is no conclusion made that a permanent impairment of financial assets as shown in detail under para 2.3.1 (c) (ii) has been caused, the financial results described in the accounts are correct.

3.2 Analytical Financial Review

- (a) As described in detail under para 2.3.1 (c) (ii) above, the declaration of interest and dividends at the rate of 9% does not give rise to a disadvantageous situation on the financial performance of the Board as the impairment value of the long term investments is only a sum of Rs. 282,738 and the carried forward value of the Revenue Reserve after adjusting 9% for interest and dividends amounts to Rs. 3,449,498,000.
- (b) Agreed with your observations.
- (c) Agreed with your observations.
- (d) Agreed with your observations. However, it cannot be arrived at a conclusion that the income of the Board should improve in line with the speed of the increase in income itself in the Fund. Because the improvement in the income of the Fund is determined by the returns of the investments that have already been made and the portion of the Member Fund that was on the increase during a period of one year alone cannot make a substantial impetus towards the income.

3.3 Legal Action instituted by or against the Board

Agreed with your observations. The Legal Division of the Board is in the process of taking all necessary measures to wind up matters involving relevant court cases expeditiously.

4. Operating Review

4.1 Performance

- (a) 62% of the labour market in Sri Lanka represents the informal sector and most of such employees run their own domestic, small and medium scale businesses. Furthermore, a streamlined process has already been initiated for the purpose of enrolling members to the Fund through an entrepreneurial promotion programme of the National Crafts Council and the programme implemented by the Ministry of National Policies and Economic Affairs for the groups selected for providing loans with no interest to small businesses by way of awareness programmes across each of the Grama Niladhari Divisions. These groups who are not operating under an employer would have to seeing to make their contributions to the Fund by themselves and as such, they show a less tendency to apply for their own membership.
- (b) The main reason why the Employees Provident Fund pays increased benefits in comparison to the Employees Trust Fund Board is that they gain an annual yield through investments in fixed income securities to an extent of 94% approximately as against the Employees Trust Fund Board.
 - (i) Benefits of the Employees Provident Fund, except for the specific circumstances, are paid to female employees when they complete 50 years of age and to male employees, when they reach the age of 55 years. Accordingly, the funds of the Employees Provident Fund could be diverted to long term investments. However, as the members of the Employees Trust Fund are able to draw their benefits by 5 year periods, the Board must be more vigilant on the short term liquidity position when making investment decisions. As you are also aware, a high rate of interest is offered for long term investments in the local financial market whereas the rate of interest for mid term investments relatively assumes a less value. The Employees Provident Fund has raked in the benefit of the favourable rates of interest as a result of such long term investments.

Furthermore, the Employees Trust Fund Board had no access to go for the purchases of treasury bonds in the secondary market until the beginning of the year 2015 and nor has the approval to sell the treasury bonds in the secondary market up until now. In view of these circumstances, ability to make full use of the opportunities in the financial market has been dampened.

Moreover, the Board as at present has introduced 10 beneficiary schemes for the sake of the fund members and the Board for this purpose incurs a cost of Rs. 600 million approximately on an annual basis. As the Employees Provident Fund does not possess beneficiary methods of this nature, it has a favourable direct impact on their profit portfolios.

It is because of the two basic factors above, the Employees Provident Fund in comparison to the Employees Trust Fund has offered a benefit of 10.5% during the year 2016. It is also the expectation of the Employees Trust Fund Board to give the members an enhanced benefit package pursuant to achieving an optimum return from the investments in the foreseeable future.

- (ii) There is no impediment in making the declaration of the dividends of profit retained in accordance with the Sri Lanka Accounting Standards. As such, the distribution of the retained dividends of profit is undertaken with the hope of providing a maximum benefit to the members as was practiced since past.
- (iii) This observation cannot be agreed with. The prime objective of maintaining a Dividend Equalization Reserve is to have funds procured in such a manner as not to interrupt other operational activities of the institution in order that the institution concerned can maintain the percentage of dividends paid during the times of entity's drop in profits at an appropriate level. Accordingly, these funds have been made use of for offering the members a fair percentage of dividends as and when required.

Moreover, I would like to bring to your notice that there is no obstruction whatsoever imposed by the Employees Trust Fund Act, No. 46 of 1980 to make use of the dividends retained for the purpose of the declaration of dividends or Dividend Equalization Reserve for that matter.

Furthermore, the percentages of amounts in the Dividend Equalization Reserve and the retained profits made use of as against the interest and dividends paid to the members during the past 02 years have been set out below.

Year	Dividends and Interest paid (Rs. million)	Provision of funds for interest and dividends		Percentage (From the profits earned) %	Percentage (From Reserve) %
		From the profits earned during the year (Rs. million)	Reserves (Rs. million)		
2013	15,841	15,498	343	9.783	0.217
2014	17,624	17,109	515	9.708	0.292

It is accordingly evident that there is no adverse impact caused at any given time for paying dividends as stated in your observation in view of the fact that it has been drawn a very negligible percentage from the Dividend Equalization Reserve in comparison to the dividends paid during the past two years.

Accordingly, it has no impact whatsoever on the future earnings of the members in drawing an immaterial amount of only 0.2% from the Dividend Equalization Reserve created by the help of profits earned from the preceding years for the very purpose of paying dividends during the years under review.

- (c) The values of beneficiary payments for active members should not be considered as operational expenses. This value is paid for active members as a benefit. Hence these values are not included in operational expenses.
- (d) In order to study and develop a new computer system for the Employees Trust Fund with the financial and technical assistance of Information and Communication Technology Agency (ICTA) to cater to the present business process requirements, ETF signed a Memorandum of Understanding with ICTA in the year 2016.

Accordingly re-engineering of ETF computer systems commenced and before the development of the new system, management decided to do a Business Process Improvement Study with the assistance of ICTA to identify the changes and improvements to be done to the present business process and systems which are more than 10 years old. Hence, it was unable to develop and introduce the New Computer System in the year 2016.

Hence, necessary steps have already been taken to introduce new Computer System using latest technological advancements with the assistance of ICTA, to cater to all stake holders of the Employees Trust Fund during the years 2017/2018.

