

Employees' Provident Fund Annual Report 2015

For more than half a century, Employees' Provident Fund followed an unswerving philosophy to secure the retirement lives of members striking a balance between the return on investments and safety of the Fund. This enabled us to show greater resilience amid turbulent times and thrive under unfavorable settings.

In 2015, the Fund performed its operations successfully whilst recording an increased income, despite challenging market conditions and declared a commendable interest rate of 10.5 per cent to its members for the year.



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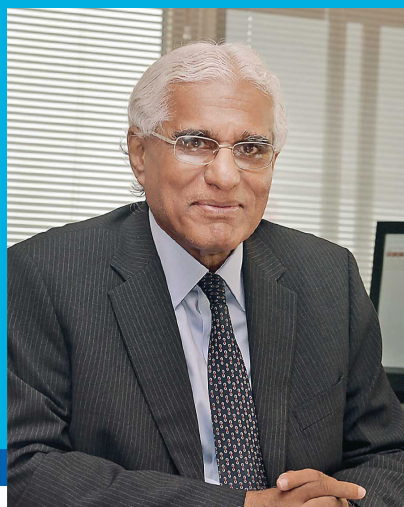


OUR VISION

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 is with great pleasure I am sending this message to the Annual Report of the Employees' Provident Fund (EPF/the Fund) for the year 2015 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 12 per cent during the year 2015 from Rs. 1,486.9 billion to Rs. 1,664.9 billion and the total member accounts has increased from 15.8 million to 16.9 million. The return on investments during the year under review was 11.28 per cent compared to 11.18 per cent recorded during 2014. Consequently, the Fund was able to declare a notable rate of interest of 10.50 per cent p.a. on member balances, a rate above 10 per cent for the 10th consecutive year. The beginning of the year saw Treasury bill weighted average yield rates for 91-day and 182-day maturities descending to their record lowest since 1996, amid volatilities in the interest rate structure during the year. However, the EPF was able to proclaim its decennial double-digit interest rate on member balances in 2015; an ample display of the Fund's ability to withstand adverse shocks in the long-run. Such resistance would not have been possible if the EPF had not adopted a strategic and holistic approach

in its investment management philosophy. On that note, I wish to take this opportunity to reiterate the Fund's solid commitment towards its investment ideals of safety and optimum return on member funds, in order to secure a contented retirement for the members.

The duties of the EPF are not limited to deploying funds in prudent investments but also in rendering an efficient service to the members until their retirement. In order to facilitate this further in the long-term, numerous projects have been initiated and are being implemented at present.

The Image Scanning Project - Phase I, which was implemented with a view to improving efficiency of services provided by the EPF Department by migrating to a near-paperless operating system was completed during the year. Accordingly, all Master File records, Form D and Re-registration Documents have been scanned, indexed and uploaded to a Digital Document Management System, where document retrieval, file updating, notifications and all other related functions have been made available for nearly 300 EPF officials on their own desktops. This shall be of great value-



addition in terms of improving operational efficiency of the EPF Department, which will invariably materialize into the convenience of the members. Further, this has been immensely helpful to decentralize the EPF functions.

The EPF is continually looking for means to provide a hassle-free service to the members and accordingly, the year under review witnessed seven regional fully-fledged EPF offices being established in Matara, Matale, Anurahapura, Trincomalee, Jaffna, Kilinochchi and Nuwara Eliya. The EPF Department has noted a considerable demand for their services at regional level and regional offices provide greater accessibility and convenience for members in remote areas.

Further, during the year, the EPF Department launched an SMS Alert facility dedicated for EPF members to create an interaction between the EPF and members on the status and issues related to EPF refund applications.

The Re-registration Project, which is a special project to re-register EPF members by names as appearing in their National Identity Card (NIC) and assign the NIC number as the Unique Identification (UID) number, has progressed further during the year. This will enable the use of a common

Member Centric Database (MCD) for both Central Bank and Department of Labour, which in turn will improve efficacy of the Fund in managing 16 million member accounts. Serving a member count of this size is a massive operation, thus projects of this nature are essential in the provision of a more efficient and hassle-free service to the members.

In light of this, 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 commitment towards these accomplishments during the year.

Further, the Monetary Board wishes to extend its gratitude to all the members of the EPF, for the confidence they have placed in the custodianship of the Central Bank of Sri Lanka in managing their life-long savings. We shall abide by our duty to ensure a secure and contented retirement for our members at all times.

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



Message from the Commissioner General of Labour

The foremost objective of the establishment of Employees' Provident Fund under Employees' Provident Fund Act, No: 15 of 1958, was to bring about a retired life with better economic standards to the employees of the private and semi-government sectors of Sri Lanka. When the assets and the number of members of the Fund are considered, the Employees' Provident Fund is observed to be the biggest social security scheme of the country.

Department of Labour and the Employees' Provident Fund Department of Central Bank of Sri Lanka upgrade the productivity of the services provided to the members of the Fund every year. I wish to bestow my heartfelt gratitude towards the staff of the Employees' Provident Fund Department of Central Bank of Sri Lanka for the issue of Employees' Provident Fund Annual Report – 2015, which analyses the progress achieved in the year 2015.

The objective of Department of Labour is to provide a qualitative service for

the members through the expansion of operational and administrative affairs year after year. For this, many projects were launched in the year 2015 as well.

A prime function carried out in 2015 was the initiation of the payment of 30% pre-retirement benefit to the members of the Fund. In addition, we managed to place 30 KIOSK machines at island wide Labour Offices, enabling members easy access to check their member accounts. Further collection of contributions was carried out quite efficiently through the contribution Recovery Monitoring System established amongst Labour Offices Island wide. Due to the decentralization of the process of refunding benefits to members, it was possible to provide a prompt and an efficient service this year as well.

I would like to bestow my heartfelt gratitude to the officers of Department of Labour who contribute immensely in carrying out the duties of the fund and for maintaining a better relationship with employers and employees. I would



also like to thank all the officers of the Employees' Provident Fund Department of Central Bank of Sri Lanka who contribute in carrying out the Employees' Provident Fund functions promptly.

I believe that the Annual Report of the Employees' Provident Fund will be of utmost use to employers and employees,

officers of administrative and financial institutions and other interested parties in the domin, including students.

M.D.C. Amarathunga

Commissioner General of Labour



Senior Management Team as at 31.12.2015

Department of Labour (EPF Division)

Name	Designation	Division
Mr W.D.S.C.Weliwatta	Commissioner of Labour	
Mrs V.Umamagal	Deputy Commissioner of Labour	Claim
Mr D.R.A.N.Rathnayake	Assistant Commissioner of Labour	
Mrs D.A.S.Wijesundara	Assistant Commissioner of Labour	
Mrs B.A.M.A.Balasuriya	Assistant Commissioner of Labour	
Mrs M.M.Padmini	Assistant Commissioner of Labour	
Mr K.L.K.Perera	Deputy Commissioner of Labour	Recovery
Mrs R.M.G.Sugandika	Assistant Commissioner of Labour	
Mrs H.R.J.G.Gunathilaka	Assistant Commissioner of Labour	
Mr Y.J.Hettiarachchi	Assistant Commissioner of Labour	30% Claim
Mrs P.H.P.I.Bandara	Deputy Commissioner of Labour	
Mrs K.N.Liyanage	Assistant Commissioner of Labour	
Mrs A.G.D.T.K.Jayasinghe	Assistant Commissioner of Labour	IT
Mr M.H.D.L.A.Wijepala	Assistant Commissioner of Labour	
Mrs. M.S.Gunathilaka	Assistant Commissioner of Labour	Administration
Mrs P.K.D.Tharangani	Assistant Commissioner of Labour	L
Mrs W.A.N.M.Karunarathne	Assistant Commissioner of Labour	CFS
Miss A.H.L.R.Padmini	Assistant Commissioner of Labour	Stores/Record Room

EPF Department of the Central Bank

Name	Designation	Division
Mr. R A A Jayalath	Superintendent	S/EPF Office
Mr. A G U Thilakarathna	Additional Superintendent	
Mrs. A G A S Jayarathne	Deputy Superintendent	
Mr. S A L Muthukumara	Deputy Superintendent	
Mr. J P Gamalath	Deputy Superintendent	
Mrs. M W K S Siriwardana	Senior Assistant Director (Corporate Services)	Corporate Services and Administration Division
Mrs. K K C S Kannangara	Senior Assistant Superintendent	
Mrs. K G N Wijeratne	Senior Assistant Superintendent	
Mr. M S Widanage	Assistant Superintendent	Collection Division
Mrs. Y C M Wijethilaka	Senior Assistant Superintendent	



Mr. P W Wimal Shantha	Assistant Superintendent	Re-Registration Division
Mrs. W A S P I A Jayawardena	Assistant Superintendent	
Ms. G B N A Samaranayaka	Senior Assistant Superintendent	Current Contribution Division
Mrs. K A Senaratne	Assistant Superintendent	
Mrs G P D Kaviratne	Assistant Superintendent	
Mr. U A Gunawardena	Assistant Superintendent	Statemented Contribution Division
Mrs. W T K Perera	Senior Assistant Superintendent	E-Collection Division
Mr. M V W De Zoysa	Assistant Superintendent	
Mrs. D L Rohini	Senior Assistant Superintendent	Fund Management Division
Mr. T C U Jayanetti	Senior Assistant Superintendent	
Mr. W G R Harshapriya	Senior Assistant Superintendent	
Mr. K U B Tennakoon	Senior Assistant Superintendent	
Ms. D P Udugamakorala	Senior Assistant Superintendent	
Mr. B H I S Kumara	Senior Assistant Superintendent	
Mrs. W G A C De Silva	Senior Assistant Superintendent	
Mr. U P Jayasinghe	Assistant Superintendent	
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	
Ms. D Y S Mahagederawatte	Senior Assistant Superintendent	Records Management Division
Mr. A T Upasena	Assistant Superintendent	
Mr. M Wickramarathne	Senior Assistant Superintendent	Record Amendments Division
Ms. C P Jayaweera	Senior Assistant Superintendent	
Mrs. K M G C Bandara	Senior Assistant Superintendent	
Mrs. V K Dhampahalage	Senior Assistant Superintendent	Housing Loan Division
Mrs. H A S Kulasinghe	Senior Assistant Superintendent	
Mrs. D D I Brandygampala	Senior Assistant Superintendent	
Mr. M M Theseem	Senior Assistant Superintendent	
Mr. S Wijesinghe	Senior Assistant Superintendent	Refund Control Division
Mrs. S A Jayawardena	Assistant Superintendent	
Mrs. P H D A Attanayake	Senior Assistant Superintendent	Refund Payments Division
Mr. W A C Wijesinghe	Senior Assistant Superintendent	
Mrs. L S Gamage	Assistant Superintendent	30% Refund Payment Division
Mr. K A N L Ratnasekera	Senior Assistant Superintendent	Public Relations, Inquiries Counter & Call Centre

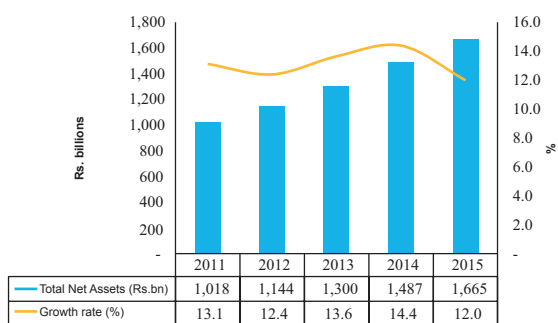


Performance Highlights

Table 1 Financial Highlights - 2015

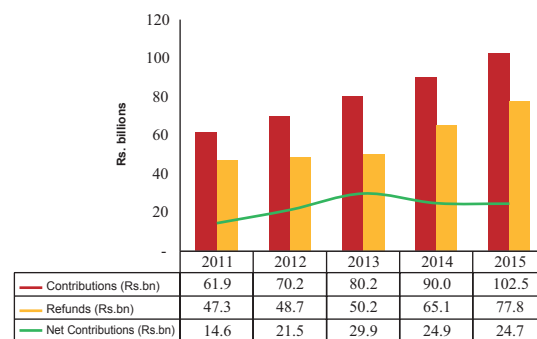
Value of the Fund (Rs.bn)	1,664.9
Contributions (Rs.mn)	102,453
Refund Payments (Rs.mn)	77,769
Net Contributions (Rs.mn)	24,684
Gross Income (Rs.mn)	171,855
Net Income (Rs.mn)	156,937
Interest paid on Member Balances (Rs.mn)	154,200
Rate of Interest paid on Member Balances (Annual %)	10.50
Rate of Return on Average Portfolio (Annual %)	11.28
Operational Expenditure (Rs.mn)	1,191
Operational Expenses as a percentage of the Total Income (%)	0.69

Graph 1 Growth of the Fund



Source: EPF Department, Central Bank of Sri Lanka

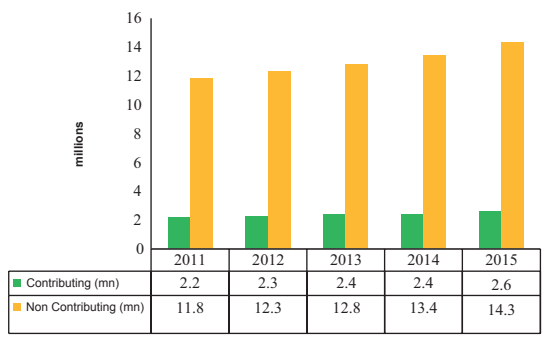
Graph 2 Contributions, Refunds and Net Contributions



Source: EPF Department, Central Bank of Sri Lanka

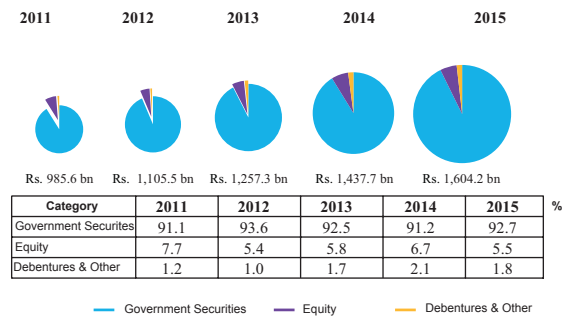


Graph 3 Number of Member Accounts



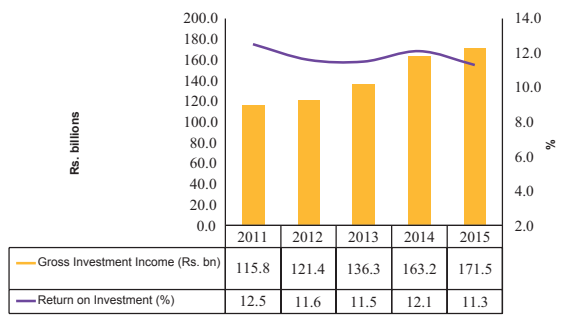
Source: EPF Department, Central Bank of Sri Lanka

Graph 4 Composition of Investment Portfolio



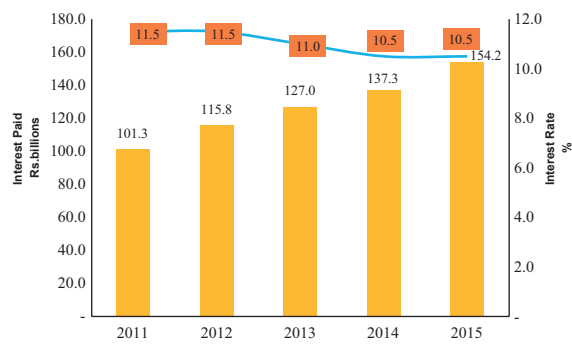
Source: EPF Department, Central Bank of Sri Lanka

Graph 5 Return on Average Investment Portfolio



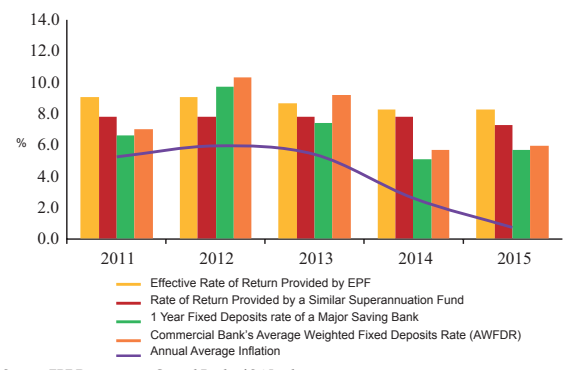
Source: EPF Department, Central Bank of Sri Lanka

Graph 6 Interest Paid on Closing Balances of Members



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



Operational Highlights - 2015

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 16.9 mn.
- Total number of contributing member accounts increased to 2.6 mn.
- Total value of the Fund increased to Rs. 1,665 bn.
- Retirement benefits amounting to Rs. 77,769 mn was paid to 127,951 members.
- 13,132 certificates of guarantee were issued members against their EPF account balances to obtain housing loans from participating lending institutions.
- Rs.8.5 bn. have been paid to over 10,000 eligible members as at the end 2015 under the 30 per cent EPF pre-retirement withdrawals scheme.
- Phase I of the image scanning project was successfully completed during 2015 and EPF has already initiated the phase II of the image scanning project.
- Seven fully-fledged regional EPF units have been established in Matara, Matale, Anuradhapura, Trincomalee, Jaffna, Kilinochchi and Nuwara Eliya to make available all EPF related services at the regional level.
- During the year, EPF Department introduced a SMS Alert facility dedicated for EPF members to create interactivity between the Department and members on the status and issues related to EPF refund applications.
- Filing e>Returns was made mandatory for employers with 50 or more employees with effect from August 2015.
- 152,532 new members were enrolled and information related to 167,747 members were updated in the New Member Registry (NMR) during the year.



Operational Highlights - 2015

Department of Labour (EPF Division)

- Establishment of 30 KIOSK machines which enable the members to find out their account balances by placing finger print.
- Initiation of the payment of 30% of Employees' Provident Fund for housing and medical purposes.
- Decentralization of 30% scheme so that the facility can be obtained from South, Sabaragamuwa and Wayamba Zonal Labour offices along with the Head Office.
- Decentralization of functions so that the general payments can be made at all District Labour offices and Morawaka, Beliatta and Nawalapitiya Sub Labour offices.
- Decentralization of functions so that the payment of death claims could be done at Central, East, North, North Central, Sabaragamuwa, South, Wayamba, Uva and West zone II (Kaluthara) Zonal Labour offices along with the Head Office.
- Implementation of mobile services island wide to resolve problems of members regarding Employees' Provident Fund, distribution of informative hand bills and conduct of various programs.
- Creating Awareness of Employees' Provident Fund among the general public through advertisements via television and radio.



