

# Employees' Provident Fund Annual Report 2022

**E**PF, the largest superannuation fund of the private and semi government sector employees in Sri Lanka, continued to grow its asset base in 2022 by exceeding Rs. 3.4 trillion assets under management, 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 9.3 per cent to record Rs. 3,459.9 billion by end 2022 compared with Rs. 3,166.1 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. 316 billion in 2022. By the end of 2022, the total investment value of the Fund reached Rs. 3,466.5 billion. Despite the unfavorable conditions that prevailed in the market and the volatility in market interest rates, EPF was able to declare a rate of return of 9.00 per cent to its' members for the year 2022.

In terms of Section 5 (1) (i) of the EPF Act No.15 of 1958, the copies of Financial Statements prepared for the year ended 31.12.2022 have been transmitted to the Ministries of Labour and Finance on 06.04.2023. Further, the same Financial Statements were submitted to the Auditor General on 28.02.2023.





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SECTION A

# CORPORATE STEWARDSHIP







## Message from the Governor & Chairman of the Governing Board

**O**n behalf of the Governing Board of the Central Bank of Sri Lanka (CBSL), I am pleased to issue this message to the Annual Report of the Employee's Provident Fund (Fund) for the year 2022.

The Employee's Provident Fund Department (EPFD) was able to assure a reasonable risk adjusted rate of return for the members by adopting prudent and conservative fund management strategies, while minimizing the risks, amidst a turbulent economic climate. The Fund grew over 9 per cent during the year with increased member contributions.

However, in 2022, the refunds too had recorded an increase compared to previous years.

The EPFD remained steadfast in delivering its services to the stakeholders which included processing refund and loan guarantee applications, re-registration of members, handling public relations and inquiries, record amendment and management, despite challenges prevailed in the domestic economy. EPFD took measures to streamline the e-collection procedure through the revamped website, marking a significant improvement in updating individual member account balances within 24 hours of successful receipt of contribution payments. I am optimistic that similar automations and efficient data recording mechanisms already underway would lead to the establishment of a comprehensive database on member details allowing timely and efficient delivery of retirement and pre-retirement benefits to the members of the fund.

The above commendable performance records the unwavering commitment of the staff of EPFD and the Department of Labour in safeguarding the interest of over 20 million members of the fund. CBSL would remain committed to deliver sustainable, long term returns while ensuring the highest standard of service.

I wish to extend my gratitude to all the members, employers and other stakeholders of the Fund for the confidence placed on CBSL in managing the country's largest retirement fund. Your trust has enabled CBSL to provide a secure and a contended retirement for millions who hold accounts with the Fund, ensuring their financial wellbeing.

**Dr. P. Nandalal Weerasinghe**  
Chairman of the Governing Board  
Governor of the Central Bank of Sri Lanka







## Message from the Commissioner General of Labour

I would firstly like to congratulate the staff of the Employees' Provident Fund Department of the Central Bank of Sri Lanka on the issue of the Annual Employees' Provident Fund Report – 2022. It is with great pleasure that I issue this message to the annual report presenting an analytical review of the progress achieved in providing a productive service to the members year after year by the Employees' Provident Fund.

The Employees' Provident Fund which was established under the Employees' Provident

Fund Act, No: 15 of 1958 with the objective of securing the retired life of the employees of the private and semi government sectors of Sri Lanka has become the largest and most prominent social security scheme of Sri Lanka at present. Amidst the drawbacks in the Sri Lankan economy as well as the present global economy, measures have been taken to provide an efficient and qualitative service continuously through uplifting the services provided by the Department of Labour. Among these measures facilitating the reservation of a date and time for forwarding the Employees' Provident Fund applications through the website, introduction of the telephone number 011 2 201 201, introduction of the Complaint Management System to forward complaints online and providing the opportunity to download the applications and the instructions relevant for the registration of institutions, registration of member and claims, etc. through the Departmental website are of utmost prominence. I believe that the customers would be facilitated in obtaining their services conveniently through these facilities.

The dedication of the officers is imperative for the success of all these functions. Therefore, I would like to extend my gratitude towards the secretary to the Ministry of Labour and Foreign Employment for immensely contributing to accomplish the statutory responsibilities of the Employees' Provident Fund officers of the Department of Labour as well as all officers of the Employees' Provident Fund Department of the Central Bank of Sri Lanka contributing for the successfulness of the Employees' Provident Fund functions.

I presume that this report will be of foremost importance for many stakeholders inclusive of scholars affiliated to this subject, the working population and the business community.

**B.K. Prabath Chandrakeerthi**  
Commissioner General of Labour



## Senior Management Team

### As at 31<sup>st</sup> December 2022

#### EPF Department of the Central Bank of Sri Lanka

DIVISION	DESIGNATION	NAME
S/EPF's Office	Superintendent	Mr. A G U Thilakarathna
	Additional Superintendent	Mr. D L Nihal
	Deputy Superintendent	Mrs. S M L Siriwardane
	Deputy Superintendent	Mr. H S Wickramasuriya
	Deputy Superintendent	Mrs. D P A N D Perera
	Deputy Superintendent	Mrs. K A T N Senarathna
Corporate Services and Administration Division	Senior Assistant Superintendent	Mr. M S Widanage
	Senior Assistant Superintendent	Mr. W S H Kumarasena
	Assistant Superintendent	Mrs. K A S A Kuruppuarachchi
	Assistant Superintendent	Mrs. W M A Prabhashani
Collection Division	Senior Assistant Superintendent	Mr. P W Wimal Shantha
	Assistant Superintendent	Mrs. M W T Dilshani
Current Contribution Division	Assistant Superintendent	Mrs. D R M Mendis
	Senior Assistant Superintendent	Mrs. G P D Kaviratne
	Senior Assistant Superintendent	Mr. C R Pathirana
	Assistant Superintendent	Mr. S I A Walawage
	Assistant Superintendent	Mrs. M A V Wijendranee
Statemented Contribution Division	Assistant Superintendent	Mrs. D R M Mendis
	Senior Assistant Superintendent	Mr. C R Pathirana
	Assistant Superintendent	Mr. S I A Walawage
Re-Registration Division	Assistant Superintendent	Mrs. D R M Mendis
	Senior Assistant Superintendent	Mr. C R Pathirana
	Assistant Superintendent	Mr. S I A Walawage
E-Collection Division	Senior Assistant Superintendent	Mrs. R A C C Rupasinghe
	Senior Assistant Superintendent	Mr. B M J Wijayasundara
	Assistant Superintendent	Mrs. L V M N Arseculeratne
	Assistant Superintendent	Mrs. R K M Prathibhani
Fund Management Division	Senior Assistant Superintendent	Mrs. L P S Perera
	Senior Assistant Superintendent	Mr. K U B Tennekoon
	Senior Assistant Superintendent	Mrs. V Prabakaran
	Senior Assistant Superintendent	Mrs. L D S R Gunasekara
	Senior Assistant Superintendent	Miss. D P Udugamakorala
	Senior Assistant Superintendent	Mrs. P Senthilmaran
	Senior Assistant Superintendent	Mr. W A A S Sumanadasa
	Senior Assistant Superintendent	Mr. W A W N Wanniarachchi
	Assistant Superintendent	Mrs. E A C M Edirisinghe
	Assistant Superintendent	Miss. K V D Sakunika

Accounts and Reconciliation Division	Senior Assistant Superintendent	Mrs. M Dissanayake
	Senior Assistant Superintendent	Mrs. W A N D Dias
	Senior Assistant Superintendent	Mr. A K Chathuranga
	Assistant Superintendent	Mr. M P S Kalyana
	Assistant Superintendent	Mrs. D M Yatawara
Records Management Division	Senior Assistant Superintendent	Mrs. D Y S Mahagederawatte
	Senior Assistant Superintendent	Mrs. W L P J Lekamalage
	Assistant Superintendent	Miss. W M S Weerakkodi
Record Amendments Division	Senior Assistant Superintendent	Mrs. K M G C Bandara
	Senior Assistant Superintendent	Mr. E M S Ekanayake
	Assistant Superintendent	Mr. S G C Samaranyaka
	Assistant Superintendent	Mrs. Y A J N Yapa
Housing Loan Division	Senior Assistant Superintendent	Mr. A A Wimal Gamini
	Assistant Superintendent	Mr. K A D H A Rajarathna
Refund Control Division	Senior Assistant Superintendent	Mrs. S S Weniwelkola
	Senior Assistant Superintendent	Mrs. P V M Siriwardena
Refund Payments Division	Senior Assistant Superintendent	Mrs. G G N M Perera
	Senior Assistant Superintendent	Mr. P Premasiri
Process Improvement & Capacity Development Division	Senior Assistant Superintendent	Mr. U P Jayasinghe
	Assistant Superintendent	Mr. T T D Peiris
Public Relations, Inquiries Counter & Call Centre	Assistant Superintendent	Mrs. K H Gunasekera

### EPF Section of Labour Department

DIVISION	DESIGNATION	NAME
	Commissioner of Labour	Mrs. A M G N D Sumanasena
Claim	Deputy Commissioner of Labour	Mrs. T M I Lakmali
	Assistant Commissioner of Labour	Mrs. G G H E De Silva
	Assistant Commissioner of Labour	Mrs. B Niroshini
Recovery	Deputy Commissioner of Labour	Miss. A M Sriyani Chandrika
	Assistant Commissioner of Labour	Miss. A H L Rupika Padmini
	Assistant Commissioner of Labour	Mr. P M Wickramathilaka
30% claim	Assistant Commissioner of Labour	Mrs. K D A P Gunarathne
IT	Assistant Commissioner of Labour	Mr. G C P Kumara
Admin	Assistant Commissioner of Labour	Mr. G C P Kumara
Central Filing Section	Assistant Commissioner of Labour	Mr. T Lakshmidaran
Death Claim	Assistant Commissioner of Labour	Mrs. D M T P Dasanayake

## 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 government 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 of the Central Bank of Sri Lanka is entrusted with the powers, duties and responsibilities to act as the custodian of the Fund. The Employees' Provident Fund Department of the Central Bank facilitates the Monetary Board of the Central Bank of Sri Lanka 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 (members) 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 EPF Department of the CBSL



Receipt of member contributions, surcharges and fees and income.



Maintenance of member accounts and issue of annual statements of individual accounts to the members.



Investment of funds not immediately required for the purposes of EPF Act in securities as the Board may consider fit and may sell such securities to provide risk adjusted return to the members while ensuring the safety of the Fund.



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



Maintenance of general accounts and preparation of annual accounts.



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



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



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



Re-registration of names in member accounts as appearing in their National Identity Card (NIC)



Effecting of 30 per cent refunds in accordance with Letters of Determination issued by the Commissioner of Labour.



Correcting errors in details of member accounts.

## Functions of the Commissioner of Labour



Registration of institutions in the Employees Provident Fund.



Registration of members in Employees' Provident Fund



Recovery of contributions from employers defaulting payments.



Issue of determination letters for the payment of benefits to employees.



Supervision of Approved Provident Funds.



Implementation of projects for the progress of the Employees' Provident Fund.



Conducting field inspections and investigations to ensure acting in accordance with the provisions of the Employees' Provident Fund Act.



Taking action with regard to complaints received on non-payment of Employees' Provident Fund contributions.



Taking legal action against employers who do not act in accordance with the Employees' Provident Fund Act.



Recovery of surcharges for delayed contributions.



Creating awareness on the Employees' Provident Fund amongst employers, employees and the general public.





SECTION B

# CORPORATE OVERVIEW



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

## **OUR VISION**



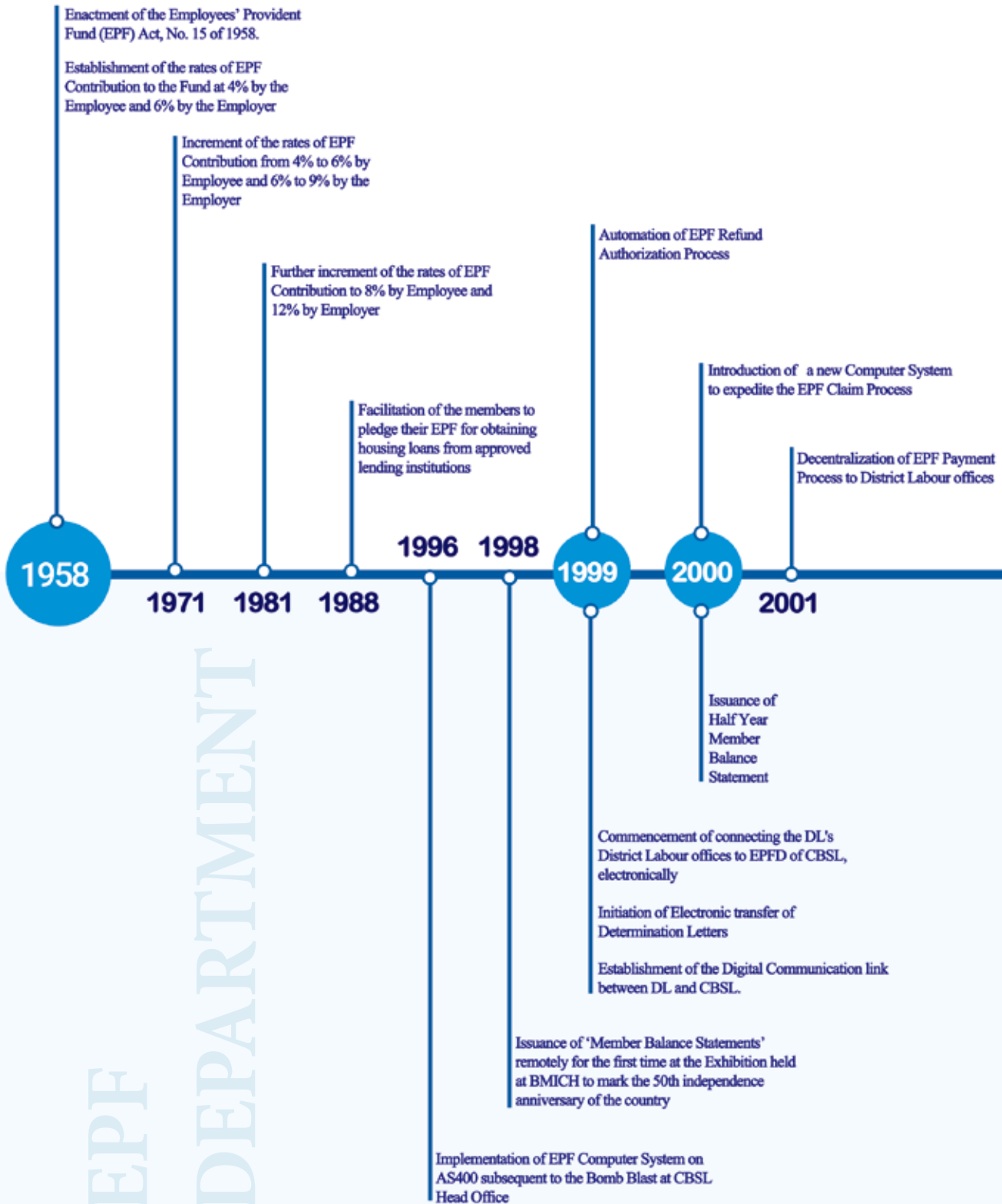


**OUR  
MISSION**

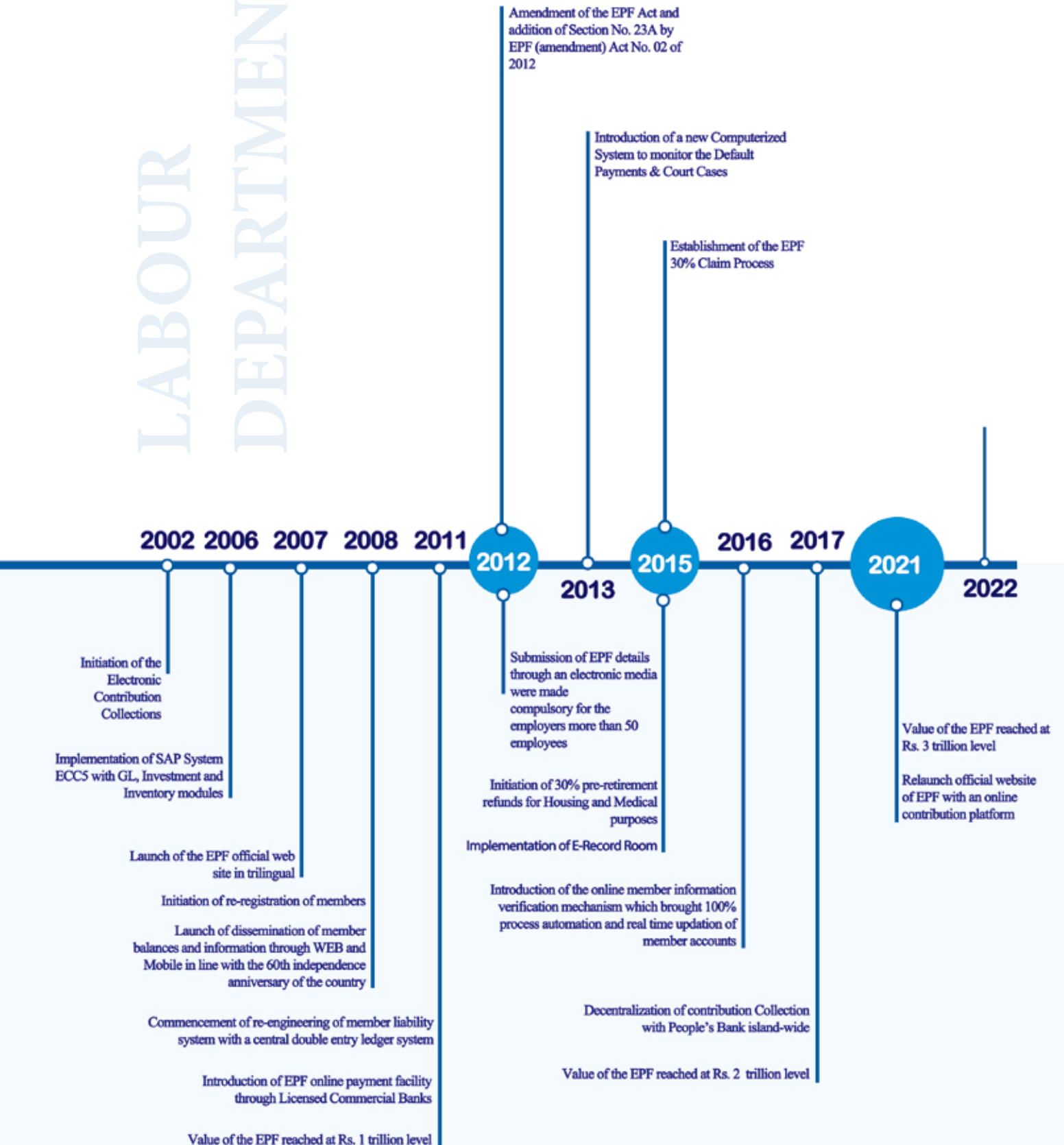
**“To provide maximum retirement benefits and an efficient service to our members through prudent and innovative management of the Fund”**

