

Employees' Provident Fund Annual Report 2021

EPF, the largest superannuation fund of the private and semi government sector employees in Sri Lanka, continued to grow its asset base in 2021 by exceeding Rs. 3.1 trillion assets under management, while improving the service quality and ensuring a reasonable rate of return for its' members and the safety of the Fund. The value of the Fund grew by 12.1 per cent to record Rs. 3,166 billion by end 2021 compared with Rs. 2,824 billion recorded in the previous year. During the year, EPF efficiently provided a number of productive services to its' members with the maximum retirement benefits while ensuring the safety and growth of the Fund. EPF has successfully navigated its' fund management activities by earning Rs. 342 billion in 2021. By the end of 2021, the total investment value of the Fund reached Rs. 3,173 billion. Despite the unfavorable conditions that prevailed in the market and the volatility in market interest rates, EPF was able to declare an attractive rate of return of 9.00 per cent to its' members for the year 2021.

In terms of Section 5 (1) (i) of the EPF Act No.15 of 1958, the copies of Financial Statements prepared for the year ended 31.12.2021 have been transmitted to the Ministries of Labour and Finance on 07.03.2022. Further, the same Financial Statements were submitted to the Auditor General on 24.02.2022.



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SECTION A

CORPORATE STEWARDSHIP







Message from the Governor & Chairman of the Monetary Board

On behalf of the Monetary Board of the Central Bank of Sri Lanka (CBSL), I am pleased to issue this message to the Annual Report of the Employees' Provident Fund (EPF) for the year 2021.

EPF being the largest superannuation fund in the country has grown from Rs 2.9 trillion in 2020 to Rs 3.2 trillion by end 2021. EPF Department (EPFD) continued to provide its services to the stakeholders, while facing the challenges of several outbreaks of the pandemic throughout the year. Attending to needs of members was given prime importance reflecting continuous commitment and dedication of EPFD in managing the largest superannuation fund of the country.

The Department of Labour (DoL) has also contributed enormously to extend services to the members of EPF during these extremely challenging times. Continuous commitment of EPFD and DoL to maintain high standards of service to the best interest of the EPF members is commendable.

I would like to express my sincere gratitude to the members of EPF, employers and other stakeholders, for their continued confidence placed in the Monetary Board as the custodian of the EPF. I am confident that the EPF would continue to deliver sustainable long term returns to its members and look forward to the journey ahead, meeting expectations of stakeholders of the EPF.

Dr P Nandalal Weerasinghe
Governor & Chairman of the Monetary Board



Message from the Superintendent of the Employees' Provident Fund

The Employees' Provident Fund Department (EPFD) of the Central Bank of Sri Lanka (CBSL) engages in activities relating to the powers, duties and functions of the Monetary Board under section 5 of the Employees' Provident Fund Act No.15 of 1958, which include collection of contributions, payment of refund benefits, issuing semi-annual balance statements, provision of pre-retirement benefits such as housing loan guarantees, withdrawal of thirty per cent of member balance and managing the Employees' Provident Fund (EPF) by investing in diverse asset classes, generating an optimal risk adjusted return to its members and publishing financial statements relating to the EPF.

The year 2021 was another year with challenges in carrying out the above activities, resulting from the resurgence of the COVID 19 pandemic. With several outbreaks of the pandemic, the global economy experienced a downturn, which had its spill over effects on Sri Lanka as well. Under the economic conditions prevailed during 2021, the investment climate of EPF was impacted with the sharp increase in the overall interest rate structure during the latter part of the year.

The investment portfolio of EPF reached Rs. 3,173.3 bn at end 2021, recording a year-on-year growth of 12.15%. Majority of the funds were invested in Government securities, and during the year, a total of Rs. 382.7 bn has been invested in Treasury bonds and EPF has participated in all the Treasury bond auctions conducted by the Public Debt Department of CBSL.

At end 2021, the Listed Equity Portfolio of EPF, which included 12 companies in the S&P SL20 index, showed nearly a 58% growth year on year. During 2021, EPF conducted an equity restructuring programme which involved disposing of selected number of stocks in order to gain from the sharp price appreciation observed during the period.

Accordingly, EPFD, has been able to generate a reasonable risk adjusted rate of return through its investment management activities. These activities were carried out with the prime objective of preserving the fund through conservative fund management strategies, while improving the returns generated to the members. Total investment income of the EPF for the year amounted to Rs. 342.2 bn, and EPF paid an interest rate of 9% on the member balances in 2021. EPF paid Rs. 41.66 bn to the Government as taxes in 2021.

The total member contributions of Rs. 165.7 bn and total refunds amounting to Rs. 118.2 bn were processed during 2021. EPFD also made arrangements to issue 9,068 certificates of loan guarantees against EPF balances of members to the participating lending institutions, for the purpose of granting housing loans amounting to Rs.5,423 mn. Under the pre-retirement benefit scheme, Rs. 8.8 bn was released to 16,554 members for the purpose of constructing houses and medical needs. During the year, 2.75mn semi-annual member balance statements were issued in relation to the 2nd half of 2019, 1.99mn semi-annual statements were issued for the 1st half of 2020 and 2.45 mn semi-annual statements were issued for the 2nd half of 2020.