Furthermore, necessary steps have already been taken in the year 2017 to implement Disaster Recovery Solution using latest technological advancements during the year 2018 even though it was unable to implement the Disaster Recovery Solution in the year 2016.

4.2 Investment of Funds

Former Deputy Minister Hon. Harsha De Silva during his visit to the Board on 20.05.2015 pointed

out that not having a CFA qualified person to obtain advisory services for the Board administering an investment fund over LKR 200 Billion was a disadvantage and advised to have the services from a CFA qualified person obtained immediately.

Accordingly, as an initial step, Board approval was obtained to receive services from a CFA qualified advisor of the NDB Wealth Management.

The proposed to provide such services for a monthly fee of LKR 25,000. However, due to no firm agreement with regard to certain clauses, both parties could not sign the agreement.

After obtaining the approval of the Board, it was decided to obtain consultancy services from the Investment Advisors commencing from 27.07.2015. Since the monthly fee was revised by them in their subsequent agreement to Rs. 75,000, it was not forwarded for the approval of the Board.

As the Investment Division consist of senior employees possessing required skills and experiences, investment decisions relating to purchase of Government Securities during this period were executed with the support of the investment advisors as well.

Furthermore, officials of the Board used knowledge and experiences of consultants on secondary market activities. The only information given with regard to the Board to consultants was the amount of money to be invested and no other information was made available to them.

Interest rates mooted by the Primary dealers are not merely specific or confidential by any means that are given only to the Board. Furthermore, the Employees Trust Fund Board was not bound to adhere to the directives given by advisors on the same basis, as there were instances where decisions were derived using the knowledge and skills of the officials of the Division. Since we have discontinued the purchase of Treasury Bonds from the secondary market as at present, assistance of the investment advisors was no longer obtained.

(a), (b), (c)

Audit queries raised in section 4.2 (b), 4.2 (c), 4.2 (d) primarily draw attention towards losses occurred as a consequence of purchasing bonds via the secondary market on certain days, following bid rejections by the Central Bank of Sri Lanka due to submission of bids at higher rates. It is realistic to accept the fact that, it is not possible to invest at each and every auction at higher rates. Even though setbacks could be experienced at times, by and large, going for investments at a higher Weighted Average Yield (W.A.Y.) of the year than the W.A.Y., is a winning situation. If the total amount invested at the W.A.Y. of the auction based on the bids submitted by us, the return to the Board would have been 11.75%. However, we, overall, had secured an interest rate of 12.02% as per the Annexure 1.

Furthermore, according to the market rates mentioned in the section 4.3 (d), both Employees' Trust Fund Board and Employees' Provident Fund submitted bids over the market rate and in certain instances the Employees' Trust Fund Board had submitted bids over the rate of Employees' Provident Fund and had met with success. Employees' Provident Fund would have submitted bids at lower rates compared to our rates, since they wanted to invest a substantial amount of money at that instance it was so felt. We did not have any prior knowledge concerning the bids placed by the Employees' Provident Fund.

By and large, our yield on investment in Treasury Bonds was maintained at 12.02%. In some instances the Board had purchased short term Treasury Bonds at lower rates compared with the rates of long term Treasury Bonds. It is a normal market condition.

- (d) As per the Investment Policy, the Board does not have the authority to sell Government Securities in the secondary market as at present. Furthermore, with the intention of achieving capital gains, the Board should sell high yield generating Government Securities when the market interest rate is down. However, total funds generated from these transactions should be reinvested at the prevailing market rate, i.e. at a lower rate. Consent of the Board of Directors had not been granted to sell Government Securities in the secondary market since it could lead to keep only low interest generating securities in the future. In line with the policy of the Board, a higher percentage of investment should be made in Treasury Bills and Treasury Bonds. However, in the future, it will be considered to sell Treasury Bonds in the secondary market without holding the securities until their maturity.
- (e) It is not mandatory to become a primary dealer of the Central Bank of Sri Lanka for us to place bids. Getting access to direct bidding facility is sufficient for this purpose. Further, it is not a prerequisite to become a primary dealer to get access to the direct bidding facility. There are prerequisites to be fulfilled to be a primary dealer. For example, in an auction, it is required to place bids for securities worth 1/10 of the total value of the offer. Various transactions with different parties should be done in this connection. A mechanism should be established to obtain funds from outside parties for repo transactions, and this cannot be executed under the prevailing legal framework. Employees Provident Fund does not hold primary dealership at present. A request has been made to obtain direct bidding facility on 22.11.2016 and a reminding letter has been dispatched to the Central Bank of Sri Lanka on 08.03.2017 as well. However, a response is yet to be received.
- (f) The procedure followed by the Board to purchase bonds from the secondary market is given below.
- i. Calling bids from all primary dealers.
 - ii. Summarizing received bid prices.
 - iii. Conveying the anticipated interest rate, tenure and the amount to be invested to primary dealers who have sent bids.
 - iv. Purchasing from primary dealers who can match with interest rate and maturity expectations of the Board.

As a general practice, the Board requests bids via Fax from all primary dealers. However, only a few primary dealers responded to our fax. Though our rate and tenure are conveyed to dealers responding to our purchase inquiry, purchase is done only from primary dealers who can meet our expectations. Even if we call bids from all primary dealers, the ultimate decision of responding or making a purchasing order purely depends on the capacity of the respective dealers.

Through the board paper dated 20.06.2016, the Board of Directors was informed that two primary dealers regularly had offered higher rates of interest on our quotations.

However, the Board was bound to purchase Treasury Bonds from the party who only offers the highest rate of interest.

- (g) The total amount invested was the maturity proceeds of Treasury Bonds and coupon interests received on 01.09.2016 and the aforementioned investment was made as per the directive received from the General Treasury to the Chairman on 12.09.2016 and there was no time to do a prior study on this investment.