ENGLISH

# Milestones of the Journey



# LABOUR DEPARTMENT





# FINANCIAL HIGHLIGHTS - 2022

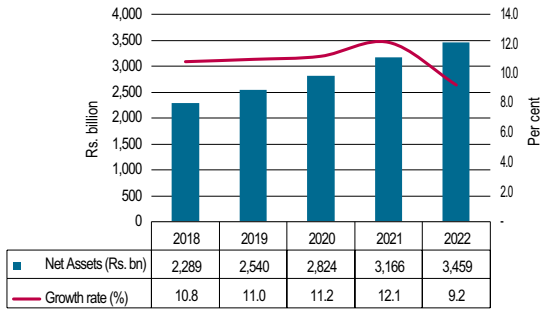






**Graph 01**

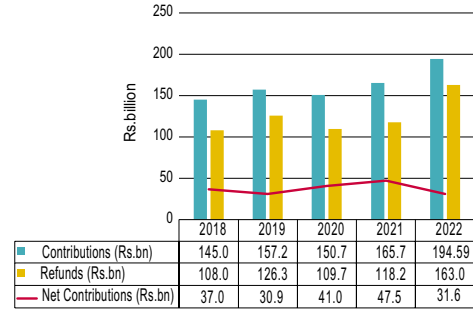
**Growth of the Fund**



Source: EPF Department, Central Bank of Sri Lanka

**Graph 02**

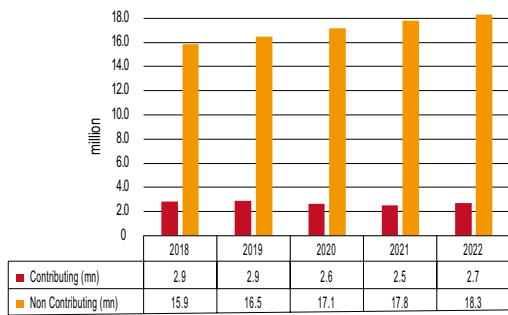
**Contributions, Refunds and Net Contributions**



Source: EPF Department, Central Bank of Sri Lanka

**Graph 03**

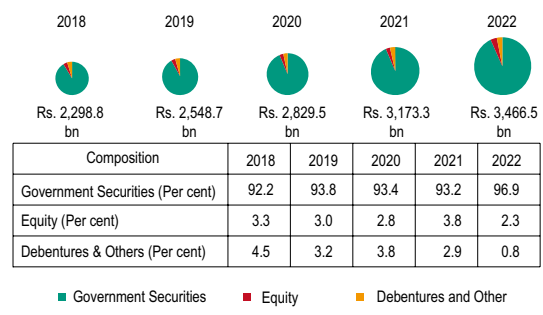
**Number of Member Accounts**



Source: EPF Department, Central Bank of Sri Lanka

**Graph 04**

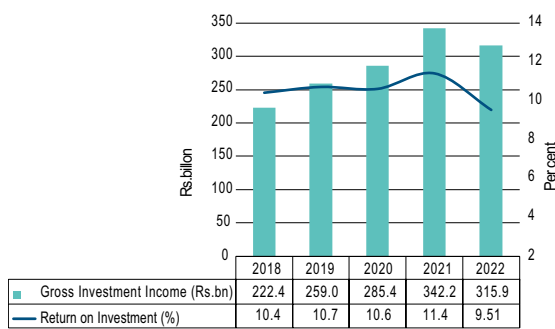
**Composition of Investment Portfolio**



Source: EPF Department, Central Bank of Sri Lanka

**Graph 05**

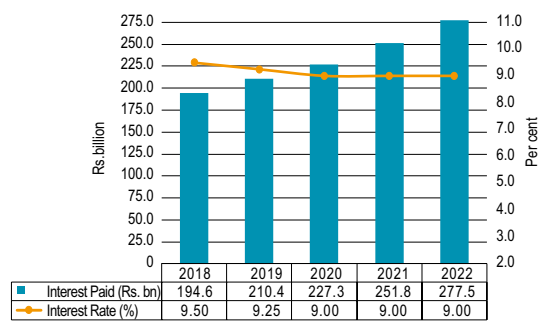
**Return on Average Investment Portfolio**



Source: EPF Department, Central Bank of Sri Lanka

**Graph 06**

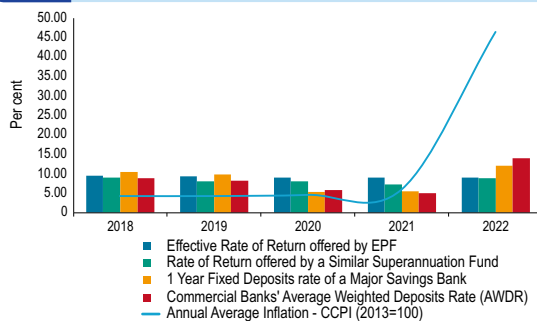
**Interest Credited to Closing Balances of Member Accounts**



Source: EPF Department, Central Bank of Sri Lanka

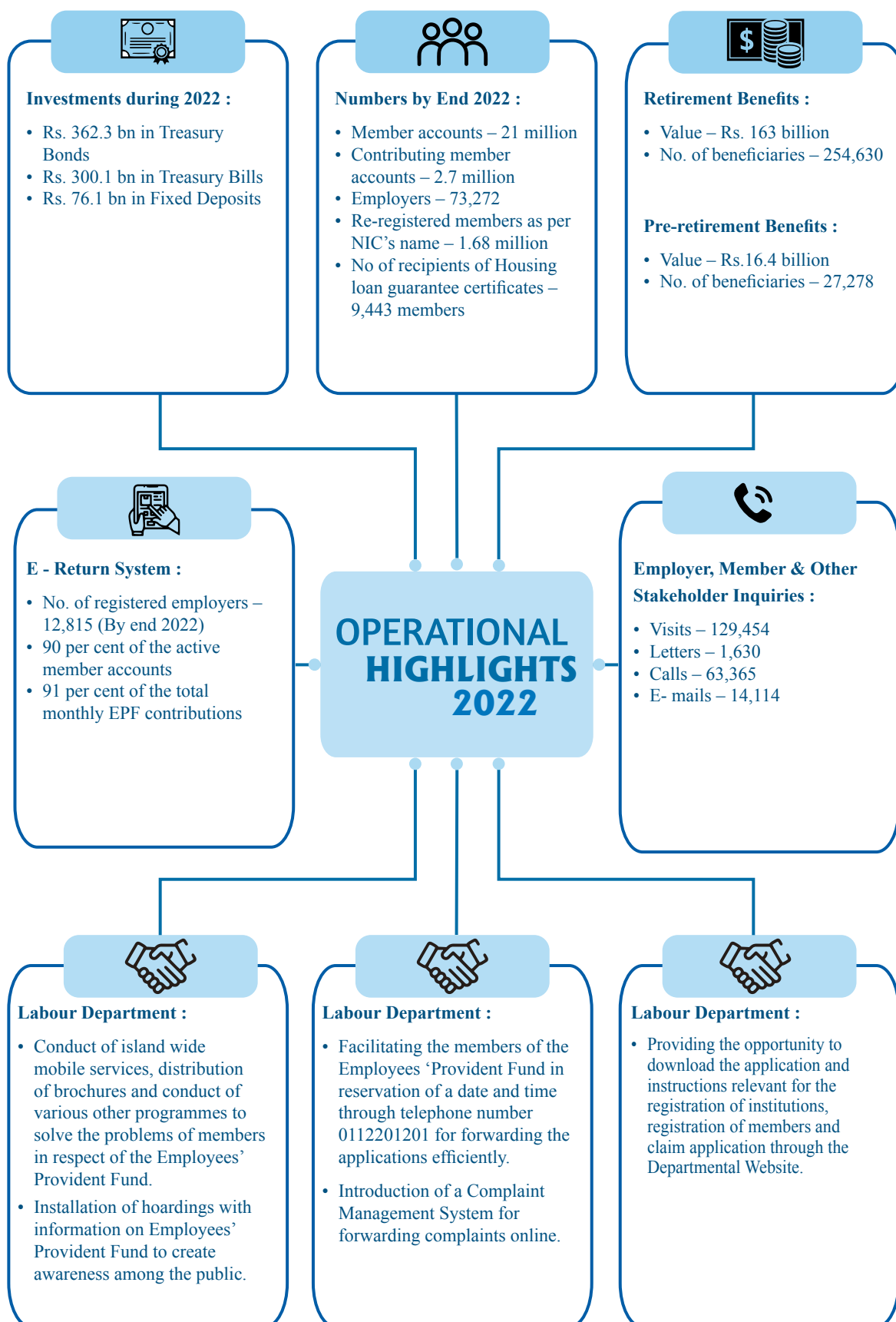
**Graph 07**

**Effective Rate of Return for Member Balances vs. Market Rates**



Source: EPF Department, Central Bank of Sri Lanka  
Annual Report - 2022, Central Bank of Sri Lanka







# 1

## REVIEW OF THE PERFORMANCE OF EPF - 2022

### 1. Introduction

The total net worth of the Fund reached Rs. 3,459.8 billion as at end 2022 recording a 9.3 percent growth over Rs. 3,166.1 billion recorded by end 2021. The total number of member accounts was 21 million by end of 2022. The number of contributing member accounts was 2.7 million by end 2022, an increase of 8 per cent compared to 2.5 million in 2021, whilst non-contributing member accounts increased to 18.3 million by the end 2022, compared to 17.8 million in 2021. Meanwhile, the number of contributing employers recorded an increase of 2.9 per cent to 73,272 by end 2022 from 71,203 reported at the end 2021.

#### 1.1 Member Contribution and Payments of Retirement Benefits

During 2022, member contributions increased by 17.4 per cent to Rs. 194.59 billion from Rs. 165.72 billion during 2021. The total amount refunded to the members and their legal heirs was Rs. 163.03 billion during 2022, indicating an increase of 37.9 per cent over that of Rs. 118.19 billion refunded during 2021. The total amount of refund included in the amount of 30 per cent refunds paid during the year was Rs. 16.4 billion and regular refunds amounted to Rs. 123.5 billion. The total number of refund

claims paid during 2022 was 254,630, which was an increase of 41.7 per cent compared to 179,681 recorded during 2021. Accordingly, the net contribution (gross contributions less refunds) decreased by 33.6 per cent to Rs. 31.56 billion compared to Rs. 47.53 billion recorded during the previous year. The decrease in the net contribution recorded during 2022 compared with the last year is mainly due to a higher increase in contributions refunded than the increase in contribution receipt.

#### 1.2 Investment Portfolio of EPF

The decision-making function of the EPF fund management activities were carried out by the EPF Investment Committee (EIC), which meets on a daily basis to assess the cashflow position, market conditions, evaluate investment opportunities and to take decision on investments. The EPF Investment Oversight Committee (EIOC) oversees the investment activities on a monthly basis as well as provide strategic and policy guidance in line with the Governing Board (then) approved Investment Policy and Guidelines. Further, transactions relating to investments of the Fund and portfolio position are informed to the senior management of the Central Bank on a daily and weekly basis while Governing Board is apprised of investment activities on a monthly

basis, thereby strengthening the stringent monitoring process of investment activities.

During the year 2022, the investment activities of the Fund were carried out within an environment of heightened macroeconomic uncertainty with the government announcing a standstill on external debt servicing of bilateral and commercial loans from 12th April 2022. The economy witnessed a sharp contraction, historically high inflation, sharp increase in interest rates, headwinds in the external sector, scarcity of essential items and social and political unrest. In line with the guidelines on Strategic Assets Allocation (SAA) of the Fund, the EPF Department invested a major portion of its funds in government securities. In view of substantial volatility observed in financial markets, EPF placed greater emphasis on investing in long term government securities. Moreover, in order to capitalize on increasing short term interest rates in the backdrop of inflationary pressures which prevailed during second and third quarter, the EPF Department increased its investments in short term Treasury bills in 2022. In the backdrop of heightened volatility in the equity market, EPF took a more cautious approach to investment

opportunities in the equity market. Investment opportunities in corporate debentures were limited due to adverse macroeconomic conditions, while the EPF Department was also conscious of the need to invest in corporates with better credit ratings to mitigate credit risk of the corporate debt portfolio of the EPF.

The investment portfolio of the Fund, which consists of government securities, listed and unlisted equities, corporate debentures, and money market investments grew by 9.2 per cent from Rs. 3,173.3 billion at the end of 2021 to Rs. 3,466.5 billion at the end of 2022 as illustrated in Table 1 and Graph 8.

Accordingly, as at end 2022, the investment portfolio of Rs.3,466.5 billion consisted of 96.9 per cent in government securities, 2.3 per cent in equity, 0.7 per cent in corporate debentures and the remaining 0.1 per cent in reverse repurchase agreements.

The growth in the investment portfolio was mainly contributed by the net income of Rs. 264.1 billion and net member contributions of Rs. 31.6 billion. The concentration of investments in Government securities showed a slight increase from 93.2 per cent in 2021

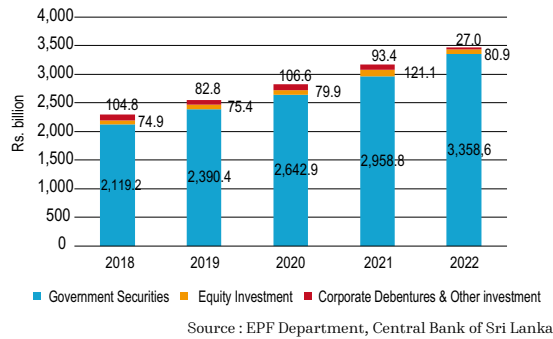
Table 01

Investment Portfolio 2018 - 2022

Asset Class	Amounts in Rs. bn				
	2018	2019	2020	2021	2022
Government Securities	2,119.2	2,390.4	2,642.9	2,958.8	3,358.6
Equity Investment	74.9	75.4	79.9	121.1	80.9
Corporate Debentures	43.7	41.9	34.9	23.9	23.6
Fixed Deposits	33.6	25.0	55.8	57.2	-
Trust Certificates, Re-Repo & Other Investments	27.4	16.0	16.0	12.3	3.4
<b>Grand Total</b>	<b>2,298.8</b>	<b>2,548.7</b>	<b>2,829.5</b>	<b>3,173.3</b>	<b>3,466.5</b>

Source : EPF Department, Central Bank of Sri Lanka

**Graph 08 Investment Portfolio 2018 – 2022**



to 96.9 per cent at the end of 2022. However, the composition of investments in equity decreased to 2.3 per cent in 2022 from 3.8 per cent in 2021. Investments in corporate debt securities accounted for 0.7 per cent of the portfolio, by the end of 2022. The total outstanding amount of reverse repurchase transactions, including investments in term and overnight reverse repurchase agreements and standing deposit facility, accounted for 0.1 per cent of the portfolio at the end of 2022.

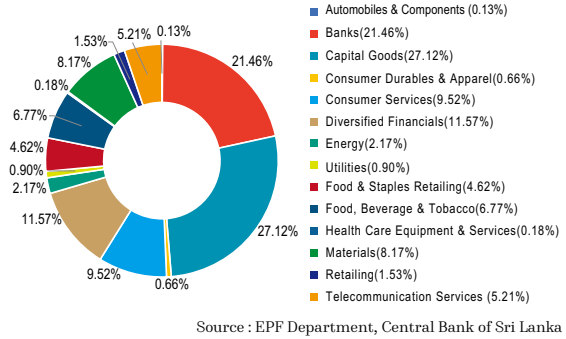
**1.2.1 Government Securities Portfolio**

The Government securities portfolio consisting of Treasury bonds and Treasury bills grew by 13.5 per cent to Rs. 3,358.6 billion at the end of 2022 from Rs. 2,958.8 billion at the end of 2021. During 2022, EPF earned an interest income of Rs. 340.7 billion on the Government securities portfolio representing 107.8 per cent of the total investment income of the Fund.

**1.2.2 Equity Portfolio**

The value of Equity portfolio of EPF, which consists of both listed and unlisted equities, decreased by 33.1 per cent from Rs. 121.1 billion at the end of 2021 to Rs. 80.9 billion at the end of 2022 due to the sharp decrease in the value of the listed equity portfolio which reported on marked to market basis. The value of listed equities decreased by 35.9 per cent from Rs. 112.0 billion at the end of 2021 to Rs.

**Graph 09 Sectorial Composition of the Listed Equity Portfolio as at end of 2022 (Based on Market Value)**



71.8 billion at the end of 2022. The unlisted equity portfolio, which carrying on cost basis had not been changed since there were no transactions relating to such investments during 2022. EPF’s listed equity portfolio consists of investments in many companies operating in different sectors, such as Banks, Capital Goods, Consumer Services, Material, etc. The details of EPF’s listed equity portfolio as per the Global Industry Classification System (GICS) classification adopted by the Colombo Stock Exchange w.e.f. 20th January 2020 at market value is shown in graph 9. EPF held 21.46 per cent of its listed equity portfolio in Banking sector which showed a setback during year 2022. EPF’s equity portfolio recorded a net loss of Rs. 40.9 billion during 2022 and a dividend income of Rs. 7.5 billion.

**1.2.3 Corporate Debt Portfolio**

EPF invests in debt instruments such as corporate debentures, trust certificates and mortgage-backed securities issued by investment grade companies. The corporate debenture portfolio of the Fund stood at Rs 23.6 billion on book value as at the end of 2022, constituting 0.7 per cent of the total portfolio. The Fund earned interest income of Rs. 2,928.2 million on the corporate debt portfolio and the rate of return on the average portfolio was 12.31 per cent during the year.

### 1.2.4 Reverse Repurchase Transactions

The Funds are invested in the repo market and Open Market Operation window of Central Bank in managing the liquidity of the Fund. During 2022, the Fund earned an interest income of Rs. 1,420.9 million from reverse repo transactions, which was Rs. 544.5 million in 2021.

### 1.2.5 Total Investment Income of the Fund

Total investment income of the Fund amounted to Rs. 315.91 billion in 2022, recording an decrease of 7.7 per cent compared to that of the previous year (Table 02). Interest income, which accounts for 97.9 per cent of the realized investment income was the major source of income of the fund and grew by 18.9 per cent from Rs. 293.7 billion in 2021 to Rs. 349.3 billion in 2022. Further, dividend income generated from equity portfolio was reported

as Rs. 7,527.8 million in 2022 compared to Rs. 6,685.5 million earned in 2021. Further, listed equity portfolio of EPF recorded a net loss of Rs. 40.9 billion at the end of 2022 compared to Rs. 41.8 billion net gain earned in 2021.

