

Employees' Provident Fund, the largest superannuation fund in Sri Lanka, continued to function with the ultimate objective of securing members' retired lives by ensuring attractive return on investment while maintaining the safety of the Fund in the year 2013.

This year is a yet another special year for the Fund as it recorded the highest income, of 136 billion rupees in the history of EPF.

Further, with the decline interest rates, the Fund was able to announce a very attractive interest rate of 11 per cent in a low inflationary environment resulting a healthy real return to the members.



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OUR VISION

To be the most caring superannuation fund in the region enabling our members to have a contented retirement life

OUR MISSION

To provide maximum retirement benefits and an efficient service to our members through prudent and innovative management of the Fund



Message from the Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka



I am pleased to present the Annual Report of Employees' Provident Fund (EPF) of the year 2013 on behalf of the Monetary Board of Central Bank of Sri Lanka.

The EPF has continued its strong performance surpassing many landmarks in 2013. Total asset value reached Rs. 1.3 trillion and earnings recorded the highest ever investment income for a year amounting to Rs. 136 billion. Growth in value was driven by an impressive rate of return of 11.54 per cent on EPF's investment portfolio. In turn, the Fund was able to pay 11 per cent rate of return on the member balances. This is a commendable performance by the EPF given the environment of declining interest rate and depressed equity market conditions, witnessed in 2013, once again demonstrating its robust fund management, investment policies and practices. The EPF continued to invest its excess funds mainly in government securities while diversifying into equities and corporate debt instruments, tapping carefully on the appropriate risk-return trade-off. In this background, as the largest superannuation fund in the country, Fund's long-term investment strategy has enabled us to pay a steady rate of interest above 10 per cent for the 8th consecutive year despite periodic fluctuations of return.

Considering the immense economic potential of our country the Fund is expected to expand further in the coming years. New focus to expand the industrial and service sectors is expected to increase the active memberships of EPF. At the same time, the aging population may reduce the number of new entrants to the labour market. The EPF, as a dynamic organization, anticipating these developments has made changes to its fund management strategies, administrative as well as risk management practices and procedures in order to arm itself with the necessary skills, tools, resources, systems and infrastructure. Hence, I wish to assure our members that EPF is well-equipped to realize maximum benefits from the economic development prospect of the country in the years to come, and will discharge its fiduciary responsibility of managing the Fund efficiently and effectively.

The year saw several new projects being launched with the objective of providing a more efficient service to its members. As a means of streamlining the collection of EPF contributions from employers, regulations for mandatory e-Returns were



gazetted during the year, which now require all employers who have more than 50 employees to submit their employees' EPF contributions and member details on a monthly basis via the e-Return system. By the end of the year, 41 per cent of 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 EPF to better serve its members.

Image Scanning Project is another significant step taken by the Fund, which progressed well during the year under review as well. The project targets conversion of the existing paper-based EPF system to a near paperless system, which entails converting the enormous amount of existing documents belonging to millions of our members into electronic form. On completion of the project, an e-Record room will be established linking the document management system with the existing EPF computer system, which will in turn significantly increase the productivity of the Fund.

Further, increasing awareness of members of the services of EPF was continued in the year 2013 as well. Several awareness programmes and mobile services on e-Return system, member re-registration and other member related services were conducted at various parts of the country, targeting largely diverse stakeholders of the Fund. The EPF has improved this further, by collaborating with other connected government bodies such as the Department of Labour, Department of Registration of Persons, Registrar General's Department etc.

In this background, the Monetary Board wishes to express its appreciation to the staff of the Department of Labour, staff of the Employees' Provident Fund Department of the Central Bank of Sri Lanka for their dedication and commitments.

The Monetary Board also wishes to express its sincere gratitude to all the Members and Employers of the EPF, for their undaunted confidence placed in the Fund energizing its steadfast journey to excellence.

Arjuna Mahendran

Governor, Central Bank of Sri Lanka

Chairman of the Monetary Board



Message from the Commissioner General of Labour



Let me at the outset thank staff of Employees' Provident Fund Department of Central Bank of Sri Lanka, on the occasion of the release of Annual Report 2013, which carries the progress achieved by EPF during the year 2013.

Today, EPF, which was established under the Employees' Provident Fund Act No. 15 of 1958, with the main objective of providing contended retirement life for the private and semi – government sector employees in Sri Lanka who do not enjoy pension benefits, has grown to be the largest social security system in the country.

The activation of the EPF payment monitoring system commenced in Colombo district in 2012, has been established in most of the district labour offices island wide during the year of 2013.

Furthermore, during the year of 2013 refund payments of deceased members of the Employees Provident Fund have been successfully decentralized island wide through zonal labour offices.

The data base was commenced in 2012 by using fingerprints of members obtained in digital format has been established for the convenience of members of Employees' Provident Fund who are spread island wide. In order to fulfill that task efficiently the initial step has been taken in 2013 by establishing database system for collection of fingerprints of members in digital format in several district labour offices. In future we expect to establish this system in every district labour offices.

I would like to express my gratitude towards the staff of the Department of labour for their commendable contribution in discharging the statutory responsibilities and maintaining a healthy relationship with both employees and the employers and also the staff of Employees' Provident Fund Department of Central Bank of Sri Lanka, for their support in carrying out activities of EPF successfully.

I hope this annual report would provide valuable information to employees, employers, officers of administrative and financial institutions and any other parties including students who are interested in this subject.

Mrs. Pearl Weerasinghe
Commissioner General of Labour





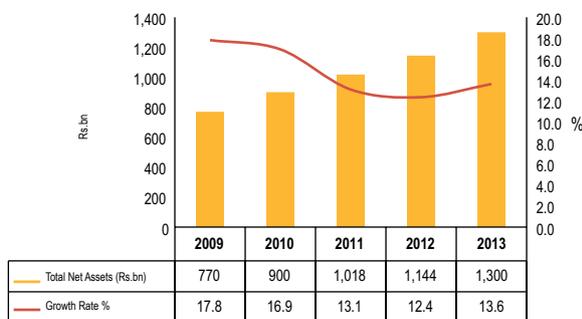
Performance Highlights 2013

TABLE 1 FINANCIAL HIGHLIGHTS

Item	Rs. mn	
	2012	2013
Contributions	70,171	80,484
Refund Payments	48,712	50,243
Net Contributions	21,459	30,241
Gross Income	121,413	136,657
Net Income	111,829	125,610
Transfer (to) / from Reserves	5,700	3,700
Interest paid on Member Balances	115,771	126,992
Rate of Interest paid on Member Balances (%)	11.50	11.00
Rate of Return on Average Portfolio (%)	11.61	11.54
Operational Expenditure	948	979
Operational Expenses as a percentage of the Total Income (%)	0.78	0.72

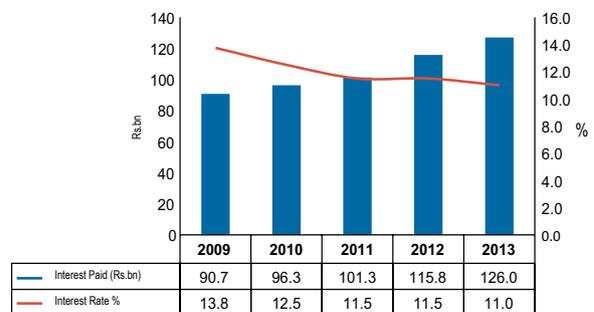
Source: EPF Department, Central Bank of Sri Lanka

GRAPH 1 GROWTH OF THE FUND



Source: EPF Department, Central Bank of Sri Lanka

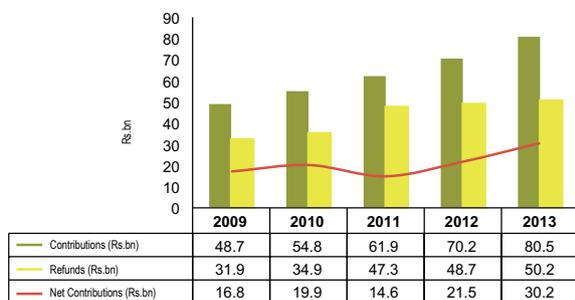
GRAPH 2 INTEREST PAID ON MEMBERS' CLOSING BALANCES



Source: EPF Department, Central Bank of Sri Lanka

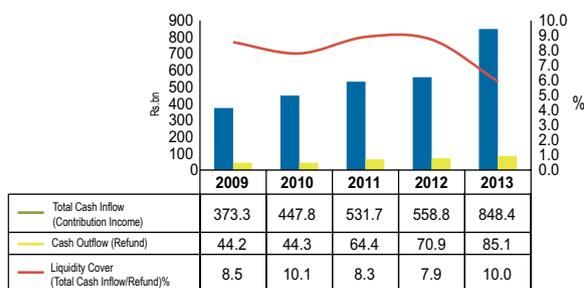


GRAPH 3 CONTRIBUTIONS, REFUNDS AND NET CONTRIBUTIONS



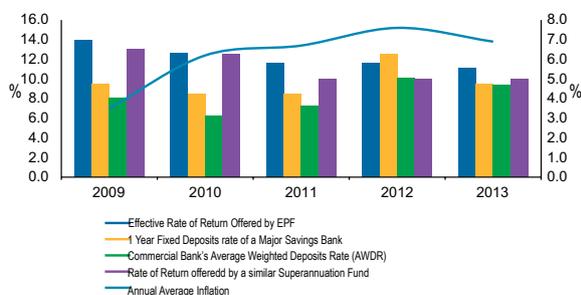
Source: EPF Department, Central Bank of Sri Lanka

GRAPH 4 LIQUIDITY COVER FOR REFUND PAYMENTS



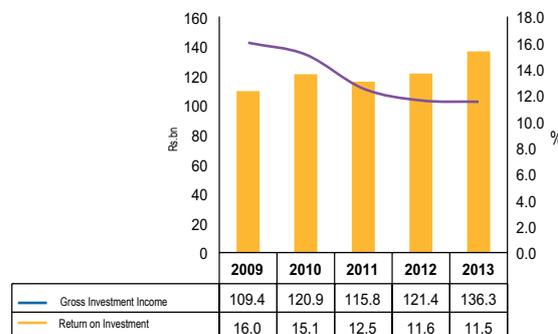
Source: EPF Department, Central Bank of Sri Lanka

GRAPH 5 EFFECTIVE RATE OF RETURN FOR MEMBER BALANCE VS MARKET RATES



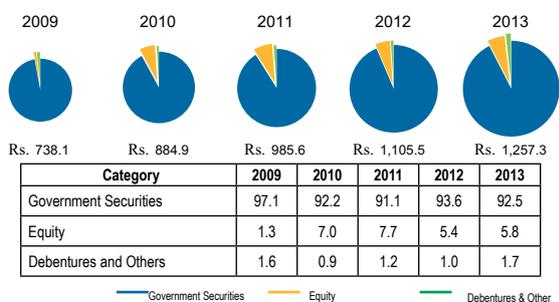
Source: EPF Department, Central Bank of Sri Lanka Annual Report, Central Bank of Sri Lanka

GRAPH 6 RETURN ON AVERAGE INVESTMENT PORTFOLIO



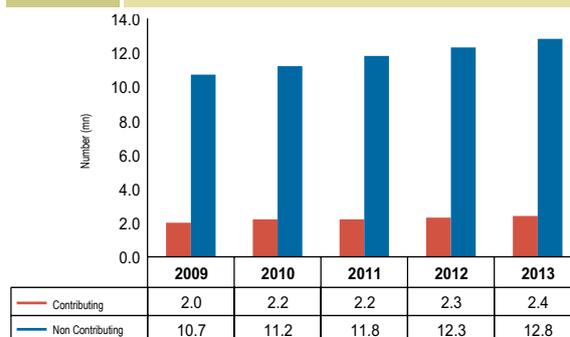
Source: EPF Department, Central Bank of Sri Lanka

GRAPH 7 COMPOSITION OF INVESTMENT PORTFOLIO



Source: EPF Department, Central Bank of Sri Lanka

GRAPH 8 NUMBER OF MEMBER ACCOUNTS



Source: EPF Department, Central Bank of Sri Lanka



Operational Highlights

- 1 An interest rate of 11.0 per cent was paid to members.
- 2 Total number of member accounts increased to 15.2 mn.
- 3 Total number of contributing member accounts increased from 2.3 mn to 2.4 mn.
- 4 Total value of the Fund increased to Rs. 1,300 bn.
- 5 Retirement benefits of Rs. 50,243 mn was paid to 114,114 members.
- 6 Issued certificates of guarantees to 16,268 members to obtain housing loans against their EPF account balances from participating lending institutions.
- 7 Conducted nine awareness programmes and mobile services for employees at different geographical locations to strengthen links with the stakeholders.
- 8 Appointed 3 Licensed Commercial Banks as Collecting Agents for online payments of EPF member contributions through the banks web services.
- 9 Commenced Image Scanning of 7.5 mn member related documents to move towards a near paperless office.
- 10 Handled 222,498 number of public inquiries on name and account amendments, balance inquiries etc.



Regulatory Framework

The Employees' Provident Fund (EPF/Fund) is the largest superannuation Fund in Sri Lanka. It was established under the Employees' Provident Fund Act No.15 of 1958 to provide retirement benefits for the private and semi government sector employees. In terms of the provisions of the Act, the Commissioner of Labour acts as the general administrator of the Fund while the Monetary Board of the Central Bank of Sri Lanka is entrusted with the powers, duties and responsibilities to act as the custodian of the Fund. The Employees' Provident Fund Department of the Central Bank facilitates the Monetary Board in discharging its powers, duties and functions entrusted to it by the Act.

The EPF is a mandatory defined contributory retirement benefit scheme. The mandatory minimum contribution rate to the Fund is 20 per cent of the gross monthly earnings of the EPF member. The employer and the employee (member) are required to contribute 12 per cent and 8 per cent respectively, of the member's gross earnings to EPF.

Employers are liable to send contributions and relevant details of their employees to the Fund

periodically. Employers who employ less than 150 employees (C category) send contributions and relevant member details (Form C) on a monthly basis and employers who employ more than 150 employees (C3 category) send contributions monthly and relevant member details (Form C3) semi-annually. However, with the amendment to the Act in 2012, all employers having a minimum of 50 employees are required to send the contributions and member details through electronic media on a monthly basis.

The EPF members are eligible to claim their retirement benefits once they reach the retirement age (50 years for females and 55 years for males). In addition, members are also entitled to withdraw their member account balances in the events of migration, permanent disability, leaving the employment due to marriage (only for female members) and joining a pensionable employment. Legal heirs of a deceased member are eligible to receive the benefits in the case of the death of a member. In addition, to the retirement benefits, EPF facilitates members to obtain loans from five approved lending institutions by pledging the balances lying to the credit of their accounts, for housing purposes.

Functions of the Commissioner of Labour

Registration of employers and employees to the Fund.

Carrying out inspections to ensure compliance with the EPF Act and taking legal actions against non-payment of member contributions.

Recovery of surcharges on late contribution payments from employers.

Acceptance of applications for refund of benefits and issuance of Letters of Determination on such applications advising the Central Bank to pay benefits.

Authorization of the amalgamation of previous member accounts of a member.

Approval of housing loan applications enabling members to obtain housing loans from approved lending institutions by pledging their member balances.



Functions of the Monetary Board

Receipt of member contributions, surcharges and income.

Maintenance of member accounts.

Investment of excess funds to provide maximum return to the members while ensuring the safety of the Fund.

Crediting annual interest to member accounts at a rate approved by the Monetary Board with the concurrence of the Minister of Labour and Labour Relations and the Minister of Finance.

Preparation of annual accounts and issue of annual statements of accounts to the members.

Effecting refund of benefits in accordance with Letters of Determination issued by the Commissioner of Labour.

Issuing of certificates of credit balances to relevant lending institutions facilitating grant of housing loans.

Submission of information such as financial statements and statement of investments to the Hon. Minister of Labour and Labour Relations and Hon. Minister of Finance within 3 months from the end of each year.



Senior Management Team as at 31.12.2013

Department of Labour (EPF Division)

Name	Designation	Division
Mr. D P K R Weerakoon	Commissioner of Labour	
Mrs. V Umamagal	Deputy Commissioner of Labour	Claim
Ms. P H P I Bandara	Assistant Commissioner of Labour	
Mrs. K P H Indrani	Assistant Commissioner of Labour	
Mr. W R A M Rathnayake	Assistant Commissioner of Labour	
Mr. K L K Perera	Deputy Commissioner of Labour	Recovery
Mr. D H T Deshapriya	Assistant Commissioner of Labour	
Mr. B Vasanthan	Deputy Commissioner of Labour	IT
Ms. D V T P Dayananda	Assistant Commissioner of Labour	Administration
Mrs. N M Y Thushari	Assistant Commissioner of Labour	Claim L
Mrs. G A D R Gayani	Assistant Commissioner of Labour	
Mr. M F G Samaraweera	Assistant Commissioner of Labour	CFS

EPF Department of the Central Bank

Name	Designation	Division
Mr. P W D N R Rodrigo	Superintendent	
Mrs. C M D N K Seneviratne	Addl. Superintendent	
Mr. A G U Thilakarathna	Deputy Superintendent	
Mr. S A L Muthukumara	Deputy Superintendent	
Mr. J D S J Nanayakkara	Deputy Superintendent	
Mrs. S N Thilakawardena	Snr. Asst. Superintendent	
Mrs. O K S P Bandara	Assistant Superintendent	
Mr. S S P De Silva	Snr. Asst. Superintendent	
Mr. H G L Wickramasinghe	Assistant Superintendent	Corporate Services and Administration
Mrs. K G N Wijerathne	Assistant Superintendent	
Mr. M N Weerasinghe	Assistant Superintendent	
Mr. P W Wimal Shantha	Assistant Superintendent	Collection Division
Mr. Sunil Koswattage	Snr. Asst. Superintendent	Current Contribution Division
Mr. K A N L Ratnasekera	Snr. Asst. Superintendent	
Ms. G B N A Samaranyaka	Assistant Superintendent	
Mrs. K A Senaratne	Assistant Superintendent	



Ms. B M W S Balasooriya	Snr. Asst. Superintendent	Re-registration Division
Ms. Y C M Wijethilaka	Snr. Asst. Superintendent	
Mr. K G Thilakasiri	Snr. Asst. Superintendent	Statemented Contribution Division
Mr. U A Gunawardena	Assistant Superintendent	
Mr. M A D L Cyril	Assistant Superintendent	
Mrs. D M G Piyatillake	Snr. Asst. Superintendent	E-Collection Division
Ms. K M T A Y Bandara	Management Trainee	
Mrs. N L M Abeysekera	Snr. Asst. Superintendent	Fund Management Division
Mr. T Udayaseelan	Snr. Asst. Superintendent	
Mrs. D L Rohini	Snr. Asst. Superintendent	
Mr. W G R Harshapriya	Snr. Asst. Superintendent	
Ms. D P Udugamakorala	Assistant Superintendent	
Mr. S Pathumanapan	Assistant Superintendent	
Mr. K L A C N Anuradha	Assistant Superintendent	
Mr. A A R Lanson	Management Trainee	
Mrs. H A Hettihewa	Snr. Asst. Superintendent	Accounts & Settlement Division
Ms. G B M P Dissanayake	Assistant Superintendent	
Ms. E T W T R P Udakumabura	Management Trainee	
Ms. D Y S Mahagederawatte	Assistant Superintendent	Record Management Division
Mr. A T Upasena	Assistant Superintendent	
Ms. K M C Somasiri	Assistant Superintendent	
Mr. M Wickramarathne	Snr. Asst. Superintendent	Record Amendment Division
Ms. C P Jayaweera	Snr. Asst. Superintendent	
Mrs. S D Rathnaweera	Assistant Superintendent	
Mrs. H A S Kulasinghe	Snr. Asst. Superintendent	Housing Loan Division
Mrs. L S Gamage	Assistant Superintendent	
Mr. W A Nandasena	Snr. Asst. Superintendent	Refund Control Division
Mrs. S A Jayawardena	Assistant Superintendent	
Mrs. P H D A Attanayake	Snr. Asst. Superintendent	Refund Payment Division
Ms. K K C S Kannangara	Assistant Superintendent	
Mrs. V K Dhampahalage	Snr. Asst. Superintendent	Public Relations, Inquiries counter & Call Centre



1 . Review of the Economy 2013

1.1 Economic Growth

The economy expanded by 7.3 per cent during the year 2013, largely supported by expansion in the domestic economic activity. The moderation in the economy after the strong growth averaging over 7.5 per cent recorded during the last three years was due to both external and domestic factors. On the external front, weak external demand slowed export growth, while policy measures adopted in 2012 and adverse weather conditions had a dampening impact on the domestic demand and supply. Prudent demand management policies, stable international commodity prices and significant improvements in the domestic food supply helped moderate inflation pressure in 2013, as a result, inflation which remained at single digit levels for the fifth consecutive year, gradually declining to mid-single digit levels by end 2013. The development of an efficient and effective economic and social infrastructure base throughout the country has received high priority in the development agenda of the government as high quality infrastructure service will broaden economic activities, improve the efficiency of service delivery, reduce costs through improved access to markets and thereby improve overall productivity. With the steady rise in economic growth during

the year, GDP per capita income rose to USD 3,280 in 2013.