4.3 Transactions of Contentious Nature

- (a) The Sports Club has been formed by Employees of the Employees Trust Fund Board for the promotion

of Sports and provision of recreation facilities to members. At their request, a loan amounting to sum of Rs.03 million with a 10% p.a. interest has been granted with the approval of the Board of Directors and the re-payment of the respective installments is in order. Furthermore, the loan installments have been deducted from monthly fees paid to them for providing tea service and clearing service to the Board by the Sports Club.

- (b) In the year 2006, there was a request from the Bank of Ceylon (BOC) to increase the facilitation provided by Employees Trust Fund Board for the services rendered by them.

This matter was discussed at the meeting held at the Ministry of Finance with the then Secretary to the Ministry of Finance & Planning, Dr. P.B. Jayasundara and the then Chairman of Employees Trust Fund Board, Mr. W. Karunajeewa on 28/04/2006. By his letter dated 05/05/2006 our Chairman had made the clarifications regarding this to the Chairman of Bank of Ceylon. After the negotiations by both parties, Deputy General Manager (Corporate & Offshore Banking) of BOC had requested either to increase the deposit of Rs.10 million with the bank to Rs.500 million or to increase the monthly charge from Rs. 100,000/= to Rs. 400,000/=.

Chairman of the Employees Trust Fund Board had conveyed its consent of increasing the deposit to Rs.500 million by his letter dated 1st of August 2006 to the Deputy General Manager (Corporate Offshore Banking). Accordingly the approval has been granted by the Chairman to transfer Rs.490 million to a Repo deposit at BOC on 17/08/2006. The above deposit of Rs.500 million is not an ordinary investment. It is a deposit made at the request of BOC to compensate the services such as realizing the cheques on the following day which are deposited to the account of Employees Trust Fund Board and other services provided by the Bank.

Furthermore, this deposit of Rs. 500 million has been re-invested annually at an interest rate as agreed upon by the ETF Board. Approval of the Chairman has been obtained for this investment annually. If this deposit was not increased to Rs. 500 million and the money charge was increased to Rs. 400,000/=, an additional cost of Rs. 300,000/= could have been incurred monthly, resulting in an expenditure of Rs. 3.6 million for one year. According to the investment appraisal, the increase of deposit was profitable to the Board.

In addition to the services provided by the bank, the following benefits are enjoyed by the Employees Trust Fund Board in maintaining the collection account with the bank.

1. Since the exact amount that will be realized in the account on the following day is 'know in advance', Employees Trust Fund Board is in a position to invest funds before a period of one (01) day. Therefore, the Employees Trust Fund is able to gain an additional interest income.
2. The Employees Trust Fund Board has already earned a considerable amount of interest income from this deposit of Rs.500 million.
3. Since the BOC collects the cheques from Employees Trust Fund Office, the opportunity cost of employing a person with transport by the Employees Trust Fund Board for this task is saved.

4.4 Identified Losses

- (a) In pursuance of a decision made by the Cabinet of Ministers, debentures worth Rs. 15 million were invested in the Elkaduwa Plantations Company in 1994. The amount of interest receivable for such debentures worth Rs. 15 million is Rs. 12,291,556.16.

Negotiations in regard to this outstanding amount were made with the parties concerned and it was promised to pay and settle the said amount by monthly installments worth Rs. 0.5 million. Accordingly,

11 installments were paid until the month of November 2011 and the balance amount has fallen in arrears. Furthermore, this status quo has also been conveyed to the General Treasury by the letter dated 16.06.2014 and the Elkaduwa Plantations Company has once again on 07.07.2015 expressed their concerns on the Company's financial difficulties and intimated that they would take this matter up with the Secretary of the Ministry of Plantation Industries as well.

The Board by its letter dated 17.11.2015 has forwarded a letter to the Secretary of the Ministry of National Policies and Economic Affairs in connection with this interest income due to be recovered from the Elkaduwa Plantations Company. A copy of that letter has also been transmitted to the Director General of the Department of Public Enterprises of the General Treasury. In response to our letter, the Secretary of the Ministry of National Policies and Economic Affairs has sent a letter to the Chairman / Managing Director of the Elkaduwa Plantations Company inquiring about the modality of the repayment of this money with a copy to the Board whilst the Company by its letter of 10.08.2016 has informed us that they still undergo financial difficulties.

Apart from this, money from the investments made in the debentures of the Vanik Incorporation PLC is also due from them. Particulars thereon have been furnished through the reply in para 4.5 (e).

- (b) The holiday resort situated at Anuradhapura maintained as a welfare measure aimed at the whole of the staff members employed in the Board is not a Strategic Business Unit with the objective of earning profits. A generalized charge is levied from the members of the staff of the Board who seek accommodation in the said holiday resort in order to recover only its operational cost. The net loss shown in the accounts is due to depreciations made thereon on annual basis and the expenditure involving the salaries of the employees deployed for the services there.
- (c) Even though there was a downturn in the prices of unit trusts like this owing to the unfavourable conditions prevailed in the market in the year 2016, the value of those unit trusts by 30.06.2017 has shown an increase by Rs. 34,063,575 in comparison to the prices prevailed as at 31.12.2016.
- (d) As there has been no final decision arrived at with regard to these two companies subjected to liquidation, the possibility of the recovery of such investments cannot be definitely confirmed.
- (e) Total amount invested in Promissory Notes of the Vanik Incorporation PLC was LKR 12,174,382.19. This is as set out in the following breakdown.

▶ Promissory Notes issued to cover the Interest of the Debentures outstanding and unpaid amount of the same	රු. 11,262,382.19
▶ Promissory Notes issued to cover the interest of the Debentures pertaining to the year 2001, issued on 10.12.1997	රු. 912,000.00
▶ Total amount converted into Promissory Notes	රු. 12,174,382.19

LKR 11,262,382.19

The applicable interest rate is 15.50% pertaining to Promissory Notes of LKR 15 million, commencing from 1st January 2002. Monthly interest pertaining to Promissory Notes plus the capital installment to be paid monthly was received till July 2002. Thereafter no payment was made and the remaining unpaid balance of Promissory Notes was LKR 11,262,382.19.

