

2020

வார்கிக வார்கால
ஆண்டறிக்கை
Annual Report



சேவக அர்பகாடக அரமூடூ
ஊழியர் சேமலாப நிதியம்
Employees' Provident Fund

Employees' Provident Fund Annual Report 2020

EPF, the largest superannuation fund in Sri Lanka exceeding **Rs. 2.8 trillion** assets under management, continued to grow its asset base in 2020 while improving the service quality and ensuring a reasonable rate of return for its' members and the safety of the Fund. The value of the Fund grew by 11.2 per cent to record **Rs. 2,824 billion** by end 2020 compared with Rs. 2,540 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. 285 billion** in 2020. By the end of 2020, the total investment value of the Fund reached **Rs. 2,829 billion**. Despite the unfavorable conditions that prevailed in the market and the volatility in market interest rates, EPF was able to declare an attractive **rate of return of 9.00 per cent** to its' members for the year 2020.



Table of Contents

SECTION	A	CORPORATE STEWARDSHIP	
		Message from the Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka	207
		Message from the Commissioner General of Labour	209
		Senior Management Team	211
		Regulatory Framework	213
		Functions of the Monetary Board of the Central Bank of Sri Lanka	214
		Functions of the Commissioner of Labour	215
SECTION	B	CORPORATE OVERVIEW	
		Vision & Mission	218
		Milestones of the Journey	220
		Financial Highlights - 2020	223
		Operational Highlights - 2020	227
		Review of the Performance of EPF - 2020	229
SECTION	C	FINANCIAL STATEMENTS	
		Statement of Income & Expenditure	243
		Statement of Comprehensive Income	244
		Statement of Financial Position	245
		Receipts and Payments Account	246
		Statement of Investments	247
		Cash Flow Statement	248
		Statement of Changes in Equity/ Members' Wealth	249
Notes to the Financial Statements	250		
SECTION	D	REPORT OF THE AUDITOR GENERAL	295
SECTION	E	STATISTICAL APPENDIX & SUPPLEMENTARY INFORMATION	
		Investments, Maturities and Return on Investments (1991 - 2020)	307
		Rates of Return on Member Balances (1991 - 2020)	308
		Member Balances, Interest on Member Balances and Effective Rate on Member Balances (1991 - 2020)	309
		Statement of Investment Portfolio (1991 - 2020)	310
		Summarized Cash Flow (Monetary Board) (1991 - 2020)	311
		Summarized Income and Expenditure Account (1996 - 2020)	314
		Explanatory Notes	316

SECTION A
**CORPORATE
STEWARDSHIP**







EPF contributes to the nation building towards the betterment of the citizens of the country.

On behalf of the Monetary Board of the Central Bank of Sri Lanka (CBSL), I am pleased to issue this message to the Annual Report of the Employees' Provident Fund (EPF/the Fund) for the year 2020.

The year 2020 was one of the most challenging years for the local economy, as it grappled with the Covid-19 pandemic. Amidst the global economic downturn induced by the pandemic, the economy of Sri Lanka contracted by 3.6 per cent in real terms in 2020, recording the deepest decline since independence. In response, the Central Bank relaxed the monetary policy stance with a view of supporting the economy to regain the growth momentum. Accordingly, the key policy interest rates were reduced by a total of 250 basis points on five occasions to their historically lowest levels of 4.50 per cent and 5.50 per cent, during the year.

Amidst these extraordinary circumstances, the total investment portfolio of the Fund grew by 11 per cent to Rs. 2,829 billion as at end 2020 from Rs. 2,549 billion recorded as at end 2019.

EPF being the largest superannuation fund with a long-term objective of maximizing the returns to its members and operating within the given risk parameters, has invested more than 90 per cent of its funds in Government Securities contributing to bridge the gap in financing of Government's initiatives taken to develop infrastructure including roads and highways, water supply and irrigation, power and energy, public transport systems and telecommunication sectors and strengthening the services in health and education sectors, augmenting the wealth and the well-being of the entire nation. This in turn reflects EPF's remarkable contribution to the nation building towards the betterment of the citizens of the country.

During the year under review, yield rates of Treasury bonds dipped by approximately 300 basis points in response to policy stimulus. Accordingly, the primary market weighted average yield rate of the benchmark 364-day Treasury bill reduced to 5.05 per cent by end 2020 from 8.45 per cent recorded as at end December 2019.

At the same time, the Colombo Stock Exchange (CSE) also experienced short-term volatilities throughout the year due to unprecedented challenges posed by the pandemic. Nevertheless, the CSE's All Share Price Index (ASPI) gained 10.5 per cent during 2020, recording the highest annual increase since 2014. Even though S&P SL20 index showed a similar trend and recovered since mid-May, it recorded a 10.2 per cent decline during the year.

Despite these challenges, the Central Bank has been able to manage the Fund in such a manner so as to generate a satisfactory rate of return on its investments and provide a reasonable interest rate to its members. Accordingly, during 2020 the total investment income of the Fund amounted to Rs. 285 billion, compared to Rs. 259 billion in 2019 and the overall return on average investments of the Fund has been recorded as 10.6 per cent in 2020, compared to 10.7 per cent in 2019.

Further, the EPF Department provided its services to the members uninterrupted during this challenging time while adhering to the appropriate health guidelines, despite lockdowns and travel restrictions.

Accordingly, the total member contributions of Rs. 150.7 billion and total refunds amounting to Rs. 109.7 billion were processed during the year under review. In addition, EPF Department has conducted three successful mobile services during the year to provide EPF services to its stakeholders at their doorsteps. Considering the necessity of much needed IT related improvements, process automation was incorporated to the e-collection system during the year, facilitating automatic member account updation upon submission of the e-file and the receipt of funds, while electronically acknowledging the employers with details of members having name discrepancies, if any. Further, with a view of introducing new methodologies for paying EPF contributions electronically, initiatives were taken to develop the EPF's official website, enabling employers to submit their e>Returns through the website and make remittances using the Common Electronic Fund Transfer Switch (CEFTS), which enables employers to pay monthly contributions through any participating bank. Steps have also been taken to extend this scheme to facilitate small-scale employers in submitting their monthly contributions through a mobile based application, and to update members of their monthly contributions via SMS. Further, the EPF Department plans to strengthen its regional presence by operating through regional offices with a view to deliver a convenient service to the EPF members.

I wish to extend my appreciation to the staff of EPF Department of the Central Bank as well as the Department of Labour for maintaining continuity of services to the members during these extremely challenging times. I also express my sincere gratitude to all the members of EPF for their continued confidence in the custodianship of the CBSL and employers for their valued cooperation.

I wish you all a brighter future with strength and courage to navigate through this uncertainty, while staying healthy and safe.

Ajith Nivard Cabraal
Governor & Chairman of the Monetary Board



B. K. Prabath Chandrakeerthi
Commissioner General of Labour

Message from the Commissioner General of Labour

It is with great pleasure that I issue this message to the Annual Report of the Employees' Provident Fund – 2020, analysing the progress achieved by the Employees' Provident Fund in 2020, which is compiled by the Department of Labour and Employees' Provident Fund Department of the Central Bank of Sri Lanka.

It is a matter of pleasure that the Employees' Provident Fund, as the foremost social security scheme in Sri Lanka, which is maintained with the objective of creating a comfortable retired life as well as uplifting the status of living of the employees employed in the private and semi-government sectors of Sri Lanka, was able to expand its services further in 2020. This analytical report confirms that even amidst the COVID pandemic spread the world over, it has been able to provide an efficient service to the members of the fund, adhering to the health precautions and to strengthen the fund further introducing concessionary schemes for employers.

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

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

Senior Management Team

As at 31st December 2020

EPF Department of the Central Bank of Sri Lanka

Name	Designation	Division
Mr. A. G. U. Thilakarathna	Superintendent	S/EPF Office
Miss. S. C. Gunadheera	Additional Superintendent	
Mrs. W. L. S. W. Jayasundera	Additional Superintendent	
Mrs. S. M. L. Siriwardane	Deputy Superintendent	
Mr. H. S. Wickramasuriya	Deputy Superintendent	
Mrs. D. P. A. N. D. Perera	Deputy Superintendent	
Mr. S. J. K. Guruge	Deputy Superintendent	
Mrs. M. W. K. S. Siriwardana	Senior Assistant Director (Corporate Services)	
Mr. S. D. H. De S. Jeewakaratne	Senior Assistant Superintendent	Corporate Services and Administration Division
Mr. M. S. Widanage	Senior Assistant Superintendent	Collection Division
Mr. P. W. Wimal Shantha	Senior Assistant Superintendent	
Mr. I. C. Jonathan	Senior Assistant Superintendent	Re-Registration Division
Ms. G. B. N. A. Samaranayaka	Senior Assistant Superintendent	Current Contribution Division
Ms. G. B. N. A. Samaranayaka	Senior Assistant Superintendent	
Mrs. G. P. D. Kaviratne	Senior Assistant Superintendent	
Mrs. K. H. Gunasekera	Assistant Superintendent	Statemented Contribution Division
Ms. G. B. N. A. Samaranayaka	Senior Assistant Superintendent	
Mrs. R. A. C. C. Rupasinghe	Senior Assistant Superintendent	E-Collection Division
Mr. M. V. W. De Zoysa	Senior Assistant Superintendent	
Mrs. L. P. S. Perera	Senior Assistant Superintendent	Fund Management Division
Mr. K. U. B. Tennakoon	Senior Assistant Superintendent	
Mrs. V. Prabakaran	Senior Assistant Superintendent	
Mrs. L. D. S. R. Gunasekara	Senior Assistant Superintendent	
Ms. D. P. Udugamakorala	Senior Assistant Superintendent	
Mrs. P. Senthilmaran	Senior Assistant Superintendent	
Mr. W. S. H. Kumarasena	Senior Assistant Superintendent	
Mr. W. A. A. S. Sumanadasa	Assistant Superintendent	
Mr. W. A. W. N. Wanniarachchi	Assistant Superintendent	
Mr. U. P. Jayasinghe	Senior Assistant Superintendent	
Mrs. M. Dissanayake	Senior Assistant Superintendent	Accounts and Reconciliation Division
Mr. A. K. Chathuranga	Assistant Superintendent	
Mrs. W. A. N. D. Dias	Assistant Superintendent	
Mr. M. P. S. Kalyana	Assistant Superintendent	

Mrs. D. Y. S. Mahagederawatte	Senior Assistant Superintendent	Records Management Division
Mrs. P. K. D. P. S. Dasanayake	Assistant Superintendent	
Mrs. K. M. G. C. Bandara	Senior Assistant Superintendent	Record Amendments Division
Mr. K. P. M. Perera	Senior Assistant Superintendent	
Mr. E. M. S. Ekanayake	Senior Assistant Superintendent	
Mr. M. K. N. D. Dharmadasa	Senior Assistant Superintendent	Housing Loan Division
Mr. A. A. Wimal Gamini	Senior Assistant Superintendent	
Mrs. W. G. A. C. De Silva	Senior Assistant Superintendent	Refund Control Division
Mrs. P. V. M. Siriwardena	Assistant Superintendent	
Mrs. G. G. N. M. Perera	Assistant Superintendent	Refund Payments Division
Mr. P. Premasiri	Assistant Superintendent	
Mr. P. W. Wimal Shantha	Senior Assistant Superintendent	Public Relations, Inquiries Counter & Call Centre
Mr. I. C. Jonathan	Senior Assistant Superintendent	

EPF Section of Labour Department

Name	Designation	Division
Mr. K.L.K. Perera	Commissioner of Labour	
Mrs. B.A.M.A. Balasooriya	Deputy Commissioner of Labour	Claim
Mrs. G. Tharani	Assistant Commissioner of Labour	
Mrs. T. Revathi	Assistant Commissioner of Labour	
Mrs. N.K.J. Gunaratne	Assistant Commissioner of Labour	
Mrs. A.M.S. Chandrika	Deputy Commissioner of Labour	
Ms. A.H.L. Padmini	Assistant Commissioner of Labour	Recovery
Mr. G.C.P. Kumara	Assistant Commissioner of Labour	
Mr. H. Thiranagama	Assistant Commissioner of Labour	30% claim
Mrs. K.R. Methma Ranasinghe	Assistant Commissioner of Labour	
Mr. M.N.H. Dharmaweera	Deputy Commissioner of Labour	IT
Ms. N. Nawajeewana	Assistant Commissioner of Labour	
Mrs. J.A.M.O. Wijayarathna	Assistant Commissioner of Labour	Administration
Mrs. J.A. Anusha Chandrasekara	Assistant Commissioner of Labour	Central Filing Section
Mrs. D.M.S.U. Dasanayake	Assistant Commissioner of Labour	Death Claim

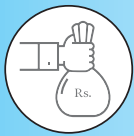
Regulatory Framework

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



Receipt of member contributions, surcharges and income.



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



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



Crediting annual interest to member accounts at a rate approved by the Monetary Board with the concurrence of the 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 statement 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 member accounts, member names and NICs.

Functions of the Commissioner of Labour



Registration of employers and employees to the Fund.



Recovery of contributions from employers defaulting payments.



Issue of payment orders for the payment of benefits to employees.

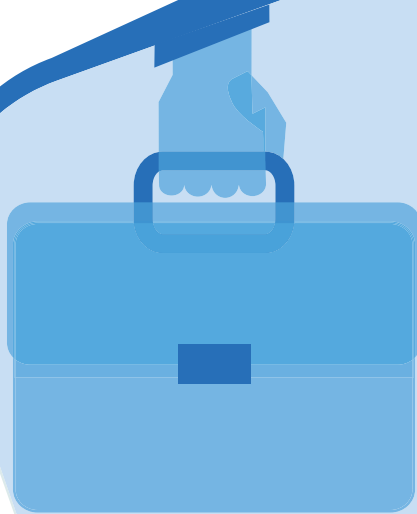


Supervision of Approved Provident Funds.