Regulatory Framework

The Employees' Provident Fund (EPF/the Fund) is the largest superannuation Fund in Sri Lanka. It was established under the Employees' Provident Fund Act No.15 of 1958 (the Act) to provide retirement benefits for the private and semi-Government sector employees. In terms of the provisions of the Act, the Commissioner of Labour acts as the general administrator of the Fund while the Monetary Board of the Central Bank of Sri Lanka is entrusted with the powers, duties and responsibilities to act as the custodian. EPF Department of the Central Bank facilitates the Monetary Board in discharging its powers, duties and functions entrusted on it by the Act.

The EPF is a mandatory defined-contributory retirement benefit scheme. The mandatory minimum contribution rate to the Fund is 20 per cent of the gross monthly earnings of the employees who are employed in the private and semi-Government sector. The employer and the employee (members) are required to contribute a minimum rate of 12 per cent and 8 per cent of the members' gross earnings, respectively, to EPF. Employers are liable to pay contributions and submit 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 the employment due to marriage (only for female members) and joining a pensionable employment. Further, legal heirs of a deceased member 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 are entitled to withdraw up to 30 per cent of the amount lying to the credit in their accounts for the purpose of house constructions 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 loan 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 Labour Relations and the 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 Labour Relations and Hon. Minister of Finance within 3 months from the end of each year.

1 . Review of Economy 2015

1.1. Economic Growth and Macroeconomic Conditions

The Sri Lanka economy grew by 4.8 per cent during 2015 in real terms, compared to a growth of 4.9 per cent recorded in 2014. The Services activities, which accounts for 56.6 per cent of the Gross Domestic Product (GDP) ,grew by 5.3 per cent in value added terms during 2015 compared to a growth of 5.4 per cent in 2014. The growth in the Services activities was mainly due to the robust performance in the financial services sector. The Industry activities, which represent 26.2 per cent of GDP, grew by 3.0 per cent in value-added terms during 2015, compared to 3.5 per cent in the previous year. The slowdown in Construction activities dampened the growth in the Industry activities although the growth in manufacturing activities remained robust. The Agriculture, Forestry and Fishing activities, which represent 7.9 per cent of GDP, grew by 5.5 per cent in value added terms during 2015, compared to 4.9 per cent recorded in the previous year mainly due to the significant increase in rice production.

Inflation, based on the Colombo Consumers' Price Index (CCPI) (2006/7=100) remained below mid-single digit level throughout the year, reflecting the downward adjustment

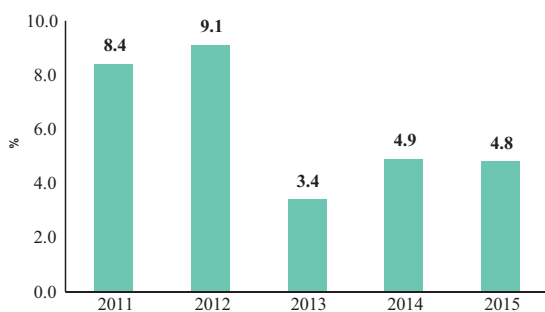
of prices of several key consumer items and the improvements in supply conditions. In the external sector, earnings from exports contracted by 5.6 per cent while expenditure on imports declined by 2.5 per cent in 2015. The trade deficit widened by 1.7 per cent in nominal terms due to the greater reduction in exports than imports. However, the external current account deficit in 2015 remained largely unchanged from 2014 due to the surpluses in the services and the secondary income accounts. In the Fiscal sector, the budget deficit increased to 7.4 per cent of GDP in 2015 compared to 5.7 per cent in 2014.

1.2. Wages and Unemployment

The Unemployment rate increased marginally to 4.6 per cent in 2015 compared to 4.3 per cent in the previous year. Although the number of employed persons increased, the increase in the number of unemployed persons at a much higher rate contributed to the increase in the overall unemployment rate. The increase in the number of employed persons was observed in both the Service sector and the Agriculture sector while the number employed in the Industry sector declined. The employment in the Public sector increased marginally while number of departures for foreign employment declined significantly during the year.

The increase in nominal wages along with low inflation has resulted in higher real wages for both public and private sector employees during 2015. The nominal wages for the public sector employees increased significantly due to the increase in interim allowance paid to all public sector employees by Rs. 5,000 and Rs. 2,000 from the interim budget 2015, with effect from February and June 2015. In the formal private sector, nominal wages rose entirely due to the increase in minimum wages in the agriculture sector, as nominal wage rate

Graph 8 Real GDP Growth



Source: Annual Report, Central Bank of Sri Lanka

indices for Industry, Commerce and Services sectors remained unchanged in 2015.

1.3. Monetary and Fiscal Policy

The Central Bank of Sri Lanka continued to pursue a relatively relaxed monetary policy stance during 2015 in view of the subdued inflation environment. In March 2015, the Central Bank removed the temporary restrictions that were placed in September 2014 on the access to the Standing Deposit Facility (SDF) by market participants. These restrictions were removed considering the sustained increase in credit flows to the private sector. Moreover, in April 2015, the Central Bank reduced its main policy interest rates, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 50 basis points to 6.0 per cent and 7.5 per cent, respectively. However, by December 2015, the Central Bank took measures to tightened monetary policy in view of persistently high excess liquidity in the domestic money market and the higher than envisaged growth in credit and monetary aggregates.

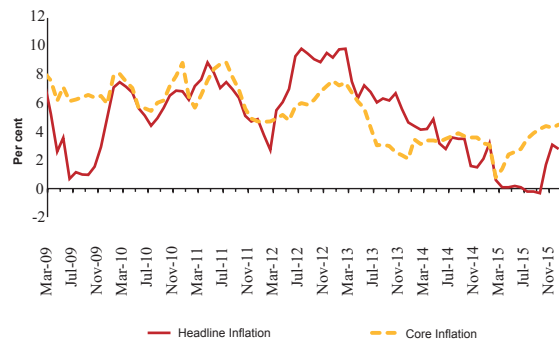
Fiscal policy during 2015 was aimed at further consolidating the budget deficit and reducing the Government debt to GDP ratio. Accordingly, the budget deficit to contract to 4.4 per cent of GDP in 2015 compared to 5.7 per cent recorded in 2014. However, the lower than expected Government revenue collection and the high level of recurrent expenditure, particularly salaries and wages, welfare expenditure and interest payments caused the budget deficit to widen to 7.6 per cent of GDP in 2015. The budget deficit was largely financed by domestic sources in 2015. Accordingly, net domestic financing accounted for 71.5 per cent (Rs. 592.7 billion) while net foreign financing contributed 28.5 per cent (Rs. 236.8 billion) of the total financing requirement during the year. Reliance on financing from both the domestic banking and non-banking sector increased significantly during 2015. Financing from domestic non-banking sector accounted for 50.8 per cent of total net domestic financing while the banking sector accounted for 49.2

per cent in 2015. The central Government debt to GDP was recorded at 77.6 per cent as at end 2015.

1.4. Inflation and Interest Rates

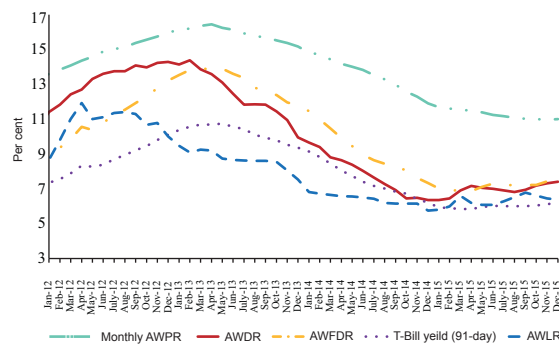
Headline inflation as measured by the CCPI increased to 2.8 per cent by end 2015 compared to 2.1 per cent in December 2014. However, annual average inflation declined to 0.9 per cent in 2015 compared to 3.3 per cent recorded in 2014. Subdued global commodity prices, favorable domestic supply conditions and the downward adjustment of prices of several key consumer items contributed to inflation remaining at low single digit level throughout 2015. Meanwhile, core inflation, which reflects underlying price movements of the economy, increased to 4.5 per cent in December 2015 compared to 3.2 per cent at end 2014.

Graph 9 Year-on-year Inflation (Based on CCPI; 2006/07=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



The movement in the Average Weighted Call Deposit Rate (AWCMR) closely reflected domestic liquidity conditions and the adjustments made to the policy interest rates. At end 2015, the AWCMR stood at 6.40 per cent compared to 6.21 per cent at end 2014. The Sri Lanka Interbank Offered Rate (SLIBOR) moved in line with the movements in AWCMR. Accordingly, the overnight SLIBOR stood at 6.40 per cent by end 2015 compared to 6.10 per cent recorded at end 2014.

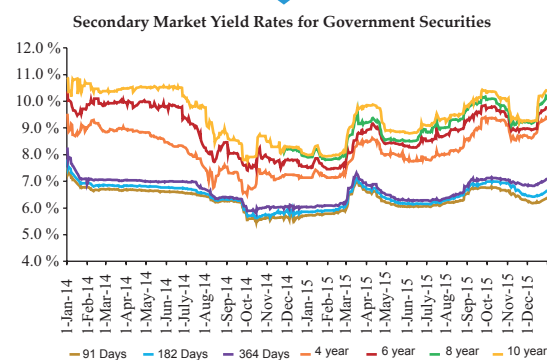
Deposit and lending rates of commercial banks remained relatively low in 2015 reflecting the relatively relaxed monetary policy stance of the Central Bank. The Average Weighted Deposit Rate (AWDR), which reflects movements in interest rates pertaining to all interest bearing deposits of commercial banks stood at 6.2 per cent by end 2015, relatively unchanged from the levels observed in end 2014. The Average Weighted Lending Rate (AWLR), which is calculated based on all outstanding loans and advances extended by commercial banks to the private sector, declined by 91 basis points to 11.0 per cent by end 2015 from 11.91 per cent at end 2014. In response to the reduction in market lending rates, credit extended to the private sector expanded substantially in 2015.

1.5. Government Securities Market & Movements in Yield Rates

Reflecting the removal of restrictions placed on the SDF by Central Bank, the market anticipation of higher domestic funding requirement and the Central Bank's decision to issue Government securities only through primary auctions, yield rates of Government

securities in the primary market increased in March 2015. Although yield rates in the primary market declined during the period of April to June 2015 reflecting the reduction in policy interest rates in April, it showed an upward trend thereafter. Accordingly, yield rates on 91-day, 182-day and 364-day Treasury bills increased by 71 basis points,

Graph 11 Secondary Market Yield Rate



Source: Central Bank of Sri Lanka

99 basis points and 129 basis points to 6.45 per cent, 6.83 per cent and 7.30 per cent, respectively, at end 2015 compared to end 2014. The yield rate of Treasury bond with a maturity period of 30 years and issued in the primary market was 11.73 per cent while the Treasury bond with a maturity of 20 years was issued at 11.20 per cent during the year 2015.

In the Secondary market, yield rates pertaining to Treasury bills of all maturities were traded in the range of 6.39-7.1 per cent by end 2015, an increase of 67-107 basis points compared to end 2014. Secondary market yields on Treasury bonds increased and were in the range of 7.65-11.34 per cent by end 2015.

2 Review of Performance of EPF - 2015

The total value of the Fund reached Rs. 1,664.9 billion by end 2015 recording a 12.0 per cent growth over Rs. 1,486.9 billion by end of 2014. The total number of member accounts reached 16.9 million by end of 2015, which was an increase of 7.0 per cent compared to 15.8 million recorded by end 2014. The number of contributing member accounts was 2.6 million by end 2015 which was an increase of 8.3 per cent compared to 2.4 million recorded by end 2014 whilst non-contributing member accounts increased to 14.3 million by the end of 2015, compared to 13.4 million recorded by end of 2014. Meanwhile, the number of contributing employers recorded an increase of 4.2 per cent to 72,578 by end 2015 from 69,683 reported at end 2014.

2.1. Member Contribution and Payments of Retirement Benefits

In 2015, member contributions increased by 13.9 per cent to Rs. 102.5 billion from Rs. 90.0 billion in 2014. The total amount paid as refund benefits to the members and their heirs including 30 per cent refund stood at Rs. 77.8 billion in 2015, which was an increase of 19.5 per cent over that of Rs. 65.1 billion paid in 2014. Accordingly, the net contribution (gross contributions less refund benefits) decreased by 1.0 per cent to Rs. 24.7 billion compared to Rs. 24.9 billion recorded in the previous year.

Contrary to previous years, in 2015 a decline in the net contribution was recorded mainly due to refunds under the facility to withdraw 30 per cent from member balances for housing and medical requirements. As shown in the table 2, the refund benefits paid

Table 2

EPF Refund Payment 2015

Reason for EPF Refund	Number of Refund Applications		Total Amount of Refund Benefits (a)	
	No.	%	Amount (Rs.bn)	%
Reaching of Retirement Age	78,240	61.55	46.7	66.90
Retirement due to Marriage	23,216	18.27	5.4	7.82
Migration	1,732	1.36	2.9	4.09
Medical Reasons	875	0.69	0.5	0.74
Death of Member	4,057	3.19	2.1	3.04
Joining a Pensionable Job	18,633	14.66	11.7	16.83
Others	353	0.28	0.4	0.58
Total	127,106	100.00	69.8	100.00

Source: EPF Department, Central Bank of Sri Lanka

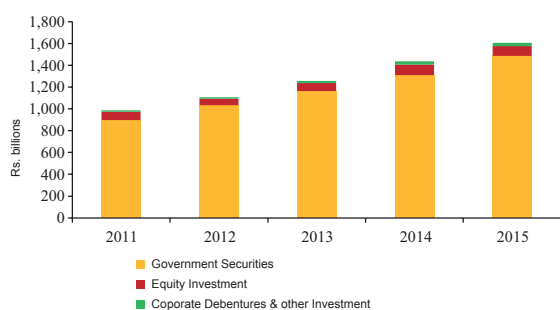
(a) This includes only the first payment of refunds excluding 30% refunds, part payments, unclaimed payments and retained payments.



to members who reached the retirement age accounted for the largest share of the refund benefits, followed by refunds due to marriage by female members.

2.2. Investment Portfolio of EPF

Graph 12 Investment Portfolio 2011 – 2015



Source: EPF Department, Central Bank of Sri Lanka

The total investment portfolio (book value) of the Fund grew by 11.6 per cent from Rs. 1,437.7 billion in 2014 to Rs. 1,604.2 billion in 2015.

The growth in the investment portfolio was mainly driven by the income from investments and the member contributions. The share of investment in Government securities showed an increase from 91.2 per cent in 2014 to 92.7 per cent at end 2015. Consequently, the share of investments in equity decreased to 5.5 per cent in 2015 from 6.7 per cent in 2014. While 1.4 per cent of the total investments was placed in corporate

debt securities and the balance 0.4 per cent was in high-liquid short-term assets such as Reverse Repos on Government securities, to meet liquidity requirements of the Fund.

2.2.1. Government Securities Portfolio

The Government securities portfolio consisting of Treasury bonds, Rupee loans and Treasury bills grew by 13.5 per cent to Rs. 1,487 billion at end of 2015 from Rs. 1,310.6 billion as at end 2014. At end 2015, the Treasury bond and bill portfolios stood at 92.7 per cent of the total portfolio. The share of Rupee loans in the investment portfolio of the Fund was 1.6 per cent in 2014 and there was no Rupee loans outstanding at the end of 2015.

During 2015, EPF earned 167.8 billion as interest income, amortization gains and capital gains from the Government securities portfolio, representing 97.7 per cent of the total gross income of the Fund. This was a growth of Rs.12.7 billion (8.2 per cent) compared to 2014. The realized rate of return over the average Government securities portfolio was 12.0 per cent in 2015 compared to 12.5 per cent in 2014. As shown in table 3, the weighted average yield of the Government securities portfolio as at end 2015 was 10.93 per cent. Out of total investment in Government securities, 75.27 per cent of the portfolio will mature after 5 years.

Table 3 Maturity Profile of Government Securities Portfolio – As at end of 2015

Maturity	Maturity Value (Rs. bn)	Share (%)	Weighted Average Yield (%)
Less than 1 Year	49.77	3.08	9.60
1-2 Years	181.07	11.22	10.78
3-4 Years	168.41	10.43	10.01
More than 5 years	1,215.01	75.27	11.13
Total	1,614.26	100.00	10.93

Source: EPF Department, Central Bank of Sri Lanka



2.2.2. Equity Portfolio

The value of equity portfolio, which consists of both listed and unlisted equities, decreased by Rs. 9.0 billion (10.3 per cent) from Rs. 96.6 billion in 2014 to 87.6 billion in 2015 mainly due to weak performance of the overall share market. The Marked to Market value of the equity portfolio decreased by Rs. 394 million whereas impairment loss was recorded as Rs. 2,957 million.

The listed equity portfolio consisted of an Investment Portfolio of Rs. 75.6 billion and a Trading Portfolio of Rs.1.7 billion at market value as at end of 2015. Investment Portfolio consists of companies especially

in the sectors of Banking, Hotels, Diversified Holdings, Energy and Manufacturing sectors listed on the CSE (Graph 13). The total equity portfolio generated an income of Rs. 4.1 billion in the year 2015 through dividends and capital gains in comparison to Rs. 5.6 billion in the year 2014.

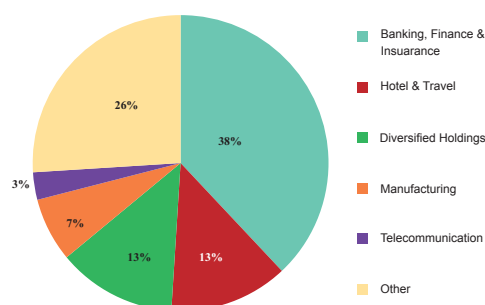
2.2.3. Corporate Debt Portfolio

EPF invests in debt instruments such as corporate debentures, trust certificates and mortgage-backed securities issued by investment grade companies. During 2015, the Fund invested in 05 corporate debentures listed on CSE. The corporate debt portfolio of the Fund stood at Rs. 25.5 billion as at 31st December 2015, constituting 1.6 per cent of the total portfolio. The Fund earned interest income of Rs. 2,539 million from the corporate debt portfolio in the year 2015 in comparison to Rs. 2,051 million in the year 2014.

2.2.4. Reverse Repurchase Transactions

EPF invests in reverse repo and SDF on overnight or term basis in order to manage the liquidity of the Fund. During 2015, the Fund earned an interest income of Rs. 435.5

Graph 13 Sectorial Composition of the Listed Equity Portfolio – As at end-2015



Source: EPF Department, Central Bank of Sri Lanka

Table 4 Investment Income

Source of Income	2014		2015	
	Amount (Rs.mn)	Share (%)	Amount (Rs.mn)	Share (%)
Interest	127,499	77.0	143,055	83.4
Amortization gains	25,897	19.8	26,591	15.5
Capital gains from Government securities	4,082	0.7	1,171	0.7
Marked to market gain/loss	89	-	(394)	(0.2)
Capital gains from equity	2,277	0.1	553	0.3
Dividends	3,321	2.4	3,512	2.0
Impairment of assets	-	-	(2,957)	(1.7)
Total	163,165	100.0	171,531	100.0

Source: EPF Department, Central Bank of Sri Lanka



million from reverse repo/ SDF transactions compared to Rs. 326.7 million earned in 2014.