LKR 912,000.00

Our initial investment in the Vanik Incorporation PLC was LKR 7,450,259.00 (Par value LKR 6,080,000.00). Interest rate is 15.75%. The investment was effected on 10.12.1997. Interest was

paid till 2000 on the same. The company has defaulted the interest of LKR 912,000 pertaining to the year 2001. Therefore the defaulted amount was converted to Promissory Notes. However, the money pertaining to that Promissory Note too has not been paid.

Amount invested in Debentures of the Vanik Incorporation PLC is LKR 7,450,259.00

Investment was made in 1997 and even after restructuring, amount due for the period from 2007 to 2011 was not paid back.

Currently a law suit against the Vanik Incorporation PLC has been in progress and the next hearing date is on 17.01.2018.

- (f) Even though the fair value in ordinary share investments of the Board as at 31.12.2017 had dropped by Rs. 465,748,000 in comparison to the fair value in ordinary share investments of the Board as at 31.12.2016, the average value of such share investments has increased by Rs. 920,376,000 as at 30.06.2017 as against 31.12.2016.

4.5 Staff Administration

In spite of the fact that the interviews were held in order to fill up the vacancy in the post of General Manager after calling for applications from among external candidates on several occasions, a suitable candidate could not be selected. Therefore, it has been decided to follow some other strategy to fill up the vacancy concerned.

4.6 Operating Activities

Following matters are observed.

- (a) A sum amounting to Rs. 399,806,973.42 million has been credited to the member accounts during the year 2017 by the Special Accounts Clearing Unit established on 10.02.2016 and the balance thereof stood as at 31.12.2017 was Rs. 1,441,384,059.51.
- (b) The Department of Labour, following a request made to the Commissioner of Labour by the Chairman of the Board, has given us a compact disk containing the Employees Trust Fund numbers issued by the Department of Labour to the employees to whom the provisional numbers have been assigned by the Board. As such, arrangements are being made to transfer the contributions lying in the provisional numbers to the permanent ETF numbers.

Monies lying to the credit of the accounts of the employees who have not obtained their trust fund numbers, but continue to make contributions under the provisional accounts will now be credited to the accounts of the respective members.

5. Accountability and Good Governance

5.1 Internal Audit

- (a) & (b)

Following Pre Audit has been carried out during the year 2016 as per the requirements of the management :-

(i) Member Benefit Claims

	Number of Claims confirmed & submitted for payment
Normal Benefits	57,544
Death Benefits	1,114
IOL	541
Heart Surgery	817
Permanent Disability	73
Shramasuwa	1,540
Kidney Transplant	23
Scholarships – Grade V & AVL	218
Staff Medical Reimbursements	12,829
Total	104,699

- (ii) There were reports of staff final payments numbering 26 which have been issued during the year.
- (iii) Monthly Staff Incentive Rate Verification
- (iv) Housing Loan Reimbursement Verification
- (v) Annual Staff Bonus 2015
- (vi) Staff Annual Leave Verification – 2015

In addition to the above pre-audits, following post audits have also been carried out during the year.

1. Verification of progress of the Contribution and Surcharge income – 2015
2. Return on Investments
3. Nawam Mawatha Car Park Income Audit
4. Annual Staff bonus 2015
5. Staff Annual Leave Verification 2015

Furthermore, all investigation reports including investments etc, has been duly submitted to the Chairman of the Board.

- (c) Suitably qualified staff for audit duties has been limited to only 3 persons during the year 2016 and as such, new Assistant Internal Auditors numbering 04 personnel have been recruited in June 2017 as per the recommendation of the Committee on Public Enterprises (COPE).

Two newly recruited Assistant Internal Auditors have been assigned for investment and finance audit full time. In addition, procurement and contract administration audits were also commenced. Creation of new posts for Assistant General Manager (Internal Audit) and Manager (Internal Audit) is in progress and promotions required were also granted. The Internal Audit Division has been strengthened for the continuation of pre audit and post audit works in a systematic way.

5.2 Budgetary Control

- (a) & (b)

The budgeted income of the Board remains only on the same percentage of 94% was due to the investments in risk free Government Securities and the financial rates prevailing in the financial market as at the date of the realization of investments with other fixed interest income and also the dividends and capital gains received from the listed companies in the market. As such, it is the strategy of the Board to reach out to the budgeted income taking the investment portfolio into account despite the fact that

there may be a variance in actual value over the budget as against the income derived from each of the investment items. Accordingly, the Board was able to maintain the variance between the total budgeted gross revenue and the total actual gross revenue favourably at a level of 2.2%.

When taking the variance in expenditure into consideration as stated in the audit query, all expenses that can be controlled by the Board is managed under a very tight leash and certain expenditure such as member benefits cannot be controlled by the Board in any manner. Even though the values concerning the member benefits expected to be defrayed by the Board in the ensuing year is set out in the preparation of the annual budget, the actual expenditure involved is determined only if the members lay claim on such benefits. It is not practical to say that the budget had not been made use of as an effective instrument of management control after comparing the budgeted expenditure and the actual expenditure vis-à-vis member benefits.

However, the mere fact that the Board has maintained the variance between the budgeted income and expenditure and the actual income and expenditure at a level of 2.2% and 2.3% respectively goes on to substantiate that the Board is in possession of a very good budgetary control.

5.3 Procurement and Contract Process

Procurements of every description in respect of the year 2016 have been carried out in keeping with the Government Procurement Guidelines as well as the approved procedure of the procurement guidelines of the Board. Accordingly, in dealing with the procurements of every description, the Technical Evaluation Committees and the Tender Boards have been appointed in conformity to the Government Procurement Guidelines and all the tenders up to the value of Rs. 500,000 have been approved by the Chairman on the recommendation of the Tender Boards concerned whereas all the tenders in excess of the value of Rs. 500,000 have been met with the approval of the Board of Directors following the recommendation of the respective Tender Boards.

