

EMPLOYEES' PROVIDENT FUND
STATEMENT OF INCOME AND EXPENDITURE

For the year ended 31 st December	Note	2019			2018
		Monetary Board	Labour Dept.	Total	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Income	5	254,680,982	-	254,680,982	229,446,025
Dividend Income	6	6,247,497	-	6,247,497	3,887,578
Realised Capital Gain on Financial Assets	7	137	-	137	7,216
Net Gain/ (Loss) on Financial Instruments at Fair Value Through Profit or Loss	8	(1,890,010)	-	(1,890,010)	(10,901,286)
Impairment of Financial Assets	9	316	-	316	585
Investment Income		259,038,922	-	259,038,922	222,440,118
Other Income	10	277,363	6,421	283,784	402,979
Gross Income		259,316,285	6,421	259,322,706	222,843,097
Operating Expenses	11	(927,257)	(654,541)	(1,581,798)	(1,505,337)
Operating Profit/ (Loss) before Income Tax		258,389,028	(648,120)	257,740,908	221,337,760
Tax Expense	12	(34,964,552)	-	(34,964,552)	(30,720,357)
Profit/ (Loss) for the Year		223,424,476	(648,120)	222,776,356	190,617,403
Retained Profit brought Forward				159,475	268,002
Opening balance adjustment (Note 24.5)				-	2,202,948
Adjusted Opening Retained Profit				159,475	2,470,950
Capital Gain on Disposal of Unlisted Equity				90,000	-
Profit available for Distribution				223,025,831	193,088,353
Profit Distribution					
Less : Interest Paid on Current Year Refunds				(4,762,437)	(4,296,117)
Add/ (Less) - Transfer from / (to) Profit Equalisation Reserve				(7,700,000)	6,000,000
Interest on member balances as at 31 st December 2019 @ 9.25% (2018-9.50%)				(210,434,282)	(194,632,761)
Balance Carried Forward for the Next Year				129,112	159,475

The accounting policies and notes on pages 262 through 309 form an integral part of the Financial Statements.

The Monetary Board is responsible for the preparation of these Financial Statements.

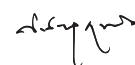
These Financial Statements were approved by the Monetary Board.

For and on behalf of the Monetary Board,



Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Date : 26 February 2020



A G U Thilakarathna
Superintendent
Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND
STATEMENT OF COMPREHENSIVE INCOME

<i>For the year ended 31st December</i>	Note	2019 Rs.'000	2018 Rs.'000
Profit for the Year		222,776,356	190,617,403
Other Comprehensive Income			
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	13	(7,249)	-
Total Comprehensive Income for the Year		222,769,107	190,617,403

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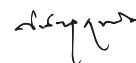
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EMPLOYEES' PROVIDENT FUND
STATEMENT OF FINANCIAL POSITION

<i>As at 31st December</i>	Note	2019 Rs. Rs.'000	2018 Rs. Rs.'000
Assets			
Property, Plant and Equipment	14	270,886	286,150
Intangible Assets	15	3,618	4,220
Equity Instruments at FVOCI	16	9,502,643	9,914,892
Equity Instruments at FVTPL	17	65,907,115	64,937,663
Debt Instruments at Amortised Cost	18	2,473,311,184	2,223,978,499
Inventories		10,646	10,020
Interest Receivables		531,207	783,109
Contribution Receivable		13,468,914	12,574,614
Other Current Assets	19	628,308	1,057,336
Cash and Cash Equivalents	20	3,167,118	3,419,043
		2,566,801,639	2,316,965,546
Liabilities			
Accounts Payable	21	3,598	3,677
Accrual Expenses		285,576	249,485
Other Current Liabilities	22	26,074,006	27,351,459
		26,363,180	27,604,621
Total Net Assets			
		2,540,438,459	2,289,360,925
Represented by,			
Member Balances	23	2,497,609,596	2,254,194,450
Reserves	24	42,699,751	35,007,000
Retained Profit		129,112	159,475
		42,828,863	35,166,475
Total Net Worth of the Fund			
		2,540,438,459	2,289,360,925

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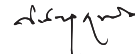
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Superintendent
Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND
RECEIPTS AND PAYMENTS ACCOUNT

For the year ended 31 st December	Note	2019			2018
		Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Cash balance at the beginning of the year		3,419,078	77,256	3,496,334	3,331,637
Total Receipts	25	405,609,727	640,660	406,250,387	353,088,148
Total Payments	26	(405,861,651)	(672,697)	(406,534,348)	(352,923,451)
Cash balance at the end of the year		3,167,154	45,219	3,212,373	3,496,334

The accounting policies and notes on pages 262 through 309 form an integral part of the Financial Statements.

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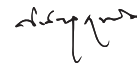
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Superintendent
Employees' Provident Fund

**EMPLOYEES' PROVIDENT FUND
STATEMENT OF INVESTMENTS**

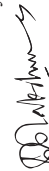
Class of Investment	Note	Face value Rs.'000	Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Book Value Rs.'000
As at 31st December 2019						
Treasury Bonds	18.1.1	2,381,927,053	2,262,943,811	2,455,954,830	2,382,459,525	2,382,459,525
Treasury Bills	18.1.2	8,250,000	7,586,701	7,908,078	7,941,165	7,941,165
Corporate Debt Instruments	18.2/18.6	40,871,549	40,876,549	40,401,187	41,844,551	41,841,330
Trust Certificates	18.3	424,395	263,750	406,532	406,532	406,518
Reverse Repo	18.4	15,600,000	15,600,000	15,630,972	15,630,972	15,630,972
Fixed Deposits	18.5	25,000,000	25,000,000	25,031,914	25,031,914	25,031,674
Listed Equities	16.1/17.1	-	83,695,978	66,268,769	83,695,978	66,268,769
Unlisted Equities	16.2	-	9,640,989	9,140,989	9,640,989	9,140,989
		2,472,072,997	2,445,607,779	2,620,743,271	2,566,651,626	2,548,720,942
As at 31st December 2018						
Treasury Bonds	18.1.1	2,110,854,987	1,970,722,277	2,017,224,894	2,084,497,740	2,084,497,740
Treasury Bills	18.1.2	36,321,220	33,398,583	34,413,982	34,733,240	34,733,240
Corporate Debt Instruments	18.2/18.6	42,962,299	42,962,502	41,989,973	43,658,095	43,654,523
Trust Certificates	18.3	1,230,857	831,235	1,132,594	1,132,594	1,132,558
Reverse Repo	18.4	26,325,000	26,325,000	26,350,903	26,350,903	26,350,903
Fixed Deposits	18.5	32,500,000	32,500,000	33,609,718	33,609,718	33,609,534
Listed Equities	17	-	80,467,243	64,937,663	80,467,243	64,937,663
Unlisted Equities	16.2	-	10,414,892	9,914,892	10,414,892	9,914,892
		2,250,194,363	2,197,621,733	2,229,574,618	2,314,864,426	2,298,831,054

The accounting policies and notes on pages 262 through 309 form an integral part of the Financial Statements.

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For and on behalf of the Monetary Board



Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Date : 26 February 2020



A G U Thilakarathna
Superintendent
Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND
STATEMENT OF CASH FLOWS

<i>For the year ended 31st December</i>	2019 Rs.'000	2018 Rs.'000
Cash flows from operating activities		
Interest received from Investments	241,250,083	198,799,665
Dividends received from equities	5,474,453	3,045,185
Surcharges and other income	282,880	402,031
Recoveries from receivables	376,876	4,897,839
Payment of operating expenses	(1,214,420)	(1,197,440)
Advances given	(5,061)	(3,220)
Settlement of Creditors and other payables	(3,389,714)	(4,226,687)
Cash generated from operating activities	242,775,097	201,717,372
Taxes Paid	(36,180,154)	(5,437,603)
Net cash generated from operating activities	206,594,943	196,279,770
Cash flows from investing activities		
Investments in Financial Assets	(2,350,205,044)	(1,039,650,828)
Maturities of Investments	2,111,474,111	805,119,460
Proceeds on sale of Financial Investments	999,116	-
Acquisition of Property, Plant and Equipment	(31,105)	(39,606)
Net cash used in investing activities	(237,762,922)	(234,570,974)
Cash flow from financing activities:		
Contributions received	157,247,216	144,996,456
General Deposit Account - Labour Department	44,228	14,301
Refunds to Members	(126,330,170)	(106,497,162)
Net cash generated from financing activities	30,961,274	38,513,595
Net increase in cash and cash equivalents	(206,705)	222,391
Cash and Cash equivalents at the beginning of the year	3,419,078	3,273,943
Cash and cash equivalents at the end of the year-Before Adjustments	3,212,373	3,496,334
Adjustments:		
Cash balance at the end of the year - Labour Department	(45,219)	(77,256)
Cash and cash equivalents at the end of the year (Note A)	3,167,154	3,419,078
Note A		
Analysis of Cash and Cash equivalents as at 31 st December:		
Cash in Hand	20	20
Cash in Transit	156,334	-
Cash at Bank	3,010,800	3,419,058
	3,167,154	3,419,078
(-) Provision for impairment	(36)	(35)
	3,167,118	3,419,043

**EMPLOYEES' PROVIDENT FUND
STATEMENT OF CHANGES IN EQUITY / MEMBERS' WEALTH**

Description	Members Balance	Building Reserve Fund	Technology Advancement Reserve Fund	Profit Equalisation Reserve Fund	General Reserve Fund	Investment Revaluation Reserve	Retained Profit	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st December 2017	2,020,782,471	3,157,000	350,000	30,850,000	6,650,000	4,241,946	268,002	2,066,299,419
Impact of adopting SLFRS 09 (Note 34.2)	-	-	-	-	-	(4,241,946)	2,206,626	(2,035,320)
Restated opening balance under SLFRS 09	2,020,782,471	3,157,000	350,000	30,850,000	6,650,000	-	2,474,628	2,064,264,098
Opening Balance adjustment to Retained Loss - Labour Department	-	-	-	-	-	-	(3,678)	(3,678)
Adjusted Opening Balance	2,020,782,471	3,157,000	350,000	30,850,000	6,650,000	-	2,470,950	2,064,260,420
Net Profit for the year - 2018	-	-	-	-	-	-	190,617,403	190,617,403
Net Contributions for 2018	58,779,219	-	-	-	-	-	-	58,779,219
Member Interest Paid on Refunds - 2018	-	-	-	-	-	-	(4,296,117)	(4,296,117)
Member Interest payable (2018 at 9.50%)	194,652,761	-	-	-	-	-	(194,652,761)	-
Transfers from Profit Equalization Reserve	-	-	-	(6,000,000)	-	-	6,000,000	-
Balance as at 31st December 2018	2,254,194,451	3,157,000	350,000	24,850,000	6,650,000	-	159,475	2,289,560,926
Net Profit for the year - 2019	-	-	-	-	-	-	222,776,356	222,776,356
Capital gain on disposal of unlisted shares	-	-	-	-	-	-	90,000	90,000
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	-	-	-	-	-	(7,249)	-	(7,249)
Net Contributions for 2019	52,980,863	-	-	-	-	-	-	52,980,863
Member Interest Paid on Refunds - 2019	-	-	-	-	-	-	(4,762,437)	(4,762,437)
Member Interest payable (2019 at 9.25%)	210,434,282	-	-	-	-	-	(210,434,282)	-
Transfers from Profit Equalization Reserve	-	-	-	7,700,000	-	-	(7,700,000)	-
Balance as at 31st December 2019	2,497,609,596	3,157,000	350,000	32,550,000	6,650,000	(7,249)	129,112	2,540,438,459

EMPLOYEES' PROVIDENT FUND

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

1.1 Reporting Entity

The Employees' Provident Fund ("EPF" or "the Fund") is a mandatory defined contributory retirement scheme for the private and semi government sector employees in Sri Lanka established under the EPF Act No.15 of 1958. 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 of Sri Lanka facilitates the Monetary Board in discharging its powers, duties and functions entrusted to it by the Act.

2. Basis of Accounting

2.1 Statement of Compliance

The financial statements of the Fund have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the EPF Act No. 15 of 1958.

In terms of the 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.

2.2 Responsibility for Financial Statements

The Monetary Board of Central Bank of Sri Lanka is responsible for the preparation and presentation of the Financial Statements of the Fund as per the provisions of the EPF Act No. 15 of 1958.

