Employees' Provident Fund Annual Report 2019

E PF, the largest superannuation fund in Sri Lanka exceeding Rs. 2.5 trillion assets under management, continued to grow its asset base in 2019 while improving the service quality and ensuring a reasonable rate of return for its' members and the safety of the Fund. The value of the Fund grew by 11.0 per cent to record Rs. 2,540 billion by end 2019 compared with Rs. 2,289 billion recorded in the previous year. During the year, EPF efficiently provided a number of productive services to its' members with the maximum retirement benefits while ensuring the safety and growth of the Fund.

EPF has successfully navigated its' fund management activities by earning Rs. 259 billion in 2019. By the end of 2019, the total investment value of the Fund reached Rs. 2,549 billion. Despite the unfavorable conditions that prevailed in the market and the volatility in market interest rates, EPF was able to declare an attractive rate of return of 9.25 per cent to its' members for the year 2019.



Table Of Contents A

CORPORATE STEWARDSHIP

Message from the Chairman of the Monetary Board and the Governor of the	
Central Bank of Sri Lanka	217
Message from the Commissioner General of Labour	219
Senior Management Team	221
Regulatory Framework	223
Function of the Monetary Board of the Central Bank of Sri Lanka	224
Functions of the Commissioner of Labour	225

SECTION

SECTION

B

C

SECTION

CORPORATE OVERVIEW

Vision and Mission	228
Milestones of the Journey	230
Financial Highlights - 2019	233
Operational Highlights - 2019	237
Review of the Economy - 2019	239
Review of the Performance of EPF - 2019	243

FINANCIAL STATEMENTS

AUDITOR GENERAL'S REPORT

Statement of Income & Expenditure	255
Statement of Comprehensive Income	256
Statement of Financial Position	257
Receipts and Payments Account	258
Statement of Investments	259
Statement of Cash Flows	260
Statement of Changes in Equity/ Members' Wealth	261
Notes to the Financial Statements	262

313

SECTION E SECTION

STATISTICAL APPENDIX & SUPPLEMENTARY INFORMATION

1.	Investments, Maturities and Return on Investments (1990 - 2019)	325
2.	Rates of Return on Member Balances (1990 - 2019)	326
3.	Member Balances, Interest on Member Balances and Effective Rate on Member Balances (1990 - 2019)	327
4.	Statement of Investment Portfolio (1990 - 2019)	328
5.	Summarized Cash Flow (Monetary Board) (1990 - 2019)	329
6.	Summarized Income and Expenditure Account (1995 - 2019)	332
7.	List of Acronyms and Explanatory Notes	333

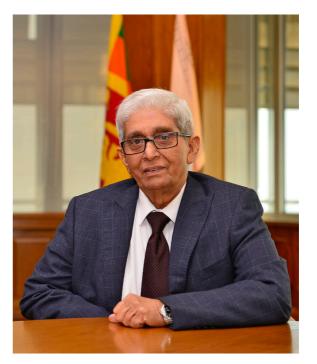
SECTION A

CORPORATE STEWARDSHIP









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

am pleased to present this message to the Annual Report of the Employees' Provident Fund (EPF/the Fund) for the year 2019 on behalf of the Monetary Board of the Central Bank of Sri Lanka (CBSL).

EPF was able to record another year of satisfactory performance registering a real rate of return of 6.4 per cent to the members who belong to the private and semi-government sectors in Sri Lanka. With Rs. 2,540.4 billion assets under its management and 19.0 million member accounts, EPF single-handedly accounted for 12.6 per cent of the assets in the financial system in the country by end 2019. Supported by substantial net member contributions and investment income of the Fund, which amounted to Rs. 30.9 billion and Rs. 259.0 billion respectively, EPF registered a growth of 11.0 per cent in total assets during the year under review.

Sri Lanka's economy recorded a subdued growth in 2019 with a Gross Domestic Product (GDP) of 2.3 per cent in comparison to 3.3 per cent in the previous year. Main reasons for the modest growth included the impact of Easter Sunday attacks on tourism related activities and the extreme weather conditions that affected the agriculture sector in 2019. However, manufacture of textiles, apparel and leather products supported the growth of the industry sector. The exchange rate remained broadly stable during the year, supported by a significant improvement in the current account, despite some transient volatility experienced amidst outflows of portfolio investment, responding to domestic and global developments.

Meanwhile, Sri Lanka's sovereign credit rating was affirmed by major international rating agencies in 2019, despite the downward revision to the outlook for Sri Lanka. Market interest rates declined during 2019, guided by two policy rate cuts, which resulted in a decline of 100 basis points in light of expansionary monetary policy adoption. Same has since been sustained into the years 2020 and 2021 as well, with the intention of reviving the recessionary economic conditions induced by COVID-19. Consequently, yields on government securities showed a notable decline during 2019 and henceforth, although a marginal uptick was observed in yields on Treasury bills towards the end of 2019 due to the possible increase in funding requirements of the government. The Colombo Stock Exchange showed mixed developments during 2019. The market recorded improvements measured by All Share Price Index, market capitalisation, Price Earnings Ratio and market capitalisation as a percentage of GDP in 2019 while, S&P SL 20 index declined

during the year and foreign outflow from CSE continued during 2019 albeit at a lower rate than 2018.

Despite these challenging operating environment and volatilities in global economic conditions in 2019, the overall rate of return on investment of the Fund improved by 32 basis points (10.69 per cent in 2019 and 10.37 per cent in 2018) compared to the previous year. Further, having established sound internal controls with the adoption of revamped Investment Policy Statement and Investment Guidelines, EPF was able to recommence investments in equity during the year. In terms of return, EPF was able to earn a net income of Rs. 222.8 billion and declare an interest rate of 9.25 per cent p.a. on member balances. Such noteworthy and sustainable performance could not have been achieved without the relentless contributions and support extended by the operational arm of EPF Department of the Central Bank as well as the Department of Labour and other government establishments.

Therefore, on behalf of the Monetary Board, I wish to take this opportunity to acknowledge my appreciation to the staff of the Department of Labour and the EPF Department for their commitment towards the mission of a contented retirement for the members of the Fund. Most importantly, the Monetary Board wishes to express its sincere gratitude to all the members of EPF as well as the employers for the continued confidence they have placed in the custodianship of the CBSL to manage their contributions for a better retirement life.

Deshamanya Prof. W. D. Lakshman Chairman of the Monetary Board Governor of the Central Bank of Sri Lanka



B.K. Prabath Chandrakeerthi Commissioner General of Labour

Message from the Commissioner General of Labour

t is with great pleasure that I issue this message to the Annual Report of the Employees' Provident Fund – 2019, analysing the progress achieved by the Employees' Provident Fund in 2019, which is compiled by the Department of Labour and Employees' Provident Fund Department of the Central Bank of Sri Lanka.

This analytical report provides information that the Employees' Provident Fund, as the foremost social security scheme in Sri Lanka, which is maintained with the objective of creating a comfortable retired life as well as uplifting the status of living of the employees employed in the private and semigovernment sectors of Sri Lanka, was able to expand its services further in 2019. I believe that extending the claim payment process to the regional office level enabling easy access for the customers would enhance their satisfaction.

I would like to extend my gratitude towards the officers of the Department of Labour and all officers of the Employees' Provident Fund Department of the Central Bank of Sri Lanka inclusive of the Head of the Central Bank of Sri Lanka who contribute immensely for the maintenance of proper relationship between Employers and Employees while accomplishing the statutory responsibilities of the Employees' Provident Fund.

I expect that this Annual Report of Employees' Provident Fund will be useful for both the Employers and Employees, officers of the Administration and Finance institutions and all other stakeholders inclusive of students, who have an interest in this subject.

Senior Management Team As at 31st December 2019

Department of Labour (EPF Division)

DIVISION	DESIGNATION	NAME
	Commissioner of Labour	Mr. K.L.K. Perera
	DeputyCommissioner of Labour	Mrs.L.M. Hewawithana
Claim	Assistant Commissioner of Labour	Mrs. D.P.D. Saddhasena
Ciaini	Assistant Commissioner of Labour	Mrs. P.M.W. Gamage
	Assistant Commissioner of Labour	Mrs. N.K.J. Gunaratne
	Deputy Commissioner of Labour	Mrs. R.M.A. Sugandika
Daaayamy	Assistant Commissioner of Labour	Ms.A.H.L.Padmini
Recovery	Assistant Commissioner of Labour	Ms.W.M.C.Priyadharshani
	Assistant Commissioner of Labour	Mrs.D.M.Hewawithana
200/ alaim	Assistant Commissioner of Labour	Mr. H. Thiranagama
30% claim	Assistant Commissioner of Labour	Mrs. K.R. Methma Ranasinghe
ІТ	Deputy Commissioner of Labour	Mr. M.N.H. Dharmaweera
11	Assistant Commissioner of Labour	Ms.N.Nawajeewana
Administration	Assistant Commissioner of Labour	Mrs. J.A.M.O. Wijayarathna
Central Filing Section	Assistant Commissioner of Labour	Mrs.J.A.Anusha Chandrasekara
Death Claim	Assistant Commissioner of Labour	Mrs. D.M.S.U. Dasanayake
Supplies	Assistant Commissioner of Labour	Mrs. B.A.M.A. Balasooriya

EPF Department of the Central Bank of Sri Lanka

DIVISION	DESIGNATION	NAME
	Superintendent	Mr. A G U Thilakarathna
	Additional Superintendent	Mr. J D S J Nanayakkara
	Additional Superintendent	Ms. S C Gunadheera
	Additional Superintendent	Mr. J M Ameer
S/EPF Office	Deputy Superintendent	Mrs. W L S W Jayasundara
	Deputy Superintendent	Mrs. S M L Siriwardane
	Deputy Superintendent	Mr. H S Wickramasuriya
	Deputy Superintendent	Mrs. D P A N D Perera
	Senior Assistant Director (Corporate Services)	Mrs. M W K S Siriwardena
Corporate Services	Senior Assistant Superintendent	Mr. S D H De S Jeewakaratne
and Administration Division	Senior Assistant Superintendent	Mr. M S Widanage
Collection Division	Senior Assistant Superintendent	Mr. P W Wimal Shantha
Conection Division	Senior Assistant Superintendent	Mr. A A Wimal Gamini
Re-Registration Division	Senior Assistant Superintendent	Ms. G B N A Samaranayake
Current Contribution	Senior Assistant Superintendent	Ms. G B N A Samaranayaka
Division	Senior Assistant Superintendent	Mrs G P D Kaviratne
DIVISIOII	Assistant Superintendent	Mrs. K H Gunasekera

Statemented Contribution Division	Senior Assistant Superintendent	Ms. G B N A Samaranayake
E Cullert's D' tates	Senior Assistant Superintendent	Mr. M V W De Zoysa
E-Collection Division	Senior Assistant Superintendent	Mrs. R A C C Rupasinghe
	Senior Assistant Superintendent	Mrs. L P S Perera
	Senior Assistant Superintendent	Mr. W S H Kumarasena
	Senior Assistant Superintendent	Mr. K U B Tennakoon
	Senior Assistant Superintendent	Ms. D P Udugamakorala
Fund Management	Senior Assistant Superintendent	Mrs. L D S R Gunasekara
Division	Senior Assistant Superintendent	Mrs. V Prabakaran
	Senior Assistant Superintendent	Mr. U P Jayasinghe
	Senior Assistant Superintendent	Mrs. P Senthilmaran
	Assistant Superintendent	Mr.WAWN Wanniarachchi
	Assistant Superintendent	Mr. W A A S Sumanadasa
	Senior Assistant Superintendent	Mrs. M Dissanayake
Accounts and Reconciliation	Assistant Superintendent	Mrs. W A N D Dias
Division	Assistant Superintendent	Mr. A K Chathuranga
	Assistant Superintendent	Mr. M P S Kalyana
Records Management	Senior Assistant Superintendent	Mrs. DYS Mahagederawatte
Division	Assistant Superintendent	Mrs. P K D P S Dasanayake
	Senior Assistant Superintendent	Mrs. K M G C Bandara
Record Amendments Division	Senior Assistant Superintendent	Mr. K P M Perera
DIVISION	Senior Assistant Superintendent	Mr. E M S Ekanayake
Housing Loan Division	Assistant Superintendent	Mr. M K N D Dharmadasa
Refund Control	Senior Assistant Superintendent	Mrs. W G A C De Silva
Division	Assistant Superintendent	Mrs. PV M Siriwardena
Refund Payments	Assistant Superintendent	Mrs. G G N M Perera
Division	Assistant Superintendent	Mr. P Premasiri
Public Relations, Inquiries Counter & Call Centre	Senior Assistant Superintendent	Mr. P W Wimal Shantha

ENGLISH

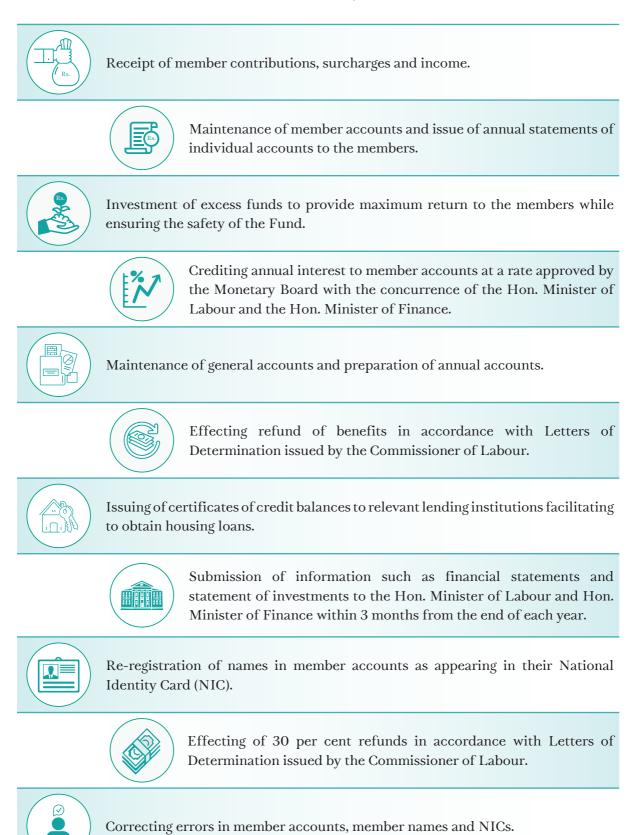
Regulatory Framework

The Employees' Provident Fund (EPF/Fund) was established under the Employees' Provident Fund Act No.15 of 1958 (Act) as a mandatory defined contribution retirement scheme for the private and semi-government sector employees who are not entitled for pension benefits. In terms of the provisions of the Act, the Commissioner of Labour acts as the general administrator of the Fund while the Monetary Board (MB) of the Central Bank of Sri Lanka (CBSL) is entrusted with the powers, duties and responsibilities to act as the custodian of the Fund. The Employees' Provident Fund Department of the CBSL facilitates the MB in discharging its powers, duties and functions entrusted by the Act.