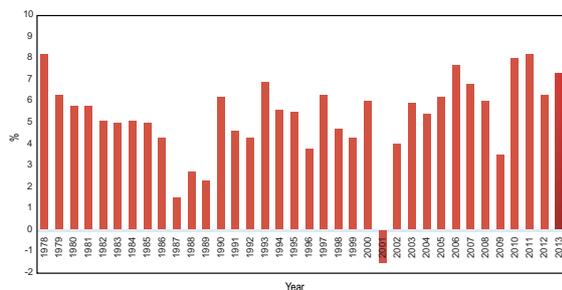
The growth in all three key sectors supported the overall sustainable economic growth in 2013. The industry sector continued to post strong growth of 9.9 per cent, raising its share of GDP to 31.1 per cent, largely driven by the construction and manufacturing sub-sectors. The continuation of major public infrastructure programmes and an increase in private sector construction activities contributed to the strong growth in the construction sector. The gradual recovery in Sri Lanka's major trading partners and higher demand from the tourist sector contributed to the growth in factory industry. The services sector grew by 6.4 per cent, despite the continuous slowdown of wholesale and retail trade activity, as transport and financial services continued to expand. The Agriculture sector recorded a 4.7 per cent annual growth compared to the relatively high growth of 10.4 per cent recorded during first half of 2012. This was mainly due to adverse weather conditions prevailing at the beginning of the year, which affected domestic agriculture production, particularly paddy and other food crops.

1.2 Inflation and Interest Rate

Inflation continued at a single digit for the fifth consecutive year while headline inflation, which remained close to double digit levels during the first two months of the year, decelerated thereafter to mid-single digit levels by the end of the year supported by improved domestic supply conditions and prudent demand management policies. Accordingly, by end 2013, headline inflation was 4.7 per cent on a year-on-year basis and 6.9 per cent on an annual average basis.

Meanwhile, reflecting effective management of aggregate demand, core inflation,

GRAPH 9 REAL GDP GROWTH

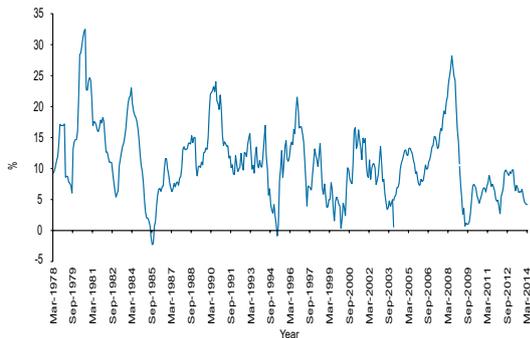


Source: EPF Department, Central Bank of Sri Lanka



moderated gradually during the year and declined to its lowest level in the last quarter of 2013, ending the year at 2.1 per cent on a year-on-year basis and 4.4 per cent on an annual average basis. The moderation in inflation and inflation expectations helped reduce wage pressures in the economy and raise investor confidence.

GRAPH 10 YEAR-ON-YEAR INFLATION



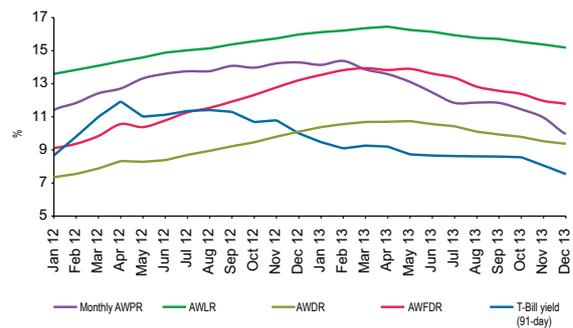
Source: Central Bank of Sri Lanka

The easing of monetary policy that commenced in December 2012 with the reduction of the Central Bank's key policy interest rates by 25 basis points, continued in 2013. Overall, policy interest rates were reduced by a further 100 basis points during 2013 while increased liquidity also reflected the accommodative policy stance. The Average Weighted Call Money Rate (AWCMR), which fluctuated around the upper bound of the policy rate corridor until the first week of June, moved towards the middle of the corridor as the Central Bank reaffirmed the direction of monetary policy by reducing the policy rates in May 2013. With the reduction in policy interest rates in October 2013, decline in AWCMR during the year amounted to 217 basis points, registering 7.66 per cent by end 2013. The overnight Sri Lanka Interbank Offered Rate (SLIBO) moved downwards along with AWCMR. Weighted average interest rates at Open Market Operation (OMO) auctions also decreased in 2013, following the downward adjustment in policy rates and call money market rates.

The lagged effects of tight liquidity conditions and tight monetary policy stance in 2012, increased competition in

the banking sector resulting in aggressive deposit mobilization which led to the Average Weighted Deposit Rate (AWDR) and the Average Weighted Fixed Deposit Rate (AWFDR) to increase by 64 basis points (to 10.74 per cent) and 69 basis points (to 13.90 per cent) by end May 2013. However, with the monetary policy easing measures in 2013, deposit rates commenced adjusting downwards from mid 2013. Hence, AWDR decreased by 73 basis points to 9.37 per cent during the year from 10.10 per cent at end 2012 while AWFDR decreased by 143 basis points to 11.78 per cent by end 2013 from 13.21 per cent at end 2012.

GRAPH 11 MOVEMENT OF SELECTED MARKET INTEREST RATES



Source: Central Bank of Sri Lanka

Lending rates against most types of securities decreased during the period under review. Interest rates on loans and advances secured by government securities, stocks in trades, trust receipts and shares, bonds, and debentures decreased significantly during the year 2013.

1.3 Wages and Employment

The unemployment rate remained low during 2013 at 4.4 per cent, albeit increasing marginally from 4 per cent in the previous year largely due to the entry of new job seekers to the labour market. An increase in both the number of employed as well as unemployed persons resulted in an expansion of the labour force by 4.1 per cent in 2013.

Monitory Policy decision taken in a forward looking framework provide effective, with



inflation declining to mid single digit levels at the end of the year coupled with a pickup in economic activity in 2013. Monetary aggregates decelerated toward desired levels by end 2013, while the lagged effect of the previous year's tight monetary policy measures and the steep decline in gold backed loans lowered credit disbursements to the private sector. Low inflation enabled the Central Bank to ease monetary policy further during the year to facilitate economic growth. The realization of the desired stabilization objectives of the macroeconomic policy package that was adopted in 2012 coupled with favorable inflation outcomes and expectations, allowed the Central Bank to ease monetary policy further during the year. Maintaining inflation at a single digit levels remained the overarching objective of monetary policy throughout the year. Salutory development done the year was the rise in the Labour Force Participation Rate (LFPR) to 53.8 per cent in 2013 from 52.6 per cent in the previous year. The significant rise in the female LFPR, as a result of the entry of rural females into the labour market seeking job opportunities, mainly contributed to the rise in the overall LFPR.

Nominal wage of private sector increased by 5.7 per cent in 2013. A substantial increase in the minimum wages of employees in many sub-sectors contributed to this increase. This increase, contributed mostly towards the year, to the marginal increase of member contributions of EPF from Rs.2.3 million by 2012 to Rs.2.4 million at end 2013.

1.4 Monetary Policy and Fiscal Policy

Monetary policy decisions taken in a forward looking framework proved effective, with inflation declining to mid-single digit level, and declining inflation and benign inflation expectations allowed monetary policy to support the revival of economic activity.

The growth of reserve money was set at 16.5 per cent due to the base effect of lower

growth in reserve money during 2012. However, the reduction in Statutory Reserve Ratio (SRR) effective from 01 July 2013 necessitated a downward revision to the projected reserve money path for the remainder of the year to maintain broad money along the targeted path.

The easing of the monetary policy stance from December 2012 and the excess rupee liquidity in the money market facilitated the downward adjustment in market interest rates during the year. Short term market interest rates were quick to adjust downwards, although long term market interest rates exhibited some downward rigidity during the first few months of the year, before declining thereafter. The Average Weighted Call Money Rate (AWCMR), which fluctuated around the upper bound of the policy rate corridor until the first week of June, gradually moved towards the middle of the corridor during the year.

Lending rates also adjusted downward, albeit with a considerable time lag, in response to the relaxed monetary policy stance, the increase in rupee liquidity and the decline in the cost of funds. Yield rates on government securities across all maturities declined throughout the year reflecting the reduction in policy rates, the excess liquidity in the market and moderating inflation and inflation expectations.

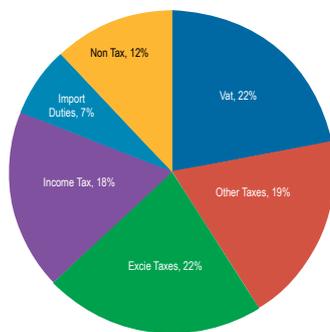
Continued commitment of the government to fiscal consolidation resulted in a further reduction in the fiscal deficit and debt to GDP ratio during the year. Fiscal policy continued to focus on promoting sustainable and regionally balanced growth in the medium term, while the government remained committed to fiscal consolidation efforts leading to a gradual improvement in key fiscal indicators. Accordingly, the fiscal deficit declined significantly to 5.9 per cent of GDP in 2013 from 6.5 per cent in 2012, although marginally higher than



the budget estimate of 5.8 per cent. Despite the sluggish growth in revenue, fiscal consolidation was the result of concerted efforts made by the government to manage expenditure. A significant reduction in recurrent expenditure and prioritization of capital expenditure, which nonetheless maintained public investment at 5.5 per cent of GDP, helped reduce the budget deficit in line with the Medium Term Macro Fiscal Framework. Towards this, the government

Despite the lower expected revenue collection, rationalization of expenditure enabled the overall fiscal deficit to be maintained at a level closer to the budgetary target, narrowing the government's resource gap and reducing the government's financing requirement.

GRAPH 12 COMPOSITION OF GOVERNMENT REVENUE (2013)



Source: Central Bank of Sri Lanka

took several measures in 2013 to increase revenue and streamline expenditure while encouraging regionally balanced economic growth of the country.

Government revenue as a percentage of GDP declined to 13.1 per cent in 2013 with compared to 13.9 per cent in 2012 due to a decline in both tax revenue and non-tax revenue. Further, the declining trend in tax revenue as a percentage of GDP continued with tax revenue at 11.6 per cent compared with 12 per cent in last year although revenue from other taxes showed a mixed performance during 2013. In addition, recurrent expenditure as a percentage of GDP declined reflecting the government's commitment towards rationalization recurrent expenditure over the medium term. Interest expenditure as a percentage of GDP slightly declined owing to relatively low interest rates that prevailed in the domestic market coupled with measures taken to reduce the share of short term debt in the total domestic debt stock.

In financing the overall deficit of Rs.516.1 billion during 2013, domestic financing contributed to 76 per cent of the total while foreign financing accounted for the balance 24 per cent. Further, net domestic financing amounted to Rs.392.4 billion compared to the original estimated amount of Rs.359.4 billion while net foreign financing of Rs.123.7 billion compared to the estimated amount of Rs.148 billion in 2013. The government heavily used banking sector as the domestic financing sources reflecting Rs.297 billion in 2013 exceeding the estimated amount of Rs.70 billion targeted for the year and was higher than the sum of Rs.131.5 billion borrowed from the banking sector in 2012. However, non-banking sector borrowings significantly decreased to Rs.95.4 billion compared to original estimated amount of Rs.289.4 billion during 2013 indicating the non-bank borrowings as a share of total domestic borrowing declined 24 per cent in 2013 from 35 per cent in 2012. Although decreasing trend of the contribution of non-banking sector to the reduction of overall budget deficit, still EPF is one of the key institutional investor in non-banking sector because the government increasingly relied on longer term marketable debt instruments to finance the budget deficit during the year and higher participation of those longer tenure instruments was done by EPF in 2013.

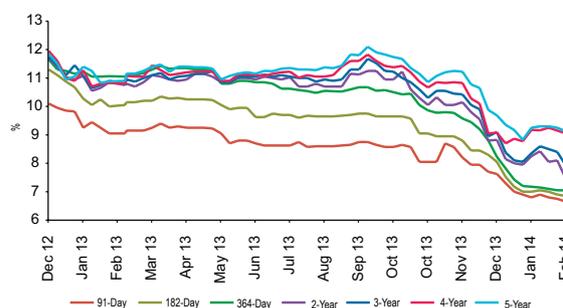
1.5 Government Security Market and Yield Rates Movements

The yield rates in the government securities market declined gradually during the year 2013. Yield rates throughout the yield curve pertaining to government securities (i.e. Treasury bills and Treasury bonds) of 3 months to 20 years declined in a range of 24



bps to 246 bps. The yield rate for 6 month tenure declined the most by 347 bps. The decline in yield rates was a result of the easing of monetary policy by the Central Bank in view of the decline in inflation and inflation expectations. Further, increased participation of foreign investors in the government securities market and the excess liquidity that prevailed in the money market during much of this period also contributed to the lower yield. The Weighted Average Yield Rates (WAYRs) of Treasury bonds in

GRAPH 13 WEEKLY MOVEMENT OF SECONDARY MARKET YIELD FOR GOVT. SECURITIES



Source: Central Bank of Sri Lanka

TABLE 2 YIELD RATES OF GOVERNMENT SECURITIES

Item	Percent per annum							
	Primary Market				Secondary Market			
	2012		2013		2012		2013	
	Low	High	Low	High	Low	High	Low	High
Treasury Bills								
91 Days	8.67	12.19	7.54	9.91	8.63	12.06	7.52	10.12
182 Days	8.71	13.12	7.85	10.99	8.71	13.10	7.83	11.26
364 Days	9.30	13.60	8.29	11.38	9.28	13.34	8.27	11.72
Treasury Bonds								
2 Years	9.45	13.62	-	-	9.37	13.77	8.53	11.65
3 Years	10.20	13.50	10.87	10.98	9.58	13.93	9.05	11.75
4 Years	9.55	14.10	-	-	9.69	14.16	9.54	11.95
5 Years	10.75	14.15	10.64	11.17	9.78	14.35	10.26	12.01
6 Years	9.75	14.25	10.97		9.81	14.36	10.37	11.99
10 Years	10.25	14.75	11.76	11.80	9.93	14.63	10.88	12.30
15 Years	-	-	11.90	12.21	10.07	14.59	11.14	12.72

Source: Central Bank of Sri Lanka

the primary market decreased 500 bps to 200 bps across the yield curve (2 – 30 years) in 2013.

Yield rates for secondary market also decreased during 2013, reflecting the easing of monetary policy and the favorable inflation environment. During first five months of 2013, yield rates on government securities were stable and afterwards decreased significantly. Yields on Treasury bills of all maturities decreased by 248 to 343 bps at the end of 2013 compared with end of 2012. Subsequently, secondary market yield rates on Treasury bonds reflected similar

pattern indicating a range of 217-288 bps by end 2013 compared to levels that prevailed at end 2012.

2. Review of the Performance of EPF

The total value of the Fund reached Rs.1.3 trillion by end 2013 recording a 13.6 per cent growth over Rs.1.1 trillion by end 2012. The total number of member accounts reached 15.0 million by end of 2013, which is an increase of 2.7 per cent compare to 14.6 million recorded by end 2012. The number of contributing member accounts increased to 2.4 million by end 2013 from



2.3 million reported by end 2012 whilst non-contributing member accounts stood at 12.8 million by the end of 2013, compared to 12.3 million by end of 2012. Meanwhile, the number of contributing employers increased by 3.3 per cent to 70,392 by end 2013 from 68,140 reported at end 2012.

2.1 Member Contributions and Payment of Retirement Benefits

In 2013, member contribution increased by 14.7 per cent to Rs.80.5 billion from Rs. 70.2 billion in 2012. The total amount paid as refund benefits to the members and their heirs in 2013 was Rs.50.2 billion, which was an increase of 3 per cent over that of Rs.48.7 billion paid in 2012. Accordingly, the net contribution (gross contribution less refund

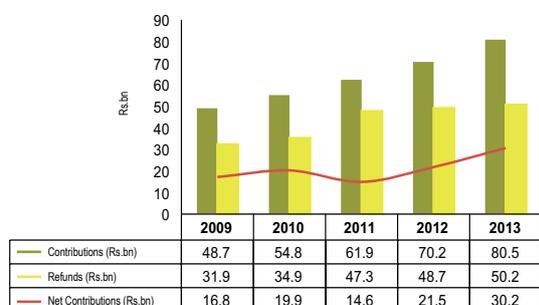
benefits) also increased by 40.9 per cent to Rs.30.3 billion compared to 21.5 billion in the previous year.