2.3 Approval of Financial Statements by the Monetary Board

The Financial Statements for the year ended 31st December 2019, were authorised for issue by the Monetary Board on 26th February 2020.

2.4 Basis of Preparation

The Financial Statements have been prepared on the historical cost basis, except for financial assets that have been measured at fair value or amortised cost as appropriately giving due consideration to the requirements of SLFRS 09 Financial Instruments and LKAS 26 Accounting and Reporting by Retirement Benefit Plans.

2.5 Functional and Presentation Currency

The Financial Statements of the Fund are presented in Sri Lankan Rupees, which is the functional and presentation currency of the Fund.

2.6 Use of Materiality, Offsetting and Rounding

Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

Offsetting

Assets and liabilities and income and expenses in the Financial Statements are not set off unless required or permitted by Sri Lanka Accounting Standards.

Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousands, except where otherwise indicated.

2.7 Use of Judgments, Estimates and Assumptions

In preparing these Financial Statements of the Fund, the Monetary Board has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosure of contingent liabilities. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

The Management considered the following items, where significant judgments, estimates and assumptions have been used in preparing these Financial Statements.

Going concern

The Management has made an assessment of Fund's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the Financial Statements of the Fund continued to be prepared on a going concern basis.

In addition to that specific accounting judgments, estimations and assumptions were used in following disclosures.

- Valuation of Financial Instruments
- The impairment of assets
- Depreciation of Property, Plant and Equipment
- Provision for liabilities

2.8 Events Occurring after the Reporting Period and Contingent Liabilities

All material events occurring after the Reporting Date has been considered when preparing the financial statements. Provisions and relevant disclosures have been made for all known liabilities.

3. Significant Accounting Policies

3.1 Recognition of Income 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 recognised in the Statement of Income and Expenditure 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.

3.1.1 Interest Income

Interest income is recognised in the Statement of Income and Expenditure for all interest bearing financial instruments on an accrual basis using the effective interest method. Interest income consists of coupon interest income and gain or loss on amortisation of discount or premium of the financial instruments.

3.1.2 Dividends

Dividend income is recognised when the Fund's right to receive the payment is established. Dividend income is presented net of any non-recoverable Withholding Taxes (WHT).

3.1.3 Gain on Sale of Financial Investments at Fair Value through Profit or Loss

Gain on Sale of Financial Investments at Fair Value Through Profit or Loss (FVTPL) comprises realised trading gains on disposal of listed shares and are presented in direct

income as sale of financial investments at fair value through profit or loss in the Statement of Income and Expenditure.

3.1.4 Gain on Disposal of Financial Investments at Fair Value through Other Comprehensive Income

Gain on Disposal of Financial Investments at Fair Value through Other Comprehensive Income (FVOCI) comprises realised capital gain on disposal of investment in equity securities classified as FVOCI, is directly transferred to retained earnings and no recycling impact is recorded in the Statement of Income and Expenditure.

3.1.5 Gain on Fair Valuation of Financial Investments at FVTPL

Fair Valuation changes on Financial Investments at FVTPL comprises unrealised gains on fair valuation (marked to market valuation) of listed equity, are presented in profit or loss as 'gain or loss on fair valuation of Financial Investments at Fair Value through Profit or Loss' in the Statement of Income and Expenditure.

3.1.6 Gain on Fair Valuation of Financial Investments at Fair Value through Other Comprehensive Income

Fair Valuation changes on Financial Investments at Fair Value through Other Comprehensive Income (FVOCI) comprises unrealised gains on fair valuation (marked to market valuation) of unlisted equity, if any are presented in other comprehensive income as gain or loss on fair valuation of Financial Investments at FVOCI in the Statement of Comprehensive Income.

3.1.7 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 benefit plans.

3.1.8 Income Tax

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

The fund is liable to pay income tax at the rate 10% until up to 31st March 2018 in accordance with the Inland Revenue Act No. 10 of 2006. As per the new Inland Revenue Act No 24 of 2017 with effective from 1st April 2018, the fund is liable to pay income tax at 14%.

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 amortise subsequently, the amortisation gain was recorded net of tax.

Accordingly, the proportion of WHT applicable for the income earned on Treasury bonds and bills for the year is added back to the amortisation gain account in order to give a fair view about the amortisation gain and the income tax expenditure. However due to the abolishment of WHT on government securities with the new inland revenue act, amortization of WHT was not considered with effect from 01st April 2018.

3.2 Assets

3.2.1 Financial Instruments

3.2.1.1 Initial Recognition, classification and subsequent measurement

The EPF classifies its financial assets into the following measurement categories:

- (i) Those to be measured at fair value (either through other comprehensive income, or through profit or loss); and
- (ii) Those to be measured at amortised cost

The classification depends on the EPF's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

(i) Financial assets measured at amortised cost

Debt instruments

Investments in debt instruments which are acquired principally to match the obligation of members, are measured at amortised cost where they:

- have contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost assuming a constant rate of return to maturity. The measurement of credit impairment is based on the three-stage expected credit loss model described below in Note 3.2.1.2 Impairment of financial assets.

(ii) Financial assets measured at fair value through other comprehensive income

Debt Instruments

Investments in debt instruments are measured at fair value through other comprehensive income where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal

- amount outstanding; and
- are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in profit and loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost. The expected credit loss model is described below in Note 3.2.1.2 Impairment of financial assets.

Equity instruments

Investment in equity instruments that are neither held for trading nor contingent consideration recognized by the EPF in a business combination to which SLFRS 3 'Business Combination' applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable election of adopting fair value through other comprehensive income, by default such investments shall be measured at fair value through profit and loss.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss.

(iii) Items at fair value through profit or loss

Items at fair value through profit or loss comprise:

(a) Items held for trading;

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Trading derivatives and trading securities are classified as held for trading and recognised at fair value.

(b) Items specifically designated as fair value through profit or loss on initial recognition

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value

through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

- (c) Debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

Derivative financial instruments and hedge accounting

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable, and typically comprise of instruments such as swaps, forward rate agreements, futures and options.

All derivatives are recognised in the balance sheet at fair value and are classified as trading except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. The carrying value of a derivative is remeasured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

3.2.1.2 Impairment of financial assets

The EPF applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

- Debt instruments measured at amortised cost and fair value through other comprehensive income;
- Loan commitments; and
- Financial guarantee contracts.

No ECL is recognised on equity investments.

Financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

EPF determines 12 month ECL from customers whom are not significantly credit deteriorated.

Stage 2: Lifetime ECL – not credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

In consistent with the policies of the EPF, rated below BBB- are considered to non-investment grade investments and EPF considers such investments as significant deterioration of credit risk incurred. Such investments are considered for life time ECL calculation.

Further, movements within the ratings of the investment grade stipulate significant deterioration of credit risk. Significant deterioration is measured through the two notches downgrade of the external credit rating of the counterparty since the origination of the instrument.

For sovereign instruments significant deterioration is defined as four notches downgrade of external credit rating of the counterparty.

Stage 3: Lifetime ECL – credit impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Determining the stage for impairment

At each reporting date, the EPF assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The EPF considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

The EPF assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry of the borrower and other relevant factors.

Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the EPF in accordance with the contract and the cash flows that the EPF expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the EPF if the commitment is drawn down and the cash flows that the EPF expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the EPF expects to recover.

For further details on how the EPF calculates ECLs including the use of forward looking information, refer to the Credit quality of financial assets section in Note 30.

ECLs are recognised using a provision for doubtful debts account in profit and loss. In the case of debt instruments measured at fair value through other comprehensive income, the measurement of ECLs is based on the three-stage approach as applied to financial assets at amortised cost. The EPF recognizes the provision charge in profit and loss, with the corresponding amount recognised in other comprehensive income, with no reduction in the carrying amount of the asset in the balance sheet.

3.2.1.3 Recognition and Derecognition of financial instruments

A financial asset or financial liability is recognised in the balance sheet when the EPF becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and receivables are recognised when cash is advanced (or settled) to the borrowers.

Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

The EPF derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the EPF is recognized as a separate asset or liability.

A financial liability is derecognised from the balance sheet when the EPF has discharged its obligation or the contract is cancelled or expires.

3.2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the EPF has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.2.1.5 Critical accounting assumptions and estimates

Assumptions made at each reporting date are based on best estimates at that date. Although the EPF has internal control systems in place to ensure that estimates are reliably measured, actual amounts may differ from those estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The accounting policies which are most sensitive to the use of judgement, estimates and assumptions are specified below.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where the classification of a financial asset or liability results in it being measured at fair value, wherever possible, the fair value is determined by reference to the quoted bid or offer price in the most advantageous active market to which the EPF has immediate access. An adjustment for credit risk is also incorporated into the fair value as appropriate.

Fair value for a net open position that is a financial liability quoted in an active market is the current offer price, and for a financial asset the bid price, multiplied by the number of units of the instrument held or issued.

Where no active market exists for a particular asset or liability, the EPF uses a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques, based on market conditions and risks existing at reporting date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.

3.2. 2. Property, Plant and Equipment (PPE)

Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Fund and cost of the asset can be measured reliably.

Measurement

All property, plant and equipment are initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (as explained under 'subsequent costs'). Purchased software which is integral to the functionality of the related equipment is capitalised as part of that equipment.

Cost model

Property, plant and equipment, is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When an asset's carrying value is higher than its estimated recoverable amount, the carrying value is written down to its recoverable amount (Please refer Note 3.2.6 - Impairment of non-financial assets).

Subsequent costs

When significant parts of a property, plant and equipment are required to be replaced at regular intervals, the Fund derecognises the replaced part, and recognises the new part with its own associated useful life and depreciates accordingly. Ongoing repair and maintenance costs are charged to profit or loss as incurred.

Derecognition

An item of property, plant and equipment is derecognised upon disposal, replacement or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in Profit or Loss in the period the asset is derecognised.

Depreciation

Depreciation is based on straight-line method over the estimated useful lives of the asset. Depreciation of an asset begins from the date it is available for use or in respect of self-constructed assets from the date that the asset is completed and ready for use. Depreciation ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

The estimated rates of depreciation of assets are follows;

Asset Class	Rate of Depreciation
Buildings	02%
Plant and Machinery	25%
Office Equipment	25%
Furniture & Fittings	10%
Motor Vehicles	20%
Computer Equipment	25%
(50% for the assets acquired before 31 st December 2016)	
Other	20%

Residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted if appropriate.

3.2.3 Intangible Assets

Computer software not integral to computer hardware are shown as intangible assets and recognised at cost. Subsequent to the initial recognition, they are carried at cost less any accumulated amortisation based on useful life of three years (two years for the software acquired before 31st December 2016).

3.2.4 Inventories

Inventories are consisted of consumable items and carried at weighted average cost.

3.2.5 Receivables

Receivables are carried at expected realisable value after making provision for impairment. All receivables are assessed for specific impairment by considering objective evidences.

3.2.6 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 asset 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 as well as the Retained Benefit 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 benefits are not retained for more than one accounting period in this account and transferred to unclaimed benefit Account.

3.3.3 Under Payments & Over Payments (Refunds)

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

3.3.4 Under Payments & Over Payments (Contribution)

The balance shown in the Under Payments & Over Payments (Contribution) Account represents contributions received but not credited to the member accounts, temporarily.

3.3.5 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.

3.3.6 De-recognition of Liabilities

Liabilities are de-recognised when they are extinguished, that is when the obligation is discharged, canceled, or expires.

3.4 Income Statement

EPF prepares its Income Statement using two separate statements i.e. Statement of Income & Expenditure and Statement of Comprehensive Income to show comprehensive income and other comprehensive income.

