

Employees' Provident Fund Annual Report 2016

Employees' Provident Fund (EPF), the largest superannuation fund in Sri Lanka exceeding Rs.1.8 trillion assets under management, continued to grow its asset base in 2016 while improving the service quality and ensuring a reasonable rate of return for its members and the safety of the Fund. Net worth of the Fund grew by 10.6 per cent to record Rs.1,841.5 billion by end 2016 compared with Rs.1,664.9 billion recorded in the previous year. During the year, EPF provided a number of productive services to its members with maximum retirement benefits while ensuring the safety and growth of the Fund.

EPF has successfully navigated its fund management activities by earning Rs.193 billion, the highest ever investment income of the Fund in 2016. The total investment value of the Fund also reached Rs.1,772 billion. Despite the unfavorable conditions that prevailed in the equity market and the volatility in market interest rates, EPF was able to declare an attractive rate of return of 10.5 per cent to its members for the year 2016.



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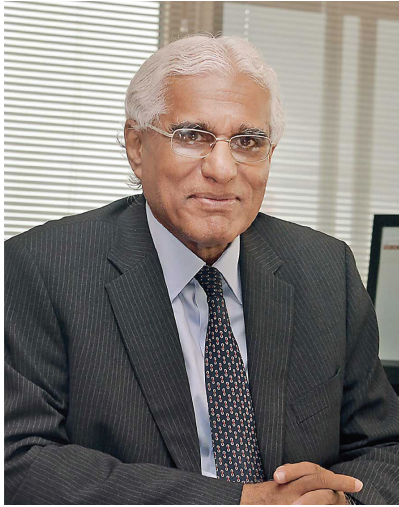


OUR VISION

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

OUR MISSION

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



MESSAGE FROM THE CHAIRMAN OF MONETARY BOARD AND GOVERNOR OF THE CENTRAL BANK OF SRI LANKA

It gives me great pleasure to convey this message to the Annual Report of the Employees' Provident Fund (EPF/ the Fund) for the year 2016 on behalf of the Monetary Board of the Central Bank of Sri Lanka.

I am pleased to note that the total assets of the EPF have increased by 11 per cent during the year 2016 from Rs. 1,668 billion in 2015 to Rs. 1,845 billion and the total member accounts has increased from 16.9 million to 17.3 million. Further, the Fund was able to generate a return on investment of 11.43 per cent during the year, succeeding in meeting the objective of achieving attractive member returns. This allowed the Fund to declare a double digit dividend rate for the 11th consecutive year for its members. The rate for 2016 was 10.5 per cent, showing the ability of the Fund to deliver sound results. Prudent investment management contributed to such an impressive dividend rate in a challenging market.

While securing the interest of the members by safeguarding their assets and making prudent investments, the Fund was able to effect cost savings through increasing the effectiveness of operational procedures thereby benefiting members through higher returns. EPF is constantly looking for ways

to provide a user-friendly service to its members by implementing new projects and procedures. Accordingly, in 2016, several projects were implemented by the Fund with a view to enhancing the quality of the service provided to the members.

Phase – II of the image scanning project commenced in 2016 to convert the remaining important and frequently used documents to electronic form upon successful completion of Phase – I in 2015. Accordingly, C3 Forms, Re-registration documents and worksheets are being scanned and uploaded to a Digital Document Management System, which enables officers of the EPF to provide member services more expeditiously as the documents are accessible at their own desktop at any time.

EPF always seeks to provide the best service to its members by streamlining operational activities and processes. EPF has identified the requirement of a single centralized database of the members as a key pre-requisite to provide such a quality service. To make this a reality, EPF is working towards the establishment of an error free EPF database through enhancement of a NIC based member database by re - registering the existing members with their



NIC details. The objective of any project can only be achieved when the actual need is well addressed and the participants are well conversant. Thus, special awareness programs were conducted for relevant employers, employees, administrative staff of relevant employers and other stakeholders to identify the requirements and enhance awareness among them.

EPF continued to streamline its operational activities with the initiation of digitalized services to facilitate submission of EPF returns (monthly contributions and member details) through an electronic platform. Accordingly, EPF joined hands with licensed commercial banks for making this facility more accessible for the contributing employers. The online banking EPF return submission facility enables real time validation of member details and updating member accounts thereby providing benefits to EPF stakeholders. Such benefits include accelerated member account posting, reduced human errors and administration cost, paperless environment and greater transparency. Currently, around 80 per cent of the monthly EPF contributions (approximately Rs.8 bn) are collected electronically, denoting a major advance over past years.

Very high priority has been attached to increasing the robustness and credibility of the EPF's investment policies and fund management activities. In this regard, the EPF has initiated a process to review and restructure the investment strategy, infrastructure and related fund management activities through the Financial Sector Modernization Project assisted by the World Bank. Furthermore, the Asian Development Bank (ADB), through the

Capital Market Development Programme, provides Technical Assistance (TA) to conduct a Business Process Review (BPR) in order to recommend the appropriate design, selection, customization and implementation of a comprehensive ICT solution. The BPR is expected to support EPF to eliminate inefficient processes, duplication of work and to introduce important new processes and controls that would add value to EPF operations.

As the EPF is by far the largest Superannuation Fund in the country, with over 17 mn members, projects of this nature are vital to ensure that the best service is provided to its members. Significant progress has been made to improve service delivery. This would not have been possible without the dedication and support of the employees. On behalf of the Monetary Board, I wish to take this opportunity to express my sincere appreciation to the staff of the Department of Labour, as well as the staff of the EPF Department of the Central Bank of Sri Lanka, for their continuous commitment to serving the members.

Further, the Monetary Board wishes to extend its sincere gratitude to all the members of the EPF, for the trust they have placed in the Central Bank of Sri Lanka in managing their life-long savings. High priority is being attached to fulfilling our duty to ensure a secure and contented retirement to its members.

Dr. Indrajit Coomaraswamy
Governor, Central Bank of Sri Lanka
Chairman of the Monetary Board



MESSAGE FROM THE COMMISSIONER GENERAL OF LABOUR

The Employees' Provident Fund Act, No: 15 of 1958, was introduced in order to secure the lives of thousands of people after retirement from employment. The Employees' Provident Fund established with the objective of guaranteeing the social security of employees of the private and semi – government sectors that dedicate their lives to lead Sri Lanka towards Prosperity, has now become the largest Social Security Fund of the Country.

Firstly, I congratulate the staff of the Employees' Provident Fund Department of the Central Bank of Sri Lanka with regard to publishing Annual Report – 2016 showcasing the duties carried out towards the development of the Employees' Provident Fund by the Department together with the Central Bank of Sri Lanka.

The Employees' Provident Fund was successful in the Administration and Management Areas in year 2016 and various projects were implemented during the year.

In order to widen the 30% Pre benefit Scheme which was initiated in year 2015

it was decentralized to East, Central, North and West Zone II (Kaluthara) in year 2016. Further, in order to facilitate the payment scheme, the facility of obtaining finger prints was established in 05 District Offices during the year.

Awareness Programmes were carried out for the promotion of the fund among the general public through television, radio, Newspapers, Mobile Services and various other programmes such as distribution of leaflets which were also conducted to resolve the problems of members.

The Employees' Provident Fund succeeded in providing an efficient and qualitative service to public through these programmes.

I am grateful to all officers of the Employees' Provident Fund of the Central Bank of Sri Lanka and the Employees' Provident Fund of the Department of Labour for their effort to uplift the living standards of Sri Lankan people through social security.

I hope that the Employees' Provident Fund Annual Report – 2016 would be



helpful for the future development of our services and for all parties such as employers and employees, officers of Administrative on and financial institutions, policy makers and the student community.

M.D.C. Amarathunga

Commissioner General of Labour



Senior Management Team as at 31.12.2016

Department of Labour (EPF Division)

Name	Designation	Division
Mr. W.D.S.C. Weliwatte	Commissioner of Labour	
Mrs. P.H.P.I. Bandara	Deputy Commissioner of Labour	Claim
Mrs. D.M.S.U. Dasanayake	Assistant Commissioner of Labour	
Mrs. D.A.S. Wijesundara	Assistant Commissioner of Labour	
Mrs. B.A.M.A. Balasuriya	Assistant Commissioner of Labour	
Mrs. T.M. Lakmali	Assistant Commissioner of Labour	
Mr. B. Vasanthan	Deputy Commissioner of Labour	
Mrs. R.M.A. Sugandika	Assistant Commissioner of Labour	
Mrs. H.R.J.D. Gunathilaka	Assistant Commissioner of Labour	
Mrs.R.N.A.G.S. Nawarathna	Assistant Commissioner of Labour	
Mrs.W.A.N.M.Karunarathne	Assistant Commissioner of Labour	30% claim
Mrs. A.G.D.T.K. Jayasinghe	Assistant Commissioner of Labour	
Mrs. J.A.M.O. Wijayarathna	Assistant Commissioner of Labour	
Mr. M.H.D.L.A. Wijepala	Deputy Commissioner of Labour	IT
Mrs. M.S. Gunathilaka	Assistant Commissioner of Labour	Admin
Mrs. A.K. Perusinghe	Assistant Commissioner of Labour	L
Mrs. L.H. Dissanayake	Assistant Commissioner of Labour	CFS
Mr. P.W.M. Ranjana	Assistant Commissioner of Labour	IT/ Supplies

EPF Department of the Central Bank

Name	Designation	Division
Mrs. K N N Malkanthi Bandara	Superintendent	S/EPF Office
Mr. A G U Thilakarathna	Additional Superintendent	
Mr. J D S J Nanayakkara	Additional Superintendent	
Mr. S A L Muthukumara	Deputy Superintendent	
Mrs. M W K S Siriwardena	Senior Assistant Director (Corporate Services)	
Mr. S D H De S Jeewakaratne	Senior Assistant Superintendent	Corporate Services and Administration Division
Mr. M S Widanage	Assistant Superintendent	
Mr. P W Wimal Shantha	Assistant Superintendent	Collection Division
Mrs. D D I Brandygampola	Senior Assistant Superintendent	
Mrs. V K Dampahalage	Senior Assistant Superintendent	Re-Registration Division
Mrs. W A S P I A Jayawardena	Assistant Superintendent	



Ms. G B N A Samaranyake	Senior Assistant Superintendent	Current Contribution Division
Mr. K K M Amarathunga	Assistant Superintendent	
Mrs G P D Kaviratne	Assistant Superintendent	
Mrs. P K D P S Dasanayake	Assistant Superintendent	Stated Contribution Division
Mr. U A Gunawardena	Assistant Superintendent	
Mr. S N Wijetunga	Assistant Superintendent	E-Collection Division
Mrs. W T K Perera	Senior Assistant Superintendent	
Mr. M V W De Zoysa	Assistant Superintendent	Fund Management Division
Mrs. D L Rohini	Senior Assistant Superintendent	
Mr. B H I S Kumara	Senior Assistant Superintendent	
Mr. W G R Harshapriya	Senior Assistant Superintendent	
Mr. K U B Tennakoon	Senior Assistant Superintendent	
Mrs. R A C C Rupasinghe	Senior Assistant Superintendent	
Ms. D P Udugamakorala	Senior Assistant Superintendent	
Mrs. W G A C De Silva	Senior Assistant Superintendent	
Mr. U P Jayasinghe	Assistant Superintendent	Investment Risk Management Division
Mrs.T Jeyarajan	Senior Assistant Superintendent	
Mrs. M Dissanayake	Senior Assistant Superintendent	Accounts and Reconciliation Division
Ms. E T W T R P Udakumbura	Assistant Superintendent	
Mr.W A W N Wanniarachchi	Assistant Superintendent	
Mr. A K Chathuranga	Management Trainee	
Ms. W A N D Dias	Management Trainee	
Ms. D Y S Mahagederawatte	Senior Assistant Superintendent	Records Management Division
Mr. A T Upasena	Assistant Superintendent	
Ms. C P Jayaweera	Senior Assistant Superintendent	Record Amendments Division
Mrs. K M G C Bandara	Senior Assistant Superintendent	
Mr. W A C Wijesinghe	Senior Assistant Superintendent	Housing Loan Division
Mr. S Wijesinghe	Senior Assistant Superintendent	
Mrs. S A Jayawardena	Assistant Superintendent	Refund Control Division
Mrs. P H D A Attanayake	Senior Assistant Superintendent	
Mrs. G G N M Perera	Assistant Superintendent	Refund Payments Division
Mrs. L S Gamage	Assistant Superintendent	
Mr. K A N L Ratnasekera	Senior Assistant Superintendent	30% Refund Payment Division Public Relations, Inquiries Counter & Call Centre



FINANCIAL HIGHLIGHTS

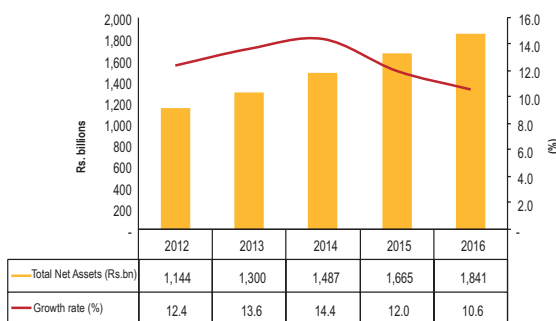
Table 1

Financial Highlights- 2016

Value of the Fund	Rs.1,841.5 billion
Contributions	Rs.118,327 million
Refund Payments	Rs.108,393 million
Net Contributions	Rs.9,934 million
Gross Income	Rs.193,071 million
Operational Expenditure	Rs.1,487 million
Tax on Income	Rs.15,657 million
Net Income	Rs.175,927 million
Interest paid on Member Balances	Rs.171,557 million
Rate of Interest paid on Member Balances	10.50%
Rate of Return on Average Portfolio	11.43%
Operational Expenses as a percentage of the Total Income	0.77%

Graph 1

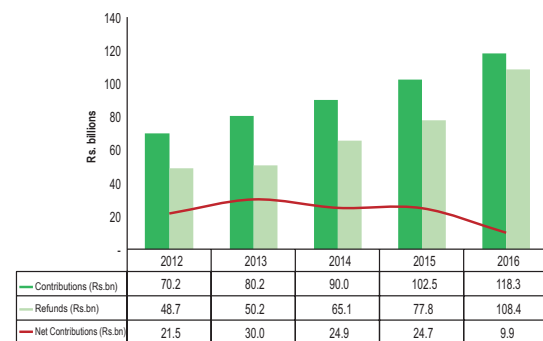
Growth of the Fund



Source: EPF Department, Central Bank of Sri Lanka

Graph 2

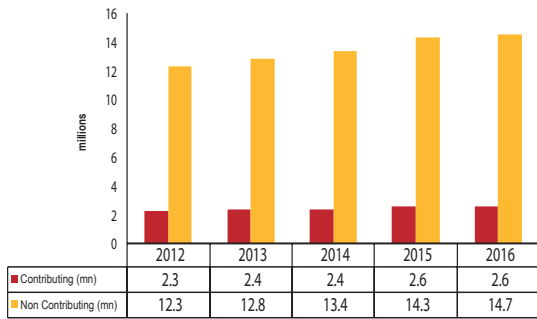
Contributions, Refunds and Net Contributions



Source: EPF Department, Central Bank of Sri Lanka

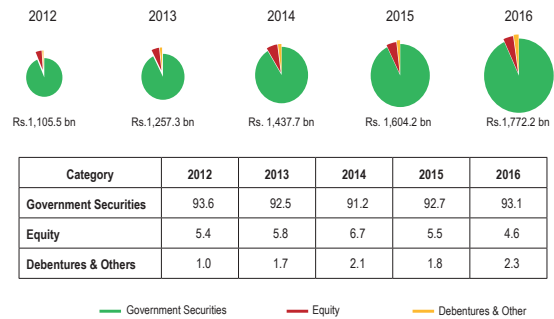


Graph 3 Number of Member Accounts



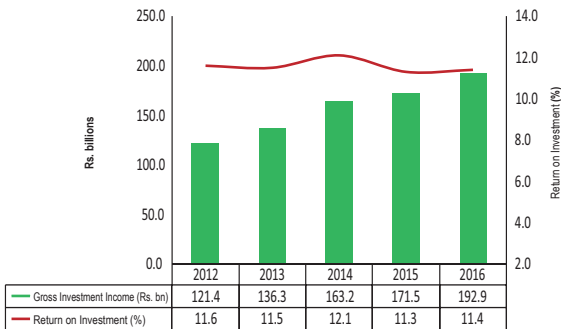
Source: EPF Department, Central Bank of Sri Lanka

Graph 4 Composition of Investment Portfolio



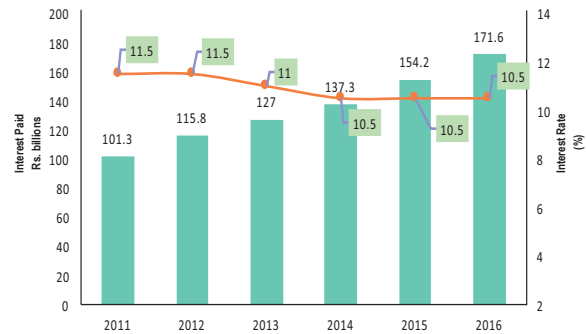
Source: EPF Department, Central Bank of Sri Lanka

Graph 5 Return on Average Investment Portfolio



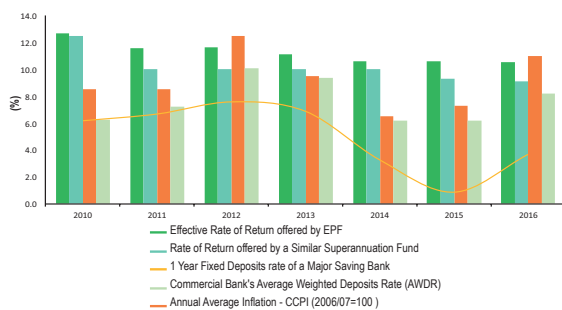
Source: EPF Department, Central Bank of Sri Lanka

Graph 6 Interest Paid on Members' Balances



Source: EPF Department, Central Bank of Sri Lanka

Graph 7 Effective Rate of Return for Member Balances vs. Market Rates



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



Operational Highlights - 2016

EPF Department of the Central Bank

- An annual interest rate of 10.50 per cent was paid to members.
- Total number of member accounts increased to 17.3 mn.
- Total number of contributing member accounts is 2.6 mn.
- Total value of the Fund increased to Rs. 1,841 bn.
- Retirement benefits amounting to Rs. 108,393 mn was paid to 187,149 members.
- During the year, Rs.33.7 billion has been released to 60,021 beneficiaries under pre-retirement refund scheme.
- 12,780 certificates of guarantee were issued to members against their EPF account balances to obtain housing loans from participating lending institutions.
- The phase II of the Image Scanning Project was commenced to convert important and frequently used documents to electronic form.
- The Department conducted ten mobile services in different areas including Badulla, Mirissa, Kahawatta and Polonnaruwa in 2016.
- In early 2016, National Development Bank joined the existing group as a collecting agent.
- Commercial Bank of Ceylon PLC re-launched its EPF on-line payment system after amalgamating the data verification facility with the existing system, in mid-2016.
- The number of employers registered under e-Return system has increased to 6,955 by end 2016 from 6,093 as of end 2015.
- 1.4 million members have been registered by names as appearing in their National Identity Card (NIC) and assign the NIC number as the Unique Identification Number (UID) by end 2016.



Operational Highlights - 2016

Department of Labour (EPF Division)

- Decentralization of the 30% payment facility initiated in year 2015 to East, Central, North, Uva and West Zone II (Kaluthara) offices.
- Establishment of Finger Print obtaining facilities at 05 District Labour offices.
- Multifarious programmes throughout the island such as mobile services to resolve problems of members, distribution of handbills, etc.
- Creating awareness among general public through television and other media promotions.



REGULATORY FRAMEWORK

The Employees' Provident Fund (EPF/Fund) is the largest superannuation Fund in Sri Lanka. It was established under the Employees' Provident Fund Act No.15 of 1958 as a mandatory defined contribution retirement scheme for the private and semi-government sector employees who do not enjoy 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 gross earnings, respectively, to EPF. Employers are liable to send contributions and relevant details of their employees to the Fund periodically. Employers who employ less than 50 employees (C category) send contributions and relevant member details (Form C) on a monthly basis and employers who employ more than 150

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

The EPF members are eligible to claim their retirement benefits once they reach the retirement age (50 years for females and 55 years for males). In addition members are also entitled to withdraw their member account balances in the events of migration, permanent disability, leaving 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 more than 10 years and EPF account balance more than Rs. 300,000 are entitled to withdraw up to 30 per cent of the amount lying to the credit in their accounts for the purpose of house construction or medical treatment from 2015.



Functions of the Commissioner of Labour

Registration of employers and employees to the Fund.

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

Recovery of surcharges on late contribution payments from employers.

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

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

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

Functions of the Monetary Board of the Central Bank of Sri Lanka

Receipt of member contributions, surcharges and income.

Maintenance of member accounts.

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

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

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

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

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

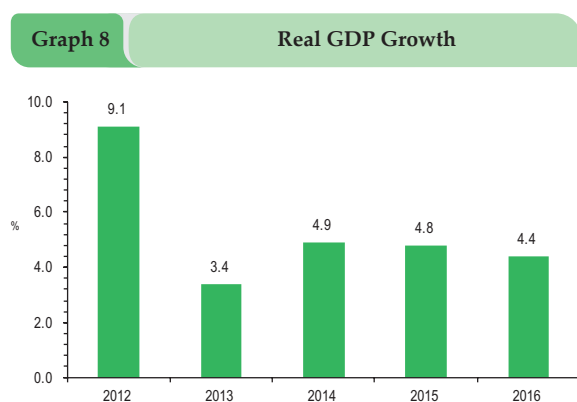
Submission of information such as financial statements and statement of investments to the Hon. Minister of Labour and Trade Union Relations and Hon. Minister of Finance within 3 months from the end of each year.