Over the last five years, contributions have been increasing at a higher rate than refund payments resulting in an increase in net contribution (Graph 14). Refunds made to retirees reach retirement age accounted for the largest share of refund benefits, followed by retirement due to marriage by women.

2.2 Investment Portfolio of EPF

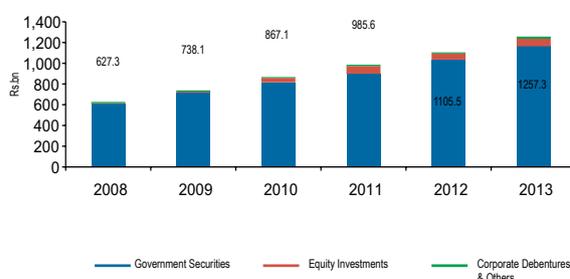
The total investment portfolio (book value) of the Fund grew by 13.7 per cent from Rs. 1,105.5 billion in 2012 to Rs. 1,257.3 billion in 2013 (Graph 15). The growth in

GRAPH 14 CONTRIBUTIONS, REFUNDS AND NET CONTRIBUTIONS



Source: EPF Department, Central Bank of Sri Lanka

GRAPH 15 COMPOSITION OF THE INVESTMENT PORTFOLIO 2008-2013



Source: EPF Department, Central Bank of Sri Lanka

TABLE 3

EPF REFUND PAYMENT-2013

Reason for EPF Refund	Number of Refund Applications		Total Amount of Refund Benefits (a)	
	No.	%	Amount (Rs.bn)	%
Reaching of Retirement Age	73,596	64.49	38.53	76.99
Retirement due to Marriage	24,614	21.57	4.84	9.68
Migration	1,739	1.52	2.24	4.47
Medical Reasons	1,017	0.89	0.55	1.11
Death of Member	5,392	4.73	2.31	4.61
Joining a Pensionable Job	7,734	6.78	1.55	3.10
Others	22	0.02	0.02	0.04
Total	114,114	100.0	50.04	100.0

Source: EPF Department, Central Bank of Sri Lanka

(a) This includes only the first payment of refunds excluding part payments, unclaimed payments and retained payments.



the investment portfolio was mainly driven by the return on investment and the growth in member contributions.

The concentration of investment in government securities showed a decrease from 93.6 per cent in 2012 to 92.5 per cent at end 2013. The share of investments in Equity, however, increased to 5.8 per cent from 5.4 per cent in 2012, while 1.2 per cent was placed in corporate debentures and the balance 0.5 per cent in high liquid assets such as Reverse Repos on government securities, to meet liquidity requirements of the Fund.

2.2.1 Government Securities Portfolio

The government securities portfolio consisting of Treasury bonds, Rupee loans and Treasury bills grew by 12.4 per cent to Rs.1,163.6 billion at end 2013 from Rs. 1,035.2 billion in 2012. At end 2013, the Treasury bond portfolio stood at 89.6 per cent of the total portfolio. During the period, the share

was 12.1 per cent, while the weighted average yield of the government securities portfolio was 11.2 per cent by end 2013. Of the total government securities portfolio 39.6 per cent will mature within next 5 year period while 60.4 per cent will mature after 5 years (Table 4).

2.2.2 Equity Portfolio

Equity portfolio, which consists of both listed and unlisted equities, increased by Rs.13.6 billion (22.9 per cent) from Rs. 59.2 billion in 2012 to 72.8 billion in 2013 due to new investments in both listed and unlisted equities and increase in investments in companies where the EPF had already invested. The equity portfolio consisted of an investment portfolio of Rs.72.3 billion and a trading portfolio of Rs. 0.5 billion at cost as at the end of 2013.

EPF continued to maintain a well-diversified Available for Sale (AFS) portfolio consisting of fundamentally sound companies,

TABLE 4 MATURITY PROFILE OF GOVERNMENT SECURITIES PORTFOLIO-END 2013

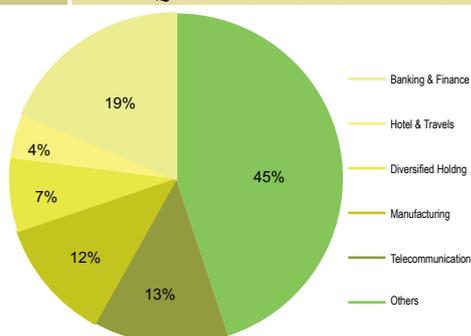
Maturity Period	Maturity Value (Rs.bn)	Share (%)	Weighted Average Yield (%)
	2013	2013	2013
Less than 1 year	139.5	10.0	9.8
1 & 2 years	195.7	14.1	9.8
3 & 4 years	216.2	15.5	10.8
More than 5 years	842.0	60.4	11.9
Total	1,393.4	100.0	11.2

Source: EPF Department, Central Bank of Sri Lanka

of Rupee loans marginally decreased from 2.1 per cent to 1.8 per cent due to increase in investments in Treasury bonds and bills and zero net investment in Rupee loans.

During 2013, EPF earned Rs.133.0 billion as interest income, amortization gains and capital gains from the government securities portfolio, representing 97.3 per cent of the total gross income of the Fund. In 2013, the realized rate of return over the average government securities portfolio

especially in the sectors of banking and finance, Hotels and travels, Diversified Holdings, Manufacturing, Construction & Engineering, Power & Energy and Telecommunication sectors listed in the CSE (Graph 16). The equity portfolio generated an income of Rs.3.3 billion in the year 2013 through dividends, capital gains and marked to market gain/loss of the fair value through profit and loss portfolio recording a 26.9 per cent increase relative to Rs.2.6 billion earned in 2012.

**GRAPH 16** SECTORIAL COMPOSITION OF THE EQUITY PORTFOLIO-END 2013

Source: EPF Department, Central Bank of Sri Lanka

2.2.5 Income of the Fund

The Fund earned a total income of Rs. 136.3 billion in 2013, recording an increase of 12.6 per cent compared to that of the previous year (Table 5). Interest income was the major source of income (76.9 per cent of the income) to the Fund. Interest income grew by 15.5 per cent from Rs. 90.9 billion in 2012 to Rs.105.0 billion in 2013. Further, income generated from equity portfolio, which included both capital gains and

TABLE 5 INCOME ON INVESTMENTS

Source of Income	2012		2013	
	Amount (Rs.mn)	Share (%)	Amount (Rs.mn)	Share (%)
Interest and Amortization Gain	118,696	97.8	131,994	96.8
Capital gains from Government Securities	34	-	1,016	0.7
Marked to market gains/(losses)	(388)	(0.3)	(45)	-
Capital gains from Equity	1,020	0.8	112	0.1
Dividends	1,996	1.7	3,226	2.4
Total	121,358	100.0	136,303	100.0

Source: EPF Department, Central Bank of Sri Lanka

2.2.3 Corporate Debt Portfolio

EPF invests in investment grade corporate debt instruments such as corporate debentures, trust certificates and mortgage backed securities. During 2013, the Fund invested in 10 debt issues which were listed in the market. The corporate debt portfolio of the Fund stood at 14.3 billion as at 31 December 2013, which is only 1.1 per cent of the total portfolio. The Fund earned interest income of Rs. 1,256 million from corporate debt portfolio and the rate of return on average portfolio was 11.22 per cent per annum.

2.2.4 Reverse Repurchase Transactions

The daily excess funds are invested in the Repo market in order to manage the liquidity of the Fund. During 2013, the Fund earned an interest income of Rs. 389 million from reverse repo transactions.

dividends, increased by 10.7 per cent to Rs. 3,338 million in 2013, compared to Rs. 3,016 million earned in 2012. However, amortization gains from Treasury bonds reduced by 3.0 per cent to Rs. 26.9 billion in 2013 from Rs. 27.8 billion in 2012 due to increase in average term to maturity of the portfolio and investments in premium bonds.

2.3 Operational Expenditure

In previous years the total operational expenditure of the Fund increased to Rs. 978.9 million in 2013, registering a 3.29 per cent growth compared to Rs. 947.7 million in 2012 mainly due to the increase in personal expenses. Nevertheless, the Fund was able to reduce its total operational expenditure to 0.7 per cent of its total gross income during the year under review. Maintaining operational expenditure below



TABLE 6

OPERATIONAL EXPENDITURE

Item	Monetary Board			Labour Department		
	2012	2013	Change	2012	2013	Change
	(Rs.mn)	(Rs.mn)	(%)	(Rs.mn)	(Rs.mn)	(%)
Personnel Expenses	288	334	15.97	226	235	3.98
Administrative Expenses	224	237	5.80	172	127	(26.16)
Other Expenses	25	33	32.00	12	12	-
Total	537	604	12.48	410	374	(8.78)
Total Expenses as a % of Gross Revenue	0.44	0.44		0.34	0.27	

Source: EPF Department, Central Bank of Sri Lanka

1 per cent of the gross income is a significant achievement in the light of 1 to 2 per cent managerial fees charged by private fund managers.

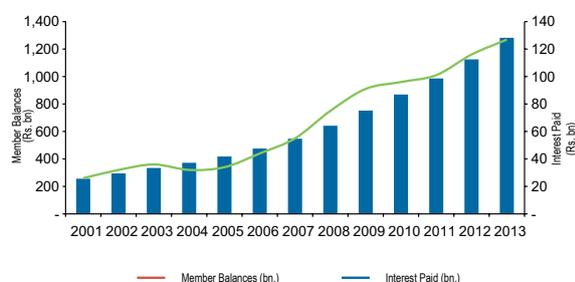
2.4 Tax Expenditure

During the year 2013, EPF paid Rs. 10,068 million as income taxes recording a 16.5 per cent increase compared to the income tax payment of Rs. 8,636 million in 2012.

2.5 Member Account Balances and Interest Paid

In 2013, a sum of Rs. 126.9 billion was distributed among members as interest, enhancing the member balances by 13.9 per cent to Rs. 1,281 billion compared to Rs. 1,124 billion in 2012. Despite the declining interest rate environment, the Fund was able to declare an interest rate of 11.0 per cent for the year ending 31 December 2013.

GRAPH 17 MEMBER BALANCES AND INTEREST PAID



Source: EPF Department, Central Bank of Sri Lanka

2.6 Risk Management

Being the largest Superannuation Fund in Sri Lanka, EPF manages long term savings of private and semi - government sector employees to give maximum retirement benefits while ensuring safety and maximized the return on investments to the Fund. EPF is a systematically important entity in the financial sector as it represents nearly 12.6 per cent of the total asset of the major financial institutions as at 31 December 2013. Therefore, the Monetary Board has been placing a heavy emphasis on the management of the risks associated with the fund to ensure safety of the fund and thereby financial system in the country. The key risks faced by the EPF are credit risk, market risk, liquidity risk and operational risk.

2.6.1 Credit Risk

Credit risk is the potential loss arising from the failure of the counterparties or an issuer to meet their financial obligations to settle their interest and capital within a stipulated time period. The credit risk of the Fund was minimal as 92.5 per cent of the investments are in government securities. Credit risk arising from the corporate debt, which accounted for about 1.5 per cent of the portfolio, is low since the Fund invests only in investment grade corporate debt instrument. Such investments are made only



after a thorough analysis is done by taking the risk and return in to consideration. In addition, all reverse Repo investment which assumed about 0.5 per cent of the fund has been collateralized by adequate government securities. Therefore the credit risk of EPF was at a very low level.

2.6.2 Market Risk

Market risk is the risk arising from changes in market prices such as interest rates, equity prices and exchange rates. At present, the market risks faced by the fund are two of fold: i.e. interest rate risk and equity price risk. When the market interest rates increase, the value of the Treasury bond trading portfolio deteriorates and when the interest rates decrease, the fund will have to invest at low interest rates. However, this risk has been managed periodically by selecting Treasury bonds of different maturity and yields appropriately and by limiting the size of the trading portfolio.

The equity price risk faced by the fund is the reduction in the value of the equity portfolio due to the decline in the share prices. This risk has been mitigated by setting upper limits on equity portfolio, diversifying equity portfolio into different sectors such as, banking, finance and insurance, diversified holdings, hotel and travels, construction and engineering, manufacturing and telecommunication, and by making investment after a careful analysis of all factors. Further, the market risk on equity portfolio is relatively low since exposure of equity is only 5.8 per cent of the total portfolio of the Fund.

2.6.3 Liquidity Risk

Liquidity risk is the risk arising from the inability to meet financial obligations as and when they fall due. The net contributions (approximately Rs. 2.3 bn) of the Fund is positive in each month resulting in minimized liquidity risk to the Fund. With the other cash flows such as income

and maturity proceeds, the annual refund payment as a percentage of total cash inflows was 5.9 per cent by end of 2013. In addition, availability of a high liquid government securities portfolio provides an additional buffer against any liquidity constraint. As a daily liquidity management tool, EPF invests in the over night Repo market to maintain adequate funds on a daily basis while earning a reasonable return. Therefore, liquidity risk of the Fund is also very minimal.

2.6.4 Operational Risk

Operational risk is the risk of a change in value caused by the fact that actual losses, incurred from inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses. 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. Furthermore, the AS 400 computer system that adds EPF data maintains an online real time backup system which enables the Fund to carry out its functions without any disruption. In addition, the Business Continuity Plan (BCP) and the Disaster Recovery Sites (DRS) are tested every year by conducting operations from the DR Sites to ensure the smooth functioning of the operations due to any unforeseen event.

Other mechanisms deployed to mitigate operational risks include authority level for transactions, availability of operational manuals, restriction of access to information through pass words protection, maintaining of a separate risk management unit and an operational risk register.

2.7 Housing Loan Facility



The Housing Loan Scheme, introduced in 1988 with the objective of facilitating the members to obtain housing loans from the participating lending institutions, viz., Housing Development Finance Corporation Bank, State Mortgage and Investment Bank, Bank of Ceylon, People's Bank and Cooperative Rural Banks continued in 2013 as well. EPF continued to issue certificates of guarantees to members against their EPF balances under this scheme. During the year 16,268 member balance certificates were issued to participating lending institutions

TABLE 7 HOUSING LOAN FACILITY

Year	Certificates Issued (No)	Credit Approved by EPF (Rs.Mn)	Amount Remitted to Lending Institutions (Rs.Mn)
2004	14,307	2,452	735
2005	14,600	2,766	900
2006	15,136	3,049	1,078
2007	12,969	2,872	1,240
2008	12,519	3,008	1,192
2009	10,383	2,680	1,552
2010	13,848	4,512	2,093
2011	20,041	6,355	1,896
2012	11,234	3,973	2,019
2013	16,268	6,914	2,178
Total	141,305	38,581	14,883

Source: EPF Department, Central Bank of Sri Lanka

for the approval of housing loans amounting to Rs.6,914 million (Table 7). Further, nearly Rs.2,178 million was deducted from relevant member accounts and was remitted to the participating lending institutions in 2013 to settle the loans in arrears during 2012.

2.8 Enforcement of Law

In accordance with the EPF Act, the Department of Labour is responsible for the general administration of the Fund and enforcement of the EPF Act. Accordingly, during the year 2013, the district labour offices and sub offices registered 6,822 employers and 448,398 employees covering

all provinces. More than 46 per cent of the employers registered during the year 2013, were from the Western province while the Northern and the Eastern provinces accounted for 10 per cent of the total employer registrations.

As per the provisions of the Act, the Department of Labour is empowered to take legal action against employers who do not pay member contributions. Accordingly, district labour offices and sub labour offices had sent 12,807 first notices and 8,411 red notices claiming Rs. 5,100 million and Rs. 6,132 million, respectively. Further, Rs. 2,442 million has been recovered by the Department of Labour by filing legal cases against 2,744 institutions which had failed to settle the arrears within 28 days after receiving the red notices.

2.9 Re registration of EPF members

With the intention of providing an efficient service to EPF members in 2008, EPF Department and the Department of Labour launched a special project to re-register EPF members by names as appearing in their National Identity Card (NIC) and assign NIC number as the Unique Identification (UID) number. This enables both institutions to use a common Member Centric Database (MCD).

By end 2013, NIC details of approximately 1.4 million active EPF members (contributing members) had been collected. Of these, 79 per cent of the member accounts (1.1 million accounts) were assigned UIDs, while the details of the remaining members are being processed by obtaining verification from their employers on discrepancies between collected data and the existing data.

Registering of new EPF members under NIC details on real time basis commenced in November 2010. Accordingly, a monthly monitoring system has been put in place to capture NIC details of all new members to whom member contributions are received by EPF for the first time in each month.



In 2013, 130,000 such new members were registered and the New Members Registry (NMR) was updated accordingly.

Linking of previous member accounts of active members to UID too was continued during the year. This facility enables members to access and view their multiple accounts by providing their NIC numbers through the internet and Short Messaging System (SMS). 565 employees' accounts had been linked by end 2013.

In 2013, EPF opened a new window to offer a facility for inactive members as well to re-register under NIC.

2.10 e-Return System for EPF Payments

EPF Department has taken several initiatives step by step, on e-Return system to encourage employers to submit member contribution details electronically (e>Returns) as a replacement for the manual payment system (C and C3 returns). Submission of e>Returns, a total paperless solution, minimizes the cost and delays and enhances the efficiency of the operation and enables EPF to provide a better service to the members. Further, availability of an online system to make EPF contributions together with details of contributions also helped in improving the Doing Business ranking of the country, which is crucial for attracting foreign investments to the country. The e-Return system had been in operation on a voluntary basis until 2012. In 2012, legal provisions had been incorporated to EPF Act as an amendment to the Act No. 2 of 2012 to make this system mandatory for employers. The regulations on the amendments were gazetted in May 2013.

EPF Department took steps to obtain services from licensed commercial banks by appointing them as collecting agents under this scheme. Accordingly, Commercial Bank of Ceylon PLC and Bank of Ceylon introduced electronic payment facilities to their customers with effect from October

2011 and September 2012, respectively. In 2013, People's Bank, Sampath Bank PLC and Hatton National Bank PLC introduced their systems and joined as collecting agents with EPF to provide this value added service to their customers whose employers are contributing to the fund. Thus, a number of other commercial banks too are in the process of preparing the required IT systems to provide a similar service for their customers. By end 2013, 1,868 employers had registered to send member contribution details and payments online. This facility, which currently covers 40 per cent of total Rs. 2.4 million active members, enables EPF to update member accounts on receipts of contributions immediately and accurately.

Further, Direct Debit Payment Scheme has also been introduced for employers enabling them to transfer the monthly contribution directly from their bank to EPF's bank account while sending contribution details through e-mail directly to EPF. EPF Department conducted 19 awareness campaigns and workshops on the e-Return system for employers and officers of the Department of Labour during 2013. As a result, registered number of employers with the system has increased to 1,868 by end 2013 from 1,385 as at end 2012.