3.5 Statement of Cash Flows

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

3.6 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

4. Comparative Information

The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

5. Interest Income

<i>For the year ended 31st December</i>	2019			2018
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Interest on Treasury Bonds	244,237,536	-	244,237,536	212,232,470
Interest on Treasury Bills	2,124,533	-	2,124,533	6,026,390
Interest on Corporate Debt Securities - Listed	4,188,426	-	4,188,426	3,699,770
Interest on Corporate Debt Securities - Unlisted	798,429	-	798,429	1,283,769
Interest on Fixed Deposits	2,104,017	-	2,104,017	5,358,990
Interest on Trust Certificates	56,503	-	56,503	159,321
Interest on Reverse Repos	1,171,538	-	1,171,538	685,316
	254,680,982	-	254,680,982	229,446,025

As explained in note 12, EPF ceased to recognize amortised WHT paid on Treasury Bonds to the income with effect from 31.03.2018

6. Dividend Income

<i>For the year ended 31st December</i>	2019			2018
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Dividend from Equity Securities - Listed	2,435,989	-	2,435,989	2,663,693
Dividend from Equity Securities - Unlisted	3,673,501	-	3,673,501	1,095,986
Dividend from Unlisted Preference Shares	138,007	-	138,007	127,900
	6,247,497	-	6,247,497	3,887,578

7. Realised Capital Gain/ (Loss) on Financial Assets

<i>For the year ended 31st December</i>	2019			2018
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Gain on dealing of Shares - FVTP	-	-	-	7,216
Gain on dealing of Treasury Bills	137	-	137	-
	137	-	137	7,216

8. Net Gain/(Loss) on Financial Instruments at Fair Value Through Profit or Loss

<i>For the year ended 31st December</i>	2019			2018
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Listed Equity Securities	(1,890,010)	-	(1,890,010)	(10,901,286)
	(1,890,010)	-	(1,890,010)	(10,901,286)

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

9. Impairment of Financial Assets

<i>For the year ended 31st December</i>	2019	2018
	Rs.'000	Rs.'000
Under/ (Over) Provision for impairment; (Note 18 & 20)		
Corporate Debt Securities	(376)	(332)
Trust Certificate	(22)	(91)
Fixed Deposits	57	(159)
Preference Shares	24	(3)
Bank Balances	1	(1)
	<u>(316)</u>	<u>(585)</u>
Under/ (Over) Provision of Impairment / Impairment Expense	<u>(316)</u>	<u>(585)</u>

The impairment model was changed from Incurred Loss model to Expected Credit Loss Model w.e.f. 01.01.2018 according to the provisions given in SLFRS 09. Detailed information are given in Note 30.

10. Other Income

<i>For the year ended 31st December</i>	2019			2018
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Surcharges	277,348	-	277,348	367,196
Fee Income	-	-	-	17,558
Other Income	15	6,421	6,436	18,225
	<u>277,363</u>	<u>6,421</u>	<u>283,784</u>	<u>402,979</u>

11. Operating Expenses

<i>For the year ended 31st December</i>	2019			2018
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Personnel Expenses	631,843	430,755	1,062,598	967,371
Administration Expenses	235,442	215,257	450,699	469,986
Other Expenses	59,972	8,529	68,501	67,980
	<u>927,257</u>	<u>654,541</u>	<u>1,581,798</u>	<u>1,505,337</u>

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

12. Tax Expense

<i>For the year ended 31st December</i>	2019	2018
	Rs.'000	Rs.'000
Income Tax on Profit for the Year (12.1)	35,659,310	24,929,433
(Over)/ Under Provision in respect of Previous Years	(694,758)	917,466
Amortised WHT on Treasury Bonds	-	4,873,458
	<u>34,964,552</u>	<u>30,720,357</u>

Tax expenses comprises the estimated tax on the taxable income for the year and any adjustment to the tax estimates in respect of previous years. The amount of current year tax expense is the best estimate of the tax liability in terms of the applicable laws, directions and determinations.

Summary of significant provision applicable under relevant tax legislation

- (a) As per the Inland Revenue Act No 24 of 2017 with effective from 1st April 2018, the fund is liable to pay income tax at 14%.
- (b) The Fund recognized, WHT which was paid up front on Treasury Bond interest income as tax expense over the entire life of the Treasury Bond. However due to the abolishment of WHT on government securities with the new Inland Revenue Act, amortisation of WHT as tax expenses was not considered with effect from 01st April 2018.

12.1 Reconciliation between Profit before Tax & Taxable income

	2019	2018
	Total	Rs. '000
	Rs. '000	
Operating Profit/ (Loss) before Income Tax / Investment Income	257,740,908	222,440,118
Adjustment;		
Interest on Treasury Bond	-	(46,169,606)
Interest on Debenture	-	(1,091,830)
Interest on Trust Certificate	-	(52,220)
Interest on Fixed Deposit	-	(1,335,327)
Dividend Income	(6,247,497)	(3,887,578)
Capital Gain on Shares	-	(7,214)
Capital Gain on Treasury Bills	(137)	(2)
Amortisation Gain on Treasury Bond	-	(2,617,453)
Amortisation Loss on Debenture	-	41
Unrealised Loss/ (Gain) on Financial Instruments at Fair Value through Profit or Loss	1,890,010	10,901,286
Impairment Loss on Available for Sale Financial Asset	(316)	(585)
Other Income	-	402,979
Disallowed Expenses	1,326,391	-
Expenses Attributable to Other Income	-	(1,434)
Adjusted income for taxation	<u>254,709,359</u>	<u>178,581,175</u>
current tax expenses for the Fund		
10% (Up to 31.03.2018)	-	179,829
14% (after 01.04.2018)	35,659,310	24,749,604
	<u>35,659,310</u>	<u>24,929,433</u>

13. Net Gain/ (Loss) on financial assets fair value through other comprehensive income

<i>For the year ended 31st December</i>	2019	2018
	Total	Total
	Rs.'000	Rs.'000
Gain/ (Loss) on Equity	(7,249)	-
	<u>(7,249)</u>	<u>-</u>

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

14 Property, Plant and Equipment

14.1 Monetary Board & Labour Dept: - 2019

	Computer Equipment	Furniture and Fittings	Office Equipment	Motor Vehicles	Other	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost						
As at 01st January 2019	558,950	103,587	400,979	97,202	6,423	1,167,142
Additions during the year	6,082	6,412	17,288	-	-	29,782
Disposals During the year	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
As at 31st December 2019	565,032	109,999	418,267	97,202	6,423	1,196,924
Accumulated Depreciation						
As at 01st January 2019	467,845	80,259	272,662	56,093	4,132	880,992
Charge for the year	16,177	6,231	22,024	-	614	45,046
Disposals During the year	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
As at 31st December 2019	484,022	86,490	294,686	56,093	4,746	926,038
Net Book Value (NBV)						
As at 31st December 2019	81,010	23,509	123,581	41,109	1,677	270,886
As at 31st December 2018	91,105	23,328	128,317	41,109	2,291	286,150

Monetary Board & Labour Dept: - 2018

	Computer Equipment	Furniture and Fittings	Office Equipment	Motor Vehicles	Other	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost						
As at 01st January 2018	537,080	99,174	397,187	103,568	6,406	1,143,415
Additions during the year	26,206	4,413	5,111	-	18	35,748
Disposals During the year	-	-	-	-	-	-
Transfers/ Adjustments	(4,336)	-	(1,319)	(6,366)	-	(12,021)
As at 31st December 2018	558,950	103,587	400,979	97,202	6,423	1,167,142
Accumulated Depreciation						
As at 01st January 2018	457,691	71,520	251,759	60,295	3,478	844,743
Charge for the year	9,952	8,739	21,068	-	654	40,412
Disposals During the year	-	-	-	-	-	-
Transfers/ Adjustments	203	-	(165)	(4,202)	-	(4,163)
As at 31st December 2018	467,845	80,259	272,662	56,093	4,132	880,992
Net Book Value (NBV)						
As at 31st December 2018	91,105	23,328	128,317	41,109	2,291	286,150
As at 31st December 2017	79,389	27,654	145,428	43,273	2,928	298,672

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Property, Plant & Equipment Contd....

14.2

2019	Computer Equipment			Furniture and Fittings			Office Equipment			Motor Vehicles			Other			Total		
	Monetary Board	Labour Dept.	Rs.'000	Monetary Board	Labour Dept.	Rs.'000	Monetary Board	Labour Dept.	Rs.'000	Monetary Board	Labour Dept.	Rs.'000	Monetary Board	Labour Dept.	Rs.'000	Monetary Board	Labour Dept.	Rs.'000
Cost																		
As at 01 st January 2019	118,558	440,392	46,012	57,575	19,239	381,741	-	97,202	6,071	552	189,880	977,261	1,167,141					
Additions during the year	6,082	-	1,920	4,492	4,353	12,935	-	-	-	-	12,355	17,427	29,782					
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
As at 31st December 2019	124,640	440,392	47,932	62,067	23,592	394,676	-	97,202	6,071	552	202,235	994,688	1,196,923					
Accumulated Depreciation																		
As at 01 st January 2019	111,489	356,357	31,207	49,052	15,972	256,690	-	56,094	3,780	352	162,446	718,545	880,991					
Charge for the year	2,240	13,937	3,597	2,634	1,969	20,055	-	-	614	-	8,420	36,626	45,046					
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
As at 31st December 2019	113,729	370,294	34,804	51,686	17,941	276,745	-	56,094	4,394	552	170,866	755,171	926,037					
NBV as at 31st December 2019	10,911	70,098	13,128	10,381	5,651	117,930	-	41,109	1,678	-	31,369	259,517	270,886					
NBV as at 31st December 2018	7,069	84,035	14,805	8,523	3,267	125,051	-	41,109	2,291	-	27,434	258,716	286,150					

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Property, Plant & Equipment Contd....

2018	Computer Equipments			Office Furniture and Fittings			Office Equipments			Motor Vehicles			Other			Total		
	Monetary Board	Labour Dept.	Rs.'000	Monetary Board	Labour Dept.	Rs.'000	Monetary Board	Labour Dept.	Rs.'000	Monetary Board	Labour Dept.	Rs.'000	Monetary Board	Labour Dept.	Rs.'000	Monetary Board	Labour Dept.	Rs.'000
Cost																		
As at 01st January 2018	114,620	422,460	46,012	53,162	18,644	378,543	-	103,568	6,054	352	185,330	958,085	1,143,415					
Additions during the year	3,938	22,269	-	4,413	595	4,516	-	-	18	-	4,550	31,198	35,748					
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-					
Transfers/ Adjustments	-	(4,336)	-	-	-	(1,319)	-	(6,366)	-	-	-	(12,021)	(12,021)					
As at 31st December 2018	118,558	440,392	46,012	57,575	19,239	381,741	-	97,202	6,071	352	189,880	977,261	1,167,141					
Accumulated Depreciation																		
As at 01st January 2018	109,046	348,645	27,684	43,856	13,984	237,775	-	60,295	3,126	352	153,840	690,903	844,743					
Charge for the year	2,442	7,510	3,523	5,216	1,988	19,080	-	-	654	-	8,606	31,805	40,412					
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-					
Transfers/ Adjustments	-	203	-	-	-	(165)	-	(4,202)	-	-	-	(4,163)	(4,163)					
As at 31st December 2018	111,489	356,357	31,207	49,052	15,972	256,690	-	56,094	3,780	352	162,446	718,545	880,991					
NBV as at 31st December 2018	7,069	84,035	14,805	8,523	3,267	125,051	-	41,109	2,291	-	27,434	258,717	286,150					
NBV as at 31st December 2017	5,574	73,815	18,328	9,326	4,660	140,768	-	43,273	2,928	-	31,490	267,182	298,672					

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

15. Intangible Assets

Computer Software	2019			2018
	Monetary Board	Labour Dept.	Total	Total
Cost	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01 st January	54,242	4,626	38,868	33,866
Acquisitions during the Year	1,348	-	1,348	5,002
As 31st December	35,590	4,626	40,216	38,868
Amortisation				
As at 01 st January	33,009	1,639	34,648	32,729
Amortisation during the period	408	1,542	1,950	1,919
As 31st December	33,417	3,181	36,598	34,648
Net book value				
As at 01 st January	1,233	2,987	4,220	1,137
As 31st December	2,173	1,445	3,618	4,220

16. Equity Instruments at Fair Value through Other Comprehensive Income

<i>As at 31st December</i>	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Investments in equity	Rs.'000	Rs.'000	Rs.'000	Rs.'000
listed Equity (Note 16.1)	368,903	361,654	-	-
Unlisted Equity (Note 16.2)	9,640,989	9,140,989	10,414,892	9,914,892
Total Equity Instruments at FVOCI	10,009,892	9,502,643	10,414,892	9,914,892

The unlisted equities are continued to be accounted at cost since there is no reliable measure of fair value, except for Sri Lankan Airlines. A separate disclosure is given in Note 31 for estimated fair values.