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

SECTION B
**CORPORATE
OVERVIEW**





OUR VISION

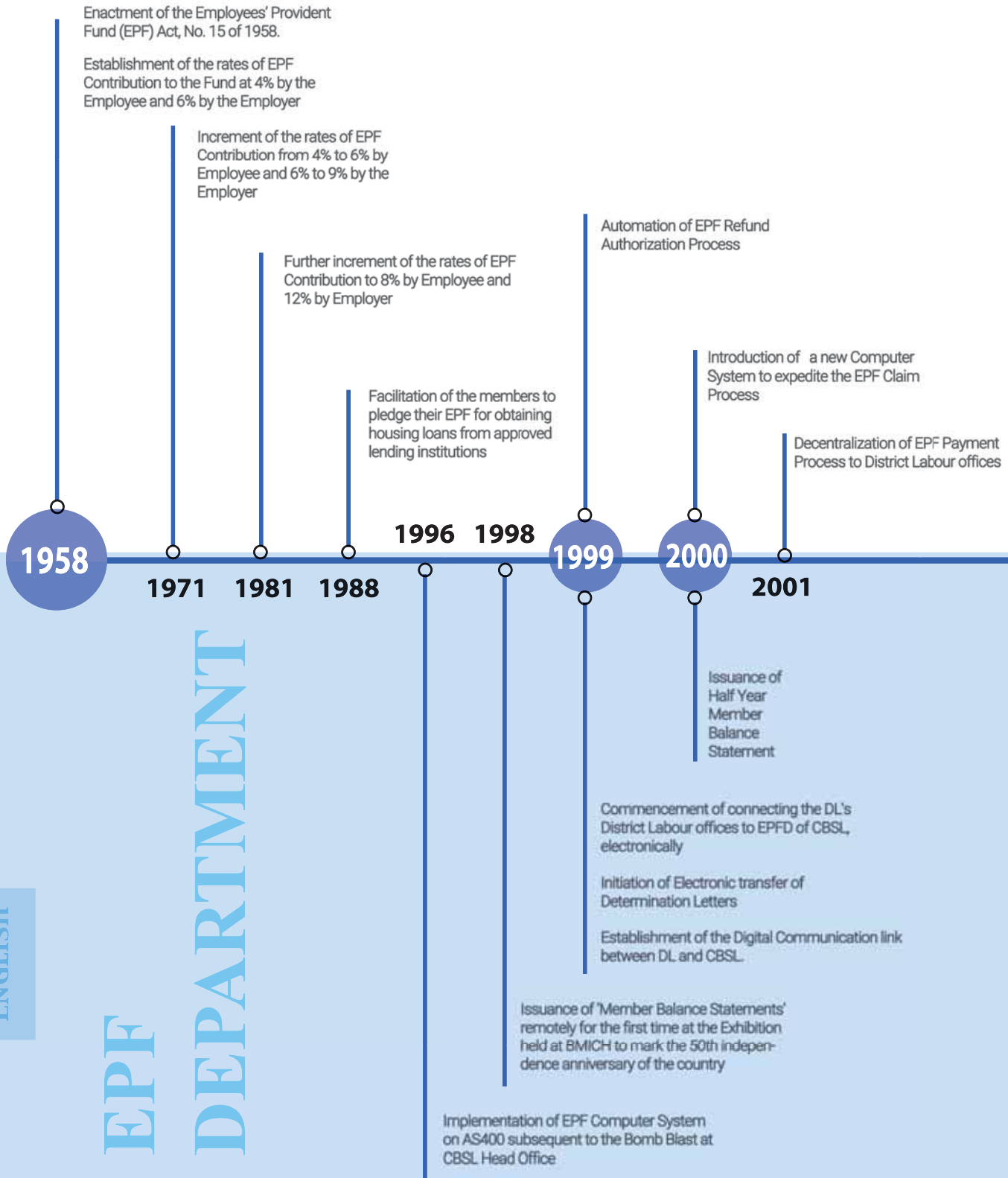
**“To be the most caring
superannuation fund in the
region enabling
our members to have a
contented retirement life”**

OUR MISSION

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



Milestones of the journey



ENGLISH

EPF DEPARTMENT

LABOUR DEPARTMENT

2002 2006 2007 2008 2011 2012 2013 2015 2016 2017 2020

Initiation of the Electronic Contribution Collections

Implementation of SAP System ECC5 with GL, Investment and Inventory modules

Launch of the EPF official web site in trilingual

Initiation of re-registration of members

Launch of dissemination of member balances and information through WEB and Mobile in line with the 60th independence anniversary of the country

Commencement of re-engineering of member liability system with a central double entry ledger system

Introduction of EPF online payment facility through Licensed Commercial Banks

Value of the EPF reached at Rs. 1 trillion level

2012

Submission of EPF details through an electronic media were made compulsory for the employers more than 50 employees

Initiation of 30% pre-retirement refunds for Housing and Medical purposes

Implementation of E-Record Room

Introduction of the online member information verification mechanism which brought 100% process automation and real time updation of member accounts

Decentralization of contribution Collection with People's Bank island-wide

Value of the EPF reached at Rs. 2 trillion level

2013

Amendment of the EPF Act and addition of Section No. 23A by EPF (amendment) Act No. 02 of 2012

Introduction of a new Computerized System to monitor the Default Payments & Court Cases

Establishment of the EPF 30% Claim Process

2015

2016

2017

2020

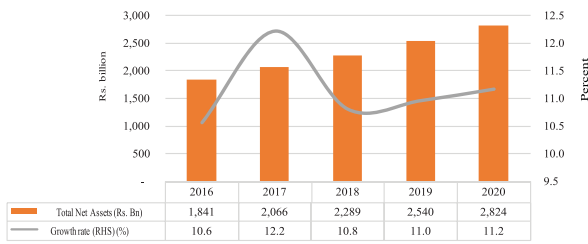
ENGLISH



FINANCIAL HIGHLIGHTS - 2020

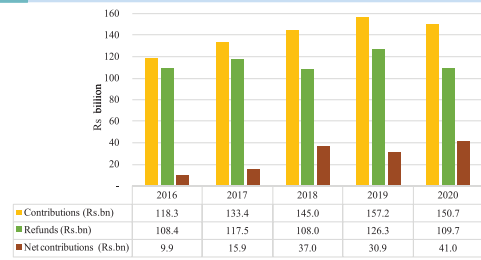


Figure 01 Growth of the Fund



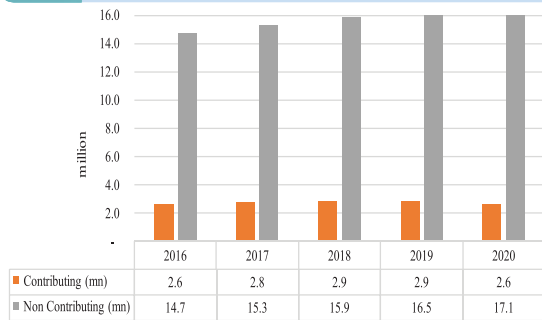
Source: EPF Department, Central Bank of Sri Lanka

Figure 02 Contributions, Refunds and Net Contributions



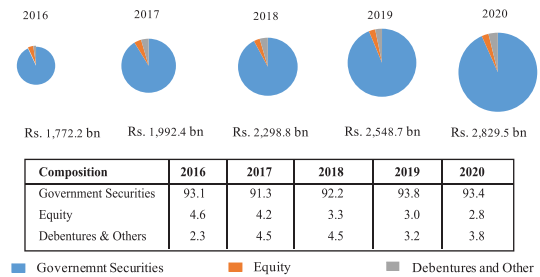
Source: EPF Department, Central Bank of Sri Lanka

Figure 03 Number of Member Accounts



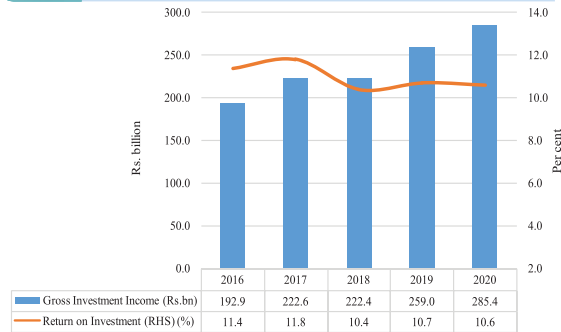
Source: EPF Department, Central Bank of Sri Lanka

Figure 04 Composition of Investment Portfolio



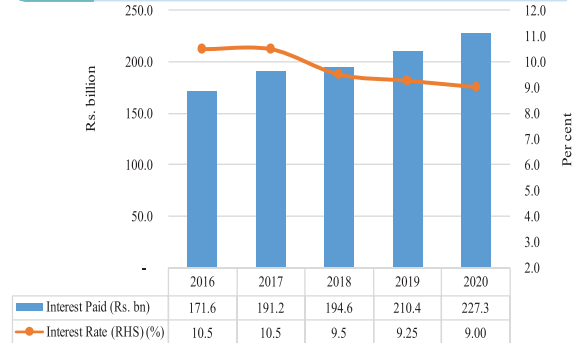
Source: EPF Department, Central Bank of Sri Lanka

Figure 05 Return on Average Investment Portfolio



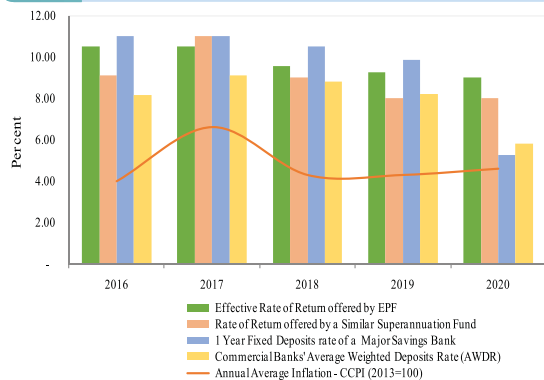
Source: EPF Department, Central Bank of Sri Lanka

Figure 06 Interest Credited on Member Balances



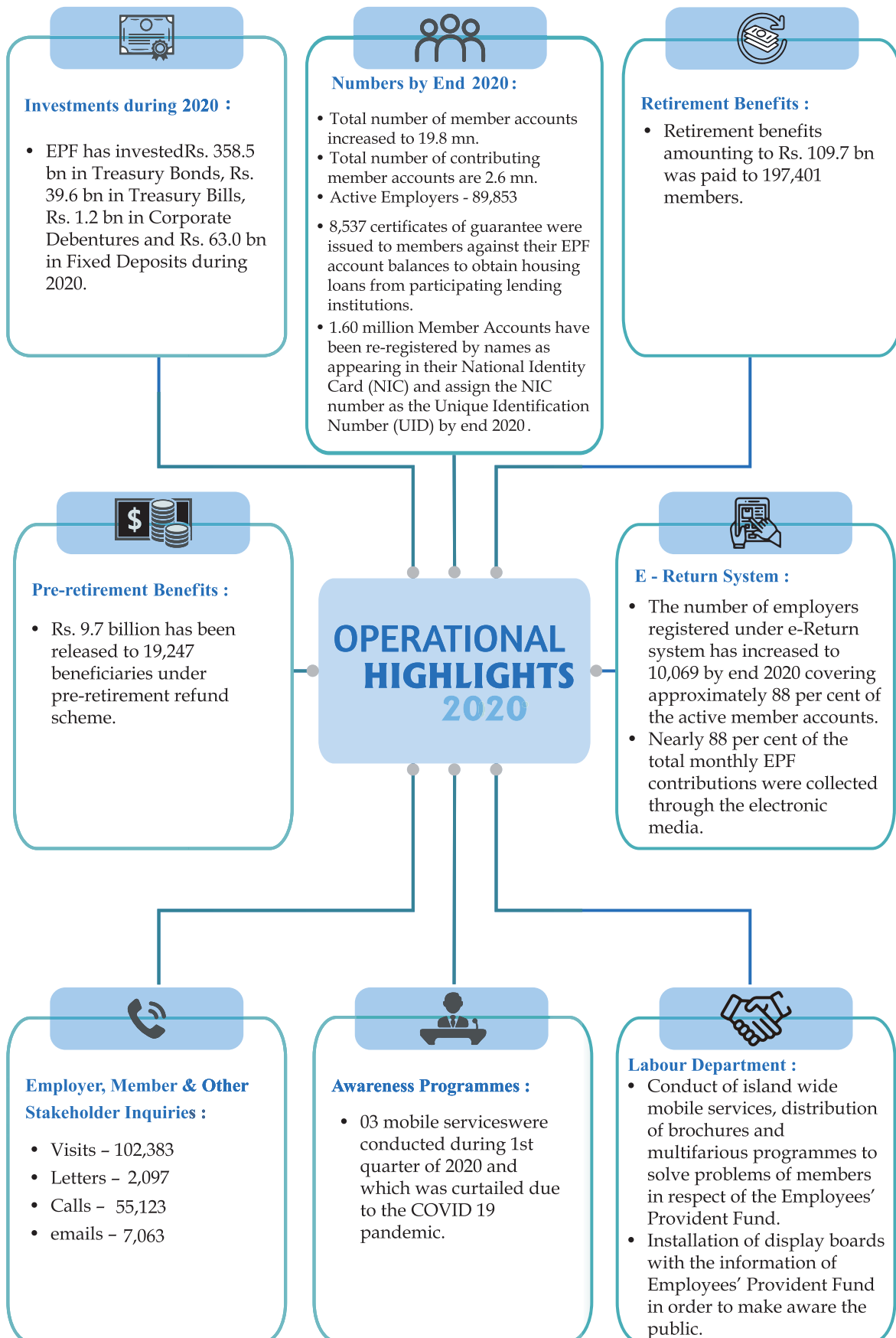
Source: EPF Department, Central Bank of Sri Lanka

Figure 07 Effective Rate of Return for Member Balances vs. Market Rates



Sources: EPF Department, Central Bank of Sri Lanka & Annual Report-2020, Central Bank of Sri Lanka





1

REVIEW OF THE PERFORMANCE OF EPF-2020

1. Introduction

The total net worth of the Fund reached Rs. 2,824.3 billion as at end 2020 recording a 11.2 per cent growth over Rs. 2,540.4 billion recorded by end 2019. The total number of member accounts was 19.76 million by end of 2020. The number of contributing member accounts was 2.61 million by end 2020, which was a decrease of 10.3 per cent compared to 2.91 million in 2019, whilst non contributing member accounts to 17.15 million by the end 2020, compared to 16.47 million in 2019. Meanwhile, the number of contributing employers recorded a decrease of 4.6 per cent to 89,853 by end 2020 from 94,171 reported at end 2019.

1.1 Member Contribution and Payments of Retirement Benefits

During 2020, member contributions decreased by 4.1 per cent to Rs. 150.7 billion from Rs. 157.2 billion during 2019. The total amount refunded to the members and their legal heirs including 30 per cent pre-retirement refunds were Rs. 109.7 billion during 2020, indicating a decrease of 13.1 per cent over that of Rs. 126.3 billion refunded

during 2019. The total number of refunds made during 2020 was 197,401, which was a decrease of 18.3 per cent compared to 241,581 recorded during 2019. Accordingly, the net contribution (gross contributions less refunds) increased by 32.6 per cent to Rs. 41.0 billion compared to Rs. 30.9 billion recorded during the previous year. Compared to previous year, an increase in the net contribution was recorded during 2020 mainly due to the reduction in refunds in a higher percentage points compared to the reduction in contribution. The total amount of 30 per cent refunds was amounted to Rs. 9.7 billion and the amount of other refunds was amounted to Rs.100.0 billion. The cumulative 30 per cent refunds as at the end of 2020 from 2015 amounted to Rs. 98.2 billion.

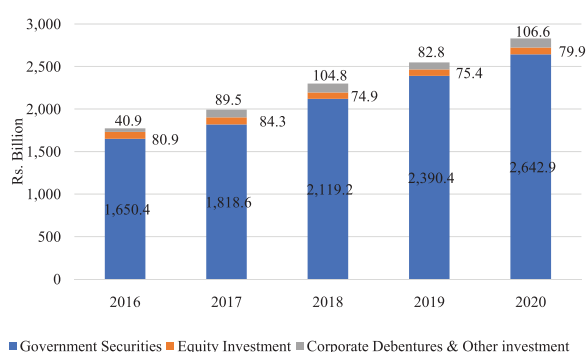
1.2 Investment Portfolio of EPF

The total investment portfolio of the Fund grew by 11.0 percent from Rs. 2,548.7 billion at end of 2019 to Rs. 2,829.5 billion at end of 2020 as depicted in the Table 1 and Graph 8.

Table 01 : Investment Portfolio 2016 – 2020

Asset Class	Amounts in Rs Bn				
	2016	2017	2018	2019	2020
Government Securities	1,650.4	1,818.6	2,119.2	2,390.4	2,642.9
Equity Investment	80.9	84.3	74.9	75.4	79.9
Corporate Debentures	34.3	38.7	43.7	41.9	34.9
Fixed Deposits	0.0	48.0	33.6	25.0	55.8
Trust Certificates, Re-Repo & Other Investments	6.6	2.7	27.4	16.0	16.0
Grand Total	1,772.2	1,992.4	2,298.8	2,548.7	2,829.5

Source: EPF Department, Central Bank of Sri Lanka

Graph 8 : Investment Portfolio 2016 – 2020

Source: EPF Department, Central Bank of Sri Lanka

Net income of Rs. 244.9 billion and net member contributions of Rs. 41.0 billion mainly contributed for the growth in the investment portfolio. The total investment portfolio of EPF consists of government securities, equity, corporate debentures and other short-term investments including fixed deposits. The concentration of investment in Government securities showed a slight decrease from 93.8 per cent in 2019 to 93.4 per cent at end 2020 and the composition of investments in equity had also decreased to 2.8 per cent in 2020 from 3.0 per cent in 2019. Investments in corporate debt securities and short-term fixed deposits were accounted for 1.2 per cent and 2.0 per cent of the portfolio respectively by end 2020. The total outstanding of reverse repurchase transactions which include investments in term and overnight reverse repurchase agreements and Standing

Deposit Facility accounted for 0.6 per cent of the total portfolio at end 2020.

1.2.1 Government Securities Portfolio

The Government securities portfolio consisting of Treasury bonds and Treasury bills grew by 10.6 per cent to Rs. 2,642.9 billion at end of 2020 from Rs. 2,390.4 billion at end of 2019. During 2020, EPF earned an interest income of Rs. 266.5 billion on the Government securities portfolio representing 93.3 per cent of the total gross income of the Fund. In 2020, the weighted average current yield of the government securities portfolio was recorded as 7.02 per cent. As per the Maturity Profile given in Table 2, more than 70 per cent of the total Government securities portfolio consists of Treasury bonds with a maturity period of more than 5-years, reflecting the EPF's preference towards longer tenor.