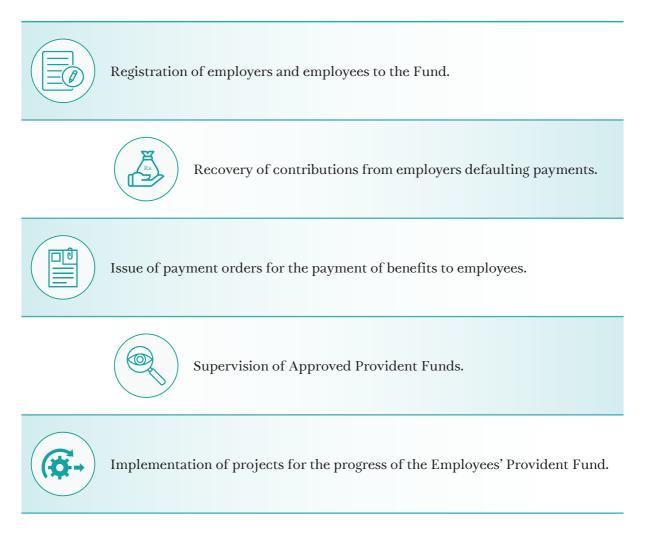
The mandatory minimum contribution rate for the members of the Fund is 20 per cent of the gross monthly earnings of their employment. The employer and the employee (member) are required to contribute minimum rate of 12 per cent and 8 per cent of the member's monthly gross earnings, respectively, to EPF. Employers are liable to pay EPF contributions for their employees, subject to the provisions of the Act.

The EPF members are eligible to claim their retirement benefits (contributions and interest) upon reaching the retirement age of 50 years for females and 55 years for males. In addition, members are also entitled to withdraw funds in their EPF accounts in the events of migration, permanent disability, leaving the employment due to marriage (only for female members) and joining a pensionable employment. Further, legal heirs of deceased members are eligible to receive the benefits in the case of the death of a member. In addition to the retirement benefits, EPF facilitates members to obtain loans for housing purposes from five approved lending institutions by pledging the balances lying to the credit of their accounts. Further as provided in the EPF (amendment) Act, No. 02 of 2012, members who have service of more than 10 years and EPF account balance of more than Rs. 300,000 are entitled to withdraw up to 30 per cent of the amount lying to the credit in their accounts subject to a maximum of Rs. 2 million for the purpose of house construction or medical treatment w.e.f. 2015.

Functions of the Monetary Board of the CBSL



Functions of the Commissioner of Labour



CORPORATE OVERVIEW

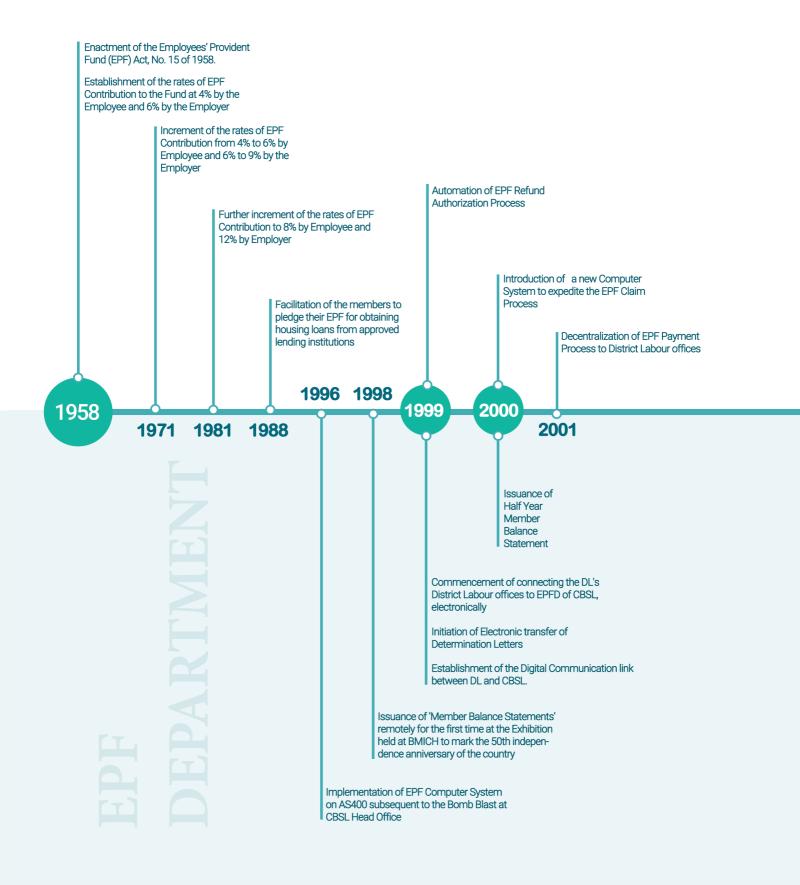
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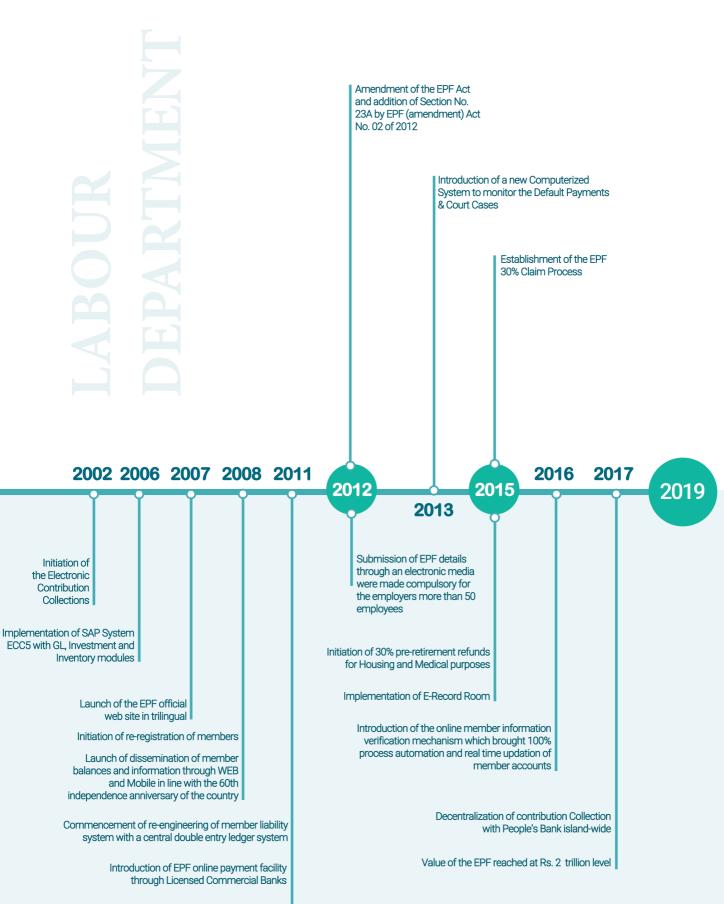
OUR MISSION

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

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

Milestones of the Journey

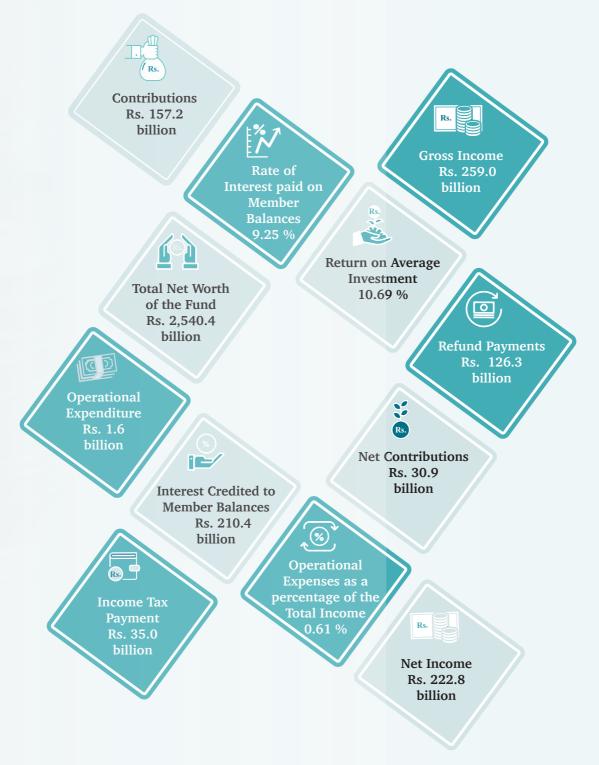




Value of the EPF reached at Rs. 1 trillion level



FINANCIAL HIGHLIGHTS - 2019



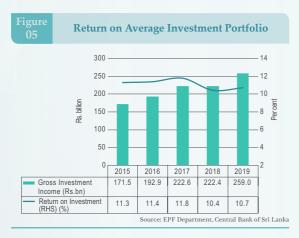




Source: EPF Department, Central Bank of Sri Lanka

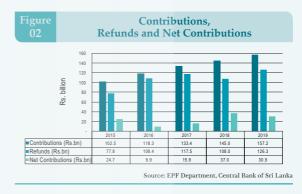


Source: EPF Department, Central Bank of Sri Lanka

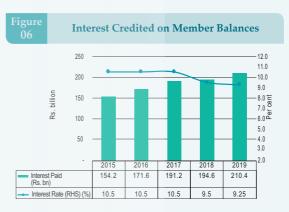




Source : EPF Department, Central Bank of Sri Lanka Annual Report - 2019, Central Bank of Sri Lanka

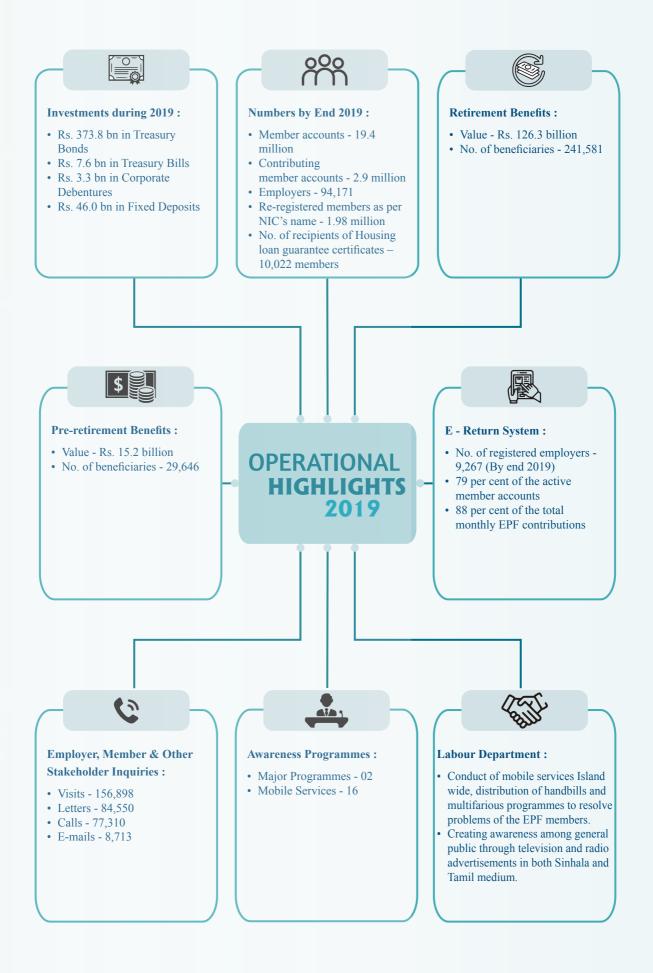


H	igure 04		Composi	tion o	f Inv	ves	tment	Portfo	lio
	2015		2016	201	7		2018		2019
								(
	Rs. 1,604. billion		Rs. 1,772.2 billion	Rs. 1,9 billic			Rs. 2,298 billion	.8 Rs	s. 2,548.7 billion
		Compo	sition	2015	201	6	2017	2018	2019
	Governme	ent Seci	urities (Per cent)	92.7	93.	1	91.3	92.2	93.8
	Equity (Pe	er cent)		5.5	4.6	6	4.2	3.3	3.0
	Debenture	es & Oth	ners (Per cent)	1.8	2.3	3	4.5	4.5	3.2
		Governr	nent Securities	Equ	uity		Debentu	ires and Oth	ier
	Source: EPF Department, Central Bank of Sri Lai								



Source: EPF Department, Central Bank of Sri Lanka

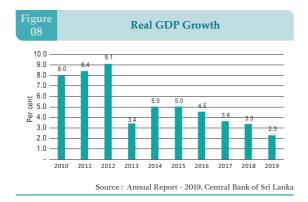




REVIEW OF THE ECONOMY - 2019

1.1 Economic Growth and Macroeconomic Conditions

The Sri Lankan Economy recorded a lower growth of 2.3 per cent in 2019 compared to 3.3 per cent recorded in 2018. The Services sector, which accounts for 57.4 per cent of the GDP, recorded a growth of 2.3 per cent in 2019 compared to a growth of 4.6 per cent in 2018. The impact of the Easter Sunday attack on the tourism related activities caused a moderation in the growth of the Services sector during 2019. The Industry sector, which accounts for 26.4 percent of GDP, recorded a growth of 2.7 per cent in 2019 compared to a growth of 1.2 per cent in the previous year. The revival of construction related activities and the manufacture of textiles, wearing apparels, leather products and foods mainly supported the growth in the Industry sector. Meanwhile,



the Agriculture sector, which accounts for 7.0 per cent of the GDP, recorded a modest growth of 0.6 per cent in 2019 compared to 6.5 per cent in 2018, as a result of extreme weather related shocks.