### 1.3 Governance Framework for Risk Management of EPF

EPF Department is also considered as an integral part of the Risk Governance structure of the Central Bank of Sri Lanka of which the ultimate authority is vested with the Central Bank of Sri Lanka as the custodian of the Fund. Accordingly, fund management activities and other operational activities are overseen within the Risk Governance Structure of the Central Bank of Sri Lanka, covering both financial and non-financial risks. Further, the Central Bank of Sri Lanka, as the ultimate decision-making authority of the fund management activities of the EPF Department, provides policy direction for the investment activities of the Fund by specifying the overall risk parameters, such as the risk appetite and risk tolerance levels within which the fund should be managed. The Monetary Board 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,

**Table 02 Investment Income of the Fund**

Source of Income	2021	2022	Growth (%)
	Amount (Rs.mn)	Amount (Rs.mn)	
Interest	293,678	349,269	19
Dividends	6,685	7,528	13
Net Gain/(Loss) on Financial Instruments at FVTP/L	41,840	(40,878)	(198)
Impairment of Financial Assets	(1.0)	(3.9)	(290)
<b>Total</b>	<b>342,203</b>	<b>315,915</b>	<b>(7.7)</b>

Source : EPF Department, Central Bank of Sri Lanka



the EPF Investment Committee (EIC). The Middle Office (MO) of the Fund Management Division of EPF Department is responsible for the risk management and monitoring of the fund management activities as the First Line of Defense, on a continuous basis, and monitoring the performance of the fund. Further, MO is responsible for monitoring the implementation of the internal control system pertaining to the investment activities of EPF Department. Accordingly, both pre-trade and post-trade compliances of investment activities are monitored in line with the parameters provided in Investment Policy Statement (IPS), Strategic Asset Allocation (SAA) and Investment Guidelines (IGs) and regular risk reporting procedures are undertaken to update the risks, if any to the senior management of Central Bank of Sri Lanka.

Further, a distinct mechanism is in place to escalate and address non-financial risks related to the overall EPF Department's activities through a separate committee, the Non-financial Risk Management Committee (NFRMC).

The Risk Management Department (RMD) as the Second Line of Defense, is responsible for providing the policy framework for the investment governance process through an independent assessment, recommending risk control measures to the EPF, reporting risks and compliance associated with the fund management activities of the EPF to the EIOC, NFRMC, BROC and to the Monetary Board, currently named as Governing Board. Accordingly, providing applicable policy directions and guidelines relating to investment activities are handled by RMD through revising and updating the IPS, SAA and IGs in line with updated market and EPF's 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. Further, RMD continuously coordinate with identifying and reporting the non-financial risks of EPF Department while being within the bank wide risk management procedures.

As the Third Line of Defense, Internal Audit Department provides risk assurance with regard to the fund management function of EPF.

EPF Department continuously paid its attention to identify and address its non-financial risks while being align with Central Bank's risk management framework.

#### 1.4 Operational Expenditure

The total operational expenditure of the Fund increased to Rs. 2,133.8 million in 2022, with 29.6 per cent increase compared to Rs. 1,646.1 million in 2021 mainly due to the increase in personnel expenses. The operational expenses as a percentage of gross income increased to 0.67 per cent during the year compared to 0.48 per cent in 2021 (Table 03).

#### 1.5 Tax Expenditure

With the Inland Revenue Act, No.24 of 2017, which was effective from 01<sup>st</sup> April 2018, the income tax rate applicable for the fund increased from 10 per cent to 14 per cent. 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<sup>st</sup> April 2018. Since, EPF Treasury bond portfolio still consists of investments prior to 01<sup>st</sup> April 2018, the abolishment of WHT is adversely affected to the investment income of the Fund.

Table 03

## Operational Expenditure

Item	EPF Department of Central Bank			Labour Department			Total		
	2021	2022	Change	2021	2022	Change	2021	2022	Change
	(Rs.mn)	(Rs.mn)	(%)	(Rs.mn)	(Rs.mn)	(%)	(Rs. mn)	(Rs. mn)	(%)
Personnel Expenses	602	990	64.4	456	474	3.9	1,058	1,464	38.3
Administrative Expenses	299	335	12	224	263	17.4	523	598	14.3
Other Expenses	60	66	10	6	5	(16.7)	66	71	7.5
<b>Total</b>	<b>961</b>	<b>1,391</b>	<b>44.7</b>	<b>685</b>	<b>742</b>	<b>8.3</b>	<b>1,646</b>	<b>2,133</b>	<b>29.5</b>
<b>Total Expenses as a % of Gross Income</b>	<b>0.28</b>	<b>0.44</b>		<b>0.20</b>	<b>0.23</b>		<b>0.48</b>	<b>0.67</b>	

Source: EPF Department, Central Bank of Sri Lanka

The applicable Income Tax rate for dividend received or derived by residents during the period from October 1, 2022 to December 31, 2022 is 15 per cent. The tax expense increased to Rs. 49,982 million in 2022 with 20.0 per cent increase compared to Rs. 41,657 million in 2021.

### 1.6 Member Account Balances and Interest Credited

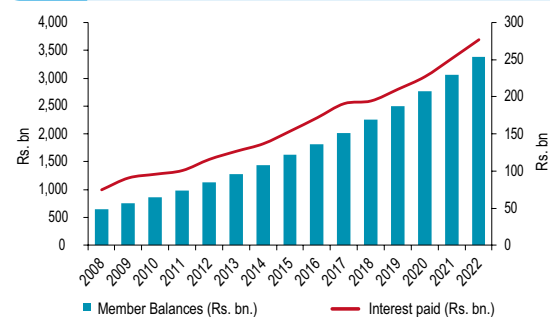
In 2022, a sum of Rs. 277.5 billion was credited to member accounts as interest. Accordingly, the member account balances increased by 10.2 per cent to Rs. 3,380.6 billion as at the end of 2022 compared to Rs. 3,066.9 billion as at the end of 2021. The EPF fund was able to declare an interest rate of 9.00 per cent on the closing balance of member accounts for the year ending 31<sup>st</sup> December 2022, which is same rate as 2021.

### 1.7 Housing Loan Guarantee Facility

The Housing Loan Guarantee Scheme that was introduced in 1988 with the objective of facilitating the members of the EPF to obtain housing loans, continued in 2022. Members

of the EPF are able to apply for housing loans from the participating lending institutions, viz., Housing Development and Finance Corporation Bank, State Mortgage and Investment Bank, Bank of Ceylon, People's Bank and Co-operative Rural Banks with the approval of Commissioner of Labour under this scheme. During the year 2022, EPF Department has issued 9,443 certificates of loan guarantees to Department of Labour for the approval of housing loans amounting to Rs. 6,127 million. Further, nearly Rs. 3,669 million was deducted from the relevant member accounts and remitted to the participating lending institutions in 2022 to settle the overdue loans for the year 2021 (Table 04).

Graph 10 Member Balances and Interest Credited



Source : EPF Department, Central Bank of Sri Lanka

Table 04

## Housing Loan Guarantee Facility (2013:2022)

Year	No. of Guarantee Certificates Issued	Credit Approved (Rs mn)	Amount Remitted to Lending Institutions (Rs. mn)
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
2020	8,537	4,497	3,321
2021	9,068	5,423	3,573
2022	9,443	6,127	3,669

Source : EPF Department, Central Bank of Sri Lanka

### 1.8 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 2022, the district labour offices and sub offices registered 5517 new institutions and 31,415 new employees covering all provinces. More than 45.5 per cent of the institutions registered during the year 2022, were from the Western province while the Northern and the Eastern provinces together accounted for 15.8 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 11,389 first notices and 7,917 red notices in order to

claim overdue EPF contributions of Rs. 7,258 million and Rs. 5,241 million, respectively. Further, Rs. 826 million has been recovered by the Department of Labour by filing legal cases against 1,664 institutions which had failed to settle the arrears within 28 days after receiving the red notices (Table 05).

### 1.9 Re-registration of EPF members

Considering the importance of maintaining a Member Centric Database, EPFD continued the re-registration of its active members by their National Identity Card (NIC) numbers and full names mentioned in their NICs during 2022 as well. This project was initiated in 2010 with the collaboration of the Department of Labour and was conducted under several phases, considering its lifelong benefits to members and the Fund. In 2021, after obtaining the access to the database of the Department of Registration of Persons (DRP) under the

Table 05

## Enforcement of Law

Description		Year				
		2018	2019	2020	2021	2022
New Registrations	Employers	9,243	8,930	5,092	4,222	5,517
	Employees	37,662	37,297	427,016	18,298	31,415
Provincial wise Employer Registrations (As a % of total Employer Registration)	Western	43.0	42.8	45.1	50.8	46.6
	Northern & Eastern	15.0	11.3	11.3	10.1	12.2
	Other	42.0	45.9	43.6	39.1	41.2
First Notices	No. of notices sent	13,653	20,436	11,395	8,273	11,389
	Amount to be Claimed (Rs. million)	4,316	6,839	5,076	4,026	7,258
Red Notices	No. of notices sent	8,364	13,756	7,742	7,319	7,917
	Amount to be Claimed (Rs. million)	3,320	5,231	3,884	3,956	5,241
Filed Cases	No. of cases	2,831	4,235	2,712	2,218	1,664
	Amount Recovered (Rs. million)	1,710	547	329	557	826

Source : EPF Section, Department of Labour

Memorandum of Understanding with DRP a new operational methodology was introduced into this project. Accordingly, measures were implemented in 2022 with robust internal controls to minimize the errors/omissions or mistakes that occurred previously due to merely relying on information submitted by employers.

Further, several initiatives were taken by EPFD in 2022 with the intention of expediting the process of re-registering its members in 2023 and expect to cover a greater extent of its active members. 26,959 active members were re-registered during the year 2022 and the total number of active members re-registered by the end of the year 2022 was 1,682,978.

### 1.10 E>Returns System for EPF Payments

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

by the EPFD with an objective of improving its operational efficiency in a paperless operating environment. This system was operated on voluntary basis until the respective enactment, i.e, EPF (amendment) Act, No. 02 of 2012 came in to effect. Accordingly, submission of EPF contribution details through an electronic media was made mandatory for the employers having more than 50 employees in their employments.

In 2011, Licensed Commercial Banks (LCBs) joined this system as facilitators to collect EPF contributions via their own online portals which paved the way for a remarkable improvement in employer participation and speedy 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 updation of member accounts. Accordingly, eight LCBs are facilitating EPF online payments while four of them provide online member information validation and real time member accounts updating facility for their customers. In 2020, a notable modification was introduced to the e-collection system with regard to crediting the EPF contributions to the member accounts. With the implementation of the system, the error-free contributions are credited to the members automatically upon the processing of the e-files with an automated reply for fund acknowledgement and details of member name discrepancies, if any.

Year 2021 was a remarkable year for EPFD as it introduced a new mechanism via its' revamped official website for strengthening its' existing e-collection procedure. It enabled the employers to submit their e>Returns through the website and to make the payment online through a participating LCB via 'LankaPay Online Payment Platform (LPOPP)' or by a cheque or as a direct debit. Bank of Ceylon, People's Bank, Commercial Bank of Ceylon PLC, Sampath Bank and Nations Trust Bank were the LCBs that have joined with EPFD with regard to the facility by end 2022. One of the salient features of the new system is that it further expedites the individual member accounts updating process to be completed within 24 hours upon a successful payment. Furthermore, it facilitates employers to ensure the accuracy of member records appeared in the contribution detail file by comparing with the respective details in the EPFD's database. This would be a significant improvement in establishing a comprehensive EPF database and hence there will be no or minimal efforts to be exerted in member detail amendments in future. Thus, the new mechanism can be

treated as a breakthrough point which changes the direction and the landscape of EPF.

By end 2022, the participation of employers in the e-Return submission system was increased from 11,260 to 12,815 covering approximately 90 per cent of the active member accounts and approximately 91 per cent of the total monthly EPF contribution. In addition, actions were taken to make the employers further aware regarding the e-Return submission procedure and its benefits for EPF stakeholders while emphasizing the importance of taking actions to rectify the issues with regard to member name discrepancies of the e-correspondences to assure that the contributions are credited to member accounts on timely basis.

### 1.11 Pre-Retirement Refund Scheme

In terms of the provisions in Employees Provident Fund (Amendment) Act, No. 02 of 2012 and the subsequent procedures passed by the Parliament in 2015, the 30 per cent EPF pre-retirement benefit scheme, came into operation from 1<sup>st</sup> July 2015.

Accordingly, 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 member balance in their accounts subject to a maximum of Rs. 2 million for the purposes of constructing a house or medical requirement w.e.f. 2015.

The scheme is in high demand among the members of EPF and total of Rs. 123.5 billion has been refunded to more than 224,335 beneficiaries by the end of 2022 and Rs. 16.4 billion has been released to 27,278 beneficiaries during the year 2022 under this scheme.

Table 06

Issue of Member Account Statements

Period	No. of Employers	No. of Statements (Active Members)
2021 1 <sup>st</sup> half	64,257	2,001,329
2021 2 <sup>nd</sup> half	70,527	2,498,231

Source : EPF Department, Central Bank of Sri Lanka

### 1.12 Issuing of Statements of Member Accounts

Statements of member accounts are distributed to active members through their employers registered with the Fund, on a semi annual basis. Accordingly, the member account statements of the first half and second half of 2021 were distributed during 2022 (Table 06).

### 1.13 Other Services to Members

The Public Relations and Inquiries Counter of EPF Department faced a challenging year in 2022 with the socio-political unrest. However, EPF Department provided its services to 129,454 members/employers who visited the Department and attended to 63,365 and 14,114 member inquiries through telephone calls and e-mails, respectively, during the year. Further, the EPF Department responded to 1,630 letters from members, employers and other stakeholders.

In 2022, Record Amendment Division (RAD) of EPF Department attended to approximately 89,210 EPF record amendments related to EPF member accounts. Accordingly, 83,537 Name/NIC amendments comprising 12,944

requests for name/NIC amendments received through regional offices and 5,673 account amendments were attended by the EPF Department in 2022.

### 1.14 Process Improvement and Capacity Development

Process Improvement and Capacity Development Division (PICDD) continued its coordination with the consultant appointed for facilitating the design and implementation of an integrated information technology solution for Accounting, Investment, Member Liability Management and a consolidated database for the EPF Department. Accordingly, the study on the existing business practices and processes related to EPF activities were completed successfully during the year.

Following the above study, the Consultant has completed the Business Process Review (BPR) of EPF Department. Further, the Gap Analysis report has also been completed emphasizing the industrial best practices and benchmarking to regional provident funds. Based on the BPR and Gap Analysis, the drafting of Functional Design of the processes of the EPF Department is in progress.



SECTION C

# FINANCIAL STATEMENTS





EMPLOYEES' PROVIDENT FUND  
STATEMENT OF INCOME AND EXPENDITURE

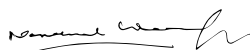
For the year ended 31 <sup>st</sup> December	Note	2022			2021
		Monetary Board	Labour Dept.	Total	Total
		Rs:'000	Rs:'000	Rs:'000	Rs:'000
Interest Income	5	349,269,190	-	349,269,190	293,678,260
Dividend Income	6	7,527,818	-	7,527,818	6,685,492
Net Gain/ (Loss) on Financial Instruments at Fair Value B Through Profit or Loss	7	(40,878,068)	-	(40,878,068)	41,840,149
Over/(Under) Provision of Impairment of Financial Assets	8	(3,941)	-	(3,941)	(1,016)
<b>Investment Income</b>		<b>315,914,999</b>	<b>-</b>	<b>315,914,999</b>	<b>342,202,885</b>
Other Income	9	255,870	14,548	270,418	171,661
<b>Gross Income</b>		<b>316,170,869</b>	<b>14,548</b>	<b>316,185,417</b>	<b>342,374,546</b>
Operating Expenses	10	(1,391,334)	(742,448)	(2,133,782)	(1,646,136)
<b>Operating Profit/ (Loss) before Income Tax</b>		<b>314,779,535</b>	<b>(727,900)</b>	<b>314,051,635</b>	<b>340,728,410</b>
Tax Expense	11	(49,981,617)	-	(49,981,617)	(41,656,976)
<b>Profit/ (Loss) for the Year</b>		<b>264,797,918</b>	<b>(727,900)</b>	<b>264,070,018</b>	<b>299,071,434</b>
Retained Profit Brought Forward				61,263	429,929
Unrealised Gain on Listed Equity				40,887,674	(40,503,848)
<b>Profit available for Distribution</b>				<b>305,018,955</b>	<b>258,997,515</b>
<b>Profit Distribution</b>					
Less : Interest Paid on Current Year Refunds				(6,434,802)	(4,549,668)
Add/ (Less) - Transfer from / (to) Profit Equalisation Reserve				(21,000,000)	(2,600,000)
Interest on member balances as at 31 <sup>st</sup> December 2022 @ 9% (2021-9.00%)				(277,537,781)	(251,786,584)
<b>Balance Carried Forward for the Distribution in Next Year</b>				<b>46,372</b>	<b>61,263</b>

The accounting policies and notes on pages 08 through 56 form an integral part of the Financial Statements.

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

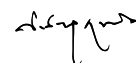
These Financial Statements were approved by the Monetary Board.

For and on behalf of the Monetary Board,



Dr. P. Nandalal Weerasinghe  
Governor  
Central Bank of Sri Lanka

Date : 15 February 2023



A G U Thilakarathna  
Superintendent  
Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND  
STATEMENT OF COMPREHENSIVE INCOME

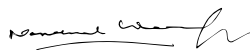
For the year ended 31st December	Note	2022 Rs.'000	2021 Rs.'000
Profit for the Year		264,070,018	299,071,434
<b>Other Comprehensive Income</b>			
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	12	(117,517)	48,794
<b>Total Comprehensive Income for the Year</b>		<b>263,952,501</b>	<b>299,120,228</b>

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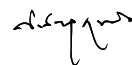
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Dr. P. Nandalal Weerasinghe  
Governor  
Central Bank of Sri Lanka

Date : 15 February 2023



.....  
A G U Thilakarathna  
Superintendent  
Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND  
STATEMENT OF FINANCIAL POSITION

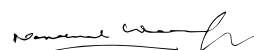
As at 31 <sup>st</sup> December	Note	2022 Rs. Rs.'000	2021 Rs. Rs.'000
<b>Assets</b>			
Property, Plant and Equipment	13	362,496	274,150
Capital Work-in-Progress		297,885	235,497
Intangible Assets	14	3,537	2,009
Equity Instruments at FVOCI	15	9,784,750	9,902,267
Equity Instruments at FVTPL	16	71,156,128	111,201,978
Debt Instruments at Amortised Cost	17	3,385,604,295	3,052,238,755
Inventories		25,020	9,618
Interest Receivables		122,125	122,125
Contribution Receivable		16,000,000	14,100,000
Other Current Assets	18	4,080,828	555,488
Cash and Cash Equivalents	19	4,330,788	3,101,966
		<b>3,491,767,852</b>	<b>3,191,743,853</b>
<b>Liabilities</b>			
Accounts Payable	20	4,734	3,967
Accrual Expenses		684,900	329,333
Other Current Liabilities	21	31,216,978	25,274,773
		<b>31,906,612</b>	<b>25,608,073</b>
<b>Total Net Assets</b>			
		<b>3,459,861,240</b>	<b>3,166,135,780</b>
Represented by,			
Member Balances	22	3,380,616,835	3,066,871,294
		<b>3,380,616,835</b>	<b>3,066,871,294</b>
Reserves			
Retained Profit	23	74,581,858	53,699,375
		4,662,547	45,565,111
		<b>79,244,405</b>	<b>99,264,486</b>
<b>Total Net Worth of the Fund</b>			
		<b>3,459,861,240</b>	<b>3,166,135,780</b>

The accounting policies and notes on pages 08 through 56 form an integral part of the Financial Statements.