1. REVIEW OF ECONOMY 2016

1.1 Economic Growth and Macroeconomic conditions

The Sri Lankan economy grew by 4.4 per cent during 2016 in real terms, compared to a growth of 4.8 per cent recorded in 2015. The Services related activities, which accounts for 56.5 per cent of real GDP, grew by 4.2 per cent in 2016 compared to a growth of 5.7 per cent in 2015. The growth in the Services activities was mainly due to the expansion in the financial services activities. The Industry activities, which represent 26.8 per cent of GDP, recorded a notable growth of 6.7 per cent in value added terms during 2016 compared to 2.1 per cent in the previous year. The recovery in Construction activities, which contracted last year contributed significantly for the growth in the Industry activities while manufacturing activities grew at a slower rate during the year. The Agriculture, Forestry and Fishing related activities contracted by 4.2 per cent in during 2016, compared to a growth of 4.8 per cent recorded in the previous year resulting in a reduction in their share in real GDP to 7.1 per cent. The adverse weather conditions negatively affected the Agriculture performance.

Inflation based on both the Colombo Consumers Price Index (CCPI) (2013=100)



Source: Annual Report, Central Bank of Sri Lanka

and the National Consumer Price Index (NCPI) (2013=100) increased during the first half of the year although it stabilized towards end 2016 broadly supported by low international commodity prices. In the external sector, earnings from exports contracted for the second consecutive year by 2.2 per cent while expenditure on imports increased by 2.5 per cent in 2015. As a result, the trade deficit as a percentage of GDP widened to 11.2 per cent compared to 10.4 per cent in 2015. The external current account deficit widened in 2016 as a result of higher trade deficit and the deficit in the primary income account although the services account and the secondary income accounts recorded surpluses during the year. Reflecting higher imports, foreign debt service payments and outflows of foreign funds from government securities, the rupee depreciated against all major currencies except the pound sterling in 2016. In the Fiscal sector, the overall budget deficit declined to 5.4 per cent of GDP in 2016 compared to 7.6 per cent in 2015 due to both the increase in government revenue and the rationalization of government expenditure.

1.2 Inflation and interest rates

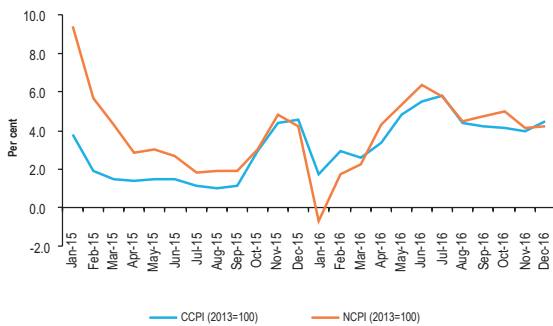
The general price level, as measured by the movement in the NCPI (2013=100), which increased during the first half of 2016 gradually decelerated thereafter to 4.2 per cent, on a year-on-year basis by end 2016. Following a similar trend, headline inflation as measured by the CCPI increased to 5.8 per cent in July 2016 before declining to 4.5 per cent, on a year-on-year basis by end 2016. On an annual average basis, both the NCPI and the CCPI increased to 4.0 per cent by end 2016 from 2.9 per cent and 2.1 per cent, respectively, from January 2016. The



increase in food prices and the impact of the changes in government taxes were mainly cause for the increase in inflation during the year. Meanwhile, year-on-year core inflation in terms of NCPI, increased to 6.7 per cent in December 2016 compared to 3.0 per cent in January 2016. The year-on-year

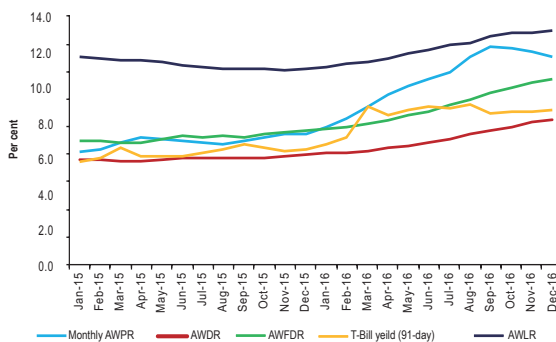
2016, an increase of 202 basis points during the year. The Sri Lanka Interbank Offered Rate (SLIBOR) moved in line with the movements in AWCMR. Accordingly, the overnight SLIBOR stood at 8.44 per cent by end 2016 compared to 6.40 per cent recorded at end 2015.

Graph 9 Year-on-year Inflation
(Based on CCPI; 2013=100, NCPI; 2013=100)



Source: Department of Census and Statistics / Central Bank of Sri Lanka

Graph 10 Movement of Selected Market Interest rates



Source: Central Bank of Sri Lanka

core inflation in terms of CCPI increased to 5.8 per cent by end 2016 compared to 3.6 per cent in January 2016.

The movement in the Average Weighted Call Deposit Rate (AWCMR) closely reflected domestic liquidity conditions and the adjustments made to the policy interest rates of the Central Bank of Sri Lanka. Accordingly, responding to monetary tightening measures and the deficit liquidity in domestic money market, the AWCMR increased to 8.42 per cent by end December

Deposit and lending rates of commercial banks increased during 2016 reflecting the transmission of relatively tight monetary policy stance of the Central Bank to retail interest rates. The Average Weighted Deposit Rate (AWDR), which reflects movements in interest rates pertaining to all outstanding interest bearing deposits of commercial banks stood at 8.17 per cent by end 2016, compared to 6.20 per cent by end 2015. The Average Weighted Lending Rate (AWLR), which is calculated based on all outstanding loans and advances extended by commercial banks to the private sector, increased by 220 basis points to 13.2 per cent by end 2016 from 11 per cent at end 2015. Reflecting the impact of monetary tightening measures of the Central Bank, credit extended to the private sector moderated towards end 2016.

1.3 Wages and unemployment

The Unemployment rate declined to 4.4 per cent in 2016 compared to 4.7 per cent in the previous year. The drop in unemployment rates for both males and females contributed to the overall decrease in the unemployment rate. The increase in the number of employed persons was observed in both Industry and Service activities while employment in the Agriculture sector declined. Accordingly, Agriculture sector contributed to 27.1 per cent of the total employment while the Industry and Services sectors contributed to 26.4 per cent and 46.5 per cent of the total employment, respectively. Meanwhile, employment in the private sector increased while numbers employed in the public sector and the total number of departures for foreign employment declined during the year.



The nominal wages for both public and private sector employees increased during 2016. The increase in nominal wages for the public sector employees was due to the step-wise increase in the interim allowance to Rs. 10,000 and the inclusion of a portion of the interim allowance to the basic salary in 2016. In the formal private sector, nominal wages rose due to the introduction two major Acts on the National Minimum Wage and the Budgetary Relief Allowance by the government.

1.4 Monetary and Fiscal Policy

The Central Bank of Sri Lanka tightened its monetary policy stance in 2016 in order to contain the possible built up of inflationary pressures arising from high growth in monetary and credit aggregates. In January 2016, the Central Bank raised the Statutory Reserve Ratio (SRR) applicable on all rupee deposit liabilities of licensed commercial banks by 1.50 percentage points to 7.50 per cent. Moreover, in February 2016, the Central Bank increased its main policy interest rates, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 50 basis points to 6.50 per cent and 8.0 per cent, respectively. However, credit to the private sector continued to accelerate despite the upward adjustment in market interest rates. Accordingly, the Central Bank tightened its monetary policy stance for the second time of the year by increasing the SDFR and the SLFR by 50 basis points to 7.00 per cent and 8.50 per cent in July 2016.

Fiscal policy during 2016 was directed towards strengthening the fiscal consolidation process in order to reduce the budget deficit and the accumulation of debt to finance budget deficits. Under the government's revenue based fiscal consolidation process, several measures were taken to streamline and simplify the tax system, broaden the tax base, rationalize tax exemptions and concessions

and strengthen tax administration. The enhanced revenue collection and the reduction in total government expenditure resulted in the budget deficit narrowing to 5.4 per cent of GDP in 2016 compared to 7.6 per cent recorded in 2015. The central government debt to GDP increased to 79.3 per cent mainly due to the lower growth in nominal GDP although in nominal terms, the central government debt was lower in 2016 compared to last year. The budget deficit was largely financed by foreign sources in 2016. Accordingly, net foreign financing accounted for 61.2 per cent (Rs. 391.9 billion) while net domestic financing contributed 38.8 per cent (Rs. 248.4 billion) of the total financing requirement during the year. Reliance on financing from both the domestic banking and non-banking sector decreased in 2016 in comparison to the previous year due to the greater reliance on foreign financing. Financing from domestic banking sector accounted for 56.3 per cent of total net domestic financing while the non-banking sector accounted for 43.7 per cent in 2016.

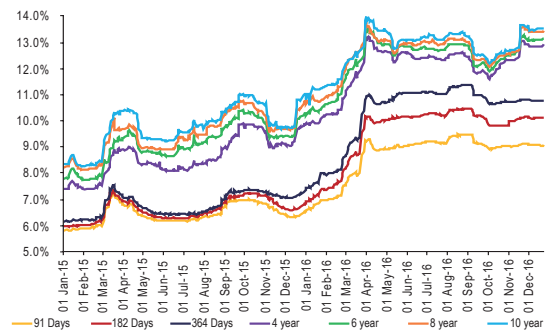
1.5 Government Securities market & movements in yield rates

Reflecting the monetary tightening measure adopted by the Central Bank, increased demand for funds by the government, yield rates of government securities in the primary market increased in 2016. The increasing trend in the yield rates in the primary market particularly during the first quarter of 2016 began to moderate from April onwards due to the government's fiscal consolidation programme, the announcement of the Extended Fund Facility (EFF) programme of the IMF and the inflow of foreign funds to the government securities market. Accordingly, yield rates on 91-day, 182-day and 364-day Treasury bills increased by 227 basis points, 280 basis points and 287 basis points to 8.72 per cent, 9.63 per cent and 10.17 per cent, respectively, at end 2016 compared to end



2015. The yield rates of Treasury bonds with longer maturities displayed a similar trend observed in yields on Treasury bills in the primary market. Accordingly, yields on 5-year Treasury bonds increased from 9.79 per cent at end 2015 to 11.76 per cent at end 2016 while the average weighted yield on 10-year Treasury bonds also increased from 10.94 per cent at end 2015 to 12.11 per cent at end 2016. In line with the movements in the primary market, the secondary market yield curve on government securities shifted upwards during 2016.

Graph 11 Secondary Market Yield Rate



Source: Central Bank of Sri Lanka

2. REVIEW OF THE PERFORMANCE OF EPF - 2016

2. Introduction

The Fund, in terms of the total net worth, reached Rs. 1,841.5 billion as at end 2016 recording a 10.6 per cent growth over Rs. 1,664.9 billion recorded by end 2015. The total number of member accounts reached to 17.3 million by end 2016, which was an increase of 2.4 per cent compared to 16.9 million recorded by end 2015. The number of contributing member accounts was 2.6 million by end 2016, which was similar to 2015, whilst noncontributing member accounts increased to 14.7 million by the end 2016, compared to 14.3 million recorded by end of 2015. Meanwhile, the number of contributing employers recorded an increase of 1.2 per cent to 73,482 by end 2016 from 72,578 reported at end 2015.

2.1 Member Contribution and Payments of Retirement Benefits

In 2016, member contributions increased by 15.4 per cent to Rs. 118.3 billion from Rs. 102.5 billion in 2015. The total number of refunds for employees was 187,027 in 2016, which was an increase of 47.1 per cent compared to 127,106 recorded in 2015. The total amount paid as refund benefits to the members and their heirs including 30 per cent refund stood at Rs. 108.4 billion in 2016, which was an increase of 39.3 per cent over that of Rs. 77.8 billion paid in 2015. Accordingly, the net contribution (gross contributions less refund benefits) decreased by 60 per cent to Rs. 9.9 billion compared to Rs. 24.7 billion recorded in the previous year.

**Table
2**

EPF Refund Payment 2016

Reason for EPF Refund	Number of Refund Applications		Total Amount of Refund Benefits (a)	
	No.	%	Amount (Rs.bn)	%
Reaching of Retirement Age	87,373	46.72	58.91	54.74
30% Refunds	60,021	32.09	33.66	31.27
Retirement due to Marriage	22,816	12.20	5.89	5.48
Migration	1,782	0.95	2.77	2.58
Medical Reasons	996	0.53	0.64	0.60
Death of Member	4,565	2.44	2.43	2.26
Joining a Pensionable Job	9,373	5.01	3.20	2.98
Others	101	0.05	0.11	0.11
Total	187,027	100	107.63	100

Source: EPF Department, Central Bank of Sri Lanka

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



Contrary to previous years, a decline in the net contribution was recorded in 2016 mainly due to refunds under the facility to withdraw 30 per cent from member balances for housing and medical requirements. The total amount of 30 per cent refund payment was Rs.33.7 billion and other refunds amounted to Rs.74.7 billion. The cumulative 30 per cent refunds at the end of 2016 was amounted to Rs.42.2 billion. The total amount of refund benefits for the members reaching of retirement age has increased by 26.2 per cent from Rs.46.7 billion in 2015 to Rs.58.9 billion in 2016. Meanwhile, the total amount of refund due to marriage by female members recorded an increase of 9.1 per cent to Rs.5.9 billion by end 2016 from Rs.5.4 billion reported as at end of 2015. As shown in the table 2, the refund benefits paid to members who reached the retirement age accounted for the largest share of the refund benefits, followed by 30 per cent refunds.

2.2 Investment Portfolio of EPF

The total investment portfolio (book value) of the Fund grew by 10.5 per cent from Rs. 1,604.2 billion in 2015 to Rs. 1,772.2 billion in 2016 (Graph 12).

In 2016, net income of Rs.175.9 billion and net member contributions of Rs.9.9 billion mainly contributed for the growth in the investment portfolio. With regard to the total investment portfolio, the concentration

of investment in government securities showed an increase from 92.7 per cent in 2015 to 93.1 per cent at end 2016 whereas the share of investments in equity decreased to 4.6 per cent in 2016 from 5.5 per cent in 2015. Further share of investment in corporate debt securities accounted for 1.9 per cent of the portfolio and the balance 0.4 per cent was in high-liquid short-term assets such as reverse repurchase agreements on government securities, to meet liquidity requirements of the Fund.

2.2.1 Government Securities Portfolio

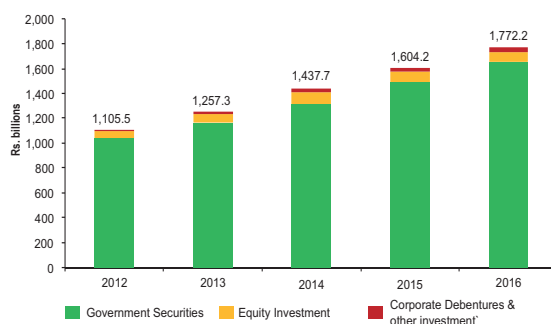
The Government securities portfolio consisting of Treasury bonds, and Treasury bills grew by 11 per cent to Rs. 1,650 billion as at end 2016 from Rs. 1,487 billion as at end 2015.

During 2016, EPF earned coupon interest income of Rs.161.7 billion from the Government securities portfolio. Amortization gains on Government securities were reported as Rs.28.17 billion while capital gains from the sale of Government securities were Rs. 612 million. Accordingly, the Fund reported total income as Rs. 190.5 billion from the Government securities representing 98.6 percent of the total gross income of the Fund which is 13.9 percent higher compared to that of 2015. In 2016, the weighted average yield of the Government securities portfolio was 11.19 per cent by end of the year. Out of the total Government securities portfolio, 24.3 per cent is expected to mature within the next five-year period, as depicted in Table 3.

2.2.2 Equity Portfolio

Equity portfolio, which consists of both listed and unlisted equities, decreased by Rs. 6.8 billion (7.76 per cent) from Rs. 87.6 billion in 2015 to Rs. 80.8 billion in 2016. EPF continued to maintain a well-diversified Available for Sale (AFS) portfolio consisting of companies in different sectors, such as

Graph 12 Investment Portfolio 2012 – 2016



Source: EPF Department, Central Bank of Sri Lanka



Table 3

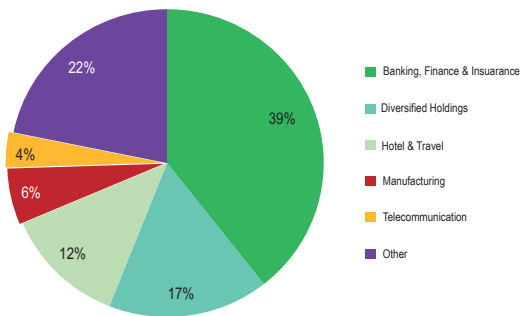
Maturity Profile of Government Securities Portfolio – As at end of 2016

Maturity	Maturity Value (Rs. bn)	Share (%)	Weighted Average Yield (%)
Less than 1 Year	63.90	3.57	11.11
1-2 Years	77.42	4.33	10.77
2-5 Years	293.05	16.39	10.99
More than 5 years	1,353.29	75.70	11.26
Total	1,787.66	100.00	11.19

Source: EPF Department, Central Bank of Sri Lanka

Graph 13

Sectorial Composition of the Listed Equity Portfolio – As at end-2016



Source: EPF Department, Central Bank of Sri Lanka

sectors of Banking, Finance & Insurance, Diversified Holdings, Construction & Engineering, Power & Energy and Hotel & Travel and Telecommunication sectors listed on the CSE (Graph 13). The equity portfolio generated an income of Rs. 4.7 billion in 2016 through dividends and capital gains in comparison to Rs. 4.1 billion recorded in year 2015. Due to the decline in the market prices, an impairment loss of Rs.5.2 billion in respect of 6 listed companies was made in 2016.

2.2.3 Corporate Debt Portfolio

EPF invests in debt instruments such as corporate debentures, trust certificates and mortgage backed securities. During 2016, the Fund invested Rs.13.7 billion in 13 corporate debt issues which were listed on the CSE

issued by institutions with investment grade credit ratings. The corporate debt portfolio of the Fund stood at Rs. 38.2 billion as at 31st December 2016, constituting 2.2 per cent of the total portfolio. The Fund earned interest income of Rs. 3,049 million from the corporate debt portfolio and the rate of return on average portfolio was 9.57 per cent annum, during the year.

2.2.4 Reverse Repurchase Transactions

The daily excess funds are invested in the reverse repos against Government securities in order to manage the liquidity of the Fund. During 2016, the Fund earned an interest income of Rs.738.4 million from reverse repo transactions as against Rs. 435.5 million in 2015.

2.2.5 Income of the Fund

Total income of the Fund amounted to Rs. 192.9 billion in 2016, recording an increase of 12.5 percent compared to that of the previous year (Table 4). Interest income was the major source of income (85.8 per cent of the income) to the Fund which grew by 15.7 per cent from Rs. 143.1 billion in 2015 to Rs. 165.5 billion in 2016. Further, income generated from equity portfolio which



**Table
4**

Investment Income of the Fund

Source of Income	2015		2016	
	Amount (Rs.mn)	Share (%)	Amount (Rs.mn)	Share (%)
Interest	143,055	83.4	165,485	85.8
Amortization gains	26,591	15.5	28,171	14.6
Capital gains from Government securities	1,171	0.7	612	0.3
Marked to market gain/loss	(394)	(0.2)	(842)	(0.4)
Capital gains from equity	553	0.3	452	0.2
Dividends	3,512	2.0	4,263	2.2
Impairment of assets	(2,957)	(1.7)	(5,232)	(2.7)
Total	171,531	100.0	192,909	100.0

Source: EPF Department, Central Bank of Sri Lanka

included both capital gains and dividends increased by 16 percent to Rs. 3,873 million in 2016, compared to Rs. 3,671 million earned in 2015. Amortization gains from discounted Treasury bonds increased by 5.9 per cent to Rs. 28.2 billion in 2016 from Rs. 26.6 billion in 2015 (Table 4).

2.3 Operational Expenditure

The total operational expenditure of the Fund increased to Rs. 1,487.2 million in 2016, registering a 25 per cent growth compared to Rs. 1,190.6 million in 2015 mainly due to increase in other expenses. Accordingly,

**Table
5**

Operational Expenditure of the Fund

Item	Monetary Board of Central Bank			Labour Department		
	2015	2016	Change	2015	2016	Change
	(Rs.mn)	(Rs.mn)	(%)	(Rs.mn)	(Rs.mn)	(%)
Personnel Expenses	406	478	17.73	343	383	11.66
Administrative Expenses	232	231	(0.43)	165	172	4.24
Other Expenses	33	212	542.4	12	11	8.33
Total	671	921	37.3	520	566	8.85
Total Expenses as a percentage of Gross Income	0.39	0.48		0.48	0.29	

Source: EPF Department, Central Bank of Sri Lanka



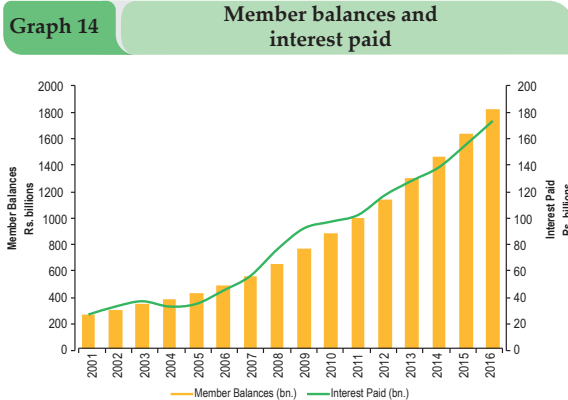
operational expenses as a percentage of gross income increased to 0.77 per cent during the year compared to 0.69 per cent in 2015. Maintaining operational expenditure below 1 per cent of the gross income is a significant achievement in light of industry norm of 1 to 2 per cent of managerial fees for fund managers (Table 5).