16.1 Listed Equity

<i>As at 31st December</i>	2019		2018	
	Cost	Book value	Cost	Book value
Company Name	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Laugfs Gas Power Limited - Voting	281,261	289,489	-	-
Laugfs Gas Power Limited - Non Voting	87,642	72,165	-	-
	368,903	361,654	-	-

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

16.2 Unlisted Equity

<i>As at 31st December</i>	2019		2018	
	Cost Rs.'000	Book value Rs.'000	Cost Rs.'000	Book value Rs.'000
Company Name				
Canwill Holdings (Pvt) Ltd.	5,000,000	5,000,000	5,000,000	5,000,000
Cargills Bank Limited	495,000	495,000	495,000	495,000
Fitch Ratings Lanka Limited	625	625	625	625
Sri Lankan Airlines	500,000	0.1	500,000	0.1
Weligama Hotel Properties (Pvt) Ltd	-	-	405,000	405,000
Laugfs Gas Eco Sri Limited - Voting	62,282	62,282	62,282	62,282
Laugfs Gas Eco Sri Limited - Non Voting	19,407	19,407	19,407	19,407
Laugfs Gas Leisure Limited - Voting	448,820	448,820	448,820	448,820
Laugfs Gas Leisure Limited - Non Voting	139,855	139,855	139,855	139,855
Laugfs Gas Power Limited - Voting	-	-	281,261	281,261
Laugfs Gas Power Limited - Non Voting	-	-	87,642	87,642
West Coast Power (Pvt) Ltd	2,975,000	2,975,000	2,975,000	2,975,000
	9,640,989	9,140,989	10,414,892	9,914,892

Due to the corporate restructuring of Laugfs Gas plc, the Fund has become a shareholder of Laugfs Gas Eco Sri Ltd, Laugfs Gas Leisure Ltd, Laugfs Gas Power Ltd. The Shares of Laugfs Gas Power Limited were Listed on the Colombo Stock Exchange on 30.10.2019.

In April 2019 equity investment in Weligama Hotel Properties (Pvt) Ltd was sold to HPL Properties (West Asia) Pte Ltd for Rs. 495 Mn. The resulted capital gain of Rs. 90 Mn has been transferred to the retained Profit.

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

17. Equity Instruments at FVTPL

As at 31 st December	2019		2018	
	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Investments in equity Listed Equity (Note 17.1)	83,327,075	65,907,115	80,467,243	64,937,663
Total Equity Instruments at FVTPL	83,327,075	65,907,115	80,467,243	64,937,663

17.1 Listed Equity

As at 31 st December	2019		2018	
	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Company Name	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Access Engineering PLC	448,736	446,427	448,736	288,744
ACL Cables PLC	155,514	339,677	155,514	218,575
ACL Plastics PLC	19,893	24,490	19,893	11,327
Aitken Spence PLC	1,997,136	957,480	1,997,136	984,249
Aitken Spence Hotel Holdings PLC	1,710,207	853,693	1,710,207	850,543
Amaya Leisure PLC	348,646	190,625	348,646	207,766
Asian Hotels & Properties PLC	3,273,782	1,832,617	3,273,782	1,941,216
Asiri Surgical Hospital PLC	1,681	2,401	1,681	2,354
Bairaha Farms PLC_Voting Shares	5,274	3,974	5,274	4,425
Balangoda Plantations PLC	40,338	16,213	40,338	17,159
Bogawantalawa Tea Estates PLC	1,463	850	1,463	776
Browns & Company PLC	1,799,560	504,076	1,799,560	421,792
Browns Capital PLC	-	-	525	367
Browns Investment PLC - Voting	-	-	3,690	3,957
Bukith Darah PLC	2,310,610	657,596	2,310,610	586,150
C W Mackie PLC	12,644	6,288	12,644	6,149
Cargills (Ceylon) PLC	1,372,001	1,622,615	1,372,001	1,681,467
Carson Cumberbatch PLC	2,607,240	1,064,491	2,607,240	953,560
Central Finance Company PLC	2,684,195	2,464,943	2,666,017	2,083,117
Ceylon Grain Elevators PLC	1,005,585	366,513	1,005,585	318,358
Ceylon Guardian Investment PLC	555,487	271,117	555,487	196,285
Ceylon Hospitals PLC - Voting	106,534	84,005	106,534	76,574
Ceylon Hospitals PLC (NV)	25,411	77,805	25,411	79,652
Ceylon Hotels Corporation PLC	711,243	253,928	711,243	258,232
Ceylon Tea Services PLC	1,082,639	906,902	1,082,639	977,901
Ceylon Theatres PLC	1,086,557	1,292,183	1,086,557	1,310,631
Chemnex PLC	1,454	1,362	1,454	1,153
Chevron Lubricant Lanka PLC	49,564	76,092	49,564	73,959
CIC Holdings PLC - Non Voting	221,726	132,253	221,726	83,353
CIC Holdings PLC Voting	694,300	396,268	694,300	261,537
Colombo Dockyard PLC	2,791,809	728,129	2,791,809	652,967
Commercial Bank of Ceylon PLC	9,385,626	8,793,072	9,228,951	10,475,382
DFCC Bank PLC	3,395,968	2,239,511	3,395,968	2,266,317
Dialog Axiata PLC	2,255,649	2,920,316	1,742,543	1,825,950
Diesel & Motor Engineering PLC	1,625,690	564,883	1,625,690	606,367

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

17.1 Continued...

As at 31 st December	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Company Name	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dipped Products PLC	866,679	641,532	866,679	649,169
Expolanka Holdings PLC - Voting	8,421	4,929	8,421	3,866
Galadari Hotels (Lanka) PLC	810,322	215,781	810,322	163,614
Hatton National bank PLC	6,655,723	6,736,308	6,539,703	8,248,574
Haycarb PLC	238,460	269,337	238,460	184,283
Hayleys Fabrics PLC	213,592	99,179	213,592	50,421
Hayleys PLC	1,096,572	660,531	1,096,572	706,228
Jetwing Symphony PLC	390,000	400,636	390,000	425,455
John Keells Holdings PLC	1,597,949	1,702,702	1,597,949	1,622,444
John Keells Hotels PLC	1,166,289	910,304	1,166,289	612,101
Kegalle Plantations PLC	24,734	7,277	24,734	6,727
Kelani Tyres PLC	98,635	77,068	98,635	55,781
Lanka IOC PLC	76,437	44,585	76,437	57,725
Lanka Orix Leasing Company PLC	1,611,013	2,694,851	1,611,013	1,364,885
Lanka Tiles PLC	406,130	381,070	406,130	363,184
Lankem Ceylon PLC	4,349	765	4,349	750
Laugfs Gas PLC - Non Voting	459,439	238,145	459,439	277,836
Laugfs Gas PLC - Voting	1,891,758	1,013,211	1,891,758	1,082,689
Lighthouse Hotel PLC	309,422	187,629	309,422	148,476
Mackwoods Energy PLC	35,759	7,017	35,759	6,666
Malwatte Valley Plantations PLC	8,783	4,910	8,783	6,178
Malwatte Valley Plantations PLC - Non Voting	3,101	1,384	3,101	1,419
National Development Bank PLC	2,125,763	2,217,997	2,004,162	2,246,187
Nations Trust Bank PLC	8,573	10,181	8,329	11,111
Nawaloka Hospitals PLC	21,565	23,508	21,565	29,076
Nestle Lanka PLC	21,687	129,980	21,687	170,000
Palm Garden Hotel PLC	54,109	7,279	54,109	5,748
People's Leasing & Finance PLC	1,540,771	1,581,384	1,503,899	1,397,706
Pyramal Glass Ceylon PLC	541,434	406,427	541,434	343,205
Raigam Wayamba Salterns PLC	153,682	102,753	153,682	76,113
Richard Pieris & Company PLC	1,647,208	2,004,814	1,647,208	1,783,945
Royal Ceremics Lanka PLC	1,633,878	1,352,103	1,633,878	1,139,739
Sampath Bank PLC	6,697,680	6,177,901	5,219,089	6,583,112
Seylan Bank PLC	1,505,516	1,301,447	1,193,871	1,415,550
Seylan Bank PLC - Non Voting	459,693	454,589	360,619	431,986
Seylan Developments PLC	1,416	1,150	1,416	1,100
Sierra Cables PLC	33	29	33	19
Softlogic Holdings PLC	133,137	114,965	133,137	155,456
Sri Lanka Telecom PLC	857,619	807,839	857,619	592,584
Taj Lanka Hotels PLC	343,942	107,105	343,942	96,692
Tangerine Beach Hotels PLC	147,658	65,179	147,658	59,313
Tea Smallholder Factories PLC	440	220	440	208
Teejay Lanka	12,042	15,702	-	-
The Finance Company PLC	205,490	-	205,490	10,182
The Kingsbury PLC	555,502	334,835	555,502	388,511
Tokyo Cement Company (Lanka) PLC -NV	134,651	221,226	134,651	129,801
Trans Asia Hotels PLC	263,155	299,445	263,155	377,206
Vallibel One PLC	2,502,708	1,777,111	2,502,708	1,726,336
	83,327,075	65,907,115	80,467,243	64,937,663

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

18. Debt Instruments at Amortised Cost

As at 31 st December	2019				2018			
	Face Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000
Investments in Government Securities								
Treasury Bonds (Note 18.1.1)	2,381,927,053	2,262,943,811	2,455,954,830	2,382,459,525	2,110,854,987	1,970,722,277	2,017,224,894	2,084,497,740
Treasury Bills (Note 18.1.2)	8,250,000	7,586,701	7,908,078	7,941,165	36,321,220	33,598,583	34,413,982	34,733,240
	2,390,177,053	2,270,530,512	2,463,862,908	2,390,400,690	2,147,176,207	2,004,120,860	2,051,638,875	2,119,230,980
Investments in Debentures								
Listed (Note 18.2.1)	33,151,549	33,151,549	32,660,804	34,104,168	35,237,299	35,237,502	34,259,759	35,927,881
Unlisted (Note 18.2.2)	6,720,000	6,720,000	6,727,202	6,727,202	6,720,000	6,720,000	6,724,941	6,724,941
Less: Provision for Impairment	-	-	-	(2,985)	-	-	-	(3,359)
	39,871,549	39,871,549	39,388,006	40,828,387	41,957,299	41,957,502	40,984,699	42,649,463
Investments in Trust Certificates (18.3)	424,395	263,750	406,532	406,532	1,230,857	831,235	1,132,594	1,132,594
Less: Provision for Impairment	-	-	-	(14)	-	-	-	(36)
	424,395	263,750	406,532	406,518	1,230,857	831,235	1,132,594	1,132,558
Investments in Repo Transactions (18.4)	15,600,000	15,600,000	15,630,972	15,630,972	26,325,000	26,325,000	26,350,903	26,350,903
	15,600,000	15,600,000	15,630,972	15,630,972	26,325,000	26,325,000	26,350,903	26,350,903
Investments in Fixed Deposits (18.5)	25,000,000	25,000,000	25,031,914	25,031,914	32,500,000	32,500,000	33,609,718	33,609,718
Less: Provision for Impairment	-	-	-	(240)	-	-	-	(183)
	25,000,000	25,000,000	25,031,914	25,031,674	32,500,000	32,500,000	33,609,718	33,609,534
Investment in Preference Share - Unlisted (18.6)	1,000,000	1,005,000	1,013,181	1,013,181	1,000,000	1,005,000	1,005,273	1,005,273
Less: Provision for Impairment	-	-	-	(238)	-	-	-	(214)
	1,000,000	1,005,000	1,013,181	1,012,943	1,000,000	1,005,000	1,005,273	1,005,060
Total investments in Debt Instruments at Amortised Cost	2,472,072,997	2,552,270,811	2,545,333,513	2,473,311,184	2,250,189,363	2,106,739,598	2,154,722,063	2,223,978,499

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Movement of Impairment for Debt Instruments
at Amortised Cost

	Provision as at 31.12.2019	Provision as at 31.12.2018	Over/ (Under) Provision
	Rs'000	Rs'000	Rs'000
Impairment allowance for			
Corporate Debt Securities	2,983	3,559	376
Trust Certificates	14	36	22
Fixed Deposits	240	183	(57)
Preference Shares	258	214	(24)
	3,475	3,792	317

The impairment model was changed from Incurred Loss model to Expected Credit Loss Model according to the provisions given in SLFRS 09. Detailed information are given in Note 30.