2.2.5. Investment Income of the Fund

Total income of the Fund amounted to Rs. 171.5 billion in 2015, recording an increase of 5.1 per cent compared to that of the previous year (Table 4). Interest income was the major source of income (83.4 per cent of the total income) to the Fund which grew by 12.2 per cent from Rs. 127.5 billion in 2014 to Rs. 143 billion in 2015. Further, income generated from equity portfolio which included both capital gains and dividends decreased by 35.4 per cent to Rs. 3,671 million in 2015, compared to Rs. 5,687 million earned in 2014. However, amortization gains from discounted Treasury bonds increased by 2.7 per cent to Rs. 26.6 billion in 2015 from Rs. 25.9 billion in 2014. Further, impairment loss of Rs. 2.9 billion recorded in 2015 with adoption of more stringent criteria for impairment testing as per Sri Lanka Accounting Standards (LKASs) has affected negatively on the investment income in 2015.

2.3. Operational Expenditure

The total operational expenditure of the Fund increased to Rs. 1,190.6 million in 2015, registering a 14.2 per cent growth compared

to Rs. 1,042.9 million in 2014 mainly due to increase in personal expenses. Accordingly, operational expenses as a percentage of gross income increased to 0.69 per cent during the year compared to 0.64 per cent in 2014. 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.

2.4. Tax Expenditure

In 2015, EPF paid Rs. 13,727 million as income taxes recording a 12.8 per cent increase compared to the income tax payment of Rs. 12,169 million in 2014.

2.5. Member Account Balances and Interest Paid

In 2015, a sum of Rs.154.2 billion was distributed among members as interest, enhancing the member balances by 12.5 per cent to Rs. 1,625.5 billion compared to Rs. 1,445.5 billion in 2014. 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 2015, which is similar to the previous year.

Table 5

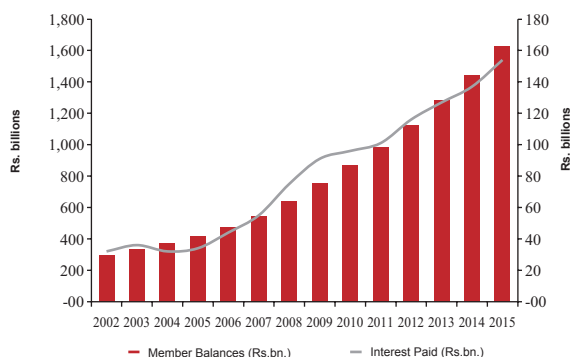
Operational Expenditure

	Monetary Board of Central Bank			Labour Department		
	2014 (Rs.mn)	2015 (Rs.mn)	Change (%)	2014 (Rs.mn)	2015 (Rs.mn)	Change (%)
Personnel Expenses	318	406	27.67	260	343	31.92
Administrative Expenses	272	232	(14.71)	149	165	10.74
Other Expenses	30	33	10.00	13	12	7.69
Total	620	671	8.23	422	520	23.22
Total Expenses as a percentage of Gross Income	0.38	0.39		0.26	0.30	

Source: EPF Department, Central Bank of Sri Lanka



Graph 14 Member balances and interest paid



Source: EPF Department, Central Bank of Sri Lanka

2.6. Risk Management

2.6.1. Overview

EPF is a systemically 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 as well as for 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 faced by the Fund are liquidity risk, market risk, credit risk, and operational risk.

2.6.2. Credit Risk

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

2.6.3. Liquidity Risk

In the present context the monthly member contributions are generally sufficient to meet refund and other payments of the EPF. EPF monitors its cash position on a daily basis. Further, the Fund maintains sufficient amounts in varying 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 as very low.

2.6.4. 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 essential internal controls such as internal audit, segregation of duties, authority limits, etc., for all of its operations.

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 Investment Bank, Bank of Ceylon, People's Bank and Co-operative Rural Banks, continued in 2015 providing a remarkable service to the EPF members. Under this scheme, EPF was issued 13,132 certificates of guarantee to members against their EPF balances to the participating lending institutions for the approval of housing loans amounting to Rs. 5,489 million. Further, nearly Rs. 2,522 million was deducted from

**Table 6** Housing Loan Facility

Year	Issued Certificates (No.)	Credit Approved (Rs. mn)	Amount Remitted to Lending Institutions (Rs. mn)
2005	14,600	2,766	900
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

Source: EPF Department, Central Bank of Sri Lanka

the relevant member accounts and remitted to the participating lending institutions in 2015 to settle the overdue loans during the year 2014.

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 2015, the district labour offices and sub offices registered 6,736 new employers and 48,007 new employees covering all provinces. Half of the employers registered during the year 2015 were from the Western province while the Northern and the Eastern provinces together accounted for 7 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 9,015 first notices and 5,670 red notices claiming Rs. 4,018 million and Rs. 2,864 million, respectively. Further, Rs. 1,308 million has been recovered by the Department of Labour by filing legal cases against 6,458 institutions which had failed to settle the arrears within 28 days after receiving the red notices.

2.9. Re-registration of EPF Members

With the intention of providing an efficient service to EPF members, EPF Department of CBSL 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 institutions to use a common Member Centric Database (MCD).

By end 2015, NIC details of approximately 1.7 million active EPF members (contributing members) had been collected. Of these, 79 per cent of the member accounts (1.3 million accounts) were assigned UIDs, while the details of the remaining members are being processed after verification from their employers as discrepancies between collected data and the existing data were observed.

Registering of new EPF members under 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 by EPF for the first time, in each month. Accordingly 152,532 members were registered and information related to 167,747 members were updated on the New Member Registry (NMR) during the year.

2.10. e>Returns System for EPF Payments

E-Return System of the EPF facilitates employers to submit their employees' EPF contributions by electronic means (e-Return)



and provides easy payment modes to make the respective monthly contributions. This system was in operation on voluntary basis until 2012. As per the EPF (amendment) Act No. 2 of 2012, submission of e>Returns was made mandatory for the employers having in his employment a minimum of 50 employees and it was regularized by the gazette notification released in May 2013 and subsequently, those regulations were approved by the parliament on 03rd March, 2015.

At the initial stages, e>Returns were received only via e-mails and payments in relation to the monthly contributions were made by cheques. In 2011, a new avenue was opened in collaboration with the Commercial Bank of Ceylon PLC, which facilitates their customers paying EPF, to submit the e>Returns and make the payments on-line. Subsequently, a few other licensed commercial banks i.e. Bank of Ceylon, People's Bank, Sampath Bank PLC and Hatton National Bank PLC joined hands to introduce on-line EPF payment systems exclusively for their customers, as an extension to their respective on-line payment channels during 2012-2013.

The direct debit payment mode that operates through inter-bank payment system (SLIPS) which was introduced as an alternative payment mode for the employers who make EPF payments by cheques, was also continued during the year.

During 2015, discussions were carried out with the agent commercial banks who provide on-line EPF payment facility, regarding the system modifications which are required to facilitate the web-based data verification system. The requirement of the new facility was emphasized as it avoids the time lags that occur in data processing and member accounts updating.

In line with the enactment of new regulations, actions were taken to make the employers aware of the e>Returns systems by conducting awareness programmes, sending letters and publishing advertisements on public

newspapers during the year. As a result, the number of employers registered under the e-Return system significantly increased by around 64 per cent to 6,093 by end 2015 from 3,706 as of end 2014 which, represents about 68 per cent of total 2.6 million active members.

2.11. Pre-Retirement Refund Scheme

In terms of the provisions of the EPF (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 was commenced in July, 2015.

As per the EPF (Amendment) Act, every member who

- a) has made contributions to the Fund for a period of not less than ten years,
- b) is presently employed and
- c) possesses not less than three hundred thousand rupees to his credit in his individual account, is eligible to obtain the above benefit for the purpose of Housing Loan or Medical Treatment.

As at the end of 2015, Rs. 8.5 billion has been paid to over 10,000 eligible members under this scheme.

2.12. Establishment of Fully-Fledged EPF Units at Regional Level

Seven fully-fledged regional EPF units have been established in Matara, Matale, Anurahapura, Trincomalee, Jaffna, Kilinochchi and Nuwara Eliya to make all EPF related services available at the regional level. Introduction of this kind of regional operations became feasible with the introduction of an automated Document Management System.

The EPF Department has observed a considerable demand for its services at the regional level and expects that the service availability at the regional level would be an added advantage to members living in the remote areas. The Department has already planned further expansion of its functions into other areas of the country.



2.13. Image Scanning Project

Image Scanning Project (ISP) was implemented with a view of improving efficiency of EPF services by establishing a near-paperless operating system in the Department. The phase-I of the project which commenced in year 2013 was successfully completed during the year under review. Under phase-I of the project the major documents: Mater files, Form-D, Re-registration documents and Refund worksheets relevant for year 2013 were converted to the electronic form.

The Department received the following benefits with the completion of the phase-I of the project.

- i. Enhanced accessibility of documents. The document management system facilitates simultaneous access to documents by 298 users.
- ii. The speed of retrieval of documents has been made efficient. The required document is displayed in the computer screen within 10 seconds.
- iii. EPF member detail amendments could now be performed at any location and the efficiency of the process has been improved.
- iv. Storage space to store the documents has been reduced from 4000ft² to 8ft² for the server rack.
- v. Cost savings through human resources, stationery requirement, rental cost etc.

Considering the efficiency improvements and the benefits received by the Department through phase-I of the project, the Department commenced the phase-II of the project to convert other important and frequently used documents to electronic form. They are namely:

- i. Form-C & C3 pertaining to the years 2013, 2014 and 2015
- ii. Refund Worksheets from 2002 to 2015 except for the year 2013
- iii. Individual Employer Ledgers (IEL) for the period from 1974 to 2009

- iv. Amendment Letters from 2010 onwards
- v. Re-registration documents pertaining to the year 2014

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

Real-time scanning of documents is expected to commence by Q2 of year 2017 to convert the paper documents received by the Department to electronic form at the point of reception.

2.14. Public Awareness

Improving awareness on EPF operations is one of the main goals of the Department as a means of facilitating the move towards an integrated model. Accordingly, several mobile services were organized during the year 2015 as a step forwarding in achieving the above goal.

In 2015, EPF Department conducted six mobile services in several areas including Jaffna, Killinochchi, Sandalankawa and Hatton. These mobile services were conducted in collaboration with the Department of Labour and other Government organizations such as the Department of Registration of Persons, Registrar General's Department, Police Department and respective District/Divisional Secretariats.

Mobile services offer almost all services generally available to the public in Colombo for the benefit of the EPF members at the convenience of their residential area or work place. Such services included:

- i. Issuing of EPF Balance Statements
- ii. Amendment of EPF member details and accounts
- iii. Re-registration of member details
- iv. Promoting online member service. i.e. SMS and internet inquiry facility
- v. Issuing of National Identity Cards and related services by Department of Registration of Persons
- vi. Issuing of Birth Certificates/Presumptive Age Certificates / Null Reports and



related services by Registrar General's Department

vii. Providing advice on overall EPF procedures

In addition, awareness activities were conducted in parallel to the mobile services targeting members, employers and other stakeholders on the services offered by the

EPF, using several communication media such as posters, leaflets, video clips and presentations.

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



EMPLOYEES' PROVIDENT FUND
STATEMENT OF INCOME AND EXPENDITURE FOR THE
YEAR ENDED 31ST DECEMBER 2015

(Rs.)


	Note	2015			2014
		Monetary Board	Labour Dept.	Total	
Interest Income	1	143,055,071,627	-	143,055,071,627	127,498,533,652
Dividend Income	2	3,512,417,673	-	3,512,417,673	3,321,376,704
Realised Capital Gain/(Loss)	3	1,724,309,583	-	1,724,309,583	6,359,387,362
Amortization Gain	4	26,590,827,466	-	26,590,827,466	25,896,727,258
Net Gain/ (Loss) from financial instruments at fair value through profit or loss	5	(393,998,305)	-	(393,998,305)	89,378,474
Impairment of Financial Assets	6	(2,956,640,674)	-	(2,956,640,674)	-
Investment Income		171,531,987,370	-	171,531,987,370	163,165,403,450
Other Income	7	310,530,500	12,779,067	323,309,567	708,093,805
Total Gross Income		171,842,517,870	12,779,067	171,855,296,937	163,873,497,255
Total Operating Expenditure	8	(670,704,487)	(519,911,920)	(1,190,616,407)	(1,042,894,679)
Operating Profit before Income Tax		171,171,813,383	(507,132,853)	170,664,680,530	162,830,602,576
Less: Income Tax	9	(13,727,402,087)	-	(13,727,402,087)	(12,168,692,888)
Profit for the Year		157,444,411,296	(507,132,853)	156,937,278,443	150,661,909,688
Add-Retained Profit from the Previous Year				311,296,829	140,731,641
Profit Available for Distribution				157,248,575,272	150,802,641,329
Less - Interest Paid on Refunds - Current Year				(2,833,013,527)	(3,200,660,092)
Less - Provision for Dividend Payment				-	(6,000,000,000)
Add/ (Less) - Transfer from / (to) Profit Equalization Reserve				-	(4,000,000,000)
Interest on Member Balances as at 31 December 2015 @ 10.50% (2014-10.50%)				(154,199,986,648)	(137,290,684,408)
Carried Forward balance for the next year				215,575,097	311,296,829


The accounting policies and notes on pages 207 through 236 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


.....
Arjuna Mahendran
Governor
Central Bank of Sri Lanka


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

Date : 28 April 2016



EMPLOYEES' PROVIDENT FUND
STATEMENT OF COMPREHENSIVE INCOME FOR THE
YEAR ENDED 31ST DECEMBER 2015

(Rs.)

	Note	2015	2014
Profit for the Year		156,937,278,443	150,661,909,688
Other Comprehensive Income			
Net change in fair value of available-for-sale financial assets	10	(8,013,908,282)	19,179,390,857
Total Comprehensive Income for the period		148,923,370,161	169,841,300,545

.....
Arjuna Mahendran
Governor
Central Bank of Sri Lanka

Date : 28 April 2016

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




EMPLOYEES' PROVIDENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2015


(Rs.)

	Note	2015	2014
Property, Plant & Equipment (NBV)	11	273,947,834	246,198,200
Capital Work-in-Progress	12	-	1,890,547,335
Intangible Assets	13	864,541	4,485,248
Financial Assets	14		
Treasury Bonds		1,487,004,274,524	1,286,593,392,598
Rupee Loan		-	23,100,000,000
Treasury Bills		-	940,477,000
Listed Equity		77,342,809,239	85,812,859,172
Unlisted Equity		10,270,625,095	10,770,624,995
Corporate Debentures		22,593,481,162	18,342,852,898
Trust Certificates		2,929,796,115	2,988,483,197
Commercial Papers		-	1,000,000,000
Reverse Repo		4,100,000,000	8,134,000,000
		1,604,240,986,135	1,437,682,689,860
Current Assets			
Inventory		34,586,832	25,074,208
Interest Receivables		47,992,397,183	44,186,163,734
Receivable-Mehewara Piyasa		1,520,547,335	-
Contributions Receivable		8,988,744,505	7,939,417,154
Other Receivables and Current Assets	15	1,390,273,092	1,295,244,086
Cash and Cash Equivalents	16	3,691,577,425	2,612,773,329
		63,618,126,372	56,058,672,511
Less: Current Liabilities			
Creditors	17	3,961,054	2,619,399
Accrued Expenses		396,657,180	163,507,908
Dividend Payable		-	6,000,000,000
Other Current Liabilities	18	2,880,889,338	2,785,070,671
		(3,281,507,572)	(8,951,197,977)
Net Current Assets		60,336,618,800	47,107,474,534
Total Net Assets		1,664,852,417,310	1,486,931,395,177
Represented By			
Member Balances	19	1,625,492,921,255	1,445,462,269,108
		1,625,492,921,255	1,445,462,269,108
Reserves	20	39,143,920,958	41,157,829,240
Retained Profit		215,575,097	311,296,829
		39,359,496,055	41,469,126,069
Total Net Worth of the Fund		1,664,852,417,310	1,486,931,395,177

The accounting policies and notes on pages 207 through 236 form an integral part of the Financial Statements.

For and on behalf of the Monetary Board


Arjuna Mahendran
Governor
Central Bank of Sri Lanka


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

Date : 28 April 2016





EMPLOYEES' PROVIDENT FUND
RECEIPTS AND PAYMENTS
ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2015

(Rs.)

	Note	2015			2014
		Monetary Board	Labour Dept.	Total	
Cash balance at the beginning of the year		2,612,773,329	5,939,234	2,618,712,563	2,512,728,402
Add: Total Receipts	21	311,028,704,785	762,241,651	311,790,946,436	231,491,299,858
Less: Total Payments	22	309,949,900,689	740,799,401	310,690,700,090	231,385,315,697
Cash balance at the end of the year		3,691,577,425	27,381,484	3,718,958,909	2,618,712,563

For and on behalf of the Monetary Board


.....
Arjuna Mahendran
Governor
Central Bank of Sri Lanka


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

Date : 28 April 2016



EMPLOYEES' PROVIDENT FUND
STATEMENT OF INVESTMENTS AS AT 31ST DECEMBER 2015

(Rs.)