Table 02: Maturity Profile of Government Securities Portfolio as at end of 2020

Maturity	Maturity Value Amount (Rs.mn)	Share (%)	Weighted Average Yield (%)
Less than 1 year	76,490.0	2.9	4.84
1-2 years	339,259.3	13.0	5.79
3-4 years	361,104.6	13.8	6.50
More than 5 years	1,835,362.1	70.2	7.39
Total	2,612,216.0	100.0	7.02

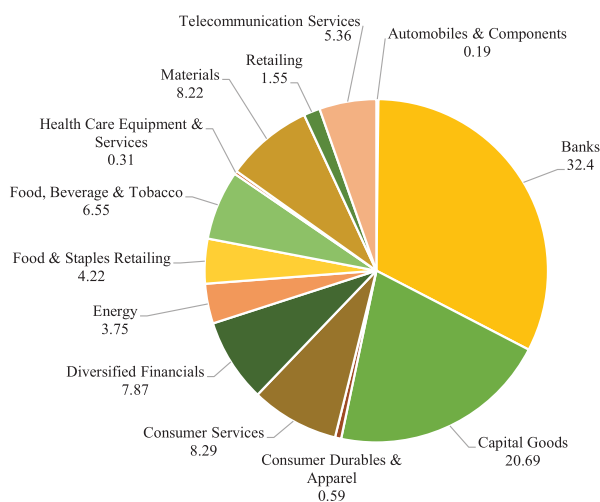
Source: EPF Department, Central Bank of Sri Lanka

1.2.2 Equity Portfolio

The market value of Equity portfolio of EPF, which consists of both listed and unlisted equities, increased by 6.0 per cent from Rs. 75.4 billion at end of 2019 to Rs. 79.9 billion at end of 2020. The listed equity portfolio

which valued on marked to market basis was increased by 6.8 per cent from Rs. 66.3 billion at end of 2019 to Rs. 70.8 billion at end of 2020 and the unlisted portfolio which carrying on cost basis had not been changed since there were no purchases or sales of unlisted equities during 2020. EPF's investments in listed equity portfolio consisting of large companies in different sectors, such as Banks, Capital Goods, Consumer Services, Material, etc listed on the Colombo Stock Exchange (CSE) (Graph 9). The graph 9 is based on the Global Industry Classification System (GICS) classification adopted by CSE w.e.f. 20th January 2020 at market value. EPF held 32.4 per cent of its listed equity portfolio in Banking sector which showed a setback during year 2020. EPF's equity portfolio recorded a net gain of Rs. 8.0 billion during 2020 through dividend income and change in fair value.

Graph 9 : Sectorial Composition of the Listed Equity Portfolio as at end of 2020 Based on Market Value



Source: EPF Department, Central Bank of Sri Lanka

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. Accordingly, during 2020, EPF has invested Rs. 1,200 mn in one corporate debt instrument issued by banking institution with investment grade credit rating. The corporate debenture portfolio of the Fund stood at Rs 34.9 billion on book value as at end December 2020, constituting 1.2 per cent of the total portfolio. The Fund earned interest income of Rs. 4,464.5 million on the corporate debt portfolio and the rate of return on average portfolio was 11.58 per cent during the year.

1.2.4 Reverse Repurchase Transactions

The daily excess funds are invested in the repo market and Open Market Operation window of Central Bank of Sri Lanka in managing the liquidity of the Fund. During 2020, the Fund earned an interest income of Rs. 521.0 million from reverse repo transactions compared to Rs. 1,171.5 million earned in 2019 due to lower interest regime prevailed in 2020.

1.2.5 Fixed Deposits

Based on the special approval granted by the Monetary Board, EPF invested its funds in short term Fixed Deposits with three state banks with a maximum maturity of one year. Accordingly, Fixed Deposit investments outstanding at end of 2020 amounted to Rs. 55.8 billion which is equivalent to 2.0 per cent of the total portfolio and interest income of Rs. 5,877.0 million was earned during the year 2020.

1.2.6 Total Investment Income of the Fund

Total investment income of the Fund amounted to Rs. 285.4 billion in 2020, recording an increase of 10.2 percent compared to that of the previous year (Table 03). Interest income was the major source of income (97.2 per cent of the investment income) to the Fund which grew by 8.9 per cent from Rs. 254.7 billion in 2019 to Rs. 277.4 billion in 2020. Further, dividend income generated from equity portfolio was reported as Rs. 2,985.0 million in 2020 compared to Rs. 6,247.5 million earned in 2019. The decrease in dividend payment was due to the due dividend payment from an unlisted company in 2020. Further, listed equity portfolio of EPF recorded an impressive marked to market gain of Rs. 5,023.1 million at end of 2020 compared to Rs.1,890.0 mn of marked to market loss incurred in 2019 which can be attributed to the improved performance in stock market by end 2020.

Table 03: Investment Income of the Fund

Source of Income	2019	2020	Growth (%)
	Amount (Rs.mn)	Amount (Rs.mn)	
Interest	254,681	277,409	8.9
Dividends	6,248	2,985	(52.2)
Net Gain/(Loss) on Financial Instruments at FVTP/L	(1,890)	5,023	365.8
Impairment of Financial Assets	0.3	1.6	419.9
Total	259,039	285,419	10.2

Source: EPF Department, Central Bank of Sri Lanka

1.3 Governance Framework for Risk Management of EPF

The MB of the CBSL as the custodian of the Fund is overseeing the risk management of the EPF. Accordingly, the risk management activities of EPF are also considered as an

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

The BROC is responsible for overseeing the risk management function and the EIOC provides the highest level of oversight authority pertaining to the fund management activities. The role of the EIOC is to oversee the investment activities of the EPF by providing strategic and policy guidance for the management of the fund. Further, powers with respect to the day-to-day investment decision-making function of the EPF fund management activities have been delegated to the departmental level committee, the EPF Investment Committee (EIC). The Middle Office of the Fund Management Division of EPF oversee the daily operational risk aspects on a continuous basis as the First Line of Defense. Accordingly, both pre and post compliances of investment activities are monitored in line with the parameters provided in Investment Policy Statement (IPS), Strategic Asset Allocation (SAA) and Investment Guidelines (IG). The Risk Management Department (RMD) acts as the Second Line of Defense and responsible for

providing the policy framework for the investment governance process through an independent assessment, monitoring and reporting risks associated with the fund management activities of the EPF. Accordingly, providing applicable policy directions and guidelines relating to investment activities are handled by RMD through revising and updating the IPS, SAA and IG in line with updated market requirements, to improve the existing work procedures and to provide greater independence over the investment decision making process while maintaining an adequate level of internal controls. As the Third Line of Defense, Internal Audit Department provides risk assurance with regard to the fund management function of EPF.

Further, a distinct mechanism is in place for escalation and addressing of non-financial

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

1.4 Operational Expenditure

The total operational expenditure of the Fund increased to Rs. 1,645.1 million in 2020, with 4.0 per cent increase compared to Rs. 1,581.8 million in 2019 mainly due to the increase in Personnel expenses. Even though, operational expenses as a percentage of gross income decreased to 0.58 per cent during the year compared to 0.61 per cent in 2019. (Table 04).

Table 04: Operational Expenditure

Item	EPF Department of Central Bank of Sri Lanka			Labour Department			Total		
	2019 (Rs.mn)	2020 (Rs.mn)	Change (%)	2019 (Rs.mn)	2020 (Rs.mn)	Change (%)	2019 (Rs. mn)	2020 (Rs. mn)	Change (%)
Personnel Expenses	632	648	2.5	431	455	5.6	1,063	1,103	3.8
Administrative Expenses	235	282	20.0	215	189	(12.1)	450	471	4.7
Other Expenses	60	63	5.0	9	8	(11.1)	69	71	2.9
Total	927	993	7.1	655	652	(0.3)	1,582	1,645	4.0
Total Expenses as a % of Gross Income	0.36	0.35		0.25	0.23		0.61	0.58	

Source: EPF Department, Central Bank of Sri Lanka

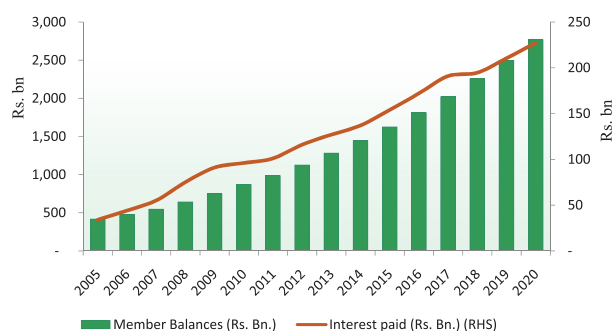
1.5 Tax Expenditure

With the introduction of the new Inland Revenue Act, No.24 of 2017, which was effective from 01 April 2018, the income tax rate applicable for the Fund increased from 10 per cent to 14 per cent, which resulted in an increase of Rs. 4.1 billion in the tax expenditure when compared with the previous year. Furthermore, the Withholding Tax (WHT) of 10.0 per cent paid on Treasury bond interest income which had been recognised as part of gross income under the previous tax regulations has been abolished with effect from 01 April 2018.

1.6 Member Account Balances and Interest Credited

In 2020, a sum of Rs.227.3 billion was credited to member accounts as interest. Accordingly, the member balances increased by 10.8 per cent to Rs. 2,767.8 billion as at end of 2020 compared to Rs. 2,497.6 billion as at end of 2019. Despite the low interest rate environment that prevailed during the recent years, the Fund was able to declare an interest rate of 9.00 per cent on the closing balance of member accounts for the year ending 31st December 2020, which is a slight decrease of 0.25 percentage point compared to 2019.

Graph 10: Member Balances and Interest Credited.



Source: EPF Department, Central Bank of Sri Lanka

1.7 Housing Loan Guarantee Facility

The Housing Loan Scheme, introduced in 1988 with the objective of facilitating the members to obtain housing loans from the participating lending institutions, viz., Housing Development and Finance Corporation Bank, State Mortgage and Investment Bank, Bank of Ceylon, People's Bank and Co-operative Rural Banks, continued during the year. Under this scheme, during 2020, EPF Department issued 8,537 certificates of guarantees to members against their EPF balances to the participating lending institutions for the approval of housing loans amounting to Rs. 4,497 million (Table 5). Further, during the year under review, nearly Rs. 3,321 million was deducted from relevant member accounts and remitted to the participating lending institutions in order to settle the overdue loans during the year 2019.

Table 05: Housing Loan Facility

Year	Number of Certificate Issued	Credit Approved (Rs. mn)	Amount Remitted to Lending Institutions to settle overdue loans of the Previous Year (Rs. mn)
2010	13,848	4,512	2,093
2011	20,041	6,355	1,896
2012	11,234	3,973	2,019
2013	16,268	6,914	2,178
2014	17,786	8,021	2,394
2015	13,132	5,489	2,522
2016	12,780	5,414	2,541
2017	10,998	4,946	2,485
2018	10,036	4,974	2,759
2019	10,022	5,097	3,164
2020*	8,537	4,497	3,321

*provisional

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 2020, the district labour offices and sub offices registered 5,092 new employers and 427,016 new employees covering all provinces. More than 45 per cent of the employers registered during the year 2020, were from the Western province while the Northern and the Eastern provinces together accounted for 11.3 per cent of the total employer registrations.

As per the provisions of the Act, the Department of Labour is empowered to take legal action against employers who do not pay member contributions. Accordingly, district labour offices and sub labour offices had sent 11,395 first notices and 7,742 red notices claiming overdue EPF contributions of Rs. 5,076 million and Rs. 3,884 million, respectively. Further, Rs. 329 million has been recovered by the Department of Labour by filing legal cases against 2,712 institutions which had failed to settle the arrears within 28 days after receiving the red notices.

Table 06 : Enforcement of Law

Description		Year				
		2016	2017	2018	2019	2020
New Registrations	Employers	7,134	7,718	9,243	8,930	5,092
	Employees	34,264	280,079	37,662	37,297	427,016
Provincial wise Employer Registrations (As a % of total Employer Registration)	Western	50.0	50.4	43.0	42.8	45.1
	Northern & Eastern	6.5	6.3	15.0	11.3	11.3
	Other	43.5	43.3	42.0	45.9	43.6
First Notices	No. of notices sent	10,074	10,888	13,653	20,436	11,395
	Amount Claimed (Rs. mn.)	4,464	5,876	4,316	6,839	5,076
Red Notices	No. of notices sent	6,508	6,613	8,364	13,756	7,742
	Amount Claimed (Rs. mn.)	3,454	3,775	3,320	5,231	3,884
Filed Cases	No. of cases	2,622	3,019	2,831	4,235	2,712
	Amount Recovered (Rs. mn.)	855	1,093	1,710	547	329

Source: EPF Section, Department of Labour

1.9 Re-registration of EPF members

The special project for re-registering member details in accordance with their details on the National Identity Card, which was commenced by EPF Department in 2010 was continued in the year 2020 as well. This project was implemented with the collaboration of the Labour Department with the intention of rendering an efficient service to both employers and employees. Accordingly, members were re-registered with the Employees Provident Fund as per the collected NIC details and this is the preliminary work that is underway to accomplish a Member Centric Database that can be utilized by both institutions commonly through the facility of identifying each member by their NIC number as the Unique Identification Number. The statistical information chart on re-registered members during the year 2020 under this project is given below.

Table 07 : Re-registration of Member Accounts

No. of members re-registered during the year 2020	Total no. of members re-registered by the end of year 2020
24,100	1,598,934

Source: EPF Department, Central Bank of Sri Lanka

In addition, a procedure has been established to update the information of new members accurately. Accordingly, a monthly monitoring process is followed to collect the National Identity Card information of the new members.

Although a Memorandum of Understanding was signed on 13.01.2020 with the Department of Registration of Persons (DRP) to facilitate Employees Provident Fund Department of the Central Bank of Sri Lanka to access their corporate database and

verify their National Identity Card information to strengthen the re-registration process, since DRP has introduced a new methodology to make the process more efficient, the EPF is currently in the process of signing a new Memorandum of Understanding in this regard.

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 EPF Department 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 employment cadre. 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.

The year 2020 was a remarkable year for EPF with regard to e-collection due to an introduction of a modification in the system of 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.

Further, with a view of introducing new methodologies for paying EPF, initiatives were taken to develop the EPF official website enabling employers to submit their e>Returns through the website using the Common Electronic Fund Transfer (CEFT) System, which enables employers to pay monthly contributions from any participating bank.

By end 2020, the participation of employers in the e-Return submission system had increased from 9,267 to 10,069 covering approximately 88 per cent of the active member accounts and approximately 88 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, payments under the 30 per cent EPF pre-retirement refund scheme,

has been in operation since 1st July 2015. The scheme is in high demand by beneficiaries and since the inception a sum of Rs. 98.2 billion has been refunded to over 180,503 beneficiaries by the end of 2020. During 2020, Rs.9.7 billion has been released to 19,247 beneficiaries under this scheme.

1.12 EPF Mobile Service Programme

EPF mobile services were planned for the year 2020 with a view towards enhancing delivery of member services at their convenience and conducting public awareness on EPF operations. The mobile services offer almost all the services a member could obtain by visiting the EPF Department located in Colombo, in their own area or workplace. The services include: Issuing of EPF balance statements, Amendment of EPF member details / EPF accounts, Cleansing of dummy numbers, Awareness for employers on electronic payments media such as E-media and direct debit system, Re-registration of member details linking member accounts to their NIC numbers, Promoting SMS & Internet member services and providing advice on the overall EPF procedures.

During the first quarter of the year 2020, EPF Department had conducted three (03) mobile services. However, the conduct of mobile services were curtailed due to the COVID-19 pandemic situation.

1.13 Image Scanning Project

The Image Scanning Project (ISP) was implemented with a view towards improving the efficiency of services provided by EPF Department by establishing a near-paperless operating system.

With the completion of Phase-I of the project, the traditional model of the EPF record room was converted into an E-Record room. All the Master File records, Form D and Re-registration Documents have been scanned, indexed and uploaded to the Document Management System. The document retrieval, file updating, notifications and all other related functions have been made available for the departmental users at their own desktop. Most of the manual processes have been automated minimizing the involvement of staff members. This transformation has resulted in a considerable saving of time, space and human resources.