5.4 Non implementation of the Directives of the Committee on Public Enterprises

At the meeting of the Committee on Public Enterprises held on the 26th of August 2016, it was proposed that the provisions of Section 5 (2) of the Employees Trust Fund Act that stipulates the Chief Executive Officer of the Board becomes the Chairman of the Board be amended. Amendment of the Employees Trust Fund Act has already been referred to the Cabinet of Ministers for approval after a very strenuous process that commenced in the year 2009. Even at the time of the Committee on Public Enterprises proposed the said new amendment to the Employees Trust Fund Board, the amendments to be made to the Employees Trust Fund Act had already been conveyed. As such, it is expected to deal with the changes to be made to the provisions of Section 5 (2) of the Employees Trust Fund Act as proposed by the Committee on Public Enterprises as a resubmitted amendment subsequent to the taking effect of the already proposed amendments to the Act.

6. Systems and Controls

- (a) Accounting
The Board, in the preparation of its Financial Statements, has adhered to the Sri Lanka Accounting Standards (LKAS and SLFRS).
- (b) Operational Controls
Rs. 135,779 million has been received as contributions from 1981 to 31.12.2014. Balance held in the

employers account without crediting to individual member accounts is Rs. 1441 million. This amount counts 1.06% out of whole amount of contributions.

Special unit established in 10.02.2016 is involved in collecting correct information of employees from relevant institutions and E.T.F. and in transmitting information from mobile services and crediting of money to those individual member accounts. This unit has strived to reduce the undistributed amount by 50% (to individual member accounts).

In addition to that, the delays involved in crediting money to the individual member accounts occur owing to following reasons.

1. Not providing the necessary employee details for crediting the amount, even though the employers have paid the respective contribution.
2. The difficulty in understanding the method of appropriation of the contributions for each institution was the certain situations where the contributions were paid by one single cheque for several institutions. (whilst some of employers being currently inactive)
3. Unclear data included in the half-yearly returns provided by the employers. (The relevant employer being currently inactive)
4. Inability to gain access to relevant information in the preceding periods due to management changes and the new management not cooperating in providing solutions to the problems that arise in those passages of time.
5. Identification problems due to providing parts of the names of the members who do not possess national identity cards, especially in the estate sector.

(c) Funds Management

94% of the fund has been set in the risk free and fixed interest rates yielding investments in a manner that ensures the maximum safety of the monies collected from the contributors and only a portion of about 6% of the funds have been put in the risky investments. The Board has been able to earn a percentage of 10.51% as its gross investment income during the year 2016.

(d) Budgetary Control

The mere fact that the Board has maintained the variance between the budgeted income and expenditure and the actual income and expenditure of the year at a level of 2.2% and 2.3% respectively goes on to substantiate that the Board is in possession of a very good budgetary control.

(e) Suitably qualified staff for audit duties has been limited to only 3 persons during the year 2016 and as such, new Assistant Internal Auditors numbering 04 personnel have been recruited in June 2017 as per the recommendation of the Committee on Public Enterprises (COPE).

Two newly recruited Assistant Internal Auditors have been assigned for investment and finance audit on full time basis. In addition, the procurement and contract administration audits were also commenced. Creation of new posts for Assistant General Manager (Internal Audit) and Manager (Internal Audit) is in progress and promotions required were also granted. The Internal Audit Division has been strengthened for the continuation of pre audit and post audit assignments in a systematic way.