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

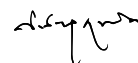
These Financial Statements were approved by the Monetary Board.

For and on behalf of the Monetary Board,



Dr. P. Nandalal Weerasinghe  
Governor  
Central Bank of Sri Lanka

Date : 15 February 2023



A G U Thilakarathna  
Superintendent  
Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND  
RECEIPTS AND PAYMENTS ACCOUNT

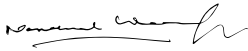
For the year ended 31 <sup>st</sup> December	Note	2022			2021
		Monetary Board Rs:000	Labour Dept. Rs:000	Total Rs:000	Total Rs:000
Cash balance at the beginning of the year		3,102,060	177	3,102,237	2,639,453
Total Receipts	24	526,556,047	857,333	527,413,380	459,801,233
Total Payments	25	(525,326,659)	(855,076)	(526,181,735)	(459,338,449)
Cash balance at the end of the year		<b>4,331,448</b>	<b>2,434</b>	<b>4,333,882</b>	<b>3,102,238</b>

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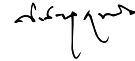
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For and on behalf of the Monetary Board;



.....  
Dr. P. Nandalal Weerasinghe  
Governor  
Central Bank of Sri Lanka

Date : 15 February 2023



.....  
A G U Thilakarathna  
Superintendent  
Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND  
STATEMENT OF INVESTMENTS

Class of Investment	Note	Face value Rs.'000	Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Book Value Rs.'000
<b>As at 31<sup>st</sup> December 2022</b>						
Treasury Bonds	17.1.1	3,174,405,423	3,068,744,310	1,914,415,644	3,184,165,117	3,184,165,117
Treasury Bills	17.1.2	183,305,720	166,816,977	172,944,307	174,425,329	174,425,329
Corporate Debt Instruments	17.2	22,815,660	22,815,660	22,364,078	23,617,119	23,610,953
Reverse Repo	17.3	3,400,000	3,400,000	3,402,896	3,402,896	3,402,896
Fixed Deposits	17.4	-	-	-	-	-
Listed Equities	15.1/16.1	-	84,909,116	71,799,889	84,909,116	71,799,889
Unlisted Equities	15.2	-	9,640,989	9,140,989	9,640,989	9,140,989
		<b>3,583,926,803</b>	<b>3,356,327,052</b>	<b>2,194,067,803</b>	<b>3,480,160,566</b>	<b>3,466,545,173</b>
<b>As at 31<sup>st</sup> December 2021</b>						
Treasury Bonds	17.1.1	2,903,929,508	2,840,108,379	2,803,156,402	2,958,768,982	2,958,768,982
Treasury Bills	17.1.2	20,000	19,026	19,617	19,797	19,797
Corporate Debt Instruments	17.2/17.5	23,164,868	23,164,868	23,507,445	23,967,522	23,965,887
Reverse Repo	17.3	12,300,000	12,300,000	12,302,377	12,302,377	12,302,377
Fixed Deposits	17.4	55,000,000	55,000,000	57,182,866	57,182,866	57,181,712
Listed Equities	15.1/16.1	-	84,067,293	111,963,256	84,067,293	111,963,256
Unlisted Equities	15.2	-	9,640,989	9,140,989	9,640,989	9,140,989
		<b>2,994,414,376</b>	<b>3,024,300,555</b>	<b>3,017,272,952</b>	<b>3,145,949,826</b>	<b>3,173,343,000</b>

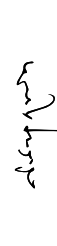
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These Financial Statements were approved by the Monetary Board.

For and on behalf of the Monetary Board



Dr. P. Nandimal Weerasinghe  
Governor  
Central Bank of Sri Lanka

Date : 15 February 2023

  
A G U Thilakarathna  
Superintendent  
Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND  
STATEMENT OF CASH FLOWS

For the year ended 31 <sup>st</sup> December	2022 Rs.'000	2021 Rs.'000
<b>Cash flows from operating activities</b>		
Interest received from Investments	328,807,041	284,632,900
Dividends received from equities	3,158,973	5,873,448
Surcharges and other income	76,022	15,567
Recoveries from receivables	-	238
Payment of operating expenses	(1,522,698)	(1,380,418)
Advances given	(13,541)	(6,238)
Settlement of Creditors and other payables	(3,922,234)	(3,919,946)
<b>Cash generated from operating activities</b>	<b>326,583,563</b>	<b>285,213,550</b>
Taxes Paid	(43,838,631)	(40,241,383)
<b>Net cash generated from operating activities</b>	<b>282,744,932</b>	<b>244,972,167</b>
<b>Cash flows from investing activities</b>		
Investments in Financial Assets	(2,799,928,854)	(2,572,161,546)
Maturities of Investments	2,487,022,087	2,277,746,788
Proceeds on sale of Financial Investments	12,692	2,684,987
Proceeds on sale of Fixed Asset	167	-
Acquisition of Property, Plant and Equipment	(188,340)	(206,792)
<b>Net cash used in investing activities</b>	<b>(313,082,248)</b>	<b>(291,936,563)</b>
<b>Cash flow from financing activities:</b>		
Contributions received	194,593,541	165,723,380
General Deposit Account - Labour Department	6,703	(77,693)
Refunds to Members	(163,031,106)	(118,192,115)
<b>Net cash generated from financing activities</b>	<b>31,569,138</b>	<b>47,453,572</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,231,822</b>	<b>489,176</b>
Cash and Cash equivalents at the beginning of the year	3,102,060	2,613,062
<b>Cash and cash equivalents at the end of the year-Before Adjustments</b>	<b>4,333,882</b>	<b>3,102,238</b>
Adjustments:		
Cash balance at the end of the year - Labour Department	(2,435)	(178)
<b>Cash and cash equivalents at the end of the year (Note A)</b>	<b>4,331,447</b>	<b>3,102,060</b>
<b>Note A</b>		
Analysis of Cash and Cash equivalents as at 31 <sup>st</sup> December:		
Cash in Hand	20	20
Cash in Transit	-	-
Cash at Bank	4,331,427	3,102,040
	<b>4,331,447</b>	<b>3,102,060</b>
(-) Provision for impairment	(659)	(94)
	<b>4,330,788</b>	<b>3,101,966</b>

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

Description	Members Balance	Building Reserve Fund	Technology Advancement Reserve Fund	Profit Equalisation Reserve Fund	General Reserve Fund	Investment Revaluation Reserve	Retained Profit	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Balance as at 31<sup>st</sup> December 2020</b>	<b>2,767,832,367</b>	<b>3,157,000</b>	<b>350,000</b>	<b>45,550,000</b>	<b>6,650,000</b>	<b>343,581</b>	<b>429,929</b>	<b>2,824,312,877</b>
Net Profit for the year - 2021	-	-	-	-	-	-	299,071,434	299,071,434
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	-	-	-	-	-	48,794	-	48,794
Net Contributions for 2021	47,252,343	-	-	-	-	-	-	47,252,343
Member Interest Paid on Refunds - 2021	-	-	-	-	-	-	(4,549,668)	(4,549,668)
Member Interest payable (2021 at 9.00%)	251,786,584	-	-	-	-	-	(251,786,584)	-
Transfers from Profit Equalization Reserve	-	-	-	(5,000,000)	-	-	5,000,000	-
Transfers to Profit Equalization Reserve from Distributable Profit	-	-	-	2,600,000	-	-	(2,600,000)	-
<b>Balance as at 31<sup>st</sup> December 2021</b>	<b>3,066,871,294</b>	<b>3,157,000</b>	<b>350,000</b>	<b>43,150,000</b>	<b>6,650,000</b>	<b>392,375</b>	<b>45,565,111</b>	<b>3,166,135,780</b>
Net Profit for the year - 2022	-	-	-	-	-	-	264,070,018	264,070,018
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	-	-	-	-	-	(117,517)	-	(117,517)
Net Contributions for 2022	36,207,760	-	-	-	-	-	-	36,207,760
Member Interest Paid on Refunds - 2022	-	-	-	-	-	-	(6,434,802)	(6,434,802)
Member Interest payable (2022 at 9.00%)	277,537,781	-	-	-	-	-	(277,537,781)	-
Transfers from Profit Equalization Reserve	-	-	-	-	-	-	-	-
Transfers to Profit Equalization Reserve from Distributable Profit	-	-	-	21,000,000	-	-	(21,000,000)	-
<b>Balance as at 31<sup>st</sup> December 2022</b>	<b>3,380,616,835</b>	<b>3,157,000</b>	<b>350,000</b>	<b>64,150,000</b>	<b>6,650,000</b>	<b>274,858</b>	<b>4,662,547</b>	<b>3,459,861,240</b>

## 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 2022, were authorised for issue by the Monetary Board on 15<sup>th</sup> February 2023.



## ***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.

As per the Inland Revenue Act No 24 of 2017 which is effective from 1st April 2018, the fund is liable to pay income tax at 14%.

As per the Notices No. PN/IT/2023-01 dated 20.01.2023 issued by the Commissioner General of Inland Revenue on "Implementation of Budget Proposal - 2023", applicable Income Tax rate for dividend received or derived by the residents during the period from October 1,2022 to December 31.2022 is 15%.

## 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:

- (a) Those to be measured at fair value (either through other comprehensive income, or through profit or loss); and
- (b) 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 Fund 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.

The Fund 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 Fund, rated below BBB- are considered to non-investment grade investments and Fund 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 Fund 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 Fund 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 Fund in accordance with the contract and the cash flows that the Fund 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 Fund 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 Fund 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 Fund 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 Statement of Financial Position when the Fund 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 Fund 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 Fund is recognized as a separate asset or liability.

A financial liability is derecognised from the balance sheet when the Fund 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 Statement of Financial Position when the Fund 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 Fund 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 Fund 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 Fund 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.

However, as explained in Note 16 unlisted equities are carried at cost as sufficient and recent information are not available to measure the fair value reliably using valuation techniques. Further, estimated fair values of unlisted equity investments are disclosed in Note 31.

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

#### ***Recognition***

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

#### ***Measurement***

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

***Cost model***

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

***Subsequent costs***

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

***Derecognition***

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

***Depreciation***

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

The estimated rates of depreciation of assets are follows;

<b>Asset Class</b>	<b>Rate of Depreciation</b>
Buildings	02%
Plant and Machinery	25%
Office Equipment	25%
Furniture & Fittings	10%
Motor Vehicles	20%
Computer Equipment	25%
(50% for the assets acquired before 31 <sup>st</sup> 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<sup>st</sup> December*

	Monetary Board Rs.'000	2022 Labour Dept. Rs.'000	Total Rs.'000	2021 Total Rs.'000
Interest on Treasury Bonds	325,422,599	-	325,422,599	285,052,453
Interest on Treasury Bills	15,272,142	-	15,272,142	256,047
Interest on Corporate Debt Securities - Listed	2,290,667	-	2,290,667	3,153,144
Interest on Corporate Debt Securities - Unlisted	637,500	-	637,500	815,523
Interest on Fixed Deposits	4,225,390	-	4,225,390	3,856,550
Interest on Reverse Repos	1,420,892	-	1,420,892	544,543
	<b>349,269,190</b>	<b>-</b>	<b>349,269,190</b>	<b>293,678,260</b>

6. Dividend Income

*For the year ended 31<sup>st</sup> December*

	Monetary Board Rs.'000	2022 Labour Dept. Rs.'000	Total Rs.'000	2021 Total Rs.'000
Dividend from Equity Securities - Listed	3,570,591	-	3,570,591	4,057,095
Dividend from Equity Securities - Unlisted	3,957,227	-	3,957,227	2,628,397
	<b>7,527,818</b>	<b>-</b>	<b>7,527,818</b>	<b>6,685,492</b>

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

*For the year ended 31<sup>st</sup> December*

	Monetary Board Rs.'000	2022 Labour Dept. Rs.'000	Total Rs.'000	2021 Total Rs.'000
Listed Equity Securities	(40,878,068)	-	(40,878,068)	41,840,149
	<b>(40,878,068)</b>	<b>-</b>	<b>(40,878,068)</b>	<b>41,840,149</b>

8. Impairment of Financial Assets

*For the year ended 31<sup>st</sup> December*

	2022 Rs.'000	2021 Rs.'000
<b>Under/ (Over) Provision for impairment; (Note 17 &amp; 19)</b>		
Corporate Debt Securities	4,531	69
Fixed Deposits	(1,154)	939
Other Financial Investment	-	(58)
Bank Balances	565	66
	<b>3,941</b>	<b>1,016</b>
Under/(Over) Provisions of Impairment/Impairment Expense	<b>3,941</b>	<b>1,016</b>

EMPLOYEES' PROVIDENT FUND  
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9. Other Income

*For the year ended 31<sup>st</sup> December*

	2022			2021
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Surcharges	255,408	-	255,408	162,650
Other Income	462	14,548	15,010	9,011
	<b>255,870</b>	<b>14,548</b>	<b>270,418</b>	<b>171,661</b>

10. Operating Expenses

*For the year ended 31<sup>st</sup> December*

	2022			2021
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Personnel Expenses	990,634	473,824	1,464,458	1,057,631
Administration Expenses	335,091	263,162	598,253	523,052
Other Expenses	65,609	5,462	71,071	65,453
	<b>1,391,334</b>	<b>742,448</b>	<b>2,133,782</b>	<b>1,646,136</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

11. Tax Expense

<i>For the year ended 31<sup>st</sup> December</i>	2022	2021
	Rs.'000	Rs.'000
Income Tax on Profit for the Year (11.1)	49,825,806	41,650,393
(Over)/ Under Provision in respect of Previous Years	155,811	6,583
	<u>49,981,617</u>	<u>41,656,976</u>

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

*Summary of significant provision applicable under relevant tax legislation*

- (a) As per the Inland Revenue Act No 24 of 2017 with effective from 1<sup>st</sup> April 2018, the fund is liable to pay income tax at 14%.  
(b) Applicable Income Tax rate for dividend received or derived by residents during the period from October 1, 2022 to December 31, 2022 is 15%.

11.1 Reconciliation between Profit before Tax & Taxable income

	2022	2021
	Total	Rs. '000
	Rs. '000	
Operating Profit/ (Loss) before Income Tax	314,051,635	340,728,410
Adjustment;		
Dividend Income	(888,087)	(2,800,870)
Share Buy back considered as dividend Income	3,366	-
Unrealised Loss/ (Gain) on Financial Instruments at Fair Value through Profit or Loss	40,878,068	(41,840,149)
Under Provision of Impairment of Financial Assets	3,941	1,016
Disallowed Expenses	1,837,255	1,414,398
Adjusted income for taxation	<u>355,886,178</u>	<u>297,502,806</u>
current tax expenses for the Fund		
Dividend Income (Tax at 14% up to 30.09.2022)	6,468,989 @ 14%	905,659 -
Dividend Income (Tax at 15% After 01.10.2022)	174,107 @ 15%	26,116 -
Balance income (Tax at 14%)	349,243,082 @ 14%	48,894,031 41,650,393
	<u>49,825,806</u>	<u>41,650,393</u>

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

<i>For the year ended 31<sup>st</sup> December</i>	2022	2021
	Total	Total
	Rs.'000	Rs.'000
Gain/ (Loss) on Equity	(117,517)	48,794
	<u>(117,517)</u>	<u>48,794</u>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

## 13 Property, Plant and Equipment

## 13.1 Monetary Board &amp; Labour Dept: - 2022

	Computer Equipment	Furniture and Fittings	Office Equipment	Motor Vehicles	Other	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost</b>						
As at 01 <sup>st</sup> January 2022	610,210	112,190	432,741	97,202	6,423	1,258,766
Additions during the year	15,665	90,157	22,122	-	-	127,944
Disposals During the year	(167)	-	-	-	-	(167)
<b>As at 31<sup>st</sup> December 2022</b>	<b>625,708</b>	<b>202,347</b>	<b>454,863</b>	<b>97,202</b>	<b>6,423</b>	<b>1,386,543</b>
<b>Accumulated Depreciation</b>						
As at 01 <sup>st</sup> January 2022	517,812	100,023	304,842	56,093	5,846	984,616
Charge for the year	17,740	12,556	9,177	-	24	39,497
Disposals During the year	(66)	-	-	-	-	(66)
<b>As at 31<sup>st</sup> December 2022</b>	<b>535,486</b>	<b>112,579</b>	<b>314,019</b>	<b>56,093</b>	<b>5,870</b>	<b>1,024,047</b>
<b>Net Book Value (NBV)</b>						
<b>As at 31<sup>st</sup> December 2022</b>	<b>90,222</b>	<b>89,768</b>	<b>140,844</b>	<b>41,109</b>	<b>553</b>	<b>362,496</b>
<b>As at 31<sup>st</sup> December 2021</b>	<b>92,398</b>	<b>12,167</b>	<b>127,897</b>	<b>41,109</b>	<b>578</b>	<b>274,150</b>

## Monetary Board &amp; Labour Dept: - 2021

	Computer Equipment	Furniture and Fittings	Office Equipment	Motor Vehicles	Other	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost</b>						
As at 01 <sup>st</sup> January 2021	571,054	110,937	424,513	97,202	6,423	1,210,130
Additions during the year	39,155	1,253	8,228	-	-	48,636
Disposals During the year	-	-	-	-	-	-
<b>As at 31<sup>st</sup> December 2021</b>	<b>610,210</b>	<b>112,190</b>	<b>432,741</b>	<b>97,202</b>	<b>6,423</b>	<b>1,258,766</b>
<b>Accumulated Depreciation</b>						
As at 01 <sup>st</sup> January 2021	504,276	93,211	300,661	56,093	5,351	959,593
Charge for the year	13,536	6,812	4,181	-	495	25,024
Disposals During the year	-	-	-	-	-	-
<b>As at 31<sup>st</sup> December 2021</b>	<b>517,812</b>	<b>100,023</b>	<b>304,842</b>	<b>56,093</b>	<b>5,846</b>	<b>984,616</b>
<b>Net Book Value (NBV)</b>						
<b>As at 31<sup>st</sup> December 2021</b>	<b>92,398</b>	<b>12,167</b>	<b>127,899</b>	<b>41,109</b>	<b>577</b>	<b>274,150</b>
<b>As at 31<sup>st</sup> December 2020</b>	<b>66,778</b>	<b>17,726</b>	<b>123,851</b>	<b>41,109</b>	<b>1,072</b>	<b>250,536</b>



EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

Property, Plant & Equipment Contd....