1.2 Inflation and Interest Rates

Headline inflation as measured by the year on year change in the CCPI increased to 4.8 per cent by 2019 compared to 2.8 per cent at end 2018. The movements in the headline inflation as measured by the CCPI mainly reflected food inflation. Food inflation caused the CCPI to accelerate towards 6.2 per cent in February 2020 before easing somewhat during the months of June to August 2020. Thereafter, disruptions to domestic food supplies as a result of adverse weather conditions caused the CCPI to hover around 5.0 per cent levels towards the second half of the year. Meanwhile, year-on-year headline inflation measured by NCPI, accelerated to 6.2 per cent by December 2019 compared to 0.4 per cent at end 2018. The higher weight attached to food in the NCPI index and the increase in food prices resulted in the NCPI recording a higher increase in inflation compared to the CCPI.

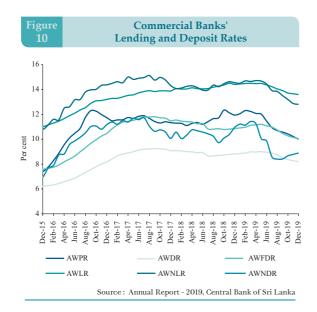
Meanwhile, core inflation, which reflects underlying trends in inflation remained broadly



stable in 2019. CCPI based year on year core inflation was 4.8 per cent in December 2019, compared to 3.1 per cent at end 2018. NCPI based year-on year core inflation, which recorded 3.1 per cent at end 2018, rose to 5.2 per cent by end 2019.

1.3 Monetary and Fiscal Policy

The Central Bank of Sri Lanka pursued an accommodative monetary policy stance in 2019, supported by lower economic growth, lower inflation, favorable inflation outlook and declining private sector credit. In March 2019, the Central Bank reduced the SRR applicable on all rupee deposit liabilities of Licensed Commercial Banks (LCBs) by a further 1.00 percentage point with a view to addressing the persistent deficit levels in the domestic money



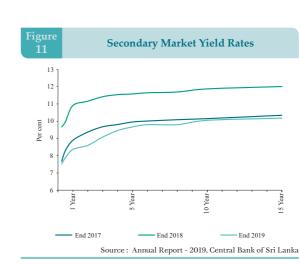
market. Having provided forward guidance to the market on the likelihood of a reduction in policy interest rates, the Central Bank reduced the SDFR and the SLFR by 50 basis points to 7.50 and 8.50 per cent, respectively, in May 2019. In August, the Central Bank reduced the SDFR and the SLFR by another 50 basis points to 7.00 per cent and 8.00 per cent, respectively. The further reduction in policy interest rates were precipitated by the slow adjustment of market interest rates to the easing of monetary policy. The Central Bank was also compelled to impose interest rate ceilings on deposit rates as high deposit rates were an impediment to the downward adjustment of market interest rates.

Reflecting the accommodative monetary policy, the Average Weighted Call Money Rate (AWCMR) declined by 150 basis points to 7.45 per cent by end 2019 from 8.95 per cent at end 2018. The deposit interest rates of LCBs, as reflected in the Average Weighted Deposit Rate (AWDR) declined by 77 basis points to 8.20 per cent by end 2019 from 8.97 per cent at end April 2019. The lending rates, which remained downward rigid despite the reduction in policy interest rates, declined notably with the imposition of caps on lending interest rates in September 2019. Accordingly, the weekly Average Weighted Prime Lending Rate (AWPR), which is based on interest rates applicable on short term loans and advances granted by all LCBs to their prime customers during a week, declined by 235 basis points to 9.74 per cent by end 2019 from 12.09 per cent recorded at end 2018. The Average Weighted Lending Rate (AWLR), which is based on interest rates of all outstanding loans and advances extended by LCBs, declined by 81 basis points to 13.59 per cent during 2019.

The fiscal policy aimed at fiscal consolidation encountered significant challenges during

2019 due to the decline in government revenue and an increase in government expenditure. The government Budget 2019, which was approved on 5 April 2019, aimed at reducing the budget deficit to 4.4 per cent of GDP in 2019 from 5.3 per cent of GDP in 2018. However, the budget deficit rose to 6.8 per cent of GDP in 2019, from 5.3 per cent of GDP in 2018. Government revenue as a percentage of GDP declined to 12.6 per cent in 2019 from 13.4 per cent in 2018 mainly due to the reduction in tax revenue from excise duties on motor vehicle imports, Value Added Tax (VAT), Cess and Ports and Airports Development Levy (PAL). Meanwhile, Total expenditure and net lending increased to 19.4 per cent of GDP in 2019 from 18.7 per cent in 2018.

The budget deficit was largely financed through domestic sources during 2019. Accordingly, net domestic financing fulfilled 69.1 per cent of the budget deficit, while the balance was met from foreign sources. In nominal terms, net financing from domestic sources increased by 60.6 per cent to Rs. 702.4 billion in 2019, in comparison to Rs. 437.2 billion in 2018. Within the domestic financing, borrowings from the non banking sector accounted for 72.5 per cent (Rs. 509.3 billion) of total net domestic financing in 2019, compared to 75.0 per cent (Rs. 327.8 billion) in 2018. Financing from the banking sector amounted to 27.5 per cent (Rs. 193.1 billion) compared to 25.0 per cent (Rs. 190.5 bn) recorded in 2018.



1.4 Wages and Unemployment

The overall unemployment rate rose to 4.8 per cent in 2019 from 4.4 per cent in 2018, the highest since 2010, mainly due to the sluggish economic conditions that prevailed in the country in the aftermath of the Easter Sunday attacks. The unemployed rates for both males and females increased during the year.

During 2019, nominal wages in the public sector, formal and informal private sectors

increased. The nominal wages of public sector employees, as measured by the annual average change in the Public Sector Wage Rate Index (2016=100) increased by 4.7 per cent in 2019 compared to 2018. Nominal wages of employees in the formal private sector, as measured by the annual average change in the Minimum Wage Rate Index (1978 December=100) of employees whose wages are governed by the Wages Boards Trades, increased by 2.9 per cent in 2019. Meanwhile, the nominal wages of the informal private sector employees, as measured by the annual average change in the Informal Private Sector Wage Rate Index (2012=100), increased moderately by 6.2 per cent in 2019, compared to the increase of 13.2 per cent in the previous year. The real wages in the public and informal private sectors increased marginally, while that of the formal private sector showed an erosion, compared to 2018.

1.5 Government Securities Market and Movements in Yield Rates

Reflecting the accommodative monetary policy, surplus liquidity, availability of foreign financing with the proceeds of ISB issuances in March and June 2019 and lower inflation, the yields on government securities adjusted downwards notably during the year. The primary market yields on 91- day, 182-day and

364-day Treasury bills decreased by 250 basis points, 197 basis points, and 275 basis points to 7.51 per cent, 8.02 per cent and 8.45 per cent, respectively, during 2019. Meanwhile, the yields on Treasury bonds in the primary market also declined substantially with yields on short to medium maturities declined by around 182-223 basis points, while yields on longer maturities recorded a decline of around 131-200 basis points in the primary market during 2019. The government relied more on short to medium term Treasury bond issuances during the first half of 2019, while Treasury bonds with longer maturities of 10 to 20 years were issued mostly during the second half of 2019.

Reflecting the overall downward adjustment in primary market yields, the secondary market yield curve for government securities shifted downwards during the year 2019 with a greater downward shift in short to medium term yields.

1.6 Corporate Debt Market

During 2019, there were thirty corporate debenture issuances by 15 companies in the Colombo Stock Exchange (CSE) which raised Rs. 57.9 billion compared to Rs. 55.9 billion raised in 2018. Out of the fifteen companies which listed their corporate debentures in the CSE, ten institutions were banks and other financial institutions. Debentures with fixed interest rates were issued within a range from 12.30 to 15.50 per cent compared to the



range of 12.00 - 14.75 in the previous year.

1.7 Colombo Stock Exchange

The ASPI grew by 1.3 per cent in 2019 compared to 5.0 per cent decline reported in 2018 while S&P SL20 index declined by 6.3 per cent in 2019 compared to the 14.6 per cent decline reported in 2018. Immediately after the Easter Sunday Attack, the ASPI declined to 5,200 level, recording a decline of 3.6 per cent. However, the equity market gradually improved during the second half of the year due to positive investor sentiment mainly due to the presidential election. Market capitalisation increased marginally by 0.4 per cent from Rs. 2,839.5 billion in 2018 to Rs. 2,851.3 billion at end 2019. As a percentage of GDP, total market capitalisation was 21.5 per cent at end 2019. Outflows of foreign funds continued for the second successive year with total foreign outflows amounting to Rs. 11.7 bn in 2019. In the primary market, Rs. 31.0 billion was raised through 18 right issues although there were no IPOs during the year.

REVIEW OF THE PERFORMANCE OF EPF - 2019

2. Introduction	108.0 numbe
	241,58
The total net worth of the Fund reached Rs.	compa
2,540.4 billion as at end 2019 recording a	Accord
11.0 per cent growth over Rs. 2,289.4 billion	less re
recorded by end 2018. The total number of	Rs. 30
member accounts was 19.39 million by end	record
of 2019. The number of contributing member	to pre
accounts was 2.91 million by end 2019, which	contrib
was an increase of 2.3 per cent compared to	due to
2.85 million in 2018, whilst non contributing	The tot
member accounts to 16.45 million by the	amoun

member accounts was of 2019. The number of accounts was 2.91 millio was an increase of 2.3 2.85 million in 2018, w member accounts to 16.45 million by the end 2019, compared to 15.85 million in 2018. Meanwhile, the number of contributing employers recorded an increase of 9.2 per cent to 94,171 by end 2019 from 86,203 reported at end 2018.

2.1 Member Contribution and Payments of Retirement Benefits

During 2019, member contributions increased by 8.5 per cent to Rs. 157.2 billion from Rs. 145.0 billion during 2018. The total amount refunded to the members and their legal heirs including 30 per cent pre-retirement refunds were Rs. 126.3 billion during 2019, indicating an increase of 17.0 per cent over that of Rs.

billion refunded during 2018. The total er of refunds made during 2019 was 81, which was an increase of 0.2 per cent red to 241,190 recorded during 2018. lingly, the net contribution (contributions efunds) decreased by 16.4 per cent to 0.9 billion compared to Rs. 37.0 billion ed during the previous year. Compared evious year, a decrease in the net oution was recorded during 2019 mainly the reduction in growth of contribution. tal amount of 30 per cent refunds was ted to Rs.15.2 billion and the amount of other refunds was amounted to Rs.111.1 billion. The cumulative 30 per cent refunds as at the end of 2019 from 2015 amounted to Rs.88.3 billion. The total amount of refunds for the members reaching of retirement age increased by 17.9 per cent from Rs.74.2 billion during 2018 to Rs.87.5 billion during 2019. Meanwhile, the total amount refunded due to marriage by female members recorded an increase of 14.3 per cent from Rs.7.0 billion during 2018 to Rs.8.0 billion reported during 2019. As shown in the Table 01. the refunds made to members who reached the retirement age accounted for the largest share of the refunds, followed by 30 per cent refunds.

Table 1

Composition of EPF Refund Payments during 2019

Basis of EPF Refund	Number o Applica		Total Amount of Refund Benefits (a)	
	No.	%	(Rs. million)	%
Reaching of Retirement Age	96,991	56.6	87,518.7	70.6
30% Withdrawals	31,466	18.3	15,142.6	12.2
Due to Marriage	23,207	13.5	8,047.7	6.5
Death of Members	5,955	3.5	3,911.6	3.2
Others	13,860	8.1	9,357.2	7.5
Total	171,479	100.0	123,977.8	100.0

(a) This includes the first payment and 30 per cent of refunds only.

Source : Labour Department

2.2 Investment Portfolio of EPF

The total investment portfolio of the Fund grew by 10.9 percent from Rs. 2,298.8 billion at end of 2018 to Rs. 2,548.7 billion at end of 2019 as depicted in the Table 2 and Figure 13.