Based on the process efficiencies gained through phase-I, the phase-II of the project was initiated at the end of the year 2016 to digitize the other frequently used records. The digitization of documents at the phase-II includes: The Form C & C3 used for the collection of contribution from employers belonging to the years 2013, 2014 and 2015, Refund worksheets from 2002 to 2015 except for the year 2013, Individual Employer Ledgers (IEL) for the period 1974 to 2015 (Except year 2013), Amendment letters from 2010 onwards and Re-registration documents belong to the year 2014. At the end of year 2017, the scope of the phase-II of the project was extended to include the scanning & indexing of Form C & C3 belonging to the years 2016 & 2017. Accordingly the above scope of the project was completed during the year 2018. The verification of the scanned images was completed in year 2020.

Refund payment and part payment processes have been made efficient now as all correspondences related to payment from 2001 is scanned and uploaded to the system. Also other member services such as name

amendment and re-registered member detail amendments are also being made efficient.

The Department is in the process of making arrangements to expand the capacity of the document management server with a Disaster Recovery arrangement and thereby initiate the real time scanning of documents in order to digitalize the documents at the point of reception.

1.14 Other Services

EPF Department strives on efficient and effective delivery of services to its members. In today's fast paced environment members demand excellent service delivery. Thus, the Public Relations and Inquiries Counter of EPF Department has concluded a challenging year in 2020. During the year under review, the number of member/employer visits to the Department is recorded as 102,383 while the Department had received 55,123 member inquiries through calls and 7,063 member inquiries through e-mails. The Department has also received 2,097 letters in 2020 through members, employers and other stakeholders.

The Department also receives a large number of member requests through letters and through the members visiting the Department, for amendment/correction of details in the member accounts. In year 2020, the Record Amendment Division has attended to approximately 60,000 EPF records and EPF accounts amendments. A new IT system has been introduced during the year, for tracking the status of amendments while keeping a log of supporting documents. The new system is updated with the status of amendment and progress is notified to the member through SMS text message to the mobile phone

number of the member. The Department of Labor accepts the SMS message received to the member as a proof of amendment and proceed to confirm the identity of the member. New system has improved the efficiency of EPF record amendment process and the member is immediately informed about the progress.

1.15 Other Functions

Furthermore, EPF is in the process of reviewing and restructuring its investment strategy and framework under the Financial Sector Modernization Project assisted by the World Bank (WB) and Government of Sri Lanka (GOSL).

Actions have been initiated for introducing a Web Based and Mobile based applications for paying contributions and sending respective contribution details specifically targeting the small and medium scale employers. This facility embedded the feature of automated member accounts updating upon a confirmation received for the remittance contribution payments and intend to enhance the efficiency and effectiveness of the respective process.



SECTION C

FINANCIAL STATEMENTS

EMPLOYEES' PROVIDENT FUND
STATEMENT OF INCOME AND EXPENDITURE

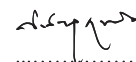
<i>For the year ended 31st December</i>	Note	2020			2019
		Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Interest Income	5	277,409,000	-	277,409,000	254,680,982
Dividend Income	6	2,985,049	-	2,985,049	6,247,497
Realised Capital Gain on Financial Assets	7	-	-	-	137
Net Gain/ (Loss) on Financial Instruments at Fair Value Through Profit or Loss	8	5,023,106	-	5,023,106	(1,890,010)
Over/(Under) Provision of Impairment of Financial Assets	9	1,643	-	1,643	316
Investment Income		285,418,798	-	285,418,798	259,038,922
Other Income	10	203,324	8,766	212,090	283,784
Gross Income		285,622,122	8,766	285,630,888	259,322,706
Operating Expenses	11	(992,871)	(652,207)	(1,645,078)	(1,581,798)
Operating Profit/ (Loss) before Income Tax		284,629,251	(643,441)	283,985,810	257,740,908
Tax Expense	12	(39,062,581)	-	(39,062,581)	(34,964,552)
Profit/ (Loss) for the Year		245,566,670	(643,441)	244,923,230	222,776,356
Retained Profit brought Forward				129,112	159,475
Capital Gain on Disposal of Unlisted Equity				-	90,000
Profit available for Distribution				245,052,342	223,025,831
Profit Distribution					
Less : Interest Paid on Current Year Refunds				(4,315,789)	(4,762,437)
Add/ (Less) - Transfer from / (to) Profit Equalisation Reserve				(13,000,000)	(7,700,000)
Interest on member balances as at 31 st December 2020 @ 9.00% (2019-9.25%)				(227,306,624)	(210,434,282)
Balance Carried Forward for the Next Year				429,929	129,112

The accounting policies and notes on pages 250 through 291 form an integral part of the Financial Statements.
The Monetary Board is responsible for the preparation of these Financial Statements.
These Financial Statements were approved by the Monetary Board.

For and on behalf of the Monetary Board,



.....
Prof. W D Lakshman
Governor
Central Bank of Sri Lanka



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

Date : 24 February 2021

**EMPLOYEES' PROVIDENT FUND
STATEMENT OF COMPREHENSIVE INCOME**

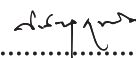
<i>For the year ended 31st December</i>	Note	2020 Rs.'000	2019 Rs.'000
Profit for the Year		244,923,230	222,776,356
Other Comprehensive Income			
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	13	350,829	(7,249)
Total Comprehensive Income for the Year		245,274,059	222,769,107

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Prof. W D Lakshman
Governor
Central Bank of Sri Lanka



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A G U Thilakarathna
Superintendent
Employees' Provident Fund

Date : 24 February 2021

EMPLOYEES' PROVIDENT FUND
STATEMENT OF FINANCIAL POSITION

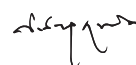
<i>As at 31st December</i>	Note	2020	2019
		Rs. Rs.'000	Rs. Rs.'000
Assets			
Property, Plant and Equipment	14	250,536	270,886
Capital Work-in-Progress		81,995	-
Intangible Assets	15	2,989	3,618
Equity Instruments at FVOCI	16	9,853,473	9,502,643
Equity Instruments at FVTPL	17	70,094,309	65,907,115
Debt Instruments at Amortised Cost	18	2,749,546,574	2,473,311,184
Inventories		11,099	10,646
Interest Receivables		122,125	531,207
Contribution Receivable		14,546,427	13,468,914
Other Current Assets	19	985,255	628,308
Cash and Cash Equivalents	20	2,613,033	3,167,118
		2,848,107,816	2,566,801,639
Liabilities			
Accounts Payable	21	4,554	3,598
Accrual Expenses		437,237	285,576
Other Current Liabilities	22	23,353,148	26,074,006
		23,794,939	26,363,180
Total Net Assets		2,824,312,877	2,540,438,459
Represented by, Member Balances	23	2,767,832,367	2,497,609,596
		2,767,832,367	2,497,609,596
Reserves	24	56,050,581	42,699,751
Retained Profit		429,929	129,112
		56,480,510	42,828,863
Total Net Worth of the Fund		2,824,312,877	2,540,438,459

The accounting policies and notes on pages 250 through 291 form an integral part of the Financial Statements. The Monetary Board is responsible for the preparation of these Financial Statements. These Financial Statements were approved by the Monetary Board. For and on behalf of the Monetary Board,



.....
 Prof. W D Lakshman
 Governor
 Central Bank of Sri Lanka

Date : 24 February 2021



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

**EMPLOYEES' PROVIDENT FUND
RECEIPTS AND PAYMENTS ACCOUNT**

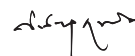
<i>For the year ended 31st December</i>	Note	2020			2019
		Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Cash balance at the beginning of the year		3,167,154	45,219	3,212,373	3,496,334
Total Receipts	25	420,757,723	751,154	421,508,877	406,250,387
Total Payments	26	(421,311,815)	(769,981)	(422,081,797)	(406,534,348)
Cash balance at the end of the year		2,613,062	26,392	2,639,453	3,212,373

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For and on behalf of the Monetary Board;



.....
Prof. W D Lakshman
Governor
Central Bank of Sri Lanka



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

Date : 24 February 2021

**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
<i>As at 31st December 2020</i>						
Treasury Bonds	18.1.1	2,609,116,044	2,529,082,614	3,055,928,375	2,639,859,512	2,639,859,512
Treasury Bills	18.1.2	3,100,000	3,028,474	3,043,021	3,049,915	3,049,915
Corporate Debt Instruments	18.2/18.6/18.7	33,901,549	33,901,549	33,256,205	34,867,042	34,865,417
Reverse Repo	18.4	16,000,000	16,000,000	16,002,379	16,002,379	16,002,379
Fixed Deposits	18.5	53,000,000	53,000,000	55,769,566	55,769,566	55,769,351
Listed Equities	16.1/17.1	-	83,463,472	70,806,793	83,463,472	70,806,793
Unlisted Equities	16.2	-	9,640,989	9,140,989	9,640,989	9,140,989
		2,715,117,593	2,728,117,098	3,243,947,329	2,842,652,874	2,829,494,356
<i>As at 31st December 2019</i>						
Treasury Bonds	18.1.1	2,381,927,053	2,262,943,811	2,455,954,830	2,382,459,525	2,382,459,525
Treasury Bills	18.1.2	8,250,000	7,586,701	7,908,078	7,941,165	7,941,165
Corporate Debt Instruments	18.2/18.6	40,871,549	40,876,549	40,401,187	41,844,551	41,841,330
Trust Certificates	18.3	424,395	263,750	406,532	406,532	406,518
Reverse Repo	18.4	15,600,000	15,600,000	15,630,972	15,630,972	15,630,972
Fixed Deposits	18.5	25,000,000	25,000,000	25,031,914	25,031,914	25,031,674
Listed Equities	16.1/17.1	-	83,695,978	66,268,769	83,695,978	66,268,769
Unlisted Equities	16.2	-	9,640,989	9,140,989	9,640,989	9,140,989
		2,472,072,997	2,445,607,779	2,620,743,271	2,566,651,626	2,548,720,942

The accounting policies and notes on pages 250 through 291 form an integral part of the Financial Statements.

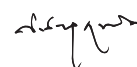
The Monetary Board is responsible for the preparation of these Financial Statements.

These Financial Statements were approved by the Monetary Board.

For and on behalf of the Monetary Board



.....
Prof. W D Lakshman
Governor
Central Bank of Sri Lanka



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

Date : 24 February 2021

EMPLOYEES' PROVIDENT FUND
STATEMENT OF CASH FLOWS

<i>For the year ended 31st December</i>	2020 Rs.'000	2019 Rs.'000
Cash flows from operating activities		
Interest received from Investments	266,195,662	241,250,083
Dividends received from equities	2,512,227	5,474,453
Surcharges and other income	10,534	282,880
Recoveries from receivables	(234)	376,876
Payment of operating expenses	(1,189,882)	(1,214,420)
Advances given	(38,721)	(5,061)
Settlement of Creditors and other payables	(3,575,745)	(3,389,714)
Cash generated from operating activities	263,913,841	242,775,097
Taxes Paid	(41,783,609)	(36,180,154)
Net cash generated from operating activities	222,130,232	206,594,943
Cash flows from investing activities		
Investments in Financial Assets	(2,035,967,793)	(2,350,205,044)
Maturities of Investments	1,771,076,730	2,111,474,111
Proceeds on sale of Financial Investments	1,262,186	999,116
Acquisition of Property, Plant and Equipment	(94,228)	(31,105)
Net cash used in investing activities	(263,723,104)	(237,762,922)
Cash flow from financing activities:		
Contributions received	150,734,735	157,247,216
General Deposit Account - Labour Department	55,584	44,229
Refunds to Members	(109,725,147)	(126,330,170)
Net cash generated from financing activities	41,065,171	30,961,274
Net increase in cash and cash equivalents	(527,701)	(206,705)
Cash and Cash equivalents at the beginning of the year	3,167,154	3,419,078
Cash and cash equivalents at the end of the year-Before Adjustments	2,639,453	3,212,373
Adjustments:		
Cash balance at the end of the year - Labour Department	(26,392)	(45,219)
Cash and cash equivalents at the end of the year (Note A)	2,613,062	3,167,154
Note A		
Analysis of Cash and Cash equivalents as at 31 st December;		
Cash in Hand	20	20
Cash in Transit	-	156,334
Cash at Bank	2,613,042	3,010,800
	2,613,062	3,167,154
(-) Provision for impairment	(28)	(36)
	2,613,033	3,167,118

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

Description	Members Balance Rs.'000	Building Reserve Fund Rs.'000	Technology Advancement Reserve Fund Rs.'000	Profit Equalisation Reserve Fund Rs.'000	General Reserve Fund Rs.'000	Investment Revaluation Reserve Rs.'000	Retained Profit Rs.'000	Total Rs.'000
Balance as at 31st December 2018	2,254,194,451	3,157,000	350,000	24,850,000	6,650,000	-	159,475	2,289,360,926
Net Profit for the year - 2019	-	-	-	-	-	-	222,776,356	222,776,356
Capital gain on disposal of unlisted shares	-	-	-	-	-	-	90,000	90,000
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	-	-	-	-	-	(7,249)	-	(7,249)
Net Contributions for 2019	32,980,863	-	-	-	-	-	-	32,980,863
Member Interest Paid on Refunds - 2019	-	-	-	-	-	-	(4,762,437)	(4,762,437)
Member Interest payable (2019 at 9.25%)	210,434,282	-	-	-	-	-	(210,434,282)	-
Transfers to Profit Equalization Reserve	-	-	-	7,700,000	-	-	(7,700,000)	-
Balance as at 31st December 2019	2,497,609,596	3,157,000	350,000	32,550,000	6,650,000	(7,249)	129,112	2,540,438,459
Net Profit for the year - 2020	-	-	-	-	-	-	244,923,230	244,923,230
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	-	-	-	-	-	350,829	-	350,829
Net Contributions for 2020	42,916,148	-	-	-	-	-	-	42,916,148
Member Interest Paid on Refunds - 2020	-	-	-	-	-	-	(4,315,789)	(4,315,789)
Member Interest payable (2020 at 9.00%)	227,306,624	-	-	-	-	-	(227,306,624)	-
Transfers to Profit Equalization Reserve	-	-	-	13,000,000	-	-	(13,000,000)	-
Balance as at 31st December 2020	2,767,832,367	3,157,000	350,000	45,550,000	6,650,000	343,581	429,929	2,824,312,877

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 2020, were authorised for issue by the Monetary Board on 24th February 2021.

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%.

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 EPF in a business combination to which SLFRS 3 'Business Combination' applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable

election of adopting fair value through other comprehensive income, by default such investments shall be measured at fair value through profit and loss.

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

(iii) Items at fair value through profit or loss

Items at fair value through profit or loss comprise:

(a) Items held for trading;

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

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

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

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

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

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

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

Derivative financial instruments and hedge accounting

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable,

and typically comprise of instruments such as swaps, forward rate agreements, futures and options.

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

3.2.1.2 Impairment of financial assets

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

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

No ECL is recognised on equity investments.

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

Stage 1: 12-months ECL

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

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

Stage 2: Lifetime ECL – not credit impaired

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

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

Further, movements within the ratings of the investment grade stipulate significant deterioration of credit risk. Significant

deterioration is measured through the two notches downgrade of the external credit rating of the counterparty since the origination of the instrument.

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

Stage 3: Lifetime ECL – credit impaired

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

Determining the stage for impairment

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

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

Measurement of ECLs

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the EPF in accordance with the contract and the cash flows that the EPF expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the EPF if the commitment is drawn down and the cash flows that the EPF expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the EPF expects to recover.