2015					Class of Investments	Note	2014				
Face value	Cost	Amortized Value	Market Value	Book Value			Face value	Cost	Amortized Value	Market Value	Book Value
-	-	-	-	-	Rupee Loans	25	23,100,000,000	23,100,000,000	23,100,000,000	23,100,000,000	
1,612,461,341,200	1,442,536,353,163	1,487,297,476,587	1,562,120,452,223	1,487,004,274,524	Treasury Bonds	23,24,25	1,450,144,478,200	1,285,938,917,126	1,521,503,976,973	1,286,593,392,598	
-	-	-	-	-	Treasury Bills	24	1,000,000,000	943,574,000	940,477,000	940,477,000	
22,479,262,700	22,479,466,100	22,593,481,163	22,593,481,163	22,593,481,163	Corporate Debentures	23, 24, 25	18,211,649,500	18,342,852,898	18,342,852,898	18,342,852,898	
3,346,401,829	2,475,227,352	2,929,796,115	2,929,796,115	2,929,796,115	Trust Certificates	25	3,417,481,558	2,988,483,197	2,988,483,197	2,988,483,197	
-	73,302,843,484	73,302,843,484	77,342,809,238	77,342,809,238	Listed Equity	23,24	-	74,012,464,056	85,812,859,172	85,812,859,172	
-	10,270,625,095	10,270,625,095	10,270,625,095	10,270,625,095	Unlisted Equity	24	-	10,770,624,995	10,770,624,995	10,770,624,995	
-	-	-	-	-	Commercial Papers	25	1,082,045,184	1,000,000,000	1,000,000,000	1,000,000,000	
4,100,000,000	4,100,000,000	4,100,000,000	4,100,000,000	4,100,000,000	Reverse Repo	26	8,134,000,000	8,134,000,000	8,134,000,000	8,134,000,000	
1,642,387,005,729	1,555,164,515,195	1,600,494,222,444	1,679,357,163,834	1,604,240,986,135	Total		1,505,089,654,442	1,425,230,916,272	1,672,593,274,235	1,437,682,689,860	

For and on behalf of the Monetary Board

.....
Arjuna Mahendran
Governor
Central Bank of Sri Lanka

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

Date : 28 April 2016



**EMPLOYEES' PROVIDENT FUND
STATEMENT OF CHANGES IN EQUITY / MEMBERS' WEALTH FOR
THE YEAR ENDED 31ST DECEMBER 2015**

Description	Members Balance	Building Reserve Fund	Technology Advancement Reserve Fund	Profit Equalisation Reserve Fund	General Reserve Fund	Investment Revaluation Reserve	Retained Profit	Total
Balance as at 31st December 2013	1,281,854,849,565	3,157,000,000	350,000,000	14,100,000,000	6,650,000,000	(6,278,561,617)	140,731,641	1,299,974,019,589
Prior Year Adjustment	-	-	-	-	-	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	19,179,390,857	-	19,179,390,857
Net Profit for the year - 2014	-	-	-	-	-	-	150,661,909,688	150,661,909,688
Net Contributions for 2014	26,316,735,135	-	-	-	-	-	-	26,316,735,135
Member Interest Paid on Refunds - 2014	-	-	-	-	-	-	(3,200,660,092)	(3,200,660,092)
Member Interest (2014 at 10.50%)	137,290,684,408	-	-	-	-	-	(137,290,684,408)	-
Dividend payable	-	-	-	-	-	-	(6,000,000,000)	(6,000,000,000)
Transfers to Profit Equalization Reserve	-	-	-	4,000,000,000	-	-	(4,000,000,000)	-
Balance as at 31st December 2014	1,445,462,269,108	3,157,000,000	350,000,000	18,100,000,000	6,650,000,000	12,900,829,240	311,296,829	1,486,931,395,177
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(8,013,908,282)	-	(8,013,908,282)
Net Profit for the year - 2015	-	-	-	-	-	-	156,937,278,443	156,937,278,443
Net Contributions for 2015	25,830,665,499	-	-	-	-	-	-	25,830,665,499
Member Interest Paid on Refunds - 2015	-	-	-	-	-	-	(2,833,013,527)	(2,833,013,527)
Member Interest payable (2015 at 10.50%)	154,199,986,648	-	-	-	-	-	(154,199,986,648)	-
Dividend payable	-	-	-	6,000,000,000	-	-	-	6,000,000,000
Transfers to Profit Equalization Reserve	-	-	-	-	-	-	-	-
Balance as at 31st December 2015	1,625,492,921,255	3,157,000,000	350,000,000	24,100,000,000	6,650,000,000	4,886,920,958	215,575,097	1,664,852,417,310



EMPLOYEES' PROVIDENT FUND
CASH FLOW STATEMENT FOR THE YEAR ENDED
31ST DECEMBER 2015

(Rs.)

Description	2015	2014
Cash flow from operating activities:		
Interest received from Investments	136,306,454,405	128,996,267,061
Dividends received from Shares	3,234,814,530	3,200,734,432
Surcharges and Other Income	327,431,299	697,734,222
Recoveries from Debtors	36,708	11,333,673
Operating Expenses	(747,546,995)	(885,954,089)
Advances	(5,947,930)	(497,528)
Settlement of Creditors / Payables	(2,648,346,487)	(2,499,386,111)
Cash generated from operations	136,466,895,530	129,520,231,660
Payment of Tax	(15,293,504,160)	(23,775,366,641)
Net cash from operating activities	121,173,391,370	105,744,865,019
Cash flow from investment activities:		
Investments	(665,266,272,153)	(622,205,148,638)
Maturities of Investments	452,074,472,993	422,647,605,171
Proceeds on sale of T/Bill, Bonds & Shares	68,113,345,805	70,226,870,934
Cash generated from investments	(145,078,453,355)	(129,330,672,533)
Acquisition of Property, Plant and Equipments	(290,336,636)	(59,214,474)
Capital Work-in-Progress	370,000,000	(997,515,857)
Net cash used in investing activities	(144,998,789,991)	(130,387,402,864)
Cash flow from financing activities:		
Contributions	102,453,320,027	90,048,935,714
General Deposit	246,852,860	(78,395,878)
Refunds	(77,768,588,685)	(65,118,218,187)
Net cash from financing activities	24,931,584,202	24,852,321,649
Net (decrease)/increase in cash and cash equivalents	1,106,185,581	209,783,804
Cash & cash equivalents at the beginning of the year	2,612,773,329	2,408,928,759
Cash & cash equivalents at the end of the year-Before Adjustments	3,718,958,909	2,618,712,563
Adjustments: Cash balance at the end of the year -Labour Dept.	(27,381,484)	(5,939,234)
Cash & cash equivalents at the end of the year	3,691,577,425	2,612,773,329



EMPLOYEES' PROVIDENT FUND ACCOUNTING POLICY

1. Reporting Entity and Statutory Base

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 general administration of the Fund has been vested with the Commissioner of Labour, while the Monetary Board of the Central Bank of Sri Lanka has been charged with the responsibility as the custodian of the Fund.

In terms of 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. Accounting Policies

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for financial assets designated at fair value through profit and loss and available for sale. The financial statements of the Fund are presented in Sri Lankan Rupees (SLR) except where otherwise indicated.

2.2 Statement of Compliance

The financial statements of the Fund incorporating the above financial statements have been prepared in accordance with the new Sri Lanka Accounting Standards (SLFRS & LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka. These SLFRS/LKAS have materially converged with the International Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

2.3 Changes in Accounting Policies

As SLFRS and LKAS are effective from 01st January 2012, certain accounting policies, methods and presentations have been changed or improved and the



significant changes are described below. Except for those changes, the accounting policies adopted are consistent with those used in the previous years except the improvements in the presentation as per Sri Lanka Accounting Standards.

2.4 Use of Estimates and Assumptions

The preparation of financial statements requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgment are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared. The significant accounting policies where judgment is necessarily applied are those which relate to the valuation of financial instruments, the impairment of assets, depreciation of Property Plant and Equipment, deferred tax assets and provisions for liabilities.

2.5 Going Concern

The Fund is satisfied with its ability to continue as a going concern as it has the resources to continue in business for the foreseeable future. Therefore, the financial statements have been prepared on the going concern basis.

2.6 Events Occurring after the Balance Sheet Date and Contingent Liabilities

All material events occurring after the date of the Balance Sheet has been considered when preparing the financial statements. Provisions have been made for all known liabilities.

3. Summary of Significant Accounting Policies

3.1 Financial Assets and Bases of their Valuation

3.1.1 Recognition and Measurement of Financial Assets

Financial assets are recognized when, and only when the Fund becomes a party to the contractual provision of a financial instrument. The financial assets mainly include held to maturity investments, securities at fair value through profit and loss, loans and receivables and available for sale investments. All financial assets are initially recognized at cost, being the fair value of the consideration given, plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction cost including acquisition charges associated with the transactions.

Classification and subsequent measurement bases of financial assets are as follows.



(a) Held to Maturity (HTM) Investments

Financial assets with fixed or determinable payments and fixed maturity that EPF intends and is able to hold until maturity are categorized under held for maturity investments. HTM investments are subsequently measured at amortized 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 recognized in the Income Statement when HTM investments are derecognized or impaired.

(b) Securities at Fair Value through Profit or Loss (FVTPL)

Financial assets which are held for trading are included in the category of securities at fair value through profit or loss and financial assets designated upon initial recognition as securities at FVTPL. Attributable transaction costs are recognized in the Income Statement.

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

(c) Loans & Receivables (L&R)

Financial assets with fixed or determinable payments and that are not quoted in an active market are classified under L & R. Securities purchased under agreement to re-sell (reverse Repos) are also classified as L & R. L & R are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Gains and loss are recognized in the Income Statement when L & R are derecognized or impaired.

(d) Available For Sale (AFS)

Equity instruments that are not classified as FVTPL, debt instruments that are not classified under the above three categories and those securities designated as AFS investments at the initial acquisitions are classified as AFS financial assets.

AFS assets are continued to be measured at fair value in the Statement of Financial Position. Fair value changes in AFS assets are recognized under Other



Comprehensive Income and accumulated to members' wealth, through the Revaluation Reserve until AFS assets are either sold or become impaired.

If the available-for-sale financial asset is sold or impaired, the difference between the financial assets' carrying cost and the current fair value is recognized in the Income Statement. Interest income is recognized on available-for-sale debt securities using the effective interest rate method. Dividends are recognized in the income statement when the right to receive payment has been established.

3.1.2 Impairment of Financial Assets

At each balance sheet 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.

3.1.3 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.



3.2 Other Assets

3.2.1 Property, Plant and Equipment (PPE)

PPE is stated at cost less accumulated depreciation and accumulated impairment in value. Depreciation has been charged on straight-line method at the following rates in order to write off the cost of such assets over their estimated effective life-time.

Asset Class	Depreciation Rate
Buildings	02%
Plant and Machinery	25%
Office Equipment	25%
Furniture & Fittings	10%
Motor Vehicles	20%
Computer Equipment	50%
Other	20%

The carrying values of PPE are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition is included in the Income Statement in the year the asset is de-recognized.

3.2.2 Intangible Assets

Computer software not integral to computer hardware are shown as intangible assets and recognized at cost. Subsequent to the initial recognition, they are carried at cost less any accumulated amortization based on useful life of two years.

3.2.3 Inventories

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

3.2.4 Receivables

Receivables are carried at expected realizable value after making due allowance for doubtful debts, based on an objective evidence.



3.2.5 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

Financial liabilities are de-recognised when they are extinguished, that is when the obligation is discharged, cancelled, or expires.



3.4 Revenue 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 recognized in the income statement 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.

The following specific recognition criteria are considered before revenues and expenses are recognised.

3.4.1 Interest Income

Interest income is recognised in the Income Statement for all interest bearing instruments on an accrual basis using the effective yield method based on actual purchase price less impairment loss. Interest income includes coupon income and any gain or loss on amortization of discount or premium of the instruments.

3.4.2 Dividends

Dividend income is recognized when the Fund's right to receive the payment is established.

3.4.3 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 benefits plans.

3.4.4 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 amortize subsequently, the amortization 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 amortization gain account in order to give a fair view about the amortization gain and the income tax expenditure.

3.5 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.

3.6 Cash Flow Statement

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

3.7 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



EMPLOYEES' PROVIDENT FUND
NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED
31ST DECEMBER 2015

1. Interest Income

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Interest from SL Rupee Loans	658,000,000	-	658,000,000	2,247,000,000
Interest from T-Bonds	139,151,135,384	-	139,151,135,384	121,503,576,941
Interest from T-Bills	271,315,500	-	271,315,500	1,370,617,134
Interest from Reverse Repo	435,542,843	-	435,542,843	326,703,272
Interest from Listed Debentures	1,695,782,469	-	1,695,782,469	900,381,716
Interest from Unlisted Debentures	426,997,443	-	426,997,443	543,500,157
Interest from Commercial Papers	13,486,880	-	13,486,880	77,674,436
Interest from Trust Certificate	402,811,108	-	402,811,108	529,079,996
		-	-	
Interest Income	143,055,071,627	-	143,055,071,627	127,498,533,652

2. Dividend Income

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Dividend income from Listed Shares	2,360,802,203	-	2,360,802,203	2,440,961,931
Dividend income from Unlisted Ordinary Shares	1,014,204,545	-	1,014,204,545	730,414,773
Dividend income from Unlisted Preference Shares	137,410,925	-	137,410,925	150,000,000
		-		
Dividend Income	3,512,417,673	-	3,512,417,673	3,321,376,704

3. Realised Capital Gain/(Loss)

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Capital Gain/(Loss) on dealing of T Bonds - FVTP	6,791,755	-	6,791,755	-
Capital Gain/(Loss) on dealing of T Bonds - AFS	13,018,998	-	13,018,998	1,198,450,197
Capital Gain/(Loss) on dealing of T Bonds -HTM	1,151,631,218	-	1,151,631,218	2,845,342,646
Capital Gain/(Loss) on dealing of T Bills - AFS	-	-	-	38,487,280
Capital Gain/(Loss) on dealing of Shares - FVTP	25,837,449	-	25,837,449	50,221,978
Capital Gain/(Loss) on dealing of Shares - AFS	527,030,163	-	527,030,163	2,226,885,262
		-		
Capital Gain	1,724,309,583	-	1,724,309,583	6,359,387,362



EMPLOYEES' PROVIDENT FUND
NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED
31ST DECEMBER 2015

4. Amortization Gain

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Amotization Gain/(Loss) -T bond - HTM	26,590,868,597	-	26,590,868,597	25,896,729,061
Amotization Gain/(Loss) -Debentures-Listed_HTM	(41,131)	-	(41,131)	(1,803)
Amortization Gain	26,590,827,466	-	26,590,827,466	25,896,727,258

5. Net Gain/(Loss) from financial instruments at fair value through profit or loss

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Fair Value Gain/(Loss) from FVTP - Equity	(237,435,119)	-	(237,435,119)	89,378,474
Fair Value Gain/(Loss) from FVTP - T Bonds	(156,563,186)	-	(156,563,186)	
Net Gain/(Loss) from financial instruments at fair value through profit or loss	(393,998,305)	-	(393,998,305)	89,378,474

6. Impairment of Financial Assets

6.1 Listed Equity

(Rs.)

Company	Impaired Value
Ceylon Grain Elevators	515,474,705
Browns & Co PLC	1,100,270,406
Galadari	561,343,510
The Finance Company	138,285,773
Mackwood Energy PLC	12,856,500
Eden Hotels PLC	128,409,880
Total	2,456,640,774

6.2 Unlisted Equity

(Rs.)

Company	Impaired Value
Srilankan Airlines	499,999,900
Total	499,999,900

Grand Total

2,956,640,674

7. Other Income

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Surcharges	184,379,986	-	184,379,986	253,054,943
Fee Income from Security Lending	125,960,126	-	125,960,126	424,182,457
Other Income	190,388	12,779,067	12,969,455	30,856,405
Other Income	310,530,500	12,779,067	323,309,567	708,093,805



EMPLOYEES' PROVIDENT FUND
NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED
31ST DECEMBER 2015

8. Total Operating Expenditure

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Personnel Expenses	405,941,432	342,557,978	748,499,410	578,612,391
Administration Expenses	231,904,775	165,299,636	397,204,411	421,451,511
Other Expenses	32,858,280	12,054,306	44,912,586	42,830,777
Total Operating Expenditure	670,704,487	519,911,920	1,190,616,407	1,042,894,679

9. Income Tax Expense

(Rs.)

Item	2015	2014
Amortized WHT on T bonds	13,245,132,834	11,673,048,438
Provisions for Debenture, Rupee Loan & Other Investments	349,562,654	495,644,450
Income tax paid during the Year	132,706,599	-
Income Tax Expense	13,727,402,087	12,168,692,888

10. Net Change in Fair Value of Available-for-Sale Financial Assets

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Fair value Gain/(Loss) - Listed Equity	(5,181,505,052)	-	(5,181,505,052)	20,223,106,590
Fair value Gain/(Loss) - T Bonds	(2,818,556,426)	-	(2,818,556,426)	(159,819,228)
Fair value Gain/(Loss) - T Bills	3,097,000	-	3,097,000	(1,014,898,305)
Fair value Gain/(Loss) - Debentures	(16,943,804)	-	(16,943,804)	131,001,801
Net Gain/ (Loss) from financial instruments of Available for Sale	(8,013,908,282)	-	(8,013,908,282)	19,179,390,857



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2015

11. Property, Plant and Equipment

(Rs.)

Asset Class	Cost		Accumulated Depreciation		Net Book Value.		2015		2014	
	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Total	Total	Total	Total
	Computer Equipment	108,161,337	389,269,548	100,196,865	339,593,695	7,964,472	49,675,853	57,640,325	77,425,459	
Office Furniture & Fittings	45,931,921	45,455,855	20,502,354	34,192,607	25,429,567	11,263,248	36,692,815	27,574,345		
Office Equipment	13,396,334	337,800,322	10,712,052	205,405,420	2,684,282	132,394,902	135,079,184	95,227,452		
Mortor Vehicles	-	100,395,771	-	56,869,911	-	43,525,860	43,525,860	44,962,145		
Other	3,198,529	352,104	2,188,879	352,104	1,009,650	-	1,009,650	1,008,800		
Total	170,688,121	873,273,600	133,600,150	636,413,737	37,087,971	236,859,863	273,947,834	246,198,200		



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2015

12. Capital Work-in-Progress

(Rs.)

Item	2015	2014
Opening Balance	1,890,547,335	890,547,335
Incurred During the Year	-	1,000,000,000
Transfer to Receivable A/C	(1,890,547,335)	-
Closing Balance	-	1,890,547,335

13. Intangible Assets

(Rs.)

Computer Software	2015	2014
Cost		
As at the beginning of the period	32,748,110	31,368,366
Acquired / Incurred during the period	48,460	1,379,744
Retired / Disposed during the period	-	-
Other changes during the period	-	-
As at the end of the period	32,796,570	32,748,110
Amortisation		
As at the beginning of the period	28,262,862	23,144,424
Amortisation during the period	3,669,167	5,118,438
Disposals during the year	-	-
Amortised as at the end of the period	31,932,029	28,262,862
Net book value		
As at the beginning of the period	4,485,248	8,223,942
As at the end of the period	864,541	4,485,248



**EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2015**

14. Financial Assets

Instrument	Fair Value Through Profit & Loss (Note 23)	Available For Sale (Note 24)	Held To Maturity (Note 25)	Loans & Receivables (Note 26)	2015	2014
Treasury Bonds	1,870,878,892	46,094,809,129	1,439,038,586,503	-	1,487,004,274,524	1,286,593,392,598
Rupee Loan	-	-	-	-	-	23,100,000,000
Treasury Bills	-	-	-	-	-	940,477,000
Listed Equity	1,717,657,461	75,625,151,778	-	-	77,342,809,239	85,812,859,172
Unlisted Equity	-	10,270,625,095	-	-	10,270,625,095	10,770,624,995
Corporate Debentures	114,500,000	3,056,762,996	19,422,218,166	-	22,593,481,162	18,342,852,898
Trust Certificate	-	-	2,929,796,115	-	2,929,796,115	2,988,483,197
Commercial Papers	-	-	-	-	-	1,000,000,000
Reverses Repo	-	-	-	4,100,000,000	4,100,000,000	8,134,000,000
Total	3,703,036,353	135,047,348,998	1,461,390,600,784	4,100,000,000	1,604,240,986,135	1,437,682,689,860

(Rs.)