Other important operations such as re-registration of members according to the credentials stated in their National Identity Cards, handling public relations and inquiries counters, conducting record amendments and record managements were carried out efficiently and in a timely manner. Further, the SMS alert service on notifying the members on completion of a requested amendment, was operated for the convenience of the members.

The e-collection procedure was streamlined via the revamped official website (www.epf.lk), enabling employers to submit their Returns online and to make payments through a participating Licensed Commercial Bank (LCB) or by a cheque via People's Bank. This system enabled expediting the updating of the individual member accounts within 24 hours upon the successful completion of

the contribution payment, and also facilitates employers to ensure the accuracy of member records in the database of the EPFD. With this system it is expected to create a significant improvement in establishing a comprehensive and an accurate database, resulting in zero or minimal requirement for amendment of member details in the future.

The Process Improvement & Capacity Development Division (PICDD) was established in April 2021 in the EPFD, aiming to adopt state-of-the-art technology in order to streamline and increase the efficiency and accuracy of the operations and member services of the EPFD, while minimising any risks. PICDD initiated action under the proposed Financial Sector Modernization Project (FSMP) of the World Bank, to implement the above state-of-the-art technology at EPFD, and is also expected to assist any innovative initiations which are ongoing at EPFD.

As a concluding remark, I would like to extend my sincere gratitude to the employees of the EPFD for their commitment and dedication in fulfilling all above tasks of EPFD. The strategic guidance given by the members of the Monetary Board and the Management of the CBSL is acknowledged with gratitude. I would also like to thank the officials of the Department of Labour for their continuous support provided to EPFD, to perform its duties in meeting the requirements of the stakeholders of EPF.

A G U Thilakarathna
Superintendent
Employees Provident Fund

the private and semi government sectors has been able to provide its services continuously throughout the year of 2021.

It is a pleasure to have been able to provide services to the customers throughout the year of 2021, implementing government policies despite the spread of Covid-19 which was a global pandemic situation steps are being taken to provide an efficient service through facilitating the Employees' Provident Fund claim payment process in future.

The financial stability of the fund as well as customer satisfaction have been maintained at a higher level through carrying out the claim payment process and continuous development of the fund by adhering to relief policies towards both employer and employee.

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

I presume that this Annual EPF Report will be of use for both the employer and employee, officers of the Administration and Finance Institutions and all other stakeholders inclusive of students who have an interest in this subject.

B.K. Prabath Chandrakeerthi
Commissioner General of Labour



Message from the Commissioner General of Labour

It is with great pleasure that I, issue this message to the Annual Employees' Provident Fund Report – 2021, analysing the progress achieved by the Employees Provident Fund in 2021, which is compiled by the Department of Labour and the EPF Department of the Central Bank of Sri Lanka.

The analytical report provides evidence that the Employees' Provident Fund as the foremost social security scheme in Sri Lanka, which is maintained with the objective of securing the retired life of the employees of

Senior Management Team

As at 31st December 2021

EPF Department of the Central Bank of Sri Lanka

DIVISION	DESIGNATION	NAME
S/EPF Office	Superintendent	Mr. A G U Thilakarathna
	Additional Superintendent	Ms. S C Gunadheera
	Additional Superintendent	Mrs. W L S W Jayasundera
	Deputy Superintendent	Mrs. S M L Siriwardane
	Deputy Superintendent	Mr. H S Wickramasuriya
	Deputy Superintendent	Mrs. D P A N D Perera
	Deputy Superintendent	Mr. S J K Guruge
Corporate Services and Administration Division	Senior Assistant Superintendent	Mr. M S Widanage
	Assistant Superintendent	Mrs. K A S A Kuruppuarachchi
	Assistant Superintendent	Mrs. W M A Prabhashani
Collection Division and Public Relations, Inquiries Counter & Call Centre	Senior Assistant Superintendent	Mr. P W Wimal Shantha
	Assistant Superintendent	Mrs. K H Gunasekera
Current Contribution Division	Senior Assistant Superintendent	Mrs. G B N A Samaranayake
	Senior Assistant Superintendent	Mrs. G P D Kaviratne
	Senior Assistant Superintendent	Mr. I C Jonathan
	Assistant Superintendent	Mrs. D R M Mendis
	Management Trainee	Mr. S I A Walawage
Statemented Contribution Division	Senior Assistant Superintendent	Mrs. G B N A Samaranayake
	Senior Assistant Superintendent	Mr. I C Jonathan
	Assistant Superintendent	Mrs. D R M Mendis
	Management Trainee	Mr. S I A Walawage
Re-Registration Division	Senior Assistant Superintendent	Mrs. G B N A Samaranayake
	Senior Assistant Superintendent	Mr. I C Jonathan
	Assistant Superintendent	Mrs. D R M Mendis
	Management Trainee	Mr. S I A Walawage
E-Collection Division	Senior Assistant Superintendent	Mrs. R A C C Rupasinghe
	Senior Assistant Superintendent	Mr. M V W De Zoysa
	Assistant Superintendent	Mrs. L V M N Arseculeratne
Fund Management Division	Senior Assistant Superintendent	Mrs. L P S Perera
	Senior Assistant Superintendent	Mr. K U B Tennakoon
	Senior Assistant Superintendent	Mrs. V Prabakaran
	Senior Assistant Superintendent	Mrs. L D S R Gunasekara
	Senior Assistant Superintendent	Ms. D P Udugamakoralala
	Senior Assistant Superintendent	Mrs. P Senthilmaran
	Senior Assistant Superintendent	Mr. W S H Kumarasena
	Assistant Superintendent	Mr. W A A S Sumanadasa
	Assistant Superintendent	Mr. W A W N Wanniarachchi
	Management Trainee	Mr. D M I W Dissanayake
	Management Trainee	Mrs. E A C M Edirisinghe
	Management Trainee	Ms. K V D Sakunika
	Management Trainee	Ms. K A D C K Keeragala