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

18.1 Investments in Government Securities

18.1.1 Treasury Bonds

	Year of Maturity	2019				2018			
		Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000
Government of Sri Lanka Treasury Bonds	2019	-	-	-	-	87,775,141	81,541,990	87,165,981	88,493,146
	2020	109,554,500	92,340,855	109,167,871	109,902,815	109,554,500	92,340,855	105,045,591	107,113,671
	2021	73,390,000	71,700,957	75,513,641	74,653,357	73,390,000	71,700,957	72,464,694	74,313,264
	2022	101,262,710	89,189,172	101,883,894	101,716,078	101,262,710	89,189,172	95,940,579	100,125,736
	2023	190,753,886	181,568,924	191,425,785	191,255,352	167,753,886	158,211,663	163,200,644	167,292,654
	2024	102,634,296	101,788,143	107,430,018	105,609,686	72,884,296	71,691,079	71,186,141	74,804,254
	2025	195,576,857	197,205,095	201,084,355	202,000,999	193,399,917	194,970,261	193,068,667	199,804,126
	2026	232,038,858	186,184,062	220,957,993	207,334,211	224,869,848	178,538,283	190,818,624	196,572,147
	2027	86,883,468	89,008,245	94,421,040	90,094,353	51,308,238	52,311,903	52,201,694	52,483,255
	2028	350,059,950	316,314,209	348,433,076	333,703,645	269,000,680	232,709,101	239,623,661	248,390,356
	2029	136,753,233	158,418,418	160,210,926	159,587,079	114,303,233	132,499,474	129,504,428	135,240,989
	2030	69,028,947	70,968,352	72,968,843	71,312,801	53,550,000	54,419,853	53,824,553	55,024,955
	2031	68,205,000	69,074,674	73,126,536	70,362,269	-	-	-	-
	2032	96,042,350	61,692,658	83,891,498	69,457,637	96,042,350	61,692,658	65,226,028	68,572,345
	2033	227,369,648	204,387,444	227,981,679	214,180,167	227,369,648	204,387,444	206,708,519	213,670,486
	2034	91,008,330	105,711,919	107,807,672	109,400,938	75,158,330	89,874,726	88,578,472	93,585,070
	2035	97,296,810	105,737,672	105,992,712	107,119,737	52,823,000	56,736,818	55,299,921	58,234,988
	2039	13,659,000	13,746,969	13,861,399	14,074,384	-	-	-	-
	2041	26,700,000	27,737,826	30,276,572	29,314,076	26,700,000	27,737,826	27,725,925	29,327,925
	2043	30,676,000	22,309,955	26,796,253	22,823,512	30,676,000	22,309,955	22,533,246	22,769,671
	2044	78,263,210	92,355,217	97,215,248	93,062,483	78,263,210	92,355,217	92,028,586	93,180,571
	2045	4,770,000	5,503,044	5,507,819	5,493,906	4,770,000	5,503,044	5,079,140	5,498,131
		2,381,927,053	2,262,943,811	2,455,954,830	2,382,459,525	2,110,854,987	1,970,722,277	2,017,224,894	2,084,497,740

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

18.1 Investments in Government Securities

18.1.2 Treasury Bills

	As at 31 st December	Year of Maturity	2019				2018			
			Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000
Government of Sri Lanka Treasury Bills		2019	-	-	-	-	36,321,220	33,398,583	34,413,982	34,733,240
		2020	8,250,000	7,586,701	7,908,078	7,941,165	-	-	-	-
			8,250,000	7,586,701	7,908,078	7,941,165	36,321,220	33,398,583	34,413,982	34,733,240

The fair values of the Government Securities are based on the average of buying and selling quotes (Clean Price) as at 31st December 2019, published by the Central Bank of Sri Lanka.

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

18.2 Investments in Debentures

18.2.1 Corporate Debentures - Listed

	Year of Maturity	As at 31 st December				2019				2018			
		Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000
Hemas Holding PLC_11.00%p.a_2019	2019	-	-	-	-	81,980	81,980	81,570	81,980	81,980	81,570	84,259	
HNB Debenture _ 7.75% p.a	2019	-	-	-	-	2,000,000	2,000,000	1,700,000	2,000,000	2,000,000	1,700,000	1,960,572	
Lanka ORIX Leasing Company PLC Debenture 9% p.a	2019	-	-	-	-	100,000	100,203	91,000	100,000	100,203	91,000	100,037	
Pan Asia Banking Corporation PLC_9.5233% pa	2019	-	-	-	-	209,230	209,230	209,230	209,230	209,230	209,230	252,078	
Pan Asia Banking Corporation PLC_9.75% pa	2019	-	-	-	-	250,000	250,000	250,000	250,000	250,000	250,000	210,973	
RICHARD PIERIS AND COMPANY PLC 2019_11.25% p.a	2019	-	-	-	-	200,000	200,000	197,000	200,000	200,000	197,000	203,974	
Sampath Bank Debenture_ 8.10% p.a	2019	-	-	-	-	2,000,000	2,000,000	1,700,000	2,000,000	2,000,000	1,700,000	1,984,122	
Siyapatha Finance PLC -A	2019	-	-	-	-	500,000	500,000	498,500	500,000	500,000	498,500	518,342	
Central Finance Company PLC_2015-2020_9.52%op.a	2020	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	
DFCC Vardhana Bank Debenture 09.40%op.a	2020	500,000	500,000	500,000	526,325	500,000	500,000	526,397	500,000	500,000	526,397	526,397	
Lanka ORIX Finance PLC Debenture _ 9.25% p.a	2020	2,000,000	2,000,000	1,959,032	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
National Development Bank PLC_2015-2020_09.40%op.a	2020	2,000,000	2,000,000	1,740,000	2,000,000	2,000,000	2,000,000	1,740,000	2,000,000	2,000,000	1,740,000	2,000,000	
Pradeshya Sanwardana Bank Debenture_9.00% p.a	2020	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	
Seylan Bank Debenture_ 8.60%pa 2014/2020	2020	2,000,000	2,000,000	2,000,000	2,004,013	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,003,927	
Bank Of Ceylon_13.25%_2021	2021	1,141,892	1,141,892	1,145,774	1,142,718	1,141,892	1,141,892	1,141,892	1,141,892	1,141,892	1,141,892	1,142,721	
Commercial Bank Debentures Type A 2016-2021	2021	2,000,000	2,000,000	1,800,000	2,041,967	2,000,000	2,000,000	2,053,200	2,000,000	2,000,000	2,053,200	2,042,198	
HNB Debenture 11.50% p.a	2021	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
Hatton National Bank Type A 2016-2021	2021	444,790	444,790	444,790	453,500	444,790	444,790	453,381	444,790	444,790	453,381	453,381	
Nations Trust Bank Type A 2021 12.65%	2021	1,200,000	1,200,000	1,200,000	1,221,982	1,200,000	1,200,000	1,135,200	1,200,000	1,200,000	1,135,200	1,222,225	
People's Leasing Company 2016-2021	2021	1,000,000	1,000,000	1,000,000	1,015,492	1,000,000	1,000,000	999,600	1,000,000	1,000,000	999,600	1,015,534	

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

18.2 Debt Instruments at Amortised Cost (Contd...)

18.2.1 Investments in Debentures

18.2.1.1 Corporate Debentures - Listed

As at 31 st December	Year of Maturity	2019				2018			
		Face Value	Purchase Cost	Fair Value	Amortised Cost	Face Value	Purchase Cost	Fair Value	Amortised Cost
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
seylan debenture 15.07.2021	2021	1,000,000	1,000,000	1,000,000	1,060,383	1,000,000	1,000,000	1,000,000	1,060,054
Siyapatha Finance PLC - B	2021	200,000	200,000	206,000	207,598	200,000	200,000	200,000	207,619
Sampath Bank_12.50%_2022	2022	349,208	349,208	349,208	350,400	349,208	349,208	349,208	350,403
Bank of Ceylon_13.75%op.a	2023	134,090	134,090	137,067	137,516	134,090	134,090	134,090	137,525
Commercial Bank Debentures Type A 2018-2023	2023	2,000,000	2,000,000	2,000,000	2,106,521	2,000,000	2,000,000	2,000,000	2,105,662
DFCC Type B Debenture 12.75%_2023	2023	1,000,000	1,000,000	998,000	1,018,115	1,000,000	1,000,000	1,000,000	1,018,164
Hatton National Bank Type B 2016-2023	2023	1,000,000	1,000,000	1,000,000	1,021,667	1,000,000	1,000,000	1,000,000	1,021,370
National Development Bank PLC_2013-2023_13.90%op.a	2023	375,000	375,000	378,762	375,000	375,000	375,000	375,000	375,000
Nations Trust Bank PLC_12.65%_2018-2023	2023	1,000,000	1,000,000	1,000,000	1,025,231	1,000,000	1,000,000	1,000,000	1,025,300
People's Leasing & Finance PLC 2018-2023_12.80%	2023	666,000	666,000	666,000	726,093	666,000	666,000	666,000	726,257
Sampath Bank_12.50%_2018-2023	2023	2,000,000	2,000,000	1,990,280	2,070,355	2,000,000	2,000,000	2,000,000	2,070,548
seylan bank debenture 15.07.2016 to 15.07.2023	2023	1,000,000	1,000,000	1,000,000	1,063,866	1,000,000	1,000,000	1,000,000	1,063,519
Sampath Bank_13.9%_2024	2024	1,000,000	1,000,000	1,002,821	1,116,912	-	-	-	-
DFCC Type B Debenture 13.00%_2025	2025	1,000,000	1,000,000	1,000,000	1,098,743	1,000,000	1,000,000	1,000,000	1,099,014
National Development Bank PLC_2013-2025_14.00%op.a	2025	500,000	500,000	502,500	500,000	500,000	500,000	500,000	500,000
Commercial Bank Debentures Type B 2016-2026	2026	1,685,110	1,685,110	1,685,110	1,721,206	1,685,110	1,685,110	1,685,110	1,721,405
DFCC Bank_13.75%_2026	2026	555,460	555,460	555,460	613,681	-	-	-	-
HNB Debenture_12.80%_2026	2026	1,700,000	1,700,000	1,700,000	1,759,454	-	-	-	-
Sri Lanka Telecom PLC 2018-2028 12.75%	2028	1,000,000	1,000,000	1,000,000	1,025,430	1,000,000	1,000,000	1,000,000	1,025,500
		33,151,549	33,151,549	32,660,804	34,104,168	35,237,299	35,237,502	34,259,759	35,927,881

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

18.2 Investments in Debentures

18.2.2 Corporate Debentures - Unlisted

	As at 31 st December	Year of Maturity	2019				2018			
			Face Value	Purchase Cost	Fair Value	Amortised Cost	Face Value	Purchase Cost	Fair Value	Amortised Cost
			Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		2020	110,000	110,000	110,203	110,203	110,000	110,000	110,203	110,203
		2020	110,000	110,000	110,176	110,176	110,000	110,000	110,176	110,176
		2021	1,500,000	1,500,000	1,501,598	1,501,598	1,500,000	1,500,000	1,501,068	1,501,068
		2025	5,000,000	5,000,000	5,005,225	5,005,225	5,000,000	5,000,000	5,003,493	5,003,493
			6,720,000	6,720,000	6,727,202	6,727,202	6,720,000	6,720,000	6,724,941	6,724,941

The fair values of the corporate debentures - listed : are based on the spot prices as at 31st December 2019, published by the Colombo Stock Exchange. Unlisted debentures : amortised cost was considered as fair value as no information are available to estimate the fair value.

18.3 Investments in Trust Certificates

	As at 31 st December	Issuer	2019				2018			
			Face Value	Purchase Cost	Fair Value	Amortised Cost	Face Value	Purchase Cost	Fair Value	Amortised Cost
			Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
			424,595	263,750	406,532	406,532	1,230,857	831,235	1,132,594	1,132,594
		People's Leasing & Finance PLC TC	424,595	263,750	406,532	406,532	1,230,857	831,235	1,132,594	1,132,594

Amortised cost of trust certificates was considered as fair value as no information are available to estimate the fair value.