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2015

15. Other Receivables and Current Assets

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Dividend Receivables	104,641,088	-	104,641,088	70,644,962
Fee Income Receivable	-	-	-	4,141,113
Other Receivables	3,213,287	-	3,213,287	3,249,994
Tax Paid at Source	300,528,047	-	300,528,047	449,443,284
Prepayments	9,730,654	1,154,483	10,885,137	10,965,254
Other Current Assets	112,730,300	350,000	113,080,300	112,851,122
CGL Imprest	-	324,591,977	324,591,977	348,640,470
Income Tax Recoverable	533,849,287	-	533,849,287	295,823,919
O/B Recon Investment	(516,031)	-	(516,031)	(516,031)
Total	1,064,176,632	326,096,460	1,390,273,092	1,295,244,086

16. Cash and Cash Equivalents

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
BOC Main Account	3,937,032,630	-	3,937,032,630	2,483,240,325
BOC Taxable Account **	(336,419,658)	-	(336,419,658)	(29,436,016)
Bank of Ceylon 7 **	1,008,721	-	1,008,721	(8,553,091)
Bank of Ceylon 6	33,053	-	33,053	33,053
BOCD -Direct Debit/Credit	25,748,778	-	25,748,778	5,672,674
People's Bank	82,038,263	-	82,038,263	155,018,915
SLIP Account	6,777,369	-	6,777,369	6,777,369
BOC 30% Withdrawals	(24,717,747)	-	(24,717,747)	-
People's Bank New A/C	56,019	-	56,019	-
Petty Cash	20,000	-	20,000	20,000
RTGS sub Account	-	-	-	100
Total	3,691,577,425	-	3,691,577,425	2,612,773,329

Note**: Although the book balances of the Bank Accounts show overdrafts, physically these accounts had favourable balances.

17. Creditors

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Domestic - Vendors	2,890,920	-	2,890,920	1,148,330
Retention -Fixed Asset Purchases	376,350	-	376,3450	777,285
Sundry Creditors	693,784	-	693,784	693,784
Total	3,961,054	-	3,961,054	2,619,399



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2015

18. Other Current Liabilities

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
EPF Contributions Payable	30,040	1,320,018	1,350,058	1,350,058
ETF Contributions Payable	(160)	-	(160)	(160)
Good Received /Invoice Received Clearing- Inventory	(4,242,150)	-	(4,242,150)	(4,459,696)
Good Received /Invoice Received Clearing-Services/Assets	(114,734)	-	(114,734)	(114,734)
H/Loan Defaults Payable	3,015,000,000	-	3,015,000,000	2,800,000,000
Other Payables	(3,870)	-	(3,870)	(3,870)
Refund Claims Payable	(42,753,275)	-	(42,753,275)	(56,431,159)
Provision for Gratuity	165,000	-	165,000	165,000
Investment Clearing A/C	(88,511,531)	-	(88,511,531)	44,565,232
Total	2,879,569,320	1,320,018	2,880,889,338	2,785,070,670

19. Member Balances

(Rs.)

Item	Balance as at 01.01.2015	Debits during the year	Credits during the year	Balance as at 31.12.2015
Current Year Contribution - Contribution No 01 A/C	47,223,523,122	123,365,342,960	127,454,125,550	51,312,305,712
Statemented Contribution - Contribution No 02 A/C	1,249,029,775,595	110,172,691,415	265,623,901,980	1,404,480,986,160
Contribution from Comm. of Labour - CL No 01 A/C	6,897,950,297	3,614,689,985	4,858,748,089	8,142,008,401
U/P O/P Contributions A/C	1,452,371,965	474,643,770	516,566,226	1,494,294,421
Contribution for 1997/98 - 96 Contribution A/C	193,376	-	-	193,376
Members Collection A/C	1,935,862	104,753,029,220	104,755,499,379	4,406,021
SLTB Suspense Account	126,513,344	-	-	126,513,344
Unclaimed Benefits	219,030,565	736,229,220	966,107,251	448,908,596
Retained Benefits	63,148,632	15,635,153	30,577,675	78,091,154
Refunds-Part payments(U/P O/P Refunds)	(803,564,902)	77,726,611,097	78,060,908,980	(469,267,019)
General Deposit Account	203,865,007	95,341,632	115,437,334	223,960,708
Interest Payable	141,047,526,247	137,036,622,833	155,639,616,968	159,650,520,382
Total	1,445,462,269,108	557,990,837,285	738,021,489,432	1,625,492,921,255

20. Reserves

(Rs.)

Item	Balance as at 01.01.2015	Net Transfer (From/to during year)	Impairment	Balance as at 31.12.2015
Building Reserve Fund	3,157,000,000	-	-	3,157,000,000
Technology Advancement Reserve Fund	350,000,000	-	-	350,000,000
Investment Revaluation Reserve (Note 20.1)	12,900,829,240	(10,470,549,056)	2,456,640,774	4,886,920,958
Profit Equalisation Reserve Fund	18,100,000,000	6,000,000,000	-	24,100,000,000
General Reserve Fund	6,650,000,000	-	-	6,650,000,000
Total	41,157,829,240	(4,470,549,056)	2,456,640,774	39,143,920,958



EMPLOYEES' PROVIDENT FUND
 NOTES TO THE STATEMENT OF FINANCIAL POSITION
 AS AT 31ST DECEMBER 2015

20.1 Investment Revaluation Reserve

(Rs.)

Item	Balance as at 01.01.2015	Transfers during the year	Impairment	Balance as at 31.12.2015
Treasury Bonds	654,475,472	(2,818,556,426)	-	(2,164,080,954)
Treasury Bills	(3,097,000)	3,097,000	-	-
Equity	12,118,448,967	(7,638,145,826)	2,456,640,774	6,936,943,915
Debenture	131,001,801	(16,943,804)	-	114,057,997
Total	12,900,829,240	(10,470,549,056)	2,456,640,774	4,886,920,958



EMPLOYEES' PROVIDENT FUND NOTES TO THE RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2015

21. Receipts

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Contributions	102,453,320,027	-	102,453,320,027	90,048,935,714
Re - imbursement of Expenses by the EPF-CBSL	-	502,486,489	502,486,489	1,500,519,461
Imprest Account (Commissioner of Labour)	-	227,355,669	227,355,669	110,160,490
General Deposit Account - (EPF Contributions)	-	19,497,191	19,497,191	439,113,936
Income - Interest from Investments	136,439,161,004	-	136,439,161,004	128,996,267,061
Less: Income tax	(132,706,599)	-	(132,706,599)	-
	136,306,454,405	-	136,306,454,405	128,996,267,061
Surcharges	184,379,986	20,439	184,400,425	253,260,354
Proceeds on sale of T. Bonds/T Bills	64,540,118,850	-	64,540,118,850	4,082,280,122
Proceeds on dealing of Shares	3,573,226,955	-	3,573,226,955	2,277,107,240
Receipts from Mehewara piyasa	370,000,000	-	370,000,000	-
Dividends	3,234,814,530	-	3,234,814,530	3,200,734,432
Income from Securities Lending	130,101,239	-	130,101,239	427,297,243
Sundry Income	188,895	12,740,740	12,929,635	17,176,625
Debtors	36,708	-	36,708	11,333,673
Settlement of Advances	543,000	141,123	684,123	3,156,940
Unclaimed Benefits	235,520,190	-	235,520,190	123,956,566
Total	311,028,704,785	762,241,651	311,790,946,436	231,491,299,858

22. Payments

(Rs.)

Item	2015			2014
	Monetary Board	Labour Dept.	Total	Total
Refunds	78,004,108,875	-	78,004,108,875	65,242,174,753
Investments	665,266,272,153	-	665,266,272,153	622,205,148,638
Less - Maturity Proceeds	(452,074,472,993)	-	(452,074,472,993)	(486,515,088,742)
	213,191,799,160	-	213,191,799,160	135,690,059,896
WHT paid on Investment	15,293,504,160	-	15,293,504,160	23,775,366,641
Operating Expenses	299,553,838	447,993,158	747,546,996	885,954,089
Settlement of creditors/payables	2,648,346,487	-	2,648,346,487	2,499,386,111
Income Tax Retained on Refund of Benefits	-	-	-	-
Reimbursement of expenses - Comm. Labour	502,486,489	-	502,486,489	1,500,519,461
Under payments and over payments - Refunds	-	-	-	-
Fixed Assets Acquisition	9,571,930	280,764,706	290,336,636	59,214,474
Capital Work-in-Progress	-	-	-	997,515,857
Advances - Staff	-	-	-	28,000
- Miscellaneous	529,750	6,102,303	6,632,053	3,626,468
General Deposit Account Contributions	-	-	-	627,670,305
Adjustment: Cash Balance at the Beginnign of the Year - Labour Department	-	5,939,234	5,939,234	103,799,642
Total	309,949,900,689	740,799,401	310,690,700,090	231,385,315,697



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015

23. Fair Value Through Profit & Loss

Equity

(Rs.)

Stock	Purchase Cost	Market Value	Book Value
ACL Cables Ltd	18,935,871	19,517,250	19,517,250
ACL Placstics PLC	23,559,126	33,481,123	33,481,123
Access Engineering PLC	206,472,739	213,404,245	213,404,245
Aitken Spence Co	205,824,075	205,523,859	205,523,859
Aitken Spence Hotels	12,406,534	10,571,552	10,571,552
Asian Hotels Ltd	14,600,560	12,411,000	12,411,000
Balangoda Plantations	40,338,113	23,779,325	23,779,325
Bogawantalawa Tea State PLC	1,463,187	890,792	890,792
Browns & Co PLC	9,331,861	9,002,955	9,002,955
Browns Investment PLC_Voting	3,689,834	2,916,001	2,916,001
Bukith Darah	2,613,791	1,860,257	1,860,257
C W Mackie PLC	12,643,852	8,090,946	8,090,946
Cargills (Cey) PLC	2,274,238	2,731,050	2,731,050
Carsons Cumberbatch PLC	13,160,409	10,531,477	10,531,477
Central Finance Company PLC	11,316,243	11,326,557	11,326,557
Ceylon Guardian Investment PLC	40,107,955	39,893,565	39,893,565
Ceylon Theatres	6,506,743	6,365,660	6,365,660
Chemane PLC	160,407	121,100	121,100
Dialog Axiata PLC	123,936,870	125,489,418	125,489,418
Dipped Products	65,127,936	64,115,150	64,115,150
EXPOLANKA HOLDINGS PLC_VOTING	8,420,578	7,828,245	7,828,245
Eden Hotels PLC	5,843,800	3,681,545	3,681,545
Free Lanka Capital Holdings Ltd	524,500	136,370	136,370
Hayleys Ltd	59,312,814	57,393,117	57,393,117
John Keells Holding	411,504,248	348,910,497	348,910,497
Kegalle Plantations PLC	24,733,977	8,132,950	8,132,950
Kelani Tyre PLC	1,020,699	1,069,500	1,069,500
Lankem Ceylon Ltd	4,348,790	2,699,280	2,699,280
Mackwood Energy PLC	15,759,947	10,399,035	10,399,035
Malwatte Valley Plantations PLC	8,782,890	2,692,800	2,692,800
Malwatte Valley Plantations PLC (NV)	3,100,739	1,072,600	1,072,600
Nawaloka Hospitals 1/-	64,706,504	61,259,471	61,259,471
PC House PLC	43,925,523	3,397,268	3,397,268
Palm Garden Hotel PLC	54,108,598	10,233,660	10,233,660
Peoples' Leasing Company Ltd	99,245,768	104,334,186	104,334,186
Raigam Wayamba Saltern Ltd	32,990,545	26,726,906	26,726,906
Royal Ceramic Lanka	175,341,971	178,250,375	178,250,375
Seylan Developments PLC	1,415,680	1,390,000	1,390,000
Taj Samudra Hotel	2,895,604	2,691,920	2,691,920
Tangerine Beach Hotels	2,337,723	2,974,852	2,974,852
Tea Smallholders Factories PLC	439,546	244,000	244,000
Tokyo Cement (NV) 1/-	6,138,221	6,309,849	6,309,849
Tokyo Cement Co.	8,594,099	11,017,111	11,017,111
Vallibel One Limited	75,321,541	62,788,643	62,788,643
		-	114,057,997
Sub Total	1,925,284,649	1,717,657,461	1,717,657,461



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015

23. Fair Value Through Profit & Loss

Treasury Bonds

(Rs.)

Securities	Face Value	Purchase Cost	Market Value
11.40%2024A	745,000,000	830,418,720	784,259,712
11.50% 2035A	250,000,000	284,125,474	255,348,300
11.00%2030A	350,000,000	394,104,724	354,325,195
11.50%2028A	450,000,000	518,793,159	476,945,685
Sub Total	1,795,000,000	2,027,442,078	1,870,878,892

Corporate Debentures

(Rs.)

Company	Face Value	Purchase Cost	Market Value
Nawaloka Hospitals	114,500,000	114,500,000	114,500,000
Sub Total	114,500,000	114,500,000	114,500,000

(Rs.)

	Purchase Cost	Market Value	Book Value
Grand Total	3,834,784,649	3,859,599,539	3,703,036,353

24. Available For Sale

Treasury Bonds

(Rs.)

Securities	Face Value	Amortised Cost	Purchase Cost	Market Value
07.00%2023A	450,000,000	341,635,050	341,635,050	379,863,410
06.20%2020A	76,000,000	63,837,231	63,837,231	66,979,781
08.50%2018B	200,000,000	180,909,043	180,909,043	199,713,270
08.00%2032A	779,000,000	544,615,800	544,615,800	630,530,912
08.00%2017B	300,000,000	275,846,529	275,846,529	300,032,100
08.00%2018A	1,500,000,000	1,306,379,500	1,306,379,500	1,464,276,645
09.00%2021A	505,000,000	506,454,450	506,454,450	490,715,302
09.00%2026A	203,818,200	184,815,501	184,815,501	190,087,294
11.40%2024A	2,650,000,000	3,107,342,106	3,107,342,106	2,789,648,640
11.20%2022A	2,125,000,000	2,454,386,250	2,454,386,250	2,268,563,725
13.00%2029B	193,000,000	248,027,611	248,027,611	228,832,110
11.00%2026A	200,000,000	216,947,200	216,947,200	210,177,560
12.50%2045A	2,720,000,000	3,181,803,177	3,181,803,177	2,911,976,512
10.25% 2025A	13,200,000,000	13,949,135,825	13,949,135,825	13,236,841,200
11.50% 2035A	11,623,000,000	12,115,752,332	12,115,752,332	11,871,653,164
11.20%2023A	1,200,000,000	1,339,457,718	1,339,457,718	1,264,338,360
11.00%2021A	1,100,000,000	1,194,185,190	1,194,185,190	1,155,875,600
11.00%2030A	2,750,000,000	3,102,486,994	3,102,486,994	2,783,983,675
11.00%2025A	1,400,000,000	1,578,444,000	1,578,444,000	1,424,973,340
11.50%2028A	2,100,000,000	2,366,428,577	2,366,428,577	2,225,746,530
Sub Total	45,274,818,200	48,258,890,083	48,258,890,083	46,094,809,129



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015

24. Available For Sale

Equity

(Rs.)

Stock	Book value	Purchase Cost	Market value
Listed Equity			
ACL Cables Ltd	332,491,080	132,535,847	332,491,080
Access Engineering PLC	363,530,614	344,917,731	363,530,614
Aitken Spence Co	1,512,796,654	1,576,188,329	1,512,796,654
Aitken Spence Hotels	1,949,093,180	1,545,229,560	1,949,093,180
Amaya Leisure PLC	323,613,456	340,028,021	323,613,456
Asian Hotels Ltd	2,561,526,148	3,177,484,905	2,561,526,148
Asiri Surgical Hospital PLC	3,233,400	1,680,649	3,233,400
Bairaha Farms PLC_Voting Shares	7,085,955	5,274,249	7,085,955
Browns & Co PLC	673,889,633	1,774,160,039	673,889,633
Bukith Darah	1,459,083,910	2,307,995,743	1,459,083,910
CIC Holdings PLC - Non Voting	197,891,627	192,174,270	197,891,627
CIC Holdings PLC Voting	491,826,867	516,319,999	491,826,867
Cargills (Cey) PLC	1,387,631,574	1,369,726,395	1,387,631,574
Carsons Cumberbatch PLC	1,928,523,538	2,594,079,701	1,928,523,538
Central Finance Company PLC	2,770,600,976	2,571,170,787	2,770,600,976
Ceylon Cold Stores PLC	130,225,494	6,851,674	130,225,494
Ceylon Glass Co	550,934,554	541,433,624	550,934,554
Ceylon Grain Elevators	490,110,288	1,005,584,993	490,110,288
Ceylon Guardian Investment PLC	422,037,434	465,148,625	422,037,434
Ceylon Hospitals PLC (NV)	86,577,825	25,410,556	86,577,825
Ceylon Hotels Corporation PLC	519,624,430	711,242,903	519,624,430
Ceylon Tea Services PLC	989,457,269	1,059,144,322	989,457,269
Ceylon Theatres	971,978,140	1,080,050,500	971,978,140
Chevron Lubricants Lanka	346,737,552	98,352,358	346,737,552
Colombo Dockyard	1,762,775,751	2,791,808,782	1,762,775,751
Commercial Bank of Ceylon PLC	11,159,214,514	7,992,962,707	11,159,214,514
DFCC	4,096,428,060	3,395,967,521	4,096,428,060
DIMO PLC	1,009,406,459	1,536,982,598	1,009,406,459
Dialog Axiata PLC	1,439,195,154	1,254,854,186	1,439,195,154
Dipped Products	775,985,650	801,551,192	775,985,650
Eden Hotels PLC	85,664,805	216,935,905	85,664,805
Galadari	248,978,100	810,321,610	248,978,100
Hatton National bank	6,704,790,487	5,166,481,391	6,704,790,487
Haycarb PLC	233,756,469	238,459,542	233,756,469
Hayleys Ltd	907,054,095	851,576,579	907,054,095
Hayleys MGT Knitting Mills PLC	124,112,285	213,591,735	124,112,285
Hotel Services (Ceylon) PLC	447,299,073	555,501,624	447,299,073



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015

24. Available For Sale

Equity

(Rs.)