2.4 Tax Expenditure

In term of Section 35 of Inland Revenue Act No 10 of 2006, EPF is obliged to pay 10 per cent of income tax. In 2016, EPF paid Rs. 15,657 million as income tax expense recording a 14.1 per cent increase compared to the income tax of Rs. 13,727 million in 2015.

2.5 Member Account Balances and Interest Paid

In 2016, a sum of Rs.171.6 billion was distributed among member accounts as



Source: EPF Department, Central Bank of Sri Lanka

interest, while enhancing the member balances by 11.4 per cent to Rs. 1,810.6 billion compared to Rs. 1,625.5 billion in 2015. Despite the volatile interest rate environment that prevailed during the recent years, the Fund was able to declare an interest rate of 10.5 per cent on the closing balance of members for the year ending 31 December 2016, in line with the previous year.

2.6 Risk Management

2.6.1 Overview

Given the size and its impact on the market, EPF is a very important entity in the financial sector in Sri Lanka which manages long term retirement savings of the private and semi-Government sector employees with a view of providing maximum retirement benefits to its members while supporting the improvement of the entire financial system of the country. The Investment Policy Statement (IPS) and Investment and Trading Guidelines (ITG) define the overall risks that the EPF is willing to tolerate, together with specific risk limits and the basis of the 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 exposed by the Fund are liquidity risk, market risk, credit risk, and operational risk.

2.6.2 Liquidity Risk

In general the monthly member contributions are sufficient to meet refund and other payments of the EPF. Accordingly, there is no need of additional liquidity, thus investments discontinue prior to their maturities for funding requirements. Therefore, while meeting EPF obligations payment, EPF manages its cash flows on a daily basis. Further, the Fund contains sufficient amounts in various maturities for this purpose and the assets are maintained in highly liquid marketable securities in order to meet any contingencies. Accordingly, the liquidity risk of the EPF is considered to be very low.

2.6.3 Market Risk

Market Risk is the risk of losses from 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. Interest rate risk of the Fund is managed through selecting securities of various maturities that consist of almost all securities in the market. Interest rate risk exposure of the Government security portfolio is minimal due to held to maturity investment strategy of the Fund. The equity price risk is the reduction in the value of equity portfolio due to the decline in share prices. Equity market risk is minimized by investing in fundamentally sound stocks in thriving sector and through effective diversification.

2.6.4 Credit Risk

The credit risk of the Fund is considered to be minimal as 93 per cent of the investments are in the Government securities which are by default risk-free investments. Further, corporate debt investments are made in instruments which are belong to investment-grade category institutions rated by approved credit rating agencies. The reverse repos are backed by adequate Government securities as collateral and maintained in dedicated EPF securities custodian account. Accordingly, high concentration in Government securities, the credit risk of the Fund could be considered as low.

2.6.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or external events. The members' accounts of the Fund are maintained in a system that records all transactions centrally, while facilitating greater integration of the processes in the EPF system at the CBSL, leading to significant improvement in operational efficiency and greater accuracy of data, with minimum manual interventions. Further, EPF has set up internal controls such as internal audit, segregation of duties, authority limits for all of its operations to manage operational risk. These processes have strengthen further to avoid any unsure of system and other failiures by the stakeholders.

2.6.6 Internal Control of the Government Securities

The investment in Government securities and other instruments are done with the approval of the Investment Committee of EPF which monitors the market condition on daily basis. Further, EPF has taken actions to ensure that investment in Governemnt securities through primary auctions as much as possible to minimize the need for secondary market activities.

2.7 Housing Loan Facility

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

Table 6

Housing Loan Facility

Year	Issued Certificates (No.)	Credit Approved (Rs. mn)	Amount Remitted to Lending Institutions (Rs. mn)
2006	15,136	3,049	1,078
2007	12,969	2,872	1,240
2008	12,519	3,008	1,192
2009	10,383	2,680	1,552
2010	13,848	4,512	2,093
2011	20,041	6,355	1,896
2012	11,234	3,973	2,019
2013	16,268	6,914	2,178
2014	17,786	8,021	2,394
2015	13,132	5,489	2,522
2016	12,780	5,414	2,541

Source: EPF Department, Central Bank of Sri Lanka



Investment Bank, Bank of Ceylon, People's Bank and Co-operative Rural Banks, continued in 2016 providing a remarkable service to the EPF members. Under this scheme, EPF issued 12,780 certificates of guarantees to members against their EPF balances to the participating lending institutions for the approval of housing loans amounting to Rs. 5,414 million. Further, nearly Rs. 2,541 million was deducted from relevant member accounts and remitted to the participating lending institutions in 2016 to settle the overdue loans during the year 2015.

2.8 Enforcement of Law

In accordance with the EPF Act, the Department of Labour is responsible for the general administration and enforcement of the EPF Act. Accordingly, during the year 2016, the district labour offices and sub offices

registered 7,134 new employers and 34,264 new employees covering all provinces. Half of the employers registered during the year 2016, were from the Western province while the Northern and the Eastern provinces together accounted for 6.5 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 10,074 first notices and 6,508 red notices claiming Rs. 4,464 million and Rs. 3,454 million, respectively. Further, Rs. 855 million has been recovered by the Department of Labour by filing legal cases against 2,622 institutions which had failed to settle the arrears within 28 days after receiving the red notices.

Table
7

Enforcement of Law

Description		Year				
		2012	2013	2014	2015	2016
New Registrations	Employers	9,799	6,822	7,213	6,736	7,134
	Employees	412,255	448,398	296,056	48,007	34,264
Provincial wise Employer Registrations (As a % of total Employer Registration)	Western	37	46	65	50	50
	Northern & Eastern	24	10	3	7	6.5
	Other	39	44	32	43	43.5
First Notices	No. of notices sent	13,134	12,807	12,132	9,015	10,074
	Amount Claimed (Rs. mn.)	4,604	5,100	6,280	4,018	4,464
Red Notices	No. of notices sent	7,874	8,411	13,578	5,670	6,508
	Amount Claimed (Rs. mn.)	2,792	6,132	1,121	2,864	3,454
Filed Cases	No. of cases	2,991	2,744	3,397	6,458	2,622
	Amount Recovered (Rs. mn.)	2,991	2,442	6,126	1,308	855

Source: EPF Division, Department of Labour



2.9 Re registration of EPF members

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

By end 2016, NIC details of approximately 1.8 million active EPF members (currently contributing members) had been collected. Out of these, 82 per cent of the member accounts (1.4 million accounts) were assigned UIDs, while the verification of details of the remaining members are being processed.

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

Registration of existing members and registration of new members amounted to 69,326 and total number of registrations transferred to MCD was 76,386 during year 2016.

2.10 e>Returns System for EPF Payments

EPF introduced the electronic means of submitting the monthly EPF returns and easy payment modes (e-Return) to its employers with the objective of enhancing the efficiency of its activities and it was operated on voluntary basis until 2012. This procedure further facilitated EPF to expedite its activities that were expanding over the last years while benefiting the employers also for submission of their monthly EPF returns using their own automated salary systems. Accordingly, submission of e>Returns was

made mandatory for employers having in his employment a minimum of 50 employees by the EPF (amendment) Act No. 2 of 2012. It was regularized by the Gazette notification released in May 2013 and subsequently, those regulations were approved by the parliament on 03rd March, 2015.

Initially, e-Return procedure facilitated the employers to furnish their employee contribution details through electronic mail and to make the payments through cheques. In 2011, these avenues were broaden in collaboration with the Commercial Bank of Ceylon PLC, facilitating their customers paying EPF, to submit the EPF monthly returns and to make the relevant payments through on-line banking facility. Following the same, four more licensed commercial banks named Bank of Ceylon, People's Bank, Sampath Bank PLC and Hatton National Bank PLC also joined hands to introduce on-line EPF payment procedure for their customers, through on-line banking facility during 2012-2013.

In 2016, e-Return submission procedure through on-line banking system was improved to web-based procedure enabling the employers to validate their employee data in the monthly contribution detail files with the data already registered in the EPF system, while being on their own desk. This improved procedure accelerated the member account posting through less manual intervention. By end of 2016, Commercial Bank of Ceylon PLC and National Development Bank PLC contribute for their customers paying EPF, with web-based EPF return submission procedure. Accordingly, six licensed commercial banks have already joined EPF to facilitate their customers with e-Return procedure. Further, arrangements have been made to shift the banks that are already providing on-line EPF return submission facility to the web-based facility and to obtain the facilities of other commercial banks that are not joined the EPF, yet. The direct debit payment mode that operates through inter-bank payment system (SLIPS) was continued as an



alternative payment mode for the employers not maintaining bank accounts with above referred banks.

Accordingly, number of employers registered for the submission of e-Return has been increased to 6,955 by the end of 2016, showing an increase of 14 percent when compared with end of 2015. These employments represent 76 percent of the active member accounts of 2.4mn covering almost 80 percent of the total collection of Rs. 118 bn of the year 2016. Further, EPF continuously conducted awareness programmes for employers for encouraging them to join the e-Return system and facilitated with providing required information and guidance for employers who joined the e-Return procedure during the year.

2.11 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.

Presently employed members who have made contributions to the fund for a period of not less than ten years, and possesses not less than three hundred thousand rupees to his credit in his individual account, are able to obtain the above benefit for the housing purposes or the medical treatments.

The scheme is in high demand by beneficiaries and Rs.33.7 billion has been refunded to over 60,000 beneficiaries during the year 2016. As at the end of 2016, Rs. 41 billion has been paid to over 70,000 eligible members under this scheme.

2.12 The Image Scanning Project (ISP)

The Image Scanning Project (ISP) was implemented in year 2013 with a view of improving the efficiency of services provided

by the EPF Department by establishing a near-paperless operating environment in EPF processes.

The phase-I of the project was successfully completed during the year 2015 transforming the traditional model of the EPF record room to an E-record room. The Master Files, Form-D and Re-registration documents were scanned and uploaded to the Document Management System (DMS).

The DMS enhanced accessibility of documents by facilitating simultaneous access of documents by a maximum of 298 users. The speed of retrieval of documents has been made efficient while reducing the storage space allocated to store documents from 4000ft² to 8ft². The transformation in the record keeping mechanism to an e-record room has resulted in a considerable saving of cost through the reduction of human involvement for the retrieval and updating of records, rent for the utilization of space for record keeping and time spent on the search of records. Further the implementation of DMS has also facilitated the decentralization of EPF services to the regional offices of the Central Bank, since the Master Files can now be accessed from any location (with restricted access rights) through the DMS.

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 2009; Amendment letters from 2010 onwards and Re-registration documents belong to the year 2014.

The phase-II of ISP is expected to be completed by the end of year 2017.



2.13 Public Awareness

Improving awareness on EPF operations is given prominence at the Department, to minimize the errors in the member accounts to create an error free database, provide services to members & employers at their convenience and to mitigate member/ employer inquiries. Accordingly, several mobile services were organized during the year 2016 as a major mechanism for achieving the above goal.

In 2016, EPF Department conducted ten mobile services in different areas including Badulla, Hambanthota, Rathnapura, and Polonnaruwa Districts. These mobile services were conducted in collaboration with the Department of Labor and other government organizations such as the Department of Registration of Persons, Registrar General's Department, Police Department and relevant District/Divisional Secretariats.

Further, EPF Department participated in 8 mobile services organized by the Ministry of National Co-existence, Dialogue and Official Languages covering Colombo District during the year to support their initiative of providing EPF related services at the member convenience.

The services offered to the members and public through the awareness programmes included: issuing of EPF member balance statements, amendment of EPF member details and accounts, re-registration of member details, promoting online member balance inquiry service and e-return services, issuing National Identity Cards and related services by Department of Registration of Persons, Issuing of Birth Certificates / Presumptive Age Certificates / Null Reports and related services by Registrar General's Department and Providing advice on overall EPF procedures.

Prior to each mobile service program, a special awareness program was conducted for relevant employers, managers and other administrative/Human Resource staff members of respective employers to identify the requirements of the mobile service with a view of enhancing the effectiveness of the mobile service.

In addition, awareness activities were conducted in parallel to the mobile services targeting the employers, employees and other stakeholders on the services offered by the EPF using a mix of communication media such as posters, leaflets, video clips and presentations.



EMPLOYEES' PROVIDENT FUND
STATEMENT OF INCOME AND EXPENDITURE

For the year ended 31 st December	Note	2016			2015 Total Rs.'000
		Monetary Board	Labour Dept.	Total	
		Rs.'000	Rs.'000	Rs.'000	
Interest Income	5	165,485,417	-	165,485,417	143,055,071
Dividend Income	6	4,262,609	-	4,262,609	3,512,418
Realised Capital Gain on Financial Assets	7	1,063,965	-	1,063,965	1,724,310
Amortisation Gain on Held to Maturity Financial Assets	8	28,170,893	-	28,170,893	26,590,827
Net loss on Financial Instruments at Fair Value Through Profit or Loss	9	(842,114)	-	(842,114)	(393,998)
Impairment of Financial Assets	10	(5,231,637)	-	(5,231,637)	(2,956,641)
Investment Income		192,909,133	-	192,909,133	171,531,987
Other Income	11	157,176	5,087	162,263	323,310
Gross Income		193,066,309	5,087	193,071,396	171,855,297
Operating Expenses	12	(921,007)	(566,233)	(1,487,240)	(1,190,616)
Operating Profit/ (Loss) before Income Tax		192,145,302	(561,146)	191,584,156	170,664,681
Income Tax Expense	13	(15,657,191)	-	(15,657,191)	(13,727,402)
Profit/ (Loss) for the Year		176,488,111	(561,146)	175,926,965	156,937,279
Retained Profit Brought Forward				215,575	311,297
Profit available for Distribution				176,142,540	157,248,576
Profit Distribution					
Less : Interest Paid on Refunds - Current Year				(4,645,766)	(2,833,014)
Add/ (Less) - Transfer from / (to) Profit Equalization Reserve				250,000	
Interest on member balances as at 31 st December 2016 at 10.50% (2015-10.50%)				(171,557,433)	(154,199,987)
Balance Carried Forward for the Next Year				189,341	215,575

The accounting policies and notes on pages 243 through 286 form an integral part of the Financial Statements.

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

These Financial Statements were approved by the Monetary Board.

For and on behalf of the Monetary Board,

Dr. Indrajith Coomaraswamy

Governor

Central Bank of Sri Lanka

K.N.N. Malkanthi Bandara

Superintendent

Employees' Provident Fund

Date : 20 February 2017



EMPLOYEES' PROVIDENT FUND
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 st December	Note	2016 Rs.'000	2015 Rs.'000
Profit for the Year		175,926,965	156,937,279
Other Comprehensive Income			
Net Loss on Changes in Fair Value of Available-for-Sale Financial Assets	14	(8,180,733)	(8,013,908)
Total Comprehensive Income for the Year		167,746,232	148,923,371

For and on behalf of the Monetary Board,

Dr. Indrajith Coomaraswamy
Governor
Central Bank of Sri Lanka

K.N.N. Malkanthi Bandara
Superintendent
Employees' Provident Fund


Date : 20 February 2017




EMPLOYEES' PROVIDENT FUND
STATEMENT OF FINANCIAL POSITION

As at 31 st December 2016	Note	2016 Rs.'000	2015 Rs.'000
Assets			
Property, Plant and Equipment	15	276,675	273,948
Intangible Assets	16	1,261	864
Financial Assets – FVTPL	17	14,222,501	3,703,036
Financial Assets – Available for sale	18	162,552,422	135,047,349
Financial Assets – Held to Maturity	19	1,592,691,816	1,461,390,601
Financial Assets – Loans and Receivables	20	2,745,000	4,100,000
Inventory		9,286	34,587
Interest Receivable		54,435,170	47,992,397
Contributions Receivable		10,794,640	8,988,745
Other Current Assets	21	2,976,568	2,910,820
Cash and Cash Equivalents	22	4,385,242	3,691,577
		1,845,090,581	1,668,133,924
Liabilities			
Creditors	23	1,980	3,961
Accrual Expenses		185,065	396,657
Other Current Liabilities	24	3,406,489	2,880,889
		3,593,534	3,281,507
Total Net Assets			
		1,841,497,047	1,664,852,417
Represented by,			
Member Balances	25	1,810,594,518	1,625,492,921
		1,810,594,518	1,625,492,921
Reserves	26	30,713,188	39,143,921
Retained Profit		189,341	215,575
		30,902,529	39,359,496
Total Net Worth of the Fund			
		1,841,497,047	1,664,852,417

For and on behalf of the Monetary Board,


Dr. Indrajith Coomaraswamy
Governor
Central Bank of Sri Lanka


K.N.N. Malkanthi Bandara
Superintendent
Employees' Provident Fund

Date : 20 February 2017



EMPLOYEES' PROVIDENT FUND
RECEIPTS AND PAYMENTS ACCOUNT

For the year ended 31 st December	Note	2016			2015
		Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Cash balance at the beginning of the year		3,691,577	27,382	3,718,959	2,618,713
Total Receipts	27	332,451,661	616,189	333,067,850	311,790,946
Total Payments	28	(331,757,996)	(576,057)	(332,334,053)	(310,690,700)
Cash balance at the end of the year		4,385,242	67,514	4,452,756	3,718,959

For and on behalf of the Monetary Board,

Dr. Indrajith Coomaraswamy
Governor
Central Bank of Sri Lanka

K.N.N. Malkanthi Bandara
Superintendent
Employees' Provident Fund

Date : 20 February 2017



EMPLOYEES' PROVIDENT FUND
STATEMENT OF INVESTMENTS

Class of Investment	Note	Face value Rs.'000	Cost Rs.'000	Amortised Cost Rs.'000	Market Value Rs.'000	Book Value Rs.'000
As at 31st December 2016						
Treasury Bonds	17,18,19	1,737,219,190	1,569,333,652	1,619,623,282	1,498,488,396	1,611,629,158
Treasury Bills	18	41,056,824	37,980,948	38,424,111	38,815,227	38,815,227
Corporate Debentures	17,18,19	34,343,590	34,343,794	34,343,709	34,058,321	34,339,359
Trust Certificates	19	4,499,810	3,397,594	3,832,592	3,832,592	3,832,592
Listed Equity	17,18	-	69,603,701	69,603,701	70,579,779	70,579,779
Unlisted Equity	18	-	10,270,625	10,270,625	10,270,625	10,270,625
Reverse Repo	20	2,745,000	2,745,000	2,745,000	2,745,000	2,745,000
		1,819,864,415	1,727,675,314	1,778,843,021	1,658,789,940	1,772,211,740
As at 31st December 2015						
Treasury Bonds	17,18,19	1,612,461,341	1,442,536,353	1,487,297,477	1,562,120,452	1,487,004,275
Corporate Debentures	17,18,19	22,479,263	22,479,466	22,593,481	22,593,481	22,593,481
Trust Certificates	19	3,346,402	2,475,227	2,929,796	2,929,796	2,929,796
Listed Equity	17,18	-	73,302,843	73,302,843	77,342,809	77,342,809
Unlisted Equity	18	-	10,270,625	10,270,625	10,270,625	10,270,625
Reverse Repo	20	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000
		1,642,387,006	1,555,164,515	1,600,494,222	1,679,357,164	1,604,240,986

For and on behalf of the Monetary Board,

Dr. Indrajith Coomaraswamy
Governor
Central Bank of Sri Lanka

K.N.N. Malkanthi Bandara
Superintendent
Employees' Provident Fund

Date : 20 February 2017



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 01st January 2015	1,445,462,269	3,157,000	350,000	18,100,000	6,650,000	12,900,829	311,297	1,486,931,395
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(8,013,908)	-	(8,013,908)
Net Profit for the year - 2015	-	-	-	-	-	-	156,937,279	156,937,279
Net Contributions for 2015	25,830,665	-	-	-	-	-	-	25,830,665
Member Interest Paid on Refunds - 2015	-	-	-	-	-	-	(2,833,014)	(2,833,014)
Member Interest (2015 at 10.50%)	154,199,987	-	-	-	-	-	(154,199,987)	-
Dividend payable	-	-	-	6,000,000	-	-	-	6,000,000
Transfers to Profit Equalization Reserve	-	-	-	-	-	-	-	-
Balance as at 31st December 2015	1,625,492,921	3,157,000	350,000	24,100,000	6,650,000	4,886,921	215,575	1,664,852,417
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(8,180,733)	-	(8,180,733)
Net Profit for the year - 2016	-	-	-	-	-	-	175,926,965	175,926,965
Net Contributions for 2016	13,544,164	-	-	-	-	-	-	13,544,164
Member Interest Paid on Refunds - 2016	-	-	-	-	-	-	(4,645,766)	(4,645,766)
Member Interest payable (2016 at 10.50%)	171,557,433	-	-	-	-	-	(171,557,433)	-
Transfers to Profit Equalization Reserve	-	-	-	(250,000)	-	-	250,000	-
Balance as at 31st December 2016	1,810,594,518	3,157,000	350,000	23,850,000	6,650,000	(3,293,812)	189,341	1,841,497,047



EMPLOYEES' PROVIDENT FUND
STATEMENT OF CASH FLOWS

For the year ended 31 st December	2016	2015
Description	Rs.'000	Rs.'000
Cash flows from operating activities:		
Interest received from Investments	158,387,150	136,306,455
Dividends received from equity securities	2,817,019	3,234,815
Surcharges and Other Income	153,281	327,431
Recoveries from Trade Receivables	1,088,846	36
Other Operating Expenses	(1,069,243)	(747,547)
Advance Payments	(9,574)	(5,948)
Settlement of Creditors and other Payables	(2,927,373)	(2,648,346)
Cash generated from operations	158,440,106	136,466,896
Taxes Paid	(7,869,247)	(15,293,504)
Net cash generated from operating activities	150,570,859	121,173,392
Cash flows from investing activities:		
Investment in Financial Assets	(826,843,887)	(665,266,272)
Maturities of Investments	615,601,139	452,074,473
Proceeds on sale of Financial Investments	51,531,146	68,113,346
Acquisition of Property, Plant and Equipment	(48,329)	(290,337)
Capital Work-in-Progress	-	370,000
Net cash used in investing activities	(159,759,931)	(144,998,790)
Cash flow from financing activities:		
Contribution received	118,326,507	102,453,320
General Deposit	16,723	246,853
Refunds to Members	(108,392,979)	(77,768,589)
Net cash generated from financing activities	9,950,251	24,931,584
Net increase in cash and cash equivalents	761,179	1,106,186
Cash and cash equivalents at the beginning of the year	3,691,577	2,612,773
Cash and cash equivalents at the end of the year-Before Adjustments	4,452,756	3,718,959
Adjustments:		
Cash balance at the end of the year -Labour Dept.	(67,514)	(27,382)
Cash and cash equivalents at the end of the year (Note A)	4,385,242	3,691,577
Note A		
Analysis of Cash and Cash equivalents as at 31st December;		
Cash in Hand	4	20
Cash at Bank	3,941,838	3,691,557
Cash-in-Transit	443,400	-
	4,385,242	3,691,577

EMPLOYEES' PROVIDENT FUND NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

1.1 Reporting Entity

The Employees' Provident Fund ("EPF" or "the Fund") is a mandatory defined contributory retirement scheme for the private and semi government sector employees in Sri Lanka established under the EPF Act No.15 of 1958. The Commissioner of Labour acts as the general administrator of the Fund while the Monetary Board of the Central Bank of Sri Lanka is entrusted with the powers, duties and responsibilities to act as the custodian of the Fund. The Employees Provident Fund Department of the Central Bank of Sri Lanka facilitates the Monetary Board in discharging its powers, duties and functions entrusted to it by the Act.