Accounts and Reconciliation Division	Senior Assistant Superintendent	Mrs. M Dissanayake
	Assistant Superintendent	Mrs. W A N D Dias
	Assistant Superintendent	Mr. A K Chathuranga
	Assistant Superintendent	Mr. M P S Kalyana
	Assistant Superintendent	Mrs. D M Yatawara
Records Management Division	Senior Assistant Superintendent	Mrs. D Y S Mahagederawatte
	Assistant Superintendent	Mrs. P K D P S Dasanayake
	Assistant Superintendent	Ms. W M S Weerakkodi
Record Amendments Division	Senior Assistant Superintendent	Mrs. K M G C Bandara
	Senior Assistant Superintendent	Mr. E M S Ekanayake
	Assistant Superintendent	Mrs. M A V Wijendranee
	Management Trainee	Mrs. Y A J N Yapa
	Management Trainee	Mr. T Sanjeevan
Housing Loan Division	Senior Assistant Superintendent	Mr. A A Wimal Gamini
	Assistant Superintendent	Mr. K A D H A Rajarathna
Refund Control Division	Senior Assistant Superintendent	Mrs. W G A C De Silva
	Assistant Superintendent	Mrs. P V M Siriwardena
Refund Payments Division	Assistant Superintendent	Mrs. G G N M Perera
	Assistant Superintendent	Mr. P Premasiri
Process Improvement & Capacity Development Division	Senior Assistant Superintendent	Mr. U P Jayasinghe
	Assistant Superintendent	Mr. T T D Peiris
	Management Trainee	Mrs. R K M Prathibhani

Department of Labour (EPF Division)

DIVISION	DESIGNATION	NAME
	Commissioner of Labour	Mr. D.P.K.R.Weerakoon
Claim	Deputy Commissioner of Labour	Mrs. N.M.Y.Thushari
	Assistant Commissioner of Labour	Mrs. R.S.Shyaman
	Assistant Commissioner of Labour	Mrs. T.Revathi
	Assistant Commissioner of Labour	Mrs. Madumathi Deyaneththi
	Assistant Commissioner of Labour	Mrs. K.D.A.P. Gunarathne
Recovery	Deputy Commissioner of Labour	Miss. A.M.Sriyani
	Assistant Commissioner of Labour	Miss. A.L.H.Rupika Padmini
	Assistant Commissioner of Labour	Mr.G.C.P.Kumara
30% claim	Deputy Commissioner of Labour	Mrs. M.I.N. Sandamali
	Assistant Commissioner of Labour	Mrs. K.R. Methma Ranasinghe
	Deputy Commissioner of Labour	Miss. B.Niroshini
Administration	Assistant Commissioner of Labour	Mrs. J.A.M.O. Wijayarathna
Central Filing Section	Assistant Commissioner of Labour	Mrs.J.A.Anusha Chandrasekara
Death Claim	Assistant Commissioner of Labour	Mrs. D.M.T.P. Dasanayake

Regulatory Framework

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

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

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

Functions of the Monetary Board of the CBSL



Receipt of member contributions, surcharges and fees, and income.



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



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



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



Maintenance of general accounts and preparation of annual accounts.



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



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



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



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



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



Correcting errors in details of member accounts.

Functions of the Commissioner of Labour



Registration of institutions and members to the Fund.



Recovery of contributions from employers defaulting payments.



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



Supervision of Approved Provident Funds.