13.2

2022	Computer Equipment		Furniture and Fittings		Office Equipment		Motor Vehicles		Other		Total		
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000
<b>Cost</b>													
As at 01 <sup>st</sup> January 2022	140,203	470,006	47,966	64,226	29,783	402,958	-	97,202	6,071	552	224,023	1,034,744	1,258,767
Additions during the year	609	15,056	28,315	61,841	1,139	20,983	-	-	-	-	30,063	97,880	127,943
Disposals During the year	(167)	-	-	-	-	-	-	-	-	-	(167)	-	(167)
<b>As at 31<sup>st</sup> December 2022</b>	<b>140,645</b>	<b>485,062</b>	<b>76,281</b>	<b>126,067</b>	<b>30,922</b>	<b>423,941</b>	<b>-</b>	<b>97,202</b>	<b>6,071</b>	<b>352</b>	<b>255,919</b>	<b>1,132,624</b>	<b>1,386,543</b>
<b>Accumulated Depreciation</b>													
As at 01 <sup>st</sup> January 2022	122,268	395,543	42,118	57,905	23,345	281,497	-	56,094	5,494	552	193,225	791,591	984,616
Charge for the year	4,674	13,066	4,195	8,361	2,793	6,384	-	-	24	-	11,686	27,811	39,497
Disposals During the year	(66)	-	-	-	-	-	-	-	-	-	(66)	-	(66)
<b>As at 31<sup>st</sup> December 2022</b>	<b>126,876</b>	<b>408,609</b>	<b>46,313</b>	<b>66,266</b>	<b>26,138</b>	<b>287,881</b>	<b>-</b>	<b>56,094</b>	<b>5,518</b>	<b>352</b>	<b>204,845</b>	<b>819,202</b>	<b>1,024,047</b>
<b>NBV as at 31st December 2022</b>	<b>13,769</b>	<b>76,453</b>	<b>29,968</b>	<b>59,801</b>	<b>4,784</b>	<b>136,060</b>	<b>-</b>	<b>41,108</b>	<b>553</b>	<b>-</b>	<b>49,074</b>	<b>313,422</b>	<b>362,496</b>
<b>NBV as at 31st December 2021</b>	<b>17,935</b>	<b>74,463</b>	<b>5,848</b>	<b>6,321</b>	<b>6,438</b>	<b>121,461</b>	<b>-</b>	<b>41,108</b>	<b>578</b>	<b>-</b>	<b>30,798</b>	<b>243,353</b>	<b>274,151</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

Property, Plant & Equipment Contd....

2021	Computer Equipments		Office Furniture and Fittings		Office Equipments		Motor Vehicles		Other		Total		
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000
<b>Cost</b>													
As at 01 <sup>st</sup> January 2021	130,662	440,392	47,966	62,971	29,237	395,276	-	97,202	6,071	552	213,937	996,193	1,210,130
Additions during the year	9,541	29,614	-	1,253	546	7,682	-	-	-	-	10,087	38,549	48,656
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31<sup>st</sup> December 2021</b>	<b>140,203</b>	<b>470,006</b>	<b>47,966</b>	<b>64,224</b>	<b>29,783</b>	<b>402,958</b>	<b>-</b>	<b>97,202</b>	<b>6,071</b>	<b>552</b>	<b>224,024</b>	<b>1,034,742</b>	<b>1,258,766</b>
<b>Accumulated Depreciation</b>													
As at 01 <sup>st</sup> January 2021	117,686	386,590	38,464	54,747	20,298	280,363	-	56,094	4,999	352	181,448	778,146	959,593
Charge for the year	4,582	8,953	3,654	3,158	3,047	1,134	-	-	495	-	11,778	13,245	25,023
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31<sup>st</sup> December 2021</b>	<b>122,268</b>	<b>395,543</b>	<b>42,118</b>	<b>57,905</b>	<b>23,345</b>	<b>281,497</b>	<b>-</b>	<b>56,094</b>	<b>5,494</b>	<b>352</b>	<b>193,226</b>	<b>791,391</b>	<b>984,616</b>
<b>NBV as at 31st December 2021</b>	<b>17,935</b>	<b>74,463</b>	<b>5,848</b>	<b>6,319</b>	<b>6,438</b>	<b>121,461</b>	<b>-</b>	<b>41,108</b>	<b>578</b>	<b>-</b>	<b>30,798</b>	<b>243,351</b>	<b>274,150</b>
<b>NBV as at 31st December 2020</b>	<b>12,976</b>	<b>53,802</b>	<b>9,502</b>	<b>8,224</b>	<b>8,959</b>	<b>114,913</b>	<b>-</b>	<b>41,108</b>	<b>1,072</b>	<b>-</b>	<b>32,489</b>	<b>218,047</b>	<b>250,537</b>

EMPLOYEES' PROVIDENT FUND  
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14. Intangible Assets

Computer Software	2022			2021
	Monetary Board	Labour Dept.	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost</b>				
As at 01 <sup>st</sup> January	35,590	5,667	41,257	40,216
Acquisitions during the Year	-	2,163	2,163	1,040
<b>As 31<sup>st</sup> December</b>	<b>35,590</b>	<b>7,830</b>	<b>43,420</b>	<b>41,256</b>
<b>Amortisation</b>				
As at 01 <sup>st</sup> January	34,621	4,627	39,248	37,227
Amortisation during the period	289	346	635	2,020
<b>As 31<sup>st</sup> December</b>	<b>34,910</b>	<b>4,973</b>	<b>39,883</b>	<b>39,247</b>
<b>Net book value</b>				
As at 01 <sup>st</sup> January	969	1,040	2,009	2,989
<b>As 31<sup>st</sup> December</b>	<b>680</b>	<b>2,857</b>	<b>3,537</b>	<b>2,009</b>

15. Equity Instruments at Fair Value through Other Comprehensive Income

<i>As at 31<sup>st</sup> December</i>	2022		2021	
	Cost	Fair Value	Cost	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investments in equity				
Listed Equity (Note 15.1)	368,903	643,761	368,903	761,278
Unlisted Equity (Note 15.2)	9,640,989	9,140,989	9,640,989	9,140,989
<b>Total Equity Instruments at FVOCI</b>	<b>10,009,892</b>	<b>9,784,750</b>	<b>10,009,892</b>	<b>9,902,267</b>

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 30 for estimated fair values.

15.1 Listed Equity

<i>As at 31<sup>st</sup> December</i>	2022		2021	
	Cost	Book value	Cost	Book value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company Name				
Laugfs Power Limited - Voting	281,261	521,080	281,261	607,927
Laugfs Power Limited - Non Voting	87,642	122,681	87,642	153,351
	<b>368,903</b>	<b>643,761</b>	<b>368,903</b>	<b>761,278</b>

EMPLOYEES' PROVIDENT FUND  
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## 15.2 Unlisted Equity

<i>As at 31<sup>st</sup> December</i>	2022		2021	
	Cost Rs.'000	Book value Rs.'000	Cost Rs.'000	Book value Rs.'000
Company Name				
Canwill Holdings (Pvt) Ltd.	5,000,000	5,000,000	5,000,000	5,000,000
Cargills Bank Limited	495,000	495,000	495,000	495,000
Fitch Ratings Lanka Limited	625	625	625	625
Sri Lankan Airlines	500,000	0.1	500,000	0.1
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
West Coast Power (Pvt) Ltd	2,975,000	2,975,000	2,975,000	2,975,000
	<b>9,640,989</b>	<b>9,140,989</b>	<b>9,640,989</b>	<b>9,140,989</b>

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

EMPLOYEES' PROVIDENT FUND  
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## 16. Equity Instruments at FVTPL

<i>As at 31<sup>st</sup> December</i>	2022		2021	
	Cost Rs:'000	Fair Value Rs:'000	Cost Rs:'000	Fair Value Rs:'000
Investments in equity				
Listed Equity (Note 16.1)	84,540,213	71,156,128	83,698,390	111,201,978
<b>Total Equity Instruments at FVTPL</b>	<b>84,540,213</b>	<b>71,156,128</b>	<b>83,698,390</b>	<b>111,201,978</b>

## 16.1 Listed Equity

<i>As at 31<sup>st</sup> December</i>	2022		2021	
	Cost Rs:'000	Fair Value Rs:'000	Cost Rs:'000	Fair Value Rs:'000
<b>Company Name</b>	<b>Rs:'000</b>	<b>Rs:'000</b>	<b>Rs:'000</b>	<b>Rs:'000</b>
Access Engineering PLC	448,736	219,118	448,736	653,257
ACL Cables PLC	155,514	828,222	155,514	1,184,440
Aitken Spence PLC	1,997,136	2,635,645	1,997,136	1,696,697
Aitken Spence Hotel Holdings PLC	1,710,207	1,600,281	1,710,207	1,332,518
Asian Hotels & Properties PLC	3,273,782	1,692,342	3,273,782	1,995,516
Asiri Surgical Hospital PLC	1,681	3,091	1,681	4,113
Brown & Company PLC	1,799,560	815,926	1,799,560	2,554,954
Bukit Darah PLC	2,310,610	833,784	2,310,609	1,150,294
Cargills (Ceylon) PLC	1,372,001	1,973,621	1,372,001	1,809,678
Carson Cumberbatch PLC	2,607,240	1,511,298	2,607,240	1,719,994
Central Finance Company PLC	2,741,510	1,526,199	2,741,510	2,270,984
Ceylon Grain Elevators PLC	1,005,585	430,719	1,005,585	651,429
Ceylon Guardian Investment PLC	552,401	185,450	555,487	308,830
Ceylon Hospitals PLC (NV)	25,411	126,981	25,410	142,565
Ceylon Hotels Corporation PLC	711,243	365,829	711,243	395,956
Chevron Lubricant Lanka PLC	49,564	98,036	49,564	114,799
CIC Holdings PLC - Non Voting	221,726	617,921	221,726	545,682
CIC Holdings PLC Voting	694,300	2,245,521	694,300	1,717,163
Colombo Dockyard PLC	2,791,809	692,897	2,791,809	932,474
Commercial Bank of Ceylon PLC	10,050,842	5,048,501	9,760,191	7,682,896
CT Holdings PLC	1,086,557	1,345,223	1,086,557	1,279,883
DFCC Bank PLC	3,558,726	863,532	3,481,694	1,540,651
Dialog Axiata PLC	2,255,649	2,018,105	2,255,649	2,587,923
Diesel & Motor Engineering PLC	1,625,690	1,099,686	1,625,690	1,134,568
Dilmah Ceylon Tea Company PLC	1,082,639	1,770,651	1,082,639	1,179,382
Dipped Products PLC	312,650	801,737	312,650	1,396,841
Galadari Hotels (Lanka) PLC	810,322	296,402	810,322	526,411
Hatton National Bank PLC	7,035,172	3,294,899	6,932,619	5,537,879
Haycarb PLC	222,565	762,092	222,565	1,016,123

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

## 16.1 Continued...

<i>As at 31<sup>st</sup> December</i>	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Company Name	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Hayleys Fabric PLC	213,592	250,441	213,592	456,556
Hayleys Leisure PLC	348,646	219,193	348,646	233,736
Hayleys PLC	9,303	21,787	9,303	41,652
Jetwing Symphony PLC	390,000	368,727	390,000	446,727
John Keells Holdings PLC	1,597,949	1,374,048	1,597,949	1,523,898
John Keells Hotels PLC	1,166,289	1,294,828	1,166,289	1,153,574
Kelani Tyres PLC	98,635	90,120	98,635	153,205
Lanka IOC PLC	76,437	475,765	76,437	171,768
Lanka Tiles PLC	406,130	1,145,196	406,130	2,732,572
Laugfs Gas PLC - Non Voting	459,439	182,217	459,439	315,723
Laugfs Gas PLC - Voting	1,891,758	903,206	1,891,758	1,401,127
LOLC Holdings PLC	1,611,013	6,042,539	1,611,013	17,641,785
National Development Bank PLC	3,190,284	1,156,013	3,037,545	2,338,614
Nations Trust Bank PLC	9,018	6,246	8,573	6,999
Nestle Lanka PLC	21,687	90,500	21,687	121,550
People's Leasing & Finance PLC	1,763,311	554,128	1,663,168	1,047,069
PGP Glass Ceylon PLC	541,434	1,192,186	541,434	1,643,772
Raigam Wayamba Salterns PLC	153,682	220,729	153,681	304,453
Richard Pieris & Company PLC	1,647,208	4,094,578	1,647,208	4,179,528
Royal Ceremics Lanka PLC	1,633,878	4,323,673	1,633,878	11,932,116
Sampath Bank PLC	6,697,680	3,903,033	6,697,680	5,945,849
Seylan Bank PLC	1,646,415	880,618	1,568,265	1,146,209
Seylan Bank PLC - Non Voting	537,162	254,972	493,969	479,440
Sierra Cables PLC	33	83	33	127
Softlogic Holdings PLC	133,137	114,965	133,137	248,006
Sri Lanka Telecom PLC	857,619	1,722,039	857,619	982,575
Tal Lanka Hotels PLC	343,942	121,980	343,941	164,376
Tangerine Beach Hotels PLC	147,658	96,302	147,658	107,545
Teejay Lanka PLC	262,021	221,245	262,021	309,882
The Finance Company PLC*	205,490	-	205,490	-
The Kingsbury PLC	555,502	434,519	555,502	485,639
The Lighthouse Hotel PLC	309,422	152,544	309,422	177,460
Tokyo Cement Company (Lanka) PLC -NV	134,651	146,732	134,651	280,483
Trans Asia Hotels PLC	263,155	193,329	263,155	236,291
Vallibel One PLC	2,705,806	3,203,938	2,705,806	7,727,772
	<b>84,540,213</b>	<b>71,156,128</b>	<b>83,698,390</b>	<b>111,201,978</b>

\*The securities of The Finance Company (TFC) has been delisted from the official list of the Colombo Stock Exchange (CSE) with effect from 28.12.2020

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

17. Debt Instruments at Amortised Cost

<i>As at 31<sup>st</sup> December</i>	2022				2021			
	Face Value Rs:000	Cost Rs:000	Fair Value Rs:000	Amortised Cost Rs:000	Face Value Rs:000	Cost Rs:000	Fair Value Rs:000	Amortised Cost Rs:000
Investments in Government Securities								
Treasury Bonds (Note 17.1.1)	3,174,405,423	3,068,744,310	1,914,415,644	3,184,165,117	2,903,929,508	2,840,108,379	2,803,156,402	2,958,768,982
Treasury Bills (Note 17.1.2)	183,305,720	166,816,977	172,944,307	174,425,329	20,000	19,026	19,617	19,797
	3,357,711,143	3,235,561,287	2,087,359,951	3,358,590,446	2,903,949,508	2,840,127,405	2,803,176,019	2,958,788,778
Investments in Debentures								
Listed (Note 17.2.1)	17,815,660	17,815,660	17,358,838	18,611,879	18,164,868	18,164,868	18,502,205	18,962,282
Unlisted (Note 17.2.2)	5,000,000	5,000,000	5,005,240	5,005,240	5,000,000	5,000,000	5,005,240	5,005,240
Less: Provision for Impairment	-	-	-	(6,166)	-	-	-	(1,635)
	22,815,660	22,815,660	22,364,078	23,610,953	23,164,868	23,164,868	23,507,445	23,965,887
Investments in Repo Transactions (17.3)								
	3,400,000	3,400,000	3,402,896	3,402,896	12,300,000	12,300,000	12,302,377	12,302,377
	3,400,000	3,400,000	3,402,896	3,402,896	12,300,000	12,300,000	12,302,377	12,302,377
Investments in Fixed Deposits (17.4)								
Less: Provision for Impairment	-	-	-	-	55,000,000	55,000,000	57,182,866	57,182,866
	-	-	-	-	-	-	-	(1,154)
	-	-	-	-	55,000,000	55,000,000	57,182,866	57,181,712
<b>Total investments in Debt Instruments at Amortised Cost</b>	<b>3,383,926,803</b>	<b>3,261,776,947</b>	<b>2,113,126,925</b>	<b>3,385,604,295</b>	<b>2,994,414,376</b>	<b>2,930,592,273</b>	<b>2,896,168,707</b>	<b>3,052,238,755</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

Movement of Impairment for Debt Instruments at Amortised  
Cost

	Provision as at 31.12.2022	Provision as at 31.12.2021	Over/ (Under) Provision
	Rs'000	Rs'000	Rs'000
Impairment allowance for			
Corporate Debt Securities	6,166	1,635	4,531
Fixed Deposits	-	1,154	(1,154)
	<b>6,166</b>	<b>2,789</b>	<b>3,377</b>



EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

17.1 Investments in Government Securities

17.1.1 Treasury Bonds

As at 31 <sup>st</sup> December	Year of Maturity	2022				2021			
		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	2022	-	-	-	-	144,212,710	133,692,387	144,500,379	149,021,814
	2023	208,482,053	199,769,593	188,309,417	211,917,752	208,482,053	199,769,593	210,604,663	211,028,100
	2024	149,140,198	149,226,509	118,320,492	153,549,072	149,140,198	149,226,509	150,609,570	153,349,780
	2025	247,304,118	249,361,735	173,229,621	254,013,926	230,362,096	233,936,739	231,812,408	238,521,149
	2026	403,659,982	357,069,272	254,033,751	391,780,440	362,060,622	322,424,327	335,383,379	352,858,309
	2027	245,139,468	254,432,400	141,828,860	253,502,856	227,789,468	240,259,248	218,589,817	240,050,723
	2028	501,264,340	477,363,591	278,241,344	502,628,667	466,069,950	442,863,477	435,185,327	465,952,387
	2029	175,443,233	194,212,821	112,320,632	194,262,073	146,703,233	169,856,529	157,733,948	168,638,517
	2030	91,928,830	94,977,703	48,861,460	94,802,552	91,928,830	94,977,703	89,157,268	94,943,456
	2031	287,443,723	277,915,162	167,410,389	279,264,228	150,695,000	155,800,477	146,153,505	158,174,337
	2032	214,271,480	158,047,092	101,774,806	173,085,193	155,942,350	118,953,942	126,882,848	129,931,260
	2033	307,254,648	282,516,820	141,765,917	295,561,923	227,469,648	204,495,834	206,753,652	215,637,191
	2034	91,558,330	106,288,588	50,694,520	108,554,442	91,558,330	106,288,588	96,815,360	109,089,770
	2035	97,446,810	105,910,014	50,086,101	106,677,492	97,446,810	105,910,014	95,338,158	106,914,684
	2039	13,659,000	13,746,969	6,195,832	14,082,470	13,659,000	13,746,969	12,307,538	14,080,885
2041	26,700,000	27,737,826	15,435,697	29,273,774	26,700,000	27,737,826	27,299,095	29,291,891	
2043	30,676,000	22,309,955	13,271,879	23,046,205	30,676,000	22,309,955	24,156,491	22,965,660	
2044	78,263,210	92,355,217	49,820,159	92,681,691	78,263,210	92,355,217	88,841,204	92,833,289	
2045	4,770,000	5,503,044	2,814,767	5,480,360	4,770,000	5,503,044	5,031,792	5,485,980	
		<b>3,174,405,423</b>	<b>3,068,744,310</b>	<b>1,914,415,644</b>	<b>3,184,165,117</b>	<b>2,903,929,508</b>	<b>2,840,108,379</b>	<b>2,805,156,402</b>	<b>2,958,768,982</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

17.1 Investments in Government Securities

17.1.2 Treasury Bills

	As at 31 <sup>st</sup> December	Year of Maturity	2022				2021			
			Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000
Government of Sri Lanka Treasury Bills		2022	-	-	-	-	20,000	19,026	19,617	19,797
		2023	183,305,720	166,816,977	172,944,307	174,425,329	-	-	-	-
			<b>183,305,720</b>	<b>166,816,977</b>	<b>172,944,307</b>	<b>174,425,329</b>	<b>20,000</b>	<b>19,026</b>	<b>19,617</b>	<b>19,797</b>

The fair values of the Government Securities are based on the average of buying and selling quotes (Clean Price) as at 30th December 2022, published by the Central Bank of Sri Lanka.