2. Basis of Accounting

2.1 Statement of Compliance

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

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

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

2.2 Responsibility for Financial Statements

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



2.3 Approval of Financial Statements by the Monetary Board

The Financial Statements for the year ended 31st December 2016, were authorised for issue by the Board of Directors on 20th February 2017.

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 as identified in specific accounting policies below.

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 based on actual purchase price less impairment losses. Interest income includes coupon income and any gain or loss on amortisation of discount or premium of the instruments.

3.1.2 Dividends

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

3.1.3 Gain on Sale of Financial Investments Held for Trading

Gain on Sale of Financial Investments Held for Trading comprises realised trading gains on disposal of government securities, quoted shares and listed debentures, 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 Available for Sale

Gain on Disposal of Financial Investments Available for Sale comprises realised capital gain on disposal of investment in equity securities classified as available for sale, is presented in direct income as sale of financial investments available for sale in the Statement of Income and Expenditure.

3.1.5 Gain on Fair Valuation of Financial Investments Held for Trading

Fair Valuation changes on Financial Investments Held for Trading comprises unrealised gains on fair valuation (marked to market valuation) of government securities, quoted shares and listed debentures, are presented in profit or loss as gain on fair valuation of Financial Investments Held for Trading in the Statement of Income and Expenditure.

3.1.6 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.



3.1.7. Income Tax

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

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

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

3.2 Assets

3.2.1 Financial Instruments – Initial Recognition, classification and subsequent measurement

3.2.1.1 Date of Recognition

Financial assets are recognised when, and only when the Fund becomes a party to the contractual provision of a financial instrument.

3.2.1.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose, characteristics and the Management's intention in acquiring them.

All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities at fair value through profit or loss as per the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Statement of Income and Expenditure.

3.2.1.3 'Day 1' Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation



technique whose variables include only data from observable markets, the Fund recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Gain/(Loss) from Unrealised Price Revaluations'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

3.2.1.4 Classification and Subsequent Measurement of Financial Assets

The Fund classifies financial assets into one of the following categories:

i) Financial assets at fair value through profit or loss

The category of financial assets and liabilities at FVTPL is sub-divided into:

Financial assets and liabilities held for trading: financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes equities, debentures and other interest bearing investments. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

Financial instruments designated as at FVTPL upon initial recognition: These financial assets and liabilities are designated upon initial recognition on the basis that they are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

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

ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Fund does not intend to sell immediately or in the near term. Securities purchased under agreement to re-sell (Reverse Repos), are classified as loans and receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Gains and loss are recognised in the Statement of Income and Expenditure.



iii) Held-to-Maturity Financial Assets (HTM)

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available-for-sale.

HTM investments are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Premium and discount arising on the purchase of HTM investments are included in the calculation of their effective interest rates. Gains and loss are recognised in the Statement of Income and Expenditure when HTM investments are derecognised or impaired.

A sale or reclassification of more than an insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Fund from classifying investment securities as held to maturity for the current and the following two financial years.

iv) Available-for -Sale Financial Assets (AFS)

'Available-for-sale investments' are non-derivative investments that are designated as available- for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise Government securities, equity securities and debt securities. AFS assets are continued to be measured at fair value in the Statement of Financial Position. Fair value changes in AFS assets are recognised under Other Comprehensive Income and accumulated to members' wealth, through the Revaluation Reserve until AFS assets are either sold or become impaired. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Fund becomes entitled to the dividend. Impairment losses are recognised in profit or loss. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

3.2.1.5 Impairment of Financial Assets

At each reporting date, an assessment is made of whether there is any objective evidence of impairment in the value of a financial asset. Impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.



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

3.2.1.6 De-recognition of Financial Assets

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

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

A financial liability is derecognised when the obligation under the liability is discharged, canceled or expires.

3.2.1.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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	50%
Other	20%



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

Capital work-in-progress

Capital work-in-progress is stated at cost, including borrowing costs, less any accumulated impairment losses. These would be transferred to the relevant asset category in property, plant and equipment when the asset is completed and available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

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 two years.

3.2.4 Inventories

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

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 assets may be impaired. If such indication exists, the Fund makes an estimated recoverable amount of the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount.

3.3 Liabilities

3.3.1 Unclaimed Benefits

EPF benefits which are duly refunded to the members or the beneficiaries, but returned for various reasons 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 transfer to unclaimed benefit Account.

3.3.3 Under Payments & Over Payments (Refunds)

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

3.3.4 Under Payments & Over Payments (Contribution)

The balance shown in the Under Payments & Over Payments (Contribution) Account represents receipts of contribution.

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



3.7 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.

4. New Standards issued but not yet effective as at Reporting Date

A number of new standards and amendments to standards, which have been issued but not yet effective as at the Reporting date, have not been applied in preparing these Financial Statements. Accordingly, the following Accounting Standards have not been applied in preparing these Financial Statements and the Fund plans to apply these standards on the respective effective dates.

Accounting Standard – SLFRS 09 “Financial Instruments”

Summary of Requirements

SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 01st January 2018.

Possible impact on Financial Statements

The Fund is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 9.

The following new or amended Accounting Standards are effective for annual reporting periods beginning on or after 01st January 2018 and they are not expected to have a significant impact on the Financial Statements of the Fund.

SLFRS 15 - ‘Revenue from Contracts with Customers’

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 on ‘Revenue’ and LKAS 11 on ‘Construction Contracts’.



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

5. Interest Income

For the year ended 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Interest on Treasury Bonds	161,254,869	-	161,254,869	139,151,135
Interest on Treasury Bills	443,163	-	443,163	271,316
Interest on Sri Lanka Rupee Loans	-	-	-	658,000
Interest on Corporate Debt Securities - Listed	2,157,178	-	2,157,178	1,695,782
Interest on Corporate Debt Securities - Unlisted	601,194	-	601,194	426,997
Interest on Commercial Papers	-	-	-	13,487
Interest on Trust Certificates	290,568	-	290,568	402,811
Interest on Reverse Repos	738,445	-	738,445	435,543
	165,485,417	-	165,485,417	143,055,071

6. Dividend Income

For the year ended 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Dividend from Equity Securities - Quoted	2,103,787	-	2,103,787	2,360,802
Dividend from Equity Securities - Unquoted	2,028,722	-	2,028,722	1,014,205
Dividend from Unlisted Preference Shares	130,100	-	130,100	137,411
	4,262,609	-	4,262,609	3,512,418

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

For the year ended 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Gain on dealing of T Bonds - FVTP	-	-	-	6,792
Gain on dealing of T Bonds - AFS	13,811	-	13,811	13,019
Gain on dealing of T Bonds -HTM	598,028	-	598,028	1,151,631
Loss on dealing of Shares - FVTP	(9,248)	-	(9,248)	25,838
Gain on dealing of Shares - AFS	461,374	-	461,374	527,030
	1,063,965	-	1,063,965	1,724,310



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

8. Amortisation Gain on Held to Maturity Financial Assets

For the year ended 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Investments in Treasury Bonds	28,170,934	-	28,170,934	26,590,868
Quoted Debt Securities-Listed	(41)	-	(41)	(41)
	28,170,893	-	28,170,893	26,590,827

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

For the year ended 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Quoted Equity Securities	(257,733)	-	(257,733)	(237,435)
Government Securities - Treasury Bonds	(584,381)	-	(584,381)	(156,563)
	(842,114)	-	(842,114)	(393,998)

10. Impairment of Financial Assets

For the year ended 31 st December	2016	2015
	Rs.'000	Rs.'000
10.1 Quoted Equity Securities		
Colombo Dockyard PLC	1,868,729	-
Hayleys MGT Knitting Mills PLC	130,481	-
Raigam Wayamba Salterns PLC	64,375	-
Carson Cumberbatch PLC	1,625,639	-
Bukith Darah PLC	1,508,810	-
The Finance Company PLC	33,602	138,286
Ceylon Grain Elevators PLC	-	515,475
Browns & Co PLC	-	1,100,270
Galadari Hotels (Lanka) PLC	-	561,344
Mackwoods Energy PLC	-	12,856
Eden Hotel Lanka PLC	-	128,410
	5,231,637	2,456,641
10.2 Unquoted Equity Securities		
Srilankan Airlines	-	500,000
	-	500,000
	5,231,637	2,956,641



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

11. Other Income

For the year ended 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Surcharges	156,361	-	156,361	184,380
Fee Income on Security Lending	-	-	-	125,960
Other Income	815	5,087	5,902	12,970
	157,176	5,087	162,263	323,310

12. Operating Expenses

For the year ended 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Personnel Expenses	477,974	383,175	861,149	748,499
Administration Expenses	230,597	172,189	402,786	397,204
Other Expenses	212,436	10,869	223,305	44,913
	921,007	566,233	1,487,240	1,190,616

13. Income Tax Expense

For the year ended 31 st December	2016 Rs.'000	2015 Rs.'000
Amortized WHT on T bonds	15,319,213	13,245,133
Provisions for Debenture, Rupee Loan and Other Investments	337,978	349,563
Income tax paid during the Year	-	132,706
	15,657,191	13,727,402

Current tax has been computed in accordance with the provisions of Inland Revenue Act No. 10 of 2006 and amendments thereto.

The Fund is liable to income tax at 10%.

14. Net Gain/ (Loss) on Changes in Fair Value of Available-for-Sale Financial Assets

For the year ended 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Loss on Listed Equity	(3,364,340)	-	(3,364,340)	(5,181,505)
Loss on T Bonds	(5,089,100)	-	(5,089,100)	(2,818,556)
Gain on T Bills	391,116	-	391,116	3,097
Loss on Debentures	(118,409)	-	(118,409)	(16,944)
	(8,180,733)	-	(8,180,733)	(8,013,908)



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

15. Property, Plant and Equipment

15.1 Total - 2016

	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 2016	497,431	91,388	351,196	100,396	3,551	1,043,962
Additions during the year	4,378	4,465	27,214	-	2,764	38,821
Disposals During the year	-	-	-	-	-	-
Transfers/ Adjustments	(5,303)	-	5,303	-	-	-
As at 31st December 2016	496,506	95,853	383,713	100,396	6,315	1,082,783
Accumulated Depreciation						
As at 01st January 2016	439,791	54,695	216,117	56,870	2,541	770,014
Charge for the year	13,802	8,252	12,186	1,621	233	36,094
Disposals During the year	-	-	-	-	-	-
Transfers/ Adjustments	(4,141)	-	4,141	-	-	-
As at 31st December 2016	449,452	62,947	232,444	58,491	2,774	806,108
Net Book Value						
As at 31st December 2016	47,054	32,906	151,269	41,905	3,541	276,675
As at 31st December 2015	57,640	36,693	135,079	43,526	1,010	273,948

Total - 2015

	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 2015	476,063	75,521	307,306	100,396	3,424	962,710
Additions during the year	21,368	15,867	43,890	-	127	81,252
Disposals During the year	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As at 31st December 2015	497,431	91,388	351,196	100,396	3,551	1,043,962
Accumulated Depreciation						
As at 01st January 2015	398,638	47,946	212,079	55,434	2,415	716,512
Charge for the year	41,153	6,749	4,038	1,436	126	53,502
Disposals During the year	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As at 31st December 2015	439,791	54,695	216,117	56,870	2,541	770,014
Net Book Value						
As at 31st December 2015	57,640	36,693	135,079	43,526	1,010	273,948
As at 31st December 2014	77,425	27,575	95,227	44,962	1,009	246,198



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Property, Plant & Equipment Contd....

15.2 Total 2016

	Computer Equipment			Furniture and Fittings			Office Equipment			Motor Vehicles			Other			Total			
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000	
Cost																			
As at 01 st January 2016	108,161	389,270	45,933	45,455	13,396	337,800	-	100,396	3,199	352	170,689	873,273	1,043,962						
Additions during the year	168	4,210	79	4,386	3,048	24,166	-	-	2,764	-	6,059	32,762	38,821						
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Transfers/ Adjustments	-	(5,303)	-	-	-	5,303	-	-	-	-	-	-	-	-					
As at 31st December 2016	108,329	388,177	46,012	49,841	16,444	367,269	-	100,396	5,963	352	176,748	906,035	1,082,783						
Accumulated Depreciation																			
As at 01 st January 2016	100,197	339,594	20,503	34,192	10,713	205,404	-	56,870	2,189	352	133,602	636,412	770,014						
Charge for the year	5,516	8,286	3,595	4,657	1,424	10,762	-	1,621	233	-	10,768	25,326	36,094						
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Transfers/ Adjustments	-	(4,141)	-	-	-	4,141	-	-	-	-	-	-	-	-					
As at 31st December 2016	105,713	343,738	24,098	38,849	12,137	220,307	-	58,491	2,422	352	144,370	661,738	806,108						
NBV as at 31st December 2016	2,616	44,438	21,914	10,992	4,307	146,962	-	41,905	3,541	-	32,378	244,297	276,675						
NBV as at 31st December 2015	7,964	49,676	25,430	11,263	2,683	132,396	-	43,526	1,010	-	37,087	236,861	273,948						



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Property, Plant & Equipment Contd....

15.2 Total 2015

	Computer Equipment			Furniture and Fittings			Office Equipment			Motor Vehicles			Other			Total		
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Rs.'000
Cost																		
As at 01 st January 2015	102,003	374,061	42,492	33,029	11,715	295,591	-	100,396	3,072	352	159,281	803,429	962,710					
Additions during the year	6,159	15,209	3,441	12,426	1,681	42,209	-	-	127	-	11,408	69,844	81,252					
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-					
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-					
As at 31st December 2015	108,161	389,270	45,933	45,455	13,396	337,800	-	100,396	3,199	352	170,689	873,273	1,043,962					
Accumulated Depreciation																		
As at 01 st January 2015	85,699	312,939	17,175	30,771	9,308	202,771	-	55,434	2,063	352	114,245	602,267	716,512					
Charge for the year	14,498	26,655	3,328	3,421	1,405	2,633	-	1,436	126	-	19,357	34,145	53,502					
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-					
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-					
As at 31st December 2015	100,197	339,594	20,503	34,192	10,713	205,404	-	56,870	2,189	352	133,602	636,412	770,014					
NBV as at 31st December 2015	7,964	49,676	25,430	11,263	2,683	132,396	-	43,526	1,010	-	37,087	236,861	273,948					
NBV as at 31st December 2014	16,303	61,122	25,317	2,258	2,407	92,820	-	44,962	1,009	-	45,036	201,162	246,198					



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

16. Intangible Assets

Computer Software	2016 Rs.'000	2015 Rs.'000
Cost		
As at 01 st January	32,796	32,748
Acquisitions during the Year	765	48
As 31st December	33,561	32,796
Amortisation		
As at 01 st January	31,932	28,263
Amortisation during the period	368	3,669
As 31st December	32,300	31,932
Net book value		
As at 01 st January	864	4,485
As 31st December	1,261	864

17. Financial Assets - Fair Value Through Profit or Loss

As 31 st December	2016		2015	
	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Financial assets held for trading				
Investments in equity securities				
Quoted Equity Securities (Note 17.1)	2,982,561	2,615,095	1,925,285	1,717,657
	2,982,561	2,615,095	1,925,285	1,717,657
Investments in Government Securities				
Treasury Bonds (Note 17.2)	12,233,851	11,492,906	2,027,442	1,870,879
	12,233,851	11,492,906	2,027,442	1,870,879
Investments in debt securities				
Corporate Debentures (Note 17.3)	114,500	114,500	114,500	114,500
	114,500	114,500	114,500	114,500
Total financial assets Held for Trading	15,330,912	14,222,501	4,067,227	3,703,036
Financial assets designated at FVTPL	-	-	-	-
Total Financial assets at FVTPL	15,330,912	14,222,501	4,067,227	3,703,036



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

17.1 Investments in equity securities - Quoted

As at 31 st December Company Name	2016		2015	
	Cost Rs.'000	Market Value Rs.'000	Cost Rs.'000	Market Value Rs.'000
Access Engineering PLC	102,915	116,433	206,473	213,404
ACL Cables PLC	22,978	24,634	18,936	19,517
ACL Placstics PLC	19,893	33,674	23,559	33,481
Aitken Spence PLC	280,028	206,106	205,824	205,524
Aitken Spence Hotel Holdings PLC	164,977	122,338	12,406	10,572
Asian Hotels & Properties PLC	96,297	108,731	14,600	12,411
Balangoda Plantations PLC	40,338	16,483	40,338	23,779
Bogawantalawa Tea Estates PLC	1,463	793	1,463	891
Brown & Company PLC	25,399	24,855	9,332	9,003
Browns Capital PLC	524	115	-	-
Browns Investment PLC - Voting	3,690	2,916	3,690	2,916
Bukith Darah PLC	2,614	1,019	2,614	1,860
C W Mackie PLC	12,644	7,644	12,644	8,091
Cargills (Ceylon) PLC	2,274	2,809	2,274	2,731
Carson Cumberbatch PLC	13,160	5,288	13,160	10,531
Central Finance Company PLC	74,401	64,847	11,316	11,327
Ceylon Guardian Investment Trust PLC	40,108	24,174	40,108	39,894
Ceylon Hospitals PLC - Voting	106,534	94,128	-	-
Ceylon Tea Services PLC	23,494	19,673	-	-
Ceylon Theatres PLC	6,507	5,693	6,507	6,366
Chemanex PLC	1,454	1,388	160	121
CIC Holdings PLC - Non Voting	29,552	23,211	-	-
CIC Holdings PLC - Voting	119,043	101,902	-	-
Dialog Axiata PLC (Previously Dialog Telecom PLC)	505	505	123,937	125,489
Diesel & Motor Engineering PLC	88,707	72,789	-	-
Dipped Products PLC	65,128	50,593	65,128	64,115
Expolanka Holdings PLC - Voting	8,421	6,089	8,420	7,828
Eden Hotel Lanka PLC	-	-	5,844	3,682
Free Lanka Capital Holdings PLC	-	-	524	136
Hayleys PLC	214,119	193,803	59,313	57,393
John Keells Holdings PLC	726,143	712,206	411,504	348,910
Kegalle Plantations PLC	24,734	5,932	24,734	8,133
Kelani Tyres PLC	1,021	896	1,021	1,070
Lanka IOC PLC	139	141	-	-
Lankem Ceylon PLC	4,349	1,800	4,349	2,699
Mackwoods Energy PLC	15,760	6,863	15,760	10,399
Malwatte Valley Plantations PLC	8,783	2,297	8,783	2,693
Malwatte Valley Plantations PLC - Non Voting	3,101	969	3,101	1,073
Nawaloka Hospitals PLC	-	-	64,706	61,259
PC House PLC	-	-	43,925	3,397
Palm Garden Hotel PLC	54,109	7,601	54,109	10,234
Peoples' Leasing & Finance PLC	266,478	254,160	99,246	104,334
Raigam Wayamba Salterns PLC	32,991	19,798	32,991	26,727
Royal Ceremics Lanka PLC	150,233	158,918	175,342	178,250
Seylan Developments PLC	1,416	1,440	1,416	1,390



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

(Contd...)

17.1 Investments in equity securities - Quoted

As at 31 st December Company Name	2016		2015	
	Cost Rs.'000	Market Value Rs.'000	Cost Rs.'000	Market Value Rs.'000
Sri Lanka Telecom PLC	39,003	41,746	-	-
Taj Lanka Hotels PLC	2,896	2,681	2,896	2,692
Tangerine Beach Hotels PLC	2,338	2,276	2,338	2,975
Tea Smallholder Factories PLC	440	192	440	244
Tokyo Cement Company(Lanka) PLC - Non-Voting	6,138	8,227	6,138	6,310
Tokyo Cement Company(Lanka) PLC	-	-	8,594	11,017
Vallibel One PLC	75,322	54,319	75,322	62,789
	2,982,561	2,615,095	1,925,285	1,717,657

The fair values of the investments in equity securities - quoted : are based on the volume weighted average prices as at 31st December, published by the Colombo Stock Exchange.