Net income of Rs. 222.8 billion and net member contributions of Rs. 30.9 billion mainly contributed for the growth in the investment portfolio. The investment portfolio of EPF consists of government securities, equity, corporate debentures, and other short-

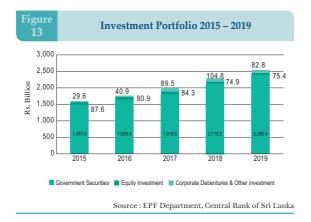
term investments including fixed deposits. The concentration of investment in Government securities showed an increase from 92.2 per cent in 2018 to 93.8 per cent at end 2019 whereas the composition of investments in equity decreased to 3.0 per cent in 2019 from 3.3 per cent in 2018. Investments in corporate debt securities and short-term fixed deposits were accounted for 1.6 per cent and 1.0 percent of the portfolio respectively in year 2019. The total outstanding of reverse repurchase transactions which include investments in term and overnight reverse repurchase agreements and Standing Deposit

Table 2

Investment Portfolio 2015 - 2019

Asset Class		Am	ounts in Rs.	Bn	
10000 01000	2015	2016	2017	2018	2019
Government Securities	1,487.0	1,650.4	1,818.6	2,119.2	2,390.4
Equity Investment	87.6	80.9	84.3	74.9	75.4
Corporate Debentures	22.6	34.3	38.7	43.7	41.9
Fixed Deposits	-	-	48.0	33.6	25.0
Trust Certificates, Reverse Repurchase Agreements and Other Investments	7.0	6.6	2.7	27.4	16.0
Grand Total	1,604.2	1,772.2	1,992.4	2,298.8	$2,\!548.7$

Source : EPF Department, Central Bank of Sri Lanka



Facility accounted for 0.6 per cent of the total portfolio as at end 2019.

2.2.1 Government Securities Portfolio

The Government securities portfolio consisting of Treasury bonds and Treasury bills grew by 12.8 per cent to Rs. 2,390.4 billion at end of 2019 from Rs. 2,119.2 billion as at end of 2018. During 2019, EPF earned an interest income of Rs. 246.4 billion on the Government securities portfolio representing 96.7 per cent of the total interest income of the Fund. In 2019, the weighted average current yield of the government securities portfolio was recorded as 9.82 per cent. As per the Maturity Profile given in Table 3, more than 75 per cent of the total Government securities portfolio consists of maturity more than 5-years, reflecting the EPF's interest in investing in longer tenor.

2.2.2 Equity Portfolio

The market value of Equity portfolio of EPF. which consists of both listed and unlisted equities, increased by 0.7 per cent from Rs. 74.9 billion as at end 2018 to Rs. 75.4 billion as at end 2019. The listed equity portfolio which is valued on marked to market basis increased by 2.2 per cent from Rs. 64.9 billion as at end 2018 to Rs. 66.3 billion as at end 2019. and the unlisted portfolio which is recorded on cost basis decreased by 7.8 per cent from Rs. 9.9 billion to Rs. 9.1 billion as at end 2019 from previous year. The decrease in unlisted equity portfolio was due to the listing of both voting and non-voting shares of Laugfs Power Limited and the sale of equity investment of Weligama Hotel Properties (Pvt) Ltd. EPF's investments in listed equity portfolio consists of large companies in different sectors, such as Banks, Finance & Insurance, Diversified Holdings,

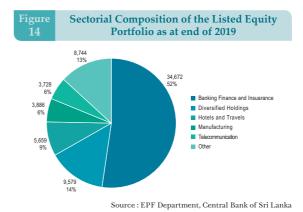


Table 3

Maturity Profile of Government Securities Portfolio - As at end of 2019

Maturity	Maturity Value Amount (Rs.mn)	Share (%)	Weighted Average Yield (%)
Less than 1 Year	117,804.5	4.9	7.96
1-2 Years	174,652.7	7.3	8.74
3-4 Years	293,388.2	12.3	9.52
More than 5 years	1,804,331.7	75.5	10.09
Total	2,390,177.1	100.0	9.82

Source : EPF Department, Central Bank of Sri Lanka

Hotel & Travels, Telecommunication and manufacturing listed on the CSE (Figure 14). EPF held 52 per cent of its listed equity portfolio in Banks, Finance and Insurance sector. EPF's equity portfolio recorded a net gain of Rs. 4.4 billion in 2019.

2.2.3 Corporate Debt Portfolio

EPF invests in debt instruments such as corporate debentures, trust certificates and mortgage-backed securities issued by investment grade companies. Accordingly, during 2019, the EPF has invested Rs. 3,255.5 mn in three (03) corporate debt instruments issued by banking institutions with investment grade credit ratings. The corporate debt portfolio of the Fund stood at Rs 41.9 billion on book value as at end December 2019, constituting 1.6 per cent of the total portfolio. The Fund earned interest income of Rs. 5,043.4 million on the corporate debt portfolio and the rate of return on average portfolio was 11.59 per cent during the year.

2.2.4 Reverse Repurchase Transactions

The daily excess funds are invested in the repo market and OMO window of Central Bank of Sri Lanka in managing the liquidity of the Fund. During 2019, the Fund earned an interest income of Rs. 1,171.5 million from reverse repo transactions compared to Rs. 685.3 million earned in 2018.

2.2.5 Fixed Deposits

Based on the special approval granted by the MB, EPF invested its funds in short term Fixed Deposits with three state banks with a maximum maturity of one year. Accordingly, Fixed Deposit investments outstanding as at end 2019 amounted to Rs. 25.0 billion which is equivalent to 1.0 per cent of the total portfolio and interest income of Rs. 2,104.0 million was earned during the year 2019.

2.2.6 Total Investment Income of the Fund

Total investment income of the Fund amounted to Rs. 259.0 billion in 2019, recording an increase of 16.5 percent compared to that of the previous year (Table 4). Interest income was the major source of income (98.3 per cent of the income) to the Fund which grew by 11.0 per cent from Rs. 229.4 billion in 2018 to Rs. 254.7 billion in 2019. Further, income generated from equity portfolio which included both capital gains and dividends was reportedas Rs. 6,247.6 million in 2019 compared to Rs. 3,894.8 million earned in 2018.

Table 4

Investment Income of the Fund

Source of Income	2018	2019	Growth (%)
	Amount (Rs.mn)	Amount (Rs.mn)	
Interest	229,446.0	254,681.0	11.0
Dividends	3,887.6	6,247.5	60.7
Realized Capital Gain/(Loss)	7.2	0.1	(98.0)
Net Gain/(Loss) on Financial instruments at Fair Value through Profit/Loss	(10,901.3)	(1,890.0)	82.7
Impairment of Financial Assets	0.6	0.3	(46.0)
Total	222,440.1	259,038.9	16.5

Source : EPF Department, Central Bank of Sri Lanka

2.3 Governance Framework for Risk Management of EPF

The MB of the CBSL as the custodian of the Fund is overseeing the risk management of the EPF. Accordingly, the risk management activities of EPF are also considered as an integral part of the Risk Governance structure of the CBSL which focuses on both financial and non-financial risks pertaining to all its activities including EPF's activities. Further, MB as the ultimate decision-making authority of the fund management activities of the EPF, provides policy direction for the investment activities of the EPF fund and specifying the overall risk parameters, such as the risk appetite and risk tolerance levels within which the fund should be managed. MB has established the respective process through the supervision of two high-level committees namely, the Board Risk Oversight Committee (BROC) and EPF Investment Oversight Committee (EIOC) in order to strengthen the governance of the risk management structure of the EPF.

The BROC is responsible for overseeing the risk management function and the EIOC provides the highest level of oversight authority pertaining to the fund management activities. The role of the EIOC is to oversee the investment activities of the EPF by providing strategic and policy guidance for the management of the fund. Further, powers with respect to the day-to-day investment decision-making function of the EPF fund management activities have been delegated to the departmental level committee, the EPF Investment Committee (EIC). The Middle Office of the Fund Management Division of EPF oversee the daily operational risk aspects on a continuous basis as the First Line of Defense. Accordingly, both pre and post compliances of

investment activities are monitored in line with the parameters provided in Investment Policy Statement (IPS), Strategic Asset Allocation (SAA) and Investment Guidelines (IG). The Risk Management Department (RMD) acts as the Second Line of Defense and responsible for providing the policy framework for the investment governance process through an independent assessment, monitoring and reporting risks associated with the fund management activities of the EPF. Accordingly, providing applicable policy directions and guidelines relating to investment activities are handled by RMD through revising and updating the IPS, SAA and IG in line with updated market requirements, to improve the existing work procedures and to provide greater independence over the investment decision making process while maintaining an adequate level of internal controls. As the Third Line of Defense, Internal Audit Department provides risk assurance with regard to the fund management function of EPF.

Further, a distinct mechanism is in place for escalation and addressing of non-financial risks related to the overall EPF Department's activities through a separate committee, the Non-financial Risk Management Committee (NFRMC). Accordingly, periodic reviews are conducted for identification and review of nonfinancial risks and to decide and monitor the risk mitigation actions thereon through RMD of CBSL.

2.4 Operational Expenditure

The total operational expenditure of the Fund increased to Rs. 1,581.8 million in 2019, with 5.1 per cent increase compared to Rs. 1,505.3 million in 2018 mainly due to the increase in Personnel expenses. However, operational expenses as a percentage of gross income

Table 5

Operational Expenditure of the Fund

	EPF Dej	partment	of CBSL	Labor	ur Depart	ment		Total	
Item	2018 (Rs. million)	2019 (Rs. million)	Change (%)	2018 (Rs. million)	2019 (Rs. million)	Change (%)	2018 (Rs. million)	2019 (Rs. million)	Change (%)
Personnel Expenses	559	632	13.1	408	431	5.6	967	1,063	9.9
Administrative Expenses	284	235	(17.3)	186	215	15.6	470	450	(4.3)
Other Expenses	59	60	1.7	9	9	-	68	69	1.5
Total	902	927	2.8	603	655	8.6	1,505	1,582	5.1
Total Expenses as a percentage of Gross Income	0.41	0.36		0.27	0.25		0.68	0.61	

decreased to 0.61 per cent during the year compared to 0.68 per cent in 2018. (Table 05).

2.5 Tax Expenditure

With the introduction of the new Inland Revenue Act, No.24 of 2017, which was effective from 01 April 2018, the income tax rate applicable for the Fund increased from 10 per cent to 14 per cent, which resulted in an increase of Rs. 4.2 billion in the tax expenditure when compared with the previous year. Furthermore, the Withholding Tax (WHT) of 10.0 per cent paid on Treasury bond interest income which had been recognized as part of gross income under the previous tax regulations has been abolished with effect from 01 April 2018.

Member Account Balances and

In 2019, a sum of Rs.210.4 billion was credited

to member accounts as interest. Accordingly,

the member balances increased by 10.8 per

cent to Rs. 2,497.6 billion as at end of 2019

compared to Rs. 2,254.2 billion as at end

of 2018. Despite the volatile interest rate

Interest Credited

Member Balances and Interest Credited. 3,000 250 2 500 200 2,000 ۲. Ж ä 150 Rs. 1.500 100 1.000 500 ٥ Member Interest paid (RHS) Balances (Rs. Bn.) (Rs. Bn.) Source : EPF Department, Central Bank of Sri Lanka

Source: EPF Department, Central Bank of Sri Lanka

environment that prevailed during the recent years, the Fund was able to declare an interest rate of 9.25 per cent on the closing balance of member accounts for the year ending 31 December 2019, which is a slight decrease of 0.25 percentage point compared to 2018.

2.7 Housing Loan Guarantee Facility

The Housing Loan Scheme, introduced in 1988 with the objective of facilitating the members to obtain housing loans from the participating lending institutions, viz., Housing Development and Finance Corporation Bank, State Mortgage and Investment Bank, Bank of Ceylon,

2.6

Year	Number of Certificate Issued	Credit Approved (Rs. mn)	Amount Remitted to Lending Institutions to settle overdue loans of the Previous Year (Rs. mn)
2009	10,383	2,680	1,552
2010	13,848	4,512	2,093
2011	20,041	6,355	1,896
2012	11,234	3,973	2,019
2013	16,268	6,914	2,178
2014	17,786	8,021	2,394
2015	13,132	5,489	2,522
2016	12,780	5,414	2,541
2017	10,998	4,946	2,485
2018	10,036	4,974	2,759
2019*	10,022	5,097	3,164

Housing Loan Facility

*provisional

Table 6

Source : EPF Department, Central Bank of Sri Lanka

People's Bank and Co-operative Rural Banks, continued in 2019. Under this scheme, during 2019, the EPF Department issued 10,022 certificates of guarantees to members against their EPF balances to the participating lending institutions for the approval of housing loans amounting to Rs. 5,097 million (Table 06). Further, during 2019, nearly Rs. 3,164 million was deducted from relevant member accounts and remitted to the participating lending institutions in 2019 to settle the overdue loans during the year 2018.

2.8 Enforcement of Law

In accordance with the provisions of the EPF Act, the Department of Labour is responsible for the general administration and enforcement of the EPF Act. Accordingly, during 2019, the district labour offices and sub offices registered 8,973 new employers and 37,297 new employees covering all provinces. More than 40 per cent of the employers registered during the year 2019, were from the Western province while the Northern and the Eastern provinces together accounted for 11.3 per cent of the total employer registrations.

As per the provisions of the Act, the Department of Labour is empowered to take legal action against employers who do not pay member contributions. Accordingly, district labour offices and sub labour offices had sent 19,616 first notices and 13,735 red notices claiming overdue EPF contributions of Rs. 6,839 million and Rs. 5,231 million, respectively. Further, Rs. 547 million has been recovered by the Department of Labour by filing legal cases against 4,235 institutions which had failed to settle the arrears within 28 days after receiving the red notices.