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

17.2 Investments in Debentures

17.2.1 Corporate Debentures - Listed

	Year of Maturity	2022				2021			
		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
<i>As at 31<sup>st</sup> December</i>									
Sampath Bank_12.50%_2022	2022	-	-	-	-	349,208	349,208	386,747	350,403
Bank of Ceylon_13.75%op.a	2023	134,090	134,090	137,067	137,525	134,090	134,090	137,067	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	2,106,521
DFCC Type B Debenture 12.75%_2023	2023	1,000,000	1,000,000	995,000	1,018,164	1,000,000	1,000,000	995,000	1,018,164
Hatton National Bank Type B 2016-2023	2023	1,000,000	1,000,000	1,072,500	1,021,726	1,000,000	1,000,000	1,072,500	1,021,726
National Development Bank PLC_2013-2023_13.90%op.a	2023	375,000	375,000	412,875	375,000	375,000	375,000	412,875	375,000
Nations Trust Bank PLC_12.65%_2018-2023	2023	1,000,000	1,000,000	1,000,000	1,025,300	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	652,680	726,257	666,000	666,000	666,000	726,258
Sampath Bank_12.50%_2018-2023	2023	2,000,000	2,000,000	2,042,600	2,070,548	2,000,000	2,000,000	1,990,200	2,070,548
seylan bank debenture 15.07.2016 to 15.07.2023	2023	1,000,000	1,000,000	650,000	1,064,041	1,000,000	1,000,000	1,000,000	1,064,041
Sampath Bank_13.9%_2024	2024	1,000,000	1,000,000	1,000,000	1,116,912	1,000,000	1,000,000	1,145,200	1,116,912
DFCC Type B Debenture 13.00%_2025	2025	1,000,000	1,000,000	1,000,000	1,099,014	1,000,000	1,000,000	1,000,000	1,099,014
National Development Bank PLC_2013-2025_14.00%op.a	2025	500,000	500,000	200,000	500,000	500,000	500,000	502,500	500,000
National Development Bank PLC_2020-2025_9.50%op.a	2025	1,200,000	1,200,000	1,200,000	1,230,608	1,200,000	1,200,000	1,200,000	1,230,608
Commercial Bank Debentures Type B 2016-2026	2026	1,685,110	1,685,110	1,685,110	1,721,305	1,685,110	1,685,110	1,685,110	1,721,305
DFCC Bank_13.75%_2026	2026	555,460	555,460	611,006	613,840	555,460	555,460	611,006	613,840
HNB Debenture_12.80%_2026	2026	1,700,000	1,700,000	1,700,000	1,759,616	1,700,000	1,700,000	1,700,000	1,759,617
Sri Lanka Telecom PLC 2018-2028 12.75%	2028	1,000,000	1,000,000	1,000,000	1,025,500	1,000,000	1,000,000	1,000,000	1,025,500
		<b>17,815,660</b>	<b>17,815,660</b>	<b>17,358,838</b>	<b>18,611,879</b>	<b>18,164,868</b>	<b>18,164,868</b>	<b>18,502,205</b>	<b>18,962,282</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

17.2 Investments in Debentures

17.2.2 Corporate Debentures - Unlisted

	Year of Maturity	2022				2021			
		Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000
Bank Of Ceylon_12.75%_2025	2025	5,000,000	5,000,000	5,005,240	5,005,240	5,000,000	5,000,000	5,005,240	5,005,240
		<b>5,000,000</b>	<b>5,000,000</b>	<b>5,005,240</b>	<b>5,005,240</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,005,240</b>	<b>5,005,240</b>

The fair values of the corporate debentures - listed : are based on the spot prices as at 30th December 2022, 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.

17.3 Investments in Repo Transactions

	2022 Rs.'000	2021 Rs.'000
Domestic Operations Department - Auctions	3,402,896	10,702,157
Domestic Operations Department - Standing Facility	-	1,600,220
	<b>3,402,896</b>	<b>12,302,377</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

17.4 Investments in Fixed Deposit

	2022 Rs.'000	2021 Rs.'000
National Saving Bank	-	18,594,077
Bank of Ceylon	-	26,475,369
People's Bank	-	12,113,420
	-	<b>57,182,866</b>

18. Other Current Assets

<i>As at 31<sup>st</sup> December</i>	2022			2021
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Dividend Receivable	3,572,863	-	3,572,863	48,928
Other Receivables	155	-	155	180
Prepayments	17,384	4,088	21,472	23,398
Current Account C/L	10,028,068	(10,028,068)	-	-
CGL Imprest	-	486,338	486,338	482,982
	<b>13,618,470</b>	<b>(9,537,642)</b>	<b>4,080,828</b>	<b>555,488</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

## 19. Cash and Cash Equivalents

<i>As at 31<sup>st</sup> December</i>	2022 Rs.'000	2021 Rs.'000
Cash in Hand	20	20
Cash at Bank	4,331,427	3,102,040
Less: Provision for impairment on Bank Balances (Note 19.1)	(659)	(94)
	<b>4,330,788</b>	<b>3,101,966</b>

19.1 Provision for Impairment	As at 01.01.2022 Rs.'000	As at 31.12.2022 Rs.'000	Over/ (Under) Provision Rs.'000
Bank Balances	94	659	565
	<b>94</b>	<b>659</b>	<b>565</b>

## 20. Accounts Payable

<i>As at 31<sup>st</sup> December</i>	2022			2021
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Vendors Payable	693	-	693	693
Retention Payable	4,041	-	4,041	3,274
	<b>4,734</b>	<b>-</b>	<b>4,734</b>	<b>3,967</b>

## 21. Other Current Liabilities

<i>As at 31<sup>st</sup> December</i>	2022			2021
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Salary Payable	757	-	757	-
EPF Contributions Payable	195	-	195	30
ETF Contributions Payable	25	-	25	-
Invoice Clearing - Inventory	(1,775)	-	(1,775)	(7,331)
Invoice Clearing - Assets/ Services	768	-	768	586
Income Tax Payable	27,249,083	-	27,249,083	21,105,926
Housing Loan Defaults Payable for Members	4,000,000	-	4,000,000	4,000,000
Refund Claims Payable	(40,510)	-	(40,510)	167,183
Provision for Gratuity	165	-	165	165
Investment Clearing A/C	8,212	-	8,212	8,212
Other Payables	1	57	58	2
	<b>31,216,921</b>	<b>57</b>	<b>31,216,978</b>	<b>25,274,773</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

22. Member Balances

Description	Balance as at 01.01.2022 Rs.'000	Debits during the year Rs.'000	Credits during the year Rs.'000	Balance as at 31.12.2022 Rs.'000
Current Year Contribution - Contribution No 01 A/C	70,832,590	239,327,288	238,049,806	69,555,108
Stated Contribution - Contribution No 02 A/C	2,709,222,439	226,660,758	514,281,034	2,996,842,715
Contribution from Comm. of Labour - CL No 01 A/C	11,456,320	4,025,766	3,692,266	11,122,820
U/P O/P Contributions A/C	2,117,160	654,563	769,689	2,232,286
Contribution for 1997/98 - 96 Contribution A/C	193	-	-	193
Members Collection A/C	116,802	197,777,885	197,662,770	1,687
Unclaimed Benefits	783,218	697,645	678,562	764,135
Retained Benefits	172,895	24,143	67,045	215,797
Refunds-Part payments(U/P O/P Refunds)	(353,407)	163,957,750	163,847,945	(463,212)
General Deposit Account maintained with Commissioner of Labour	301,931	1,406,100	1,438,458	334,289
Interest Payable	272,221,153	251,940,107	279,729,971	300,011,017
<b>Total</b>	<b>3,066,871,294</b>	<b>1,086,472,005</b>	<b>1,400,217,546</b>	<b>3,380,616,835</b>

23. Reserves

	Balance as at 01.01.2022 Rs.'000	Transfer (from)/to during the year Rs.'000	Balance as at 31.12.2022 Rs.'000
Investment Revaluation Reserve	392,375	(117,517)	274,858
Building Reserve Fund (23.1)	3,157,000	-	3,157,000
Technology Advancement Reserve Fund (23.2)	350,000	-	350,000
Profit Equalisation Reserve Fund (23.3)	43,150,000	21,000,000	64,150,000
General Reserve Fund (23.4)	6,650,000	-	6,650,000
<b>Total</b>	<b>53,699,375</b>	<b>20,882,483</b>	<b>74,581,858</b>

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.

23.1 Building Reserve Fund

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

23.2 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

**23.3 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.

**23.4 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. Receipts**

<i>For the year ended 31<sup>st</sup> December</i>	2022			2021
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Income - Interest from Investments	328,807,041	-	328,807,041	284,632,900
Contributions	194,593,542	-	194,593,542	165,723,380
Reimbursement of Expenses by the EPF-CBSL	-	774,969	774,969	927,949
Imprest Account (Commissioner of Labour)	-	-	-	43,000
General Deposit Account - (EPF Contributions )	-	6,703	6,703	(120,693)
Surcharges	-	5,547	5,547	4,572
Proceeds on dealing of Shares	12,692	-	12,692	2,684,987
Proceeds on sale of Fixed Asset	167	-	167	-
Dividends	3,158,973	-	3,158,973	5,873,448
Sundry Income	398	70,077	70,475	8,995
Debtors	-	-	-	238
Settlement of Advances	29	37	66	67
Unclaimed Benefits	(16,795)	-	(16,795)	22,390
<b>Total</b>	<b>526,556,047</b>	<b>857,333</b>	<b>527,413,380</b>	<b>459,801,233</b>



EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

25 Payments

<i>For the year ended 31<sup>st</sup> December</i>	2022			2021
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Investments	2,799,928,854	-	2,799,928,854	2,572,161,547
Less - Maturity Proceeds	(2,487,022,087)	-	(2,487,022,087)	(2,277,746,788)
	312,906,766	-	312,906,766	294,414,759
Refunds	163,014,311	-	163,014,311	118,214,505
Operating Expenses	784,680	685,734	1,470,414	1,380,418
Settlement of creditors/payables	3,922,234	-	3,922,234	3,919,946
Reimbursement of expenses - Comm. Labour	827,254	-	827,254	927,949
Acquisition of Property, Plant and Equipments	25,246	163,094	188,340	206,792
Advances - Miscellaneous	7,537	6,070	13,607	6,305
Taxes Paid	43,838,631	-	43,838,631	40,241,383
Adjustment: Cash Balance at the Beginning of the Year - Labour Department	-	178	178	26,392
<b>Total</b>	<b>525,326,659</b>	<b>855,076</b>	<b>526,181,735</b>	<b>459,338,449</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

26. Movement of Investment

For the Year Ended 31<sup>st</sup> December 2022

Type of Investment	Opening Balance 01.01.2022	Investments	Maturities	Sales	Transfers/Adjustment	Amortisation	WHT Adjustment	Interest Received	Prov. for Impairment	Valuation Gain/Loss	Closing Balance	2022	2021	Change %
		Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000			
<b>Fair Value Through Profit or Loss Investments</b>														
Listed Equity	111,201,978	844,909	-	1,716	-	-	-	-	-	(40,889,044)	71,156,128	2.1	5.5	(1.5)
	<b>111,201,978</b>	<b>844,909</b>		<b>1,716</b>						<b>(40,889,044)</b>	<b>71,156,128</b>	<b>2.1</b>	<b>5.5</b>	<b>(1.5)</b>
<b>Fair Value through Other Comprehensive Income</b>														
Unlisted Equity	9,140,989	-	-	-	-	-	-	-	-	-	9,140,989	0.3	0.3	(0.0)
Listed Equity	761,278	-	-	-	-	-	-	-	-	(117,517)	643,761	0.0	0.0	(0.0)
	<b>9,902,267</b>									<b>(117,517)</b>	<b>9,784,750</b>	<b>0.3</b>	<b>0.3</b>	<b>(0.0)</b>
<b>Debt Instruments at Amortised Cost</b>														
Treasury Bonds	2,958,768,982	562,528,518	144,212,710	-	-	325,422,599	-	318,142,072	-	-	3,184,165,117	91.9	93.2	(1.4)
Treasury Bills	19,797	500,163,220	141,029,829	-	-	15,272,142	-	-	-	-	174,425,329	5.0	0.0	5.0
Corporate Debenture	23,965,887	-	349,208	-	-	2,928,167	-	2,929,563	(4,531)	-	23,610,953	0.7	0.8	(0.1)
Reverse Repo	12,502,577	2,061,587,316	2,071,707,690	-	-	1,420,892	-	-	-	-	3,402,896	0.1	0.4	(0.3)
Fixed Deposits	57,181,712	76,050,000	131,050,000	-	-	4,225,391	-	6,408,257	1,154	-	-	-	1.8	(1.8)
	<b>3,052,238,755</b>	<b>2,799,928,854</b>	<b>2,488,349,436</b>			<b>349,269,190</b>		<b>327,479,692</b>	<b>(5,376)</b>		<b>3,385,604,295</b>	<b>97.7</b>	<b>96.2</b>	<b>1.5</b>
<b>Total</b>	<b>3,173,343,000</b>	<b>2,800,773,763</b>	<b>2,488,349,436</b>	<b>1,716</b>		<b>349,269,190</b>		<b>327,479,692</b>	<b>(5,376)</b>	<b>(41,006,561)</b>	<b>3,466,545,173</b>	<b>100</b>	<b>100</b>	

EMPLOYEES' PROVIDENT FUND  
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26. Movement of Investment (Contd....)

For the Year Ended 31<sup>st</sup> December 2021

Type of Investment	Opening Balance 01.01.2021	Investments	Maturities	Sales	Transfers/ Adjustment	Amortisation	WHT Adjustment	Interest Received	Prov. for Impairment	Valuation Gain/ Loss	Closing Balance	2021	2020	Change %
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000			
<b>Fair Value Through Profit or Loss Investments</b>														
Listed Equity	70,094,309	1,563,997	-	1,845,035	-	-	-	-	-	41,388,707	111,201,978	3.5	2.5	1.0
	<b>70,094,309</b>	<b>1,563,997</b>	-	<b>1,845,035</b>	-	-	-	-	-	<b>41,388,707</b>	<b>111,201,978</b>	<b>3.5</b>	<b>2.5</b>	<b>1.0</b>
<b>Fair Value through Other Comprehensive Income</b>														
Unlisted Equity	9,140,989	-	-	-	-	-	-	-	-	-	9,140,989	0.3	0.3	(0.0)
Listed Equity	712,484	-	-	-	-	-	-	-	-	48,794	761,278	0.0	0.0	(0.0)
	<b>9,853,473</b>	-	-	-	-	-	-	-	-	<b>48,794</b>	<b>9,902,267</b>	<b>0.3</b>	<b>0.3</b>	<b>(0.0)</b>
<b>Debt Instruments at Amortised Cost</b>														
Treasury Bonds	2,639,859,512	382,726,723	73,390,000	-	-	285,052,453	-	275,479,706	-	-	2,958,768,982	93.2	93.3	(0.1)
Treasury Bills	3,049,915	12,063,835	15,350,000	-	-	256,047	-	-	-	-	19,797	0.0	0.1	(0.1)
Corporate Debenture	34,611,399	-	10,486,682	-	-	3,964,527	34,686	4,157,974	(69)	-	25,965,887	0.8	1.2	(0.5)
Reverse Repo	16,002,379	2,121,570,106	2,125,814,651	-	-	544,543	-	-	-	-	12,302,377	0.4	0.6	(0.2)
Fixed Deposits	55,769,551	55,000,000	55,000,000	-	-	3,856,550	-	4,443,250	(959)	-	57,181,712	1.8	2.0	(0.2)
Other Investment	254,019	-	258,221	-	-	4,144	-	-	58	-	(0)	(0.0)	0.0	(0.0)
	<b>2,749,546,575</b>	<b>2,571,360,664</b>	<b>2,278,299,553</b>	-	-	<b>293,678,263</b>	<b>34,686</b>	<b>284,080,930</b>	<b>(950)</b>	-	<b>3,052,238,755</b>	<b>96.2</b>	<b>97.2</b>	<b>(1.0)</b>
<b>Total</b>	<b>2,829,494,357</b>	<b>2,572,924,662</b>	<b>2,278,299,553</b>	<b>1,845,035</b>	-	<b>293,678,263</b>	<b>34,686</b>	<b>284,080,930</b>	<b>(950)</b>	<b>41,437,501</b>	<b>3,173,343,000</b>	<b>100</b>	<b>100</b>	