17.2 Treasury Bonds

As at 31 st December Securities	2016			2015		
	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000
08.00%2018A	500,000	462,418	471,776	-	-	-
09.00%2028A	800,000	697,597	622,049	-	-	-
13.00%2029A	350,000	398,411	352,367	-	-	-
11.40%2024A	1,745,000	1,795,866	1,665,763	745,000	830,419	784,260
11.00%2026A	3,000,000	2,707,869	2,760,027	-	-	-
11.50% 2035A	1,850,000	1,968,694	1,667,261	250,000	284,125	255,348
09.25%2020A	500,000	460,526	464,199	-	-	-
11.00%2030A	350,000	394,105	310,918	350,000	394,105	354,325
10.00%2022A	1,000,000	912,332	909,385	-	-	-
11.50%2028A	2,450,000	2,436,033	2,269,161	450,000	518,793	476,946
	12,545,000	12,233,851	11,492,906	1,795,000	2,027,442	1,870,879

The fair values of the Government Securities are based on the average quotes published as at 31st December by the Central Bank of Sri Lanka.

17.3 Corporate Debentures

As at 31 st December Company	2016			2015		
	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000
Nawaloka Hospitals PLC	114,500	114,500	114,500	114,500	114,500	114,500
	114,500	114,500	114,500	114,500	114,500	114,500

The fair values of the corporate debentures - listed : are based on the average prices as at 31st December, published by the Colombo Stock Exchange.



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

18. Financial Assets - Available for Sale

As at 31 st December	2016		2015	
	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Investments in equity securities				
Quoted (18.1.1)	69,853,569	67,964,684	71,377,559	75,625,152
Unquoted (18.1.2)	10,270,625	10,270,625	10,270,625	10,270,625
	80,124,194	78,235,309	81,648,184	85,895,777
Investments in Government Securities				
Treasury Bonds (18.2.1)	49,933,888	42,680,707	48,258,890	46,094,809
Treasury Bills (18.2.2)	37,980,948	38,815,227	-	-
	87,914,836	81,495,934	48,258,890	46,094,809
Investments in debt securities				
Corporate Debenture (18.3.1)	2,825,530	2,821,179	2,942,705	3,056,763
	2,825,530	2,821,179	2,942,705	3,056,763
Total investments in AFS Financial Assets	170,864,560	162,552,422	132,849,779	135,047,349

18.1 Investments in equity securities

18.1.1 Quoted Equity Securities

As at 31 st December Company Name	2016		2015	
	Cost Rs.'000	Market value Rs.'000	Cost Rs.'000	Market value Rs.'000
ACL Cables PLC	132,536	332,766	132,536	332,491
Access Engineering PLC	345,820	391,428	344,918	363,531
Aitken Spence PLC	1,717,108	1,132,308	1,576,188	1,512,797
Aitken Spence Hotel Holdings PLC	1,545,230	1,235,381	1,545,229	1,949,093
Amaya Leisure PLC	340,028	326,871	340,028	323,613
Asian Hotels & Properties PLC	3,177,485	2,470,507	3,177,485	2,561,526
Asiri Surgical Hospital PLC	1,681	2,568	1,681	3,233
Bairaha Farms PLC_Voting Shares	5,274	6,440	5,274	7,086
Browns & Company PLC	673,890	559,908	1,774,160	673,890
Bukith Darah PLC	2,307,996	799,185	2,307,996	1,459,084
CIC Holdings PLC - Non Voting	192,174	165,722	192,174	197,892
CIC Holdings PLC Voting	575,257	501,746	516,320	491,827
Cargills (Ceylon) PLC	1,369,726	1,427,278	1,369,726	1,387,632
Carson Cumberbatch PLC	2,594,080	968,441	2,594,080	1,928,524
Central Finance Company PLC	2,571,171	2,263,205	2,571,171	2,770,601
Ceylon Cold Stores PLC	-	-	6,852	130,225
Pyramal Glass Ceylon PLC (Formerly Ceylon Glass Co. PLC)	541,434	478,681	541,434	550,935
Ceylon Grain Elevators PLC	490,110	443,560	1,005,585	490,110
Ceylon Guardian Investment PLC	515,379	289,109	465,149	422,037
Ceylon Hospitals PLC (NV)	25,411	80,229	25,410	86,578
Ceylon Hotels Corporation PLC	711,243	416,932	711,243	519,624
Ceylon Tea Services PLC	1,059,144	943,555	1,059,144	989,457
Ceylon Theatres PLC	1,080,051	869,226	1,080,050	971,978
Chevron Lubricant Lanka PLC	49,564	159,600	98,352	346,738
Colombo Dockyard PLC	2,791,809	923,079	2,791,809	1,762,776
Commercial Bank of Ceylon PLC	7,992,963	11,707,464	7,992,963	11,159,215



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

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18.1.1 Quoted Equity Securities

As at 31 st December Company Name	2016		2015	
	Cost Rs.'000	Market value Rs.'000	Cost Rs.'000	Market value Rs.'000
DFCC Bank PLC	3,395,968	2,985,202	3,395,968	4,096,428
Diesel & Motor Engineering PLC	1,536,983	952,827	1,536,983	1,009,406
Dialog Axiata PLC (formerly known as Dialog Telecom PLC)	1,742,038	1,897,760	1,254,854	1,439,195
Dipped Products PLC	801,551	612,323	801,551	775,986
Eden Hotel Lanka PLC	-	-	216,936	85,665
Galadari Hotels (Lanka) PLC	248,978	253,721	810,322	248,978
Hatton National bank PLC	5,166,481	7,279,368	5,166,481	6,704,790
Haycarb PLC	238,460	212,635	238,460	233,756
Hayleys PLC	882,453	825,884	851,577	907,054
Hayleys Fabrics PLC (formerly known as Hayleys MGT Knitting Mills PLC)	213,592	83,111	213,592	124,112
Hotel Services (Ceylon) PLC	-	-	555,502	447,299
JKH Warrant 12.11.2013/11.11.2016	-	-	-	3,530
John Keells Holdings PLC	871,807	759,630	871,807	816,500
John Keells Hotels PLC	1,166,289	855,372	1,166,289	1,208,507
Kelani Tyres PLC	97,614	99,946	97,614	119,350
Lanka IOC PLC	76,299	74,245	55,731	64,633
Lanka Orix Leasing Company PLC	1,611,013	1,100,714	1,611,013	1,427,132
Lanka Tiles PLC	406,130	476,461	406,130	550,986
Laugfs Gas PLC - Non Voting	706,344	593,559	706,344	687,374
Laugfs Gas PLC - Voting	2,684,120	1,927,997	2,684,120	2,402,759
Lighthouse Hotel PLC	309,422	270,003	309,422	287,291
Mackwoods Energy PLC	7,143	4,143	19,999	7,143
National Development Bank PLC	1,429,995	2,497,599	1,429,995	3,107,589
Nations Trust Bank PLC	8,080	9,821	8,080	10,477
Nawaloka Hospitals PLC	21,565	27,839	21,565	20,415
Nestle Lanka PLC	21,687	200,190	21,687	204,950
Overseas Realty (Ceylon) PLC	-	-	233,096	344,730
Peoples' Leasing & Finance PLC	1,237,421	1,220,720	729,740	945,513
Raigam Wayamba Salterns PLC	120,691	56,316	120,691	76,026
Richard Pieris & Company PLC	1,647,208	1,359,196	1,647,208	1,444,146
Royal Ceremics Lanka PLC	1,483,645	1,605,690	1,483,645	1,545,911
Sampath Bank PLC	2,593,828	4,595,958	2,593,828	4,261,643
Seylan Bank PLC - Non Voting	321,383	531,796	321,383	657,985
Seylan Bank PLC	1,118,906	1,561,230	1,118,906	1,647,965
Sierra Cables PLC	33	29	33	35
Softlogic Holdings PLC	133,137	93,997	133,137	112,073
Sri Lanka Telecom PLC	818,616	869,922	818,616	1,135,731
Taj Lanka Hotels PLC	341,046	184,535	341,046	185,268
Tangerine Beach Hotels PLC	145,320	95,330	145,320	124,613
The Finance Company PLC	67,204	33,602	205,490	67,204
The Kingsbury PLC	555,502	388,511	-	-
Tokyo Cement Company (Lanka) PLC -NV	128,512	233,974	115,900	166,431
Trans Asia Hotels PLC	263,155	403,843	263,155	405,561
Vallibel One PLC	2,427,386	1,834,496	2,427,386	2,120,519
	69,853,569	67,964,684	71,377,559	75,625,152

The fair values of the investments in quoted equity securities are based on the volume weighted average prices as at 31st December, published by the Colombo Stock Exchange.



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

18.1.2 Unquoted Equity Securities

As at 31 st December Company Name	2016		2015	
	Cost Rs.'000	Book value Rs.'000	Cost Rs.'000	Book value Rs.'000
Canwill Holdings (Pvt) Ltd.	5,000,000	5,000,000	5,000,000	5,000,000
Cargills Bank Limited	495,000	495,000	495,000	495,000
Fitch Ratings Lanka Limited	625	625	625	625
Jetwing Symphony Limited	390,000	390,000	390,000	390,000
Sri Lankan Airlines	0	0	0	0
Sri Lankan Catering Limited	1,005,000	1,005,000	1,005,000	1,005,000
Weligama Hotel Properties (Pvt) Ltd	405,000	405,000	405,000	405,000
West Coast Power (Pvt) Ltd	2,975,000	2,975,000	2,975,000	2,975,000
	10,270,625	10,270,625	10,270,625	10,270,625

Investments in unquoted equity securities are carried at their cost as information are not available to reliably estimate the market value of these investments.

18.2 Investments in Government Securities

18.2.1 Treasury Bonds

As at 31 st December Securities	2016			2015		
	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000
07.00%2023A	450,000	341,635	338,970	450,000	341,635	379,863
06.20%2020A	76,000	63,837	63,425	76,000	63,837	66,980
08.50%2018B	200,000	180,909	192,346	200,000	180,909	199,713
08.00%2032A	779,000	544,616	524,000	779,000	544,616	630,531
08.00%2017B	50,000	45,974	49,547	300,000	275,846	300,032
08.00%2018A	1,500,000	1,306,380	1,415,328	1,500,000	1,306,380	1,464,277
09.00%2021A	505,000	506,454	452,912	505,000	506,454	490,715
09.00% 2026A	203,818	184,816	163,647	203,818	184,816	190,087
11.40%2024A	2,650,000	3,107,342	2,529,669	2,650,000	3,107,342	2,789,649
11.20%2022A	2,125,000	2,454,386	2,035,452	2,125,000	2,454,386	2,268,564
13.00%2029B	193,000	248,028	195,319	193,000	248,028	228,832
11.00%2026A	200,000	216,947	184,002	200,000	216,947	210,177
12.50%2045A	2,720,000	3,181,803	2,587,490	2,720,000	3,181,803	2,911,977
10.25% 2025A	13,200,000	13,949,136	11,731,289	13,200,000	13,949,136	13,236,841
11.50% 2035A	11,723,000	12,217,288	10,565,025	11,623,000	12,115,752	11,871,653
11.20%2023A	1,200,000	1,339,458	1,138,261	1,200,000	1,339,458	1,264,338
11.00%2021A	1,100,000	1,194,185	1,057,617	1,100,000	1,194,185	1,155,876
11.00%2030A	4,750,000	4,905,821	4,219,601	2,750,000	3,102,487	2,783,984
11.00%2025A	1,400,000	1,578,444	1,291,812	1,400,000	1,578,444	1,424,973
11.50%2028A	2,100,000	2,366,429	1,944,995	2,100,000	2,366,429	2,225,747
	47,124,818	49,933,888	42,680,707	45,274,818	48,258,890	46,094,809

The fair values of the Government Securities are based on the average quotes published as at 31st December by the Central Bank of Sri Lanka.



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

18.2.2 Treasury Bills

As at 31 st December Securities	2016			2015		
	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000
364D 09/09/2016 - 08/09/2017	4,058,824	3,677,679	3,797,594	-	-	-
364D 07/10/2016 - 06/10/2017	1,000,000	909,298	927,033	-	-	-
182D 07/10/2016 - 07/04/2017	2,000,000	1,912,275	1,957,148	-	-	-
364D 04/11/2016 - 03/11/2017	7,000,000	6,358,022	6,428,324	-	-	-
182D 04/11/2016 - 05/05/2017	5,000,000	4,775,549	4,851,780	-	-	-
364D 11/11/2016 - 10/11/2017	3,000,000	2,725,044	2,754,996	-	-	-
364D 25/11/2016 - 24/11/2017	1,300,000	1,179,188	1,182,304	-	-	-
182D 02/12/2016 - 02/06/2017	8,000,000	7,635,412	7,694,176	-	-	-
364D 02/12/2016 - 01/12/2017	6,698,000	6,083,685	6,493,477	-	-	-
364d 16/12/2016 - 15/12/2017	3,000,000	2,724,796	2,728,395	-	-	-
	41,056,824	37,980,948	38,815,227	-	-	-

The fair values of the Government Securities are based on the average quotes published as at 31st December by the Central Bank of Sri Lanka.

18.3 Investments in debt securities

18.3.1 Corporate Debentures

As at 31 st December Stock	2016		2015	
	Purchase Cost Rs.'000	Market Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000
Central Finance Company PLC_2013-2016_13.00%p.a	-	-	18,485	19,409
Central Finance Company PLC_2013-2017_13.25%p.a	18,335	18,335	18,335	18,335
Central Finance Company PLC_2013-2018_13.50%p.a	15,255	16,285	15,255	16,285
Central Finance Company PLC_2013-2018_13.95%p.a	23,950	26,618	23,950	26,618
Hatton National Bank PLC_7.75% p.a	500,000	445,000	500,000	500,000
Hayleys PLC_14.25% p.a	-	-	51,900	54,818
LB Finance PLC_2013-2018_14.5% p.a	220,670	222,877	220,670	222,877
Nations Trust Bank PLC_2013-2018_13.00%p.a	549,150	613,730	549,150	613,730
Pan Asia Banking Corporation PLC_9.5233% pa	209,230	209,230	209,230	209,230
Pan Asia Banking Corporation PLC_9.75% pa	250,000	250,000	250,000	250,000
Richard Pieris and Company PLC 2017_10.75% p.a	35,680	36,058	35,680	36,058
Richard Pieris and Company PLC 2018_11.00% p.a	81,390	81,390	81,390	81,390
Richard Pieris and Company PLC 2019_11.25% p.a	100,000	99,120	100,000	100,000
Sampath Bank Debenture_8.10% p.a	200,000	170,000	200,000	200,000
Sampath Bank Debenture_Fixed 13.0%p.a	251,775	264,993	251,775	271,539
Sampath Bank Debenture_Fixed 13.4%p.a	170,095	167,543	170,095	187,139
Seylan Bank PLC_8.60%pa 2014/2020	200,000	200,000	200,000	200,000
Singer Sri Lanka PLC 14.5% p.a	-	-	46,790	49,335
	2,825,530	2,821,179	2,942,705	3,056,763

The fair values of the corporate debentures - listed : are based on the average prices as at 31st December, published by the Colombo Stock Exchange.



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

19. Held to Maturity Financial Assets

As at 31 st December	2016		2015	
	Cost Rs.'000	Amortised Cost Rs.'000	Cost Rs.'000	Amortised Cost Rs.'000
Investments in Government Securities				
Treasury Bonds (19.1.1)	1,507,165,914	1,557,455,544	1,394,277,463	1,439,038,587
	1,507,165,914	1,557,455,544	1,394,277,463	1,439,038,587
Investments in debt securities				
Corporate Debentures (19.2.1)	31,403,764	31,403,680	19,422,261	19,422,218
	31,403,764	31,403,680	19,422,261	19,422,218
Investments in Trust Certificates (19.3)	3,397,594	3,832,592	2,475,227	2,929,796
	3,397,594	3,832,592	2,475,227	2,929,796
Total investments in HTM Financial Assets	1,541,967,272	1,592,691,816	1,416,174,951	1,461,390,601



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

19.1 Investment in Government Securities
19.1.1 Treasury Bonds

As at 31 st December	2016				2015			
	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000	Amortised Cost Rs.'000
05.35%2026A 01/03/2011-01/03/2026	89,246,800	45,100,278	54,651,795	51,934,763	89,246,800	45,100,278	62,645,374	49,941,469
05.65%2019A 15/01/2011 - 15/01/2019	150,000	110,691	134,115	135,157	150,000	110,691	137,269	128,972
05.80%2017A 15/01/2011-15/01/2017	13,676,300	11,837,652	13,654,719	13,657,803	18,694,800	16,157,814	18,385,120	18,099,375
05.80%2017A-15-01-2017	168,500	131,005	168,234	168,067	-	-	-	-
05.80%2017B 15/07/2011-15/07/2017	18,918,800	16,147,206	18,493,448	18,597,760	18,918,800	16,147,206	18,315,069	18,029,492
06.20%2020A 01/08/2010-01/08/2020	64,320,167	51,016,767	53,677,881	57,628,705	64,320,167	51,016,767	56,686,193	56,120,839
06.40%2016A	-	-	-	-	30,673,700	26,510,392	30,603,335	30,154,989
06.40%2016B	-	-	-	-	3,800,000	3,187,460	3,780,843	3,670,995
07.00%2023A - 01.10.2023	63,089,600	50,716,953	47,523,314	54,341,901	63,089,600	50,716,953	53,256,512	53,459,202
07.25%2016A	-	-	-	-	11,735,600	10,902,378	11,680,844	11,680,844
07.50%2018A - 15.08.2018	24,414,300	21,598,930	23,077,226	23,561,897	24,414,300	21,598,931	23,598,092	23,092,264
08.00%2016A	-	-	-	-	2,765,600	2,479,084	2,780,702	2,712,373
08.00%2016B	-	-	-	-	798,300	697,199	802,539	785,599
08.00%2017A-01.01.2017	14,402,400	13,047,462	14,401,161	14,397,148	18,502,400	16,761,745	18,573,912	18,066,099
08.00%2017B 15/06/2012 - 15/06/2017	5,979,000	4,699,823	5,924,866	5,822,642	7,729,000	6,075,419	7,729,827	7,121,831
08.00%2018A 15/11/2011-15/11/2018	5,700,000	4,801,802	5,378,246	5,305,909	4,200,000	3,414,507	4,099,975	3,753,823
08.00%2019A 01-11-11 01-11-2019	8,956,700	6,694,337	8,143,655	7,834,916	11,556,700	8,637,606	11,081,684	9,712,077
08.00%2020A 01/06/2012-01/06/2020	12,225,000	9,362,768	10,889,223	10,600,532	12,225,000	9,362,768	11,705,076	10,240,240
08.00%2022A 01.01.2012-01.01.2022	23,560,900	19,456,111	19,858,304	20,722,393	-	-	-	-
08.00%2022A-01.01.2022	39,445,100	29,161,549	33,246,302	32,676,089	63,006,000	48,617,660	57,916,066	52,060,747
08.00%2032A - 2012.01.01-2032.01.01	50,000	45,457	33,633	45,742	-	-	-	-
08.00%2032A -01.01.2012-01.01.2032	63,568,000	36,808,279	42,624,929	38,402,485	63,418,000	36,853,736	51,331,206	37,982,827
08.50%2018A - 01.02.2018	34,132,500	27,397,750	33,322,877	32,787,452	36,832,500	29,565,008	37,020,744	34,201,146
08.50%2018B 15/07/2003-15/07/2018	44,706,900	39,611,490	42,996,101	43,149,068	44,706,900	39,611,490	44,642,806	42,247,224
08.50%2018C- 01/04/2018	25,000	22,183	24,276	24,078	25,000	22,183	24,894	23,427
08.50%2018D 01/06/2012-01/06/2018	250,000	226,315	241,419	241,452	250,000	226,315	248,206	236,087
08.50%2019A	20,881,000	20,273,229	19,584,812	20,664,230	-	-	-	-
08.50%2019A 01/05/2009 - 01/05/2019	54,196,700	50,845,503	50,832,440	52,922,702	75,077,700	71,118,732	73,955,427	73,032,150
08.75%2017A 15/05/2013-15/05/2017	4,797,920	4,982,495	4,776,392	4,829,215	4,797,920	4,982,495	4,844,010	4,907,730
09.00%01/02/2012-01/02/2026	20,400,000	16,317,311	16,379,262	16,964,769	20,400,000	16,317,311	19,025,685	16,761,040
09.00%01/09/2012-01/09/2023	18,850,000	17,929,629	15,958,957	18,187,631	18,850,000	17,929,629	17,536,069	18,105,825
09.00%2021A 01/05/2012-01/05/2021	9,885,000	8,803,012	8,865,412	9,192,726	9,885,000	8,833,156	9,119,531	8,592,839
09.00%2025A 01/05/2013-01/05/2025	11,444,100	9,989,780	9,379,516	10,236,165	11,444,100	9,989,780	10,649,947	10,149,409
09.00%2028A 01/07/2012-01/07/2028	91,339,200	71,060,823	71,021,891	73,356,237	89,989,200	69,875,430	81,726,176	71,461,373



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

19.1 Investment in Government Securities
19.1.1 Treasury Bonds

(Contd...)