2.11 The Image Scanning Project (ISP)

ISP was initiated to meet one of the strategic objectives of providing an efficient and effective service to members and other EPF stakeholders by converting the existing paper-based EPF system to a near paperless system. ISP is expected to improve the operational efficiency of the Department by minimising the time, space, cost and human resources involved in handling paper work. The project is expected to be carried out in four phases.

- (i) Conversion of existing documents into electronic form.

The task was awarded to a service provider and the contract agreement



was signed on 29 July 2013. According to the scheduled time plan, scanning of existing documents such as Master Files (MFs), Form D (Employer registration form) and Re-registration documents are expected to be completed by end 2014.

(ii) Real Time Scanning of Documents.

The scanning of documents at the point of receipt to eliminate accumulation of paper documents will commence within the second quarter of 2014. In 2013, EPF Department was in the process of developing the Software Requirement Specification to customise the software to meet the requirements of the Department.

(iii) Establishment of the e-Record room.

Hardware to establish the e-Record room was procured in March 2014.

(iv) Linking of the Document Management System with the existing EPF computer system.

This phase will be carried out in collaboration with the IT Department after the completion of the three major phases described above.

2.12 Public Awareness

Conducting awareness programmes and mobile services on e-Return system, member re-registration and other member related services were major activities of the Department in 2013. Nine awareness programmes and mobile services were conducted targeting different categories of stakeholders such as members, employers, job market entrants, labour officials, rural bank officials and general public. All these awareness programmes were focused to cover entities, which are having a large

member base. Mobile services were held at MAS Intimates-Thulhiriya, Municipal Council-Sri Jayawardenapura Kotte, Deyata Kirula Exhibition-Ampara, Medical & Communal Hospitality Day-Moratuwa, Crystal Martin (Pvt) Ltd - Galagedera, National Namunukula Plantations PLC Uva Range - Battaramulla. EPF Collaborated with other organisations such as the Department of Labour, Department of Registration of Persons, Registrar General's Department and Police Department. Following services were provided to the members.

- (i) Issuing of EPF balance statements to members
- (ii) Amendment of member accounts
- (iii) Re-registration of members
- (iv) Promoting registration for online member services such as SMS and Internet facilities
- (v) Counseling for members
- (vi) Issuing applications for EPF members to obtain NICs by officers of Department of Registration of Persons
- (vii) Issuing applications for EPF members to obtain Birth Certificates/Presumptive Age certificates by Officers of Registrar General's Department

In addition, Public Relations and Inquiries Counter (PR & IC) and the Help Desk of EPF too were engaged in educating the members on EPF procedures, over the counters, through email, letters, faxes and telephones. During the year 2013, PR & IC and Help Desk have responded to 222,498 member inquiries of which 118,380 members have been served over the counter, 76,916 telephone inquiries were responded, 16,057 e-mails, 10,185 letters and 960 faxes have been replied.



EMPLOYEES' PROVIDENT FUND
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31st DECEMBER 2013

(Rs.)

	Note	2013			2012
		Monetary Board	Labour Dept.	Total	
Interest Income	1	105,038,261,311	-	105,038,261,311	90,904,169,498
Dividend Income	2	3,226,229,672	-	3,226,229,672	1,996,329,740
Realised Capital Gain/(Loss)	3	1,127,566,932	-	1,127,566,932	1,054,177,803
Amortization Gain	4	26,955,778,791	-	26,955,778,791	27,791,502,310
Net Gain/ (Loss) from financial instruments at fair value through profit or loss	5	(44,504,112)	-	(44,504,112)	(387,735,742)
Investment Income		136,303,332,593	-	136,303,332,593	121,358,443,609
Other Income	6	345,895,777	8,106,362	354,002,140	54,626,710
Total Gross Income		136,649,228,370	8,106,362	136,657,334,732	121,413,070,319
Total Operating Expenditure	7	(604,578,286)	(374,347,463)	(978,925,750)	(947,706,943)
Operating Profit before Income Tax		136,044,650,084	(366,241,101)	135,678,408,983	120,465,363,376
Less: Income Tax	8	(10,068,532,366)	-	(10,068,532,366)	(8,636,643,180)
Profit for the Year		125,976,117,718	(366,241,101)	125,609,876,616	111,828,720,196
Add-Retained Profit from the Previous Year				28,010,746	368,792,047
Add: Prior Year Adjustment	11			28,254,317	-
Profit Available for Distribution				125,666,141,679	112,197,512,243
Less - Interest Paid on Refunds - - Current Year				(2,233,490,165)	(2,098,085,270)
Add/ (Less) - Transfer from / (to) Profit Equalization Reserve				3,700,000,000	5,700,000,000
Interest on Member Balances as at 31 December 2013 @ 11.00% (2012-11.50%)				(126,991,919,874)	(115,771,416,227)
Carried Forward balance for the next year				140,731,641	28,010,746



EMPLOYEES' PROVIDENT FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2013

(Rs.)

	Note	2013	2012 (Restated)
Profit for the Year		125,609,876,616	111,828,720,196
Other Comprehensive Income			
Net change in fair value of available-for-sale financial assets	9	1,805,741,814	(6,240,881,426)
Total Comprehensive Income for the period		127,415,618,431	105,587,838,770



EMPLOYEES' PROVIDENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31st DECEMBER 2013

(Rs.)

	NOTE	2013	2012 (Restated)
Property, Plant & Equipment (NBV)	10	229,740,242	148,967,627
Capital Work-in-Progress	11	890,547,335	435,549,121
Intangible Assests	12	8,223,942	435,495
Financial Assets	13		
Treasury Bonds		1,126,941,275,632	980,371,915,815
Rupee Loan		23,100,000,000	23,100,000,000
Treasury Bills		13,587,399,142	31,757,671,753
Listed Equity		63,263,646,500	54,744,901,555
Unlisted Equity		9,480,625,000	4,480,625,000
Corporate Debentures & Trust Certificates		14,327,169,226	7,981,853,042
Reverse Repo		6,627,000,000	3,106,900,000
		1,257,327,115,500	1,105,543,867,164
Current Assets			
Inventory		18,065,752	12,416,925
Interest Receivables		34,375,440,761	30,807,809,156
Contributions Receivable		7,264,552,149	6,239,874,709
Other Receivables and Current Assets	14	1,521,042,677	1,254,862,633
Cash and Cash Equivalents	15	2,408,928,759	2,377,212,886
		45,588,030,098	40,692,176,309
Less: Current Liabilities			
Creditors	16	5,723,796	10,366,364
Accrued Expenses		150,338,731	240,005,104
Other Current Liabilities	17	3,913,575,001	2,161,788,601
		(4,069,637,527)	(2,412,160,069)
Net Current Assets		41,518,392,571	38,280,016,241
Total Net Assets		1,299,974,019,589	1,144,408,835,648
Represented By			
Member Balances	18	1,281,854,849,565	1,124,508,128,334
Reserves	19	17,978,438,383	19,872,696,568
Retained Profit		140,731,641	28,010,746
		18,119,170,024	19,900,707,314
Total Net Worth of the Fund		1,299,974,019,589	1,144,408,835,648

The accounting policies and note on pages 207 through 236 form an integral part of the Financial Statements.

For and on behalf of the Monetary Board.


Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Date : 17 February 2014


P W D N R Rodrigo
Superintendent
Employees' Provident Fund



EMPLOYEES' PROVIDENT FUND
RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 2013

(Rs.)

	Note	2013			2012
		Monetary Board	Labour Dept.	Total	Total
Cash balance at the beginning of the year		2,377,212,886	44,911,739	2,422,124,625	2,073,227,694
Add: Total Receipts	20	229,029,063,905	1,007,032,835	230,036,096,740	179,156,397,522
Less: Total Payments	21	228,997,348,030	948,144,933	229,945,492,963	178,807,510,593
Cash balance at the end of the year		2,408,928,759	103,799,642	2,512,728,402	2,422,114,625



EMPLOYEES' PROVIDENT FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31st DECEMBER 2013

(Rs.)

Description	2013	2012 (Restated)
Cash flow from operating activities:		
Interest received from Investments	98,698,057,389	83,928,914,594
Dividends received from Shares	2,886,142,528	1,881,100,206
Surcharges and Other Income	346,252,668	56,715,848
Recoveries from Debtors	2,469,221	-
Operating Expenses	(828,410,501)	(645,754,880)
Advances	(31,625,921)	(1,702,500)
Settlement of Creditors	(2,396,466,159)	(2,092,881,197)
Cash generated from operations	98,676,419,225	83,126,392,071
Payment of Tax	(31,030,731,549)	(18,918,362,215)
Net cash from operating activities	67,645,687,677	64,208,029,856
Cash flow from investment activities:		
Investments	(763,359,631,755)	(487,822,962,364)
Maturities of Investments	619,419,455,910	380,190,465,395
Proceeds on sale of T/Bill, Bonds & Shares	46,925,727,535	22,542,712,078
Cash generated from investments	(97,014,448,310)	(85,089,784,891)
Acquisition of Property, Plant and Equipments	(119,936,511)	(92,871,587)
Capital Work-in-Progress	(448,000,000)	(98,903,651)
Net cash used in investing activities	(97,582,384,822)	(85,281,560,130)
Cash flow from financing activities:		
Contributions	80,176,396,756	70,170,727,965
General Deposit	139,298,344	10,882,301
Refunds	(50,243,482,439)	(48,711,597,845)
Net cash from financing activities	30,072,212,662	21,470,012,421
Net (decrease)/increase in cash and cash equivalents	135,515,517	396,482,148
Cash & cash equivalents at the beginning of the year	2,377,212,886	2,025,632,477
Cash & cash equivalents at the end of the year-Before Adjustments	2,512,728,403	2,422,124,625
Adjustments:Cash balance at the end of the year - Labour Dept.	(103,799,642)	(44,911,739)
Cash & cash equivalents at the end of the year	2,408,928,760	2,377,212,886

**EMPLOYEES' PROVIDENT FUND
STATEMENT OF INVESTMENTS
AS AT 31ST DECEMBER 2013**

(Rs.)

2013					2012					Note	Class of Investments
Face value	Cost	Amortized Value	Market Value	Book Value	Face value	Cost	Amortized Value	Market Value	Book Value		
23,100,000,000	23,100,000,000	23,100,000,000	23,100,000,000	23,100,000,000	23,100,000,000	23,100,000,000	23,100,000,000	23,100,000,000	23,100,000,000	24	Rupee Loans
1,356,388,637,000	1,097,409,813,289	1,126,126,980,931	1,190,953,799,549	1,126,941,275,632	1,117,360,267,000	939,109,002,211	980,371,915,815	950,709,557,308	980,371,915,815	23, 24	Treasury Bonds
13,968,793,000	12,575,597,836	12,575,597,836	13,587,399,142	13,587,399,142	33,409,900,000	30,962,701,825	31,757,671,753	31,811,458,284	31,757,671,753	23	Treasury Bills
6,627,000,000	6,627,000,000	6,627,000,000	6,627,000,000	6,627,000,000	3,106,900,000	3,106,900,000	3,106,900,000	3,106,900,000	3,106,900,000	25	Reverse Repo
11,106,379,600	11,106,379,600	11,106,379,600	11,106,379,600	11,106,379,600	5,316,930,000	5,316,930,000	5,316,930,000	5,316,930,000	5,316,930,000	22, 23, 24	Corporate Debentures
-	-	-	-	-	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000		Mortgage Backed Securities
3,774,661,584	2,759,800,000	3,220,789,626	3,220,789,626	3,220,789,626	2,493,372,496	1,942,880,973	2,164,923,042	2,164,923,042	2,164,923,042	24	Trust Certificates
-	71,690,881,118	71,690,881,118	63,277,367,343	63,263,646,500	-	63,102,761,384	63,102,761,384	54,744,901,555	54,744,901,555	22, 23	Listed Equity
-	9,480,625,000	9,480,625,000	9,480,625,000	9,480,625,000	-	4,480,625,000	4,480,625,000	4,480,625,000	4,480,625,000	23	Unlisted Equity
1,414,965,471,184	1,234,750,096,845	1,263,928,254,111	1,321,353,360,260	1,257,327,115,500	1,185,287,369,496	1,071,621,801,393	1,113,901,726,994	1,075,935,295,189	1,105,543,867,164		Total





**EMPLOYEES' PROVIDENT FUND
STATEMENT OF CHANGES IN EQUITY / MEMBERS' WEALTH
FOR THE YEAR ENDED 31st DECEMBER 2013**

(Rs.)									
Description	Members Balance	Building Reserve Fund	Technology Advancement Reserve Fund	Profit Equalisation Reserve Fund	General Reserve Fund	Investment Revaluation Reserve	Retained Profit	Total	
Balance as at 31st December 2011	986,048,958,691	3,157,000,000	350,000,000	23,500,000,000	6,650,000,000	(2,367,430,983)	368,792,048	1,017,704,319,756	
Prior Year Adjustment	-	-	-	-	-	-	-	-	
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(6,240,881,426)	-	(6,240,881,426)	
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	-	524,008,977	-	524,008,977	
Net Profit for the year - 2012	-	-	-	-	-	-	111,828,720,196	111,828,720,196	
Net Contributions	22,690,753,416	-	-	-	-	-	-	22,690,753,416	
Member Interest Paid - 2012	-	-	-	-	-	-	(2,098,085,270)	(2,098,085,270)	
Member Interest (2012:11.50%)	115,771,416,227	-	-	-	-	-	(115,771,416,227)	-	
Transfers from Retained Profit	-	-	-	(5,700,000,000)	-	-	5,700,000,000	-	
Balance as at 31st December 2012	1,124,508,128,334	3,157,000,000	350,000,000	17,800,000,000	6,650,000,000	(8,084,303,432)	28,010,747	1,144,408,835,648	
Prior Year Adjustment	-	-	-	-	-	-	28,254,317	28,254,317	
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	1,805,741,814	-	1,805,741,814	
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	-	-	-	-	
Net Profit for the year - 2013	-	-	-	-	-	-	125,609,876,616	125,609,876,616	
Net Contributions for 2013	30,354,801,358	-	-	-	-	-	-	30,354,801,358	
Member Interest Paid on Refunds - 2013	-	-	-	-	-	-	(2,233,490,165)	(2,233,490,165)	
Member Interest (2013 at 11.00%)	126,991,919,874	-	-	-	-	-	(126,991,919,874)	-	
Transfers from Retained Profit	-	-	-	(3,700,000,000)	-	-	3,700,000,000	-	
Balance as at 31st December 2013	1,281,854,849,565	3,157,000,000	350,000,000	14,100,000,000	6,650,000,000	(6,278,561,616)	140,731,641	1,299,974,019,589	



EMPLOYEES' PROVIDENT FUND ACCOUNTING POLICY

1. Reporting Entity and Statutory Base

The Employees' Provident Fund ("EPF" or "the Fund") is a mandatory defined contributory retirement scheme for the corporate and mercantile sector employees in Sri Lanka established under the EPF Act No.15 of 1958. The general administration of the Fund has been vested with the Commissioner of Labour, while the Monetary Board of the Central Bank of Sri Lanka has been charged with the responsibility as the custodian of the Fund.

In terms of Section 5(1) (h) and (i) of EPF Act No.15 of 1958, the Monetary Board is required to maintain a general account in respect of the Fund and prepare the following financial statements annually.

- a. Statement of Income and Expenditure,
- b. Statement of Assets and Liabilities,
- c. Statement of Receipts and Payments, and
- d. Statement of Investments, showing the face value, purchase price and market value of each type of investment.

2. Accounting Policies

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for financial assets designated at fair value through profit and loss and available for sale. The financial statements of the Fund are presented in Sri Lankan Rupees (SLR) except where otherwise indicated.

2.2 Statement of Compliance

The financial statements of the Fund incorporating the above financial statements have been prepared in accordance with the new Sri Lanka Accounting Standards (SLFRS & LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka. These SLFRS/LKAS have materially converged with the International Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

2.3 Changes in Accounting Policies

As SLFRS and LKAS are effective from 01st January 2012, certain accounting policies, methods and presentations have been changed or improved and the significant changes are described below. Except for those changes, the accounting policies adopted are consistent with those used in the previous year except the



improvements in the presentation as per Sri Lanka Accounting Standards.

2.4 Use of Estimates and Assumptions

The preparation of financial statements requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgment are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared. The significant accounting policies where judgment is necessarily applied are those which relate to the valuation of financial instruments, the impairment of assets, depreciation of Property Plant and Equipment, deferred tax assets and provisions for liabilities.

2.5 Going Concern

The Fund is satisfied with its ability to continue as a going concern as it has the resources to continue in business for the foreseeable future. Therefore, the financial statements have been prepared on the going concern basis.

2.6 Events Occurring after the Balance Sheet Date and Contingent Liabilities

All material events occurring after the date of the Balance Sheet have been considered when preparing the financial statements. Provisions have been made for all known liabilities.

3. Summary of Significant Accounting Policies

3.1 Financial Assets and Bases of their Valuation

3.1.1 Recognition and Measurement of Financial Assets

Financial assets are recognized when, and only when the Fund becomes a party to the contractual provision of a financial instrument. The financial assets mainly include held to maturity investments, securities at fair value through profit and loss, loans and receivables and available for sale investments. All financial assets are initially recognized at cost, being the fair value of the consideration given, plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction cost including acquisition charges associated with the transactions.

Classification and subsequent measurement bases of financial assets are as follows.

(a) Held to Maturity (HTM) Investments

Financial assets with fixed or determinable payments and fixed maturity that EPF intend and is able to hold until maturity are categorized under held for maturity investments. HTM investments are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Premiums and discounts



arising on the purchase of HTM investments are included in the calculation of their effective interest rates. Gains and losses are recognized in the income statement when HTM investments are derecognized or impaired.

(b) Securities at Fair Value through Profit or Loss (FVTPL)

Financial assets classified as held for trading are included in the category of Securities at fair value through profit or loss and financial assets designated upon initial recognition as securities at FVTPL. Attributable transaction costs are recognized in the Income Statement.

FVTPL securities are subsequently valued at fair value as indicated by market values. Changes in market value are recognized as an increase or decrease in the value of the securities while resulting net gains and losses are recognized in the Income Statement.

(c) Loans & Receivables (L&R)

Financial assets that EPF has received with fixed or determinable payments that are not quoted in an active market are classified under L & R. Securities purchased under agreement to re-sell (Reverse Repos) are also classified as L & R. L & R are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Gains and losses are recognized in the income statement when L & R are de recognized or impaired.

(d) Available For Sale (AFS)

Equity instruments that are not classified as FVTPL, debt instruments that are not classified under the above three categories and those securities designated as AFS investments at the initial acquisitions are classified as AFS financial assets.

AFS assets are continued to be measured at fair value in the statement of financial position. Fair value changes on AFS assets are recognized in Other Comprehensive Income and accumulated under members' wealth, through the Revaluation Reserve until AFS assets are either sold or become impaired.