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

18.4 Investments in Repo Transactions

	2019 Rs.'000	2018 Rs.'000
Domestic Operations Department - Auctions	13,330,530	24,525,522
Domestic Operations Department - Standing Facility	2,300,442	1,825,381
	15,630,972	26,350,903

18.5 Investments in Fixed Deposits

	2019 Rs.'000	2018 Rs.'000
National Saving Bank	15,029,162	13,102,522
Bank of Ceylon	10,002,751	2,614,833
Peoples Bank	-	17,892,362
	25,031,914	33,609,718

18.6 Investments in Preference Shares

	2019		2018	
	Purchase Cost Rs.'000	Amortised Cost Rs.'000	Purchase Cost Rs.'000	Amortised Cost Rs.'000
Sri Lanka Catering (Pvt) Ltd	1,005,000	1,013,181	1,005,000	1,005,273
	1,005,000	1,013,181	1,005,000	1,005,273

19. Other Current Assets

<i>As at 31st December</i>	2019			2018
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Dividend Receivable	37,700	-	37,700	41,479
Other Receivables	127	-	127	683
Withholding Tax Receivable	39,866	-	39,866	119,613
Receivable-Mehewara Piyasa	-	-	-	376,334
Prepayments	13,198	12,109	25,307	17,683
Current Account C/L	7,587,880	(7,587,880)	-	-
CGL Imprest	-	525,308	525,308	501,545
	7,678,771	(7,050,463)	628,308	1,057,336

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

20. Cash and Cash Equivalents

<i>As at 31st December</i>	2019 Rs.'000	2018 Rs.'000
Cash in Hand	20	20
Cash at Bank	3,010,800	3,419,058
Cash in Transit	156,334	-
Less: Provision for impairment on Bank Balances (Note 20.1)	(36)	(35)
	3,167,118	3,419,043

20.1	Provision for impairment	as at 01.01.2019 Rs.'000	as at 31.12.2019 Rs.'000	Over/ (Under) Provision Rs.'000
	Bank Balances	35	36	(1)
		35	36	(1)

21. Accounts Payable

<i>As at 31st December</i>	2019			2018
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
	Vendors Payable	695	-	695
Retention Payable	2,905	-	2,905	2,984
	3,598	-	3,598	3,677

22. Other Current Liabilities

<i>As at 31st December</i>	2019			2018
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
	EPF Contributions Payable	30	-	30
Invoice Clearing - Inventory	(7,420)	-	(7,420)	(7,630)
Invoice Clearing - Assets/ Services	7,728	-	7,728	891
Income Tax Payable	22,392,742	-	22,392,742	24,182,938
Housing Loan Defaults Payable for Members	3,500,000	-	3,500,000	3,000,000
Refund Claims Payable	172,402	-	172,402	166,860
Provision for Gratuity	165	-	165	165
Investment Clearing A/C	8,357	-	8,357	8,204
Other Payables	2	-	2	2
	26,074,006	-	26,074,006	27,351,459

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

23. Member Balances

Description	Balance as at 01.01.2019	Debits during the year	Credits during the year	Balance as at 31.12.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Year Contribution - Contribution No 01 A/C	53,192,441	151,256,680	175,137,207	77,072,968
Statemented Contribution - Contribution No 02 A/C	1,980,422,999	183,524,923	384,939,854	2,181,837,930
Contribution from Comm. of Labour - CL No 01 A/C	10,354,632	7,389,771	7,746,000	10,710,861
U/P O/P Contributions A/C	1,795,637	581,022	628,647	1,843,262
Contribution for 1997/98 - 96 Contribution A/C	193	-	-	193
Members Collection A/C	11,115	160,483,446	160,477,267	4,936
Unclaimed Benefits	739,096	699,421	679,681	719,356
Retained Benefits	113,826	18,287	45,244	140,783
Refunds-Part payments(U/P O/P Refunds)	(298,660)	127,319,729	126,834,747	(783,642)
General Deposit Account maintained with Commissioner of Labour	328,286	-	70,220	398,506
Interest Payable	207,534,885	195,005,271	213,134,830	225,664,443
Total	2,254,194,450	826,278,551	1,069,693,697	2,497,609,596

24. Reserves

	Balance as at 01.01.2019	Transfer (from)/to during the year	Balance as at 31.12.2019
	Rs.'000	Rs.'000	Rs.'000
Investment Revaluation Reserve	-	(7,249)	(7,249)
Building Reserve Fund (24.1)	3,157,000	-	3,157,000
Technology Advancement Reserve Fund (24.2)	350,000	-	350,000
Profit Equalisation Reserve Fund (24.3)	24,850,000	7,700,000	32,550,000
General Reserve Fund (24.4)	6,650,000	-	6,650,000
Total	35,007,000	7,692,751	42,699,751

Transfers to these reserves except investment revaluation reserve are in accordance with the Section 5 (1) (KK) of the EPF Act which provides for establishing such reserves out of the income of the Fund as the Monetary Board may determine to meet any contingencies or any depreciation in the market value of the assets of the Fund.

24.1 Building revaluation reserve

Building revaluation reserve has been constituted for the purpose of construction of a building for the Fund.

24.2 Technology Advancement Reserve Fund (TARF)

TARF was established in 1998 with an initial allocation of Rs. 50 Mn in order to meet the expenditure on the progressive modernisation of the EPF system.

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

24.3 Profit Equalisation Reserve Fund (PERF)

Distributable income to the members can be affected by the wide fluctuations of market prices of the investments made by the Fund. PERF was established in 1998 to use in such a circumstance to avoid such an adverse impact on the distributable income to members of the Fund.

24.4 General Reserve Fund (GRF)

The purpose of the building up the GRF is to absorb losses that may arise from accidental occurrences, which are not covered by the existing reserves.

24.5 Retained Profit

Reconciliation of opening retained profit as at 01.01.2018 is as follows.

Opening Retained profit as at 01.01.2018		268,002
Adjustment on SLFRS 09 Transition	2,206,626	
Opening balance adjustment - Labour Department	(3,678)	2,202,948
Adjusted opening balance as at 01.01.2018		2,202,948

25. Receipts

For the year ended 31 st December	2019			2018
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Income - Interest from Investments	241,250,083	-	241,250,083	198,799,665
Contributions	157,247,216	-	157,247,216	144,996,456
Reimbursement of Expenses by the EPF-CBSL Imprest Account (Commissioner of Labour)	-	590,894	590,894	598,250
	-	(27,046)	(27,046)	93,085
General Deposit Account - (EPF Contributions)	-	71,274	71,274	(78,784)
Surcharges	277,348	-	277,348	367,342
Proceeds on sale of T. Bonds/T Bills	499,531	-	499,531	-
Proceeds on dealing of Shares	499,585	-	499,585	-
Receipts from Mehewara Piyasa	376,334	-	376,334	814
Dividends	5,474,453	-	5,474,453	3,045,185
Sundry Income	15	5,517	5,532	34,690
			-	
Debtors	521	21	542	4,897,025
Settlement of Advances	53	-	53	384
Unclaimed Benefits	(15,412)	-	(15,412)	334,037
Total	405,609,727	640,660	406,250,387	353,088,148

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

26 Payments

<i>For the year ended 31st December</i>	2019			2018
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Investments	2,350,205,044	-	2,350,205,044	1,039,650,828
Less - Maturity Proceeds	(2,111,474,111)	-	(2,111,474,111)	(805,119,460)
	238,730,933	-	238,730,933	234,531,368
Refunds	126,314,758	-	126,314,758	106,831,199
WHT paid on Investments	-	-	-	5,119,753
Operating Expenses	646,339	568,081	1,214,420	1,197,440
Settlement of creditors/payables	3,389,714	-	3,389,714	4,226,687
Reimbursement of expenses - Comm. Labour	590,894	-	590,894	598,250
Acquisition of Property, Plant and Equipments	8,184	22,921	31,105	39,606
Advances - Miscellaneous	675	4,439	5,114	3,604
Tax Paid	36,180,154	-	36,180,154	317,849
Adjustment: Cash Balance at the Beginning of the Year - Labour Department	-	77,256	77,256	57,694
Total	405,861,651	672,697	406,534,348	352,923,451

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

27. Movement of Investment

For the Year Ended 31st December 2019

Type of Investment	Opening Balance 01.01.2019	Investments	Maturities	Sales	Transfers/ Adjustment	Amortisation	WHT Adjustment	Interest Received	Prov. for Impairment	Valuation Gain/Loss	Closing Balance	2019	2018	Change %
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000			
Fair Value Through Profit or Loss Investments														
Listed Equity	64,937,663	2,864,047	-	4,585	-	-	-	-	-	(1,890,010)	65,907,115	2.6	2.8	(0.2)
Fair Value through Other Comprehensive Income														
Unlisted Equity	9,914,892	-	-	405,000	(368,903)	-	-	-	-	(1,890,010)	9,140,989	0.4	0.4	(0.1)
Listed Equity	-	-	-	-	568,903	-	-	-	-	(7,249)	561,654	0.0	-	0.0
	9,914,892	-	-	405,000	-	-	-	-	-	(7,249)	9,502,645	0.4	0.4	(0.1)
Debt Instruments at Amortised Cost														
Treasury Bonds	2,084,497,740	373,763,517	87,775,141	-	-	244,237,536	-	232,264,127	-	-	2,382,459,525	93.5	90.7	2.8
Treasury Bills	34,753,240	7,586,701	55,821,220	489,383	(182,697)	2,124,533	-	-	-	-	7,941,165	0.3	1.5	(1.2)
Corporate Debenture	42,649,463	3,255,460	5,344,210	-	-	4,986,855	64,832	4,787,389	376	-	40,828,387	1.6	1.9	(0.3)
Preference Share	1,005,060	-	-	-	-	138,007	-	130,100	(24)	-	1,012,943	0.0	0.0	(0.0)
Trust Certificates	1,132,558	-	806,463	-	-	56,503	23,898	-	22	-	406,518	0.0	0.0	(0.0)
Reverse Repo	26,350,903	1,917,504,386	1,929,377,123	-	(5,628)	1,171,538	(13,105)	-	-	-	15,650,972	0.6	1.1	(0.5)
Fixed Deposits	33,609,535	46,000,000	56,738,548	-	-	2,104,017	56,727	-	(57)	-	25,031,674	1.0	1.5	(0.5)
	2,223,978,499	2,348,110,065	2,115,859,704	489,383	(188,325)	254,818,989	132,352	237,181,616	317	-	2,473,311,184	97.0	96.7	0.3
Total	2,298,831,054	2,350,974,112	2,115,859,704	908,979	(188,325)	254,818,989	132,352	237,181,616	317	(1,897,259)	2,548,720,942	100	100	

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

27. Movement of Investment (Contd....)

For the Year Ended 31st December 2018

Type of Investment	Opening Balance 01.01.2018	Adj. on SLFRS 09	Adjusted Balance 01.01.2018	Investments	Maturities	Sales	Transfers	Amortisation	WHT Adjustment	Interest Received	Prov. for Impairment	Valuation Gain/Loss	Closing Balance	2018	2017	Change %
	Rs. '000		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000			
Fair Value Through Profit or Loss Investments																
Listed Equity	74,042,107	-	74,042,107	2,446,109	-	-	(649,267)	-	-	-	-	(10,901,286)	64,937,663	2.8	3.7	(0.9)
	74,042,107	-	74,042,107	2,446,109	-	-	(649,267)	-	-	-	-	(10,901,286)	64,937,663	2.8	3.7	(0.9)
Fair Value through Other Comprehensive Income																
Unlisted Equity	10,270,625	(1,005,000)	9,265,625	-	-	-	649,267	-	-	-	-	-	9,914,892	0.4	0.5	(0.1)
	10,270,625	(1,005,000)	9,265,625	-	-	-	649,267	-	-	-	-	-	9,914,892	0.4	0.5	(0.1)
Debt Instruments at Amortised Cost																
Treasury Bonds	1,748,785,406	-	1,748,785,406	373,498,206	(111,428,700)	-	54,925,866	212,232,470	(4,873,458)	(188,642,050)	-	-	2,084,497,740	90.7	87.8	2.9
Treasury Bills	69,783,696	-	69,783,696	33,398,583	(74,475,428)	-	-	6,026,390	-	-	-	-	34,733,240	1.5	3.5	(2.0)
Corporate Debenture	58,744,349	-	58,744,349	7,666,000	(4,559,413)	-	745,941	4,985,558	(193,537)	(4,754,057)	(3,559)	-	42,649,463	1.9	1.9	(0.1)
Preference Share	-	998,392	998,392	-	-	-	-	127,900	9,082	(130,100)	(214)	-	1,005,060	0.0	-	-
Trust Certificates	2,746,076	-	2,746,076	-	(1,815,915)	-	-	159,321	43,113	(659,353)	(36)	-	1,132,558	0.0	0.1	(0.1)
Reverse Repo	-	-	-	1,759,880,602	(1,733,555,602)	-	-	685,316	(21)	(659,353)	-	-	26,350,903	1.1	-	1.1
Fixed Deposits	48,000,000	-	48,000,000	103,541,500	(119,041,500)	-	1,272,095	5,358,990	(289,177)	(5,232,190)	(183)	-	33,609,535	1.5	2.4	(0.9)
	1,908,059,527	998,392	1,909,057,919	2,277,984,891	(2,044,876,537)	-	56,943,902	229,573,925	(5,303,998)	(199,397,790)	(3,792)	-	2,223,978,499	96.7	95.8	0.9
Total	1,992,372,259	(6,608)	1,992,365,651	2,280,431,000	(2,044,876,537)	-	56,943,902	229,573,925	(5,303,998)	(199,397,790)	(3,792)	(10,901,286)	2,298,831,054	100	100	

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

28 Fair values of Financial Instruments

28.1 Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 01 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 02 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 03 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input require judgments to be made, considering factors specific to the asset or liability.