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

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

3.2.1.3 Recognition and Derecognition of financial instruments

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

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

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

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

3.2.1.4 Offsetting

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

3.2.1.5 Critical accounting assumptions and estimates

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

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

Fair value measurement

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

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

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

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

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;

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

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

3.2.3 Intangible Assets

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

3.2.4 Inventories

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

3.2.5 Receivables

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

3.2.6 Impairment of Non- Financial Assets

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

3.3 Liabilities

3.3.1 Unclaimed Benefits

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

3.3.2 Retained Benefits

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

3.3.3 Under Payments & Over Payments (Refunds)

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

3.3.4 Under Payments & Over Payments (Contribution)

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

3.3.5 Provisions

Provisions are recognised when the Fund has an obligation at present (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

3.3.6 De-recognition of Liabilities

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

3.4 Income Statement

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

3.5 Statement of Cash Flows

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

3.6 Receipts and Payments Account

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

4. Comparative Information

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

EMPLOYEES' PROVIDENT FUND**Notes to the Financial Statements****5 Interest Income**

<i>For the year ended 31st December</i>	2020			2019
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Interest on Treasury Bonds	266,130,027	-	266,130,027	244,237,536
Interest on Treasury Bills	414,639	-	414,639	2,124,533
Interest on Corporate Debt Securities - Listed	3,601,195	-	3,601,195	4,188,426
Interest on Corporate Debt Securities - Unlisted	863,335	-	863,335	798,429
Interest on Fixed Deposits	5,877,047	-	5,877,047	2,104,017
Interest on Trust Certificates	1,798	-	1,798	56,503
Interest on Reverse Repos	520,960	-	520,960	1,171,538
	277,409,000	-	277,409,000	254,680,982

6 Dividend Income

<i>For the year ended 31st December</i>	2020			2019
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Dividend from Equity Securities - Listed	2,451,343	-	2,451,343	2,435,989
Dividend from Equity Securities - Unlisted	465,619	-	465,619	3,673,501
Dividend from Unlisted Preference Shares	68,087	-	68,087	138,007
	2,985,049	-	2,985,049	6,247,497

7 Realised Capital Gain/ (Loss) on Financial Assets

<i>For the year ended 31st December</i>	2020			2019
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Gain on dealing of Treasury Bills	-	-	-	137
	-	-	-	137

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

<i>For the year ended 31st December</i>	2020			2019
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Listed Equity Securities	5,023,106	-	5,023,106	(1,890,010)
	5,023,106	-	5,023,106	(1,890,010)

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

9 Impairment of Financial Assets

<i>For the year ended 31st December</i>	2020 Rs.'000	2019 Rs.'000
Under/ (Over) Provision for impairment; (Note 18 & 20)		
Corporate Debt Securities	(1,416)	(376)
Trust Certificate	(14)	(22)
Fixed Deposits	(24)	57
Other Financial Investment	(180)	24
Bank Balances	(8)	1
	(1,643)	(316)
Under/ (Over) Provision of Impairment/ Impairment Expense	(1,643)	(316)

10 Other Income

<i>For the year ended 31st December</i>	2020			2019
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Surcharges	203,320	-	203,320	277,348
Other Income	4	8,766	8,770	6,436
	203,324	8,766	212,090	283,784

11 Operating Expenses

<i>For the year ended 31st December</i>	2020			2019
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Personnel Expenses	647,643	454,678	1,102,321	1,062,598
Administration Expenses	282,399	189,615	472,014	450,699
Other Expenses	62,830	7,913	70,743	68,501
	992,871	652,207	1,645,078	1,581,798

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

12 Tax Expense

<i>For the year ended 31st December</i>	2020 Rs.'000	2019 Rs.'000
Income Tax on Profit for the Year (12.1)	39,080,226	35,659,310
(Over)/ Under Provision in respect of Previous Years	(17,645)	(694,758)
Amortised WHT on Treasury Bonds	-	-
	39,062,581	34,964,552

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

Summary of significant provision applicable under relevant tax legislation

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

12.1 Reconciliation between Profit before Tax & Taxable income

	2020 Total Rs. '000	2019 Total Rs. '000
Operating Profit/ (Loss) before Income Tax / Investment Income	283,985,810	257,740,908
Adjustment;		
Dividend Income	(1,231,564)	(6,247,497)
Capital Gain on Treasury Bills	-	(137)
Unrealised Loss/ (Gain) on Financial Instruments at Fair Value through Profit or Loss	(5,023,106)	1,890,010
Over Provision of Impairment of Financial Assets	(1,643)	(316)
Disallowed Expenses	1,414,971	1,326,391
Adjusted income for taxation	279,144,469	254,709,359
current tax expenses for the Fund		
14% (after 01.04.2018)	39,080,226	35,659,310
	39,080,226	35,659,310

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

<i>For the year ended 31st December</i>	2020 Total Rs.'000	2019 Total Rs.'000
Gain/ (Loss) on Equity	350,829	(7,249)
	350,829	(7,249)

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

14 Property, Plant and Equipment

14.1 Monetary Board & Labour Dept: - 2020

	Computer Equipment Rs.'000	Furniture and Fittings Rs.'000	Office Equipment Rs.'000	Motor Vehicles Rs.'000	Other Rs.'000	Total Rs.'000
Cost						
As at 01st January 2020	565,032	109,999	418,267	97,202	6,423	1,196,924
Additions during the year	6,022	938	6,246	-	-	13,206
Disposals During the year	-	-	-	-	-	-
As at 31st December 2020	571,054	110,937	424,513	97,202	6,423	1,210,130
Accumulated Depreciation						
As at 01st January 2020	484,023	86,490	294,686	56,093	4,746	926,038
Charge for the year	20,254	6,721	5,976	-	605	33,555
Disposals During the year	-	-	-	-	-	-
As at 31st December 2020	504,276	93,211	300,661	56,093	5,351	959,593
Net Book Value (NBV)						
As at 31st December 2020	66,778	17,726	123,851	41,109	1,072	250,536
As at 31st December 2019	81,009	23,509	123,581	41,109	1,677	270,886

Monetary Board & Labour Dept: - 2019

	Computer Equipment Rs.'000	Furniture and Fittings Rs.'000	Office Equipment Rs.'000	Motor Vehicles Rs.'000	Other Rs.'000	Total Rs.'000
Cost						
As at 01st January 2019	558,950	103,587	400,979	97,202	6,423	1,167,142
Additions during the year	6,082	6,412	17,288	-	-	29,782
Disposals During the year	-	-	-	-	-	-
As at 31st December 2019	565,032	109,999	418,267	97,202	6,423	1,196,924
Accumulated Depreciation						
As at 01st January 2019	467,845	80,259	272,662	56,093	4,132	880,992
Charge for the year	16,177	6,231	22,024	-	614	45,046
Disposals During the year	-	-	-	-	-	-
As at 31st December 2019	484,023	86,490	294,686	56,093	4,746	926,038
Net Book Value (NBV)						
As at 31st December 2019	81,009	23,509	123,581	41,109	1,677	270,886
As at 31st December 2018	91,105	23,328	128,317	41,109	2,291	286,150

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Property, Plant & Equipment Contd....

14.2

2020	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
Cost													
As at 01st January 2020	124,640	440,392	47,932	62,067	23,592	394,676	-	97,202	6,071	352	202,235	994,688	1,196,923
Additions during the year	6,022	-	34	904	5,646	600	-	-	-	-	11,702	1,504	13,206
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31st December 2020	130,662	440,392	47,966	62,971	29,237	395,276	-	97,202	6,071	352	213,937	996,192	1,210,129
Accumulated Depreciation													
As at 01st January 2020	113,729	370,294	34,804	51,686	17,941	276,745	-	56,094	4,394	352	170,866	755,171	926,037
Charge for the year	3,958	16,296	3,660	3,061	2,358	3,618	-	-	605	-	10,581	22,974	33,555
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31st December 2020	117,686	386,590	38,464	54,747	20,298	280,363	-	56,094	4,999	352	181,447	778,145	959,592
NBV as at 31st December 2020	12,976	53,802	9,502	8,224	8,939	114,912	-	41,109	1,073	-	32,490	218,047	250,536
NBV as at 31st December 2019	10,911	70,098	13,128	10,381	5,651	117,931	-	41,109	1,678	-	31,368	239,517	270,886

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

15 Intangible Assets

Computer Software	2020			2019
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Cost				
As at 01st January	35,590	4,626	40,216	38,868
Acquisitions during the Year			-	1,348
As 31st December	35,590	4,626	40,216	40,216
Amortisation				
As at 01st January	33,417	3,181	36,598	34,648
Amortisation during the period	629		629	1,950
As 31st December	34,046	3,181	37,227	36,598
Net book value				
As at 01st January	2,173	1,445	3,618	4,220
As 31st December	1,544	1,445	2,989	3,618

16 Equity Instruments at Fair Value through Other Comprehensive Income

As at 31 st December	2020		2019	
	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Investments in equity				
listed Equity (Note 16.1)	368,903	712,484	368,903	361,654
Unlisted Equity (Note 16.2)	9,640,989	9,140,989	9,640,989	9,140,989
Total Equity Instruments at FVOCI	10,009,892	9,853,473	10,009,892	9,502,643

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

16.1 Listed Equity

As at 31 st December	2020		2019	
	Cost Rs.'000	Book value Rs.'000	Cost Rs.'000	Book value Rs.'000
Company Name				
Laugfs Gas Power Limited - Voting	281,261	578,978	281,261	289,489
Laugfs Gas Power Limited - Non Voting	87,642	133,506	87,642	72,165
	368,903	712,484	368,903	361,654

16.2 Unlisted Equity

As at 31 st December	2020		2019	
	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
	9,640,989	9,140,989	9,640,989	9,140,989

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

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

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

17 Equity Instruments at FVTPL

<i>As at 31st December</i>	2020		2019	
	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Investments in equity Listed Equity (Note 17.1)	83,094,569	70,094,309	83,327,075	65,907,115
Total Equity Instruments at FVTPL	83,094,569	70,094,309	83,327,075	65,907,115

17.1 Listed Equity

<i>As at 31st December</i>	2020		2019	
	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Company Name				
Access Engineering PLC	448,736	503,766	448,736	446,427
ACL Cables PLC	155,514	452,509	155,514	339,677
ACL Plastics PLC	-	-	19,893	24,490
Aitken Spence PLC	1,997,136	1,190,159	1,997,136	957,480
Aitken Spence Hotel Holdings PLC	1,710,207	1,017,502	1,710,207	853,693
Amaya Leisure PLC	348,646	218,154	348,646	190,625
Asian Hotels & Properties PLC	3,273,782	1,941,216	3,273,782	1,832,617
Asiri Surgical Hospital PLC	1,681	4,113	1,681	2,401
Bairaha Farms PLC_Voting Shares	5,274	4,985	5,274	3,974
Balangoda Plantations PLC	-	-	40,338	16,213
Bogawantalawa Tea Estates PLC	1,463	1,193	1,463	850
Browns & Company PLC	1,799,560	727,419	1,799,560	504,076
Bukith Darah PLC	2,310,610	998,255	2,310,610	657,596
C W Mackie PLC	12,644	6,708	12,644	6,288
Cargills (Ceylon) PLC	1,372,001	1,723,503	1,372,001	1,622,615
Carson Cumberbatch PLC	2,607,240	1,562,001	2,607,240	1,064,491
Central Finance Company PLC	2,712,636	1,997,095	2,684,195	2,464,943
Ceylon Grain Elevators PLC	1,005,585	593,911	1,005,585	366,513
Ceylon Guardian Investment PLC	555,487	378,019	555,487	271,117
Ceylon Hospitals PLC - Voting	81,715	85,251	106,534	84,005
Ceylon Hospitals PLC (NV)	25,411	103,893	25,411	77,805
Ceylon Hotels Corporation PLC	711,243	290,511	711,243	253,928
Ceylon Tea Services PLC	1,082,639	1,086,136	1,082,639	906,902
Ceylon Theatres PLC	1,086,557	1,267,584	1,086,557	1,292,183
Chemane PLC	-	-	1,454	1,362
Chevron Lubricant Lanka PLC	49,564	109,719	49,564	76,092
CIC Holdings PLC - Non Voting	221,726	421,209	221,726	132,253
CIC Holdings PLC Voting	694,300	1,203,995	694,300	396,268
Colombo Dockyard PLC	2,791,809	1,001,764	2,791,809	728,129
Commercial Bank of Ceylon PLC	9,570,743	7,663,152	9,385,626	8,793,072
DFCC Bank PLC	3,408,152	1,600,756	3,395,968	2,239,511
Dialog Axiata PLC	2,255,649	2,944,059	2,255,649	2,920,316
Diesel & Motor Engineering PLC	1,625,690	1,091,284	1,625,690	564,883

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

17.1 Continued...

Company Name	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Dipped Products PLC	668,020	2,044,441	866,679	641,532
Expolanka Holdings PLC - Voting	-	-	8,421	4,929
Galadari Hotels (Lanka) PLC	810,322	225,266	810,322	215,781
Hatton National bank PLC	6,792,640	5,059,236	6,655,723	6,736,308
Haycarb PLC	238,460	806,027	238,460	269,337
Hayleys Fabrics PLC	213,592	154,032	213,592	99,179
Hayleys PLC	403,250	575,659	1,096,572	660,531
Jetwing Symphony PLC	390,000	340,364	390,000	400,636
John Keells Holdings PLC	1,597,949	1,519,835	1,597,949	1,702,702
John Keells Hotels PLC	1,166,289	863,219	1,166,289	910,304
Kegalle Plantations PLC	24,734	10,885	24,734	7,277
Kelani Tyres PLC	98,635	134,404	98,635	77,068
Lanka IOC PLC	76,437	52,563	76,437	44,585
Lanka Orix Leasing Company PLC	1,611,013	2,049,605	1,611,013	2,694,851
Lanka Tiles PLC	406,130	714,443	406,130	381,070
Lankem Ceylon PLC	-	-	4,349	765
Laugfs Gas PLC - Non Voting	459,439	360,826	459,439	238,145
Laugfs Gas PLC - Voting	1,891,758	1,528,502	1,891,758	1,013,211
Lighthouse Hotel PLC	309,422	181,019	309,422	187,629
Mackwoods Energy PLC	-	-	35,759	7,017
Malwatte Valley Plantations PLC	-	-	8,783	4,910
Malwatte Valley Plantations PLC - Non Voting	-	-	3,101	1,384
National Development Bank PLC	2,236,663	1,816,897	2,125,763	2,217,997
Nations Trust Bank PLC	8,573	7,636	8,573	10,181
Nawaloka Hospitals PLC	14,587	24,689	21,565	23,508
Nestle Lanka PLC	21,687	127,500	21,687	129,980
Palm Garden Hotel PLC	54,109	7,252	54,109	7,279
People's Leasing & Finance PLC	1,593,778	1,147,239	1,540,771	1,581,384
Pyramal Glass Ceylon PLC	541,434	848,981	541,434	406,427
Raigam Wayamba Salterns PLC	153,682	254,980	153,682	102,753
Richard Pieris & Company PLC	1,647,208	2,531,503	1,647,208	2,004,814
Royal Ceremics Lanka PLC	1,633,878	2,705,733	1,633,878	1,352,103
Sampath Bank PLC	6,697,680	5,158,395	6,697,680	6,177,901
Seylan Bank PLC	1,530,305	1,164,072	1,505,516	1,301,447
Seylan Bank PLC - Non Voting	473,142	472,077	459,693	454,589
Seylan Developments PLC	-	-	1,416	1,150
Sierra Cables PLC	33	56	33	29
Softlogic Holdings PLC	133,137	89,658	133,137	114,965
Sri Lanka Telecom PLC	857,619	848,357	857,619	807,839
Taj Lanka Hotels PLC	343,942	125,699	343,942	107,105
Tangerine Beach Hotels PLC	147,658	75,445	147,658	65,179
Tea Smallholder Factories PLC	440	329	440	220
Teejay Lanka	262,021	265,215	12,042	15,702
The Finance Company PLC*	205,490	-	205,490	-
The Kingsbury PLC	555,502	304,163	555,502	334,835
Tokyo Cement Company (Lanka) PLC -NV	134,651	384,888	134,651	221,226
Trans Asia Hotels PLC	263,155	283,120	263,155	299,445
Vallibel One PLC	2,502,708	2,640,279	2,502,708	1,777,111
	83,094,569	70,094,309	83,327,075	65,907,115