If the available-for-sale financial asset is impaired, the difference between the financial assets' carrying cost and the current fair value is recognized in the Income Statement. Interest income is recognized on available-for-sale debt securities using the effective interest rate method. Dividends are recognized in the income statement when the right to receive payment has been established.

3.1.2 Impairment of Financial Assets

At each balance sheet date, an assessment is made of whether there is any objective evidence of impairment in the value of a financial asset. Impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset



(a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Objective evidence of impairment of securities may include specific information about the issuer such as a significant financial difficulty of the issuer, a breach of contract such as a default, bankruptcy or other financial distress, but may also include information about significant changes in the market condition that provides evidence that the cost of the securities may not be recovered. A significant or prolonged decline in the fair value of the asset below its cost is also objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition.

3.1.3 De-recognition of Financial Assets

Financial assets are de-recognised when the contractual right to receive cash flows from the assets has expired; or when the Fund has transferred its contractual right to receive the cash flows of the financial assets, and either:

- Substantially all the risks and rewards of ownership have been transferred; or
- The Fund has neither retained nor transferred substantially all the risks and rewards, but has not retained control.

3.2 Other Assets

3.2.1 Property, Plant and Equipment (PPE)

PPE is stated at cost less accumulated depreciation and accumulated impairment in value. Depreciation has been charged on straight-line method at the following rates in order to write off the cost of such assets over their estimated effective life-time.

Asset Class	Depreciation Rate
Buildings	02%
Plant and Machinery	25%
Office Equipment	25%
Furniture & Fittings	10%
Motor Vehicles	20%
Computer Equipment	50%
Other	20%

The carrying values of PPE are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.



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

3.2.2 Intangible Assets

Computer software not integral to computer hardware are shown as intangible assets and recognized at cost. Subsequent to the initial recognition, they are carried at cost less any accumulated amortization based on useful life of two years.

3.2.3 Inventories

Inventories are carried at weighted average cost. Allowance is made for slow moving inventories.

3.2.4 Receivables

Receivables are carried at expected realizable value after making due allowance for doubtful debts, based on an objective evidence.

3.2.5 Impairment of Non- Financial Assets

The Fund assesses at the end of each financial period if events or changes in circumstances indicate that there is an indication that a non- financial assets may be impaired. If such indication exists, the Fund makes an estimated recoverable amount of the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount.

3.3 Liabilities

3.3.1 Unclaimed Benefits

EPF benefits which are duly refunded to the members or the beneficiaries, but returned for various reasons and retained in the Retained Benefit Account over one year are credited to the Unclaimed Benefits Account until they are re-claimed.

3.3.2 Retained Benefits

EPF benefits, retained on the instructions of the Commissioner of Labour are shown as Retained Benefits until instructions are received to release them. Such credits are not retained for more than one accounting period in this account.

3.3.3 Under Payments & Over Payments (Refunds)

The balance shown in the Under Payments & Over Payments (Refunds) Account represents payment of benefits to be made as part payments.

3.3.4 Provisions

Provisions are recognised when the Fund has an obligation at present (legal or constructive) as a result of a past event and it is probable that an outflow of



resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

3.3.5 De-recognition of Liabilities

Financial liabilities are de-recognised when they are extinguished, that is when the obligation is discharged, cancelled, or expires.

3.4 Revenue and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and revenue can be reliably measured. Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in managing the Fund by both the EPF Department of the Central Bank and the EPF Section of the Department of Labour has been charged to the Fund as its expenditure.

The following specific recognition criteria are considered before revenues and expenses are recognised.

3.4.1 Interest Income

Interest income is recognised in the Income Statement for all interest bearing instruments on an accrual basis using the effective yield method based on actual purchase price less impairment loss. Interest income includes coupon income and any gain or loss on amortization of discount or premium of the instruments.

3.4.2 Dividends

Dividend income is recognized when the Fund's right to receive the payment is established.

3.4.3 Personnel Expenses

Personnel expenses include all staff related expenses incurred by both the EPF Department of the Central Bank and the EPF Section of the Department of Labour. The Fund does not maintain separate pension fund or other post employee benefits plans.

3.4.4 Income Tax

The income tax is calculated to the extent of the tax payable on investment income. Income tax liability of the Fund is 10% of the gross income earned as interest, dividends and net surcharges. There is no liability on capital gains earned on Treasury bills, Treasury bonds and shares, since they are exempted from tax as per the Inland Revenue Act.

Since EPF changed its accounting policy (w.e.f. 01.09.2006) to value the Treasury bonds and bills portfolio at after tax weighted average cost (WAC) and to amortize subsequently, the amortization gain was recorded net of tax.



Accordingly, the proportion of With Holding Tax (WHT) applicable for the income earned on Treasury bonds and bills for the year is added back to the amortization gain account in order to give a fair view about the amortization gain and the income tax expenditure.

3.5 Statement of Income

EPF prepares its Income Statement using two separate statements to show comprehensive income and other comprehensive income.

3.6 Cash Flow Statement

The Cash Flow Statement has been prepared using the “direct method” of preparing cash flows in accordance with LKAS 07– Cash Flow Statement. Cash and cash equivalents comprise short term, highly- liquid investments that are readily convertible to cash and subject to an insignificant risk of changes in value.

3.7 Receipts and Payments Account

Statement of Receipts and Payments represents all receipts received in the form of cash during the year and payments made in cash during the year



EMPLOYEES' PROVIDENT FUND

Notes to the Comprehensive Income Statement for the year ended 31st December 2013

1. INTEREST INCOME

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Interest from SL Rupee Loans	2,247,000,000	-	2,247,000,000	2,247,000,000
Interest from T-Bonds	99,403,876,645	-	99,403,876,645	86,178,108,848
Interest from T-Bills	1,742,279,747	-	1,742,279,747	1,178,685,268
Interest from reverse Repo	389,210,221	-	389,210,221	251,193,811
Interest from Listed Debentures	214,400,093	-	214,400,093	46,569,389
Interest from Unlisted Debentures	533,093,842	-	533,093,842	662,751,480
Interest from Investment in Trust Certificate	506,219,229	-	506,219,229	282,160,702
Interest from Investment in Mortgaged Back Securities	2,181,534	-	2,181,534	57,700,000
Interest Income	105,038,261,311	-	105,038,261,311	90,904,169,498

2. DIVIDEND INCOME

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Dividend income from Listed Shares	2,264,772,285	-	2,264,772,285	1,629,666,874
Dividend income from Unlisted Ordinary Shares	811,457,386	-	811,457,386	216,457,386
Dividend income from Unlisted Preference shares	150,000,000	-	150,000,000	150,205,479
Dividend Income	3,226,229,672	-	3,226,229,672	1,996,329,740

3. REALIZED CAPITAL GAIN/(LOSS)

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Capital Gain/(Loss) on dealing of T Bonds - FVTP	1,993,050	-	1,993,050	-
Capital Gain/(Loss) on dealing of T Bonds - AFS	138,318,078	-	138,318,078	-
Capital Gain/(Loss) on dealing of T Bonds -HTM	614,738,448	-	614,738,448	33,897,943
Capital Gain/(Loss) on dealing of T Bills - AFS	264,420,205	-	264,420,205	-
Premium/(Discount) on redemption of Mortgage Backed Securities	(4,500,000)	-	(4,500,000)	-
Capital Gain/(Loss) on dealing of OS - FVTP	4,328,654	-	4,328,654	14,897,563
Capital Gain/(Loss) on dealing of OS - AFS	108,268,498	-	108,268,498	1,005,382,297
Capital Gain	1,127,566,932	-	1,127,566,932	1,054,177,803



EMPLOYEES' PROVIDENT FUND

Notes to the Comprehensive Income Statement for the year ended 31st December 2013

4. AMORTIZATION GAIN

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Amortization Gain/(Loss)-T bond - HTM	26,955,778,791	-	26,955,778,791	27,791,502,310
Amortization Gain	26,955,778,791	-	26,955,778,791	27,791,502,310

5. NET GAIN FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Fair Value Gain/(Loss) from FVTP - Equity	(44,504,112)	-	(44,504,112)	(117,619,396)
Fair Value Gain/(Loss) from FVTP - T Bonds	-	-	-	(270,116,346)
Net gain from financial instruments at fair value through profit or loss	(44,504,112)	-	(44,504,112)	(387,735,742)

6. OTHER INCOME

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Surcharges	307,440,648	-	307,440,648	50,537,962
Fee Income from Security Lending	20,853,114	-	20,853,114	-
Other Income	17,602,015	8,106,362	25,708,378	4,088,748
Other Income	345,895,777	8,106,362	354,002,140	54,626,710

7. TOTAL OPERATING EXPENDITURE

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Personnel Expenses	334,145,376	234,664,284	568,809,660	514,219,063
Administration Expenses	237,401,505	127,055,301	364,456,806	396,258,857
Other Expenses	33,031,405	12,627,878	45,659,284	37,229,023
Total Operating Expenditure	604,578,286	374,347,463	978,925,750	947,706,943



EMPLOYEES' PROVIDENT FUND

Notes to the Comprehensive Income Statement for the year ended 31st December 2013

8. INCOME TAX EXPENSE

(Rs.)

Item	2013	2012
Amortized WHT on T bonds	9,608,884,856	8,298,895,441
Provisions of Income Tax of Debenture, RL & Other Investments	459,647,510	337,747,739
	10,068,532,366	8,636,643,180

9. NET CHANGE IN FAIR VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Fair value Gain/Loss - Listed Equity	(20,354,192)	-	(20,354,192)	(6,240,881,426)
Fair value Gain/Loss - T Bonds	814,294,700	-	814,294,700	-
Fair value Gain/Loss - T Bills	1,011,801,305	-	1,011,801,305	-
Net Gain/ (Loss) from financial instruments of Available for Sale	1,805,741,814	-	1,805,741,814	(6,240,881,426)



EMPLOYEES' PROVIDENT FUND
Notes to the Statement of Financial Position as at 31st December 2013

10. PROPERTY, PLANT AND EQUIPMENT

(Rs.)

Asset Class	Cost		Accumulated Depreciation		Net Book Value.		2013 Total	2012 (Restated) Total
	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.		
Building and Structure	-	-	-	-	-	-	-	-
Computer Equipments	89,774,621	342,269,087	69,317,158	298,473,462	20,457,463	43,795,625	64,253,088	46,746,626
Office Furniture	40,492,581	33,029,400	13,999,817	27,471,410	26,492,764	5,557,990	32,050,754	18,215,519
Office Equipment	9,913,873	284,629,906	6,865,068	199,186,513	3,048,805	85,443,393	88,492,198	8,433,295
Mortor Vehicles	-	97,616,869	-	53,801,088	-	43,815,782	43,815,782	50,727,761
Other	3,071,529	352,104	1,943,109	352,104	1,128,420	-	1,128,420	24,844,426
Total	143,252,603	757,897,367	92,125,152	579,284,576	51,127,452	178,612,790	229,740,242	148,967,627

**EMPLOYEES' PROVIDENT FUND**Notes to the Statement of Financial Position as at 31st December 2013**11. CAPITAL WORK-IN-PROGRESS**

	(Rs.)	
Item	2013	2012 (Restated)
Opening Balance	435,549,121	338,380,011
Incurring During the Year	454,998,214	97,169,110
Closing Balance	890,547,335	435,549,121

Cost incurred on "Mehewara Piyasa" Building Work-in-Progress has been identified separately during the financial year ended 31 December 2013. Depreciation amounting to Rs. 28,254,317 charged in previous years has been adjusted to the accounts as prior year adjustment. Accordingly, previous year accounts has been restated.

12. INTANGIBLE ASSETS

	(Rs.)	
	2013	2012 (Restated)
Cost		
As at the beginning of the period	22,595,880	22,225,506
Acquired / Incurred during the period	8,772,486	370,374
Retired / Disposed during the period	-	-
Other changes during the period	-	-
As at the end of the period	31,368,366	22,595,880
Amortisation		
As at the beginning of the period	22,160,385	21,165,623
Amortisation during the period	984,039	994,762
Disposals during the year	-	-
Amortised as at the end of the period	23,144,424	22,160,385
Net book value		
As at the beginning of the period	435,495	1,059,883
As at the end of the period	8,223,942	435,495



EMPLOYEES' PROVIDENT FUND
Notes to the Statement of Financial Position as at 31st December 2013

13. FINANCIAL ASSETS

(Rs.)						
Instrument	Fair Value Through Profit & Loss (Note 22)	Available For Sale (Note 23)	Held To Maturity (Note 24)	Loans & Receivables (Note 25)	2013	2012
Treasury Bonds	-	10,589,952,365	1,116,351,323,267	-	1,126,941,275,632	980,371,915,815
Rupee Loan	-	-	23,100,000,000	-	23,100,000,000	23,100,000,000
Treasury Bills	-	13,587,399,142	-	-	13,587,399,142	31,757,671,753
Listed Equity	472,747,761	62,790,898,739	-	-	63,263,646,500	54,744,901,555
Unlisted Equity	-	9,480,625,000	-	-	9,480,625,000	4,480,625,000
Corporate Debentures	114,500,000	1,397,598,500	12,815,070,726	-	14,327,169,226	7,981,853,042
Reverse Repo	-	-	-	6,627,000,000	6,627,000,000	3,106,900,000
Total	587,247,761	97,846,473,745	1,152,266,393,993	6,627,000,000	1,257,327,115,500	1,105,543,867,164



EMPLOYEES' PROVIDENT FUND

Notes to the Statement of Financial Position as at 31st December 2013

14. OTHER RECEIVABLES AND CURRENT ASSETS

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Dividend Receivables	165,626,935	-	165,626,935	45,575,786
Fee Income Receivable	7,255,899	-	7,255,899	-
Other Receivables	6,148,290	-	6,148,290	1,736,722
Tax Paid at Source	483,153,294	-	483,153,294	544,646,451
Prepayments	10,289,987	6,051,444	16,341,430	14,142,626
Other Current Assets	112,151,270	350,000	112,501,270	113,154,199
CGL Imprest	-	498,898,588	498,898,588	397,800,922
Income Tax Recoverable	231,633,001	-	231,633,001	138,321,959
O/B Recon Investment	(516,031)	-	(516,031)	(516,031)
Total	1,015,742,645	505,300,032	1,521,042,677	1,254,862,633

15. CASH AND CASH EQUIVALENTS

(Rs.)

	2013	2012
BOC Main Account	2,294,411,008	2,259,151,460
BOC Taxable Account **	(12,092,073)	(6,276,289)
Bank of Ceylon 7 **	(12,453,987)	(12,867,942)
Bank of Ceylon 6	33,053	33,053
People's Bank	132,236,468	130,385,237
SLIP Account	6,777,369	6,777,369
Petty Cash	16,922	10,000
Total	2,408,928,759	2,377,212,886

Note**: Although the book balances of the Bank Accounts show overdrafts, physically these accounts had favourable balances.

16. CREDITORS

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Domestic - Vendors	3,293,010	-	3,293,010	9,328,828
Retention -Fixed Asset Purchases	1,737,001	-	1,737,001	343,752
Sundry Creditors	693,784	-	693,784	693,784
Total	5,723,796	-	5,723,796	10,366,364



EMPLOYEES' PROVIDENT FUND

Notes to the Statement of Financial Position as at 31st December 2013

17. OTHER CURRENT LIABILITIES

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
EPF Contributions Payable	30,040	1,320,018	1,350,058	1,350,058
ETF Contributions Payable	(172)	-	(172)	(172)
Good Received / Invoice Received Clearing Inventory	(4,877,488)	-	(4,877,488)	(2,448,747)
Good Received / Invoice Received Clearing-Services/ Assets	(114,734)	-	(114,734)	71,787
H/Loan Defaults Payable	2,500,000,000	-	2,500,000,000	2,095,000,000
Other Payables	(3,870)	-	(3,870)	(3,870)
Refund Claims Payable	387,081,486	-	387,081,486	34,890,774
Provision for Gratuity	165,000	-	165,000	165,000
Investment Clearing A/C	1,029,974,721	-	1,029,974,721	32,763,772
Total	3,912,254,984	1,320,018	3,913,575,001	2,161,788,601



EMPLOYEES' PROVIDENT FUND

Notes to the Statement of Financial Position as at 31st December 2013

18. MEMBER BALANCES

(Rs.)

Item	Balance as at 01.01.2013	Debits during the year	Credits during the year	Balance as at 31.12.2013
Current Year Contribution - Contribution No 01 A/C	33,350,356,258	228,018,044,536	241,361,505,657	46,693,817,379
Stated Contribution - Contribution No 02 A/C	964,593,099,782	47,558,637,691	180,919,269,125	1,097,953,731,216
Contribution from Comm. of Labour - CL No 01 A/C	5,409,262,080	2,922,034,506	3,494,949,119	5,982,176,693
U/P O/P Contributions A/C	1,425,783,355	880,836,536	797,133,372	1,342,080,192
Contribution for 1997/98 - 96 Contribution A/C	193,376	-	-	193,376
Members Collection A/C	7,279,126	178,684,771,370	178,679,460,481	1,968,237
SLTB Suspense Account	126,513,344	1,722,108,077	1,722,108,077	126,513,344
Unclaimed Benefits	125,325,963	325,738,595	296,586,255	96,173,622
Retained Benefits	34,138,653	15,179,725	28,662,324	47,621,251
Refunds-Part payments(U/P O/P Refunds)	(336,033,374)	403,628,231	413,724,660	(325,936,945)
General Deposit Account	341,677,762	-	98,775,149	440,452,911
Interest Payable	119,430,532,008	116,932,650,382	126,998,176,661	129,496,058,288
Total	1,124,508,128,334	577,463,629,649	734,810,350,881	1,281,854,849,565

19. RESERVES

(Rs.)

Item	Balance as at 01.01.2013	Transfer (from)/to during the year	Balance as at 31.12.2013
Building Reserve Fund	3,157,000,000	-	3,157,000,000
Technology Advancement Reserve Fund	350,000,000	-	350,000,000
Investment Revaluation Reserve (Note 19.1)	(8,084,303,431)	1,805,741,814	(6,278,561,616)
Profit Equalisation Reserve Fund	17,800,000,000	(3,700,000,000)	14,100,000,000
General Reserve Fund	6,650,000,000	-	6,650,000,000
Total	19,872,696,569	(1,894,258,186)	17,978,438,383

19.1. INVESTMENT REVALUATION RESERVE

(Rs.)