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

SECTION B

CORPORATE OVERVIEW





OUR MISSION

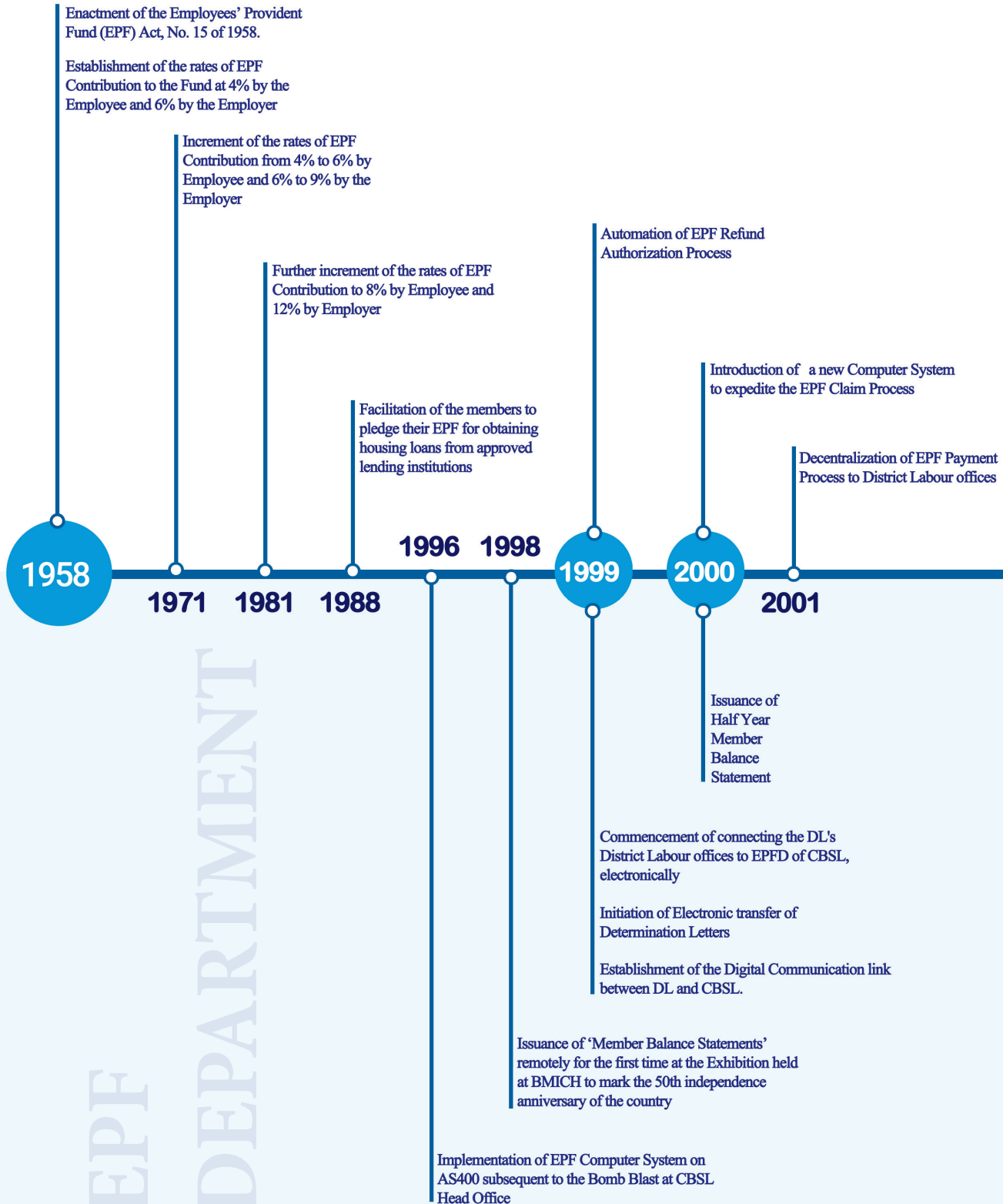
“To provide maximum retirement benefits and an efficient service to our members through prudent and innovative management of the Fund”