*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

18 Debt Instruments at Amortised Cost

	2020				2019			
	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
<i>As at 31st December</i>								
Investments in Government Securities								
Treasury Bonds (Note 18.1.1)	2,609,116,044	2,529,082,614	3,055,928,375	2,639,859,512	2,381,927,053	2,455,954,830	2,382,459,525	
Treasury Bills (Note 18.1.2)	3,100,000	3,028,474	3,043,021	3,049,915	8,250,000	7,908,078	7,941,165	
	2,612,216,044	2,532,111,088	3,058,971,396	2,642,909,427	2,390,177,053	2,463,862,908	2,390,400,690	
Investments in Debentures								
Listed (Note 18.2.1)	27,151,549	27,151,549	26,495,286	28,106,122	33,151,549	32,660,804	34,104,168	
Unlisted (Note 18.2.2)	6,500,000	6,500,000	6,506,842	6,506,842	6,720,000	6,727,202	6,727,202	
Less: Provision for Impairment	-	-	-	(1,566)	-	-	(2,983)	
	33,651,549	33,651,549	33,002,128	34,611,398	39,871,549	39,388,006	40,828,387	
Investments in Trust Certificates (18.3)	-	-	-	-	424,395	406,532	406,532	
Less: Provision for Impairment	-	-	-	-	-	-	(14)	
	-	-	-	-	424,395	406,532	406,518	
Investments in Repo Transactions (18.4)								
	16,000,000	16,000,000	16,002,379	16,002,379	15,600,000	15,630,972	15,630,972	
	16,000,000	16,000,000	16,002,379	16,002,379	15,600,000	15,630,972	15,630,972	
Investments in Fixed Deposits (18.5)								
Less: Provision for Impairment	-	-	-	(215)	-	-	(240)	
	53,000,000	53,000,000	55,769,566	55,769,566	25,000,000	25,031,914	25,031,914	
	53,000,000	53,000,000	55,769,566	55,769,351	25,000,000	25,031,914	25,031,674	
Investment in Preference Share - Unlisted (18.6)	-	-	-	-	1,000,000	1,013,181	1,013,181	
Less: Provision for Impairment	-	-	-	-	-	-	(238)	
	-	-	-	-	1,000,000	1,013,181	1,012,942	
Investment in Other Financial Investments (18.7)								
Less: Provision for Impairment	250,000	250,000	254,077	254,077	-	-	-	
	-	-	-	(58)	-	-	-	
	250,000	250,000	254,077	254,019	-	-	-	
Total investments in Debt Instruments at Amortised Cost	2,715,117,593	2,635,012,637	3,163,999,547	2,749,546,574	2,472,072,997	2,545,333,513	2,473,311,184	

Movement of Impairment for Debt Instruments at Amortised Cost

	Provision as at 31.12.2020 Rs'000	Provision as at 31.12.2019 Rs'000	Over/ (Under) Provision Rs'000
Impairment allowance for			
Corporate Debt Securities	1,566	2,983	(1,416)
Trust Certificates	-	14	(14)
Fixed Deposits	215	240	(24)
Preference Shares	-	238	(238)
Other Financial Investment	58	-	58
	1,840	3,475	(1,635)

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements
Debt Instruments at Amortised Cost (Contd...)

18.1 Investments in Government Securities

18.1.1 Treasury Bills

	Year of Maturity	2020				2019			
		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	2020	-	-	-	-	109,554,500	92,340,855	109,167,871	109,902,815
	2021	73,390,000	71,700,957	75,619,291	75,058,066	73,390,000	71,700,957	75,513,641	74,653,357
	2022	144,212,710	133,692,387	149,963,449	147,219,532	101,262,710	89,189,172	101,883,894	101,716,078
	2023	195,046,569	186,148,167	211,668,146	196,606,574	190,753,886	181,568,924	191,425,785	191,255,352
	2024	135,524,344	135,397,460	150,918,866	139,404,848	102,634,296	101,788,143	107,430,018	105,609,686
	2025	225,580,277	228,604,017	257,569,363	233,448,316	195,576,857	197,205,095	201,084,355	202,000,999
	2026	314,425,198	274,739,072	340,088,564	300,710,333	232,038,858	186,184,062	220,957,993	207,334,211
	2027	196,989,468	207,868,255	231,093,750	208,300,204	86,883,468	89,008,245	94,421,040	90,094,353
	2028	358,624,950	325,994,369	418,743,907	345,670,146	350,059,950	316,314,209	348,433,076	333,703,645
	2029	137,903,233	159,826,935	187,212,834	159,860,299	136,753,233	158,418,418	160,210,926	159,587,079
	2030	77,328,947	79,962,928	94,618,308	80,187,486	69,028,947	70,968,352	72,968,843	71,312,801
	2031	68,205,000	69,074,674	84,611,917	70,384,456	68,205,000	69,074,674	73,126,536	70,362,269
	2032	111,342,350	77,725,946	114,790,476	86,609,283	96,042,350	61,692,658	83,891,498	69,457,657
	2033	227,469,648	204,495,834	268,687,245	214,957,864	227,369,648	204,387,444	227,981,679	214,180,167
	2034	91,558,330	106,288,588	126,595,490	109,571,589	91,008,330	105,711,919	107,807,672	109,400,938
	2035	97,446,810	105,910,014	126,114,102	107,128,615	97,296,810	105,737,672	105,992,712	107,119,757
	2039	13,659,000	13,746,969	16,960,708	14,079,457	13,659,000	13,746,969	13,861,399	14,074,384
	2041	26,700,000	27,737,826	37,582,333	29,308,090	26,700,000	27,737,826	30,276,572	29,314,076
	2043	30,676,000	22,309,955	33,936,215	22,894,304	30,676,000	22,309,955	26,796,253	22,823,512
	2044	78,263,210	92,355,217	122,239,988	92,969,029	78,263,210	92,355,217	97,215,248	93,062,483
	2045	4,770,000	5,503,044	6,913,423	5,491,021	4,770,000	5,503,044	5,507,819	5,493,906
		2,609,116,044	2,529,082,614	3,055,928,375	2,639,859,513	2,381,927,053	2,262,943,811	2,455,954,830	2,382,459,525

18.1.2 Treasury Bills

	Year of Maturity	2020			2019				
		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	2020	-	-	-	-	8,250,000	7,586,701	7,908,078	7,941,165
	2021	3,100,000	3,028,474	3,043,021	3,049,915	-	-	-	-
		3,100,000	3,028,474	3,043,021	3,049,915	8,250,000	7,586,701	7,908,078	7,941,165

The fair values of the Government Securities are based on the average of buying and selling quotes (Clean Price) as at 31st December 2020, published by the Central Bank of Sri Lanka.

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

18.2 Investments in Debentures

18.2.1 Corporate Debentures - Listed

As at 31 st December	Year of Maturity	2020				2019			
		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
Central Finance Company PLC 2015-2020 9.52% ^{op.a}	2020	-	-	-	-	200,000	200,000	200,000	200,000
DFCC Vardhana Bank Debenture 09.40% ^{op.a}	2020	-	-	-	-	500,000	500,000	500,000	526,325
Lanka ORIX Finance PLC Debenture 9.25% ^{p.a}	2020	-	-	-	-	2,000,000	2,000,000	1,959,032	2,000,000
National Development Bank PLC 2015-2020 09.40% ^{op.a}	2020	-	-	-	-	2,000,000	2,000,000	1,740,000	2,000,000
Pradeshiya Samwardana Bank Debenture 9.00% ^{p.a}	2020	-	-	-	-	500,000	500,000	500,000	500,000
Seylan Bank Debenture 8.60% ^{pa} 2014/2020	2020	-	-	-	-	2,000,000	2,000,000	2,000,000	2,004,013
Bank Of Ceylon 13.25% 2021	2021	1,141,892	1,141,892	1,184,598	1,142,721	1,141,892	1,141,892	1,141,892	1,142,718
Commercial Bank Debentures Type A 2016-2021	2021	2,000,000	2,000,000	1,800,000	2,042,082	2,000,000	2,000,000	1,800,000	2,041,967
HNB Debenture 11.50% ^{p.a}	2021	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Hatton National Bank Type A 2016-2021	2021	444,790	444,790	444,790	453,524	444,790	444,790	444,790	453,500
Nations Trust Bank Type A 2021 12.65%	2021	1,200,000	1,200,000	1,238,880	1,222,042	1,200,000	1,200,000	1,200,000	1,221,982
People's Leasing Company 2016-2021	2021	1,000,000	1,000,000	100,000	1,015,534	1,000,000	1,000,000	1,000,000	1,015,492
seylan debenture 15.07.2021	2021	1,000,000	1,000,000	1,027,000	1,060,548	1,000,000	1,000,000	1,000,000	1,060,383
Siyapatha Finance PLC - B	2021	200,000	200,000	200,000	207,619	200,000	200,000	206,000	207,598
Sampath Bank 12.50% 2022	2022	349,208	349,208	386,747	350,403	349,208	349,208	349,208	350,400
Bank of Ceylon 13.75% ^{op.a}	2023	134,090	134,090	137,067	137,525	134,090	134,090	137,067	137,516
Commercial Bank Debentures Type A 2018-2023	2023	2,000,000	2,000,000	2,000,000	2,106,230	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	998,000	1,018,115
Hatton National Bank Type B 2016-2023	2023	1,000,000	1,000,000	1,071,900	1,021,726	1,000,000	1,000,000	1,000,000	1,021,667
National Development Bank PLC 2013-2023 13.90% ^{op.a}	2023	375,000	375,000	381,488	375,000	375,000	375,000	378,762	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	1,025,231
People's Leasing & Finance PLC 2018-2023 12.80%	2023	666,000	666,000	666,000	726,257	666,000	666,000	666,000	726,093
Sampath Bank 12.50% 2018-2023	2023	2,000,000	2,000,000	1,990,200	2,070,548	1,990,200	1,990,280	1,990,280	2,070,355
seylan bank debenture 15.07.2016 to 15.07.2023	2023	1,000,000	1,000,000	1,029,800	1,064,041	1,000,000	1,000,000	1,000,000	1,063,866
Sampath Bank 13.9% 2024	2024	1,000,000	1,000,000	1,143,200	1,116,973	1,000,000	1,000,000	1,002,821	1,116,912
DFCC Type B Debenture 13.00% ²⁰²⁵	2025	1,000,000	1,000,000	1,000,000	1,099,014	1,000,000	1,000,000	1,000,000	1,098,743
National Development Bank PLC 2013-2025 14.00% ^{op.a}	2025	500,000	500,000	502,500	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	1,721,206
DFCC Bank 13.75% ²⁰²⁶	2026	555,460	555,460	611,006	613,840	555,460	555,460	555,460	613,681
HNB Debenture 12.80% ²⁰²⁶	2026	1,700,000	1,700,000	1,700,000	1,759,616	1,700,000	1,700,000	1,700,000	1,759,454
Sri Lanka Telecom PLC 2018-2028 12.75%	2028	1,000,000	1,000,000	1,000,000	1,025,500	1,000,000	1,000,000	1,000,000	1,025,430
		27,151,549	27,151,549	26,495,286	28,106,122	33,151,549	33,151,549	32,660,804	34,104,168

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements
Debt Instruments at Amortised Cost (Contd...)

18.2.2 Corporate Debentures - Unlisted

As at 31 st December	Year of Maturity	2020			2019				
		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
	2020	-	-	-	-	110,000	110,000	110,203	110,203
	2020	-	-	-	-	110,000	110,000	110,176	110,176
	2021	1,500,000	1,500,000	1,501,603	1,501,603	1,500,000	1,500,000	1,501,598	1,501,598
	2025	5,000,000	5,000,000	5,005,240	5,005,240	5,000,000	5,000,000	5,005,225	5,005,225
		6,500,000	6,500,000	6,506,842	6,506,842	6,720,000	6,720,000	6,727,202	6,727,202

The fair values of the corporate debentures - listed : are based on the spot prices as at 31st December 2020, published by the Colombo Stock Exchange. Unlisted debentures : amortised cost was considered as fair value as no information are available to estimate the fair value.

18.3 Investments in Trust Certificates

As at 31 st December	2020			2019				
	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
Issuer								
People's Leasing & Finance PLC TC	-	-	-	-	424,395	263,750	406,532	406,532
	-	-	-	-	424,395	263,750	406,532	406,532

18.4 Investments in Repo Transactions

	2020 Rs.'000	2019 Rs.'000
Domestic Operations Department - Auctions	3,400,821	13,330,530
Domestic Operations Department - Standing Facility	12,601,558	2,300,442
	16,002,379	15,630,972

18.5 Investments in Fixed Deposits

	2020 Rs.'000	2019 Rs.'000
National Saving Bank	32,364,501	15,029,162
Bank of Ceylon	16,566,393	10,002,751
Peoples Bank	6,838,671	-
	55,769,566	25,031,913

18.6 Investments in Preference Shares

	2020			2019		
	Purchase Cost Rs.'000	Amortised Cost Rs.'000	Fair Value Rs.'000	Purchase Cost Rs.'000	Amortised Cost Rs.'000	Fair Value Rs.'000
Sri Lanka Catering (Pvt) Ltd	-	-	1,013,181	-	-	1,013,181
	-	-	1,013,181	-	-	1,013,181

18.7 Investments in Other Financial Investments

	2020			2019		
	Purchase Cost Rs.'000	Amortised Cost Rs.'000	Fair Value Rs.'000	Purchase Cost Rs.'000	Amortised Cost Rs.'000	Fair Value Rs.'000
Sri Lanka Catering (Pvt) Ltd	250,000	254,077	-	-	-	-
	250,000	254,077	-	-	-	-

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

19 Other Current Assets

<i>As at 31st December</i>	2020			2019
	Monetary Board	Labour Dept.	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dividend Receivable	-	-	-	37,700
Other Receivables	388,888	-	388,888	127
Withholding Tax Receivable	15,186	-	15,186	39,866
Prepayments	12,840	3,873	16,713	25,307
Current Account C/L	8,272,866	(8,272,866)	-	-
CGL Imprest	-	564,468	564,468	525,308
	8,689,780	(7,704,526)	985,255	628,308

20 Cash and Cash Equivalents

<i>As at 31st December</i>	2020 Rs.'000	2019 Rs.'000
Cash in Hand	20	20
Cash at Bank	2,613,042	3,010,800
Cash in Transit	-	156,334
Less: Provision for impairment on Bank Balances (Note 20.1)	(28)	(36)
	2,613,033	3,167,118

20.1 Provision for impairment

	as at 01.01.2020 Rs'000	as at 31.12.2020 Rs'000	Over/ (Under) Provision Rs'000
Bank Balances	36	28	(8)
	36	28	(8)

21 Accounts Payable

<i>As at 31st December</i>	2020			2019
	Monetary Board	Labour Dept.	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Vendors Payable	693	-	693	693
Retention Payable	3,860	-	3,860	2,905
	4,554	-	4,554	3,598

22 Other Current Liabilities

<i>As at 31st December</i>	2020			2019
	Monetary Board	Labour Dept.	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
EPF Contributions Payable	30	-	30	30
Invoice Clearing - Inventory	(7,335)	-	(7,335)	(7,420)
Invoice Clearing - Assets/ Services	5,947	-	5,947	7,728
Income Tax Payable	19,671,309	-	19,671,309	22,392,742
Housing Loan Defaults Payable for Members	3,500,000	-	3,500,000	3,500,000
Refund Claims Payable	174,819	-	174,819	172,402
Provision for Gratuity	165	-	165	165
Investment Clearing A/C	8,212	-	8,212	8,357
Other Payables	2	-	2	2
	23,353,148	-	23,353,148	26,074,006

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

23 Member Balances

Description	Balance as at 01.01.2020	Debits during the year	Credits during the year	Balance as at 31.12.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Year Contribution - Contribution No 01 A/C	77,072,968	192,587,890	181,379,663	65,864,741
Statemented Contribution - Contribution No 02 A/C	2,181,837,930	146,972,812	408,928,515	2,443,793,632
Contribution from Comm. of Labour - CL No 01 A/C	10,710,861	3,081,993	2,857,559	10,486,427
U/P O/P Contributions A/C	1,843,262	225,829	366,732	1,984,165
Contribution for 1997/98 - 96 Contribution A/C	193	-	-	193
Members Collection A/C	4,936	153,538,822	153,538,932	5,046
Unclaimed Benefits	719,356	686,846	736,840	769,350
Retained Benefits	140,783	13,008	28,122	155,897
Refunds-Part payments(U/P O/P Refunds)	(783,642)	110,077,883	110,179,622	(681,903)
General Deposit Account maintained with Commissioner of Labour	398,506	-	54,728	453,234
Interest Payable	225,664,443	209,164,534	228,501,675	245,001,585
Total	2,497,609,596	816,349,617	1,086,572,389	2,767,832,367