Item	Balance as at 01.01.2013	Transfers during the year	Balance as at 31.12.2013
Investment Revaluation Reserve - T Bonds	-	814,294,700	814,294,700
Investment Revaluation Reserve - T Bills	-	1,011,801,305	1,011,801,305
Investment Revaluation Reserve - Equity	(8,084,303,431)	(20,354,192)	(8,104,657,621)
Total	(8,084,303,431)	1,805,741,814	(6,278,561,616)



EMPLOYEES' PROVIDENT FUND

Notes to the Receipts and Payment Account for the year ended 31st December 2013

20. RECEIPTS

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Contributions	80,176,396,756	-	80,176,396,756	70,170,727,965
Re - imbursement of Expenses by the EPF-CBSL Imprest Account (Commissioner of Labour)	-	858,645,430	858,645,430	540,764,959
	-	20,090,707	20,090,707	26,378,261
General Deposit Account - (EPF Contributions)	-	119,207,636	119,207,636	6,071,044
Income - Interest from Investments	98,698,057,389	-	98,698,057,389	83,928,914,594
Less: Income tax	-	-	-	-
	98,698,057,389	-	98,698,057,389	154,672,856,823
Surcharges	307,440,648	46,378	307,487,026	50,736,975
Proceeds on sale of T. Bonds/T Bills	46,594,323,380	-	46,594,323,380	3,436,530,000
Proceeds on dealing of Shares	331,404,155	-	331,404,155	19,106,182,078
Dividends	2,886,142,528	-	2,886,142,528	1,881,100,206
Sundry Income	31,204,248	7,561,394	38,765,642	5,978,873
Debtors	2,469,221	-	2,469,221	-
Settlement of Advances	274,000	1,481,290	1,755,290	241,972
Unclaimed Benefits	1,351,579	-	1,351,579	2,770,596
Total	229,029,063,905	1,007,032,835	230,036,096,740	179,156,397,522



EMPLOYEES' PROVIDENT FUND

Notes to the Receipts and Payment Account for the year ended 31st December 2013

21. PAYMENTS

(Rs.)

Item	2013			2012
	Monetary Board	Labour Dept.	Total	Total
Refunds	50,244,834,018	-	50,244,834,018	48,404,961,062
Investments	763,359,631,755	-	763,359,631,755	487,822,962,364
Less - Maturity Proceeds	(619,419,455,910)	-	(619,419,455,910)	(380,190,465,395)
	143,940,175,845	-	143,940,175,845	107,632,496,969
WHT paid on Investment	31,030,731,549	-	31,030,731,549	18,918,362,215
Operating Expenses	464,598,187	363,812,314	828,410,501	645,754,880
Settlement of creditors/payables	2,396,466,159		2,396,466,159	2,096,846,977
Income Tax Retained on Refund of Benefits	-	-	-	(3,965,780)
Reimbursement of expenses - Comm. Labour	858,645,430	-	858,645,430	540,764,959
Under payments and over payments - Refunds	-	-	-	309,407,379
Fixed Assets Acquisition	59,795,843	60,140,669	119,936,511	191,775,238
Advances - Staff	19,000	-	19,000	86,500
- Miscellaneous	2,082,000	479,280,211	481,362,211	1,857,972
General Deposit Account Contributions	-	-	-	21,567,004
Adjustment: Cash Balance at the Beginning of the Year - Labour Department	-	44,911,739	44,911,739	47,595,217
Total	228,997,348,030	948,144,933	229,945,492,963	178,807,510,593



EMPLOYEES' PROVIDENT FUND

Notes to the Statement of Investment as at 31st December 2013

22. FAIR VALUE THROUGH PROFIT & LOSS

EQUITY

(Rs.)

Stock	Purchase Cost	Market Value	Book Value
Access Engineering PLC	9,119,002	9,282,000	9,282,000
ACL Plastics PLC	7,457,675	5,580,660	5,580,660
Aitken Spence Hotel Holding PLC	36,355,734	38,663,368	38,663,368
Bogawantalawa Tea State PLC	1,463,187	751,861	751,861
Browns Beach Hotels PLC	3,670,405	3,800,000	3,800,000
C W Mackie PLC	12,643,852	8,496,192	8,496,192
Central Finance Company PLC	28,787,359	28,487,888	28,487,888
Ceylon Guardian Investment PLC	83,064,288	85,874,990	85,874,990
Chemanex PLC	160,407	147,050	147,050
Dialog Axiata PLC	3,397,632	3,600,000	3,600,000
EDEN Hotels Lanka PLC	1,216,414	975,937	975,937
F L C Holdings PLC	524,500	230,780	230,780
Hayleys PLC	15,170,528	14,650,000	14,650,000
Hemas Holdings PLC	3,584,850	3,509,446	3,509,446
JKH Warrant 11.11.2016	-	339,255	-
John Keells Holdings PLC	147,129,748	157,509,656	157,509,656
Kegalle Plantations PLC	24,733,977	12,584,670	12,584,670
Lankem Ceylon PLC	4,143,433	3,418,922	3,418,922
Malwatte Valley Plantations PLC	8,782,890	3,484,800	3,484,800
Malwatte Valley Plantations PLC (Non Voting)	3,100,739	1,349,400	1,349,400
Overseas Realty (Ceylon) PLC	237,191	260,153	260,153
Palm Garden Hotels PLC	54,108,598	16,814,360	16,814,360
PC House PLC	43,925,523	6,794,537	6,794,537
Peoples' Leasing & Finance PLC	2,047,680	2,010,000	2,010,000
Richard Pieris & Company PLC	5,965,372	5,994,450	5,994,450
Royal Ceramic Lanka PLC	4,602,129	3,732,552	3,732,552
Sigiriya Village Hotels PLC	13,279	20,324	20,324
Taj Samudra Hotels PLC	14,490,256	15,016,114	15,016,114
Tangerine Beach Hotels PLC	4,183,634	4,623,524	4,623,524
Tea Smallholder Factories PLC	439,546	272,800	272,800
The Bukit Darah PLC	885,963	804,630	804,630
Vallibel One PLC	37,208,764	34,006,698	34,006,698
Sub Total	562,614,556	473,087,016	472,747,761

Corporate Debentures

Stock	Face Value	Purchase Cost	Market Value
Nawaloka Hospitals PLC - 14.15%	114,500,000	114,500,000	114,500,000
Sub Total	114,500,000	114,500,000	114,500,000

	Purchase Cost	Market Value	Book Value
Grand Total	677,114,556	587,587,016	587,247,761



EMPLOYEES' PROVIDENT FUND

Notes to the Statement of Investment as at 31st December 2013

23. AVAILABLE FOR SALE

TREASURY BONDS

(Rs.)

Securities	Face Value	Amortised Cost	Purchase Cost	Market Value
05.80%2017B	300,000,000	254,639,529	254,639,529	271,001,100
06.50%2015A	300,000,000	282,906,329	282,906,329	291,073,800
07.00%2023A	450,000,000	341,635,050	341,635,050	355,792,500
07.50%2018A	1,000,000,000	857,275,347	857,275,347	921,318,000
08.00%2017A	400,000,000	363,620,000	363,620,000	389,929,200
08.00%2017B	300,000,000	275,846,529	275,846,529	289,615,500
08.00%2018A	1,500,000,000	1,306,379,500	1,306,379,500	1,404,520,500
08.00%2019A	50,000,000	42,912,021	42,912,021	46,051,200
08.00%2032A	779,000,000	544,615,800	544,615,800	586,587,000
08.50%2018B	200,000,000	180,909,043	180,909,043	191,010,800
08.50%2018C	400,000,000	362,823,711	362,823,711	386,032,000
09.00%2021A	5,705,000,000	4,962,094,806	4,962,094,806	5,457,020,765
Sub Total	11,384,000,000	9,775,657,665	9,775,657,665	10,589,952,365

TREASURY BILLS

(Rs.)

Securities	Face Value	Amortised Cost	Purchase Cost	Market Value
364D -10/01/2014	275,000,000	246,968,975	246,968,975	274,625,450
364D- 24/01/2014	1,000,000,000	898,829,500	898,829,500	993,992,000
364D-07/02/2014	693,793,000	624,241,761	624,241,761	689,624,692
364D -14/03/2014	500,000,000	449,826,600	449,826,600	493,926,500
364D -04/04/2014	2,000,000,000	1,795,896,000	1,795,896,000	1,962,934,000
364D -25/04/2014	1,500,000,000	1,347,183,500	1,347,183,500	1,462,198,500
364D -02/05/2014	2,000,000,000	1,796,298,500	1,796,298,500	1,949,598,000
364D - 06/06/2014	4,000,000,000	3,607,504,000	3,607,504,000	3,872,536,000
364D -15/08/2014	1,000,000,000	904,445,000	904,445,000	947,455,000
364D -26/09/2014	1,000,000,000	904,404,000	904,404,000	940,509,000
Sub Total	13,968,793,000	12,575,597,836	12,575,597,836	13,587,399,142



EMPLOYEES' PROVIDENT FUND
Notes to the Statement of Investment as at 31st December 2013

EQUITY

(Rs.)

Stock	Book value	Purchase Cost	Market value
Listed Equity			
Access Engineering PLC	718,425,054	708,923,190	718,425,054
ACL Cables PLC	204,300,397	151,706,495	204,300,397
Aitken Spence Company PLC	466,596,745	494,336,252	466,596,745
Aitken Spence Hotels Holdings PLC	2,077,774,005	1,590,089,511	2,077,774,005
Amaya Leisure PLC	341,934,686	340,028,021	341,934,686
Asian Hotels & Properties PLC	2,727,069,239	3,116,355,022	2,727,069,239
Asiri Surgical Hospital PLC	2,448,825	1,680,649	2,448,825
Browns & Co PLC	547,610,042	1,769,404,852	547,610,042
Cargills (Cey) PLC	1,073,728,572	1,364,040,065	1,073,728,572
Carsons Cumberbatch PLC	1,796,681,250	2,420,550,983	1,796,681,250
Central Finance Company PLC	1,728,742,928	2,348,771,536	1,728,742,928
Ceylon Cold Stores PLC	177,399,040	27,026,584	177,399,040
Ceylon Grain Elevators PLC	189,944,490	1,005,584,993	189,944,490
Ceylon Guardian Investment PLC	294,999,417	320,182,231	294,999,417
Ceylon Hospitals PLC (Non Voting)	86,577,825	25,410,556	86,577,825
Ceylon Tea Services PLC	1,009,733,364	1,006,252,143	1,009,733,364
Ceylon Theatres PLC	972,672,410	1,080,050,500	972,672,410
Chevron Lubricants Lanka PLC	684,112,775	249,263,948	684,112,775
CIC Holdings PLC (Non Voting)	84,079,571	192,174,270	84,079,571
CIC Holdings PLC (Voting)	212,817,688	486,078,762	212,817,688
Colombo Dockyard PLC	2,019,119,604	2,571,844,873	2,019,119,604
Commercial Bank of Ceylon PLC	9,341,394,734	7,992,962,707	9,341,394,734
Ceylon Hotel Co-operation	314,239,280	711,242,903	314,239,280
DFCC Bank	3,143,600,355	3,395,967,521	3,143,600,355
Dialog Axiata PLC	1,920,020,292	1,986,277,573	1,920,020,292
Diesel & Motor Engineering PLC	590,813,743	1,265,738,355	590,813,743
Dipped Products PLC	703,823,040	888,569,146	703,823,040
EDEN Hotels Lanka PLC	143,839,050	216,935,905	146,700,270
Galadari Hotels (Lanka) PLC	267,947,860	810,321,610	267,947,860
Hatton National Bank PLC	4,679,981,964	5,166,481,391	4,679,981,964
Haycarb PLC	241,806,339	212,329,485	241,806,339
Hayleys MGT Knitting Mills PLC	45,101,520	199,555,228	45,101,520
Hayleys PLC	692,226,564	620,010,109	692,226,564
Hemas Holdings PLC	926,810,148	607,825,728	926,810,148
JKH Warrant 11.11.2016	-	-	9,036,657
John Keells Holdings PLC	730,108,179	670,381,103	731,374,498
John Keells Hotels PLC	980,929,425	1,166,287,946	980,929,425
Lanka IOC PLC	522,546,887	505,031,731	522,546,887
Lanka Orix Leasing Co PLC	1,102,232,003	1,611,012,568	1,102,232,003
Lanka Tiles PLC	417,822,998	432,883,507	417,822,998
Lanka Walltiles PLC	75,520,907	74,559,013	75,520,907



EMPLOYEES' PROVIDENT FUND
Notes to the Statement of Investment as at 31st December 2013

Stock	Book value	Purchase Cost	Market value
Laugfs Gas PLC (Non Voting)	387,887,950	706,343,981	387,887,950
Laugfs Gas PLC (Voting)	1,644,297,520	2,684,119,965	1,644,297,520
Mackwood Energy PLC	10,142,350	19,999,000	10,142,350
National Development Bank PLC	2,569,644,804	1,429,995,020	2,569,644,804
Nations Trust Bank PLC	893,690	879,000	893,690
Nawaloka Hospitals PLC	2,354,400	3,325,079	2,354,400
Nestle Lanka PLC	210,070,000	21,687,108	210,070,000
Overseas Realty PLC	776,503,605	665,633,871	776,503,605
Peoples' Leasing Company PLC	1,008,485,595	1,278,594,686	1,008,485,595
Piramal Glass Ceylon PLC	406,427,130	541,433,624	406,427,130
Raigam Wayamba Saltern PLC	61,947,160	120,691,019	61,947,160
Richard Pieris Company PLC	1,005,811,141	1,578,620,467	1,005,811,141
Royal Ceramic Lanka PLC	914,875,398	1,167,841,785	914,875,398
Sampath Bank PLC	2,878,467,563	2,593,828,360	2,878,467,563
Seylan Bank PLC (Non Voting)	523,776,899	592,071,014	523,776,899
Seylan Bank PLC (Voting)	1,125,132,285	1,130,415,047	1,125,132,285
Sierra Cables PLC	14,603,458	30,564,660	14,603,458
Softlogic Holdings PLC	60,736,200	133,137,480	60,736,200
Sri Lanka Telecom PLC	774,890,593	680,232,420	774,890,593
Taj Samudra Hotel PLC	186,531,332	321,388,794	186,748,724
Tangerine Beach Hotels PLC	96,193,412	131,160,873	96,193,412
Textured Jersey Lanka PLC	209,960,640	203,802,870	209,960,640
The Bukit Darah PLC	1,255,991,788	1,743,398,218	1,255,991,788
The Finance Company PLC	51,421,120	205,489,613	51,421,120
The Kingsbury PLC	337,391,300	555,501,624	337,391,300
The Light House Hotel PLC	223,731,200	309,422,269	223,731,200
Tokyo Cement Lanka PLC (Non Voting)	256,488,851	296,846,901	256,488,851
Trans Asia Hotels PLC	343,266,380	263,154,670	343,266,380
Vallibel One PLC	1,195,441,764	1,914,558,175	1,195,441,764
Total	62,790,898,739	71,128,266,562	62,804,280,327
Unlisted Equity			
Canwill Holdings (Pvt) Ltd	5,000,000,000	5,000,000,000	5,000,000,000
Fitch Ratings Lanka Limited	625,000	625,000	625,000
Sri Lankan Airlines	500,000,000	500,000,000	500,000,000
Sri Lankan Catering Preference 15%	1,005,000,000	1,005,000,000	1,005,000,000
West Coast Power (Pvt) Ltd	2,975,000,000	2,975,000,000	2,975,000,000
Total	9,480,625,000	9,480,625,000	9,480,625,000
Total Equity	72,271,523,739	80,608,891,562	72,284,905,327



EMPLOYEES' PROVIDENT FUND

Notes to the Statement of Investment as at 31st December 2013**CORPORATE DEBENTURES****(Rs.)**

Stock	Face Value	Purchase Cost	Market Value
Central Finance Company PLC - 13.00%	18,485,000	18,485,000	18,485,000
Central Finance Company PLC - 13.25%	18,335,000	18,335,000	18,335,000
Central Finance Company PLC - 13.50%	15,255,000	15,255,000	15,255,000
Central Finance Company PLC - 13.95%	23,950,000	23,950,000	23,950,000
Hayleys PLC - 14.25%	51,900,000	51,900,000	51,900,000
LB Finance PLC - 14.50%	220,670,000	220,670,000	220,670,000
Nations Trust Bank PLC - 13.00%	549,150,000	549,150,000	549,150,000
Sampath Bank PLC - 13.00%	251,775,000	251,775,000	251,775,000
Sampath Bank PLC - 13.40%	170,095,000	170,095,000	170,095,000
Singer Sri Lanka PLC - 14.50%	31,193,400	31,193,400	31,193,400
Singer Sri Lanka PLC - 14.50%	46,790,100	46,790,100	46,790,100
Total	1,397,598,500	1,397,598,500	1,397,598,500



EMPLOYEES' PROVIDENT FUND

Notes to the Statement of Investment as at 31st December 2013

24. HELD TO MATURITY

TREASURY BONDS

(Rs.)