## EMPLOYEES' PROVIDENT FUND

### Notes to the Financial Statements

#### 27 Fair values of Financial Instruments

##### 27.1 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.

##### 27.2 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.

	2022				2021			
	Level 1 Rs'.000	Level 2 Rs'.000	Level 3 Rs'.000	Total Rs'.000	Level 1 Rs'.000	Level 2 Rs'.000	Level 3 Rs'.000	Total Rs'.000
<b>Debt Securities Measured at Amortised Cost</b>								
Treasury Bond	1,914,415,644	-	-	1,914,415,644	2,803,156,402	-	-	2,803,156,402
Corporate Debentures*	22,364,078	-	-	22,364,078	23,507,445	-	-	23,507,445
Preference Shares*	-	-	-	-	-	-	-	-
Treasury Bills	172,944,307	-	-	172,944,307	19,617	-	-	19,617
Fixed Deposits*	-	-	-	-	57,182,866	-	-	57,182,866
Reverse Repo*	3,402,896	-	-	3,402,896	12,302,377	-	-	12,302,377
Other Financial Investment*	-	-	-	-	-	-	-	-
<b>Equity Instruments Measured at FVTPL</b>								
Listed Equity	71,156,128	-	-	71,156,128	111,201,978	-	-	111,201,978
<b>Equity Instruments Measured at FVOCI</b>								
Unlisted Equity**	9,140,989	-	-	9,140,989	9,140,989	-	-	9,140,989
Listed Equity	643,761	-	-	643,761	761,278	-	-	761,278

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

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

## EMPLOYEES' PROVIDENT FUND

### Notes to the Financial Statements

#### 28. 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 96.4% 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

	2022		2021	
	Cost	%	Cost	%
	Rs. '000		Rs. '000	
Government Securities	3,235,561,287	96.4%	2,840,127,405	93.9%
Corporate Debt Securities	22,815,660	0.7%	23,164,868	0.8%
Investment in Equity	94,550,105	2.8%	93,708,282	3.1%
Others	3,400,000	0.1%	67,300,000	2.2%
	<b>3,356,327,052</b>	<b>100.0%</b>	<b>3,024,300,555</b>	<b>100.0%</b>

##### 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.

##### 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 2.8% 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

#### Analysis of Risk Concentration – Sector wise exposure analysis

	2022		2021	
	Cost	%	Cost	%
	Rs. '000		Rs. '000	
Automobiles & Components	98,635	0.12%	98,635	0.12%
Banks	32,725,301	38.54%	31,980,535	38.04%
Capital Goods	15,326,199	18.05%	12,620,393	15.01%
Consumer Durables & Apparel	475,612	0.56%	475,612	0.57%
Consumer Services	10,030,168	11.81%	10,030,167	11.93%
Diversified Financials	6,873,725	8.10%	6,776,668	8.06%
Energy	2,427,634	2.86%	2,427,634	2.89%
Food & Staples Retailing	2,458,558	2.90%	2,458,558	2.92%
Food, Beverage & Tobacco	7,181,442	8.46%	7,181,442	8.54%
Health Care Equipment & Services	27,091	0.03%	27,091	0.03%
Materials	2,176,890	2.56%	2,176,890	2.59%
Retailing	1,625,690	1.91%	1,625,690	1.93%
Telecommunication Services	3,113,268	3.67%	3,113,268	3.70%
Utilities	368,903	0.43%	3,074,709	3.66%
<b>Total</b>	<b>84,909,116</b>	<b>100%</b>	<b>84,067,293</b>	<b>100%</b>

#### 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. 31.

#### Operational Risk

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

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

## EMPLOYEES' PROVIDENT FUND

### Notes to the Financial Statements

#### 29. 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, Fixed Deposits and Bank Balances shall be considered for impairment provisioning. However, Government Securities such as Treasury Bills and Treasury Bonds are not subject to impairment, since the counterparty is the sovereign of the country and the instrument is based on rupee terms. However, in case of a change in Government Policy to consider Domestic Debt Restructuring situation, Government Securities may also be considered for impairment provisioning.

#### Methodology

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

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

- I **Conversion of the Through the Cycle PD (TTC PD)**  
Bloomberg loss statistics reflect a TTC PD and EPF converts the TTC PD to Point in Time (PiT) by applying economic factor adjustment based on the the regression based conversion approach.
- II **Lifetime PD Structure**  
As the bloomberg PD's represent 12month ECL for investments which have significantly deteriorated, EPF considers the lifetime PD based on the Lifetime PD curve extrapolated using the 12month PD
- III **Determination of Significant Increase of Credit Risk (SICR)**  
EPF determines SICR 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 SICR incurred. For such investments, EPF considers life time expected credit loss calculation.

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

Impairment losses (Contd...)

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

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

12 Month ECL  
(Investment Grade)

Lifetime ECL  
(Non - Investment Grade)

Further, EPF considers that the financial instrument have significantly increase in credit risk when doubling of PD has occurred. Having established that all rating downgrades from investment grade to non - investment grade represent a SICR, EPF tabulated its migration rule below to determine how many notched down from each invetment rating results in doubling of PD and hence SICR, which requires for a life time expected credit loss calculation.

Thus below table indicates a comprehensive assessment of SICR for investments of EPF.

Original Rating	Rating below which a SICR deemed to have occurred	Notches Movement	Rationale
AAA to BBB-	BB+	N/A	Any credit rating from AAA thru BBB- to BB+ results in at least a doubling of PD
AAA	AA	2	Doubling of PD
AA+	AA-	2	Doubling of PD
AA	A+	2	Doubling of PD
AA-	A	2	Doubling of PD
A+	A-	2	Doubling of PD
A	BBB+	2	Doubling of PD
A-	BBB	2	Doubling of PD
BBB+	BBB-	2	Doubling of PD

The migration rule table will be reassessed and updated on a periodic basis based on the latest available/relevant PD and transition matrix.



**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. Therefore, we have used the mid point of the year as point of default.

**VI** Economic Factor Adjustment was calculated using the past and forecasted GDP growth rates from 2012 to 2026 and obtained from the GDP growth rate statistics in IMF domain.

**VII Financial Investments**

- a. For the Investments in Sri Lanka Government Treasury Bonds and Treasury Bills, we have not used the Sri Lanka Government souvering rating as the investment is within the same jurisdiction of the CBSL. Hence, significant deterioration of credit risk does not exists and therefore, EPF considers 12 month ECL by using the best case scenario credit ratings of AAA.

Fitch rating significantly downgraded the ratings of some banks and some other listed entities on 12.01.2023 and 19.01.2023. Therefore, these ratings were considered in determining ECL for Hatton National Bank, Bank of Ceylon, Seylan Bank, Nations Development Bank, Commercial Bank, Nations Trust Bank, DFCC, Sampath Bank, Peoples' Bank and Sri Lanka Telecom instead of taking 31.12.2022 as they represent more accurate status of the credit risk of the issuer.

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

**31.12.2022**

Rs' 000	Note	12MECL		LTECL		Total
		Individual	Collective	Individual	Collective	
Cash at Bank	8	565	-	-	-	565
Debt Instruments measured at Amortised Cost	8	534	-	2,842	-	3,376
<b>Total Impairment Loss</b>		<b>1,099</b>	<b>-</b>	<b>2,842</b>	<b>-</b>	<b>3,941</b>

**31.12.2022**

Rs' 000	Specific	Collective	Collective	Total
		(individually not significant exposures)	(Incurred but not yet identified)	
Credit loss expense on Bank Balance	565	-	-	565
	565	-	-	565
<b>Credit loss expense on Debt Instruments measured at Amortised Cost</b>				
Corporate Debt Securities	4,531	-	-	4,531
Fixed Deposits	(1,154)	-	-	(1,154)
	3,376	-	-	3,376
Total on balance sheet items	3,941	-	-	3,941
Off balance sheet items	-	-	-	-
<b>Total</b>	<b>3,941</b>	<b>-</b>	<b>-</b>	<b>3,941</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

## 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 29 and policies on whether ECL allowances are calculated on an individual or collective are set out in Note 29.

	31.12.2022					
	12MECL		LTECL		Total	
	Collective		Collective			
	Balance	ECL	Balance	ECL	Balance	ECL
<b>Rs. '000</b>						
External Rating Grade						
AAA	3,361,993,342	-	-	-	3,361,993,342	-
AA+	-	-	-	-	-	-
AA	-	-	-	-	-	-
AA-	-	-	-	-	-	-
A+	-	-	-	-	-	-
A	9,577,643	1,384	10,628,574	3,027	20,206,216	4,411
A-	6,029,475	1,569	1,712,854	845	7,742,330	2,414
BBB+	-	-	-	-	-	-
BBB	-	-	-	-	-	-
BBB-	-	-	-	-	-	-
BB+	-	-	-	-	-	-
<b>Total</b>	<b>3,377,600,460</b>	<b>2,953</b>	<b>12,341,428</b>	<b>3,872</b>	<b>3,389,941,888</b>	<b>6,825</b>
	01.01.2022					
	12MECL		LTECL		Total	
	Collective		Collective			
	Balance	ECL	Balance	ECL	Balance	ECL
<b>Rs. '000</b>						
External Rating Grade						
AAA	2,989,685,233	-	-	-	2,989,685,233	-
AA+	-	-	-	-	-	-
AA	-	-	-	-	-	-
AA-	45,186,937	1,345	12,777,433	1,029	57,964,370	2,374
A+	5,598,885	299	-	-	5,598,885	299
A	2,095,098	210	-	-	2,095,098	210
A-	-	-	-	-	-	-
BBB+	-	-	-	-	-	-
BBB	-	-	-	-	-	-
BBB-	-	-	-	-	-	-
BB+	-	-	-	-	-	-
<b>Total</b>	<b>3,042,566,151</b>	<b>1,854</b>	<b>12,777,433</b>	<b>1,029</b>	<b>3,055,343,584</b>	<b>2,883</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

Impairment losses (Contd...)

29.2 Credit quality analysis

The table below shows gross balances under SLFRS 09 as at 31 December 2022 analysed on the External Credit Rating system, which is described in Note 29.

31-12-2022	Neither past due nor impaired											Total	
	Rs. '000	AAA	AA+	AA	AA-	A+	A	A	BBB+	BBB	BBB-		BB+
<b>Investment Balances</b>													
<i>Debt instruments measured at Amortised Cost</i>													
Corporate Debt Securities	-	-	-	-	-	-	15,964,894	7,652,225	-	-	-	-	23,617,119
Fixed Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Balances	-	-	-	-	-	-	4,241,523	90,104	-	-	-	-	4,331,427
	-	-	-	-	-	-	<b>20,206,217</b>	<b>7,742,330</b>	-	-	-	-	<b>27,948,546</b>
<b>ECL Provision</b>													
<i>Debt instruments measured at Amortised Cost</i>													
Corporate Debt Securities	-	-	-	-	-	-	3,776	2,589	-	-	-	-	6,166
Fixed Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Balances	-	-	-	-	-	-	634	25	-	-	-	-	659
<b>Total</b>	-	-	-	-	-	-	<b>4,410</b>	<b>2,414</b>	-	-	-	-	<b>6,825</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

Impairment losses (Contd...)

29.2 Credit quality analysis (Contd...)

01-01-2022

Neither past due nor impaired

Rs. '000	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	Total
<b>Investment Balances</b>												
<i>Debt instruments measured at Amortised Cost</i>												
Corporate Debt Securities	-	-	-	16,315,297	5,562,884	2,089,341	-	-	-	-	-	23,967,522
Fixed Deposits	18,594,077	-	-	38,588,790	-	-	-	-	-	-	-	57,182,866
Bank Balances	-	-	-	3,060,283	35,999	5,757	-	-	-	-	-	3,102,040
<b>18,594,077</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,964,370</b>	<b>5,598,883</b>	<b>2,095,098</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84,252,428</b>
<b>ECL Provision</b>												
<i>Debt instruments measured at Amortised Cost</i>												
Corporate Debt Securities	-	-	-	1,128	297	209	-	-	-	-	-	1,635
Fixed Deposits	-	-	-	1,154	-	-	-	-	-	-	-	1,154
Bank Balances	-	-	-	92	2	1	-	-	-	-	-	94
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,374</b>	<b>299</b>	<b>210</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,863</b>

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

30. Valuation of Unlisted Equity Instruments

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

Investment	Basis	Number of shares	Purchase Value	2022		2021	
				Fair value	Fair value	Fair value	Fair value
				per share	Rs.'000	per share	Rs.'000
Canwill Holdings (Pvt) Ltd.	Net asset based	500,000,000	5,000,000	10.80	5,400,000	9.82	4,908,155
Cargills Bank Limited	Net asset based	44,000,000	495,000	10.56	464,640	11.02	484,983
West Coast Power (Pvt) Ltd	Net asset based	29,750,000	2,975,000	732.02	21,777,595	670.79	19,955,890
Fitch Ratings Lanka Limited	Net asset based	62,500	625	48.38	3,024	82.69	5,168
Laugf's Gas Eco Sri Limited - V	Net asset based	57,897,800	62,282	3.27	189,326	3.44	198,940
Laugf's Gas Eco Sri Limited - NV	Net asset based	18,041,500	19,407	3.27	58,995	3.44	61,991
Laugf's Gas Leisure Limited - V	Net asset based	57,897,800	448,820	4.76	275,594	6.27	362,844
Laugf's Gas Leisure Limited - NV	Net asset based	18,041,500	139,855	4.76	85,877	6.27	113,064
<b>Grand Total</b>			<b>9,140,989</b>		<b>28,255,050</b>		<b>26,091,034</b>

Due to the limitation of available information, net asset model was used to estimate the fair value of unlisted equity instruments and information were extracted from the latest audited financial statements of each company for the purpose of estimation. Fitch Rating (FR) has paid dividend continuously in a consistent manner and therefore, Dividend Growth Model was used to estimate the fair value of FR until previous year. However, the valuation methodology for FR is now based on the NAV value due to not receiving dividend data in time relating to FY 2022. Since the company does not have audited financial statements for FY 2022 NAVPS has been computed based on last audited financials i.e. FY 2021.

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.

	2021	2022
<b>Financial Statement Impact-Overall</b>		
Cost	9,140,989	9,140,989
Estimated Fair Value	26,091,034	28,255,050
Impact to Net Assets	16,950,046	19,114,061
Gross Impact to FVOCI on change in fair values	3,375,456	2,164,015

EMPLOYEES' PROVIDENT FUND  
Notes to the Financial Statements

31. Classification of Maturity Profile of the Portfolio

As at 31<sup>st</sup> December 2022

Class of Investment	(Rs. mn)														Total					
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2039		2041	2043	2044	2045	Not Defined
<b>Debt Securities Measured at Amortised Cost</b>																				
Treasury Bonds	211,918	153,549	254,014	391,780	253,503	502,629	194,262	94,803	279,264	173,085	295,562	108,554	106,677	14,082	29,274	23,046	92,682	5,480	-	3,184,165
Corporate Debentures	-	9,545	1,117	7,835	4,095	-	1,025	-	-	-	-	-	-	-	-	-	-	-	-	23,617
Treasury Bills	174,425	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	174,425
Fixed Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reverse Repo	3,403	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,403
Other Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Equity Instruments Measured at FVTPL</b>																				
- Listed Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	71,156	71,156
<b>Equity Instruments Measured at FVOCI</b>																				
- Unlisted Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,141	9,141
- Listed Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	644	644
<b>Grand total</b>	<b>389,746</b>	<b>163,094</b>	<b>255,131</b>	<b>399,615</b>	<b>257,598</b>	<b>502,629</b>	<b>195,288</b>	<b>94,803</b>	<b>279,264</b>	<b>173,085</b>	<b>295,562</b>	<b>108,554</b>	<b>106,677</b>	<b>14,082</b>	<b>29,274</b>	<b>23,046</b>	<b>92,682</b>	<b>5,480</b>	<b>80,941</b>	<b>3,466,551</b>

Provision for Impairment on Debt Securities at Amortised Cost

Portfolio value net of impairment

(6)

3,466,545

**EMPLOYEES' PROVIDENT FUND**  
Notes to the Financial Statements**32. Contingent Liability**

As at the reporting date, Employees' Provident Fund has received a Notice of Assessment (NOA) issued by the Department of Inland Revenue on 12th July 2021 with respect to Value added Tax on the Supply of Financial Services (VAT on FS) claiming LKR 28,500,657,821.00 and penalty of LKR 14,250,328,910.50 for the Year of Assessment 2018/19. The Fund has appealed against the Notice of Assessment to the Commissioner General of Inland Revenue on 11<sup>th</sup> August 2021. The Monetary Board opines, based on the information currently available, the ultimate resolution would be in favour of the Fund and will not likely to have a material adverse effect on the Fund. Accordingly, no provision for liability has been made in these financial statements.





SECTION D

# AUDITOR GENERAL'S REPORT





Commissioner General of Labour,  
Department of Labour

Governor  
Central Bank of Sri Lanka.

**Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements for the Employees' Provident Fund for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.**

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**Employees' Provident Fund - 2022**

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**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Employees' Provident Fund for the year ended 31 December 2022 comprising the statement of financial positions at 31 December 2022 and the statement of income and expenditure and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Employees' Provident Fund as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard.

**1.2 Basis for Qualified Opinion**

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my 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 Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

#### **1.4 Audit Scope (Auditor's Responsibility for the Audit of the Financial Statements)**

My objective is to obtain 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 is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement of the financial statements, whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate 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.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations on the preparation of Financial Statements

### 1.5.1 Non-Compliance with Sri Lanka Accounting Standard

Non Compliance with the reference to relevant Standard	Comments of Management	Recommendation
<p>In accordance with paragraph 51 of Sri Lanka Accounting Standard No. 16, the effective lives of non-current assets had not been reviewed annually. According to the depreciation calculation schedule for the financial statements as at 31 December of the year under review, the fully depreciated asset value was Rs.159.18 million and Rs.526.83 million respectively for the Monetary Board and the Labour Department. Among those assets, the estimated error caused by not identifying the assets that are no longer used and reviewing them in accordance with Sri Lanka Accounting Standards was not corrected in accordance with Sri Lanka Accounting Standards No. 08 and the assets that were no longer used were not properly disposed.</p>	<p>Necessary actions will be taken to deal with Sri Lanka accounting standards regarding the fixed assets that have been finished depreciation in relation to the Labour Department. The committee is carrying out the survey of the relevant goods to dispose that are unusable fixed assets.</p>	<p>Should be complied with Sri Lankan accounting standards.</p>

### 1.5.2 Accounting Deficiencies

Audit Observation	Comments of Management	Recommendation
<p>(a) According to the bank reconciliation statements related to 07 bank accounts submitted on 31 December 2022, as mentioned below the total unsettled for the period from 2001 to 31 December 2021 is a balance of Rs.11,515.19 million and for the year 2022 a balance of Rs.672.64 million is to be corrected or settled. Without taking the relevant steps to do so,</p>		

were continuously stated in the bank reconciliations even by 31 March 2023.