24 Reserves

	Balance as at 01.01.2020	Transfer (from)/to during the year	Balance as at 31.12.2020
	Rs.'000	Rs.'000	Rs.'000
Investment Revaluation Reserve	(7,249)	350,829	343,581
Building Reserve Fund (24.1)	3,157,000	-	3,157,000
Technology Advancement Reserve Fund (24.2)	350,000	-	350,000
Profit Equalisation Reserve Fund (24.3)	32,550,000	13,000,000	45,550,000
General Reserve Fund (24.4)	6,650,000	-	6,650,000
Total	42,699,751	13,350,829	56,050,581

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

24.1 Building Revaluation Reserve

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

24.2 Technology Advancement Reserve Fund (TARF)

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

24.3 Profit Equalisation Reserve Fund (PERF)

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

24.4 General Reserve Fund (GRF)

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

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

25 Receipts

<i>For the year ended 31st December</i>	2020			2019
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Income - Interest from Investments	266,195,662	-	266,195,662	241,250,083
Contributions	150,734,735	-	150,734,735	157,247,216
Reimbursement of Expenses by the EPF-CBSL Imprest Account (Commissioner of Labour)	-	684,986	684,986	590,894
	-	35,000	35,000	(27,046)
General Deposit Account - (EPF Contributions)	-	20,584	20,584	71,274
Surcharges	-	2,970	2,970	277,348
Proceeds on sale of T. Bonds/T Bills	-	-	-	499,531
Proceeds on dealing of Shares	1,262,186	-	1,262,186	499,585
Receipts from Mehewara Piyasa	-	-	-	376,334
Dividends	2,512,227	-	2,512,227	5,474,453
Sundry Income	4	7,560	7,564	5,532
			-	-
Debtors	(234)	-	(234)	542
Settlement of Advances	106	54	160	53
Unclaimed Benefits	53,037	-	53,037	(15,412)
Total	420,757,723	751,154	421,508,877	406,250,387

26 Payments

<i>For the year ended 31st December</i>	2020			2019
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Investments	2,035,967,793	-	2,035,967,793	2,350,205,044
Less - Maturity Proceeds	(1,771,076,730)	-	(1,771,076,730)	(2,111,474,111)
	264,891,062	-	264,891,062	238,730,933
Refunds	109,778,184	-	109,778,184	126,314,758
WHT paid on Investments	-	-	-	-
Operating Expenses	553,117	636,765	1,189,882	1,214,420
Settlement of creditors/payables	3,575,745	-	3,575,745	3,389,714
Reimbursement of expenses - Comm. Labour	684,986	-	684,986	590,894
Acquisition of Property, Plant and Equipments	10,729	83,499	94,228	31,105
Advances - Miscellaneous	34,382	4,498	38,881	5,114
Taxes Paid	41,783,609	-	41,783,609	36,180,154
Adjustment: Cash Balance at the Beginning of the Year - Labour Department	-	45,219	45,219	77,256
Total	421,311,815	769,981	422,081,797	406,534,348

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

27 Movement of Investment

For the Year Ended 31st December 2020

Type of Investment	Opening Balance 01.01.2020	Investments	Maturities	Sales	Transfers/ Adjustment	Amortisation	WHT Adjustment	Interest Received	Prov. for Impairment	Valuation Gain/Loss	Closing Balance		Change %
											Rs.'000	Rs.'000	
Fair Value Through Profit or Loss Investments													
Listed Equity	65,907,115	814,785	-	580,564	-	-	-	-	-	3,952,974	70,094,309	2.5	2.6
	65,907,115	814,785	-	580,564	-	-	-	-	-	3,952,974	70,094,309	2.5	2.6
Fair Value through Other Comprehensive Income													
Unlisted Equity	9,140,989	-	-	-	-	-	-	-	-	-	9,140,989	0.3	0.4
Listed Equity	361,654	-	-	-	-	-	-	-	-	350,829	712,484	0.0	0.0
	9,502,643	-	-	-	-	-	-	-	-	350,829	9,853,473	0.3	0.4
Debt Instruments at Amortised Cost													
Treasury Bonds	2,382,459,525	358,479,658	109,554,500	-	-	266,130,027	-	257,655,199	-	-	2,639,859,512	93.3	93.5
Treasury Bills	7,941,165	39,589,111	44,895,000	-	-	414,639	-	-	-	-	3,049,915	0.1	0.3
Corporate Debentures	40,828,387	1,200,000	7,420,000	-	-	4,419,349	42,500	4,460,245	1,416	-	34,611,399	1.2	1.6
Preference Share	1,012,943	-	-	-	(1,000,000)	68,087	-	81,268	238	-	(0)	(0.0)	0.0
Trust Certificates	406,518	-	424,395	-	-	1,798	16,064	-	14	-	0	0.0	0.0
Reverse Repo	15,630,972	1,573,448,900	1,573,598,453	-	-	520,960	-	-	-	-	16,002,379	0.6	0.6
Fixed Deposits	25,031,674	63,000,000	35,000,000	-	-	5,877,047	1,680	3,141,074	24	-	55,769,351	2.0	1.0
Other Investment	-	-	750,000	-	1,000,000	45,180	-	41,103	(58)	-	254,019	0.0	0.0
	2,473,311,184	2,035,717,669	1,771,642,348	-	-	277,477,087	60,244	265,378,888	1,635	-	2,749,546,574	97.2	97.0
Total	2,548,720,942	2,036,532,454	1,771,642,348	580,564	-	277,477,087	60,244	265,378,888	1,635	4,303,803	2,829,494,356	100	100

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Movement of Investment (Contd...)

For the Year Ended 31st December 2019

Type of Investment	Opening Balance 01.01.2019	Investments	Maturities	Sales	Transfers/ Adjustment	Amortisation	WHT Adjustment	Interest Received	Prov. for Impairment	Valuation Gain/Loss	Closing Balance	2019	2018	Change %
												Rs.'000	Rs.'000	
Fair Value Through Profit or Loss Investments														
Listed Equity	64,937,663	2,864,047	-	4,585	-	-	-	-	-	(1,890,010)	65,907,115	2.6	2.8	(0.2)
	64,937,663	2,864,047	-	4,585	-	-	-	-	-	(1,890,010)	65,907,115	2.6	2.8	(0.2)
Fair Value through Other Comprehensive Income														
Unlisted Equity	9,914,892	-	-	405,000	(368,903)	-	-	-	-	-	9,140,989	0.4	0.4	(0.1)
Listed Equity	-	-	-	-	368,903	-	-	-	-	(7,249)	361,654	0.0	-	0.0
	9,914,892	-	-	405,000	-	-	-	-	-	(7,249)	9,502,643	0.4	0.4	(0.1)
Debt Instruments at Amortised Cost														
Treasury Bonds	2,084,497,740	373,763,517	87,775,141	-	-	244,237,536	-	232,264,127	-	-	2,382,459,525	93.5	90.7	2.8
Treasury Bills	34,733,240	7,586,701	35,821,220	499,393	(182,697)	2,124,533	-	-	-	-	7,941,165	0.3	1.5	(1.2)
Corporate Debentures	42,649,463	3,255,460	5,341,210	-	-	4,986,855	64,832	4,787,389	376	-	40,828,387	1.6	1.9	(0.3)
Preference Share	1,005,060	-	-	-	-	138,007	-	130,100	(24)	-	1,012,943	0.0	0.0	(0.0)
Trust Certificates	1,132,558	-	806,463	-	-	56,503	23,898	-	22	-	406,518	0.0	0.0	(0.0)
Reverse Repo	26,350,903	1,917,504,386	1,929,377,123	-	(5,628)	1,171,538	(13,105)	-	-	-	15,630,972	0.6	1.1	(0.5)
Fixed Deposits	33,609,535	46,000,000	56,738,548	-	-	2,104,017	56,727	-	(57)	-	25,031,674	1.0	1.5	(0.5)
	2,223,978,499	2,348,110,065	2,115,859,704	499,393	(188,325)	254,818,989	132,352	237,181,616	317	-	2,473,311,184	97.0	96.7	0.3
Total	2,298,831,054	2,350,974,112	2,115,859,704	908,979	(188,325)	254,818,989	132,352	237,181,616	317	(1,897,259)	2,548,720,942	100	100	

EMPLOYEES' PROVIDENT FUND**Notes to the Financial Statements****28 Fair values of Financial Instruments****28.1 Fair Value Hierarchy**

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

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

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

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

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

28.2 Fair Value Hierarchy – Financial instruments measured at fair value

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

	2020				2019			
	Level 1 Rs'.000	Level 2 Rs'.000	Level 3 Rs'.000	Total Rs'.000	Level 1 Rs'.000	Level 2 Rs'.000	Level 3 Rs'.000	Total Rs'.000
Debt Securities Measured at Amortised Cost								
Treasury Bond	3,055,928,375	-	-	3,055,928,375	2,455,954,830	-	-	2,455,954,830
Corporate Debentures*	33,002,128	-	-	33,002,128	39,388,006	-	-	39,388,006
Preference Shares*	-	-	-	-	1,013,181	-	-	1,013,181
Treasury Bills	3,043,021	-	-	3,043,021	7,908,078	-	-	7,908,078
Trust Certificates*	-	-	-	-	406,532	-	-	406,532
Fixed Deposits*	55,769,566	-	-	55,769,566	25,031,914	-	-	25,031,914
Repo*	16,002,379	-	-	16,002,379	15,630,972	-	-	15,630,972
Other Financial Investment*	254,077	-	-	254,077	-	-	-	-
Equity Instruments Measured at FVTPL								
Listed Equity	70,094,309	-	-	70,094,309	65,907,115	-	-	65,907,115
Equity Instruments Measured at FVOCI								
Unlisted Equity**	9,140,989	-	-	9,140,989	9,140,989	-	-	9,140,989
Listed Equity	712,484	-	-	712,484	361,654	-	-	361,654

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

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

EMPLOYEES' PROVIDENT FUND**Notes to the Financial Statements****29 Financial Risk Management Objectives, Policies and Processes****Introduction**

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

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

Credit Risk

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

Analysis of Risk Concentration – Investment Composition

	2020		2019	
	Cost Rs. '000	%	Cost Rs. '000	%
Government Securities	2,532,111,088	92.8%	2,270,530,512	92.8%
Corporate Debt Securities	33,901,549	1.2%	39,871,549	1.6%
Investment in Equity	93,104,461	3.4%	93,336,967	3.8%
Others	69,000,000	2.5%	41,868,750	1.7%
	2,728,117,098	100.0%	2,445,607,779	100.0%

Market Risk

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

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

EMPLOYEES' PROVIDENT FUND**Notes to the Financial Statements****Financial Risk Management Objectives, Policies and Processes (Contd...)**

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

Analysis of Risk Concentration – Sector wise exposure analysis

	2020		2019	
	Cost Rs.'000	%	Cost Rs.'000	%
Automobiles & Components	98,635	0.12%	98,635	0.12%
Banks	30,717,899	36.80%	30,234,542	36.12%
Capital Goods	15,517,048	18.59%	16,250,477	19.42%
Consumer Durables & Apparel	475,612	0.57%	225,634	0.27%
Consumer Services	10,084,276	12.08%	10,084,276	12.05%
Diversified Financials	6,678,404	8.00%	6,596,955	7.88%
Energy	2,427,634	2.91%	2,427,634	2.90%
Food & Staples Retailing	2,458,558	2.95%	2,458,558	2.94%
Food, Beverage & Tobacco	7,213,353	8.64%	7,265,575	8.68%
Health Care Equipment & Services	123,393	0.15%	155,190	0.19%
Materials	2,548,155	3.05%	2,768,161	3.31%
Power & Energy	368,903	0.44%	368,903	0.44%
Real Estate	-	0.00%	1,416	0.00%
Retailing	1,638,334	1.96%	1,638,334	1.96%
Telecommunication Services	3,113,268	3.73%	3,113,268	3.72%
Transportation	-	0.00%	8,421	0.01%
Total	83,463,472	100%	83,695,978	100%

Liquidity Risk

Liquidity Risk is the risk arising from the inability of the EPF to meet its financial commitments and obligations when they fall due. The net contribution of the Fund has been around Rs.3.6Bn 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.

EMPLOYEES' PROVIDENT FUND**Notes to the Financial Statements****Liquidity Risk (Contd...)**

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

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

Operational Risk

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

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

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

30 Impairment losses on financial investments subject to impairment assessment

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

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

Accordingly, Treasury Bonds, Treasury Bills, Corporate Debt Securitisation, Senior 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.

Methodology

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

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

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

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

II Lifetime PD Structure

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

III Determination of Significant Deterioration of Credit Risk

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

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

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

(Investment Grade)

Lifetime E

(Non - Investment Grade)

IV Loss Given Default (LGD)

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

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

V For the purpose of determination of ECL, EPF applies the Point of default as the mid of the year (i.e. 6 months)

considering the fact that the default events could be occurred at earlier part of the year or latter part of the year.

VI Economic Factor Adjustment was calculated using the past and forecasted GDP growth rates from 2012 to 2025 and obtained from the GDP growth rate statistics in IMF domain.

VII Financial Investments

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

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Impairment losses (Contd...)

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

31.12.2020	Note	12MECL		LTECL		Total
		Individual	Collective	Individual	Collective	
Rs' 000						
Cash at Bank	9	(8)	-	-	-	(8)
Debt Instruments measured at Amortised Cost	9	(1,503)	-	(133)	-	(1,635)
Total Impairment Loss		(1,510)	-	(133)	-	(1,643)

31.12.2020	Specific	Collective	Collective	Total
Rs' 000				
Credit loss expense on Bank Balance	(8)	-	-	(8)
Credit loss expense on Debt Instruments measured at Amortised Cost				
Corporate Debt Securities	(1,416)	-	-	(1,416)
Trust Certificates	(14)	-	-	(14)
Fixed Deposits	(24)	-	-	(24)
Other Financial Investment	(180)	-	-	(180)
	(1,635)	-	-	(1,635)
Total on balance sheet items	(1,643)	-	-	(1,643)
Off balance sheet items	-	-	-	-
Total	(1,643)	-	-	(1,643)

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 30 and policies on whether ECL allowances are calculated on an individual or collective are set out in Note 30.