Series	Face Value	Amortised Cost	Purchase Cost	Market Value
06.60%2014A	3,242,000,000	3,235,557,139	3,047,022,878	3,238,689,918
06.60%2014A	16,401,000,000	16,375,230,509	15,674,072,255	16,384,254,579
07.00%2014A	21,074,000,000	20,977,481,524	19,252,629,619	21,042,473,296
09.00%2014A	1,750,000,000	1,719,553,858	1,659,092,750	1,760,977,750
11.25% 2014A	11,395,100,000	11,380,109,308	11,258,154,587	11,580,669,204
06.60%2014B	42,804,000,000	42,516,393,490	40,719,042,814	42,557,577,372
11.75 % 2014B	28,908,200,000	28,874,589,875	28,454,102,718	29,163,632,855
06.20%2015A	8,929,000,000	8,753,415,446	8,335,119,509	8,746,312,660
06.50%2015A	12,028,500,000	11,583,487,943	10,899,850,573	11,670,604,011
06.50%2015A	6,752,000,000	6,536,598,349	6,198,997,700	6,551,100,992
08.50%2015A	2,000,000,000	1,899,925,863	1,822,164,000	1,987,566,000
11.00% 2015A	11,339,100,000	11,320,318,221	11,266,133,227	11,731,092,687
11.75%2015A	9,970,500,000	9,910,760,206	9,750,831,905	10,333,854,932
06.20%2015B	1,000,000,000	933,947,478	866,141,333	967,539,000
11.00%2015B	33,104,500,000	33,644,095,435	34,618,149,855	34,214,526,990
06.40%2016A	29,873,700,000	27,827,589,200	25,782,898,323	28,055,496,997
06.40%2016A	800,000,000	760,011,802	727,493,329	751,309,600
07.25%2016A	25,184,400,000	24,319,373,087	23,564,143,018	24,299,470,553
07.25%2016A	10,551,200,000	10,094,519,116	9,577,812,378	10,180,451,934
08.00%2016A	12,265,600,000	11,437,128,888	10,994,883,802	11,936,072,390
06.40%2016B	4,300,000,000	3,828,508,967	3,606,863,000	4,015,589,400
08.00%2016B	4,223,300,000	3,881,240,100	3,688,439,039	4,131,506,575
05.80%2017A	20,426,300,000	18,714,934,742	17,680,179,655	18,732,306,088
05.80%2017A	3,268,500,000	2,760,625,268	2,541,190,345	2,997,436,758
08.00%2017A	24,052,400,000	22,520,072,076	21,766,524,740	23,446,832,725
05.80%2017B	21,468,800,000	19,340,185,004	18,323,632,673	19,393,561,386
08.00%2017B	7,979,000,000	6,673,994,767	6,271,932,845	7,702,806,915
07.50%2018A	45,814,300,000	41,836,376,931	40,531,159,362	42,209,539,247
08.50%2018A	36,832,500,000	32,247,990,748	29,565,007,766	35,684,946,630
08.00%2018A	4,200,000,000	3,524,550,169	3,414,507,000	3,932,657,400
08.50%2018B	44,706,900,000	40,733,335,039	39,611,489,778	42,697,503,673
08.50%2018C	2,075,000,000	1,853,843,738	1,841,213,900	2,002,541,000
08.50% 2018D	1,250,000,000	1,135,337,106	1,131,576,429	1,204,061,250
05.65%2019A	3,000,000,000	2,370,979,883	2,213,813,000	2,503,578,000
08.00%2019A	12,256,700,000	9,610,435,273	9,160,793,769	11,288,714,861
08.50%2019A	54,196,700,000	51,645,028,039	50,845,502,745	51,293,545,371
08.50%2019A	20,881,000,000	20,438,554,353	20,273,229,415	19,762,467,473
06.20%2020A	64,320,167,000	53,526,914,322	51,016,767,094	52,583,408,847
08.00%2020A	9,225,000,000	6,805,952,188	6,487,112,250	8,249,087,250



EMPLOYEES' PROVIDENT FUND

Notes to the Statement of Investment as at 31st December 2013

Series	Face Value	Amortised Cost	Purchase Cost	Market Value
09.00%2021A	6,910,000,000	5,966,393,904	5,893,632,830	6,609,643,030
08.00%2022A	13,335,900,000	9,855,932,688	9,595,954,403	11,644,507,803
08.00%2022A	39,445,100,000	30,220,795,430	29,161,548,590	34,442,277,967
07.00%2023A	63,089,600,000	51,942,176,044	50,716,953,092	49,881,792,240
09.00%2023A	6,000,000,000	5,048,443,558	5,006,520,000	5,472,156,000
09.00%2025A	9,944,100,000	8,384,081,264	8,372,813,469	8,986,771,549
05.35%2026A	89,246,800,000	46,663,771,646	45,100,277,694	57,072,346,885
09.00%2026A	20,200,000,000	16,223,208,206	16,111,526,300	17,988,524,200
09.00%2028A	89,989,200,000	70,328,222,983	69,875,430,402	77,721,422,310
09.00%2028B	87,990,480,000	69,910,047,466	69,735,077,390	75,156,980,502
08.00%2032A	63,268,000,000	37,117,853,939	36,716,963,428	47,640,804,000
09.00%2032A	31,845,350,000	24,351,539,854	24,294,306,864	26,501,095,208
09.00%2033A	99,305,900,000	75,141,899,716	74,992,621,890	79,945,817,571
09.00%2033B	19,908,840,000	15,313,447,889	15,310,903,097	16,283,499,963
09.00%2043A	30,676,000,000	22,334,563,228	22,309,954,800	24,030,443,388
Total	1,345,004,637,000	1,116,351,323,267	1,087,634,155,625	1,180,363,847,184

SRI LANKA RUPEE LOANS

(Rs.)

Securities	Face Value	Purchase Cost	Market Value	Amortised Cost
2009-2015 9.50%	19,600,000,000	19,600,000,000	19,600,000,000	19,600,000,000
2009-2015 A 11.00%	3,500,000,000	3,500,000,000	3,500,000,000	3,500,000,000
Sub Total	23,100,000,000	23,100,000,000	23,100,000,000	23,100,000,000



EMPLOYEES' PROVIDENT FUND

Notes to the Statement of Investment as at 31st December 2013

CORPORATE DEBENTURES AND OTHER INVESTMENTS

(Rs.)

Debenture	Face Value	Purchase Cost	Market Value	Amortised Cost
Bank of Ceylon	200,000,000	200,000,000	200,000,000	200,000,000
Bank of Ceylon	575,950,000	575,950,000	575,950,000	575,950,000
Bank of Ceylon	134,090,000	134,090,000	134,090,000	134,090,000
Central Finance Company PLC	18,485,000	18,485,000	18,485,000	18,485,000
Central Finance Company PLC	18,335,000	18,335,000	18,335,000	18,335,000
Central Finance Company PLC	15,255,000	15,255,000	15,255,000	15,255,000
Central Finance Company PLC	23,950,000	23,950,000	23,950,000	23,950,000
Central Finance Company PLC	81,300,000	81,300,000	81,300,000	81,300,000
Central Finance Company PLC	105,300,000	105,300,000	105,300,000	105,300,000
DFCC Vardhana Bank PLC	500,000,000	500,000,000	500,000,000	500,000,000
Hatton National Bank PLC	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Hatton National Bank PLC	316,716,600	316,716,600	316,716,600	316,716,600
Hayleys PLC	51,900,000	51,900,000	51,900,000	51,900,000
Lanka ORIX Leasing Company PLC	500,000,000	500,000,000	500,000,000	500,000,000
Merchant Bank of Sri Lanka PLC	162,500,000	162,500,000	162,500,000	162,500,000
Merchant Bank of Sri Lanka PLC	281,590,000	281,590,000	281,590,000	281,590,000
National Development Bank PLC	173,160,000	173,160,000	173,160,000	173,160,000
National Development Bank PLC	88,240,000	88,240,000	88,240,000	88,240,000
National Development Bank PLC	375,000,000	375,000,000	375,000,000	375,000,000
National Development Bank PLC	500,000,000	500,000,000	500,000,000	500,000,000
Nations Trust Bank PLC	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Nations Trust Bank PLC	549,150,000	549,150,000	549,150,000	549,150,000
Nawaloka Hospitals PLC	114,500,000	114,500,000	114,500,000	114,500,000
Pan Asia Banking Corporation PLC	250,000,000	250,000,000	250,000,000	250,000,000
People's Leasing & Finance PLC	105,900,000	105,900,000	105,900,000	105,900,000
Sampath Bank PLC	14,430,000	14,430,000	14,430,000	14,430,000
Sampath Bank PLC	251,775,000	251,775,000	251,775,000	251,775,000
Sampath Bank PLC	170,095,000	170,095,000	170,095,000	170,095,000
Seylan Bank PLC	100,000,000	100,000,000	100,000,000	100,000,000
Singer Finance (Lanka) PLC	33,214,000	33,214,000	33,214,000	33,214,000
Singer Finance (Lanka) PLC	123,306,000	123,306,000	123,306,000	123,306,000
Singer Finance (Lanka) PLC	93,576,000	93,576,000	93,576,000	93,576,000
Singer Sri Lanka PLC	31,193,400	31,193,400	31,193,400	31,193,400
Singer Sri Lanka PLC	46,790,100	46,790,100	46,790,100	46,790,100
SMIB Bank	195,000,000	195,000,000	195,000,000	195,000,000
The Housing Development Finance Corporation Bank of Sri Lanka	195,000,000	195,000,000	195,000,000	195,000,000
The Housing Development Finance Corporation Bank of Sri Lanka	65,580,000	65,580,000	65,580,000	65,580,000
The Lion Brewery (Ceylon) PLC	39,900,000	39,900,000	39,900,000	39,900,000
The Lion Brewery (Ceylon) PLC	39,900,000	39,900,000	39,900,000	39,900,000
The Lion Brewery (Ceylon) PLC	53,200,000	53,200,000	53,200,000	53,200,000
Sub Total	9,594,281,100	9,594,281,100	9,594,281,100	9,594,281,100



EMPLOYEES' PROVIDENT FUND

Notes to the Statement of Investment as at 31st December 2013

Trust Certificates	Face Value	Purchase Cost	Market Value	Amortised Cost
LB Finance PLC	983,474,896	722,900,000	853,774,990	853,774,990
Peoples' Leasing Company PLC	2,589,245,308	1,878,900,000	2,181,739,235	2,181,739,235
Senkadagala Finance PLC	201,941,380	158,000,000	185,275,402	185,275,402
Sub Total	3,774,661,584	2,759,800,000	3,220,789,626	3,220,789,626
Grand Total	1,381,473,579,684	1,123,088,236,725	1,216,278,917,910	1,152,266,393,993



EMPLOYEES' PROVIDENT FUND

Notes to the Statement of Investment as at 31st December 2013

25. LOANS & RECEIVABLES

REVERSE REPURCHASE AGREEMENTS (REVERSE REPO)

(Rs.)

Counter Party	Rate	Face Value	Purchase Cost	Market Value
Domestic Operations Department	7.30	2,000,000,000	2,000,000,000	2,000,000,000
Bank of Ceylon	5.76	511,000,000	511,000,000	511,000,000
Nations Trust Bank	6.90	750,000,000	750,000,000	750,000,000
National Savings Bank	6.95	1,500,000,000	1,500,000,000	1,500,000,000
Pan Asia Banking Corporation Ltd	6.95	145,000,000	145,000,000	145,000,000
Seylan Bank PLC	6.90	945,000,000	945,000,000	945,000,000
Acuity Securities Limited	7.05	250,000,000	250,000,000	250,000,000
NDB Bank	6.90	526,000,000	526,000,000	526,000,000
Grand Total		6,627,000,000	6,627,000,000	6,627,000,000



EMPLOYEES' PROVIDENT FUND
Notes to the Statement of Investment as at 31st December 2013

26. MOVEMENT OF INVESTMENTS

Type of Investment	(Rs.)									
	Opening Balance	Investments	Maturities	Sales	Transfers	Amortization	Closing Balance	2013	2012	Change %
Fair Value Through Profit & Loss Investments										
Treasury Bonds	-	231,837,950	-	231,837,950	-	-	-	-	-	-
Listed Equity	147,603,472	535,615,945	-	161,451,059	(49,020,597)	-	472,747,761	0.0	0.0	0.0
Corporate Debentures	-	114,500,000	-	-	-	-	114,500,000	0.0	-	0.0
Sub Total - FVTPL Investments	147,603,472	881,953,895	-	393,289,009	(49,020,597)	-	587,247,761	0.0	0.0	0.0
Available For Sale Investments										
Treasury Bonds	-	15,879,012,869	-	6,181,159,611	-	892,099,107	10,589,952,365	0.8	-	0.8
Treasury Bills	-	27,913,070,203	5,372,593,000	10,235,609,479	1,282,531,418	-	13,587,999,142	1.1	-	1.1
Listed Equity	54,597,298,083	8,234,193,013	-	97,548,760	-	56,956,403	62,790,898,739	5.0	4.9	0.1
Unlisted Equity	4,480,625,000	5,000,000,000	-	-	-	-	9,480,625,000	0.8	0.4	0.3
Corporate Debentures	-	1,397,598,500	-	-	-	-	1,397,598,500	0.1	-	0.1
Sub Total - AFS Investments	59,077,923,083	58,423,874,585	5,372,593,000	16,514,317,850	1,282,531,418	949,055,510	97,846,473,745	7.8	5.3	2.4
Held To Maturity Investments										
Treasury Bonds	980,371,915,815	350,490,343,097	204,816,388,416	27,057,294,183	-	17,362,746,955	1,116,351,323,267	88.8	88.7	0.1
Rupee Loan	23,100,000,000	-	-	-	-	-	23,100,000,000	1.8	2.1	(0.3)
Treasury Bills	31,757,671,753	-	33,409,900,000	-	1,652,228,247	-	-	-	2.9	(2.9)
Corporate Debentures	5,316,930,000	4,577,351,100	300,000,000	-	-	-	9,594,281,100	0.8	0.5	0.3
Mortgage Backed Securities	500,000,000	-	500,000,000	-	-	-	-	-	0.0	(0.0)
Trust Certificate	2,164,923,041	2,550,000,000	2,000,351,835	-	-	506,218,420	3,220,789,626	0.3	0.2	0.1
Sub Total - HTM Investments	1,043,211,440,609	357,617,694,197	241,026,640,252	27,057,294,183	1,652,228,247	17,868,965,375	1,152,266,393,993	91.6	94.4	(2.7)
Loans and Receivables Investments										
Reverse Repo	3,106,900,000	1,002,204,402,375	998,684,302,375	-	-	-	6,627,000,000	0.5	0.3	0.2
Sub Total - L & R Investments	3,106,900,000	1,002,204,402,375	998,684,302,375	-	-	-	6,627,000,000	0.5	0.3	0.2
Grand Total	1,105,543,867,164	1,419,127,925,052	1,245,083,535,627	43,964,901,043	2,885,739,068	18,818,020,885	1,257,327,115,500	100.0	100.0	-



EMPLOYEES' PROVIDENT FUND
Notes to the Statement of Investment as at 31st December 2013
27 CLASSIFICATION OF MATURITY PROFILE OF THE PORTFOLIO AS AT 31st DECEMBER 2013

Class of Investment	Rate	(Rs.mn)													Total	Not Define			
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2025	2026	2028			2032	2033	2043
Treasury Bond	5.35 5.65 5.80 6.20 6.40 6.50 6.60 6.75 7.00 7.25 7.50 8.00 8.50 9.00 10.50 10.60 11.00 11.25 11.40 11.50 11.75 13.00 13.25	62,447 21,074	19,081 9,929 34,974	35,736 16,489	45,464	46,814 5,700 85,464	3,000 12,307 75,078	64,320 9,225	12,615	52,781	63,540	9,944	89,247 20,200	177,980	31,845 119,215	30,676	89,247 3,000 45,464 74,249 34,974 19,081 62,447 84,614 35,736 46,814 193,280 162,542 410,225	-	
Sub Totals		125,574	85,424	87,198	78,195	137,979	90,384	73,545	12,615	52,781	69,540	9,944	109,447	177,980	95,892	119,215	1,356,389	-	
Sri Lankan Rupee Loan	9.50 11.00		19,600 3,500														19,600 3,500		
Sub Totals		-	23,100	-	-	-	-	-	-	-	-	-	-	-	-	-	23,100		
Corporate Debentures																			
HDFC Bank Debentures					66													261	
SMIB Bank Debentures				14														195	
Sampath Bank Debenture																		858	
BOC																		910	
Lanka ORIX Leasing Company PLC																		500	
NTB Debenture						1,000												2,098	
DFCC Vardhana Bank Debenture						500												500	
HNB Debenture																		2,317	
MBSL																		444	
PAABC DC																		250	
Singer Sri Lanka						94												156	
Lion Brewery						40												133	
Hayleys PLC						104												104	
Singer Finance (Lanka) PLC						33												249	
Central Finance Company PLC						37												338	
Seylan Bank																		100	
People's Leasing & Finance PLC																		106	
Nawaloka Hospitals																		229	
LB Finance PLC																		221	
National Development Bank PLC																		1,137	
Sub Total		163	762	1,808	611	4,363	-	390	2,000	509	134	500	500	-	-	-	11,106		
Treasury Bills																		13,969	
Trust Certificates																		3,775	
Listed Equity																		63,264	
Unlisted Equity																		9,481	
Repo																		6,627	
Grand Total		148,249	110,776	89,425	78,806	142,342	90,384	73,935	14,615	52,781	70,049	10,444	109,447	177,980	95,892	119,215	1,487,711	72,745	



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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } LS/D/EPF/FA/13
எனது இல. }
My No. }

ඔබේ අංකය }
உமது இல. }
Your No. }

දිනය }
திகதி }
Date }

30 April 2015

Hon. Minister,

Ministry of Labour

Report of the Auditor General on the Financial Statements of the Employees' Provident Fund for the year ended 31 December 2013 in terms of Section 6(3) of Employees' Provident Fund Act, No.15 of 1958

The audit of financial statements of the Employees' Provident Fund for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the income and expenditure statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant 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 6(3) of Employees' Provident Fund Act, No.15 of 1958. My comments and observations which I consider should be published with the Annual Report of the Fund in terms of Section 6(3) of Employees' Provident 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 Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with 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 judgements, 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 Fund'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 Fund'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

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Employees' Provident Fund as at 31 December 2013 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

2:2:1 Sri Lanka Accounting Standards

Market price of the shares amounting to Rs.1,005,584,993 been invested in a company had diminished continuously over several years and the value had been diminished by a sum of Rs.815,640,503 or 81.1 per cent as at 31 December 2013. Despite the availability of primary evidence to clearly identify the impairment loss caused to the financial assets, action in terms of Section 58 of the Sri Lanka Accounting Standard 39 had not been taken in this connection.

2:2:2 Accounting Deficiencies

The following observations are made.

- (a) An expenditure of revenue nature amounting to Rs.51,514,358 incurred during the year ended 31 December 2013 had been capitalized and depreciation thereunder had also been made.
- (b) Equipment and software purchased at a cost of Rs.6,199,442 during the year under review had been omitted from the accounts.

2:2:3 Unsettled Balances

The following observations are made.

A sum of Rs.7,908,504,669 had not been credited to the accounts of the beneficiaries and settled by making payments as at 31 December 2013 due to the following reasons, thus resulting in loss of funds to the beneficiaries or delay in the payments. The Committee on Public Accounts had also enquired about the failure to settle those balances without delay.



- (a) A sum of Rs.5,982,176,693 recovered as outstanding installments by the Commissioner General of Labour by instituting cases under the Employees' Provident Fund had not been credited to the individual accounts of the members even by 31 December 2013.
- (b) A sum of Rs.440,452,911 not credited to the accounts of the beneficiaries as contributions to the Employees' Provident Fund had been retained in the General Deposit Account even by 31 December 2013.
- (c) The balance of the Shortage and Excess Contributions Account amounting to Rs.1,342,080,192 had not been settled even by the end of the year under review.
- (d) Balances of the Unclaimed Benefits Account and the Retained Benefits Account not settled as at the end of the year under review amounted to Rs.96,173,622 and Rs.47,621,251 respectively.

2:2:4 Lack of Evidence for Audit

The Register of Fixed Assets, Board of Survey Reports on Fixed Assets in support of the existence, value and correctness of fixed assets received from the Department of Labour valued at Rs. 757,897,367 and the Board of Survey Reports in respect of fixed assets valued at Rs. 143,252,603 in the premises of the Central Bank of Sri Lanka shown in the financial statements as at 31 December 2013 had not been furnished to audit.

3. Financial Review

3:1 Financial Results

The financial operations of the Fund for the year under review had resulted in a net profit of Rs. 125,609,876,616 as compared with the corresponding net profit of Rs.111,828,720,196 for the preceding year. Accordingly, the increase of the investment income by Rs.14,944,888,984 had mainly attributed to the favourable increase in the net profit of the year under review by Rs.13,781,156,420 as compared with the preceding year.