Description		Year							
		2014	2015	2016	2017	2018	2019		
Nora Doriginations	Employers	7,213	6,736	7,134	7,710	9,243	8,973		
New Registrations	Employees	296,056	48,007	34,264	280,079	37,662	37,297		
Province -	Western	65.0	50.0	50.0	50.4	43.0	42.8		
wise Employer Registrations (As a percentage of total	Northern & Eastern	3.0	7.0	6.5	6.3	15.0	11.3		
Employer Registration)	Other	32.0	43.0	43.5	43.3	42.0	45.9		
	No. of notices sent	12,132	9,015	10,074	10,888	13,653	19,616		
First Notices	Amount Claimed (Rs. million)	6,280	4,018	4,464	5,876	4,316	6,839		
n 1	No. of notices sent	13,578	5,670	6,508	6,613	8,364	13,735		
Red Notices	Amount Claimed (Rs. million)	1,121	2,864	3,454	3,775	3,320	5,231		
	No. of cases	3,397	6,458	2,622	3,019	2,831	4,235		
Filed Cases	Amount Recovered (Rs. million)	6,126	1,308	855	1,093	1,710	547		

Enforcement of Law

Table 7

Source : Labour Department

2.9 Re-registration of EPF members

EPF Department, in collaboration with the Department of Labour, continued the special project to re-register its members to provide an efficient service to both members and employers, which was launched in 2010. Accordingly, actions were taken for the collection of member information as per the National Identity Card (NIC) data and reregistration of such members aligning to NIC data. The re-registration of members facilitates the identification of members with a Unique Identification (UID) Number and enables both EPF Department and the Department of Labour to establish a common Member Centric Database (MCD). Finally, this activity helps both EPF Department and the Department of Labour to provide services to its stakeholders productively through the improved quality of member information.

NIC details of around 1.98 million active EPF members (contributing members) had been collected. Accordingly, 1.62 million UIDs have been assigned for 81 per cent of active member accounts, while the verification of remaining member details is in progress. A system has also been established to monitor the error-free update of NIC details of all new members whose member contributions are received for the first-time, on a monthly basis. Further, arrangements are in progress to sign a Memorandum of Understanding (MoU) with the Department for Registration of Persons (DRP) to strengthen the process of re-registration by obtaining the access to DRP database.

2.10 e-Returns System for EPF Payments

The e-Return system, which facilitates the collection of EPF contributions and respective member details in electronic means, was

introduced by EPF Department with the objective of improving its operational efficiency in a paperless operating environment. This system was operated on a voluntary basis until the respective enactment, i.e. EPF (Amendment) Act No. 02 of 2012, came into force. Accordingly, submission of EPF contribution details through electronic media became mandatory for employers with more than 50 employees in their employment. In 2011, Licensed Commercial Banks (LCBs) joined this system as facilitators to collect EPF contributions via their own online portals, which made a remarkable improvement in employer participation and the speed of the member accounts updating process, while strengthening its administrative and monitoring functionalities. The e-Return system achieved its highest technological breakthrough in 2016 with the introduction of the online member information validating mechanism which brought 100 per cent process automation and real time updating of member accounts. Accordingly, eight LCBs facilitate EPF online payments while four of them provide online member information validation and real time member accounts updating facility for their customers.

In addition, actions were taken to make employers further aware regarding the e-Return submission procedure and its benefits for EPF stakeholders. Accordingly, participation of employers in the e-Return submission system increased from 8,540 to 9,267, covering approximately 79 per cent of the active member accounts and nearly 88 per cent of the total monthly EPF contribution by end 2019.

Further, with a view to introducing new methodologies for paying EPF, initiatives were taken to develop the EPF official website, enabling employers to submit their e-Returns through the website and also enabled employers to pay monthly contributions from any participating bank through the Lanka Clear's Common Electronic Fund Transfer System.

2.11 Pre-Retirement Refund Scheme

In terms of the provisions in the Employees Provident Fund (Amendment) Act No. 02 of 2012, and the subsequent procedures passed by the Parliament, the payment of 30 per cent EPF pre-retirement refund scheme, has been in operation since 01 July 2015. The scheme is very popular among beneficiaries and since its inception, a sum of Rs. 88.3 billion has been refunded to over 155,000 beneficiaries by end 2019. During 2019, Rs.15.2 billion was released to 29,646 beneficiaries under this scheme.

2.12 EPF Mobile Service Programme

EPF mobile services in the year 2019 were conducted with a view towards enhancing delivery of member services at their convenience and the enhancement of public awareness on EPF operations.

Almost all the services, a member could obtain by visiting the EPF Department in Colombo, are offered through the mobile services to the members at their own area or workplace. The services included: Issuing of EPF balance statements, Amendment of EPF member details, EPF Account amendments, Awareness for employers on e-media and direct debit system, Re-registration of member details, Promoting SMS & Internet member services and providing advice on overall EPF procedures.

During the year, EPF Department conducted 16 mobile services and 02 major Awareness Programmes. Some of these mobile services

were conducted in collaboration with the Department of Labour, Department of Registration of Persons, Registrar General's Department, Police Department and respective District/Divisional Secretariats.

EPF Department has also participated in mobile services organized by other government and non-government organizations/ministries at their invitation to provide EPF related services and awareness to the participants.

Prior to each mobile service programme, a special awareness programme was conducted to the relevant employers, managers and other administrative staff members of respective employers with a view to enhance the effectiveness of the mobile services.

Awareness activities were conducted in addition to the mobile services, targeting members, employers and other stakeholders on the services offered by the EPF using a mix of communication media such as e-mail, posters, leaflets, video clips and presentations.

2.13 Other Services

The EPF Department strives for an efficient and effective delivery of services to its members. In today's fast paced environment members demand excellent service delivery. Accordingly, the Public Relations and Inquiries Counter of EPF Department was able to provide its services in a successful manner despite a challenging environment. In 2019, the number of member/employer visits to the Department is recorded as 156,898, while EPF Department had responded 77,310 member inquiries through telephone calls and 8,713 member inquiries through e-mails. EPF Department also received 84,550 letters in 2019 from members, employers and other stakeholders.

The Department also receives a large number of member requests through letters and through the members visiting EPF Department, for amendment/ correction of details in their member accounts. In 2019, EPF Department performed approximately 72,313 amendments in EPF Member Accounts. The Amendments performed in EPF member accounts can be mainly categorised into two components: error correction in Name/NIC details of an EPF member account and corrections of contributions credited to a member account. During the year 2019, EPF Department performed 67,083 Name/ NIC amendments and 5,230 Account Amendments. Further, with the implementation of the Image Scanning Project, the facility for the performance of EPF member account amendments was extended to the Regional Offices of the Central Bank. Accordingly, during the year, EPF Department attended to 12,944 EPF member account amendments referred from Regional Offices of the Bank.

2.14 Other Functions

Furthermore, the EPF Department is in the process of reviewing and restructuring its investment strategy and framework under the Financial Sector Modernisation Project of the World Bank (WB) and the Government of Sri Lanka (GOSL). Furthermore, the WB is providing financial assistance for the implementation of a comprehensive ICT solution for the EPF. In view of this, a Business Process Review (BPR) has been conducted with the technical assistance of the Asian Development Bank (ADB) under the Capital Market Development Programme GOSL and ADB.



EMPLOYEES' PROVIDENT FUND STATEMENT OF INCOME AND EXPENDITURE

For the year ended 31 st December			2019		2018
	Note	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,

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Prof. W D Lakshman Governor Central Bank of Sri Lanka

Date : 26 February 2020

11 A G U Thilakarathna

Superintendent Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 st December		2019	2018
	Note	Rs.'000	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

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,

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Prof. W D Lakshman Governor Central Bank of Sri Lanka

Date : 26 February 2020

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A G U Thilakarathna Superintendent Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND STATEMENT OF FINANCIAL POSITION

As at 31 st December		2019	2018
	Note	Rs.	Rs.
		Rs.'000	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

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,

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Prof. W D Lakshman Governor Central Bank of Sri Lanka

Date : 26 February 2020

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Superintendent Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND RECEIPTS AND PAYMENTS ACCOUNT

For the year ended 31 st December			2019		2018
	Note	Monetary Board	Labour Dept.	Total	Total
		Rs.'000	Rs.'000	Rs.'000	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.

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;

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Prof. W D Lakshman Governor Central Bank of Sri Lanka

Date : 26 February 2020

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A G U Thilakarathna Superintendent Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND STATEMENT OF INVESTMENTS

Class of Investment	Note	Face value	Cost	Fair Value	Amortised Cost	Book Value
		Rs'000	Rs:000	Rs.'000	Rs.'000	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	1	83,695,978	66,268,769	83,695,978	66,268,769
Unlisted Equities	16.2	1	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	1	80,467,243	64,937,663	80,467,243	64,937,663
Unlisted Equities	16.2	1	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.

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

Annual Report 2019

DD whether Prof. W D Lakshman

Governor Central Bank of Sri Lanka

Date : 26 February 2020

259

AGUThilakarathna Superintendent Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND SATEMENT OF CASH FLOWS

For the year ended 31st December	2019	2018
	Rs.'000	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 31st 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

Description	Members Balance	Building Reserve Fund	Building Technology Reserve Fund Advancement Reserve Fund	Technology Advancement Reserve Fund 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)	1	I	I	I	I	(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	I	2,474,628	2,064,264,098
Opening Balance adjustment to Retained Loss - Labour Department	I	I	I	I	I	I	(3,678)	(3,678)
Adjusted Opening Balance	2,020,782,471	3,157,000	350,000	30,850,000	6,650,000	I	2,470,950	2,064,260,420
Net Profit for the year - 2018	I	I	I	I	I	I	190,617,403	190,617,403
Net Contributions for 2018	38,779,219	I	1	I	I	I	1	38,779,219
Member Interest Paid on Refunds - 2018	I	I	1	I	I	I	(4, 296, 117)	(4,296,117)
Member Interest payable (2018 at 9.50%)	194,632,761	I	1	I	I	I	(194, 632, 761)	I
Transfers from Profit Equalization Reserve	1	1	I	(6,000,000)	I	I	6,000,000	1
Balance as at 31st December 2018	$2,\!254,\!194,\!451$	3,157,000	350,000	24,850,000	6,650,000	I	159,475	2,289,360,926
Net Profit for the year - 2019	1	1	I	I	I	I	222,776,356	222,776,356
Capital gain on disposal of unlisted shares	I	I	I	I	I	I	90,000	90,000
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	I	I	I	1	I	(7,249)	1	(7,249)
Net Contributions for 2019	32,980,863	I	1	I	I	1	'	32,980,863
Member Interest Paid on Refunds - 2019	I	I	I	I	I	I	(4,762,437)	(4,762,437)
Member Interest payable (2019 at 9.25%)	210,434,282	I	I	I	I	I	(210,434,282)	I
Transfers from Profit Equalization Reserve	I	-	ı	7,700,000	-	1	(7,700,000)	I
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

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 selfconstructed 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 32	1 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

For the year ended 31^{st} December			2018	
	Monetary Board	Labour Dept.	Total	Total
	Rs.'000	Rs.'000	Rs.'000	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

For the year ended $31^{ m st}$ December			2018	
	Monetary Board	Labour Dept.	Total	Total
	Rs.'000	Rs.'000	Rs.'000	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

For the year ended 31 st December			2018		
	Monetary Board	Labour Dept.	Total	Total	
	Rs.'000	Rs.'000	Rs.'000	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

For the year ended 31^{st} December		2018			
	Monetary Board	Labour Dept.	Total	Total Rs.'000	
	Rs.'000	Rs.'000	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

For the year ended 31 st December	2019 Rs.'000	2018 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)
	(316)	(585)
Under/ (Over) Provision of Impairment / Impairment Expense	(316)	(585)

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

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

11. Operating Expenses

For the year ended 31 st December		2018			
	Monetary Board	Labour Dept.	Total	Total	
	Rs.'000	Rs.'000	Rs.'000	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	
	927,257	654,541	1,581,798	1,505,337	

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

12. Tax Expense

For the year ended 31 st December	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
	34,964,552	30,720,357

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	254,709,359	178,581,175
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
	35,659,310	24,929,433

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

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

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 31 st 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 31 st 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	Com] Equip	Computer Equipment	Furnita Fitti	Furniture and Fittings	Office Eq	Office Equipment	Motor Vehicles	'ehicles	Other	her	Total	tal	
	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Total
	Rs'000	Rs:000	Rs.'000	Rs.'000	Rs'000	Rs'000	Rs'000	Rs:000	Rs:000	Rs.'000	Rs.'000	Rs.'000	Rs'000
Cost													
As at 01 st January 2019	118,558	440,392	46,012	57,575	19,239	381,741	1	97,202	6,071	352	189,880	977,261	1,167,141
Additions during the year	6,082	I	1,920	4,492	4,353	12,935	1	I	I	I	12,355	17,427	29,782
Disposals During the year	1	1	I	I	I	I	1	I	I	I	I	ı	I
Adjustments	1	1	I	I	I	I	I	I	I	I	I	I	I
As at 31 st December 2019	124,640	440,392	47,932	62,067	23,592	394,676	1	97,202	6,071	352	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	I	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	1	I	614	1	8,420	36,626	45,046
Disposals During the year	1	1	I	I	I	I	1	I	I	I	I	I	I
Adjustments	1	1	I	I	I	I	1	I	1	I	I	I	I
As at 31^{st} December 2019	113,729	370,294	34,804	51,686	17,941	276,745	-	56,094	4,394	352	170,866	755,171	926,037
NBV as at 31 st December 2019	10,911	70,098	13,128	10,381	5,651	117,930	I	41,109	1,678	I	31,369	239,517	270,886
NBV as at 31^{st} 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