28.2 Fair Value Hierarchy – Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position.

	2019				2018			
	Level 1 Rs'.000	Level 2 Rs'.000	Level 3 Rs'.000	Total Rs'.000	Level 1 Rs'.000	Level 2 Rs'.000	Level 3 Rs'.000	Total Rs'.000
Debt Securities Measured at Amortised Cost								
Treasury Bond	2,455,954,830	-	-	2,455,954,830	2,017,224,894	-	-	2,017,224,894
Corporate Debentures*	39,388,006	-	-	39,388,006	40,984,699	-	-	40,984,699
Preference Shares*	1,013,181	-	-	1,013,181	1,005,273	-	-	1,005,273
Treasury Bills	7,908,078	-	-	7,908,078	34,413,982	-	-	34,413,982
Trust Certificates*	406,532	-	-	406,532	1,132,594	-	-	1,132,594
Fixed Deposits*	25,031,914	-	-	25,031,914	33,609,718	-	-	33,609,718
Repo*	15,630,972	-	-	15,630,972	26,350,903	-	-	26,350,903
Equity Instruments Measured at FVTPL								
Listed Equity	65,907,115	-	-	65,907,115	64,937,663	-	-	64,937,663
Equity Instruments Measured at FVOCI								
Unlisted Equity**	9,140,989	-	-	9,140,989	9,914,892	-	-	9,914,892
Listed Equity	361,654	-	-	361,654	-	-	-	-

* When observable data are not available to determine market value of financial instruments, amortised cost has been substituted as the fair value.

** Purchase Cost has been substituted as the fair value since there is no reliable measure of fair value.

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

29. Financial Risk Management Objectives, Policies and Processes

Introduction

EPF being a Superannuation Fund manages long term savings of private and semi Government sector employees with the objective of maximising retirement benefits to its members while ensuring safety of the Fund. Therefore, management of risks associated with the Fund is critically important for the members as well as for the entire financial system of the country. The EPF embraces risk management, as an integral component of its investments, operations and decision making process.

The Investment Policy Statement and Investment Guidelines approved by the Monetary Board of the Central Bank of Sri Lanka define the level of risks the EPF is willing to tolerate and form the basis of allocation of funds for investment. The asset allocations are regularly reviewed to ensure that funds are invested within the risk appetite of the EPF. The key risks faced by the Fund are Credit Risk, Market Risk, Liquidity Risk and Operational Risk.

Credit Risk

Credit Risk is the potential for loss due to the inability or unwillingness of a borrower/ counter-party to meet its payment obligations. The credit risk of the Fund is deemed minimal as 92.8% of the total investment is concentrated in Government Securities. Further, investments in Corporate Debt Instruments are made in investment grade instruments after thorough analysis of risks and returns. In additions, all Reverse Repo Investments of the Fund have been adequately collateralized by Government securities which are transferred into the Security Account of EPF at the time of transaction. Therefore, the credit risk of the Fund as a whole was at a very low level except for full concentration in the domestic market. Composition of the investment cost of the Fund as at the year end is as follows.

Analysis of Risk Concentration – Investment Composition

	2019		2018	
	Cost Rs. '000	%	Cost Rs. '000	%
Government Securities	2,270,530,512	92.8%	2,004,120,860	91.2%
Corporate Debt Securities	39,871,549	1.6%	41,957,502	1.9%
Investment in Equity	93,336,967	3.8%	90,882,135	4.1%
Others	41,868,750	1.7%	60,661,235	2.8%
	2,445,607,779	100.0%	2,197,621,733	100.0%

Market Risk

Market Risk is the potential for loss due to changes in the market value of portfolios and financial instruments due to movements in interest rates, foreign exchange and equity prices. The market risk faced by the Fund primarily arises from interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest Rate Risk : If the general interest rates of the economy are to decline, the reinvestment rate of the coupon, dividend and maturities will reduce. Further, with the adoption of SLFRS 09, all debt securities classified as Held to Collect securities which are measured at amortised cost basis. Therefore, the value of Debt Securities are not affected by interest rate movements. Reinvest risk faced by the Fund has been mitigated by selecting Treasury Bonds of varying maturities and re-balancing the portfolio occasionally.

Financial Risk Management Objectives, Policies and Processes (Contd...)

Equity Price Risk : The equity price risk is the reduction in the value of equity portfolio due to the decline in share prices. This is an inherent risk of equity investments which has been mitigated by investing in fundamentally sound stocks with robust value. Further, the listed equity portfolio has been diversified into different sectors and the market risk on the listed equity portfolio is relatively low on the overall Fund since exposure to the equity market is approximately 3.8% of the total portfolio of the Fund and as the Fund makes appropriate adjustments to its portfolio from time to time as and when necessary.

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

29. Analysis of Risk Concentration – Sector wise exposure analysis (Contd....)

	2019		2018	
	Cost Rs. '000	%	Cost Rs. '000	%
Automobiles & Components	98,635	0.12%	98,635	0.12%
Banks	30,234,542	36.12%	27,950,692	34.74%
Capital Goods	16,250,477	19.42%	16,250,477	20.20%
Consumer Durables & Apparel	225,634	0.27%	213,592	0.27%
Consumer Services	10,084,276	12.05%	10,084,276	12.53%
Diversified Financials	6,596,955	7.88%	6,541,906	8.13%
Diversified Holdings	-	-	4,214	0.01%
Energy	2,427,634	2.90%	2,427,634	3.02%
Food & Staples Retailing	2,458,558	2.94%	2,458,558	3.06%
Food, Beverage & Tobacco	7,265,575	8.68%	7,265,575	9.03%
Health Care Equipment & Services	155,190	0.19%	155,190	0.19%
Materials	2,768,161	3.31%	2,768,161	3.44%
Power & Energy	368,903	0.44%	-	-
Real Estate	1,416	0.00%	1,416	0.00%
Retailing	1,638,334	1.96%	1,638,334	2.04%
Telecommunication Services	3,113,268	3.72%	2,600,163	3.23%
Transportation	8,421	0.01%	8,421	0.01%
Total	83,695,978	100%	80,467,243	100%

Liquidity Risk

Liquidity Risk is the risk arising from the inability of the EPF to meet its financial commitments and obligations when they fall due. The net contribution of the Fund has been around Rs. 2.6bn per month during the year. Further, interest and maturity proceeds provides additional cash flow to the Fund. EPF actively participates in the overnight Reverse Repo market as a lender enabling the Fund to earn interest income while maintaining adequate Funds to meet daily liquidity requirements.

In addition, due to the size of the Fund and the developing stage of the Financial Market in Sri Lanka, the Fund faces market liquidity risk. Specially, when the Fund is disposing sizable amount of securities, it affects the market prices adversely.

Management of liquidity risk includes taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

Further, the Fund maintains sufficient amounts/ instruments of different maturities and highly liquid assets in order to meet all its liquidity needs through which the overall liquidity risk of the Fund is mitigated to greater extent. The maturity profile of the investment portfolio is given at Note No. 32.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or external events. The Member accounts of the Fund are maintained in a system that records all transactions centrally, while facilitating greater integration of processes in the EPF System at the CBSL, leading to significant improvement in operational efficiency and greater accuracy of data, with minimum manual interventions. Upgradation of the General Ledger and Treasury Management System has commenced in order to match latest technology practices.

Further, the operational risk of the fund is managed through defined authority level for transactions, availability of operational manuals, restrictions to access to information through password protection, maintenance of separate investment risk management unit and operational risk register etc. Operational risk of the Fund has been further minimised by maintaining an online real-time backup system to maintain member accounts which enables the Fund to carry out its functions without any disruptions. In addition, the Strategic Plan is reviewed every year to ensure smooth functioning of the operations in the event of any unforeseen circumstances. Operational activities are subject to an internal audit and audit findings are discussed on regular basis. Further, an external service provider, performs Real-Time Validation and Verification of EPF transactions and the weaknesses are discussed on a monthly basis.

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

30. Impairment losses on financial investments subject to impairment assessment

Adopting SLFRS 09 requires the EPF to provide for impairment using "Expected Credit Loss Model (ECL)" determined based on the credit risk ratings of the counterparties whereas impairment under LKAS 39 was based on Incurred Loss Model. Accordingly, following financial instruments are subjected to the impairment provisioning using ECL Model.

- I All Financial Assets measured at FVOCI except investments in equity shares
- II All Financial Assets measured at Amortized Cost

Accordingly, Treasury Bonds, Treasury Bills, Corporate Debt Securities, Trust Certificates, Reverse Repos, Fixed Deposits and Bank Balances shall be considered for impairment provisioning. However, Government securities such as Treasury Bills and Treasury Bonds are not subjected to impairment, since the counterparty is the sovereign of the country and the instrument is based on rupee terms.

Methodology

EPF Department does not have historical loss experience which enable the EPF to develop an ECL modelling technique considering historical losses, thus EPF considers loss statistics published by the external sources i.e-Bloomberg which are publically available.

EPF Department will match the ratings of the issuer against the published Probability of Defaults (PD) by bloomberg and considers following adjustments :

I Conversion of the Through the Cycle PD (TTC PD)

Bloomberg loss statistics reflect a TTC PD and EPF converts the TTC PD to Point in Time (PiT) by applying economic factor adjustment based on the the regression based conversion approach.

II Lifetime PD Structure

As the bloomberg PD's represent 12month ECL for investments which have significantly deteriorated, EPF considers the lifetime PD based on the Lifetime PD curve extrapolated using the 12month PD

III Determination of Significant Deterioration of Credit Risk

EPF determines significant deterioration of credit risk based on the Generally accepted investment/ Non-investment grade definitions published by international rating agencies. Generally, "rated below BBB-' are considered as Non-Investment grade investments. Thus, the EPF considers such investments as significant deterioration of credit risk incurred. For such investments EPF considers life time expected credit loss calculation.