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

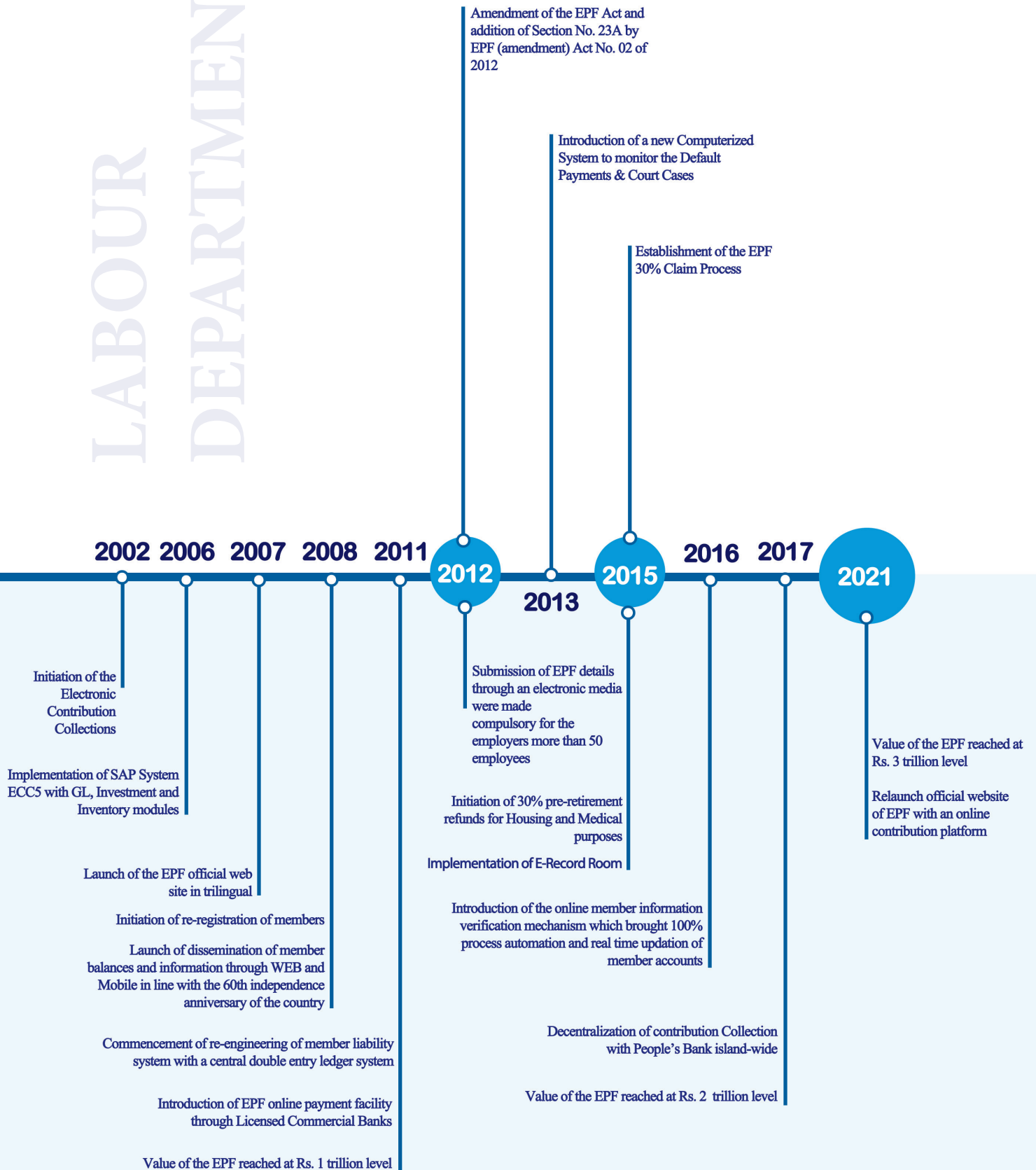
OUR VISION



Milestones of the Journey



LABOUR DEPARTMENT





FINANCIAL HIGHLIGHTS - 2021





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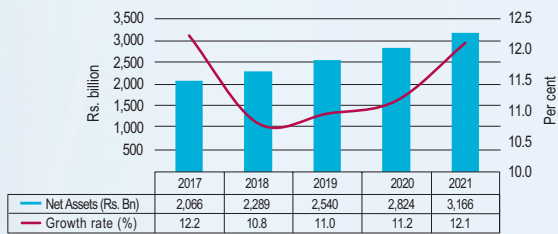
70.1

31.012

55,651	100,000	40,483	59,517
55,168	100,000	40,967	59,221
54,685	100,000	41,500	58,550
54,202	100,000	41,934	57,100
74,865	100,000	42,417	56,517
80,572	100,000	42,900	56,134
85,760	100,000	43,285	55,551
	200,000	43,866	54,685
	300,000	44,349	54,202
	400,000	44,832	
	500,000	45,315	
	600,000	45,798	
	700,000	46,281	
	800,000	46,764	
	900,000	47,247	
	1,000,000	47,730	
	1,100,000	48,213	
	1,200,000	48,696	
	1,300,000	49,179	
	1,400,000	49,662	
	1,500,000	50,145	
	1,600,000	50,628	
	1,700,000	51,111	
	1,800,000	51,594	
	1,900,000	52,077	
	2,000,000	52,560	
	2,100,000	53,043	
	2,200,000	53,526	
	2,300,000	54,009	
	2,400,000	54,492	
	2,500,000	54,975	
	2,600,000	55,458	
	2,700,000	55,941	
	2,800,000	56,424	
	2,900,000	56,907	
	3,000,000	57,390	
	3,100,000	57,873	
	3,200,000	58,356	
	3,300,000	58,839	
	3,400,000	59,322	
	3,500,000	59,805	
	3,600,000	60,288	
	3,700,000	60,771	
	3,800,000	61,254	
	3,900,000	61,737	
	4,000,000	62,220	
	4,100,000	62,703	
	4,200,000	63,186	
	4,300,000	63,669	
	4,400,000	64,152	
	4,500,000	64,635	
	4,600,000	65,118	
	4,700,000	65,601	
	4,800,000	66,084	
	4,900,000	66,567	
	5,000,000	67,050	
	5,100,000	67,533	
	5,200,000	68,016	
	5,300,000	68,499	
	5,400,000	68,982	
	5,500,000	69,465	
	5,600,000	69,948	
	5,700,000	70,431	
	5,800,000	70,914	
	5,900,000	71,397	
	6,000,000	71,880	
	6,100,000	72,363	
	6,200,000	72,846	
	6,300,000	73,329	
	6,400,000	73,812	
	6,500,000	74,295	
	6,600,000	74,778	
	6,700,000	75,261	
	6,800,000	75,744	
	6,900,000	76,227	
	7,000,000	76,710	
	7,100,000	77,193	
	7,200,000	77,676	
	7,300,000	78,159	
	7,400,000	78,642	
	7,500,000	79,125	
	7,600,000	79,608	
	7,700,000	80,091	
	7,800,000	80,574	
	7,900,000	81,057	
	8,000,000	81,540	
	8,100,000	82,023	
	8,200,000	82,506	
	8,300,000	82,989	
	8,400,000	83,472	
	8,500,000	83,955	
	8,600,000	84,438	
	8,700,000	84,921	
	8,800,000	85,404	
	8,900,000	85,887	
	9,000,000	86,370	
	9,100,000	86,853	
	9,200,000	87,336	
	9,300,000	87,819	
	9,400,000	88,302	
	9,500,000	88,785	
	9,600,000	89,268	
	9,700,000	89,751	
	9,800,000	90,234	
	9,900,000	90,717	
	10,000,000	91,200	