Mahinda Madihahewa

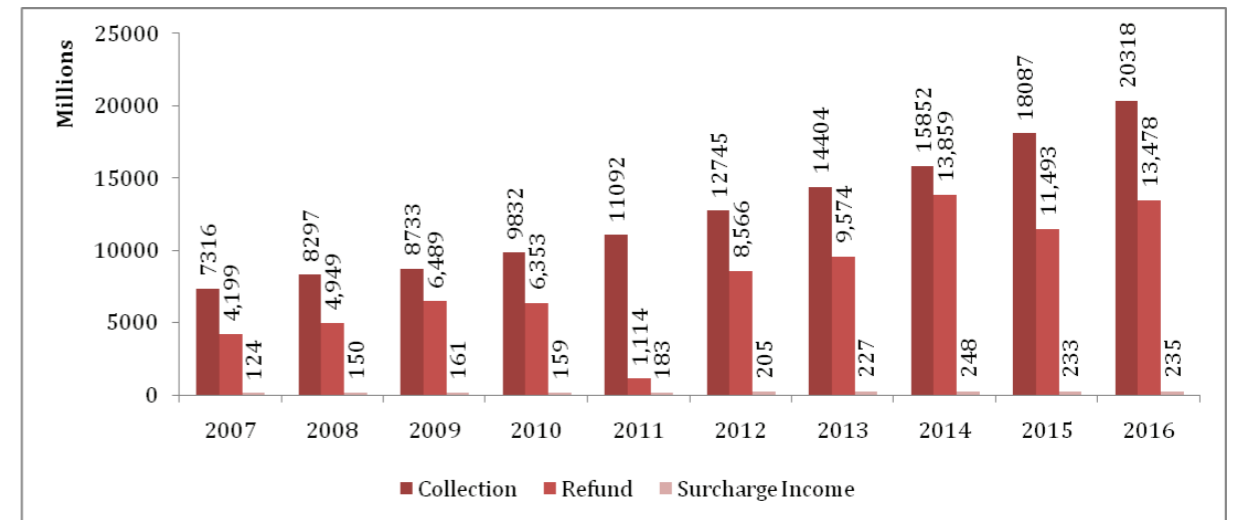
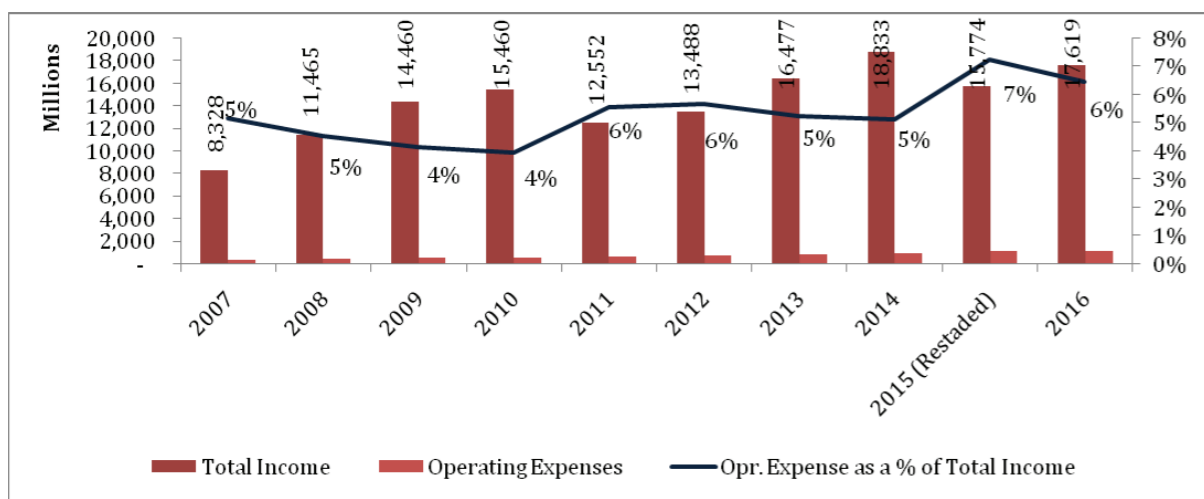
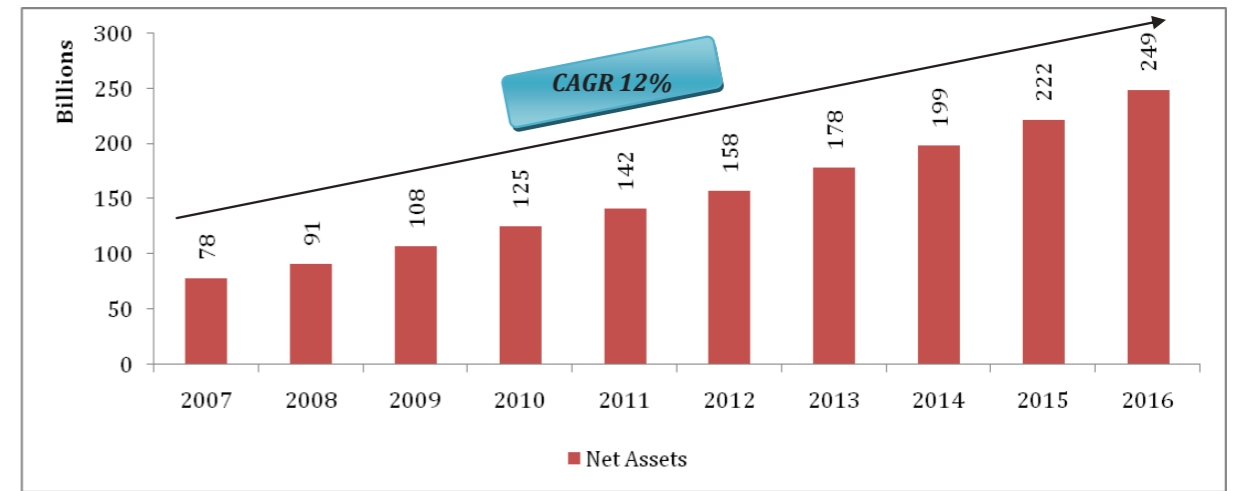
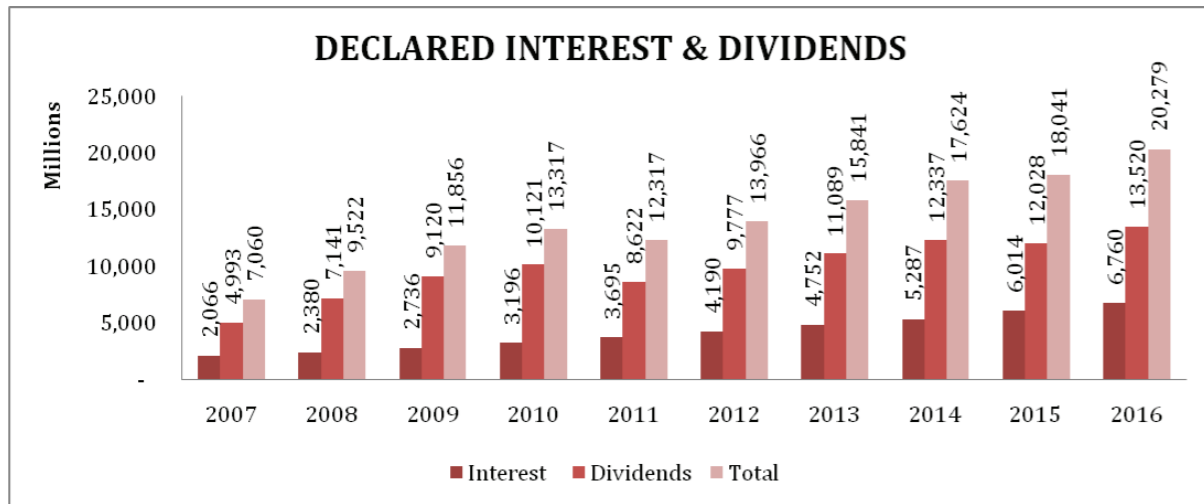
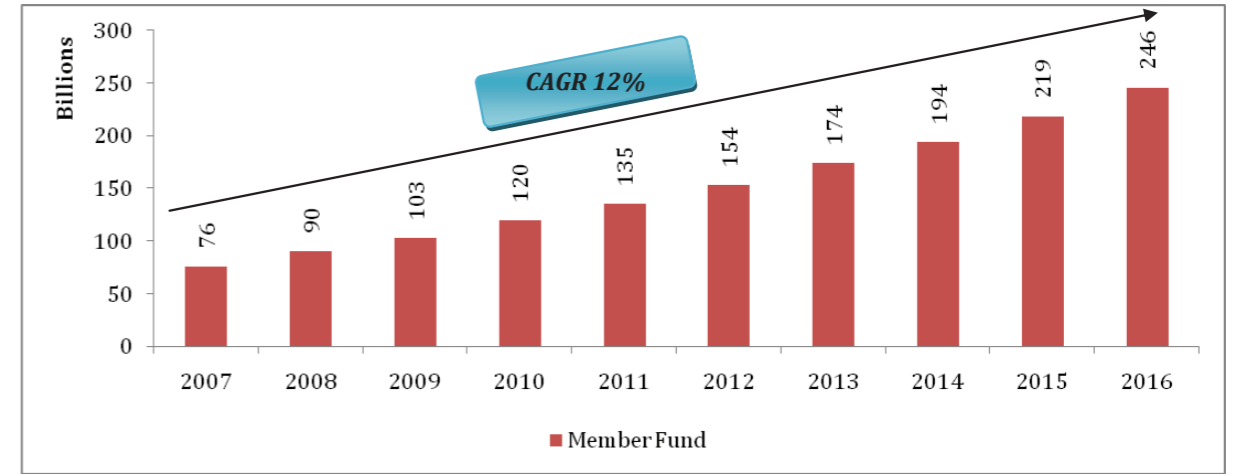
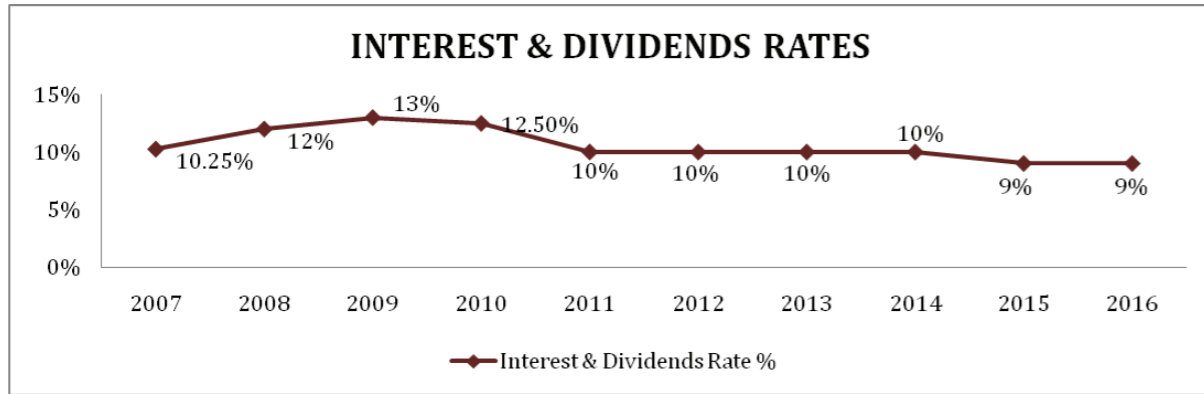
Chairman/CEO