Stock	Book value	Purchase Cost	Market value
JKH Warrant 12.11.2013/11.11.2016	3,529,938	-	3,529,938
John Keells Holding	816,500,003	871,806,573	816,500,003
John Keells Hotels	1,208,506,592	1,166,289,291	1,208,506,592
Kelani Tyre PLC	119,350,000	97,614,248	119,350,000
Lanka IOC Ltd	64,632,763	55,731,433	64,632,763
Lanka Orix Leasing Co PLC	1,427,132,346	1,611,012,568	1,427,132,346
Lanka Tiles Ltd	550,985,912	406,129,607	550,985,912
Laugfs Gas Limited(Non Voting)	687,373,530	706,343,981	687,373,530
Laugfs Gas limited (Voting)	2,402,758,700	2,684,119,965	2,402,758,700
Light House Hotel	287,291,200	309,422,269	287,291,200
Mackwood Energy PLC	7,142,500	19,999,000	7,142,500
National Development Bank	3,107,589,137	1,429,995,020	3,107,589,137
Nations Trust Bank PLC	10,476,993	8,080,026	10,476,993
Nawaloka Hospitals 1/-	20,415,051	21,564,963	20,415,051
Nestle Lanka Ltd	204,950,000	21,687,108	204,950,000
Overseas Realty Ltd	344,730,494	233,095,958	344,730,494
Peoples' Leasing Company Ltd	945,512,942	729,740,111	945,512,942
Raigam Wayamba Saltern Ltd	76,026,060	120,691,019	76,026,060
Richard Pieris Co	1,444,145,920	1,647,207,967	1,444,145,920
Royal Ceramic Lanka	1,545,911,407	1,483,645,304	1,545,911,407
Sampath Bank	4,261,643,160	2,593,828,360	4,261,643,160
Seylan Bank (Non Voting)	657,984,697	321,382,758	657,984,697
Seylan Bank PLC (Voting)	1,647,964,620	1,118,906,121	1,647,964,620
Sierra Cables Ltd 1/-	35,408	33,349	35,408
Softlogic Holdings Limited	112,072,750	133,137,480	112,072,750
Sri Lanka Telecom	1,135,731,359	818,616,040	1,135,731,359
Taj Samudra Hotel	185,267,838	341,045,955	185,267,838
Tangerine Beach Hotels	124,612,727	145,320,490	124,612,728
The Finance Company	67,203,840	205,489,613	67,203,840
Tokyo Cement (NV) 1/-	166,430,959	115,900,397	166,430,959
Trans Asia Hotels	405,561,280	263,154,670	405,561,280
Vallibel One Limited	2,120,519,157	2,427,386,041	2,120,519,157
Sub Total	75,625,151,777	71,377,558,836	75,625,151,778



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015

24. Available For Sale

Equity

(Rs.)

Stock	Book value	Purchase Cost	Market value
Unlisted Equity			
Canwill Holdings (Pvt) Ltd.	5,000,000,000	5,000,000,000	5,000,000,000
Cargills Bank Ltd	495,000,000	495,000,000	495,000,000
Fitch Ratings Lanka Limited	625,000	625,000	625,000
Jetwing Symphony Limited	389,999,995	389,999,995	389,999,995
Sri Lankan Airlines	100	100	100
Sri Lankan Catering Preference 15%	1,005,000,000	1,005,000,000	1,005,000,000
Weligama Hotel Properties (Pvt) Ltd	405,000,000	405,000,000	405,000,000
West Coast Power (Pvt) Ltd	2,975,000,000	2,975,000,000	2,975,000,000
Sub Total	10,270,625,095	10,270,625,095	10,270,625,095
Total Equity	85,895,776,872	81,648,183,931	85,895,776,873

Corporate Debentures

(Rs.)

Series	Face Value	Purchase Cost	Market Value
Central Finance Company PLC_2013-2016_13.00%p.a	18,485,000	18,485,000	19,409,250
Central Finance Company PLC_2013-2017_13.25%p.a	18,335,000	18,335,000	18,335,000
Central Finance Company PLC_2013-2018_13.50%p.a	15,255,000	15,255,000	16,284,713
Central Finance Company PLC_2013-2018_13.95%p.a	23,950,000	23,950,000	26,618,030
HNB Debenture _ 7.75% p.a	500,000,000	500,000,000	500,000,000
Hayleys PLC_14.25% p.a	51,900,000	51,900,000	54,817,818
LB Finance PLC_2013-2018_14.5% p.a	220,670,000	220,670,000	222,876,700
Nations Trust Bank PLC_2013-2018_13.00%p.a	549,150,000	549,150,000	613,730,040
Pan Asia Banking Corporation PLC_9.5233% pa	209,229,900	209,229,900	209,229,900
Pan Asia Banking Corporation PLC_9.75% pa	250,000,000	250,000,000	250,000,000
RICHARD PIERIS AND COMPANY PLC 2017_10.75% p.a	35,680,000	35,680,000	36,058,208
RICHARD PIERIS AND COMPANY PLC 2018_11.00% p.a	81,390,000	81,390,000	81,390,000
RICHARD PIERIS AND COMPANY PLC 2019_11.25% p.a	100,000,000	100,000,000	100,000,000
Sampath Bank Debenture_ 8.10% p.a	200,000,000	200,000,000	200,000,000
Sampath Bank Debenture_Fixed 13.0%p.a	251,775,000	251,775,000	271,539,338
Sampath Bank Debenture_Fixed 13.4%p.a	170,095,000	170,095,000	187,138,519
Seylan Bank Debenture_8.60%pa 2014/2020	200,000,000	200,000,000	200,000,000
Singer Sri Lanka 14.5% p.a	46,790,100	46,790,100	49,335,481
Sub Total	2,942,705,000	2,942,705,000	3,056,762,996



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015

25. Held To Maturity

Treasury Bonds

(Rs.)

Series	Face Value	Amortised Cost	Purchase Cost	Market Value
05.35%2026A	89,246,800,000	49,941,469,234	45,100,277,694	62,645,374,021
05.65%2019A	150,000,000	128,971,314	110,690,650	137,268,885
05.80%2017A	18,694,800,000	18,099,374,718	16,157,813,625	18,385,120,451
05.80%2017B	18,918,800,000	18,029,491,592	16,147,206,262	18,315,068,930
06.20%2020A	64,320,167,000	56,120,838,847	51,016,767,094	56,686,193,550
06.40%2016A	30,673,700,000	30,154,989,213	26,510,391,652	30,603,335,146
06.40%2016B	3,800,000,000	3,670,995,019	3,187,460,326	3,780,843,174
07.00%2023A	63,089,600,000	53,459,201,726	50,716,953,092	53,256,512,356
07.25%2016A	11,735,600,000	11,680,844,123	10,902,377,609	11,750,625,089
07.50%2018A	24,414,300,000	23,092,264,249	21,598,930,552	23,598,092,597
08.00%2016A	2,765,600,000	2,712,372,951	2,479,083,831	2,780,702,388
08.00%2016B	798,300,000	785,599,310	697,199,082	802,538,654
08.00%2017A	18,502,400,000	18,066,098,467	16,761,745,123	18,573,911,776
08.00%2017B	7,729,000,000	7,121,831,484	6,075,419,095	7,729,827,003
08.00%2018A	4,200,000,000	3,753,822,883	3,414,507,000	4,099,974,606
08.00%2019A	11,556,700,000	9,712,076,774	8,637,605,991	11,081,684,498
08.00%2020A	12,225,000,000	10,240,239,515	9,362,768,250	11,705,075,640
08.00%2022A	63,006,000,000	52,060,747,303	48,617,659,739	57,916,065,961
08.00%2032A	63,418,000,000	37,982,827,316	36,853,735,728	51,331,205,870
08.50%2018A	36,832,500,000	34,201,146,031	29,565,007,766	37,020,743,541
08.50%2018B	44,706,900,000	42,247,224,266	39,611,489,778	44,642,805,953
08.50%2018C	25,000,000	23,427,187	22,183,300	24,894,388
08.50%2018D	250,000,000	236,087,014	226,315,286	248,205,633
08.50%2019A	75,077,700,000	73,032,149,615	71,118,732,160	73,955,426,528
08.75%2017A	4,797,920,000	4,907,729,739	4,982,494,901	4,844,009,779
09.00%2021A	9,385,000,000	8,592,839,468	8,323,155,680	9,119,530,916
09.00%2023A	18,850,000,000	18,105,825,252	17,929,629,171	17,536,069,421
09.00%2025A	11,444,100,000	10,149,408,660	9,989,780,469	10,649,947,095
09.00%2026A	20,400,000,000	16,761,039,885	16,317,311,186	19,025,684,640
09.00%2028A	89,989,200,000	71,461,372,972	69,875,430,402	81,726,175,682
09.00%2028B	90,016,480,000	73,007,610,165	71,743,168,729	82,370,906,867
09.00%2032A	31,845,350,000	24,593,726,586	24,294,306,864	28,157,896,036
09.00%2033A	99,305,900,000	75,840,841,073	74,992,621,890	87,308,595,332
09.00%2033B	19,908,840,000	15,442,671,650	15,310,903,097	17,351,568,017
09.00%2043A	30,676,000,000	22,397,836,841	22,309,954,800	25,687,614,591
09.25%2020A	5,000,000,000	5,141,025,674	5,157,724,000	4,937,093,900
10.00%2022A	8,500,000,000	8,948,010,040	8,966,575,500	8,551,701,250
10.25% 2025A	22,900,000,000	23,651,905,840	23,680,646,349	22,963,913,900
11.00%2021A	6,400,000,000	6,902,951,692	6,937,613,714	6,725,094,400
11.00%2025A	31,933,333,000	34,387,444,768	34,431,110,729	32,502,962,987
11.00%2026A	35,414,230,000	39,455,778,312	39,611,981,783	37,216,382,253
11.00%2030A	18,000,000,000	19,755,781,254	19,772,675,372	18,222,438,600
11.20%2022A	9,631,710,000	11,110,041,260	11,269,993,250	10,282,422,549
11.20%2023A	23,100,000,000	25,223,690,141	25,310,661,178	24,338,513,430
11.40%2024A	8,450,000,000	10,147,946,213	10,308,726,214	8,895,294,720
11.50% 2035A	36,600,000,000	39,744,339,867	39,751,748,430	37,382,991,120
11.50%2028A	10,850,000,000	11,900,929,141	11,905,820,369	11,499,690,405
12.50%2045A	2,050,000,000	2,320,116,060	2,321,240,645	2,194,688,180
13.00%2029A	69,822,190,000	81,431,432,461	82,093,726,464	81,737,088,381
13.00%2029B	12,488,043,000	16,363,937,146	16,531,022,260	14,806,555,580
13.25%2033A	19,869,820,000	22,941,864,086	23,035,175,737	24,073,840,750
13.25%2034A	75,158,330,000	89,517,238,488	89,874,725,938	90,317,216,505
13.50%2044A	4,390,000,000	5,066,590,770	5,068,642,220	5,393,686,139
13.50%2044B	73,873,210,000	87,212,570,850	87,286,575,051	89,134,573,031
Total	1,567,186,523,000	1,439,038,586,503	1,394,277,463,080	1,516,025,643,093



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015

25. Held To Maturity

Corporate Debentures

(Rs.)

Debenture	Face Value	Purchase Cost	Market Value	Amortised Cost
Seylan Bank 15% Debenture 2013/18	100,000,000	100,000,000	100,000,000	100,000,000
Bank of Ceylon_13.00%p.a	575,950,000	575,950,000	575,950,000	575,950,000
Bank of Ceylon_13.75%p.a	134,090,000	134,090,000	134,090,000	134,090,000
Central Finance Company PLC_2013-2016_13.00%p.a	18,485,000	18,485,000	18,485,000	18,485,000
Central Finance Company PLC_2013-2017_13.25%p.a	18,335,000	18,335,000	18,335,000	18,335,000
Central Finance Company PLC_2013-2018_13.50%p.a	15,255,000	15,255,000	15,255,000	15,255,000
Central Finance Company PLC_2013-2018_13.95%p.a	23,950,000	23,950,000	23,950,000	23,950,000
Central Finance Company PLC_2015-2020_9.52%p.a	200,000,000	200,000,000	200,000,000	200,000,000
Central Finance PLC_14.50% p.a	81,300,000	81,300,000	81,300,000	81,300,000
Central Finance PLC_14.75% p.a	105,300,000	105,300,000	105,300,000	105,300,000
DFCC Vardhana Bank Debenture 09.40% p.a	500,000,000	500,000,000	500,000,000	500,000,000
DFCC Vardhana Bank Debenture 11.5% p.a	500,000,000	500,000,000	500,000,000	500,000,000
HDFC Bank Debentures HL 2.50% p.a	110,000,000	110,000,000	110,000,000	110,000,000
HNB Debenture 11.50% p.a	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
HNB Debenture 14% p.a	316,716,600	316,716,600	316,716,600	316,716,600
HNB Debenture _ 7.75% p.a	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000
Hayleys PLC_14.25% p.a	51,900,000	51,900,000	51,900,000	51,900,000
Hemas Holding PLC_11.00%p.a_2019	81,980,000	81,980,000	81,980,000	81,980,000
Housing Development & Finance Corporation 15%	65,580,000	65,580,000	65,580,000	65,580,000
Lanka ORIX Finance PLC Debenture _ 9.25% p.a	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Lanka ORIX Leasing Company PLC Debenture 9% p.a	100,000,000	100,203,400	100,160,466	100,160,466
Lion Brewery (Ceylon) PLC_13.50% p.a	39,900,000	39,900,000	39,900,000	39,900,000
Lion Brewery (Ceylon) PLC_13.75% p.a	39,900,000	39,900,000	39,900,000	39,900,000
Lion Brewery (Ceylon) PLC_14.00% p.a	53,200,000	53,200,000	53,200,000	53,200,000
Merchant Bank of Sri Lanka- 5 year Debenture Fix	281,590,000	281,590,000	281,590,000	281,590,000
NTB Debenture 11.5% p.a	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
National Development Bank PLC_2013-2018_13.00%p.a	173,160,000	173,160,000	173,160,000	173,160,000
National Development Bank PLC_2013-2018_13.40%p.a	88,240,000	88,240,000	88,240,000	88,240,000
National Development Bank PLC_2013-2023_13.90%p.a	375,000,000	375,000,000	375,000,000	375,000,000
National Development Bank PLC_2013-2025_14.00%p.a	500,000,000	500,000,000	500,000,000	500,000,000
National Development Bank PLC_2015-2020_09.40%p.a	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Nations Trust Bank PLC_2013-2018_13.00%p.a	549,150,000	549,150,000	549,150,000	549,150,000
Nawaloka Hospitals PLC_14.15% p.a	114,500,000	114,500,000	114,500,000	114,500,000
PABC DC 2012_2017 6MN TBILL + 2.95	250,000,000	250,000,000	250,000,000	250,000,000
People's Leasing & Finance PLC 2014-2017 _ 8.75%pa	159,540,000	159,540,000	159,540,000	159,540,000
People's Leasing & Finance PLC 2014-2018 _ 9.625%pa	32,880,000	32,880,000	32,880,000	32,880,000
People's Leasing & Finance PLC 5 Year Debenture Fix	105,900,000	105,900,000	105,900,000	105,900,000
Pradeshya Sanwardana Bank Debenture_9.00% p.a	500,000,000	500,000,000	500,000,000	500,000,000
RICHARD PIERIS AND COMPANY PLC 2017_10.75% p.a	35,680,000	35,680,000	35,680,000	35,680,000
RICHARD PIERIS AND COMPANY PLC 2018_11.00% p.a	81,390,000	81,390,000	81,390,000	81,390,000
RICHARD PIERIS AND COMPANY PLC 2019_11.25% p.a	100,000,000	100,000,000	100,000,000	100,000,000
SMIB Bank Debentures HL 2.50% p.a.	110,000,000	110,000,000	110,000,000	110,000,000
Sampath Bank Debenture 2012/2017 Fixed 16.5%	14,430,000	14,430,000	14,430,000	14,430,000
Sampath Bank Debenture_ 8.10% p.a	1,800,000,000	1,800,000,000	1,800,000,000	1,800,000,000
Sampath Bank Debenture_Fixed 13.0% p.a	251,775,000	251,775,000	251,775,000	251,775,000
Sampath Bank Debenture_Fixed 13.4% p.a	170,095,000	170,095,000	170,095,000	170,095,000
Seylan Bank Debenture_8.60%pa 2014/2020	1,800,000,000	1,800,000,000	1,800,000,000	1,800,000,000
Singer Finance (Lanka) PLC 14.00%. p.a	33,214,000	33,214,000	33,214,000	33,214,000
Singer Finance (Lanka) PLC 14.25%. p.a	123,306,000	123,306,000	123,306,000	123,306,000
Singer Finance (Lanka) PLC 14.50%. p.a	93,576,000	93,576,000	93,576,000	93,576,000
Singer Sri Lanka 14.5% p.a	46,790,100	46,790,100	46,790,100	46,790,100
Sub total	19,422,057,700	19,422,261,100	19,422,218,166	19,422,218,166



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015

25. Held To Maturity

Trust Certificates

(Rs.)

Issuer	Face Value	Purchase Cost	Market Value	Amortised Cost
LB Finance Trust Certificates 21_34.2	74,432,605	45,000,000	73,168,279	73,168,279
Mercantile Investments & Finance PLC TC_1.25	360,000,000	245,530,287	314,976,401	314,976,401
People's Leasing & Finance PLC TC 90 31.1	2,911,969,223	2,184,697,065	2,541,651,435	2,541,651,435
Sub Total	3,346,401,829	2,475,227,352	2,929,796,115	2,929,796,115

26. Loans & Receivables

Reverse Repurchase Agreements (Reverse repo)

(Rs.)