- |       |  |   |   |
|-------|--|---|---|
| (i)   | Cheques presented but dishonored before the year 2021, transactions not recorded in the bank statement and cash book, direct debits and credit balances totaling Rs.10,918.89 million have not been settled till now, and related to the year under review, transactions not recorded in the cash book and the sum of the direct debit and credit balances were Rs.597.54 million. | Almost all unidentified transactions related to the year 2022 have been correctly recorded in the cash book. Due to the nature of some transactions, the information for settlement is received in future periods, so the settlement of those transactions can be done naturally with some time delay. Currently working on the unsettle transactions in the bank reconciliation statements by the Employee's Provident Fund department with the support of other parties.  | Action should be taken promptly to identify and rectify the defects pointed out.                      |
| (ii)  | The total value of money orders deposited but not realized, cheques not realized and cheques issued but not presented were Rs.523.39 million. In that, the total balance for more than a year is Rs.454.98 million.  | Almost all unidentified transactions related to the year 2022 have been correctly recorded in the cash book. Due to the nature of some transactions, the information for settlement is received in future periods, so the settlement of those transactions can be done naturally with some time delay. Currently working on the unsettle transactions in the bank reconciliation statements by the Employee's Provident Fund department with the support of other parties.  | Action should be taken promptly to identify and rectify the defects pointed out.                      |
| (iii) | As an error occurred in the computer accounting system used, the debit balance carried forward from the year 2006 was Rs.141.32 million and the wrong balance in the cash book related to the year under review was also Rs.6.67 million.  | Almost all unidentified transactions related to the year 2022 have been correctly recorded in the cash book. Due to the nature of some transactions, the information for settlement is received in future periods, so the settlement of those transactions can be done naturally with some time delay. Currently working on the unsettle transactions in the bank reconciliation statements by the Employee's Provident Fund department twith the support of other parties. | Action should be taken to promptly identify and rectify the errors in the computer accounting system. |

- (b) According to the fund's accounting policy, motor vehicles should be depreciated annually at the rate of 20 percent under the straight line method. According to the financial statements as at 31 December 2022 (relating to the Department of Labour), the cost of motor vehicles was Rs.97.20 million, and according to the depreciation calculation schedule, the cost of fully depreciated motor vehicles was Rs.36.22 million. Accordingly, although the depreciation should be calculated for the motor vehicles which cost was Rs.60.98 million, the depreciation was not calculated and accounted for the year 2020, 2021 and 2022.
- There are problems from previous years regarding the calculation of depreciation of fixed assets, disposal of assets, calculation of the effective life of fixed assets, identification of assets that can be further used and I expect to work in the future to solve those problems.
- Depreciation of fixed assets should be accounted according to the accounting policy.
- (c) During the year under review, Rs.97.18 million incurred for the improvement of District Labour Offices was shown in the unfinished work account of internal construction of Mehewarapiyasa.
- A portion of the provision set aside for the Employees' Provident Fund has been spent to the Regional Offices on construction the purpose of creating Employees' Provident Fund windows and providing services to the public.
- Action should be taken to present the capital expenditure correctly in the financial statement.

### 1.5.3 Un reconciled Control Accounts or Records

Item	As per Financial Statements (Rs.Million)	As per corresponding Record (Rs.Million)	Difference (Rs.Million)	Comments of Management	Recommendation
Property, plant and equipment	1,130.30	713.38	416.92	Correct balances will be identified through the future expected fixed asset revaluation.	Arrangements should be made to reconcile the data included in the financial statements with the data included in the corresponding reports.

## 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of Management	Recommendation
(a) Labour Department Circular No. 01/99 dated on 11 February 1999	In relation to the year 2022, in Alpitiya District Labour Office, there were 88 cases in which it took 20 to 321 days to issue the first notice of collection of surcharges and contributions and send the final notice, and 45 cases which took 26 to 225 days in relation to Maharagama District Labour Office were also observed during the sample audit. Furthermore, there were 74 cases related to the Elpitiya District Labour Office and 62 cases related to the Maharagama District Labour Office, although the first notices had been issued but the final notices had not been issued. Notices were sent to the Alpitiya and Maharagama district Labour offices to collect arrears of contributions and surcharges and Rs.33 million and Rs.142 million were to be collected in 92 and 89 cases respectively.	Due to the transport and fuel crisis in the past, there was a delay in issuing announcements due to the reasons such as reporting to work in shift mode, power cuts by the government and other difficulties that occur during normal working hours.	Action should be taken to provide optimal service to the members by sending notices without delay.
(b) Para 2.1 of PED Circular No. 8/2019 dated on 17 December 2019	Not registered with the State e-Procurement System.	The relevant application for registration has been sent to the State E-Procurement Secretariat office.	Should be followed the circular terms.
(c) F.R 877 (2) (c) published by State Finance Circular No. 01/2020 dated on 28 August 2020	The annual performance report along with the certified financial statements of the fund was not submitted in circular terms.	No comments.	Should be followed terms of State finance circulars.



## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.314,052 million and the corresponding profit in the preceding year amounted to Rs.340,728 million. Therefore a deterioration amounting to Rs.26,676 Million of the financial result was observed. The reasons for the deterioration was due to, though the interest income of the fund increased by Rs.55,591 million compared to the previous year, the loss recognized on the adjustment of the fair value of financial instruments was Rs.40,878 million.

### 2.2 Trend Analysis of major Income items

Description	Year 2022 (Rs.Million)	Year 2021 (Rs.Million)	Income Increase/(Decrease) (Rs. Million)	%
(a) Interest income				
(i) Treasury bonds	325,423	285,052	40,371	14
(ii) Treasury bills	15,272	256	15,016	5,866
(iii) Fixed deposits	4,225	3,857	368	10
(iv) Repurchase Agreements	1,421	544	877	161
(v) Debentures –Listed	2,291	3,153	(862)	-27
(vi) Debentures -Unlisted	637	816	(179)	-22
(b) Dividend Income – Ordinary shares				
(i) Listed	3,570	4,057	(487)	-12
(ii) Unlisted	3,957	2,628	1,329	51

In the year 2022, interest income from the investments in treasury bonds, fixed deposits and repurchase agreements had grown by 14 percent, 10 percent and 161 percent, respectively, compared to the previous year. Further, interest income from the investment in treasury bills had grown by 5866 percent. However, interest income from debenture listed and unlisted investments had declined by 27 and 22 percent respectively. However, the total interest income of the fund had grown by 18.8 percent compared to the previous year.

Also, regarding the dividend income of the fund, compared to the previous year, the dividend income from listed companies had decreased by 12 percent, while the dividend income from unlisted companies had grown by 51 percent.

### 2.3 Ratio Analysis

According to the information presented below are some important ratios of the fund for the year under review and the previous year.

Ratios	2022	2021
(i) Net profit ratio (%)	83.52	87.35
(ii) Rate of return on average investment (%)	9.12	10.78
(iii) Rate of return on members' balance (%)	8.21	8.21

**3. Operational Review**  
**3.1 Management Inefficiencies**

Audit Observation	Comments of Management	Recommendation
(a) No dividend income was received from the year 2019 to the year under review for the ordinary shares investments of Rs.9,087.68 million made in 11 listed companies.	Due to the Easter Sunday attack in 2019, the Covid-19 pandemic situation in 2020-2021 and the macro economic difficulties and political instability in 2022, the operations of the companies concerned were significantly disrupted.	Action should be taken to make investment in optimal investment so that members can get high returns.
(b) Dividend incomes related to the years 2021 and 2022 were not received for the ordinary share investments of Rs.7,329.84 million made in 08 listed companies.	The fact that 06 companies reported losses in the years 2021 and 2022 and the restrictions associated with the pandemic situation that spread further in the year 2021 and the disruption of the business operations of the companies due to the macro-economic and political instability in the year 2022 may also lead to the non-declaration of dividends.	Action should be taken to make investment in optimal investment so that members can get high returns.
(c) In the year 2010, the fund had not received any income for the investment of Rs.500 million made to an airline company.	This is a company that is almost entirely under the ownership of the government, and is running on the financial provisions provided by the government through the treasury due to continuous losses.	Action should be taken to make investment in optimal investment so that members can get high returns.
(d) On 31 December 2021, the fund had lost Rs.205.49 million due to the cancellation of the license of “The Finance Company”.	Following the cancellation of the lease business license issued to this company by the Central Bank of Sri Lanka on 22 May 2020, the stock transactions of this company were suspended by the Colombo Stock Market on 28 December 2020. Therefore, in the event of liquidation of the company, the fund may receive its investment, or part, as residual value.	Action should be taken to make investment in optimal investment so that members can get high returns.

- (e) Rs.5,000 million that is 53 percent of the equity investment of unlisted companies was invested in the construction of a hotel complex in the year 2013, and although the construction work of the Grand Hyatt Colombo project related to the construction of the hotel complex was resumed in July 2020, the necessary procurement actions are still required. The Board of Directors was given the necessary powers to collect also through the Cabinet Paper No. 21/2278/306/100 dated on 04 January 2022. Accordingly, although the construction work of the hotel complex should be completed by 27 December 2021 as planned, the construction work had not been completed by the date of audit. Accordingly, even though 9 years have passed since the actual investment, the fund has not received any benefit from the investment till now.
- Although it was decided to restart the construction by the relevant cabinet paper, it was stated that there were problems in obtaining the necessary financial provisions and obtaining foreign exchange, and as a result, Hotel Complex had called for proposals in October 2021 to obtain foreign investment. The company had informed that it could not be implemented under the foreign exchange crisis and economic conditions in the country.
- Making optimal investments that minimize risk so that members can get high returns while making investments.
- (f) Regarding the unrecognized advances of Rs.4.8 million included in the previous payments received before the year 2016, the confirmation documents were not submitted and the said advances were not settled.
- The department does not have enough information to settle this remaining balance. In this regard, the Monetary Board Advisory Audit Committee (AAC) and the Monetary Board will be informed about it, and taking into account their observations, relevant adjustments will be made while preparing the financial statements for the year 2023.
- Action should be taken to identify and settle the balances.
- (g) 1,428 institutions registered in the Maharagama District Labour Office had not paid their contributions since the date of registration, but it was not
- Actions have been taken so far to collect arrears of contributions from 46 institutions and no actions have been taken to collect the contributions related to 21
- A proper program for collecting arrears and surcharges should be prepared and arrangements should be

identified whether those institutions were closed or stopped operating activities. 81 institutions that were newly registered in the years 2021 and 2022 had not paid their contributions since the date of registration.

- institutions out of 81 newly registered institutions in the years 2021 and 2022. made to provide optimal service to the members.
- (h) 15,000 cards were spent at a cost of Rs.12.61 million and 35accounts balance checking machines(KIOSK) were purchased at a cost of Rs.17.67 million for the project started for issuing new identity cards and re-registration to the members of the fund. These 15,000 purchased cards were not used for the related purposes and were kept idle in the IT department even on the date of audit and 2 machines out of 35 machines had been disposed.25 Out of the remaining 33 idle machines, had been brought to the head office for disposal. It was observed that the money of the fund has been wasted due to the fact that proper needs have not been identified and assets have been purchased and utilized efficiently for this project which is not currently in operation.
- Although 15,000 KIOSK ID Cards are printed to check the balance of members, one card costs Rs.600, in consultation with E-wis, the computer programs were revised so that the balance can be checked through KIOSK machines using fingerprints at no extra charge.35 KIOSK machines were installed throughout island wide and after more than 05 years, their effective life span was reviewed and depreciation was adjusted and currently 14 machines have been brought to the head office and 08 Finger Print Scanner machines which can be further used in the districts according to their needs. It has been distributed to 08 Labour offices.
- Projects should be started with a proper plan and study. And efforts should be made to bear expenses effectively incurring the expenses from the members' fund
- (i) 12 Logitech Quick Cameras purchased in 2017 and 35 out of 50 Logitech Quick Cameras purchased at a cost of Rs.1.7 million in 2019 for the photo and fingerprint project and 2 out of 24 laptops purchased at a cost of Rs.3.3 million in 2018 are still inactive it was observed during the inspection of stock books.
- I am also informed that those devices which were retained for continuous service supply in the departments where 24 computers and Logitech Quick Camera are used were distributed separately to the offices as per the requirement.
- Projects should be started with a good plan and study and effective expenditure should be made while incurring expenses from the members' fund.

### 3.2 Operational Inefficiencies

Audit Observation	Comments of Management	Recommendation
(a) As at 31 December of the year under review, out of Rs.3,380,616.83 million in the members account balance of the fund, Rs.63,571 million remained un credited to each member's account due to various reasons. The following observations are made in this regard.		
(i) The amount of Rs.11,123 million retained in the Central Bank of Sri Lanka as at December 31 of the year under review from the amount recovered from litigations against employers in the Labour Commissioner's account in the members' fund and Rs.334 million held in a general deposit account of the Department of Labour until such litigations are recovered and settled had not been credited to each member's account.	Presence of contributions referred without "C" records as well as contributions referred with incomplete or discrepant "C" records. Since the year 1994, the unnumbered contributions of employers have been retained in the Labour Commissioner account under temporary employer numbers named "Z", and the balances in this account cannot be credited to individual member accounts.	An efficient system for the settlement of unpaid contributions should be developed promptly.
(ii) The balance of Rs.49,365 million as at 31 December of the year under review in the account named "Current Year Contribution Number 01" maintained separately in the name of the employers was not distributed to the respective members. In the years 2013, 2016 and 2017, the orders of the Committee of Public Accounts had ordered that existing accounts without crediting members' accounts should be promptly settled. And an age	We would like to declare that the Employees' Provident Fund Department has taken the best possible actions to settle the balance in the employer's contribution account, arrange payment methods for the payment of contributions so that the contributions do not accumulate in the respective account and expedite the updating of the contributions to the respective individual member accounts.	An efficient system for the settlement of unpaid contributions should be developed promptly.

analysis was not submitted to the audit to confirm which years' balances are in this balance.

- (iii) Rs.980 million as at 31 December of the year under review as benefits withheld and unclaimed benefits to members due to various reasons despite adequate steps being taken to settle them and Rs.2,232 million as U/P O/P contributions and Rs.463 million as U/P O/P benefit payments remained to be further settled under the members' fund.
- The intervention and support of the Department of Labour is needed to settle these balances in the above accounts And also It is further informed that no matter what steps are taken by the E.P.F Department and the Labour Department, it is practically impossible to settle the balances of the said accounts until the members inform us of the correct information about their bank accounts through the Labour Department.
- An efficient system for the settlement of unpaid contributions should be developed promptly.
- (b) During the examination of the applications submitted for obtaining the employee's provident benefits due to the deceased members, the number of unpaid death benefit applications held at the head office as at 20 June of the year under review was 1,101, of which 220 applications were filed between 10 and 15 years from the date of submission of applications and 27 applications between 4 and 13 years and 8 applications between 6 and 10 years and 210 applications had been rejected. The value of these unpaid death benefits was not disclosed in the financial statements and the progress was not satisfactory.
- Even if the deceased members benefit applications are submitted, in cases where sufficient information is not submitted in the file for correct verification of the member or beneficiaries and in cases where the member or beneficiaries are not correctly verified, the applications will be rejected after informing the concerned beneficiaries with the approval of the Labour Commissioner (Employees Provident Fund).
- I further kindly inform that when the concerned beneficiaries submit correct and sufficient information regarding the rejected applications, the rejected files will be removed from the computer system and necessary arrangements will be made to pay the benefits to the beneficiaries.
- A successful program should be implemented to provide immediate benefits to the deceased members.
- (c) 53 out of 55 computer chairs and office chairs, Heavy duty photocopier, 22 out of 30 laptops, 10 out of 20 photocopiers and 06 out of 90
- Since it is the responsibility of the administration to streamline the distribution of resources to all sections of the entire Labour Department, I kindly point out that
- Purchases from the fund of the Employees' Provident Fund should be used for the purposes of the fund itself.

- printers were purchased under the head of Employees Provident Fund. The stock itself had been used for Labour Department's needs.
- those resources have been used in the hope of increasing the efficiency of the entire Labour Department.
- (d) An agreement was entered into with a private institution on 09 January 2020 to settle the outstanding balances in 07 bank accounts and according to the terms of the agreement, the final report had to be submitted within 08 weeks from the agreed date, but the desired objectives of the project were to be achieved by the date of this report was not possible.
- An interim report of the special project started in January 2020 with the participation of a private audit firm has been submitted on 30 October 2020 to settle outstanding balances in bank reconciliation statements from 2001 to 2018. In the years 2022 and 2023, efforts are being made to obtain a data file with a common identification code after several discussions with the officials of the Bank of Ceylon under the leadership of the General Manager of the Bank of Ceylon to obtain the related data independently.
- The management should focus on ending the problem of non-settlement of these bank accounts which has been going on for a long time without any further delay.
- (e) According to Section 15 of the Employees' Provident Fund Act No. 15 of 1958, the employer of an employee to whom the Act applies must deduct the employee's monthly contribution from the employee's earnings and pay it to the fund before the last day of the following months. But in 2021 and 2022, 102 and 95 institutions, respectively, had not paid their contributions since the date of registration, in the sample audits conducted in connection with the payment of contributions by newly registered institutions.
- No comments.
- Actions should be taken to recover the contributions as per the recommendations of the Act.
- (f) At the end of the year under review, the total number of cases assigned by the fund against external institutions to recover Rs.10,503 million was 13,760, and the total number of
- The relevant district and sub-offices have called and given information on the cases assigned by the fund against the external institutions in the courts and the information related to the cases assigned by the external
- Actions should be taken to complete the legal proceedings quickly and to recover the arrears.

cases assigned by the external institutions against the fund for a total value of Rs.201.35 million was 62. Out of these 62 cases, 32 cases were filed against the fund by one private institution in 2015 and 2019. At the end of the year, there were 3,309 and 2015 inactive and open warrant cases respectively and the amount to be recovered was Rs.1,823.36 million and Rs.533.82 million.

#### 4. Accountability and Good Governance

##### 4.1 Internal Audit

Audit Observation	Comments of Management	Recommendation
<p>The Employees' Provident Fund had not established an independent internal audit division and The internal audit of the Central Bank of Sri Lanka's Employees' Provident Fund Division is performed by the Internal Audit Division of the Central Bank of Sri Lanka. Although the approved staff of the Internal Audit Division of the Department of Labour, which administers the Fund, was 14, the actual number was limited to 8. Although the Committee on Public Accounts had continuously ordered since the year 2013 that the internal audit of the department should be strengthened in a situation where the fund manages a members' fund of about Rs.3.4 trillion, by the end of the year under review, the staff vacancies and the audit work of the fund had to be completed. There were no actions taken to pay more attention. The approved internal audit plan prepared for the year 2022 of the fund and the internal audit reports issued in relation to the year were also not submitted to the Auditor General.</p>	<p>It is desirable to establish an independent audit and management committee, and only the administrative work of this fund is done under this department and the financial administration is carried out under the Monetary Board of the Central Bank of Sri Lanka. Herefore it is not possible to set up an independent audit and management committee in terms of my powers as the head of the department.</p>	<p>Necessary actions should be taken to establish an internal audit division.</p>