Employees' Trust Fund Board

Statistical Annexures

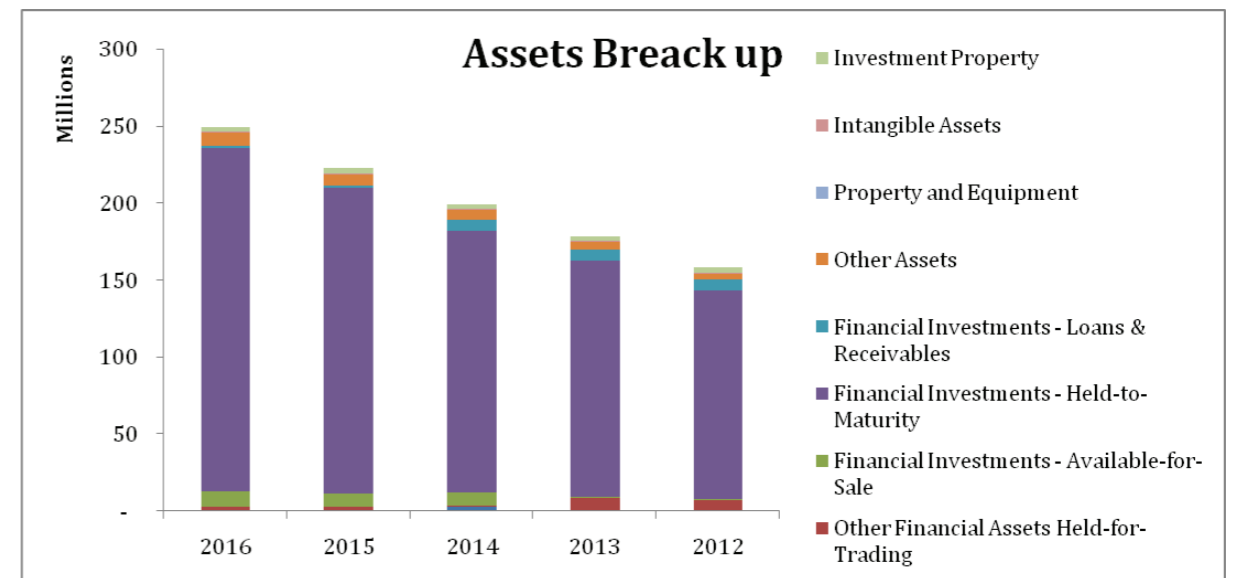
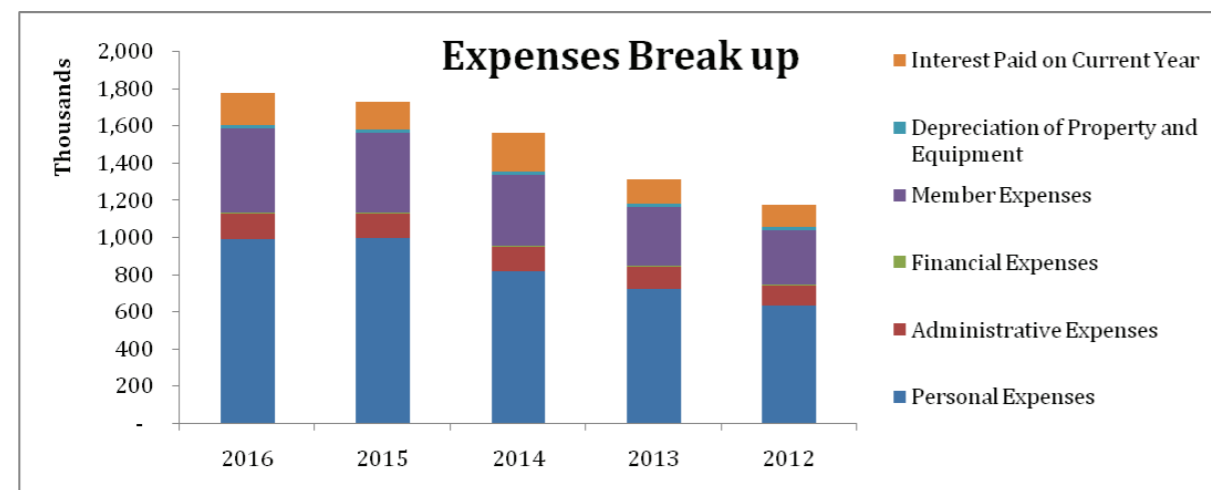
2016