Counter Party	Face Value	Purchase Cost	Market Value
Domestic Operations Department	4,100,000,000	4,100,000,000	4,100,000,000
Grand Total	4,100,000,000	4,100,000,000	4,100,000,000

**EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015**



27. Movement of Investment

		(Rs.)								
Type of Investment	Opening Balance	Investments	Maturities	Sales	Amortization	Valuation Gain/ Loss	Closing Balance	2015	2014	Change %
Fair Value Through Profit & Loss Investments										
Treasury Bonds	-	6,442,283,723	-	4,414,841,645	-	(156,563,186)	1,870,878,892	0.1	-	0.1
Listed Equity	1,873,760,174	1,105,334,448	-	1,024,002,042	-	(237,435,119)	1,717,657,461	0.1	0.1	(0.0)
Corporate Debenture	114,500,000	-	-	-	-	-	114,500,000	0.0	0.0	(0.0)
Sub Total - FVTP Investments	1,988,260,174	7,547,618,171	-	5,438,843,687	-	(393,998,305)	3,703,036,353	0.2	0.1	0.1
Available For Sale Investments										
Treasury Bonds	7,646,164,476	42,348,886,653	50,000,000	1,034,540,618	-	(2,815,701,381)	46,094,809,129	2.9	0.5	2.3
Treasury Bills	940,477,000	3,399,661,500	4,500,000,000	-	-	159,861,500	-	-	0.1	(0.1)
Listed Equity	83,939,098,998	1,286,081,349	-	2,482,793,727	-	(7,117,234,842)	75,625,151,778	4.7	5.8	(1.1)
Unlisted Equity	10,770,624,995	-	-	-	-	(499,999,900)	10,270,625,095	0.6	0.7	(0.1)
Corporate Debenture	3,104,900,201	-	31,193,400	-	-	(16,943,804)	3,056,762,996	0.2	0.2	(0.0)
Sub Total - AFS Investments	106,401,265,670	47,034,629,502	4,581,193,400	3,517,334,346	-	(10,290,018,427)	135,047,348,999	8.4	7.4	1.0
Held to Maturity Investments										
Treasury Bonds	1,278,947,228,123	269,387,059,017	64,723,600,000	57,909,505,599	13,337,404,964	-	1,439,038,586,504	89.7	89.0	0.7
Rupee Loans	23,100,000,000	-	23,100,000,000	-	-	-	-	-	1.6	(1.6)
Treasury Bills	-	4,885,449,000	5,000,000,000	-	114,551,000	-	-	-	-	-
Corporate Debenture	15,123,452,697	5,200,000,000	901,193,400	-	-	(41,131)	19,422,218,166	1.2	1.1	0.2
Commercial Papers	1,000,000,000	-	1,000,000,000	-	-	-	-	-	0.1	(0.1)
Trust Certificates	2,988,483,197	1,600,000,000	2,061,498,190	-	402,811,108	-	2,929,796,115	0.2	0.2	(0.0)
Sub Total - HTM Investments	1,321,159,164,017	281,072,508,017	96,786,291,590	57,909,505,599	13,854,767,072	(41,131)	1,461,390,600,785	91.1	91.9	(0.8)
Loans & Receivables Investments										
Reverse Repo	8,134,000,000	1,740,136,089,000	1,744,170,089,000	-	-	-	4,100,000,000	0.3	0.6	(0.3)
Sub Total - L & R Investments	8,134,000,000	1,740,136,089,000	1,744,170,089,000	-	-	-	4,100,000,000	0.3	0.6	(0.3)
Grand Total	1,437,682,689,861	2,075,790,844,689	1,845,537,573,990	66,865,683,632	13,854,767,072	(10,684,057,864)	1,604,240,986,137	100	100	-



EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015

28. CLASSIFICATION OF MATURITY PROFILE OF THE PORTFOLIO AS AT 31ST DECEMBER 2015

Class Of Investment	Rate	(Rs.mn)																	Not Define	Total						
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2028	2029	2030	2032	2033	2034			2035	2043	2044	2045		
Treasury Bond Held to Maturity investment	5.35																								89,247	
	5.65				150																					150
	5.80		37,614																							37,614
	6.20				64,320																					64,320
	6.40		34,474																							34,474
	7.00																									63,090
	7.25		11,736																							11,736
	7.50			24,414																						24,414
	8.00		3,564	26,231	4,200	11,557	12,225	63,006																		184,201
	8.50			81,814	75,078																					156,892
	8.75			4,798																						4,798
	9.00								9,385																	421,821
	9.25								5,000																	5,000
	10.00										8,500															8,500
	10.25																									22,900
	11.00								6,400																	91,748
	11.20										9,632															32,732
11.40														8,450											8,450	
11.50																									47,450	
12.50																									2,050	
13.00																									82,310	
13.25																									95,028	
13.50																									78,263	
																									1,567,186	
Available for Sale Investment	6.20																								76	
	7.00								76																450	
	8.00																								2,579	
	8.50																								200	
	9.00																								709	
	10.25																								13,200	
	11.00																								5,450	
	11.20																								3,325	
	11.40																									2,650
	11.50																									13,723
	12.50																									2,720

EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015

28. CLASSIFICATION OF MATURITY PROFILE OF THE PORTFOLIO AS AT 31ST DECEMBER 2015

Class Of Investment	Rate	(Rs.mn)														Total										
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2028	2029	2030		2032	2033	2034	2035	2043	2044	2045	Not Define		
Fair Value through Profit & Loss	13.00	-	300	1,700	-	76	1,605	2,125	1,650	2,650	14,600	404	2,100	193	2,750	779	-	-	11,623	-	-	2,720	-	193	45,275	
	11.00										350														350	
	11.40												450												745	
	11.50																								700	
Sub totals		49,773	68,943	112,129	86,784	81,621	17,390	83,263	106,690	11,845	80,877	145,465	193,406	82,503	21,100	96,042	139,085	75,158	48,473	30,676	78,263	4,770	-	1,795	1,614,256	
Corporate Debentures Held to maturity Investment																										
BOC																										710
Central Finance Company PLC		18	100	576		200			134																	463
DFCC Vardhana Bank Debenture		500		145		500																				1,000
Hayleys PLC		52																								52
HDFC Bank Debentures			66			110																				176
Hemas Holding PLC					82																					82
HNB Debenture				317	1,500	2,000																				3,817
Lanka ORIX Finance PLC						2,000																				2,000
Lanka ORIX Leasing Company PLC					100																					100
Lion Brewery		40	40	53																						133
MBSL				282																						282
National Development Bank PLC				261		2,000			375		500															3,136
Nawaloka Hospitals				115																						115
NTB Debenture		1,000		549																						1,549
PABC DC			250																							250
People's Leasing & Finance PLC			160	139																						298
Pradeshya Sanwardana Bank						500																				500
Richard Pteris & company			36	81	100																					217
Sampath Bank Debenture			14	422	1,800																					2,236
Seylan Bank				100	1,800																					1,900
Singer Finance (Lanka) PLC		33	123	94																						250
Singer Sri Lanka		47																								47





EMPLOYEES' PROVIDENT FUND
NOTES TO THE STATEMENT OF INVESTMENT
AS AT 31ST DECEMBER 2015

28. CLASSIFICATION OF MATURITY PROFILE OF THE PORTFOLIO AS AT 31ST DECEMBER 2015

Class Of Investment	Rate	(Rs.mn)																	Total							
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2028	2029	2030	2032	2033	2034		2035	2043	2044	2045	Not Define		
SMIB Bank Debentures		1,690	788	3,133	3,582	7,220	2,000	-	509	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	110	19,422
Available for Sale Investment																										
Central Finance Company PLC		18	18	39																						76
Hayleys PLC		52			500																					52
HNB Debenture				221																						500
LB Finance PLC				549																						221
Nations Trust Bank PLC																										549
Pan Asia Banking Corporation PLC					459																					459
Richard Pieris & company			36	81	100																					217
Sampath Bank Debenture				422	200																					622
Seylan Bank Debenture						200																				200
Singer Sri Lanka		47																								47
		117	54	1,312	1,259	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,943
Fair Value through Profit or Loss																										
Nawaloka Hospitals PLC				115																						115
				115																						115
Sub totals		1,807	842	4,559	4,841	7,420	2,000	-	509	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,479
Treasury Bills																										
Trust Certificates		1,197	786	1,184	180																					
Commercial Papers																										3,346
Listed Equity																										
Fair Value through Profit or Loss																										1,718
Available for Sale Investment																										
Sub totals																										75,625
Unlisted Equity																										
Repo		4,100																								4,100
Grand total		56,877	70,571	117,872	91,806	89,041	19,390	83,263	107,199	11,845	81,377	145,465	193,406	82,503	21,100	96,042	139,085	75,158	48,473	30,676	78,263	4,770	87,614		1,731,796	



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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

} LEW/B/EPF/FA/2015

ඔබේ අංකය
உமது இல.
Your No.

}

දිනය
திகதி
Date

} 23 December 2016

Hon. Minister
Ministry of Labour and Trade Union Relations

Report of the Auditor General on the Financial Statements of the Employees' Provident Fund for the year ended 31 December 2015 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 2015 comprising the statement of financial position as at 31 December 2015 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 2015 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

The following observations are made.

(a) Even though the nature and the objectives of the reserves maintained by an entity should be disclosed in the financial statements in terms of Sri Lanka Accounting Standard 01, adequate disclosures had not been made in the manner in which the Building Reserve Fund amounting to Rs.3,157,000,000, Technology Advancement Reserve Fund amounting to Rs.350,000,000, Investment Revaluation Reserve amounting to Rs.4,886,920,958 and the Profit Equalization Reserve Fund amounting to Rs.24,100,000,000 maintained by the Fund were initiated and the objectives thereof.

(b) Sri Lanka Accounting Standard 16

(i) Although an entity should disclose the opening and closing balance of the property, plants and equipment relating to the period, additions of the current year and a reconciliation statement on the depreciation of the year, only the cost, accumulated depreciation and the net value had been disclosed under the notes to the accounts in the financial statements.



- (ii) As the useful life of the non-current assets had not been reviewed annually, fixed assets costing Rs.76,656,104 were further being used despite being fully depreciated. Accordingly, action had not been taken to revise the estimated error as required by the Sri Lanka Accounting Standard 08.

2.2.2. Accounting Policies

The following observations are made.

- (a) In terms of the accounting policies adopted by the Fund, although the intangible assets of the Fund should be amortized within 2 years, those assets had been amortized over a period of 4 years.
- (b) Although the printers and the web cameras valued at Rs.5,303,000 purchased in the preceding year had been classified under the computer accessories and provisions for depreciation had been made at 50 per cent, the printers and the web cameras valued at Rs. 13,783,465 purchased during the year under review had been classified under the plants and machinery and provisions for depreciation had been made at 25 per cent.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) (i) Relevant actions had not been taken either to rectify or settle the transactions of 04 Bank accounts amounting to Rs.1,189,480,116 the particulars of which are shown below for the period from the year 2001 to 31 December 2015 and they had continuously been shown in the Bank reconciliation statements.



Particulars of the transactions	Value
-----	-----
	(Rs.)
Direct deposits not recorded in the Cash Book	15,238,182
Dishonoured Cheques	77,066,561
Direct additions and deductions	172,999,021
Unidentified Balances	924,176,352

Total	1,189,480,116
	=====

- (ii) Any action whatsoever, had not been taken in respect of Cheques totalling Rs.125,875,423 issued but not presented to Bank during the said period, Cheques totalling Rs.33,217,979 deposited but unrealized and Money Orders totalling Rs. 52,333,018 and they had continuously been shown in the Bank reconciliation Statements.
- (b) In the recognition of the impairment losses of the Fund, as the market price of the shares costing Rs. 216,935,905 of one hotel company was Rs.85,664,805, an impairment loss of Rs.131,271,100 had incurred. Nevertheless, it had been understated by Rs.2,861,220 and shown as Rs.128,409,880 in the financial statements.
- (c) Unidentified balances totalling Rs.35,286,976 comprising a tax amounting to Rs.5,333,169 retained on the members benefits and a recoverable debit tax of Rs.29,953,807 had not been settled and those had been shown in the financial statements.
- (d) As the balance amounting to Rs.23,829,409 further existed in the General Deposit Account maintained from October 2006 to March 2009 had not been brought forward, that balance had not been taken into consideration in the financial statements prepared for the Fund. Further, this balance included an income of Rs.5,607,020 generated from the sale of publications of the Fund



relating to the years 2006,2007,2008 and 2009 and it had been retained in the General Deposit Account without being credited to the Fund.

- (e) According to the financial statements, although the accrued expenditure relating to 08 Objects as at 31 December 2015 amounted to Rs.1,683,034, as an expenditure amounting to Rs.4,771,934 in respect of the accounted commitments of the year 2015 had been incurred in the year 2016, the expenditure of the year under review had been understated by Rs.3,088,900 in the accounts.
- (f) Out of the acquisition amounting to Rs.7,341,794 made under the machinery and equipment in the year 2014, depreciation at 25 per cent had been considered for a sum of Rs.1,304,550 and the provisions for depreciation had not been made in respect of the balance sum of Rs.6,037,244.

2.2.4 Unreconciled Control Accounts

When comparing the carried forward opening balance of the General Deposit Account, in which employees' provident funds recovered through the institution of lawsuits were retained until they were credited to the individual accounts of the relevant members, as at 01 January 2015 according to the schedules and the balances brought forward as at 31 December 2015 with the balances shown in the financial statements, differences of Rs.31,264,738 and Rs.101,942,182 respectively were observed. Reconciliation statements had not been prepared thereon.

2.2.5 Unexplained Differences.

The following observations are made.

- (a) (i) According to the bank confirmation, although the balance of a major bank account of the Fund as at 31 December 2015 was Rs.1,862,540,353, that balance had been taken as Rs.1,326,193,264 in the preparation of bank reconciliation statements. Accordingly, the



value of the cash and cash equivalents had been overstated by Rs.536,347,089 in the financial statements.

(ii) According to the bank confirmation of a bank account not being used by the Fund at present for which bank reconciliation statements are not prepared, there was a balance amounting to Rs.53,255. However, it had been shown as Rs.6,777,369 in the financial statements and as such, a difference of Rs. 6,724,114 was observed.

(iii) According to the cash book of the bank account maintained for the direct debits and credits of the Fund, there was an unidentified balance amounting to Rs.25,748,778. The bank reconciliation statements on this account had not been prepared and there was no balance in that account according to the bank statement.

(b) There was a difference of Rs.28,746,225 between the value of furniture and office equipment, computers and software according to the Register of Fixed Assets of the Fund as at 01 January 2015 and the value stated in the financial statements. This difference had not been reconciled even by 31 December 2015.

2.2.6 Lack of Evidence for Audit

Although a balance of Rs.111,801,745 relating to the period even prior to the year 2000 had been stated under the Variance Clearing Account under the other current assets in the financial statements, no such balance had been confirmed by any bank.

2.3 Accounts Receivable and payable

The following observations are made.

(a) Although legal action had been taken against the Sri Lanka Transport Board



Employees' Provident Fund and the surcharge amounting to Rs.12,567,846,834, only a sum of Rs.2,707,516,716 had been recovered as at that date.

- (b) Even though the Ceylon Fisheries Corporation had pledged to pay the contribution and surcharge amounting to Rs.60,691,262 relevant to the period from September 2009 to January 2010 in 18 installments, it had remained unrecovered even by September 2016.
- (c) Late surcharges amounting to Rs.17,020,157 recoverable from 169 Local Authorities for the period from the year 2000 up to March 2016 could not be recovered even by 30 June 2016 due to the failure in sending notices as prescribed.
- (d) According to the information of the Employees' Provident Fund Division, the value of contributions and surcharges in arrears remained unrecovered from 03 State Institutions as at 31 December 2015 amounted to Rs. 12,660,270. Out of that, the surcharge that remained unrecovered from a state aviation company relating to the period 2011-2013 amounted to Rs.10, 489,993.
- (e) As the surcharge remained in arrears from a certain private institution providing services to the Fund relating to the period from the year 2000 to the year 2012 amounted to Rs.12,297,695, permission had been granted to settle the arrears in 36 installments, whereas only 16 installments had been paid to the Fund. Further, arrears amounting to Rs.1,867,252 relating to the period from July 2012 to December 2014 had not been recovered as well.
- (f) A sum of Rs.1,320,017 shown under the sundry creditors had not been settled even by September 2016.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions.

In terms of Section 8.7 of the Public Enterprises Circular No.PED 12 dated 02 June 2003, the Pay As You Earn Tax upon the employment income of the officers of the Central Bank attached to the Employees' Provident Fund had not been recovered from the relevant officers and a sum of Rs.19,310,689 had been paid by the Fund during the year under review. At the Committee on Public Accounts dated 26 February 2016, it had been informed that an arrangement be made, in consultation with the Secretary to the Ministry of Finance, to correctly update the methodology of making payments the Pay As You Earn Tax from the Fund in compliance with the instructions of the Budget and the Public Finance Circulars and to submit a report including the comments of the Governor of the Central Bank on this matter to the Committee. Nevertheless, such a report had not been submitted to the Committee even by June 2016.

3. Financial Review

3.1 Financial Results

The following observations are made.

The operations of the Fund for the year under review had resulted in a net profit of Rs.156,937,278,443 and the corresponding net profit for the preceding year amounted to Rs. 150,661,909,688, thus indicating a favourable improvement of Rs.6,275,368,755 in the financial result for the year under review as compared with the preceding year. The increase of interest income by Rs.15,556,537,975 had mainly attributed to this improvement.

An analysis of the financial results of the year under review and 04 preceding years revealed that, the profit after tax of the Fund amounting to Rs.107,202,066,000 in the year 2011 had continuously increased up to Rs.156,937,278,000 by the end of the year 2015. When taking into consideration the employees' remuneration income tax and the depreciation for the non-current assets, the contribution of the Fund amounting to Rs.115,752,094,000 in the year 2011 had ceaselessly improved up to Rs.171,470,351,000 by the end of the year 2015. However, it was observed that the

contribution growth rate of 19.9 per cent in the year 2014 had decreased up to 4.9 per cent in the year 2015. Accordingly, the growth rate of the year 2015 had declined than 15 per cent than that of the preceding year.

3.2 Analytical Financial Review

The following observations are made.

- (a) The Net Profit Ratio of the Fund had decreased from 91.9 per cent to 91.3 by 0.6 per cent during the year under review as compared with the preceding year, and the return on ordinary capital invested ratio had decreased by 0.85 per cent as compared with the preceding year.

- (b) The impairment loss of Rs.2,956,640,674 incurred due to the continuous decrease in the market price of shares in several companies in which the Fund had made investments in long term and the increase in the operating expenditure by 14 per cent than the 4.87 per cent growth of gross income as compared with the preceding year had attributed to the decrease in the ratios referred to in (a) above.

3.3 Lawsuits Instituted Against or By the Fund

In order to recover the contributions and surcharges amounting to Rs.12,788,913,279, the Fund had filed 14,525 cases in the courts island wide.

4. Operating Review

4.1 Performance

The objective of the Fund was to establish a social security system for the employees engaged in the private and semi- government sector in Sri Lanka. The following matters were observed in audit test check carried out on the achievement of the above objectives.

- (a) According to the Central Bank Report, the active number of employees who held the contribution of the Employees' Provident Fund was 2,400,000 or 64 per cent out of the total employment of 3,762,059 reported in the private sector and the semi- government sector by the end of the year 2015. The number of employees who held the memberships in other approved Provident Funds was 11 per cent only and the remaining 25 per cent had not held contribution to any Fund.
- (b) The balance of the membership Fund as at 31 December 2015 was Rs.1,625.5 billion and it was a growth of 12 per cent as compared with 31 December 2014. However, the following observations are made on the membership Fund.
- (i) A sum of Rs.8,142,008,401 recovered from the employers through the institution of legal action against them over their failure to pay contributions of the Employees Provident Fund had not been credited to the accounts of the members even by 31 December 2015. This balance had been Rs.5,982,176,693 and Rs.6,897,950,297 by the end of the years 2013 and 2014 respectively. Even though a sum of Rs.4,858,748,089 had been received to this account in the year 2015, only a sum of Rs.3,614,689,985 had been settled during the year. Accordingly, it was observed that the funds that remained unsettled in this manner accumulate in this account annually. Although the Chief Accounting Officer informed the Committee that the introduction of a computer software capable of expediting and improving the process of settling these funds was in progress according to the Recommendation No.7 (ii) of the Committee on Public Accounts dated 06 February 2013, an annual increasing trend in the unsettled balances was observed.
- (ii) The contributions received to the Fund are retained in a General Deposit Account until they are settled by the Department of Labour and a sum of Rs.115.437.334 received in the year 2015 had



Rs.95,341,632 The balance due to be further settled as at 31 December 2015 was Rs.223,960,708. In addition, a sum of Rs.15,797,407 recovered through the institution of court cases had been retained in a General Deposit Account. Similarly, the balance of the contribution which had not been credit to the members accounts and recorded in the Under / Over Contribution Account by the end of the year 2015 amounted to Rs.1,494,294,421. Although the discussions were held on these balances and directives were issued to settle them without delay at the Committee on Public Account dated 26 February 2013, action had not been taken accordingly.