	31.12.2020					
	12MECL		LTECL		Total	
	Collective		Collective			
	Balance	ECL	Balance	ECL	Balance	ECL
Rs. '000						
External Rating Grade						
AAA	2,692,777,910	-	-	-	2,692,777,910	-
AA+	39,581,269	359	-	-	39,581,269	359
AA	-	-	-	-	-	-
AA-	5,537,924	191	1,025,500	142	6,563,424	333
A+	8,405,358	552	-	-	8,405,358	552
A	4,579,846	565	-	-	4,579,846	565
A-	254,077	58	-	-	254,077	58
BBB+	-	-	-	-	-	-
BBB	-	-	-	-	-	-
BBB-	-	-	-	-	-	-
BB+	-	-	-	-	-	-
Total	2,751,136,384	1,726	1,025,500	142	2,752,161,884	1,868

	01.01.2020					
	12MECL		LTECL		Total	
	Collective		Collective			
	Balance	ECL	Balance	ECL	Balance	ECL
Rs. '000						
External Rating Grade						
AAA	2,406,031,662	-	-	-	2,406,031,662	-
AA+	33,844,401	319	-	-	33,844,401	319
AA	5,869,694	106	-	-	5,869,694	106
AA-	10,639,602	383	-	-	10,639,602	383
A+	6,612,668	453	-	-	6,612,668	453
A	4,747,213	616	-	-	4,747,213	616
A-	5,349,040	1,277	-	-	5,349,040	1,277
BBB+	110,176	50	-	-	110,176	50
BBB	-	-	-	-	-	-
BBB-	-	-	-	-	-	-
BB+	110,203	271	-	-	110,203	271
Total	2,473,314,659	3,475	-	-	2,473,204,456	3,475

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

31 Valuation of Unlisted Equity Instruments

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

Investment	Basis	Number of shares	2020		2019	
			Purchase Value Rs.'000	Fair value per share Rs.	Fair value per share Rs.	Fair value Rs.'000
Canwill Holdings (Pvt) Ltd.	Net asset based	500,000,000	5,000,000	9.91	10.47	5,235,000
Cargills Bank Limited	Net asset based	44,000,000	495,000	11.81	12.48	549,120
West Coast Power (Pvt) Ltd	Net asset based	29,750,000	2,975,000	552.23	560.88	16,686,180
Fitch Ratings Lanka Limited	Dividend valuation model	62,500	625	64.14	86.43	5,402
Laugfs Gas Eco Sri Limited - V	Net asset based	57,897,800	62,282	2.97	2.71	156,903
Laugfs Gas Eco Sri Limited - NV	Net asset based	18,041,300	19,407	2.97	2.71	48,892
Laugfs Gas Leisure Limited - V	Net asset based	57,897,800	448,820	7.69	9.33	540,186
Laugfs Gas Leisure Limited - NV	Net asset based	18,041,300	139,855	7.69	9.33	168,325
Grand Total			9,140,989			23,390,009

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

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

	2019	2020
Cost	9,140,989	9,140,989
Estimated Fair Value	23,390,009	22,715,578
Impact to Net Assets	14,249,020	13,574,590
Gross Impact to FVOCI on change in fair values		(674,430)

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

32 Classification of Maturity Profile of the Portfolio

As at 31st December 2020

Class of Investment	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2039	2041	2043	2044	2045	Not Defined	(Rs. mn) Total
Debt Securities Measured at Amortised Cost																						
Treasury Bond	75,058	147,220	196,607	139,405	233,448	300,710	208,300	345,670	159,860	80,187	70,384	86,609	214,958	109,572	107,129	14,079	29,308	22,894	92,969	5,491	-	2,639,860
Corporate Debenture	10,646	350	9,545	1,117	7,835	4,095	-	1,026	-	-	-	-	-	-	-	-	-	-	-	-	-	34,613
Treasury Bills	3,050	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,050
Trust Certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Deposits	55,770	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,770
Repo	16,002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,002
Other Investment	254	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	254
Equity Instruments Measured at FVTPL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Listed Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,094
Equity Instruments Measured at FVOCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unlisted Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,141
Listed Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	712
Grand total	160,780	147,570	206,151	140,522	241,283	304,805	208,300	346,696	159,860	80,187	70,384	86,609	214,958	109,572	107,129	14,079	29,308	22,894	92,969	5,491	79,948	2,829,496
Provision for Impairment on Debt Securities at Amortised Cost																						
Portfolio value net of impairment																						(2)
																						2,829,494

SECTION D

AUDITOR GENERAL'S REPORT



LEW / B / EPF / 01/2020/01

14th day of July 2021

Commissioner General of Labor,
Department of Labor

Governor,
Central Bank of Sri Lanka

Auditor General's Report on Financial Statements and Other Legal and Regulatory Requirements of the Employees Provident Fund for the last year ending on 31st December 2020 in terms of Section 12 of the National Audit Act No. 19 of 2018

1. Financial Statements

1.1 Qualified Opinion

Financial Statements of the Employees' Provident Fund as at 31st December 2020 and the Declaration of Income and Expenditure for the year ending 31st December and the Comprehensive Income Declaration, Declaration of Change of Rights and Cash Flow Statements for the Final Year and 31st of December 2020 Financial Statements for the Final Year from Order As per my provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971 to be read in conjunction with Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My report will be tabled in Parliament in due course in accordance with Article 154 (6) of the Constitution.

It is my opinion that, aside from the impact of the facts outlined in the basis for the Qualified Opinion in my report, I declare that the Financial Statements of the Fund, as at 31 December 2020, and its financial performance for the year ending 31 December 2020, reflect a factual and equitable position in accordance with Sri Lanka Accounting Standards.

1.2 The basis for the Qualified Opinion

- A. In respect of 08 Bank Accounts maintained by the Fund as per the Banking Comparison Statements prepared as at 31st December 2020 for a period of 01 to 19 years, there were unresolved balances of Rs. 11,838 million as disrespected checks, transactions not recorded in the bank statement, transactions not recorded in the cash book, Direct debit / credit and other unidentified balances amounting to Rs. 11,241 million, a total of Rs. 456

million in deposits but non-receipt of cash orders, non-receipt of checks and Rs. 456 million of checks issued but Rs. , but these items had not been identified and necessary adjustments had not been made.

- B. Although the effective lifetime for non-current assets is required to be reviewed annually in accordance with paragraph 51 of Sri Lanka Accounting Standards No. 16, the Fund had not been acted accordingly. As per the Depreciation Calculation Schedule for Financial Statements as on 31st December of the year under review, the total depreciation of assets was Rs. 456.31 million. No action had been taken to rectify in accordance with Sri Lanka Accounting Standards No. 08 the estimated error occurred due to non identification of further used assets from those assets and failure to properly review the effective lifetime for non-current assets as per paragraph 51 of Sri Lanka Accounting Standard No. 16 and to dispose of assets that are no longer used properly.
- C. Although the expenditure as at 31st December of the year under review for the four categories of properties, plants and equipment mentioned in the Financial Statement was 996.19 million (holding capacity Rs. 218.05), as the depreciation schedule was Rs. 571.27 million, there was a difference of Rs. 424.91 million between the financial statements and the depreciation schedule. Further, a fixed asset register containing the basic information such as code number, date of purchase, fixed asset cost, location of the asset for those assets was not submitted for audit.
- D. Although the total balance is Rs.78,582 million according to the financial statements of the 7 accounts included in the Member Fund, as the total of those balances was Rs. 46,287 million according to the schedules submitted regarding those accounts, a difference of Rs. 32,295 million was observed, reconciliation statements were not prepared to show that total difference.

I conducted the audit in accordance with the Sri Lanka Audit Standards (SLTB). My responsibility under these audit standards is further elaborated in the Audit Liability for Financial Publications Audit in this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Qualified Opinion.

1. 3 Other information included in the Fund's 2020 Annual Report

The information I obtained prior to the day of this audit report is included in the Fund's 2020 Annual Report, but other information that is not included in the financial statements and my audit report on that. Management is responsible for this other information.

In connection with my audit of financial statements, it is my responsibility to read the other information identified above and to consider whether other information in doing so is quantitatively inconsistent with my knowledge of the financial statements or obtained during the audit or otherwise.

If I conclude that this other information is quantitatively incorrect, based on the other information I received prior to the date of this audit report and the work I have done, I need to report that fact. I have nothing to report in this regard.

1.4 Responsibilities of the parties in the management and control of financial statements

It is the responsibility of the management to prepare these financial statements in accordance with the Sri Lanka Accounting Standards and to make reasonable submissions and to determine the internal controls required to be able to prepare financial statements without quantitative misrepresentations due to fraud or error.

In preparing financial statements, it is the responsibility of management to determine the viability of the Fund and the management also has a responsibility to keep accounts and disclose matters relevant to the continued existence of the Fund, unless it intends to liquidate the Fund or discontinue operations when there is no other option.

It is the responsibility of the controlling parties to oversee the financial reporting process of the Fund.

Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the fund shall maintain proper books and records on its own income, expenditure, assets and liabilities so as to be able to prepare the Annual and Current Financial Statements of the Fund.

1.5 Responsibility of the Auditor in relation to the auditing of financial statements

My aim is to provide a fair confirmation that there are no quantitative misrepresentations in financial statements due to frauds and errors as a whole and to issue an audit report that includes my opinion. Fair certification is a high level of certification, but it is not always a guarantee that quantitative misrepresentations will be detected when conducting an audit in accordance with Sri Lanka Audit Standards. Fraud and error can result in quantitative misrepresentations, either individually or collectively, and its adequacy depends on the impact on the economic decisions made by users based on these financial statements. As part of the audit in accordance with the Sri

Lanka Audit Standards, I conducted the audit with professional judgment and professional skepticism. Further, by me,

- Occasionally appropriate audit procedures were planned and implemented to identify and assess the risk of quantitative misrepresentations in financial statements due to fraud or error in providing a basis for a published audit opinion. The effects of fraud are far greater than the effects of quantitative misrepresentations as they occur due to reasons such as conspiracy, forgery, deliberate evasion, misrepresentation, or evasion of internal controls.
- Although not intended to express an opinion on the effectiveness of internal control, an understanding of internal control was gained in order to design appropriate audit procedures from time to time.
- The appropriateness of the accounting policies used, the fairness of the accounting estimates and the relevant disclosures made by management were evaluated.
- The relevance of using the Fund's sustainability basis for accounting was determined based on the audit evidence obtained as to whether there was quantitative uncertainty about the Fund's continuity due to events or circumstances. If I conclude that there is sufficient uncertainty, my audit report should focus on the disclosures made in the financial statements, and if those disclosures are not sufficient, my opinion should be modified. However, continued existence may end on future events or circumstances.
- The overall presentation of the financial statements, including the disclosures and disclosures, and the transactions and events underlying the structure and content of the financial statements were appreciated.

I will inform the governing parties of the important audit findings identified during my audit, key internal control weaknesses and other issues.

2. Report on other legal and regulatory requirements

2.1 The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

2.1.1 In accordance with the requirements mentioned in Section 12 (a) of the National Audit Act No. 19 of 2018, I obtained all the information and clarification required for the audit,

except for the impact of the facts described in the base section for the qualitative opinion in my report and my investigation shows that the proper financial report fund was maintained.

- 2.1.2 The financial statements of the Fund correspond with the previous year as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- 2.1.3 Recommendations made by me during the previous year, except for observations 1.2 (a), (b), (c) and (d) in this report, in accordance with the requirements set out in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018 Included in the financial statements made.
- 2.2 In restricting myself to the action taken and the evidence obtained and quantitative facts, nothing caught my attention enough to make the following statements.
- 2.2.1 In accordance with the requirement of Section 12 (d) of the National Audit Act No. 19 of 2018, a member of the Board of Directors of the Fund may be directly or indirectly involved in any agreement involving the Fund, outside the normal business environment.
- 2.2.2 Failure to comply with any applicable written law or other general or special directives issued by the Board of Directors of the Fund other than the following observations as required by Section 12 (f) of the National Audit Act No. 19 of 2018.

**Reference to Laws, Rules
and Regulations**

Observation

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(a)Section 2 of the Department of Labor Circular No. 06/2011 dated 29th April 2011	Although the office should take steps to investigate a complaint within 14 days, Colombo South District Labor Office had not taken action to complete the investigation of 112 and 394 complaints received in 2019 and 2020, respectively, by the March 2021 audit date.

(b) Department of Labor Circular
No. 01/99 dated 11th February 1999

The Colombo South and Colombo West District Labor Offices issued final notices to employers to recover arrears and and surcharges in 2019 and 2020 for 190 and 224 cases respectively. 146.78 million and Rs. 256.12 million and Rs. 256.12 million contributions and surcharges had not been recovered by 31st March 2021 and it was observed that the delay period was between 3 months and 2 years.

(c) Department of Labor Circular
No. 08/2002 dated May 20, 2002

Although a register of institutions containing the registration number, the name of the institution, the address, the nature of the business, the number of employees and the date of last inspection had to be maintained, the District Labor Offices in Colombo Central, Colombo West and Colombo South had not taken steps to maintain such an institutional record.

- (d) Department of Labor Circular
No. 01/99 dated 11th February 1999
- There were 51 instances where it took 20 to 455 days to issue the first notice of surcharges and contributions after conducting institutional inspections for the years 2019 and 2020 and the sample audit of the Colombo South and Colombo West District Labor Offices also observed 79 instances where it took 20 to 563 days to issue the final notice. Further, final notices were issued on 39 occasions and no notices were issued on 68 occasions.

2.2.3 That the powers, functions and duties of the institution have not been complied with as required by Section 12 (g) of the National Audit Act No. 19 of 2018.

2.2.4 The resources of the Fund have not been procured and utilized in a timely manner, frugally, efficiently and effectively, in accordance with the relevant rules and regulations, except for the following observations as required by Section 12 (h) of the National Audit Act No. 19 of 2018.

(A) Without following the Government Procurement Guidelines for the purpose of designing the Interior Partitions of the Mission Piyasa, the total cost estimate of Rs. 135,300,000 obtained from the Building Department had been approved and the full amount had been paid to the Building Department on December 31, 2020. Further, the approval of the Chief Accounting Officer had not been obtained for the total cost estimate as per guidelines Nos. 4.3.1 and 4.3.2 of the Government Procurement Guidelines and the recommendations of the relevant departmental procurement committees as per guidelines 2.14.1 and no Contract Agreement was entered into in accordance with Guideline No.

8.9.3. Also, in contravention of Guideline 5.4.4 (i), the full contract value had been paid prior to commencement of operations and no withholding amount had been kept in accordance with Guideline 5.4.6 (b). Furthermore, as of March 31, 2021, the interior design work had not begun.

- (B) Under the first phase of the project to install ID cards for the members of the Fund and install machines to check account balances, 05 machines purchased at a cost of Rs. 2,750,570 in 2008 were underutilized from the date of purchase and two of the machines were disposed on September 17, 2020. The decision regarding the remaining machines had not been taken till the date of audit. In the year 2008, there were 15,000 cards in the computer sector which were prepared at a cost of Rs. 12,609,750 to issue identity cards to the members. It had been about 12 years since the cards had been stored, but they had not been put to use and the total cost was a loss to the fund. In addition, based on the facts that 30 machines were purchased in 2015 at a cost of Rs. 14,917,500 to check the balance using the member's fingerprint instead of the identity card and though the member's fingerprint must be computerized under the re-registration program to check the balance from that machine, the number of such registered members as at 31 December 2020 was only 1,053,342, the project was also not implemented successfully and 13 machines were out of order as of March 1, 2019, it was decided to eliminate the use of machinery. Although it was decided to dispose of 30 machines, the relevant machines had not been brought to the head office by the date of the April 2021 audit. Accordingly, the failure to complete the project successfully would have cost the Fund the total cost of the project.

2.3 Other audit observations

- A) The rate of return on membership contributions fell from 11 percent in 2013 to 10.5 percent in 2014. Although the rate was maintained continuously from 2014 to 2017, it had been steadily declining since 2018 and had fallen to 9 percent in the year under review.

- B) Although the fund has invested Rs. 83,463 million in 83 listed companies as at December 31 of the year under review, the market value of those investments had fallen by 15 percent to Rs. 70,807 million from Rs. 12,656 million. Due to the revocation of The Finance Company's license during the year under review, the Fund also lost Rs 205 million. In addition, although the equity investments in unlisted companies amounted to Rs. 5,000 million or 56 percent was invested in the construction of the Canville Holdings hotel complex in 2013, it had not commenced operations by the end of the year under review, it had not received any return on its investment. Also, two companies received dividends of Rs. 466 million from investments of unlisted companies during the year under review. It was observed that it was an 87 percent decrease compared to last year.
- C) No action had been taken to credit the sum of Rs. 10,486 million the Department had recovered by suing the employers in the account held in the Member's Fund of the Fund in the name of the Commissioner of Labor as at 31 December 2020 and the sum of Rs. 453 million kept in the public deposit account until the case was recovered and settled. Further, the balance of Rs. 65,865 million as at 31 December 2020 in the "Mobile Year Contribution No. 01" account maintained separately in the name of the employers had not been identified and settled. Also, retained benefits as on 31st December of the year under review and unclaimed benefits amounting to Rs. 925 million and negative / excess contributions of Rs. 1,984 million as deficit / excess benefit payments of Rs. 682 million had been mentioned under the membership fund, but no action had been taken to identify and settle the balances.

In 2013, 2016 and 2017, the State Accounts Committee had also directed to expedite the settlement of accounts which were not credited to the above member accounts.

- D) The Employees Provident Fund does not have an independent internal audit division and is carried out 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 Labor, which administers the Fund, was 14, the actual number was limited to 09. As the Fund manages

a membership fund of about Rs. 2.8 trillion, it is observed that the internal audit unit should be strengthened. Further, although the Public Accounts Committee had directed continuously from 2013 to strengthen the internal audit of the Department, no action had been taken to carry out an audit with adequate staff attached. Also, the approved internal audit plan prepared for the year under review by the Fund and the internal audit reports issued in relation to the year under review were not submitted for audit.

W. P. C. Wickramaratne

Auditor General




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