Series	As at 31 st December							
	2016			2015				
	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000	Amortised Cost Rs.'000
09.00%2028B 01/05/2013-01/05/2028	90,266,480	71,962,925	69,950,655	73,895,979	90,016,480	71,743,169	82,370,907	73,007,610
09.00%2032A 01/10/2012-01/10/2032	31,845,350	24,294,307	23,329,617	24,741,131	31,845,350	24,294,307	28,157,896	24,593,727
09.00%2033A 01/06/2013-01/06/2033	99,305,900	74,992,622	72,297,476	76,279,355	99,305,900	74,992,622	87,308,595	75,840,841
09.00%2033B 2013/11/01-2033/11/01	19,908,840	15,310,903	14,350,650	15,522,820	19,908,840	15,310,903	17,351,568	15,442,672
09.00%2043A 01/06/2013-01/06/2043	30,676,000	22,309,955	21,122,727	22,441,989	30,676,000	22,309,955	25,687,615	22,397,837
09.25%2020A 01/05/2015-01/05/2020	11,000,000	10,681,222	10,212,389	10,703,445	5,000,000	5,157,724	4,937,094	5,141,026
09.45% 2021A 15/10/2014-15/10/2021	3,000,000	2,687,216	2,711,682	2,711,277	-	-	-	-
09.50% 2020A 15/12/2015-20/12/2020	7,000,000	6,415,849	6,452,649	6,467,894	-	-	-	-
10.00%2022A 01/10/2013-01/10/2022	12,500,000	12,636,935	11,367,312	12,591,216	8,500,000	8,966,576	8,551,701	8,948,010
10.25% 2025A 15/03/2015-15/03/2025	25,900,000	26,266,782	23,018,211	26,203,568	22,900,000	23,680,646	22,963,914	23,651,906
10.75%2021A 01.03.2016-01.03.2021	16,000,000	15,419,978	15,334,352	15,461,598	-	-	-	-
11.00% 2024A 01.08.2016-01.08.2024	15,139,296	14,146,479	14,125,554	14,179,211	-	-	-	-
11.00%2021A 01/08/2013 - 01/08/2021	10,400,000	10,865,572	9,999,288	10,770,317	6,400,000	6,937,614	6,725,094	6,902,952
11.00%2025A 01/08/2015-01/08/2025	44,730,086	46,548,745	41,273,479	46,374,590	31,933,333	34,431,111	32,502,963	34,387,445
11.00%2026A 01/06/2014 - 01/06/2026	41,214,230	44,809,356	37,917,462	44,440,078	35,414,230	39,611,982	37,216,382	39,455,778
11.00%2030A 15/05/2015-15/05/2030	48,450,000	49,119,927	43,039,928	49,082,311	18,000,000	19,772,675	18,222,439	19,755,781
11.20%2022A 01/01/2014-01/07/2022	10,881,710	12,547,067	10,423,155	12,207,016	9,631,710	11,269,993	10,282,423	11,110,041
11.20%2023A 01.09.2013 - 01.09.2023	29,800,000	31,862,903	28,266,820	31,588,909	23,100,000	25,310,661	24,338,513	25,223,690
11.40%2024A 01/01/2014-01/01/2024	15,450,000	16,989,211	14,748,446	16,701,487	8,450,000	10,308,726	8,895,295	10,147,946
11.50% 2035A 15/03/2015 15/03/2035	39,250,000	42,550,835	35,372,964	42,487,760	36,600,000	39,751,748	37,382,991	39,744,340
11.50%2026A 01.08.2016-01.08.2026	12,500,000	11,817,764	11,811,175	11,835,003	-	-	-	-
11.50%2028A 01/09/2013 - 01/09/2028	15,850,000	16,696,073	14,680,080	16,675,139	10,850,000	11,905,820	11,499,690	11,900,929
12.00%2041A- 01.01.2041	26,700,000	27,737,826	24,536,713	27,747,545	-	-	-	-
12.50%2045A 01/03/2015 - 01/03/2045	2,050,000	2,321,241	1,950,130	2,318,787	2,050,000	2,321,241	2,194,688	2,320,116
13.00%2029A 01/01/2014-01/01/2029	73,372,190	86,181,490	73,868,333	85,071,601	69,822,190	82,093,726	81,737,088	81,431,432
13.00%2029B 01/05/2014-01/05/2029	12,488,043	16,531,022	12,638,087	16,205,444	12,488,043	16,531,022	14,806,556	16,363,937
13.25%2033A 01/01/2014-01/07/2033	19,869,820	23,035,176	20,062,518	22,885,241	19,869,820	23,035,176	24,073,841	22,941,864
13.25%2034A 01/01/2014-01/01/2034	75,158,330	89,874,726	75,510,823	89,254,118	75,158,330	89,874,726	90,317,217	89,517,238
13.50%2044A 01/01/2014-01/01/2044	4,390,000	5,068,642	4,424,119	5,064,169	4,390,000	5,068,642	5,393,686	5,066,591
13.50%2044B 01/06/2014-01/06/2044	73,873,210	87,286,575	74,253,583	87,156,912	73,873,210	87,286,575	89,134,573	87,212,571
	1,677,549,372	1,507,165,914	1,444,314,782	1,557,455,544	1,567,186,523	1,394,277,463	1,516,025,643	1,439,036,587

The fair values of the Government Securities are based on the average quotes published as at 31st December by the Central Bank of Sri Lanka.



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

19.2 Investments in Debt Securities
19.2.1 Corporate Debentures

As at 31 st December	2016				2015			
	Face Value	Purchase Cost	Market Value	Amortised Cost	Face Value	Purchase Cost	Market Value	Amortised Cost
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank Of Ceylon_13.25%_2021	1,141,892	1,141,892	1,141,892	1,141,892	-	-	-	-
Bank of Ceylon_13.00% p.a	575,950	575,950	575,950	575,950	575,950	575,950	575,950	575,950
Bank of Ceylon_13.75% p.a	134,090	134,090	160,559	134,090	134,090	134,090	134,090	134,090
Central Finance Company PLC_2013-2016_13.00% p.a	-	-	-	-	18,485	18,485	18,485	18,485
Central Finance Company PLC_2013-2017_13.25% p.a	18,335	18,335	18,335	18,335	18,335	18,335	18,335	18,335
Central Finance Company PLC_2013-2018_13.50% p.a	15,255	15,255	16,285	15,255	15,255	15,255	15,255	15,255
Central Finance Company PLC_2013-2018_13.95% p.a	23,950	23,950	26,618	23,950	23,950	23,950	23,950	23,950
Central Finance Company PLC_2015-2020_9.52% p.a	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Central Finance PLC_14.50% p.a	81,300	81,300	81,300	81,300	81,300	81,300	81,300	81,300
Central Finance PLC_14.75% p.a	105,300	105,300	120,266	105,300	105,300	105,300	105,300	105,300
Commercial Bank Debentures Type A 2016-2021	2,000,000	2,000,000	2,000,000	2,000,000	-	-	-	-
Commercial Bank Debentures Type B 2016-2026	1,685,110	1,685,110	1,685,110	1,685,110	-	-	-	-
DFCC Type B Debenture 12.75%_2023	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-	-
DFCC Vardhana Bank Debenture 09.40% p.a	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
DFCC Vardhana Bank Debenture 11.5% p.a	-	-	-	-	500,000	500,000	500,000	500,000
Hayleys PLC_14.25% p.a	-	-	-	-	51,900	51,900	51,900	51,900
HDFC Bank Debentures HL 2.50% p.a.	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
HNB Debenture 11.50% p.a	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
HNB Debenture 14% pa	316,717	316,717	316,717	316,717	316,717	316,717	316,717	316,717
HNB Debenture _ 7.75% p.a	1,500,000	1,500,000	1,335,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Hatton National Bank Type A 2016-2021	444,790	444,790	444,790	444,790	-	-	-	-
Hatton National Bank Type B 2016-2023	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-	-
Hemas Holding PLC_11.00% p.a_2019	81,980	81,980	83,202	81,980	81,980	81,980	81,980	81,980
Housing Development & Finance Corporation 15%	65,580	65,580	69,075	65,580	65,580	65,580	65,580	65,580
Lanka ORIX Finance PLC Debenture _ 9.25% p.a	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Lanka ORIX Leasing Company PLC Debenture 9% p.a	100,000	100,203	89,350	100,119	100,000	100,203	100,160	100,160
Lion Brewery (Ceylon) PLC_13.50 p.a	-	-	-	-	39,900	39,900	39,900	39,900
Lion Brewery (Ceylon) PLC_13.75 p.a	39,900	39,900	44,592	39,900	39,900	39,900	39,900	39,900
Lion Brewery (Ceylon) PLC_14.00% p.a	53,200	53,200	61,738	53,200	53,200	53,200	53,200	53,200
Merchant Bank of Sri Lanka- 5 year Debenture Fix	281,590	281,590	287,222	281,590	281,590	281,590	281,590	281,590



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

19.2 Investment in Debt Securities
19.2.1 Cooperate Debentures

(Contd...)

As at 31 st December	2016				2015			
	Face Value	Purchase Cost	Market Value	Amortised Cost	Face Value	Purchase Cost	Market Value	Amortised Cost
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
National Development Bank PLC 2013-2018_13.00%p.a	173,160	173,160	173,333	173,160	173,160	173,160	173,160	173,160
National Development Bank PLC_2013-2018_13.40%p.a	88,240	88,240	86,916	88,240	88,240	88,240	88,240	88,240
National Development Bank PLC_2013-2023_13.90%p.a	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000
National Development Bank PLC_2013-2025_14.00%p.a	500,000	500,000	501,800	500,000	500,000	500,000	500,000	500,000
National Development Bank PLC_2015-2020_09.40%p.a	2,000,000	2,000,000	1,980,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
National Savings Bank_13%_2021	1,500,000	1,500,000	1,500,000	1,500,000	-	-	-	-
NTB Debenture 11.5% p.a	-	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000
Nations Trust Bank PLC_2013-2018_13.00%p.a	549,150	549,150	613,730	549,150	549,150	549,150	549,150	549,150
Nations Trust Bank Type A 2021 12.65%	1,200,000	1,200,000	1,200,000	1,200,000	-	-	-	-
Nawaloka Hospitals PLC_14.15% p.a	114,500	114,500	114,500	114,500	114,500	114,500	114,500	114,500
PABC DC 2012_2017 6MN TBILL + 2.95	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
People's Leasing & Finance PLC 2014-2017_8.75%pa	159,540	159,540	162,587	159,540	159,540	159,540	159,540	159,540
People's Leasing & Finance PLC 2014-2018_9.625%pa	32,880	32,880	34,143	32,880	32,880	32,880	32,880	32,880
People's Leasing & Finance PLC 5 Year Debenture Fix	105,900	105,900	111,725	105,900	105,900	105,900	105,900	105,900
People's Leasing Company 2016-2021	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-	-
Pradeshya Sanwardana Bank Debenture_9.00% p.a	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Richard Pieris and Company PLC 2017_10.75% p.a	35,680	35,680	36,058	35,680	35,680	35,680	35,680	35,680
Richard Pieris and Company PLC 2018_11.00% p.a	81,390	81,390	81,390	81,390	81,390	81,390	81,390	81,390
Richard Pieris and Company PLC 2019_11.25% p.a	100,000	100,000	99,120	100,000	100,000	100,000	100,000	100,000
SMIB Bank Debentures HL 2.50% p.a.	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
Sampath Bank Debenture 2012/2017 Fixed 16.5%	14,430	14,430	14,719	14,430	14,430	14,430	14,430	14,430
Sampath Bank Debenture_8.10% p.a	1,800,000	1,800,000	1,530,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Sampath Bank Debenture_Fixed 13.0%p.a	251,775	251,775	264,993	251,775	251,775	251,775	251,775	251,775
Sampath Bank Debenture_Fixed 13.4%p.a	170,095	170,095	167,544	170,095	170,095	170,095	170,095	170,095
Seylan Bank 15% Debenture 2013/18	100,000	100,000	106,000	100,000	100,000	100,000	100,000	100,000
Seylan Bank Debenture 8.60%pa 2014/2020	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Singer Finance (Lanka) PLC 14.00%pa	-	-	-	-	33,214	33,214	33,214	33,214
Singer Finance (Lanka) PLC 14.25%pa	123,306	123,306	135,637	123,306	123,306	123,306	123,306	123,306
Singer Finance (Lanka) PLC 14.50%pa	93,576	93,576	95,448	93,576	93,576	93,576	93,576	93,576
Siyapatha Finance PLC - B	200,000	200,000	200,000	200,000	-	-	-	-
Siyapatha Finance PLC - A	500,000	500,000	500,000	500,000	-	-	-	-
Seylan bank debenture 15.07.2016 to 15.07.2023	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-	-
Seylan debenture 15.07.2021	1,000,000	1,000,000	1,010,000	1,000,000	-	-	-	-
Singer Sri Lanka PLC 14.5% p.a	-	-	-	-	46,790	46,790	46,790	46,790
	31,403,560	31,403,764	31,122,641	31,403,680	19,422,058	19,422,261	19,422,218	19,422,218

The fair values of the corporate debentures - listed : are based on the average prices as at 31st December, published by the Colombo Stock Exchange. Unlisted debentures have been carried at cost as no reliable information are available to estimate the fair value.



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

19.3 Investment in Trust Certificates

As at 31 st December Issuer	2016				2015			
	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000	Amortised Cost Rs.'000
LB Finance PLC	-	-	-	-	74,433	45,000	73,168	73,168
Mercantile Investments & Finance PLC	210,000	134,687	196,637	196,637	360,000	245,530	314,976	314,976
People's Leasing & Finance PLC TC	4,289,810	3,262,907	3,635,955	3,635,955	2,911,969	2,184,697	2,541,652	2,541,652
	4,499,810	3,397,594	3,832,592	3,832,592	3,346,402	2,475,227	2,929,796	2,929,796



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

20. Loans & Receivables

As at 31 st December	2016 Rs.'000	2015 Rs.'000
Investments in Reverse Repos (20.1)	2,745,000	4,100,000
(-) Impairment	-	-
Net Investment	2,745,000	4,100,000

20.1 Reverse Repos

As at 31 st December Counterparty	2016			2015		
	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Market Value Rs.'000
Domestic Operations Department - Auctions	2,500,000	2,500,000	2,500,000	4,100,000	4,100,000	4,100,000
Domestic Operations Department - Standing Facility	245,000	245,000	245,000	-	-	-
	2,745,000	2,745,000	2,745,000	4,100,000	4,100,000	4,100,000

21. Other Current Assets

As at 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Dividend Receivable	1,347,843	-	1,347,843	104,641
Other Receivable	6,295	350	6,645	115,778
Tax Paid at Source	191,325	-	191,325	300,528
Income Tax Recoverable	501,413	-	501,413	533,849
Receivable-Mehewara Piyasa	427,147	-	427,147	1,520,547
Prepayments	10,150	11,755	21,905	10,885
CGL Imprest	-	480,290	480,290	324,592
	2,484,173	492,395	2,976,568	2,910,820

22. Cash and Cash Equivalents

As at 31 st December	2016 Rs.'000	2015 Rs.'000
Cash in Hand	4	20
Cash at Bank	3,941,838	3,691,557
Cash in Transit	443,400	-
	4,385,242	3,691,577



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

23. Creditors

As at 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Domestic - Vendors	1,688	-	1,688	2,891
Retention -Fixed Asset Purchases	292	-	292	376
Sundry Creditors	-	-	-	694
	1,980	-	1,980	3,961

24. Other Current Liabilities

As at 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
EPF Contributions Payable	30	-	30	1,350
Good Received /Invoice Received Clearing- Inventory	(2,009)	-	(2,009)	(4,242)
Good Received /Invoice Received Clearing-Services/Assets	232	-	232	(115)
Housing Loan Defaults Payable	2,600,000	-	2,600,000	3,015,000
Other Payables	2	-	2	(4)
Refund Claims Payable	799,865	-	799,865	(42,753)
Provision for Gratuity	165	-	165	165
Investment Clearing A/C	8,204	-	8,204	(88,512)
	3,406,489	-	3,406,489	2,880,889

25. Member Balances

Description	Balance as at 01.01.2016	Debits during the year	Credits during the year	Balance as at 31.12.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Year Contribution - Contribution No 01 A/C	51,312,306	152,906,546	156,390,567	54,796,327
Stated Contribution - Contribution No 02 A/C	1,404,480,986	231,229,309	390,714,644	1,563,966,321
Contribution from Comm. of Labour - CL No 01 A/C	8,142,008	5,485,516	8,322,516	10,979,008
U/P O/P Contributions A/C	1,494,295	680,100	724,270	1,538,465
Contribution for 1997/98 - 96 Contribution A/C	193	-	-	193
Members Collection A/C	4,406	132,357,531	132,359,010	5,885
SLTB Suspense Account	126,513	126,513	-	0.00
Unclaimed Benefits	448,909	463,020	520,892	506,781
Retained Benefits	78,091	21,585	33,265	89,771
Refunds-Part payments(U/P O/P Refunds)	(469,267)	112,486,299	112,439,082	(516,484)
General Deposit Account	223,961	107,753	240,214	356,422
Interest Payable	159,650,520	153,915,634	173,136,943	178,871,829
Total	1,625,492,921	789,779,806	974,881,403	1,810,594,518



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

26. Reserves

	Balance as at 01.01.2016 Rs.'000	Transfer (from)/to during the year Rs.'000	Impairment Rs.'000	Balance as at 31.12.2016 Rs.'000
Investment Revaluation Reserve (Note 26.1)	4,886,921	(13,412,370)	5,231,637	(3,293,812)
Building Reserve Fund (26.2)	3,157,000	-	-	3,157,000
Technology Advancement Reserve Fund (26.3)	350,000	-	-	350,000
Profit Equalisation Reserve Fund (26.4)	24,100,000	(250,000)	-	23,850,000
General Reserve Fund (26.5)	6,650,000	-	-	6,650,000
Total	39,143,921	(13,662,370)	5,231,637	30,713,188

Transfers to these reserves 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.

26.1 Investment Revaluation Reserve

	Balance as at 01.01.2016 Rs.'000	Transfers during the year Rs.'000	Impairment Rs.'000	Balance as at 31.12.2016 Rs.'000
Treasury Bonds	(2,164,081)	(5,089,100)	-	(7,253,181)
Treasury Bills	-	391,116	-	391,116
Equity Securities	6,936,944	(8,595,978)	5,231,637	3,572,603
Debenture	114,058	(118,408)	-	(4,350)
Total	4,886,921	(13,412,370)	5,231,637	(3,293,812)

Investment revaluation reserve consists of revaluation gains and losses recognised in other comprehensive income on Available for Sale financial assets.

26.2 Building revaluation reserve

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

26.3 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.

26.4 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.

26.5 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

27. Receipts

For the year ended 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Income - Interest from Investments	158,387,150	-	158,387,150	136,439,161
Less: Income tax	-	-	-	(132,707)
	158,387,150	-	158,387,150	136,306,454
Contributions	118,326,507	-	118,326,507	102,453,320
Reimbursement of Expenses by the EPF-CBSL	-	602,520	602,520	502,486
Imprest Account (Commissioner of Labour)	-	(21,882)	(21,882)	227,356
General Deposit Account - (EPF Contributions)	-	38,605	38,605	19,497
Surcharges	156,361	742	157,103	184,400
Proceeds on sale of T. Bonds/T Bills	47,712,175	-	47,712,175	64,540,119
Proceeds on dealing of Shares	3,818,971	-	3,818,971	3,573,227
Receipts from Mehewara piyasa	1,093,400	-	1,093,400	370,000
Dividends	2,817,019	-	2,817,019	3,234,815
Income from Securities Lending	-	-	-	130,101
Sundry Income	9	(3,831)	(3,822)	12,930
Debtors	(4,554)	-	(4,554)	37
Settlement of Advances	436	35	471	684
Unclaimed Benefits	144,187	-	144,187	235,520
Total	332,451,661	616,189	333,067,850	311,790,946



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

28. Payments

For the year ended 31 st December	2016			2015
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Investments	826,843,887	-	826,843,887	665,266,272
Less - Maturity Proceeds	(615,601,139)	-	(615,601,139)	(452,074,473)
	211,242,748	-	211,242,748	213,191,799
Refunds	108,536,270	-	108,536,270	78,004,109
WHT paid on Investment	7,869,248	-	7,869,248	15,293,504
Operating Expenses	570,225	499,018	1,069,243	747,547
Settlement of creditors/payables	2,927,373	-	2,927,373	2,648,347
Income Tax Retained on Refund of Benefits	896	-	896	-
Reimbursement of expenses - Comm. Labour	602,520	-	602,520	502,486
Under payments and over payments - Refunds	-	-	-	-
Acquisition of Property, Plant and Equipments	6,477	41,852	48,329	290,337
Capital Work-in-Progress	-	-	-	-
Advances - Staff	-	-	-	-
- Miscellaneous	2,240	7,806	10,046	6,632
General Deposit Account Contributions	-	-	-	-
Adjustment: Cash Balance at the Begining of the Year - Labour Department	-	27,381	27,381	5,939
Total	331,757,996	576,057	332,334,053	310,690,700