- (iii) In claiming benefits from the Fund by the members, although the relevant benefits had been computed, a sum of Rs.526,999,750 had existed in the Members' Fund as retained benefits and unclaimed benefits as at 31 December 2015 without paying those benefits to the members in accordance with the instructions of the Commissioner General of Labour and it was an increase of 87 per cent as compared with the balance as at the end of the year 2014. As a balance more than the balances settled from these accounts accumulates annually and annual interests are not entitled to these balances, it is essential to pay the attention of the Fund on formulation of a methodology for the settlement of these balances expeditiously. In terms of Recommendation 07 (1) of the Committee on Public Accounts held on 19 August 2014 it had been stated that, since there was a fault in the present system regarding the prevention of the delays in the payment of benefits to the members, a suitable and efficient methodology be prepared taking into consideration those matter as a major management issue. Nevertheless, such a step had not yet been taken and this balance was further being increased.
- (iv) Even though an amount totalling Rs.474,139,934 comprising the unsettled balances of the Under and Over Refund Payment Account amounting to Rs.469,267,019, the Clearance Account relating to the Receipts of Goods and Services amounting to Rs.4,356,884 and the

balance of the Opening Balances Reconciliation Account amounting to Rs. 516,031 as at 31 December 2015 were shown in the financial statements, a considerable progress regarding the settlement of those balances could not be seen.

- (c) (i) In terms of the Employees' Provident (Amendment) Act, No.02 of 2012 and Section 23 (a) subsequently added to Section 23 of the Principal Act, the payment of 30 per cent out of the amount deposited to credited as the membership funds to the members who fulfill the requirements of the Act as the housing and medical benefits was commenced in May 2015 and the total number of applications received as at 31 December 2015 was 71,456. Out of them, the number of applications determined as qualified for the payments was 68,215 of them , a sum of Rs.8.46 billion had been paid for 10,074 applications.
- (ii) However, as the legal process required to carry out the follow up action to ensure whether the contributions thus redeemed by the members are utilized for the particular purposes indicated in the Act had not been set out in the above amended Act, it could not be ruled out that there would be a possibility of using that money for another purpose subsequent to the receipt of the contribution money.
- (d) In terms of Section 14 of the Employees' Provident Fund Act, No. 15 of 1958, interest at such rate, not less than two and a half per centum per annum, as may from time to time be fixed by the Monetary Board shall be paid for each year, out of the income from the investment of the moneys of the Fund, on the amount standing to the credit of the individual account of each member of the Fund as at the thirty-first day of December in the year. Even though the interest rates paid in such a manner in the year 2015 and the preceding years had gradually declined from 13.75 per cent to 10.5 per cent from the year 2009 to 2015, it had become equal in the preceding year and the year under review representing an interest rate of 10.5 per cent. In addition to that, a sum of Rs. 6,000 million allocated for paying a bonus to the members, had been transferred to the Profit Equalization



Reserve in the current year as the legal framework required in that connection had not been formulated.

4.2 Management Activities

The following observations are made.

- (a.) Even though a sum of Rs. 1,890.5 million had been given by the Employees' Provident Fund as at 31 December 2014 for the "*Mehewara Piyasa*" building proposed to be constructed with the contribution of the Employees' Provident Fund, the Ministry of Finance had agreed to reimburse the money incurred by the Fund owing to an issue relating to the ownership of the land at which the building had been located. The following observations are made in this connection.
- (i) As the Ministry of Finance had agreed to reimburse only a sum of Rs. 1,852.4 million out of the total amount incurred, a loss of Rs. 38.1 million had been sustained by the Fund in respect of this project.
- (ii) Of the sum amounting to Rs. 1,852.4 million agreed to be reimbursed, a sum of Rs. 370 million had been given by September, 2015, and another sum of Rs. 400 million had been given in March, 2016. Nevertheless, Rs. 1,082.4 million of the total sum representing 58 per cent had not been reimbursed even up to June 2016.
- (b.) The Fund had commenced the housing loan facility for its members in collaboration with 05 state banks in the year 1988, wherein the unsettled outstanding loan balance of the member is settled to an institution to which loans are given by the Fund. The sums paid in the years 2013, 2014, and 2015 to the relevant banks as unsettled outstanding loans amounted to Rs. 2,178 million, Rs. 2,394 million, and Rs. 2,522 million respectively.
- (c.) Even though the Board of Survey for the year 2015 conducted in respect of the computers and accessories valued at Rs. 389,269,548 purchased by the Fund

for the Department of Labour, had been completed, the implementation of its recommendations in accordance with Public Finance Circular 05/2016, dated 31 March 2016, had not been completed even by September 2016.

4.3 Operating Activities

4.3.1 Investment in the Treasury Bonds

The Employees' Provident Fund, considered to be a chief investor in the amount of Public Debt, had purchased Treasury bonds only from the Department of Public Debt through the primary market within the first 04 months of the year 2015. Thereafter, in the other months except for the months of August and September, action had been taken to purchase the Treasury bonds from the secondary market as well. Particulars are given below.

Month	Purchases from the Primary Market	Purchases from the Secondary Market	Total Investment	Approved Monthly Amount	Investment in excess of the Approved Amount	Percentage of Increase
	(Rs. Million)	(Rs. Million)	(Rs. Million)	(Rs. Million)	(Rs. Million)	%
January	31,054	-	31,054	31,000	54	0.17
February	8,850	-	8,850	8,500	350	4.12
March	17,590	-	17,590	15,000	2,590	17.27
April	28,801	-	28,801	25,000	3,801	15.20
May	6,238	703	6,941	8,000	(1,059)	(13.24)
June	17,669	16,141	33,810	10,500	23,310	222.00
July	31,440	4,683	36,123	31,000	5,123	16.53
August	20,640	-	20,640	11,500	9,140	79.47
September	44,180	-	44,180	37,000	7,180	19.41



October	1,027	3,655	4,682	4,000	682	17.05
November	12,399	50,401	62,800	13,000	49,800	383.08
December	13,957	8,745	22,702	15,000	7,702	51.35
	-----	-----	-----	-----	-----	-----
	233,845	84,328	318,173	209,500	108,673	51.87
	=====	=====	=====	=====	=====	=====

The following observations are made.

- (a) The total investment made in the bonds during the rest of the months except for May, in the year 2015, had exceeded the estimated monthly investment approved by the Monetary Board. For the months of June, August, November and December, the estimated investment had been exceeded by 222 per cent, 79 per cent, 383 per cent, and 51 per cent respectively. Furthermore, of the total investments made in the months of June, October, November, and December, 48 per cent, 78 per cent, 80 per cent, and 39 per cent had respectively been purchased from the secondary market. Further, Investments had been made in the secondary market in the months of June and November in excess of the monthly limits approved by the Monetary Board.

- (b) Under the International Securities Identification Number (ISIN) LKB02035C155 issued at the end of October, 2015 the Fund had purchased bonds valued at Rs. 10.26 billion from the primary market at the yield rate of 11.10 -11.20 per cent. Nevertheless, the bond under the same ISIN valued at Rs. 8.57 billion had been purchased from the other primary dealers of the secondary market in November 2015 under lower the effective rate of 9.65-10 per cent. The sum approved to be invested in the bonds in October, 2015 had been as low as Rs. 04 billion as compared with all other months. Approving sums of Rs. 37 billion and Rs. 13 billion for the months of September and November respectively, had been controversial.

- (c.) The presentation of bids by the Employees' Provident Fund to the primary market in March 2016 in the issue of bond valued at Rs. 40 billion, had been at a lower level. Particulars are given below.

International Securities Identification Number	effective rate	Total Value of Bonds Issued	Value of Bids Presented by the Funds	Value of Bids accepted	Percentage
	%	Rs. Million	Rs. Million	Rs. Million	%
LKB00520E014	-	10,272	-	-	0
LKB01025C157	13.35	21,475	1,000	1,000	4.7
LKB01226F014	13.45	17,010	500	500	2.9
LKB01530E152	13.65 13.70	28,975	1,000	1,000	3.5
		----- 77,732 =====	----- 2,500 =====	----- 2,500 =====	----- 3.2 =====

Even though the Fund had always applied for more than 20 per cent of the bonds issued in the year 2015, less than 5 per cent of the total issue had been applied through the primary market in the said bond issue, and the bids presented had been accepted in all those instances. As such, the opportunities in which purchases could be made from the primary market under high effective rate of over 13 per cent, had been deprived of by the management.

- (d.) Despite few bonds stated in (c) above had been purchased by the Fund from the primary market in March, 2016, the bonds under the same number had been purchased from the secondary market in April 2016. Bonds valued at Rs. 6.37 billion had been purchased from the bond under the International Securities Identification Number LKB01530E152 at the effective rate of 12.4 – 12.5 per cent. Nevertheless, an effective rate of 13.65 – 13.70 per cent had

been paid at the primary market. Furthermore, bonds valued at Rs. 0.93 billion had been purchased from the secondary market at an effective rate of 12.2 Per cent which had been lower than that of 13.45 per cent at the primary market for the bond under the International Securities Identification Number LKB01226F014. As such, it could not be ruled out that a considerable financial loss had been sustained by the Fund.

- (e.) Bonds valued at Rs. 8.09 billion had been purchased from the secondary market in March and April, 2016 at the effective rate of 11.9 – 12.5 per cent which was lower than that of 13 per cent at the primary market. Accordingly, as the Fund had purchased a higher number of bonds from the secondary market that yielded lesser returns, the Fund had lost the financial gain that would have been resulted by purchasing a lesser number of bonds from the primary market yielding higher returns.

4.3.2 Investments in the Share Market

The following observations are made.

- (a.) From the date of investment up to 31 December 2015, the Fund had received no returns whatsoever in respect of the investment of Rs. 500,000,000 made in July 2012 to purchase 1,863,676 units of an airline company. The value of those investments had been written off from the financial statements as a loss in the year 2015. The accumulated loss sustained by this company amounted to Rs. 128,238 million by the end of the financial year 2014 / 2015.
- (b.) From the date of investment up to 31 December 2015, the Fund had received no returns whatsoever in respect of the investment of Rs. 205,489,614 made during the period February - November, 2011 to purchase 5,091,200 shares of a finance company. At the time of purchasing those shares, this company had sustained a loss of Rs. 4,286 million, whereas its accumulated loss amounted to Rs. 19,135 million by the end of the accounting year 2015 / 2016. Matters such as, a qualified audit opinion on the company, factors to minimize the

Directive, Nos. 01 of 2011 and 02 of 2006 of the Central Bank of Sri Lanka, had been emphasized in the audit report.

- (c.) In respect of the investment of Rs. 810,321,610 made in May 2010 to purchase 23,712,200 shares of a hotel company, no return whatsoever had been received by the Fund from the date of investment up to 31 December 2015. As per a conclusion of the Monetary Board of the Central Bank of Sri Lanka on 05 May 2010, the market price of a share purchased at Rs. 34.17, had declined to Rs. 10.50 by the end of December, 2015.
- (d.) The Employees' Provident Fund had purchased 11,324,228 shares from an IT company at a value of Rs. 43,925,523 in the year 2013, and profitability of this company had not been taken into consideration prior to the said purchase. At the time of purchasing the shares, this company had sustained a loss of Rs. 478 million, and the auditors of the company had presented an opinion that there had been a material uncertainty in the continuous operation of the company. However, the value of the investment had declined up to Rs. 3,397,268 by 92.27 per cent by the end of December 2015. Hence, there had been an uncertainty in recovering the moneys invested in this company.
- (e.) The total capital and dividend income received by the Fund in the year 2015 from the investments in the share market had been around 4 per cent as compared with the cost of the entire investment. The returns from all 13 sectors had been at a lower level than 5 per cent.
- (f.) As the share market price of 07 companies wherein the Fund had made long-term investments, had materially declined as compared with its cost, the Fund had sustained an impairment loss amounting to Rs. 2,956,640,674 in the year 2015, and 37 per cent of that had been attributed by the decline in the share prices of a single company.
- (g.) According to the financial statements, for purchasing shares on short-term and long-term basis, a sum of Rs. 43,920,391 had been invested by the Fund in the

year 2015 in 03 companies sustaining losses, and of that, a sum of Rs. 43,293,742 had been invested on short-term basis in 02 companies sustaining losses.

- (h.) Out of the companies included in the ordinary shares investment portfolio of the Fund, a sum of Rs. 3,383,302,213 had been invested in 12 companies as at 31 December, 2015 portfolio. According to the published financial statements of those companies, 08 companies had sustained losses for the financial year 2014/2015, whereas 04 companies had sustained losses for the financial year 2015/2016. No dividend income whatsoever had been received from 07 of those companies for the financial year 2015.

4.3.3 Supervising Activities

In terms of Section 27 of the Employees' Provident Fund Act, No. 15 of 1958, the Fund had not conducted a formal supervision even by the end of September, 2016 in respect of the loss incurred by investing a sum of Rs. 03 billion in a private company from the private provident fund maintained by a public corporation under the supervision of the Commission of Labour. and the impact caused on the fund thereby.

4.4 Delayed Projects

The following observations are made.

- (a.) Even though 395 tablet computers purchased in the year 2014 by incurring a sum of Rs. 34,967,296 to be used by the Labour Officers, had been distributed among the Labour Officers, and Staff Officers, all modules of the project could not be implemented even as at 31 December 2015, due to objections raised by the Labour Officers to computerize the labour inspection information while they were in the field.

(b.) In collaboration with 02 other public institutions, the Fund had invested a sum of Rs. 05 billion by the end of the year 2013 in a hotel complex planned to be constructed at a total cost estimate of Rs. 12 billion. According to the share holders' agreement signed on 04 June 2013 in that connection, it had been decided to list the shares of this company in the share market before the end of the year 2015. Nevertheless, due to delays in the construction of the hotel, those activities had not been completed even by June, 2016. As such, no return whatsoever had been received by the Fund from the date of this investment.

4.5 Personnel Administration

The following observations are made:

(a.) The cost per employee of the Fund is given below with respect to the years 2014, and 2015.

	Year 2015		Year 2014	
	Department of Labour	Central Bank of Sri Lanka	Department of Labour	Central Bank of Sri Lanka
Cost of Salaries (Rs.)	342,557,976	405,941,432	260,279,845	318,332,546
Actual Cadre	244	154	176	166
Cost per Employee (Rs.)	1,403,926	2,635,983	1,478,863	1,917,665

In the comparison the cost per employee of the Employees' Provident Fund of the Department of Labour, the cost per employee of the Central Bank of Sri Lanka had increased by 88 per cent and 30 per cent in the years 2015, and 2014 respectively. Hence, as compared with the preceding year, the improvement of the cost per

employee of the Central Bank of Sri Lanka had been 37 per cent in the year under review. This had mainly been attributed by the salary anomalies between the Department of Labour, and the Central Bank of Sri Lanka.

- (b.) By the end of the year 2015, there had been 107 vacancies at the Employees' Provident Fund of the Department of Labour comprising 17 vacancies in the staff grade, 88 vacancies in the non-staff grade, and 02 junior grade vacancies. The vacancies in the posts of the senior grades, had effected on the settlement of funds, and the delays in taking legal actions.

5. Accountability and Good Governance

5.1 Internal Audit

Even though the approved cadre of the internal audit division of the Department of Labour that administers the Fund, had been 08, the actual number had been limited to 07. It was observed that the approved number had been insufficient based on the number of transactions taking place, and the number of regional offices of the Department had been 57. Even though a directive had been issued at the meetings of the Committee of Public Accounts held on 06 February 2013, and 19 August 2014 that the internal audit of the Department be strengthened, action had not been taken accordingly to conduct audits by attaching a sufficient staff.

5.2 Audit Committees

Meetings of the audit committees of the Fund are held together with all institutions under the purview of the Ministry of Labour, and in addition to that, a separate audit committee is maintained under the Department of Labour without participants from the Central Bank of Sri Lanka and its internal auditors who administrated the financial activities of the Fund. Attention is drawn on the necessity of establishing a separate audit committee with respect to a fund with net assets amounting to Rs. 1,665 billion.

5.3 Unresolved Audit Paragraphs

The current progress in the implementation of directives issued by the Public Accounts Committee are given below.

Directive No. -----	Directive and Current Position -----
No. 07 (03), dated 19 August 2014	Despite being instructed that the existing law be revised to prioritize the recovery of employee equity and compensation recoverable from a company when it is liquidated, and the committee had been informed that the approval of the Legal Draftsman had been received in that connection, the revised Act had not been approved even by June 2016.
No. 08, Dated 26 February 2016	Despite being stated that a proper plan be prepared for the 10 ensuing years in collaboration with the relevant institutions in order to proceed with the Employees' Provident Fund, those activities had not been done even by June, 2016.
No. 09, dated 26 February 2016	Even though it had been stated that a report on the possibility of introducing a single computer software by linking the Department of Labour and the Central Bank in order to improve the information technology process of the Fund, be furnished to the committee before 23 March, 2016, such a report had not been furnished even by the end of July 2016.

5.4 Fulfilling the Social Responsibilities

As the employees of the Fund have exceeded the age of 55 at the time of retirement, the productivity of the service being provided for the members could be improved by



preparing a methodology enabling the completion of documents required for obtaining the contribution to the Employees' Provident Fund thereby getting the moneys released at the time of retirement with emphasis on the livelihood and social security of the members. It is important to pay more attention thereon.

6. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the notice of 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 areas of control.

Area of Systems and Controls	Observation
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(a.) Members' Accounts	The methodology for crediting the contributions of the members of the Fund to their personal accounts, that had not been credited already, and paying the retained benefits to the owners, had not been made effective.
(b.) Investments	There had been instances in which investments had not been made in a manner that the Fund received maximum benefits.
(c.) Internal Audit	Due to failure in assigning a staff sufficient for the internal audit based on the scope of the institution, an internal audit had not been carried out covering all the areas.

H.M. Gamini Wijesinghe.

Auditor General