2018	Com Equip	Computer Equipments	Office Furnitu and Fittings	Office Furniture and Fittings	Office Eq.	Office Equipments	Motor V	Motor Vehicles	Otl	Other	To	Total	
	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Total
	Rs:000	Rs:000	Rs.'000	Rs:000	Rs.'000	Rs:000	Rs.'000	Rs'000	Rs.'000	Rs:000	Rs:000	Rs.'000	Rs.'000
Cost													
As at 01st January 2018	114,620	422,460	46,012	53,162	18,644	378,543	I	103,568	6,054	352	185,330	958,085	1,143,415
Additions during the year	3,938	22,269	I	4,413	595	4,516	I	I	18	I	4,550	31,198	35,748
Disposals During the year	1	1	1	1	I	I	I	I	I	I	1	1	I
Transfers/ Adjustments	1	(4, 336)	1	1	1	(1, 319)	I	(6, 366)	1	I	1	(12, 021)	(12, 021)
As at 31st December 2018	118,558	440,392	46,012	57,575	19,239	381,741	1	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	43,836	13,984	237,775	I	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	I	I	654	I	8,606	31,805	40,412
Disposals During the year	I	1	I	I	I	I	I	I	I	I	I	I	I
Transfers/ Adjustments	I	203	I	I	I	(165)	I	(4, 202)	I	I	I	(4, 163)	(4, 163)
As at 31st December 2018	111,489	356,357	31,207	49,052	15,972	256,690	I	56,094	3,780	352	162,446	718,545	880,991
NBV as at 31st December 2018	2,069	84,035	14,805	8,523	3,267	125,051	1	41,109	2,291	I	27,434	258,717	286,150
NBV as at 31 st December 2017	5,574	73,815	18,328	9,326	4,660	140,768	I	43,273	2,928	I	31,490	267,182	298,672

EMPLOYEES' PROVIDENT FUND Notes to the Financial Statements

Property, Plant & Equipment Contd....

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	34,242	4,626	38,868	33,866
Acquisitions during the Year	1,348	-	1,348	5,002
As 31 st 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 31 st 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 31 st December	2,173	1,445	3,618	4,220

16. Equity Instruments at Fair Value through Other Comprehensive Income

As at 31st December	20	019	20	018
	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

As at 31^{st} December	201	19	20	18
	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

As at 31 st December	20	19	20	18
	Cost	Book value	Cost	Book value
Company Name	Rs.'000	Rs.'000	Rs.'000	Rs.'000
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 corperate restructuring of Laugfs Gas plc, the Fund has become a shareholder of Laugfs Gas Eco Sri Ltd, Laugfs Gas Leisuire 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.

17. Equity Instruments at FVTPL

As at 31 st December	20	19	20	018
	Cost	Fair Value	Cost	Fair Value
	Rs.'000	Rs.'000	Rs.'000	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	20	19	20	18
	Cost	Fair Value	Cost	Fair Value
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
Chemanex 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

17.1 Continued...

As at 31 st December	20	19	20	18
	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

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18. Debt Instruments at Amortised Cost

As at 31st December		50	2019			20	2018	
	Face Value	Cost	Fair Value	Amortised Cost	Face Value	Cost	Fair Value	Amortised Cost
	Rs.'000	Rs.'000	Rs:000	Rs'000	Rs'000	Rs'000	$R_{S}'000$	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
Trasury Bills (Note 18.1.2)	8,250,000	7,586,701	7,908,078	7,941,165	36, 321, 220	33, 398, 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	I	I	I	(2,983)	1	I	I	(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	I	I	I	(14)	I	I	1	(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	I	I	I	(240)	1	1	I	(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	I	1	I	(238)	I	I	I	(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	2,352,270,811	2,545,333,513	2,473,311,184	2,473,311,184 2,250,189,363	2,106,739,598	2,154,722,063	2,223,978,499

Employees' Provident Fund

Over/ (Under) Provision Rs'000376 (57)(24)22Provision as at 31.12.2018 $\mathrm{Rs}^{\circ}000$ 3,35918321436 Provision as at 31.12.2019 Rs^{000} 2,98324014238 Movement of Impairment for Debt Instruments at Amortised Cost Impairment allowance for Corporate Debt Securities Preference Shares Trust Certificates Fixed Deposits

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. 317 3,7923,475

Debt Instruments at Amortised Cost (Contd...)

18.1 Investments in Government Securities

18.1.1 Treasury Bonds

As at 31 st December			0	2019			50	2018	
	Year of Maturity	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
Government of Sri Lanka Treasury Bonds	2019	I	·	I	I	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	95,940,379	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	I	I	I	I
	2032	96,042,350	61, 692, 658	83,891,498	69,457,657	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	107,119,757	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	I	I	I	I
	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 $2,262,943,811$	2,262,943,811	2,455,954,830	$\left 2,382,459,525\left 2,110,854,987\right 1,970,722,277\left 2,017,224,894\right.\right.$	2,110,854,987	1,970,722,277	2,017,224,894	2,084,497,740

Employees' Provident Fund

Debt Instruments at Amortised Cost (Contd...)

18.1 Investments in Government Securities

18.1.2 Treasury Bills

	Amortised Cost	Rs.'000	34,733,240	1	34,733,240
8	Fair Value	Rs.'000	34,413,982	I	34,413,982
2018	Purchase Cost	Rs.'000	36,321,220 33,398,583 34,413,982 34,733,240	I	33,398,583
	Face Value	Rs.'000	36,321,220	I	$7,586,701 \left[\begin{array}{c c} 7,908,078 \end{array} \right] \left[\begin{array}{c c} 7,941,165 \end{array} \right] \left[\begin{array}{c c} 36,321,220 \end{array} \right] \left[\begin{array}{c c} 33,398,583 \end{array} \right] \left[\begin{array}{c c} 34,413,982 \end{array} \right] \left[\begin{array}{c c} 34,733,240 \end{array} \right] \\ \end{array}$
	Amortised Cost	Rs.'000	I	7,941,165	7,941,165
61	Fair Value	Rs.'000	I	7,908,078	7,908,078
2019	Purchase Cost	Rs.'000	I	7,586,701	7,586,701
	Face Value	Rs.'000	I	8,250,000	8,250,000
	Year of Maturity		2019	2020	
As at 31 st December			Government of Sri Lanka Treasury Bills		

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

Debt Instruments at Amortised Cost (Contd...)

18.2 Investments in Debentures

18.2.1 Corporate Debentures - Listed

As at 31^{st} December			20	2019			20	2018	
	Year of Maturity	Face	Purchase	Fair Value	Amortised	Amortised Face Value	Purchase	Fair Value	Amortised
	<i>C</i>	value Rs:000	Cost Rs.'000	Rs.'000	Cost Rs.'000	Rs.'000	Cost Rs.'000	Rs.'000	Cost Rs:000
Hemas Holding PLC_11.00%p.a_2019	2019	ı	I	1	I	81,980	81,980	81,570	84,259
HNB Debenture _7.75% p.a	2019	ı	I	ı	I	2,000,000	2,000,000	1,700,000	1,960,372
Lanka ORIX Leasing Company PLC Debenture 9% p.a	2019	I	I	I	I	100,000	100,203	91,000	100,037
Pan Asia Banking Corporation PLC_9.5233% pa	2019	ı	I	1	I	209,230	209, 230	209,230	252,078
Pan Asia Banking Corporation PLC_9.75% pa	2019	I	I	I	I	250,000	250,000	250,000	210,973
RICHARD PIERIS AND COMPANY PLC 2019_11.25% p.a	2019	I	I	I	I	200,000	200,000	197,000	203,974
Sampath Bank Debenture_8.10% p.a	2019	ı	I	1	I	2,000,000	2,000,000	1,700,000	1,984,122
Siyapatha Finance PLC -A	2019	I	I	I	I	500,000	500,000	498,500	518,342
Central Finance Company PLC_2015-2020_9.52% p.a	2020	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
DFCC Vardhana Bank Debenture 09.40%p.a	2020	500,000	500,000	500,000	526,325	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
National Development Bank PLC_2015-2020_09.40%p.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
Pradeshiya Sanwardana Bank Debenture_9.00% p.a	2020	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	2,003,927
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	1,142,721
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	2,042,198
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
Hatton National Bank Type A 2016-2021	2021	444,790	444,790	444,790	453,500	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	1,222,225
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	1,015,534

Employees' Provident Fund

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Debt Instruments at Amortised Cost (Contd...)

18.2 Investments in Debentures

18.2.1 Corporate Debentures - Listed

As at 31^{st} December	4		20	2019			20	2018	
	Year of Maturity	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
sevlan 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%p.a	2023	134,090	134,090	137,067	137,516	134,090	134,090	136,101	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	1,021,370	1,021,370
National Development Bank PLC_2013-2023_13.90%p.a	2023	375,000	375,000	378,762	375,000	375,000	375,000	322,500	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 debendure 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	900,000	1,063,519
Sampath Bank_13.9%_2024	2024	1,000,000	1,000,000	1,002,821	1,116,912	I	1	I	1
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%p.a	2025	500,000	500,000	502, 500	500,000	500,000	500,000	502, 500	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	I	I	I	I
HNB Debenture_12.80%_2026	2026	1,700,000	1,700,000	1,700,000	1,759,454	I	I	I	I
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

Debt Instruments at Amortised Cost (Contd...)

Investments in Debentures 18.2

18.2.2 Corporate Debentures - Unlisted

As at 31st December			20	2019			20	2018	
	Year of Maturity	Face Value	Purchase Cost	Fair Value	Amortised Cost	Face Value	Purchase Cost	Year of MaturityFace ValuePurchaseFair ValueAmortisedFace ValuePurchaseFair ValueAmortisedMaturityCostCostCostCostCostCost	Amortised Cost
		Rs:000	Rs.'000	Rs.'000	Rs'000	Rs'000	Rs'000	Rs:000	Rs:000
HDFC Bank Debentures HL 2.50%p.a.	2020	110,000	110,000	110,203	110,203	110,000	110,000	110,203	110,203
SMIB Bank Debentures HL 2.50% p.a.	2020	110,000	110,000	110,176	110,176	110,000	110,000	110,176	110,176
National Savings Bank_13%_2021	2021	1,500,000	1,500,000	1,500,000 1,500,000 1,501,598 1,501,598 1,500,000 1,500,000 0,00	1,501,598	1,500,000	1,500,000	1,501,068	1,501,068
Bank Of Ceylon_12.75%_2025	2025	5,000,000	5,000,000	5,005,225	5,005,225	5,000,000	5,000,000	5,000,000 5,000,000 5,005,225 5,005,225 5,000,000 5,000,000 5,003,493 5,003,493	5,003,493
		6,720,000	6,720,000	6,727,202	6,727,202	6,720,000	6,720,000	$6,720,000 \\ 6,720,000 \\ 6,727,202 \\ 6,727,202 \\ 6,720,000 \\ 6,720,000 \\ 6,724,941 \\ 6,72$	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.

Investments in Trust Certificates 18.3

As at 31st December		20	2019			20	2018	
	Face Value	Purchase Cost	Fair Value	Amortised Cost	Face ValuePurchaseFair ValueAmortisedFace ValuePurchaseFair ValueAmortisedCostCostCostCostCostCostCost	Purchase Cost	Fair Value	Amortised Cost
Issuer	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs'000
People's Leasing & Finance PLC TC	424,395	263,750	263,750 406,532 406,532 1,230,857	406,532	1,230,857	831,235	831,235 1,132,594 1,132,594	1,132,594
	424,395	263,750	263,750 406,532 406,532 1,230,857	406,532	1,230,857	831,235	$831,235 \left \begin{array}{c} 1,132,594 \\ \end{array} \right 1,132,594 \\ \end{array} \\ \left \begin{array}{c} 1,132,594 \\ \end{array} \right $	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

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

18.4 Investments in Repo Transactions

	2019	2018
	Rs.'000	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	2018
	Rs.'000	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 Cost			ase Amortised Cost
	Rs.'000	Rs.'000	Rs.'000	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

As at 31 st December		2019		
	Monetary Board	Labour Dept.	Total	Total
	Rs.'000	Rs.'000	Rs.'000	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

20. Cash and Cash Equivalents

As at 31 st December	2019	2018
	Rs.'000	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	as at 31.12.2019	Over/ (Under) Provision
		Rs'000	Rs'000	Rs'000
	Dank Dalamara	75	70	(1)
	Bank Balances	35	36	(1)
		35	36	(1)

21. Accounts Payable

As at 31st December		2019		
	Monetary Board	v .		Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Vendors Payable	693	-	693	693
Retention Payable	2,905	-	2,905	2,984
	3,598	-	3,598	3,677

22. Other Current Liabilities

As at 31 st December		2019		
	Monetary Board	Labour Dept.	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
EPF Contributions Payable	30	-	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

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 Contribution from Comm. of Labour - CL No 01 A/C	1,980,422,999 10,354,632	183,524,923 7,389,771	384,939,854 7,746,000	2,181,837,930 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 31st December		2019		2018
	Monetary Board	Labour Dept.	Total	Total
	Rs.'000	Rs.'000	Rs.'000	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	_	590,894	590,894	598,250
Imprest Account (Commissioner of Labour)	-	(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 Receipts from Mehewara Piyasa	499,585 376,334	-	499,585 376,334	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