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

29. Movement of Investment

For the Year Ended 31st December 2016

Type of Investment	Opening Balance Rs.'000	Investments Rs.'000	Maturities Rs.'000	Sales Rs.'000	Amortisation Rs.'000	Valuation Gain/Loss Rs.'000	Closing Balance Rs.'000	2016	2015	Change %
Fair Value Through Profit or Loss Investments										
Treasury Bonds	1,870,879	10,206,408	-	-	-	(584,381)	11,492,906	0.6	-	0.6
Listed Equity	1,717,657	2,277,611	-	1,120,583	-	(259,590)	2,615,095	0.1	0.1	0.0
Corporate Debenture	114,500	-	-	-	-	-	114,500	0.0	0.0	(0.0)
	3,703,036	12,484,019	-	1,120,582.8	-	(843,971)	14,222,501	0.8	0.1	0.7
Avialable for Sale Investments										
Treasury Bonds	46,094,809	1,904,870	-	242,490	-	(5,076,482)	42,680,707	2.4	2.9	(0.5)
Treasury Bills	-	37,980,948	-	-	-	834,279	38,815,227	2.2	-	2.2
Listed Equity	75,625,152	1,309,910	-	776,457	-	(8,193,921)	67,964,684	3.8	4.7	(0.9)
Unlisted Equity	10,270,625	-	-	-	-	-	10,270,625	0.6	0.6	(0.1)
Corporate Debenture	3,056,763	-	117,175	-	-	(118,409)	2,821,179	0.2	0.2	(0.0)
	135,047,349	41,195,728	117,175	1,018,946.8	-	(12,554,533)	162,552,422	9.2	8.4	0.8
Held to Maturity Investments										
Treasury Bonds	1,439,038,587	170,054,526	17,623,200	46,866,090	12,851,721	-	1,557,455,544	87.9	89.7	(1.8)
Corporate Debenture	19,422,218	13,671,792	1,690,289	-	(41)	-	31,403,680	1.8	1.2	0.6
Trust Certificates	2,929,796	2,000,000	1,387,773	-	290,568	-	3,832,592	0.2	0.2	0.0
	1,461,390,601	185,726,318	20,701,262	46,866,090	13,142,249	-	1,592,691,816	89.9	91.1	(1.2)
Loans and Receivables Investments										
Reverse Repo	4,100,000	1,653,618,285	1,654,973,285	-	-	-	2,745,000	0.2	0.3	(0.1)
	4,100,000	1,653,618,285	1,654,973,285	-	-	-	2,745,000	0.2	0.3	(0.1)
Total	1,604,240,986	1,893,024,350	1,675,791,722	49,005,620	13,142,249	(13,398,504)	1,772,211,739	100	100	



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

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29. Movement of Investment

For the Year Ended 31st December 2015

Type of Investment	Opening Balance Rs.'000	Investments Rs.'000	Maturities Rs.'000	Sales Rs.'000	Amortisation Rs.'000	Valuation Gain/Loss Rs.'000	Closing Balance Rs.'000	2015	2014	Change %
Fair Value Through Profit or Loss Investments										
Treasury Bonds	-	6,442,284	-	4,414,842	-	(156,563)	1,870,879	0.1	-	0.1
Listed Equity	1,873,760	1,105,334	-	1,024,002	-	(237,435)	1,717,657	0.1	0.1	(0.0)
Corporate Debenture	114,500	-	-	-	-	-	114,500	0.0	0.0	(0.0)
	1,988,260	7,547,618	-	5,438,844	-	(393,998)	3,703,036	0.2	0.1	0.1
Avialable For Sale Investments										
Treasury Bonds	7,646,165	42,348,887	50,000	1,034,541	-	(2,815,701)	46,094,809	2.9	0.5	2.3
Treasury Bills	940,477	3,399,662	4,500,000	-	-	159,861	-	-	0.1	(0.1)
Listed Equity	83,939,099	1,286,081	-	2,482,794	-	(7,117,235)	75,625,152	4.7	5.8	(1.1)
Unlisted Equity	10,770,625	-	-	-	-	(500,000)	10,270,625	0.6	0.7	(0.1)
Corporate Debenture	3,104,900	-	31,193	-	-	(16,944)	3,056,763	0.2	0.2	(0.0)
	106,401,266	47,034,630	4,581,193	3,517,334	-	(10,290,018)	135,047,349	8.4	7.4	1.0
Held to Maturity Investments										
Treasury Bonds	1,278,947,228	269,387,059	64,723,600	57,909,506	13,337,405	-	1,439,038,587	89.7	89.0	0.7
Rupee Loans	23,100,000	-	23,100,000	-	-	-	-	-	1.6	(1.6)
Treasury Bills	-	4,885,449	5,000,000	-	114,551	-	-	-	-	-
Corporate Debenture	15,123,453	5,200,000	901,194	-	-	(41)	19,422,218	1.2	1.1	0.2
Commercial Papers	1,000,000	-	1,000,000	-	-	-	-	-	0.1	(0.1)
Trust Certificates	2,988,483	1,600,000	2,061,498	-	402,811	-	2,929,796	0.2	0.2	(0.0)
	1,321,159,164	281,072,508	96,786,292	57,909,506	13,854,767	(41)	1,461,390,601	91.1	91.9	(0.8)
Loans & Receivables Investments										
Reverse Repo	8,134,000	1,740,136,089	1,744,170,089	-	-	-	4,100,000	0.3	0.6	(0.3)
	8,134,000	1,740,136,089	1,744,170,089	-	-	-	4,100,000	0.3	0.6	(0.3)
Total	1,437,682,690	2,075,790,845	1,845,537,574	66,865,684	13,854,767	(10,684,058)	1,604,240,986	100	100	



EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

30. Fair values of Financial Instruments

30.1 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 requires judgment, considering factors specific to the asset or liability.

30.2 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.

	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Assets – FVTPL								
Treasury Bonds	11,492,906	-	-	11,492,906	1,870,879	-	-	1,870,879
Quoted equity securities	2,615,095	-	-	2,615,095	1,717,657	-	-	1,717,657
Quoted debt securities	114,500	-	-	114,500	114,500	-	-	114,500
Financial Assets – Available for sale								
Treasury Bonds	42,680,707	-	-	42,680,707	46,094,809	-	-	46,094,809
Treasury Bills	38,815,227	-	-	38,815,227	-	-	-	-
Quoted equity securities	67,964,684	-	-	67,964,684	75,625,152	-	-	75,625,152
Unquoted equity securities	10,270,625	-	-	10,270,625	10,270,625	-	-	10,270,625
Quoted debt securities	2,821,179	-	-	2,821,179	3,056,763	-	-	3,056,763
Financial Assets – Held to Maturity								
Treasury Bonds	1,444,314,782	-	-	1,444,314,782	1,516,025,643	-	-	1,516,025,643
Quoted debt securities	31,122,641	-	-	31,122,641	19,422,218	-	-	19,422,218
Trust Certificates	3,832,592	-	-	3,832,592	2,929,796	-	-	2,929,796
Financial Assets – Loans & Receivables								
Reverse Repurchase Agreements	2,745,000	-	-	2,745,000	4,100,000	-	-	4,100,000



EMPLOYEES' PROVIDENT FUND Notes to the Financial Statements

31. Financial Risk Management Objectives, Policies and Processes

Introduction

EPF being a Fund Management entity manages long term savings of private and semi Government sector employees with the objective of maximising retirement benefits to its members. 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 and Trading Guidelines 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 risk of 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 93% of the total investment is made in Government Securities. Further the other investments are made in highly creditworthy corporate debt instruments (investment grade) after thorough analysis of risks and returns. In additions, all Reverse Repo Investments of the Fund have been adequately collateralize by Government securities for fluctuations in market value. Therefore, the credit risk of the Fund as a whole was at a very low level. Composition of the investments of the Fund as at the year end is as follows.

Analysis of Risk Concentration – Investment Composition

	2016		2015	
	Amount Rs.	%	Amount Rs.	%
Government Securities	1,607,314,601	92.9	1,444,563,795	92.8
Corporate Debt Securities	34,343,794	2.0	22,479,466	1.4
Investment in Equity Securities	83,106,755	4.8	83,573,469	5.4
Other	6,142,594	0.4	6,575,227	0.4
	1,730,907,744	100.0	1,557,191,958	100.0

Market Risk

Market Risk is the risk of losses from 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 on risk.

Interest Rate Risk : If the general interest rates of the economy are to increase, yields of treasury bonds will follow, causing prices of the bonds to drop and value of the trading portfolio to deteriorate. This is the interest rate risk faced by the Fund. However, this has been mitigated by selecting treasury bonds of varying maturities, limiting the size of the trading portfolio and re balancing the portfolio occasionally.

Equity Price Risk : The equity price risk is the reduction in the value of equity portfolio due to the decline in share prices. This is an inherent risk of equity investments which has been mitigated by investing in fundamentally sound stocks with robust value. Further, the listed equity portfolio has been diversified into different sectors and the market risk on the listed equity portfolio is relatively low on the overall Fund since exposure to the equity market is approximately 6% of the total portfolio of the Fund and as the Fund makes appropriate adjustments to its portfolio from time to time as and when necessary.



EMPLOYEES' PROVIDENT FUND Notes to the Financial Statements

(Contd...)

Analysis of Risk Concentration – Sector wise exposure analysis

	2016		2015	
	Amount Rs.'000	%	Amount Rs.'000	%
Banking, Finance and Insurance	27,821,690	41.15	27,117,293	38.28
Beverage, Food and Tobacco	2,571,347	3.80	2,619,079	3.70
Construction and Engineering	1,371,815	2.03	3,343,199	4.72
Chemical and Pharmaceutical	1,160,289	1.72	951,463	1.34
Diversified Holdings	11,055,504	16.35	11,965,698	16.89
Footwear and Textile	83,111	0.12	213,592	0.30
Hotels and Travels	9,124,314	13.50	8,984,417	12.68
Health and Care	155,190	0.23	113,363	0.16
Investment	555,487	0.82	505,257	0.71
Information Technology	-	0.00	43,926	0.06
Land and Property	1,416	0.00	234,512	0.33
Motors	1,625,690	2.40	1,536,983	2.17
Manufacturing	4,396,521	6.50	4,466,024	6.30
Oil Palms	801,799	1.19	2,310,610	3.26
Power and Energy	3,489,804	5.16	3,469,098	4.90
Plantations	78,419	0.12	78,419	0.11
Telecommunications	2,600,163	3.85	2,197,407	3.10
Trading	711,933	1.05	695,865	0.98
	67,604,491	100	70,846,203	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 was between Rs. 1.5 bn to Rs. 2 bn per month during the year. Further, interest and maturity proceeds provided additional cash flow to the Fund. EPF actively participates in the overnight Reverse Repo market as a lender enabling the Fund to maintain adequate Funds to meet daily liquidity requirements.

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.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or external events. The Members' 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.

Operational activities are audited by an independent internal auditor and audit findings are discussed on a monthly basis to rectify the weaknesses and deviations immediately. 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 Business Continuity Plan (BCP) and the Disaster Recovery Sites (DRS) are tested every year to ensure smooth functioning of the operations in the event of any unforeseen circumstances. Accordingly the operational risk of the Fund is at very low level.

Further, the EPF aims to improve its operational risk management process by including all its activities in operational risk management function and make it an integral part of the EPF's decision making process.



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

32. Classification of Maturity Profile of the Portfolio
As at 31st December 2016

Class Of Investment	Rate	(Rs. mn)													Total										
		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2028	2029	2030		2032	2033	2034	2035	2041	2043	2044	2045	Not Defined	
Treasury Bond	5.35	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	89,247
HTM	5.65	-	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150
	5.80	32,764	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,764
	6.20	-	64,320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	64,320
	7.00	-	-	63,090	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63,090
	7.50	-	24,414	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,414
	8.00	20,381	5,700	8,957	12,225	63,006	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	173,687
	8.50	4,798	79,114	75,078	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	154,192
	8.75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,798
	9.00	-	-	-	-	9,885	18,850	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	242,315
	9.25	-	-	-	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,000
	9.45	-	-	-	-	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000
	9.50	-	-	-	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000
	10.00	-	-	-	-	-	12,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,500
	10.25	-	-	-	-	-	-	-	-	25,900	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,900
	10.75	-	-	-	-	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,000
	11.00	-	-	-	-	10,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,400
	11.20	-	-	-	-	-	-	18,850	29,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,450
	11.40	-	-	-	-	-	-	-	10,882	15,139	44,730	41,214	-	-	-	-	-	-	-	-	-	-	-	-	159,934
	11.50	-	-	-	-	-	-	-	-	15,450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	11.40	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	11.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	13.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	13.25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	13.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		57,943	109,229	84,184	94,545	39,285	86,388	111,740	30,589	82,074	163,361	15,850	85,860	48,450	95,263	139,085	75,158	39,250	26,700	30,676	78,263	2,050	-	-	1,495,944
Available for Sale Investment	6.20	-	-	-	76	-	-	450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76
	7.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	450
	8.00	50	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,329
	8.50	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
	9.00	-	-	-	-	505	-	-	-	-	204	-	-	-	-	-	-	-	-	-	-	-	-	-	709
	10.25	-	-	-	-	-	-	-	-	13,200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,200
	11.00	-	-	-	-	1,100	-	1,200	-	1,400	200	-	-	-	-	-	-	-	-	-	-	-	-	-	7,450
	11.20	-	-	-	-	-	2,125	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,325
	11.40	-	-	-	-	-	-	-	2,650	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,650
	11.50	-	-	-	-	-	-	-	-	-	-	2,100	-	-	-	-	-	-	-	-	-	-	-	-	13,823



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

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32. Classification of Maturity Profile of the Portfolio
As at 31st December 2016

Class Of Investment	Rate	(Rs. mn)													Not Defined	Total											
		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2028	2029	2030			2032	2033	2034	2035	2041	2043	2044	2045			
	12.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,720	2,720	193	47,125	
	13.00	50	1,700	-	76	1,605	2,125	1,650	14,600	404	2,100	193	4,750	779	-	-	11,723	-	-	-	-	-	2,720	2,720	-	-	
Fair Value through Profit & Loss	8.00	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	
	9.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	800	-	-	-	-	800	
	9.25	-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	
	10.00	-	-	-	-	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	
	11.00	-	-	-	-	-	-	-	-	-	-	-	350	-	-	-	-	-	-	-	-	-	-	-	-	3,350	
	11.40	-	-	-	-	-	-	-	-	1,745	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,745	
	11.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,450	-	-	-	-	4,300	
	13.00	-	-	-	-	-	-	-	-	-	-	350	-	-	-	-	-	-	-	-	-	-	-	-	-	350	
Sub totals		57,993	111,429	84,184	95,121	40,890	89,513	113,390	34,984	1,745	3,000	3,250	350	350	96,042	139,085	75,158	52,823	26,700	30,676	78,263	4,770	-	-	-	1,555,614	
Corporate Debentures																											
Held to maturity Investment																											
BOC		-	576	-	-	1,142	-	134	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,852
Central Finance Company PLC		100	144	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	444
Commercial Bank		-	-	-	-	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,685
DFCC Bank		-	-	-	-	-	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,685	-	-	-	-	-	1,000
DFCC Vardhana Bank Debenture		-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	
Hayleys PLC		66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	176
HDFC Bank Debentures		-	-	-	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82	
Hemas Holding PLC		-	-	82	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82	
HNB Debenture		-	317	1,500	2,000	2,445	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,261	
Lanka ORIX Finance PLC		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000	
Lanka ORIX Leasing Company PLC		-	-	100	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	
Lion Brewery		40	53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	93	
MBSL		-	282	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	282	
National Development Bank PLC		-	261	-	2,000	-	-	375	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,136	
National Savings bank		-	-	-	-	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500	
Nawaloka Hospitals		-	115	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115	
NTB Debenture		-	549	-	-	1,200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,749	
PABC DC		250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250	
People's Leasing & Finance PLC		160	139	-	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,298	
Pradeshya Sanwardana Bank		-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	



EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

(Contd...)

32. Classification of Maturity Profile of the Portfolio
As at 31st December 2016

Class Of Investment	Rate	(Rs. mn)																	Total					
		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2028	2029	2030	2032	2033	2034	2035		2041	2043	2044	2045	Not Defined
Richard Pieris & company		36	81	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	217
Sampath Bank Debenture		14	422	1,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,236
Seylan Bank		-	100	-	1,800	1,000	-	-	-	-	-	1,000	-	-	-	-	-	-	-	-	-	-	-	3,900
Singer Finance (Lanka) PLC		123	94	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	217
Siyapatha Finance		-	-	500	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	700
SMIB Bank Debentures		-	-	-	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110
		788	3,133	4,082	7,220	10,487	-	3,509	-	500	1,685	-	-	-	-	-	-	-	-	-	-	-	-	31,404
Available for Sale Investment																								
Central Finance Company PLC		18	39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58
Hayleys PLC		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
HNB Debenture		-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	221
LB Finance PLC		-	221	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	549
Nations Trust Bank PLC		-	549	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	459
Pan Asia Banking Corporation PLC		-	-	459	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	217
Richard Pieris & company		36	81	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	622
Sampath Bank Debenture		-	422	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200
Seylan Bank Debenture		-	-	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Singer Sri Lanka		54	1,312	1,259	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,825
Fair Value through Profit or Loss																								
Nawaloka Hospitals PLC		-	115	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115
		-	115	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115
Sub totals		842	4,559	5,341	7,420	10,487	-	3,509	-	500	1,685	-	-	-	-	-	-	-	-	-	-	-	-	34,343
Treasury Bills		41,057	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,057
Trust Certificates		1,397	1,896	807	424	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,524
Listed Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair Value through Profit or Loss		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,615
Available for Sale Investment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67,965
Sub totals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,580
Unlisted Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,271
Repo		2,745	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,745
Grand total		104,034	117,884	90,333	102,965	51,377	89,513	116,899	34,984	97,174	168,450	21,200	86,403	53,550	96,042	139,085	75,158	52,823	26,700	30,676	78,263	4,770	80,851	1,719,134



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

LEW/B/EPF/FA/2016

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

28 January 2018

Hon. Minister

Ministry of Labour, Trade Union and Sabaragamuwa Development

Report of the Auditor General on the financial statements of the Employees Provident Fund for the year ended 31 December 2016 in terms of Section 6(3) of the Employees Provident Fund Act No.15 of 1958.

The audit of Financial Statements of the Employees' Provident Fund for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of income and expenditure, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 6(3) of the Employees' Provident Fund Act, No.15 of 1958. My comments and observations which I consider should be published with the Annual Report of the Fund in terms of Section 6(3) of the Employees' Provident Fund Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). Those Standards require that, I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Employees' Provident Fund as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



2.2 Comments on financial statements

2.2.1 Sri Lanka Accounting Standards

As the useful life of non-current assets had not been annually reviewed in terms of Section 51 of the Sri Lanka Accounting Standard 16 but fully depreciated as at 31 December 2016 and further used, action had not been taken to revise the estimated error in fixed assets totalling Rs.229,358,373 existed in the Department of Labour and the Employees Provident Fund Division of the Central Bank of Sri Lanka in terms of Sri Lanka Accounting Standard 08.

2.2.2 Accounting Policies

Even though, the intangible assets should be amortized within 2 years according to the accounting policy of the Fund. Contrary to that, those assets had been amortized over the period of 4 years.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) In lieu of depreciating non-current assets used for operating activities of the Fund on a systematic basis in terms of useful life, depreciation had been calculated at 20 per cent of the total revenue expenditure incurred on vehicle repairs during the period 2012 to 2016 under Object No.221-2-4-2003 of the Department and as such, the depreciation of vehicles in the year under review had been overstated by Rs.1,620,832.
- (b) Without taking action to rectify or to settle the transactions totalling Rs.517,935,339, including cash deposit of Rs.16,021,950 not updated during the period from 2009 to 31 December 2016 relating to 4 bank accounts and the shortages of receipt vouchers amounting to Rs.12,555,622, it had been shown in the bank reconciliation statements continuously.
- (c) Even though, a payment of Rs.5,190,718 had been made in the year 2017 in respect of accounted commitments incurred relating to the year 2016, only a sum of Rs.2,341,937 had been provided therefor in the financial statements as at 31 December 2016 and as such, the expenditure of the year under review and the accrued expenses had been understated by Rs.2,848,781.



2.2.4 Unexplained Differences

In the comparison of balances of plant and machinery, furniture and office equipment, computers and computer software totalling Rs.728,984,200 as at 31 December 2016 shown in the financial statements with the balances shown in the relevant schedule a difference of Rs.287,276,341 was observed.

2.2.5 Lack of Evidence for audit

Evidence indicated against each item of the following accounts was not furnished to audit.

Item of Account	Value	Evidence not made available
-----	-----	-----
	Rs.	
(a) Balance of 2 bank accounts	6,810,422	(i) Bank Reconciliation Statements. (ii) Bank Certificates
(b) Accounts receivable balances "Mehewara Piyasa"	427,147,000	} Confirmation of Balances.
(c) Imprest of the Commissioner General of Labour	480,290,000	
(d) Motor Vehicles	100,395,770	} Detailed Schedules.
(e) Accumulated Depreciation – Motor Vehicles	58,490,743	

2.3 Non-compliance with Laws, Rules, Regulations and Management Decision

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
<p>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 395 (b) and (c)</p>	<p>There was a difference of Rs.1,423,861,794 between the balance as per cash book as at 31 December 2016 relating to a bank account of the Fund and the bank balance confirmation. Those balances had not been reconciled and had not been prepared the bank reconciliation statements from January to December 2016.</p>
<p>(b) Section 8.7 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and the Public Enterprises Circular No.03/2016 of 29 April 2016.</p>	<p>Payment of “Pay As You Earn” (PAYE) Tax on employment of the officers of the Central Bank of Sri Lanka attached to the Employees Provident Fund had not been recovered from the relevant officers and a sum of Rs.17,571,467 had been paid as their PAYE Tax by the Fund in the year under review. This matter had been discussed at the Committee on Public Accounts on 26 February 2016. Accordingly, it was informed by the Committee that a correct methodology be prepared being discussed with the Secretary to the Treasury in compliance with the instructions of the Budget in the year 2016 and Public Finance</p>



Circulars and update it. However, action had not been taken accordingly even by the end of June 2017.

- (c) Public Finance Circular No.05/2016 of 31 March 2016. The Board of Survey in respect of plant and machinery valued at Rs.176,748,000 existed in the Employees Provident Fund Division of the Central Bank of Sri Lanka had not been conducted and its report had not been submitted to the Auditor General for the year 2016.