Graph 01

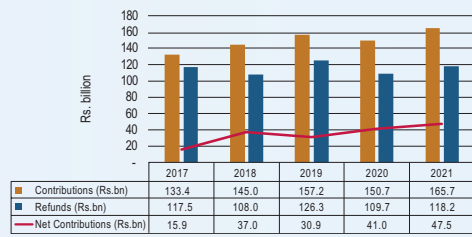
Growth of the Fund



Source: EPF Department, Central Bank of Sri Lanka

Graph 02

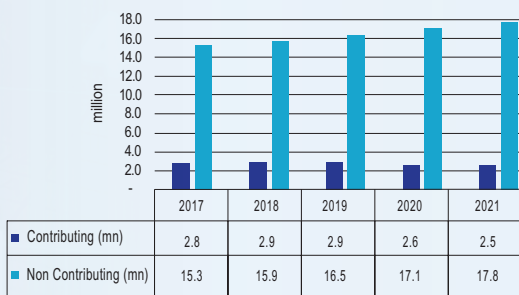
Contributions, Refunds and Net Contributions



Source: EPF Department, Central Bank of Sri Lanka

Graph 03

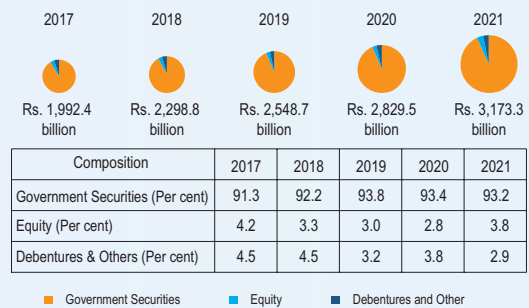
Number of Member Accounts



Source: EPF Department, Central Bank of Sri Lanka

Graph 04

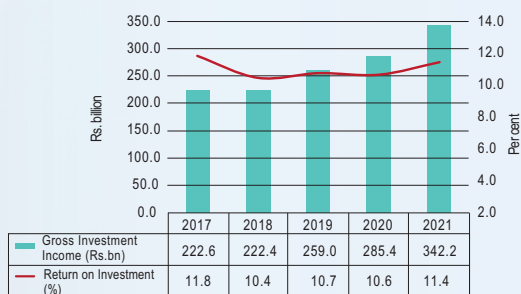
Composition of Investment Portfolio



Source: EPF Department, Central Bank of Sri Lanka

Graph 05

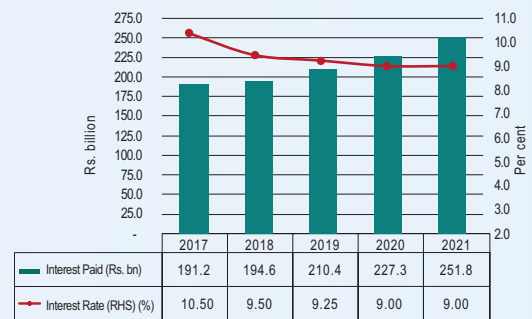
Return on Average Investment Portfolio



Source: EPF Department, Central Bank of Sri Lanka

Graph 06

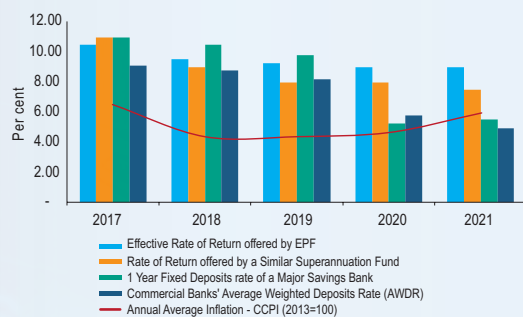
Interest Credited to Closing Balances of Member Accounts