26 Payments

For the year ended 31 st December		2019		2018
	Monetary Board	Labour Dept.	Total	Total
	Rs.'000	Rs.'000	Rs.'000	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 Begining 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

Type of Investment	Openning 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			
Evie Malua Theoreach Deoffs as Loca Lerrotice and														
rair value i mougn rroin or loss investments Listed Equity	64,937,663	2,864,047	,	4,585	1	I	1	1	1	(010.010)	65,907,115	2.6	2.8	(0.2)
	64,937,663	2,864,047		4,585		1	1	1	1	(1,890,010)	65,907,115	2.6	2.8	(0.2)
Fair Vålue through Other Comprehensive Income														
Unlisted Equity	9,914,892	I	I	405,000	(368, 903)	I	I	I	I	I	9,140,989	0.4	0.4	(0.1)
Listed Equity	I	1	I	I	368,903	I	I	I	I	(7, 249)	361,654	0.0	I	0.0
	9,914,892	1	1	405,000	1	1	I	I	1	(7,249)	9,502,643	0.4	0.4	(0.1)
Treasury Bonds	2,084,497,740	373,763,517	87,775,141	I	I	244,237,536	I	232,264,127	1	I	2,382,459,525	93.5	90.7	2.8
Treasury Bills	34,733,240	7,586,701	35,821,220	499,393	(182,697)	2,124,533	I	I	1	I	7,941,165	0.3	1.5	(1.2)
Corporate Debenture	42,649,463	3,255,460	5,341,210	ı	I	4,986,855	64,832	4,787,389	376	I	40,828,387	1.6	1.9	(0.3)
Preference Share	1,005,060		I		I	138,007	ı	130,100	(24)	I	1,012,943	0.0	0.0	(0.0)
Trust Certificates	1,132,558		806,463	1	I	56,503	23,898	I	22	I	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)	I	I	I	15,630,972	0.6	1.1	(0.5)
Fixed Deposits	33,609,535	46,000,000	56,738,548		I	2,104,017	56,727	1	(57)	I	25,031,674	1.0	1.5	(0.5)
	2,223,978,499	2,348,110,065	2,115,859,704	499,393	(188,325)	254,818,989	132,352	237,181,616	212	1	2,473,311,184	0.76	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	317 (1,897,259)	2,548,720,942	100	100	

Notes to the Financial Statements

EMPLOYEES' PROVIDENT FUND

27. Movement of Investment

For the Year Ended 31st December 2019

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	Transfers Amortisation	WHT Adjustment	Interest Received	Prov. for Impairment	Valuation Gain/Loss	Closing Balance	2018	2017	Change %
	Rs. ¹ 000			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	or Loss Investma	nfe														
Listed Equity	74,042,107	3	74,042,107	2,446,109		I	(649,267)	1		1	I	(10,901,286)	64,937,663	2.8	3.7	(0.0)
	74,042,107	I	74,042,107	2,446,109	I	1	(649,267)	1	1	I	I	(10,901,286)	64,937,663	2.8	3.7	(6.0)
Fair Value through Other Comprehensive Income	Comprehensive I	ncome														
Unlisted Equity	10,270,625	(1,005,000)	9,265,625	1	I	1	649,267	I		I	1		9,914,892	0.4	0.5	(0.1)
	10,270,625	(1,005,000)	9,265,625		I	1	649,267	1	1	I	T		9,914,892	0.4	0.5	(0.1)
Debt Instruments at Amortised Cost	rtised Cost															
Treasury Bonds	1,748,785,406		1,748,785,406	373,498,206	(111,428,700)	1	54,925,866	212,232,470 (4,873,458) (188,642,050)	(4,873,458)	(188,642,050)	1		2,084,497,740	90.7	8.78	2.9
Treasury Bills	69,783,696	1	69,783,696	33,398,583	(74, 475, 428)	I	1	6,026,390	1	I	I	I	34,733,240	1.5	3.5	(2.0)
Corporate Debenture	38,744,349	1	38,744,349	7,666,000	(4, 559, 413)	1	745,941	4,983,538	(193,537)	(4,734,057)	(3, 359)	1	42,649,463	1.9	1.9	(0.1)
Preference Share	I	998,392	998,392	1	1	ı	1	127,900	9,082	(130, 100)	(214)	1	1,005,060	0.0	I	
Trust Certificates	2,746,076	I	2,746,076	1	(1, 815, 915)	I		159,321	43,113		(36)	I	1,132,558	0.0	0.1	(0.1)
Reverse Repo	I	1	1	1,759,880,602 (1,733,555,602)	(1,733,555,602)	1	1	685,316	(21)	(659,393)	I	I	26,350,903	1.1	I	1.1
Fixed Deposits	48,000,000	I	48,000,000	103,541,500	(119,041,500)	I	1,272,095	5,358,990	(289,177)	(5, 232, 190)	(183)	I	33,609,535	1.5	2.4	(0.9)
	1,908,059,527	998,392	1,909,057,919	2,277,984,891	(2,044,876,557)	1	56,943,902	229,573,925	(5,303,998)	(199,397,790)	(3,792)	Ĩ	2,223,978,499	96.7	95.8	0.9
Total	1,992,372,259	(6,608)	(6,608) 1,992,365,651	2,280,431,000 (2,044,876,557)	(2,044,876,557)		56,943,902	56,943,902 229,573,925	(5,303,998)	(199,397,790)	(3,792)	(10,901,286)	(3,792) $(10,901,286)$ $2,298,831,054$	100	100	

Employees' Provident Fund

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.

		20	019			20)18	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs'.000	Rs'.000	Rs'.000	Rs'.000	Rs'.000	Rs'.000	Rs'.000	Rs'.000
Debt Securities Measu	red at Amortis	ed 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 M	leasured at FV1	PL						
Listed Equity	65,907,115	-	-	65,907,115	64,937,663	-	-	64,937,663
Equity Instruments M	leasured at FVO	OCI						
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.

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	%	Cost	%
	Rs. '000		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	%	Cost	%
	Rs. '000		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. Upgration 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 deveop 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 extraplated 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.

30. Impairment losses (Contd...)

ICRA Rating	Fitch Rating	Moody's Rating	Bloomberg 1 Ye	ear 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%		12 Month ECL
A	А	A2	IG-6	0.05%		(Investment Grade)
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%		
В	В	B2	HY-5	6.00%		
B-	B-	B3	HY-6	10.00%		- (Non - Investment
	CCC	Caa1	DS-1	15.00%		Grade)
	CCC	Caa2	DS-2	22.00%		Glude)
	CCC	Caa3	DS-3	30.00%		
	CCC	Ca	DS-4	50.00%		
	DDD	С	DS-5	100.00%		
	D	/	DDD	Defaulted		

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

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.

- a. Local currency Treasury bills, Treasury bonds and Reverse repo 0%.
- b. 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

- a. For the following Issuers/Counterparties credit ratings data not available in the EPF Department. Hence external credit ratings were obtained from the following sources.
- **b.** 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.
- c. 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 detorioration of credit risk does not exists and therefore, EPF considers 12 month ECL by using the best case scenario credit ratings of AAA.

totes to the Financial Statemen

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	,						
		Stage 1		Stage 2		Stage 3	Total
Rs' 000	Note	Individual	Collective	Individual	Collective		
Cash at Bank	9	1	-	-	-	-	1
Debt Instruments measured at Amortised Cost	9	(317)	-	-		-	(317)
Total Impairment Loss		(316)	-	-	-	-	(316)
		Collective	Collective				
31.12.2019		(individually not significant exposures)	(Incurred but not yet identified)				
Rs' 000	Specific			Total			
Credit loss expense on Bank Balance	1	-	-	1	-		
	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)

(316)

(316)

_

(317)

(316)

(316)

_

Total on balance sheet items

Off balance sheet items

Total

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					
	Collective		Collective		Stage 3		Total	
	Balance	ECL	Balance	ECL	Balance	ECL	Balance	ECL
Rs. '000								
External Rating Grad	e							
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
А	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					
	Collective		Collective		Stage 3		Total	
	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
А	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

FUND	nts
PROVIDENT	Stateme
PROVI	Votes to the Financial Statements
IPLOYEES'	the Fir
EMPLC	Notes to

Impairment losses (Contd...)

30.2 Credit quality analysis

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

31-Dec-19					Neither p	Neither past due nor impaired	impaired					
Rs. '000	AAA	AA^+	АА	-AA-	\mathbf{A}^+	Y	- A -	BBB+	BBB	BBB-	BB+	Total
Investment Balances												
Debt instruments measured at Amortised Cost												
Corporate Debt Securities	I	8,812,488		5,869,694 10,233,069	6,612,668		4,747,213 4,335,860 110,176	110,176	I	,	110,203	110,203 40,831,370
Trust Certificates	I	I		406,532		1		ı	ı	ı	ı	406,532
Fixed Deposits	I	25,031,913	'	I	'	ı	'	ı	I	I	I	25,031,913
Preference Shares	1	'	'	I	'	'	1,013,181	1	I	ı	ı	1,013,181
Bank Balances	I	2,360,964	I	633,548	15,951	ı	337	ı	I	I	I	3,010,800
	1	36,205,366	5,869,694	5,869,694 11,273,150	6,628,618	4,747,213	5,349,377 110,176	110,176	,	1	110,203 70,293,796	0,293,790
ECL Provision Debt instruments measured at Amorrisod Cost					I							
Corporate Debt Securities	I	62	106	368	454	616	1,039	50	ı	I	271	2,983
Trust Certificates	I		1	14	1	ı		ı	ı	ı	ı	14
Fixed Deposits	1	240	I	I	I	I	I	I	I	I	I	240
Preference Shares	I	I	I	I	ı	I	238	ı	I	I	I	238
Bank Balances	I	23	1	12	1	ı		ı	I	I	ı	36
Total	1	341	106	395	455	616	1,277	50	ı	ı	271	3,511

Impairment losses (Contd...)

30.2 Credit quality analysis

0.2 Credit quality analysis												
1-Jan-19					Neither 	Neither past due nor impaired	impaired					
Rs. '000	AAA	AA^+	VV	-AA-	\mathbf{A}^+	V	-V	BBB+	BBB	BBB-	BB+	Total
Investment Balances												
Debt instruments measured at Amortised Cost												
Corporate Debt Securities	2,526,568	2,526,568 $6,283,739$	5,869,264	9,904,749	7,480,074	4,661,712	5,353,462	'	1	573, 254	1	- 42,652,822
Trust Certificates	I	I	I	1,132,594	I	I	I	I	I	ı	I	1,132,594
Fixed Deposits	13,102,522 20,50	20,507,196	I	I	I	I	I	I	ı	I	I	33,609,718
Preference Shares	I	I	I	I	ı	I	1,005,273	I	ı	I	I	1,005,273
Bank Balances	1	2,833,377	581,962	1	3,718	1	ı	ı	1	ı	I	3,419,057
	15,629,090	29,624,312	6,451,226	11,037,343	7,483,792	4,661,712	6,358,735	I	1	573, 254	T	81,819,464
ECL Provision Debt instruments measured at Amor- tised Cost												
Corporate Debt Securities	1	51	96	324	467	546	1,159	I	'	714	I	3,359
Trust Certificates	I	I	I	36	1	I	I	I	ı	I	I	36
Fixed Deposits	9	177	I	I	ı	I	I	I	ı	I	I	183
Preference Shares	I	I	I	I	ı	I	214	I	ı	I	I	214
Bank Balances	'	25	10	'	0.24	'	ı	1	'	ı	T	35
Total	2	253	106	360	467	546	1,373	ı	I	714	1	3,827

Employees' Provident Fund

Investment	Basis	Number of shares	Purchase Value	2019	0	2018	80
				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		ı	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	14,774,143
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	18,041,300	19,407	2.71	48,892	1.08	19,407.31
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	18,041,300	139,855	9.33	168,325	2.75	139,855.01
Grand Total			9,545,989		23,390,009		21,388,157
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 continu- osly 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.	on, net asset model was use Dividend Growth Model w	ed to estimate the fair ve vas used to estimate the	s used to estimate the fair value of unlisted equity instruments except for Fitch Rating Lanka Limited (FR). FR has paid dividend continu- lel was used to estimate the fair value of FR. For the purpose of estimation information were extracted from the latest audited financial	nstruments except for F he purpose of estimati	itch Rating Lanka Lin on information were e	nited (FR). FR has pai extracted from the late	d dividend continu- sst audited financial
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.	orded at the above estimated	d fair values, the impac	t to the Other Compreh	ensive Income and the	Investment Revaluati	ion Reserve would be	as follows.
Financial Statement Impact-Overall							
		2018	2019				