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

30. Impairment losses (Contd...)

Analysis of generally accepted ratings by global rating agencies are as follows

ICRA Rating	Fitch Rating	Moody's Rating	Bloomberg 1 Year Credit Scale	
			Scale	PD Upper Bound
AAA	AAA	Aaa	IG-1	0.00%
AA+	AA+	Aa1	IG-2	0.00%
AA	AA	Aa2	IG-3	0.01%
AA-	AA-	Aa3	IG-4	0.02%
A+	A+	A1	IG-5	0.03%
A	A	A2	IG-6	0.05%
A-	A-	A3	IG-7	0.10%
BBB+	BBB+	Baa1	IG-8	0.17%
BBB	BBB	Baa2	IG-9	0.30%
BBB-	BBB-	Baa3	IG-10	0.52%
BB+	BB+	Ba1	HY-1	0.88%
BB	BB	Ba2	HY-2	1.50%
BB-	BB-	Ba3	HY-3	2.40%
B+	B+	B1	HY-4	4.00%
B	B	B2	HY-5	6.00%
B-	B-	B3	HY-6	10.00%
	CCC	Caa1	DS-1	15.00%
	CCC	Caa2	DS-2	22.00%
	CCC	Caa3	DS-3	30.00%
	CCC	Ca	DS-4	50.00%
	DDD	C	DS-5	100.00%
	D	/	DDD	Defaulted

12 Month ECL
(Investment Grade)

Lifetime ECL
(Non - Investment Grade)

IV **Loss Given Default (LGD)**

For expected credit loss assessment, EPF considers following LGDs/Loss rates in line with the consultation paper on adoption of SLFRS 9 issued by Central Bank of Sri Lanka on 31st December 2018.

- Local currency Treasury bills, Treasury bonds and Reverse repo - 0%.
- All other Local currency financial instruments - 45%

V For the purpose of determination of ECL, EPF applies the Point of default as the mid of the year (i.e. 6 months) considering the fact that the default events could be occurred at earlier part of the year or latter part of the year.

VI Economic Factor Adjustment was calculated using the past and forecasted GDP growth rates from 2010 to 2023 and obtained from the GDP growth rate statistics in IMF domain.

VII **Financial Investments**

- For the following Issuers/Counterparties credit ratings data not available in the EPF Department. Hence external credit ratings were obtained from the following sources.
- For the curve fitting exercise across multiple agency PD we have benchmarked the qualitative/quantitative parameters considered by Fitch, Moddy's, ICRA and noted that similar parameters have been considered by the rating agencies. Thus upward/downturn calibration is not required when performing the curve fitting exercise.
- For the Investments in Sri Lanka Government Treasury Bonds and Treasury Bills, souvering rating of the Sri Lanka Government has not been used as the investment is within the same jurisdiction of the CBSL. Hence, significant deterioration of credit risk does not exists and therefore, EPF considers 12 month ECL by using the best case scenario credit ratings of AAA.

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Impairment losses (Contd...)

30.1 The tables below shows the ECL charges on financial instruments for the year recorded in the income statement:

31.12.2019

Rs' 000	Note	Stage 1		Stage 2		Stage 3	Total
		Individual	Collective	Individual	Collective		
Cash at Bank	9	1	-	-	-	-	1
Debt Instruments measured at Amortised Cost	9	(317)	-	-	-	-	(317)
Total Impairment Loss		(316)	-	-	-	-	(316)

Rs' 000	Specific	Collective	Collective	Total
		(individually not significant exposures)	(Incurred but not yet identified)	
Credit loss expense on Bank Balance	1	-	-	1
Credit loss expense on Debt Instruments measured at Amortised Cost				
Corporate Debt Securities	(376)	-	-	(376)
Trust Certificates	(22)	-	-	(22)
Fixed Deposits	57	-	-	57
Preference Shares	24	-	-	24
	(317)	-	-	(317)
Total on balance sheet items	(316)	-	-	(316)
Off balance sheet items	-	-	-	-
Total	(316)	-	-	(316)

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

30. Impairment losses (Contd...)

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk per LKASed on the External credit ratings. The amounts presented are gross of impairment allowances. Details of the Fund's internal grading system are explained in Note 30 and policies on whether ECL allowances are calculated on an individual or collective LKAS is are set out in Note 30.

	31.12.2019							
	Stage 1		Stage 2		Stage 3		Total	
	Collective		Collective		Collective		Collective	
	Balance	ECL	Balance	ECL	Balance	ECL	Balance	ECL
Rs. '000								
External Rating Grade								
AAA	-	-	-	-	-	-	-	-
AA+	33,844,401	319	-	-	-	-	33,844,401	319
AA	5,869,694	106	-	-	-	-	5,869,694	106
AA-	10,639,602	383	-	-	-	-	10,639,602	383
A+	6,612,668	453	-	-	-	-	6,612,668	453
A	4,747,213	616	-	-	-	-	4,747,213	616
A-	5,349,040	1,277	-	-	-	-	5,349,040	1,277
BBB+	110,176	50	-	-	-	-	110,176	50
BBB	-	-	-	-	-	-	-	-
BBB-	-	-	-	-	-	-	-	-
BB+	110,203	271	-	-	-	-	110,203	271
Total	67,282,996	3,475	-	-	-	-	67,282,996	3,475

	01.01.2019							
	Stage 1		Stage 2		Stage 3		Total	
	Collective		Collective		Collective		Collective	
	Balance	ECL	Balance	ECL	Balance	ECL	Balance	ECL
Rs. '000								
External Rating Grade								
AAA	15,629,090	7	-	-	-	-	15,629,090	7
AA+	26,790,934	228	-	-	-	-	26,790,934	228
AA	5,869,264	96	-	-	-	-	5,869,264	96
AA-	11,037,343	360	-	-	-	-	11,037,343	360
A+	7,480,074	467	-	-	-	-	7,480,074	467
A	4,661,712	546	-	-	-	-	4,661,712	546
A-	6,358,735	1,373	-	-	-	-	6,358,735	1,373
BBB+	-	-	-	-	-	-	-	-
BBB	-	-	-	-	-	-	-	-
BBB-	573,254	714	-	-	-	-	573,254	714
Total	78,400,407	3,792	-	-	-	-	78,400,407	3,792

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Impairment losses (Contd....)

30.2 Credit quality analysis

The table below shows gross balances under SLFRS 09 as at 31 December 2019 analysed on the External Credit Rating system, which is described in Note 34.6

31-Dec-19	Neither past due nor impaired											Total
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	
Rs. '000												
Investment Balances												
<i>Debt instruments measured at Amortised Cost</i>												
Corporate Debt Securities	-	8,812,488	5,869,694	10,233,069	6,612,668	4,747,213	4,335,860	110,176	-	-	110,203	40,831,570
Trust Certificates	-	-	-	406,532	-	-	-	-	-	-	-	406,532
Fixed Deposits	-	25,031,913	-	-	-	-	-	-	-	-	-	25,031,913
Preference Shares	-	-	-	-	-	-	1,013,181	-	-	-	-	1,013,181
Bank Balances	-	2,360,964	-	633,548	15,951	-	337	-	-	-	-	3,010,800
	-	36,205,366	5,869,694	11,273,150	6,628,618	4,747,213	5,349,377	110,176	-	-	110,203	70,293,796
ECL Provision												
<i>Debt instruments measured at Amortised Cost</i>												
Corporate Debt Securities	-	79	106	368	454	616	1,039	50	-	-	271	2,983
Trust Certificates	-	-	-	14	-	-	-	-	-	-	-	14
Fixed Deposits	-	240	-	-	-	-	-	-	-	-	-	240
Preference Shares	-	-	-	-	-	-	238	-	-	-	-	238
Bank Balances	-	23	-	12	1	-	-	-	-	-	-	36
Total	-	341	106	395	455	616	1,277	50	-	-	271	3,511

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Impairment losses (Contd...)

30.2 Credit quality analysis

1-Jan-19

Rs. '000	Neither past due nor impaired											Total
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	
Investment Balances												
<i>Debt instruments measured at Amortised Cost</i>												
Corporate Debt Securities	2,526,568	6,283,739	5,869,264	9,904,749	7,480,074	4,661,712	5,353,462	-	573,254	-	-	42,652,822
Trust Certificates	-	-	-	1,132,594	-	-	-	-	-	-	-	1,132,594
Fixed Deposits	13,102,522	20,507,196	-	-	-	-	-	-	-	-	-	33,609,718
Preference Shares	-	-	-	-	-	-	1,005,273	-	-	-	-	1,005,273
Bank Balances	-	2,833,377	581,962	-	3,718	-	-	-	-	-	-	3,419,057
15,629,090	29,624,512	6,451,226	11,037,545	7,483,792	4,661,712	6,358,735	-	573,254	-	-	-	81,819,464
ECL Provision												
<i>Debt instruments measured at Amortised Cost</i>												
Corporate Debt Securities	1	51	96	324	467	546	1,159	-	714	-	-	3,359
Trust Certificates	-	-	-	36	-	-	-	-	-	-	-	36
Fixed Deposits	6	177	-	-	-	-	-	-	-	-	-	183
Preference Shares	-	-	-	-	-	-	214	-	-	-	-	214
Bank Balances	-	25	10	-	0.24	-	-	-	-	-	-	35
7	253	106	360	467	546	1,373	-	714	-	-	-	3,827

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

31. Valuation of Unlisted Equity Instruments

Estimated Fair Values of the Unlisted Equity Investments are; as follows.

Investment	Basis	Number of shares	Purchase Value	2019		2018	
				Fair value per share	Fair value	Fair value per share	Fair value
			Rs.'000	Rs.	Rs.'000	Rs.	Rs.'000
Canwill Holdings (Pvt) Ltd.	Net asset based	500,000,000	5,000,000	10.47	5,235,000	10.58	5,287,959
Cargills Bank Limited	Net asset based	44,000,000	495,000	12.48	549,120	12.68	557,725
Weligama Hotel Properties (Pvt) Ltd	Net asset based	45,000,000	405,000	-	-	2.09	93,839
West Coast Power (Pvt) Ltd	Net asset based	29,750,000	2,975,000	560.88	16,686,180	496.61	14,774,145
Fitch Ratings Lanka Limited	Dividend valuation model	62,500	625	86.43	5,402	66.04	4,127.40
Laugfs Gas Eco Sri Limited - V	Net asset based	57,897,800	62,282	2.71	156,903	1.08	62,281.56
Laugfs Gas Eco Sri Limited - NV	Net asset based	18,041,500	19,407	2.71	48,892	1.08	19,407.51
Laugfs Gas Leisure Limited - V	Net asset based	57,897,800	448,820	9.33	540,186	7.75	448,820.06
Laugfs Gas Leisure Limited - NV	Net asset based	18,041,500	139,855	9.33	168,325	7.75	139,855.01
Grand Total			9,545,989		23,390,009		21,588,157

Due to the limitation of available information, net asset model was used to estimate the fair value of unlisted equity instruments except for Fitch Rating Lanka Limited (FR). FR has paid dividend continuously in a consistent manner and therefore, Dividend Growth Model was used to estimate the fair value of FR. For the purpose of estimation information were extracted from the latest audited financial statements of each company.

If the unlisted equity instruments were recorded at the above estimated fair values, the impact to the Other Comprehensive Income and the Investment Revaluation Reserve would be as follows.

Financial Statement Impact-Overall

	2018	2019
Cost	9,545,989	9,545,989
Estimated Fair Value	21,388,157	23,390,009
Impact to Net Assets	11,842,168	13,844,020
Gross Impact to FVOCI on change in fair values		2,001,851
(+)/Fair value of sold shares during the year		93,839
		2,095,691

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

32. Classification of Maturity Profile of the Portfolio

As at 31st December 2019

Class of Investment	(Rs. mn)																	Total							
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2039		2041	2043	2044	2045	Not Defined		
Debt Securities Measured at Amortised Cost																									
Treasury Bond	109,903	74,653	101,716	191,255	105,610	202,001	207,334	90,094	353,704	159,587	71,313	70,362	69,458	214,180	109,401	107,120	14,074	29,314	22,824	93,062	5,494	-	-	-	2,382,460
Corporate Debentures	7,451	10,645	350	9,544	1,117	6,504	4,094	-	1,025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,831
Treasury Bills	7,941	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,941
Trust Certificates	407	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	407
Fixed Deposits	25,032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,032
Repo	15,631	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,631
Preference Shares	1,013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,013
Equity Instruments Measured at FVTPL																									
Listed Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65,907	65,907
Equity Instruments Measured at FVOCI																									
Unlisted Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,141	-	9,141
Listed Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	362	-	362
Grand total	167,377	85,299	102,066	200,800	106,727	208,605	211,429	90,094	354,729	159,587	71,313	70,362	69,458	214,180	109,401	107,120	14,074	29,314	22,824	93,062	5,494	-	75,410	-	2,548,721

Provision for Impairment on Debt Securities at Amortised Cost

Portfolio value net of impairment

(3)

2,548,721