3. Financial Review

3.1 Financial Results

The financial result of the Fund for the year under review had been a net profit of Rs.175,926,965,000 as compared with the net profit of Rs.156,937,279,000 for the preceding year. Accordingly, the net profit for the year under review had increased by Rs.18,989,686,000 as compared with the preceding year. Increase of interest income by Rs.22,430,346,000 had mainly attributed to this increase.

In analyzing the financial results for the year under review and the preceding 4 years, the financial result of the year 2012 had been a net profit of Rs.111,828,720,000 and it had continuously improved and become a sum of Rs.175,926,965,000 in the year 2016. After being considered the employees remuneration, depreciation on non-current assets and the income tax, the contribution of Rs.121,084,004,000 in the year 2012 had improved up to Rs.192,481,767,000 in the year 2016.

4. Operating Review

4.1 Performance

This Fund had been established under the Employees Provident Fund Act No.15 of 1958 with the objective of Providing retirement benefits to employees serve in the Private Sector and Semi Government Sector.

The following observations are made in respect of achieving such objectives.

- (a) According to the Report of the Central Bank of Sri Lanka, out of the total number of employees reported as the total employment in the private and semi-government sector amounting to 3,682,695 by the end of the year 2016, the active number of members of the Employees Provident Fund amounted to 2,400,000 or 65 per cent. The number of employees who contributed to the other approved Provident Fund had been 11 per cent and as such it was observed that the balance 24 per cent only had not contributed to any Provident Fund.
- (b) According to the report of the Central Bank of Sri Lanka, it was reported that the total number of active members in the Employees Trust Fund Board by the end of 2016 and the number of employers who pay contributions to the Fund amounted to 2,500,000 and 77,842 respectively. However, those figures stand at 2,400,000 and 73,973 in the Employees Provident Fund, representing less than the ETF. Accordingly, the Employees Provident Fund had failed to register 100,000 employees and 3,869 employers.
- (c) The total worth of the Fund as at 31 December 2016 amounted to Rs.1,841.5 billion, indicating an improvement of 11 per cent as at 31 December 2015. However, the following observations are made in respect of contributors Fund.
 - (i) A sum of Rs.10,979 million received from court orders given on court cases filed against the employers who had not paid EPF contributions had not been credited to the members accounts even by 31 December 2016. This balance had existed by the end of the years 2014 and 2015 as Rs.6,898 million and Rs.8,142 million respectively. Even though, a sum of Rs.8,322.5 million received to this account during the year 2016 only a sum of Rs.5,485.5 million had been settled, and the unsettled balance money had been annually accumulated to this account and an age analysis was also not made available for this accumulated balance. In terms of the recommendation No.7 (ii) of the Committee on Public Accounts dated 06 February 2013, the Chief Accounting Officer informed the Committee that action being taken to introduced a Computer Software in order to expedite the settlement of



this money but it was observed that the unsettled balance had been increased annually.

According to the explanation of the Deputy Governor of the Central Bank of Sri Lanka, he stated that a sum of Rs.278 million had been credited to the members account by 3,497 'C' reports, only under the proportionate method commenced since 01 September 2015.

- (ii) Contributions received to the Fund had been retained in a general deposit account in the Department of Labour until that money was settled. Accordingly, a sum of Rs.240,214,000 was added during the year 2016 and a sum of Rs.107,753,000 was settled and the balance to be further settled amounted to Rs.356,422,000 as at 31 December 2016. Similarly, the balance of the more or less contribution account which had not been credited to the members' account by the end of the year 2016 amounted to Rs.1,538,465,000. An age analysis for this balance was not made available for audit. Even though, the Committee on Public Accounts had discussed about this balance at its meetings continuously since the year 2013 and ordered to settle it without delay, no action had been taken accordingly.

According to the explanation of the Deputy Governor of the Central Bank of Sri Lanka, this money could not be credited to members accounts until the sending of rectifications by employers under the existing provisions and the contributions transferred from more or less account to the members accounts in the year 2016 amounted to Rs.679,000,000.

- (iii) Even though, the relevant benefits requested by the members of the Fund had been calculated, those benefits retained without being paid to the beneficiaries as per instructions of the Commissioner of Labour as unclaimed benefits in the members Fund amounted to Rs.596,552,000 as at 31 December 2016. The Fund had failed to furnish an age analysis for these balances. It was observed that the attention of the Fund had to be paid to formulate a system to settle these balances

promptly as more balances would be added to this account than the balances being settled.

- (d) In terms of Section 14 of the Employees Provident Fund Act No.15 of 1958, an interest, not less than 2 ½ per cent of the revenue earned by investing the money of the Fund should be credited to each member's account annually, as at 31 December of the relevant year. The interest percentage so paid in the year 2016 and prior years had decreased gradually from the year 2009 to 2016 at 13.75 per cent to 10.5 per cent and it had remained unchanged at 10.5 per cent in the previous 2 years and the year under review. However, as the Fund had not earned a sufficient profit, even to pay an interest of 10.5 per cent, a sum of Rs.250,000,000 had been obtained from the profit equalization reserve in the year under review.
- (e) As a whole investments in government securities which was the main source of investment portfolio during the year 2016 had dropped as stated in paragraph 4.2.1 (a) of this report and as such there was a decreasing tendency in earning investment income of the Fund at long run, in the ensuing years. As a result, it cannot be ruled out that there would not be a risk that the possibility of maintaining the payment of more than 10.5 per cent interest to the members of the Fund, as paid in the previous years, in terms of Section 14 of the Employees Provident Fund Act No.15 of 1958.
- (f) In terms of Section 23 of Employees Provident Fund Act No.15 of 1958, the total amount available in favour of an individual member of the Fund should be paid as soon as possible to that member. Nevertheless, it was observed at a test check that 146 normal benefit applications valued at Rs.29,601,872, unpaid, though periods ranging from 01 year to 15 years from the date of application had elapsed and 30 death benefit applications valued at Rs.7,759,608 had existed as at 30 June 2017.



4.2 Operating Activities

4.2.1 Investments in Treasury Bonds

The following observations are made.

- (a) The primary market investments in Treasury Bonds which is treated as a main investment source of the Fund and less risk in the year 2016 had abnormally decreased by 50 per cent as compared with the year 2015 and the Fund had completely departed from secondary market investments after May 2016. As such the total investment in Treasury Bonds amounting to Rs.318 billion in the year 2015 had decreased to Rs.183 billion or 42 per cent by the end of the year 2016. Details are given below.

	Primary market investment			Secondary market investment			Total investments in Treasury Bonds
	First Half Year	Second Half Year	Total Investment	First Half Year	Second Half Year	Total Investment	
	Rs.Bn	Rs.Bn	Rs.Bn	Rs.Bn	Rs.Bn	Rs.Bn	
2015	110	124	234	17	67	84	318
2016	57	60	117	66	-	66	183
Decrease			117			18	135
Decrease Percentage			50%			21.4%	42%

According to the comments of the Deputy Governor of the Central Bank of Sri Lanka, it was informed that the value of matured bonds had been at a low level in the year 2016 as compared with that of the year 2015 and decrease of net members receipts extremely had mainly attributed to decrease the bond investments.

- (b) In the issue of Rs.40,000 million bonds on 29 March 2016, rendition of quotations to Primary Market by the Fund had been at a low level. Particulars are given below.



ISIN Number	Total amount offered	Effective rate	Total value quoted	Total value of bonds accepted	Employees Provident Fund			
	Rs. million	%	Rs. million	Rs. million	Value quoted (face value)	Total value of bonds accepted (face value)	Percentage of prices quoted	
					Rs. million	Rs. million	%	%
LKB00520E014	10,000	-	27,022	10,272	-	-	-	-
LKB01025C157	10,000	13.35	36,915	21,475	1,000	1,000	10	4.66
LKB01226F014	10,000	13.45	32,560	17,010	500	500	5	2.94
LKB01530E152	10,000	13.65	45,925	28,975	1,000	1,000	10	3.45
		13.70						
Total	40,000		142,422	77,732	2,500	2,500	6.25	3.22

The following observations are made.

- (i) In considering the total amount offered by the Central Bank of Sri Lanka at the above bond issue and the total amount of bonds accepted, the percentage of quoted prices by the Fund had been as low value as 6.25 per cent and 3.22 per cent respectively. Accordingly, the contribution of the Fund at the above bonds issue had been at a minimum level.



- (ii) According to the recommendation of the middle office of the Fund Management Division, out of the estimated total cash balance of Rs.8,800 million as at 01 April 2016 on which bonds had been purchased, it was recommended to use Rs.4,000 million for the above bond issue, only a sum of Rs.2,173 million thereof had been actually invested and as such the value of actual investment made by the Fund at the above bond issue had been 50 per cent of the recommended cash balance.
- (iii) According to the daily cash flow statement as at 01 April 2016 of the Fund, a sufficient surplus money amounting to Rs.12,076 million had existed in the Fund to purchase 30 per cent of the total amount offered by the Central Bank of Sri Lanka (Rs.40,000 million) but only a sum of Rs.2,173 million had been allocated to purchase Treasury bonds at the above auction, representing a minimum percentage of 5 from the total amount offered had been utilized. Accordingly, the Fund had been deprived of the opportunity of getting more benefits by investing money in the primary market under the high effective rate of interest over 12 per cent by the Management.

According to the comments of the Deputy Governor of the Central Bank of Sri Lanka, it was informed that the surplus money of Rs.12,076 million available as at 01 April 2016 was not only for investments but also for the payment of benefits until the collection of money to the Fund, to incur expenditure on the administration of the Fund and other expenses, reimbursement and the cash balance for the use of other alternate investments and the amount of money predicted by the Fund to be invested was only Rs.8,800 million as at that date.

- (iv) In terms of paragraph 4.2.1 (b) (iii) above, despite it was enable to purchase bonds under high effective rate of interest at the Primary Auction, lesser number of bonds had been purchased at the above bond issue and the balance of Rs.9,903 million had been invested in the repurchase agreements under the low interest rates of 6.5 per cent to 8 per cent. Those transactions had been carried out by the Fund through the other 5 primary dealers, out of which the highest percentage of 61 had been re-purchased through a private entity under contention.
- (c) Furthermore, during the period after the 1st of April 2016, up to 12 April 2016 daily cash receipts had been invested in the repurchase agreements with one day's maturity under very low rate of interest without being invested in purchasing bonds through the Secondary Market or other effective source of investment. Of these re-purchase investments, a considerable percentage (between 61 to 94 per cent) had been used for the re-purchase from the above private entity under contention.
- (d) Despite there was an ability to purchase Treasury Bonds from the primary market at a higher rate of interest, disregarding that, a large amount of funds had been used to re-purchase in a private entity in dispute and as a result, the opportunity of giving more benefits to the members of the Fund had been deprived of and it had been given to a private entity which had been questioned by a special Presidential Commission as well, appointed for that purpose.
- (e) At the above Treasury bond issue the very little amount of money of the Fund had been utilized and the balance money had been continuously invested in repurchases and such Treasury bonds had been purchased from the Secondary Market during the period 12 April to 25 April 2016. An extremely small amount from the bond bearing International Securities Identification No.LKB01530E152 (ISIN) had been purchased from the Primary Market and bonds valued at Rs.6,373 million from the above bond had been purchased at the effective rate less than the Primary Market that was at the rates between 12.42 per cent and 12.5 per cent. However, effective rates between 13.65 per cent and 13.70 per cent had been in the Primary Market therefor. Similarly,



bonds valued at Rs.93 million had been purchased from the Secondary Market at an effective rate of 12.2 per cent which was less than the effective rate of 13.45 per cent in the Primary Market for the Bond bearing ISIN No.LKB01226F014.

According to the comments of the Deputy Governor of the Central Bank of Sri Lanka, it was informed that the Fund had sold Treasury Bonds, the face value of which was Rs.8,050 million in the Secondary Market to purchase Treasury Bonds in the Secondary Market during the period from 12 April to 25 April 2016.

(f) The following observations are made in respect of the participation in the Treasury bonds auction in the Primary Market by the Employees Provident Fund during the year 2016 and its success.

(i) There were 62 instances of successful batches offered for Treasury Bonds by the Department of Public Debts for auctioning in the year 2016, out of which the Fund had completely been away from sending quotations in 16 instances therefrom.

(ii) In forwarding quotations for Treasury Bonds by the Fund in 19 instances, it had not been done on past experience and understanding and as such the quotations had been rejected as they had been submitted at unrealistic high effective rates.

(g) Secondary Market Transactions

Particulars of Treasury Bonds purchased from the primary and secondary markets by the Fund during the years from 2008 to 2016 are given below.



Primary Market Purchases		Total	As a percentage of total Treasury bonds purchases	Secondary Market purchases	As a percentage of Total Treasury bonds purchases	Total purchases of Treasury Bonds
Direct Purchases	Purchases from auctions					
Rs.Mn	Rs.Mn	Rs.Mn	%	Rs.Mn	%	Rs.Mn
196,634.0	5,350.0	201,984.0	95.20	10,184.5	4.80	212,168.5
228,379.2	5,750.0	234,129.2	98.55	3,450.0	1.45	237,579.2
190,642.5	18,766.7	209,409.2	97.92	4,450.0	2.08	213,859.2
275,063.1	23,300.0	298,363.1	98.91	3,300.0	1.09	301,663.1
320,769.2	45,831.8	366,601.0	99.88	450.0	0.12	367,051.0
333,966.7	111,285.0	445,251.7	92.96	33,730.7	7.04	478,982.5
223,572.0	12,000.0	235,572.0	84.28	43,933.1	15.72	279,505.1
30,796.1	186,583.3	217,379.4	74.19	75,631.0	25.81	293,010.5
--	123,836.0	123,836.0	65.50	65,150.0	34.50	188,986.0

According to the above data, as an alternative to purchase Treasury bonds from the Primary Market by the Employees Provident Fund, purchase of bonds from other Primary dealers through the Secondary Market had included an increasing trend since the year 2013. Viz the Secondary Market purchases less than 5 per cent from the year 2008 to 2012 had increased up to 35 per cent in the year 2016.

4.2.2 Investments in Treasury Bills

Similarly, the participation in the Primary Market transactions of Treasury Bills had been at a very minimum level in the year 2016 by the Employees Provident Fund. According to the information of the Communication Department of the Central Bank of Sri Lanka, 47 Treasury bills auctions had been held in the year 2016 but the EPF had participated only in 07 auctions thereof. Despite it was emphasized by the decisions of the Monetary Board dated 20 May and 17 October 2016 that the priority to be given to transactions with Primary Market and there was sufficient money in the



Fund to participate in that transaction, sending quotations for Treasury bills auction at a minimum level had been controversial.

4.2.3 Implementation of the recommendation of the Monetary Board of the Central Bank of Sri Lanka

The following observations are made:

- (a) According to the recommendations of the note in the meeting No.15/2016 of the Monetary Board of Sri Lanka dated 20 May 2016, a directive had been given stating that the priority should be given by the Fund to Primary Market which gives fair effective rate, being minimized the Secondary Market investments which gives lesser effective rate. According to the above decision of the Monetary Board, it was recommended to limit Secondary Market transactions but the approval had been granted to deviate completely from the Secondary Market transactions of Treasury bonds, Treasury Bills and repurchase agreements, only on 17 October 2016 after 5 months from the note in the meeting No.31/2016. However, it was problematic that the Fund had completely kept away from the Treasury Bonds transactions in the Secondary Market after 20 May 2016.
- (b) As a result of completely keeping away from the Secondary Market transactions of Treasury Bonds after 20 May 2016, a problematic situation had arisen in respect of alternative investment sources in which daily cash balances of the Fund to be invested. Even though bids valued at Rs.116,000 million had been submitted in 9 instances in the Primary Market auctions for Treasury Bonds after 20 May 2016, succeeded only for Rs.72,000 million. In addition, as bonds had not been issued to primary dealers by Treasury Bond auctions during the period 29 September 2016 to 27 December 2016, the Employees Provident Fund could not invest money in the Treasury bonds in the months of November and December 2016.

4.2.4 Investments in Company Shares

The following observations are made.

- (a) Funds had been invested in Company shares in the years 2016 and 2015 amounting to Rs.79,874 million and Rs.83,573 million respectively. Particulars are given below.

	2016	2015
	-----	-----
	(Rs.Mn)	(Rs.Mn)
(i) Dividend Income		

Ordinary Shares –		
- Quoted	2,104	2,361
- Unquoted	2,029	1,014
Performance Shares -		
- Quoted	130	137
(ii) Capital gains (losses)		

Ordinary shares available for sale	461	527
Ordinary shares – Though profit or loss at fair value	(9)	26
(iii) Net income from financial assets through profit or loss at fair value – quoted shares)	(258)	(237)
(iv) Impairment Loss (quoted and unquoted)	(5,232)	(2,957)
(v) Net loss of financial assets available for sale	(3,364)	(5,181)
	-----	-----
	4,139	4,310
	=====	=====
Total share investments	79,874	83,573



Massive losses of Rs.4,139 million and Rs.4,310 million had been incurred in the years 2016 and 2015 respectively from the investment of shares of the Fund. Accordingly, any contribution had not been received by the Fund from the total investments of Rs.79,874 million in the year 2015 and Rs.83,573 million in the year 2016 and as such losses incurred on shares investments had strongly effected to further decline the reserves of the Fund.

- (b) As materially decreased the Market Price of shares in 6 companies where the Fund had invested money in long term as compared with their cost, an impairment loss of Rs.5,232 million had been incurred by the Fund in the year 2016 and 36 per cent thereof had been incurred due to decrease the value of shares of only one company. Similarly, even though the fair value of the investment made in one company had materially decreased by 56 per cent, it had not been recognized under impairment.

4.3 Delayed Projects

The Fund had joined an investment proposals of a Hotel Complex proposed to be newly constructed, under the total cost estimate of Rs.12 billion in collaboration with another two government institutions and a sum of Rs.5 billion had been used therefor at the end of the year 2013. According to the agreement of the shareholders signed on 04 June 2013 in that respect it was decided that the shares of the Company would be quoted in the share market prior to the end of the year 2015, but it had not been completed even by the end of June 2017, as construction works had been delayed.

4.4 Personnel Administration

The following observations are made.

- (a) The cost per employee relevant to the years 2016 and 2015 is given below.

	Year 2016		Year 2015	
	Department of Labour	Central Bank of Sri Lanka	Department of Labour	Central Bank of Sri Lanka
Salary Cost (Rs.'000)	385,175	477,974	342,558	405,941
Actual Cadre	281	184	244	154
Cost per employee (Rs.'000)	1,364	2,598	1,404	2,636
Increase of cost per employee in CBSL (%)	90		88	

As compared the cost per the employee of the Department of Labour, Employees Provident Fund unit with the per the employee cost of the Employees Provident Fund of the Central Bank of Sri Lanka, an increase of 90 per cent in the year 2016 and 88 per cent in the year 2015 had indicated. Salary anomalies between the Department of Labour and the Central Bank of Sri Lanka had been the reason therefor.

- (b) There had been 76 vacancies in the Department of Labour relating to the Fund by the end of the year 2016, comprising 18 staff grade posts and 58 non-staff grade posts. It can not be ruled out that the existence of vacancies in senior level posts had not directly affected to settle funds, delays in taking legal action etc.



5. Accountability and Good Governance

5.1 Audit Committee

Meetings of the audit committee are held together with all institutions under the Ministry of Labour. In addition, a separate audit committee was operated under the Ministry of Labour but the Central Bank of Sri Lanka by which financial functions of the Fund are carried out and its internal auditors had not participated therein. Attention should be paid to have a separate audit committee with the participation of the officers of the Department of Labour and the Central Bank of Sri Lanka who had been attached to the Fund, worth of Rs.1,811 billion.

5.2 Unresolved Audit Paragraphs

The present position of the implementation of recommendations of the Committee on Public Accounts is as follows.

Recommendation No.

No.07 (03) of 19 August 2014.

Recommendation and present position

According to the instructions given to revise the existing law in order to give priority to recover the employees compensation due from a company at its liquidation, it was informed the Committee that the approval had been obtained from the Legal Draftsman for the draft but the revised Act had not been approved even by the end of August 2017.

No.08 of 26 February 2016.

Even though, it was instructed to prepare a formal plan for the next 10 years in joining all institutions for the future operation of the Employees Provident Fund, it had not been completed even by the end of August 2017.



No.09 of 26 February 2016

Even though, it was instructed to submit a report to the Committee in respect of the ability to prepare one computer programme for the improvement of the Information Technology process of the Fund in joining the Department of Labour and the Central Bank of Sri Lanka before 23 March 2016, such a report was not made available even by the end of August 2017.

5.3 Internal Audit

The approved cadre of the Internal Audit Division in the Department of Labour by which the administration functions of the Fund are done amounted to 8 and the actual cadre was limited to only 06. As 57 regional offices of the Department had existed and according to the volume of the transactions occurred the approved cadre was insufficient. Even though, the requirement of strengthening the internal audit of the Department had been discussed continuously in the meetings of the Committee on Public Accounts since 2013, action had not been taken to attach sufficient staff to the internal audit division and carry out an efficient audit.

6. Systems and Controls

Weaknesses in systems and controls observed in audit had been reported to the Commissioner General of Labour and the Governor of the Central Bank of Sri Lanka from time to time. Special attention is needed in respect of the following area of control.



Areas of Systems and Control

Observations

Areas of Systems and Control	Observations
(a) Operating Control	(i) Non-preparation of a System to credit the contributions, so far not credited to the individual members account soon and to pay the benefits retained by the Fund to the relevant beneficiaries expeditiously. (ii) Non-holding a separate audit committee for the Fund.
(b) Investment Control	Non-investment of funds so as to receive always maximum benefits to members.
(c) Internal Audit	Non-recruitment of a sufficient number of qualified staff to the internal audit unit and a sufficient internal audit to cover all the areas had not been carried out.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M.Gamini Wijesinghe

Auditor General