STATISTICAL ANNEXURE



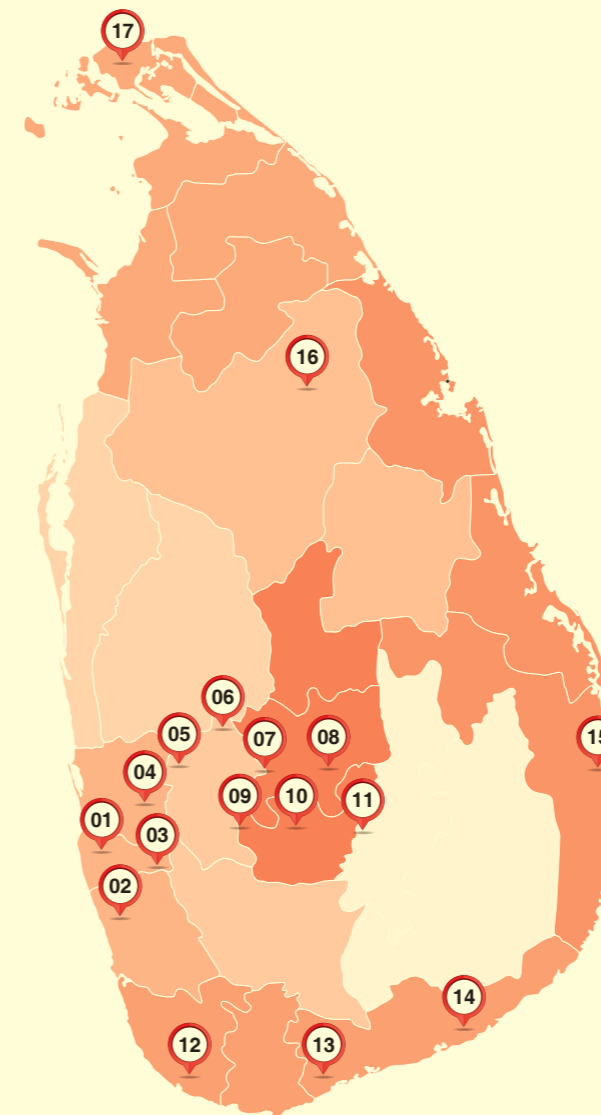
	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)	%
Income						
	23,492,350	20,274,204	19,056,836	17,331,497	14,663,189	10%
	(6,759,768)	(6,013,817)	(5,287,328)	(4,752,333)	(4,189,948)	10%
	486,194	360,582	309,256	318,660	208,701	18%
	68,592	833,850	894,917	68,178	(304,378)	-
	331,650	320,139	317,455	286,047	258,892	5%
Total Income	17,619,018	15,774,958	15,291,136	13,252,049	10,636,456	11%
Expense						
	985,963	994,389	813,000	720,022	632,244	9%
	140,819	132,608	134,786	125,307	110,702	5%
	2,904	1,988	3,041	2,657	2,485	3%
	454,466	429,610	380,512	314,372	289,908	9%
	15,290	16,896	18,605	18,863	20,878	-6%
	173,630	148,737	209,073	128,958	118,220	8%
Total Operating Expenses	1,773,072	1,724,228	1,559,017	1,310,179	1,174,437	9%
	15,845,946	14,050,730	13,732,119	11,941,870	9,462,019	11%
	2,394,498	2,060,646	1,947,132	1,781,100	1,504,018	10%
Profit after Taxation	13,451,448	11,990,084	11,784,987	10,160,770	7,958,001	11%

	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)	(Rs:000)	%
Assets						
	614,332	841,949	2,653,133	1,043,164	414,831	8%
	2,286,723	1,829,018	733,167	7,550,428	6,871,632	-20%
	10,140,142	8,973,928	8,592,784	485,835	485,835	84%
	222,454,509	198,320,192	169,651,791	153,137,676	135,407,687	10%
	1,343,876	1,336,538	7,535,296	7,418,615	7,234,690	-29%
	9,145,957	7,865,283	6,512,779	5,478,972	4,451,654	15%
	176,378	173,144	187,008	183,067	18,824	56%
	192	266	369	514	717	-23%
	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	0%
Total Assets	249,362,110	222,540,319	199,066,327	178,498,271	158,085,870	10%
	81,082	33,582	68,330	122,359	109,797	-6%
	304,104	351,851	267,841	235,917	156,894	14%
	87,841	213,754	76,923	41,482	37,497	19%
Total Liabilities	473,027	599,187	413,094	399,758	304,188	9%
	248,889,083	221,941,132	198,653,233	178,098,513	157,951,099	10%
Total Liabilities and Equity	249,362,110	222,540,319	199,066,327	178,498,271	158,255,287	10%



Other Annexures

BRANCH NETWORK



01 No.70, Martyn Road,
Jaffna
+94 21-2220010

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 No: 87/25, 1st Lane, Dharmapala Mw,
Anuradhapura
+94 25-2222185



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වෙබ් : www.etfb.lk