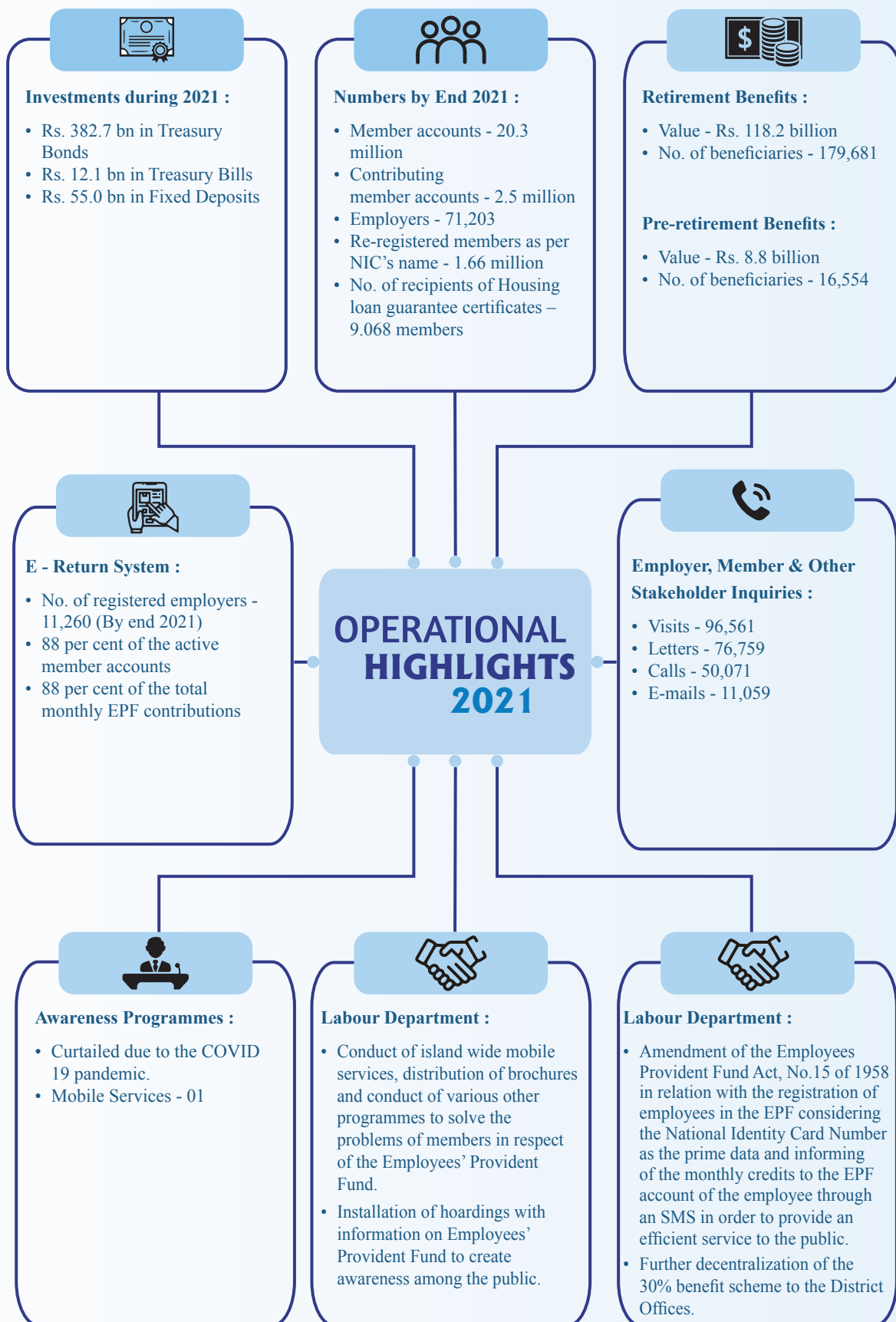
Source: EPF Department, Central Bank of Sri Lanka

Graph 07

Effective Rate of Return for Member Balances vs. Market Rates



Source: EPF Department, Central Bank of Sri Lanka
Annual Report - 2021, Central Bank of Sri Lanka



1

REVIEW OF THE PERFORMANCE OF EPF - 2021

1. Introduction

The total net worth of the Fund reached Rs. 3,166.1 billion as at end 2021 recording a 12.1 per cent growth over Rs. 2,824.3 billion recorded by end 2020. The total number of member accounts was 20.3 million by end of 2021. The number of contributing member accounts was 2.5 million by end 2021, a decrease of 3.8 per cent compared to 2.6 million in 2020, whilst noncontributing member accounts increased to 17.8 million by the end 2021, compared to 17.1 million in 2020. Meanwhile, the number of contributing employers recorded a decrease of 20.8 per cent to 71,203 by end 2021 from 89,853 reported at end 2020.