	2018	2019
	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

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

31. Valuation of Unlisted Equity Instruments

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

32. Classification of Maturity Profile of the Portfolio

As at 31st December 2019

																						(Rs. mn)
Class of Investment	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 2	2031 2	2032 20	2033 20	2034 20	2035 20	2039 20	2041 204	2043 20	2044 2045	45 Not Defined	ed Total
Debt Securities Measured at Amortised Cost	d Cost																					
Treasury Bond	109,903		74,653 101,716 191,255 105,610 202,001 207,354 90,094 353,704 159,587	191,255	105,610	202,001	207,334	90,094	33,704 16		71,313 70	0,362 6	9,458 214	1,180 105	70,362 69,458 214,180 109,401 107,120 14,074	,120 14	,074 29	29,314 22,824		93,062	5,494	- 2,382,460
Corporate Debentures	7,451	10,645	350	9,544	1,117	6,604	4,094	I	1,025	I	I	I	I	I	I	I	I	I	I	1		- 40,831
Treasury Bills	7,941	1	1	I	I	I	1	1	1	1		I	1	I		I	1		1			- 7,941
Trust Certificates	407	1	1	I	I	I	1	1	I	I	1	I	1	I	1	I	1	1	1			
Fixed Deposits	25,032	1	1	I	I	I	1	1	1	1	1	I	1	I		I	1	1	1			- 25,032
Repo	15,631	1	1	I	1	I	1	1	1	1	1	1	1	I	1	1	1	1	1			- 15,631
Preference Shares	1,013	1	1	I	I	I	I	I	I	I	1	1	I	1	I	I	1	1	1	1		- 1,013
Equity Instruments Measured at FVTPL Listed Equity	I	1	1	1	1	I	ı	I	I	ı	1	1	1	I	1	1	ı	ı	1		- 65,907	07 65,907
Equity Instruments Measured at FVOCI Unlisted Equity	I	1	1	I	1	I	1	1	I		1			1	1			1			- 9,141	41 9,141
Listed Equity	ľ			'	'	'	'	'	'	'	'	- '	- '	- '	'	- '			- '			362
Grand total	167,377		85,299 102,066 200,800 106,727 208,605	200,800	106,727	208,605	211,429 8	90,094 334,729 159,587	34,729 1.		71,313 70	70,362 69	9,458 214	,180 105	69,458 214,180 109,401 107,120		14,074 29,	29,314 22,8	22,824 93,0	93,062 5,4	5,494 75,410	10 2,548,724
Provision for Impairment on Debt Securities at Amortised Cost Doorfed to you have of financiamment	s at Amortis	ed Cost																				(3)
POPUTOLIO VALUE HELOL MILIPALITY																						01.017

Employees' Provident Fund

Employees' Provident Fund

SECTION D

AUDITOR GENERAL'S REPORT

Employees' Provident Fund

Disclaimer : The original Auditor General's Report has been issued only in Sinhala Language and the same was translated to English for publishing the EPF Annual Report 2019 by the Department of Official Languages.

Commissioner General of Labour,

Department of Labour,

Governor,

Central Bank of Sri Lanka

The Report of the Auditor-General on the Financial Statements and Other Legal and Regulatory Requirements of the Employee's Provident Fund for the year ended 31st of December 2019, as per Section 12 of the National Audit Act No.19 of 2018

1. Financial Statements

1.1. Qualified Opinion

The audit of the financial statements of the Employees' Provident Fund, comprising of the Statement of Financial Position as at 31st of December 2019 and the Statement of Income and Expenditure, Statement of Comprehensive Income, Statement of Receipts and Payments, Statement of Investments, Statement of Changes in Equity for the year then ended, and Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies, for the year ended 31st of December 2019, was conducted under my direction in pursuance of the provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. As per Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, my report shall be presented to the parliament in due time.

In my opinion, except for the effect of the matters discussed in the "Basis of the Qualified Opinion" section of this report, the financial position of the Employees' Provident Fund as at 31st of December 2019, and of its financial performance and

its cash flows for the year then ended, appear true and fair in accordance with Sri Lanka Accounting Standards.

1.2. Basis of the Qualified Opinion

- a) In the bank reconciliation statements of 07 bank accounts maintained by the EPF, within a period of 18 years, the total of dishonoured cheques, transactions not recorded on the bank statement, transactions not recorded on the cashbook, direct debits/credits and other unidentified balances amount to Rs.10,764 million, and the total of money orders issued but not realized, cheques not realized, and cheques issued but not presented amount to Rs.568 million. But no measures had been taken to identify and adjust these items.
- b) According to the cashbook of a particular bank account and the Bank Reconciliation Statement, the balance as at 31st of December 2019 is Rs.1,681,817,523, but in the preparation of financial statements for the year 2019, the balance of the said cashbook has been recorded as Rs.1,659,712,768; and thereby, a difference of Rs.22,104,755 can be observed. The said difference has not been identified and adjusted.

The Senior Deputy Governor of CBSL had informed the auditing team that the said difference in the balances were caused by a failure in the accounting software, which occurred during the first quarter of 2019 due to a technical issue, that lead to data going unrecorded, and that they will take measures to rectify the error and adjust the account in the year 2020.

c) Even though the total of 7 accounts included in the Member's Fund was recorded as Rs.89,707 million in their respective financial statements, according to the schedules submitted in relation to the said accounts, the total of the balances is Rs.64,291 million; and thereby, a difference of Rs.25,416 million can be noted. But no reconciliation statements had been submitted to the audit in this regard.

- d) According to the financial statements, the cost of 04 classes of Fixed Assets as at 31st of December 2019 is Rs.918,035,505, whereas the same cost is recorded as Rs.574,401,532 in the Depreciation Schedule; thereby depicting a difference of Rs.343,633,973. No clarifications regarding this difference had been submitted to the audit.
- e) Purchases related to 4 classes of fixed assets for the period from 2009 to 2013 have not been duly updated in the Fixed Assets Register. Therefore, fixed assets registers and schedules separately showing fixed assets amounting to Rs.308,804,794 had not been submitted for audit.
- f) As per section 42 of the Sri Lanka Accounting Standards No.08, the correction of errors relating to previous periods should be carried out as a retrospective restatement of comparative amounts of financial statements belonging to previous periods. But, without adhering to the aforesaid section, Notional Taxes and Withholding Taxes amounting to Rs.170,391,828 relating to previous years were adjusted to the income of the year under review.
- g) Although Sri Lanka Accounting Standards No.16 requires the useful life of noncurrent assets to be reviewed, fixed assets amounting Rs.76,656,104 which were fully depreciated as at 31st of December 2019, were still in use. The estimation error that occurred due to the above situation had not been revised according to Sri Lanka Accounting Standards No.08.

This audit was conducted in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility under those Auditing Standards is further described under the "Auditor's Responsibility for the Audit of the Financial Statements" section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of financial statements in accordance with Sri Lanka Accounting Standards, as well as for determining the necessary internal controls that would enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Employee Provident Fund's ability to continue as a going concern, using the going concern basis of accounting, unless the management either intends to liquidate the EPF or has no realistic alternative but to cease operations, and disclosing the matters related to going concern.

Those charged with governance are responsible for the financial reporting process of the Employees' Provident Fund.

As per subsection 16(1) of the National Auditing Act No. 19 of 2018, the EPF should maintain proper books and records of all its income, expenditure, assets and liabilities to enable annual and periodic financial statements to be prepared in respect of the EPF.

1.4. Auditor's Responsibility for the Audit of the Financial Statements

My objective is to provide a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with SLAuSs will always detect material misstatements.

As material misstatements can arise from the individual or aggregate impact of fraud and error, they could be expected to influence the economic decisions made by users based on these financial statements.

I have exercised professional judgment and maintained professional skepticism throughout this audit, and conducted it in accordance with Sri Lanka Auditing Standards. Further,

- Obtaining sufficient and appropriate audit evidence, in identifying and assessing the risks of material misstatements in financial statements, whether due to fraud or error, and designing appropriate audit procedures to overcome the risks that arise due to fraud or error depending on the circumstance, is the basis for my opinion. The impact of a fraud is higher than that of a material misstatement, and a fraud could transpire due to collusion, forgery, intentional omissions, or the override of internal control.
- I have obtained an understanding of the internal control of the EPF in order to design audit procedures that are appropriate in the circumstances, but I do not intend to express an opinion on the effectiveness of the institution's internal control.
- I have evaluated the reasonableness of the accounting policies and accounting estimates used, and the appropriateness of the related disclosures made by the management.
- I have concluded on the appropriateness of the management's use of the going concern basis of accounting, based on the audit evidence obtained as to whether there is a material uncertainty related to going concern of the EPF due to the events or conditions. If I conclude that a material uncertainty exists, I am required to draw attention to the related disclosures in the financial statements in the auditor's report and, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the institution to cease to continue as a going concern.

• I have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Those charged with governance were informed of significant audit findings, including any significant deficiencies in internal control and other matters that were identified during the audit.

2. Report on Other Legal and Regulatory Requirements

National Auditing Act No. 19 of 2018 includes special provisions with regard to the following requirements.

- As per the requirements of section 12(a) of the National Auditing Act No.19 of 2018, I have obtained all the relevant information and explanations which were necessary for the purpose of the audit, except for the effect of the matters I have described in the "Basis for Qualified Opinion" section of the report, and as per my examination the EPF has maintained proper accounting records.
- As per the requirements of section 6(1)(d)(III) of the National Auditing Act No.19 of 2018, the set of financial statements presented for audit is consistent with the previous year.
- As per the requirements of section 6(1)(d)(IV) of the National Auditing Act No.19 of 2018, except for the observations made in 1.2 (a), (d) and (h) of this report, the recommendations made by me in the previous year were included in the financial statements presented for audit.

Based on the procedures followed and the evidence obtained, and limited to material matters, nothing that requires the following applications were observed by me.

- As per the requirement of section 12(d) of the National Auditing Act No.19 of 2018, that any member of the governing body ¹ of the EPF has any direct or indirect interest in any contract entered into by the EPF, other than those relating to the ordinary business activities.
- As per the requirement of section 12(f) of the National Auditing Act No.19 of 2018, that the EPF has not complied with any applicable written law or other general or special directions issued by the governing body of the EPF.
- As per the requirement of section 12(g) of the National Auditing Act No.19 of 2018, that the EPF has not performed according to its powers, functions and duties.
- As per the requirement of section 12(h) of the National Auditing Act No.19 of 2018, that the resources of the EPF had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

3. Other Audit Observations

(a) In the Members' Fund of the EPF, as at 31st of December 2019, an amount of Rs.10,711 million, which was acquired through lawsuits against employers and remained deposited in an account to the name of the Commissioner of Labour for a long period of time, and an amount of Rs.398 million placed in a general deposit account until such lawsuits are settled, had not been credited to the respective accounts of the relevant members. Further, the account named "Current Year

¹ The source texts says "లు్రామ లతోచింది, which directly translates to "Control Board", but since there is no account of a "control board" in the EPF, the original term from the Act; "governing body" was used here instead.

Contribution No. 01 A/C" which is maintained individually under the name of each employer, consists of a balance of Rs.30,435 million as at 31st December 2019, and the relevant members had not been identified and the said balance had not been settled. Furthermore, an amount of Rs.860 million was recorded as retained benefits and unclaimed benefits, and an amount of Rs.1,843 million was recorded as underpayment/overpayment of contributions and Rs.784 million was recorded as underpayment/overpayment of refunds under the Member's Fund as at 31st of December 2019, but no measures had been taken to identify such balances and settle them.

- (b) 12 Quick Cam cameras purchased in the year 2017, 50 Quick Cam cameras amounting to Rs.1,725,375 purchased in the year 2019, and 24 laptop computers amounting to Rs.3,261,600 purchased in the year 2018, under the photographs and fingerprints project which was implemented by the Department of Labour in order to verify the identity of members, have not been distributed and remained unused and stored in the storage as at the end of the year under review.
- (c) In 2019, a physical verification of the KIOSK machines which were installed in 30 District Labour Offices island-wide under phase two of the project initiated to install KIOSK machines to enable the members to inquire their account balance, was carried out. Upon the examination of the KIOSKs, it was discovered that 27 of the machines were out of order, and 5 out of those machines had not been functioning properly due to various problems since they were first installed. Even though these machines had been repaired numerous times by the EWIS institution, members had not been able to check their balance using these machines as they were constantly facing technical issues. This project has become completely unsuccessful due to reasons such as purchasing without a proper assessment process, not providing user manuals and proper training relating to the operation of the machine, not conducting continuous examination of the progress of the project, not assigning the custody and responsibility of the machine to a proper authority and not installing the machines in the correct places (the number of members who have been reregistered have not been taken into consideration). Further, due to the machines falling into an unusable condition before the expiration of at least 5 years since the

day of installation, the expenses incurred on this project has caused a loss to the Fund.

(d) The rate of interest paid on member contributions which was 11.5% in the year
 2012 had decreased to 10.5% by 2014. This interest rate has continued through
 2014 to 2017 but further decreased to 9.25% in the year 2019.

In the response provided in the draft report, Senior Deputy Governor of the CBSL has informed the audit that the income tax rate applicable to the EPF increasing from 10% to 14% from 01st of April 2018 onwards, under the Inland Revenue Act No.24 of 2017, as well as the change in the basis of computing of taxable income has significantly impacted the above situation.

- (e) 64 incidents of fraudsters appearing as members and clearing benefit payments had been identified. For 61 cases out of those, an amount of Rs.52,316,484 was charged on the EPF from 04th of November 2004 to the 20th of February 2020, and for 3 cases an amount of Rs.3,393,727 is yet to be paid. The EPF had not taken measures to conduct a proper internal investigation in relation to these incidents and, in the event that findings of the investigation reveal any misconduct on the part of any of the internal officers, to take legal actions against such officers.
- (f) The facility that enables members to inquire their account balance through the internet, initiated by the CBSL in 2008, has not become popular among the members due to the lack of proper promotional activities of the said facility. Similarly, since a majority of the KIOSKs installed by the Department of Labour with the aim of facilitating a means for the members to check their account balance are currently out of order, the members did not have access to their balances via these machines as expected. Accordingly, it has been observed that the EPF has not been able to establish a prompt and hassle-free method for approximately 2.6 million active members of the Employees' Provident Fund to check their account balance.

Signed by W P C Wickramaratne Auditor General