3:2 Management Inefficiencies

The following observations are made.

- (a) District Labour Office, Colombo Central
 - (i) Initial action (Legal Notice 3) to be taken for the recovery of outstanding contributions had been delayed for periods ranging from six months to two and a half years, and Court cases could not be duly filed. As such, outstanding contributions and surcharges amounting to Rs. 171,992,382 pertaining to 182 institutions had not been recovered.
 - (ii) Even though Legal Notice 3 should be sent after 14 days from sending Legal Notices 1 and 2, delays ranging from three months to one year were observed in several instances. Further, Legal Notice 3 had not been sent even by 30 June 2014 to recover outstanding contributions and surcharges amounting to Rs.28,742,744.
 - (iii) Action had not been taken to recover outstanding contributions and surcharges totalling Rs.7,171,353 relating to 12 out of the institutions inspected by the District Labour Office, Colombo Central while 20 institutions had not paid the contributions to the Fund for over a long period of time according to the database of the Central Bank of Sri Lanka.
 - (iv) One hundred and twenty two institutions had not been inspected for over a long period of time by the Labour Officers and reports on the institutions inspected had been submitted to the Subject Clerk after a delay of over two months.
- (b) The relevant reasons for a sum of Rs.83,410,920 recovered pertaining to the period from years 2004 up to 2011 by filing Court cases by the Fund, had not been clearly identified even by 31 December 2014.



- (c) The surcharges amounting to Rs.194,273,332 recoverable from 360 institutions registered under the Fund according to the database of the Central Bank of Sri Lanka in respect of the period 2000 to 2013 had not been recovered even by the end of August 2014.
- (d) Action had not been taken even up to 30 April 2014 for the recovery of the outstanding contributions and surcharges amounting to Rs.93,423,472 due from 102 institutions in the area of authority of the District Labour Office, Colombo East.
- (e) Notices had not been sent as required for the recovery of the outstanding surcharges of the Fund amounting to Rs.14,379,993 recoverable from 169 Local Authorities in respect of the period from the year 2000 to the end of the year 2013.
- (f) The outstanding contributions and the surcharges amounting to Rs.114,601,542 relating to the period from the year 2009 to January 2013 due from 131 institutions in the area of authority of the District Labour Office, Gampaha had not been recovered even by 30 June 2014.
- (g) The outstanding contributions and surcharges amounting to Rs.102,112,505 relating to the period from the year 2010 to the year 2012 due from 68 institutions in the area of authority of the District Labour Office, Avissawella had not been recovered even by 30 June 2014.
- (h) A sum of Rs.6,215,611,005 comprising the outstanding contributions of Rs.4,125,870,645 and surcharges of Rs.2,089,740,360 remained recoverable as at 30 September 2014 from Regional Offices of the Sri Lanka Transport Board situated island- wide.
- (i) Ten thousand six hundred and forty one Court cases had been filed throughout the Island for the recovery of contributions amounting to Rs.8,244,403,544 relating to the period from the year 2010 up to the end of year 2013. Documents had not been updated in a manner to obtain the information on the amount of money collected through those Court cases and the number of cases settled.



- (j) The outstanding contributions and surcharges thereon relating to the period from 01 January 2007 to 30 June 2013 recoverable and not paid to the Fund by 31 estate companies belonging to two main State Plantation institutions in the area of authority of the District Labour Office, Kandy North amounted to Rs.208,378,193.
- (k) The outstanding contributions and the surcharges relating to the period from the year 2003 to 2013 recoverable from 21 Janatha Estates Companies in the area of authority of the District Labour Office, Kandy South amounted to Rs.286,729,384.

3:3 Transactions of Contentious Nature

The following observations are made.

- (a) The Pay As You Earn Tax amounting to Rs.7,168,498 which should be recovered during the year 2013 from the employment income of the officers of the Central Bank of Sri Lanka attached to the Employees' Provident Fund had been paid by the Fund without being recovered from the respective officers contrary to Section 8.7 of the Public Enterprises Circular No.PED 12 of 06 June 2003. Further, Pay As You Earn Tax amounting to Rs.5,542,066 and Rs.6,459,092 pertaining to the years 2011 and 2012 respectively had been paid by the Fund without being recovered from the respective officers.
- (b) A contribution of Rs.5.147 billion had been made by the Employees' Provident Fund for the "Mehewara Piyasa" building being constructed at an estimated total cost of Rs.8.557 billion Employees' Trust Fund. The cost borne by the Fund in respect of this building as at 31 December 2013 had been Rs.890.55 million or 10.4 per cent of the total cost and even though the ownership of the land of building should be transferred to the Fund in terms of the Employees Provident Fund (Amendment) Act, No.2 of 2012, it had not been so done even by 30 September 2014.



4. Operating Review

4:1 Performance

4:1:1 Operating Performance

The following observations are made.

- (a) The performance as at the end of the year 2013 had been as follows.

Particulars	Actual Number	Figures related to the Activities of the Fund	Percentage
-----	-----	-----	-----
Employment in the Private and Semi-Government Sectors	3,661,132	2, 403,501	65.65
Employers	204,777	69,148	33.77
Number of Members' Accounts of the Fund	15,203,073	2,403,501	15.81

(Source : Central Bank of Sri Lanka – Employees' Provident Fund-2013)

The amount credited as at 01 January 2013 to 12,799,572 dormant Members Accounts which do not remit contributions at present amounted to Rs.602,017,524,105 and the interest for the year 2013 credited to those account holders amounted to Rs.66,221,927,651. The number of dormant Members Accounts had been 84.2 per cent of the total number of accounts maintained by the Fund.



(b) Benefits paid to Members

Year	2013	2012	2011	2010	2009	2008	2007
Percentage of Benefits paid	11	11.5	11.5	12.5	13.75	13.2	11.2

The following observations are made.

- (i) Decrease of investment income by Rs.5,049,303,683 and increase of members' fund by Rs.110,734,645,618 during the year 2011 had been the reason for the decrease in the benefits paid to the members during the year 2011 by 1 per cent as compared to the year 2010. Further, the percentage of benefits paid during the year 2013 had decreased by 0.5 per cent as compared to the year 2012.
 - (ii) Even though a sum of Rs.115,771,416,227 was required for the payment of members benefits in the year 2012 at 11.5 per cent paid during the year 2011 as well, due to the inadequacy of income of that year, a sum of Rs.5,700,000,000 from the Dividend Equalization Reserve had been credited to the income.
 - (iii) As the income was not adequate to pay members benefits at 11 per cent at the end of the year under review, a sum of Rs.3,700,000,000 from the Dividend Equalization Reserve had been credited to the income.
- (c) As the Regulations relating to the Act had not been approved by Parliament, it had been directed to provide housing and medical assistance as benefits of 30 per cent of the money deposited to the credit of the Fund as contributions to the members who fulfill the requirements of the Act according to the new Section 23(A) inserted immediately after Section 23 of the Principal Act by the Employees' Provident Fund (Amendment) Act, No. 2 of 2012. Nevertheless, the above directive had not been implemented even by 31 July 2014.



- (d) Several State Banks and five Statutory Institutions affiliated to the Government had introduced a Loan Scheme from the year 1998 for obtaining housing loans by placing the balance in the account in the Employees' Provident Fund as security. Loans amounting to Rs.47,785 million had been approved through 208,500 loan certificates under that scheme during the period from the year 2000 to 2013 and the loans defaulted by the borrowers during that period amounted to Rs.16,737 million and it represented 35 per cent of the loans. Further, a sum of Rs.2,500 million should have been payable to relevant banks even by 31 December 2013 due to the default of loans.

4:1:2 Investments and Investment Income

The following observations are made in connection with the entire investment of Rs.71,690,881,118 made by the Fund as at 31 December 2013 on long term and short term basis in 80 companies listed in the share market.

- (a) Out of the total long term and short term investments amounting to Rs.71,690,881,118 made by the Fund in 80 companies in the share market as at 31 December 2013, investment of Rs.52,092,805,864 made in 61 companies had diminished by a sum of Rs.13,823,352,605 as at that date. Nevertheless, the entire investment of the Fund in the share market made in 93 companies as at 30 June 2014 had been Rs.75,393,966,488 while the share market value of the investments amounting to Rs.45,533,044,007 made in 57 companies had diminished by a sum of Rs.9,679,212,488 as at that date.
- (b) It was revealed that eight companies in which Employees' Provident Fund had made long term investments amounting to Rs.3,285,216,703 as at 31 December 2013 had incurred losses during the year of accounts 2013/14 according to the Annual Reports of those companies. Two out of the above eight companies in which investments of Rs.199,555,228 and Rs.711,242,903 were made, had incurred losses continuously for a period of three years. The Fund had not received any benefit whatsoever from those investments during the relevant period.



- (c) The Employees' Provident Fund had purchased 11,324,228 shares at a cost of Rs.43,925,525 from a computer company in or about April 2013 while the liquidity of that company had not been considered before the above purchase. Further, that company had incurred a loss of Rs.478 million during the accounting period 2012/13 and the auditors had expressed an opinion on a considerable uncertainty over the going concern of the company. Share price of that company at the Share Market had diminished by Rs.40,528,254 or 92.27 per cent as at 14 June 2014. As such, there was an uncertainty over the withdrawal of money invested in that company.
- (d) Share prices had diminished on the short term investments made at the Share Market and as such the losses directly incurred by the Fund in the years 2011,2012, and 2013 amounting to Rs.174,077,469, Rs.117,619,396 and Rs.44,504,112 respectively totalled Rs.336,200,977 and those had been written off from the profit during the respective years.
- (e) The Fund had invested sums of Rs.3,890,902,522, Rs.6,877,822,908, Rs.39,133,587,926, Rs.73,948,947,927, Rs.63,102,761,384 and Rs.71,690,881,118 in the Share Market at the end of years 2008,2009,2010,2011,2012 and 2013 respectively. The profits received from those investments had been 8.93 per cent, 22.99 per cent, 5.08 per cent, 3.58 per cent, 3.77 per cent and 4.6 per cent respectively.
- (f) Any income whatsoever had not been received even by September 2014 from investments of Rs.14,093,581,728 made in 27 companies of the Share Market by the Fund as at 31 December 2013. Further, income from investments of Rs.3,555,864,821 made in 11 companies and Rs.8,793,951,889 made in 14 companies had not been received by the Fund during the years 2011 and 2012 respectively.



- (g) Any income whatsoever had not been received even by 31 October 2014 from the date of investments of Rs.1, 515,811,224 made in three companies by the Employees' Provident Fund as at 31 December 2013. Details are given below.
- (i) The Fund had not received any income whatsoever from the date of investment up to 31 October 2014 in relation to the investment of Rs.500,000,000 made for the purchase of 1,863,676 units of an Airline Company in July 2012.
 - (ii) The Fund had not received any benefit whatsoever from the date of investment in relation to the investment of Rs.205,489,614 made in 5,091,200 shares purchased from a Finance Company during the period from February 2011 to November 2011. The loss of Rs.4,285,937,284 incurred by that Company at the time of purchase of shares according to the last financial statements published, had not been considered while the accumulated loss of the Company as at the end of the financial year 2013/14 amounted to Rs.14,340,295,995. The value of a share of that Company purchased at a cost of Rs.40.36 had diminished to Rs.16.20 in the Share Market as at 10 June 2014.
 - (iii) The Fund had not received any income whatsoever from the date of investment up to 31 October 2014 in relation to the investment of Rs.810,321,610 made in 23,712,200 shares of a Hotel Company on a decision taken by the Monetary Board of the Central Bank of Sri Lanka on 05 May 2010. The value of a share of that Company purchased at a cost of Rs.34.17 had diminished to Rs.13.20 in the Share Market as at 10 June 2014.
- (h) A sum of Rs.5,000,000,000 had been spent by the Fund in the year under review for the purchase of shares in a company consisting a group of hotels proposed to be newly constructed.



- (i) Out of the entire investment amounting to Rs.71,690,881,118 of the Fund as at 31 December 2013, the long term and short term investment made in 13 hotel companies amounted to Rs.9,642,243,784 and it represented 13.45 per cent of the total investment. The following observations are made in this connection.
- (i) The investments made in the Hotels Sector had increased as Rs.3,882,771,148, Rs.7,219,711,549, Rs.7,746,506,674 and Rs.9,642,243,784 at the end of the years 2010, 2011, 2012 and 2013 respectively while the benefit received during those years amounted to Rs.56,326,376, Rs.174,011,584, Rs.151,531,857 and Rs.275,738,400 respectively. The percentage of the benefit received on those investments had been 1.45per cent, 2.41per cent, 1.96 per cent and 2.86 per cent respectively.
- (ii) The Fund had not received any benefit from the long term and short term investments of Rs.3,243,292,787 made in eight Hotel Companies during the year 2013.
- (j) Even though the share price of a private communication company from which 20,942,989 shares were purchased at a cost of Rs.680,232,420 had increased, those shares had not been used for the transactions of the Share Market since the year 2009. As such, the Fund had failed to yield capital gains from the sale of those shares. Even though the percentages of dividend income received in respect of that investment during the years 2008,2009,2010,2011,2012,and 2013 had been 3.39, 3.39, 0.81, 1.67, 2.62,and 3.02, that income had been at a very weak level as compared with the investment made.
- (k) The total capital gains received as at 30 September 2014 from the transactions of the Share Market in relation to the short term and long term investment of Rs.71,690,881,118 made by the Fund in the Share Market as at 31 December 2013 had been Rs.1,596,584,599 and it represented a marginal value of 2.23 per cent.



- (l) The entire long term investment made by the Fund in 67 officially listed companies as at 31 December 2013 had been Rs.71,128,266,562. Out of that investment, a sum of Rs.56,379,044,262 had been invested only in 26 companies while the percentage of income received during the year 2014 from investments made in 19 companies had been in a range between 0.37 and 7.33 per cent. The Fund had not received any income whatsoever from the investment totalling Rs.10,315,949,306 made in the remaining seven companies.

4:2 Staff Administration

The following observations are made with regard to the information on the staff attached to the Fund by the Department of Labour and the Central Bank of Sri Lanka.

- (a) Approved cadre of the Employees' Provident Fund of the Department of Labour as at 31 December 2013 had been 228 while the actual cadre had been 176 as at that date. Accordingly, 52 vacancies existed.

It was emphasized at the Committee On Public Accounts held on 19 August 2014 that immediate action should be taken by the Chief Accounting Officer to fill the vacancies existing in the Department of Labour.

- (b) There was no approved staff of the Central Bank of Sri Lanka for the Employees' Provident Fund while a staff of 120 and 138 had been employed in the years 2012 and 2013 respectively.
- (c) The cost on salaries of the employees attached by the Department of Labour and the Central Bank of Sri Lanka in the year 2013 had been as follows.



	Number of Attached Employees	Cost on Employees	Cost per Employee
	-----	-----	-----
		Rs.	Rs.
Department of Labour	176	234,664,284	1,333,320
Central Bank of Sri Lanka	120	334,145,376	2,784,545

The cost per employee of the Central Bank of Sri Lanka had indicated an increase of 108.8 per cent as compared with the cost per employee of the Department of Labour in the Employees' Provident Fund.

4.3 Operating Inefficiencies

Even though 395 Tablets purchased at a cost of Rs.34,967,296 in respect of the Labour officers during the year under review had been distributed among the Labour Officers and the Staff Grade Officers, activities of the Project for the Computerization of Labour Inspections had not been carried out even by 31 December 2014.

5. Accountability and Good Governance

5:1 Internal Audit

The internal audit relevant to the activities of the Fund had been carried out by the Department of Labour and due to the inadequacy of staff, limited areas of the Fund only had been covered. The Central Bank of Sri Lanka had outsourced the internal audit of the financial control of the Fund to a private audit firm and the audit fees paid in that connection during the year 2013 amounted to Rs.6,494,880.



5.2 Observations on Unresolved Audit Paragraphs

The major audit paragraphs that remained unresolved up to the date despite being reported in the year 2011 are given below.

- (a) Failure to inspect 4,911 institutions out of the 7,543 active employer institutions belonging to the District Labour Office, Colombo North or 65 per cent of the total number of institutions by Labour Officers for over a period of one year.
- (b) Non-recovery of the contributions and surcharges amounting to Rs.87,546,668 even by 31 May 2014 which should be newly credited to the accounts of the members from the employer institutions of 02 District Labour Offices due to the stoppage of Court actions halfway.
- (c) Non-recovery of the outstanding contributions and surcharges amounting to Rs.176,215,549 recoverable to the Fund from the employer institutions belonging to the District Labour Office Maharagama even by 31 May 2014.
- (d) Failure to recover the contributions to the Employees' Provident Fund amounting to Rs.1,692,078 as further action had not been taken despite the warrants being issued in respect of two Court cases for the recovery of contributions by the District Labour Office, Kandy North.
- (e) Failure to recover the contributions amounting to Rs.9,255,876 even by 30 June 2014 relating to 20 pending Court Cases due to not producing adequate information to the Courts and lack of updated information.
- (f) Failure to complete the activities of the Project for Re-registration of Members which was implemented by the Fund in the year 2010 and payment of Rs.14,528,546 for machinery and the contractor in this connection.



- (g) Failure to obtain the contributions and surcharges amounting to Rs.16,803,661 recovered by the Magistrate's Court, Kandy from the decided cases during the period 1995 to 2003 from the Magistrate's Court.
- (h) Crediting the contributions of members of the Employees' Provident Fund and surcharges amounting to Rs.62,571,668 recovered through Court cases from the year 2005 to the year 2008 to the State Revenue without being credited to the personal accounts of the members due to the unavailability of accurate information with the Fund.
- (i) Even though it was stated that replies would be sent after conducting investigations on the matters pointed out in audit queries and the audit paragraphs No. 3.2.5(d) of the year 2009 and No. 3.2.1(c)(iii) of 2010 containing those matters relevant to the area of authority of the District Labour Office, Colombo Central such as the failure to recover the contributions and surcharges by filing cases, cases filed but failure to take further action, institutions defaulting the installment facilities given, non-recovery of money before liquidation of institutions, non-settlement of money deposited in the Suspense Account of the Employees' Provident Fund by producing C returns, non-crediting of contributions and surcharges received during the period 2003-2006 to the correct members' accounts and the non-recovery of outstanding surcharges amounting to Rs.313,452,501, such replies had not been furnished even up to 30 April 2014.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Commissioner General of Labour and the Governor of the Central Bank of Sri Lanka from time to time. Special attention is needed in respect of the following areas of control.



(a) Employees' Provident Fund Department of the Central Bank of Sri Lanka

- (i) Investments
- (ii) Outsourcing of Operations to External Parties

(b) Employees' Provident Fund Unit of the Department of Labour

- (i) Accounting
- (ii) Recovery of Contributions and Surcharges
- (iii) Fixed Assets
- (iv) Inspection of Employer Institutions

W.P.C. Wickramaratne
Acting Auditor General