1.1 Member Contribution and Payments of Retirement Benefits

During 2021, member contributions increased by 9.9 per cent to Rs. 165.7 billion from Rs. 150.7 billion during 2020. The total amount refunded to the members and their legal heirs was Rs. 118.2 billion during 2021, indicating an increase of 7.7 per cent over that of Rs. 109.7 billion refunded during 2020. The total amount of refund included the amount of 30 per cent refunds paid during the year, which was Rs.8.8 billion and regular refunds amounted

to Rs.109.4 billion. The total number of refund claims paid during 2021 was 179,681, which was a decrease of 9.0 per cent compared to 197,401 recorded during 2020. Accordingly, the net contribution (gross contributions less refunds) increased by 15.9 per cent to Rs. 47.5 billion compared to Rs. 41.0 billion recorded during the previous year. An increase in the net contribution recorded during 2021 compared with the last year is mainly due to a higher increase in contributions received than the increase in refunds.

1.2 Investment Portfolio of EPF

The investment portfolio of the Fund, which consists of government securities, listed and unlisted equities, corporate debentures, and money market investments, including fixed deposits, grew by 12.2 per cent from Rs. 2,829.5 billion at the end of 2020 to Rs. 3,173.3 billion at the end of 2021 as illustrated in Table 1 and Graph 8.

The growth in the investment portfolio was mainly contributed by the net income of Rs.299.1 billion and net member contributions of Rs. 47.5 billion. The concentration of investments in Government securities showed a slight decrease from 93.4 per cent in 2020 to 93.2 per cent at the end of 2021. However, the composition of investments in equity increased

Table 1

Investment Portfolio 2017 -2021

Asset Class	Amounts in Rs. Bn				
	2017	2018	2019	2020	2021
Government Securities	1,818.6	2,119.2	2,390.4	2,642.9	2,958.8
Equity Investment	84.3	74.9	75.4	79.9	121.1
Corporate Debentures	38.7	43.7	41.9	34.9	24.0
Fixed Deposits	48.0	33.6	25.0	55.8	57.2
Trust Certificates, Re-Repo & Other Investments	2.7	27.4	16.0	16.0	12.3
Grand Total	1,992.4	2,298.8	2,548.7	2,829.5	3,173.4

Source : EPF Department, Central Bank of Sri Lanka

to 3.8 per cent in 2021 from 2.8 per cent in 2020. Investments in corporate debt securities and short-term fixed deposits accounted for 0.8 per cent and 1.8 percent of the portfolio, respectively, by the end of 2021. The total outstanding amount of reverse repurchase transactions, including investments in term and overnight reverse repurchase agreements and standing deposit facility, accounted for 0.4 per cent of the portfolio at the end of 2021.

1.2.1 Government Securities Portfolio

The Government securities portfolio consisting of Treasury bonds and Treasury bills grew by 12.0 per cent to Rs. 2,958.8 billion at end of 2021 from Rs. 2,642.9 billion at end of 2020. During 2021, EPF earned an interest

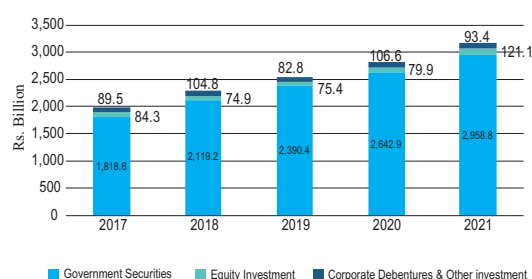
income of Rs. 285.3 billion on the Government securities portfolio representing 83.4 per cent of the total investment income of the Fund. In 2021, the weighted average current yield of the treasury bond portfolio was 10.73 per cent. As per the Maturity Profile given in Table 2, more than 62 per cent of the treasury bond portfolio is having a maturity period of more than 5-years, reflecting the EPF's preference towards longer tenor.

1.2.2 Equity Portfolio

The value of Equity portfolio of EPF, which consists of both listed and unlisted equities, increased by 51.5 per cent from Rs. 79.9 billion at the end of 2020 to Rs. 121.1 billion at the end of 2021 due to the sharp increase in the value of the listed equity portfolio which reported on marked to market basis. The value of listed equities increased by 58.1 per cent from Rs. 70.8 billion at the end of 2020 to Rs. 112.0 billion at the end of 2021. The unlisted equity portfolio, which carrying on cost basis had not been changed since there were no transactions relating to such investments during 2021. EPF's listed equity portfolio consists of investments in many companies operating in different sectors, such as Banks,

Graph 08

Investment Portfolio 2017 – 2021



Source : EPF Department, Central Bank of Sri Lanka

Table 2 Maturity Profile of Treasury Bonds Portfolio as at end of 2021

Maturity	Maturity Value Amount (Rs.mn)	Share (%)	Weighted Average Yield (%)
Less than 1 Year	144,212.7	5.0	7.73
1-2 Years	357,622.3	12.3	8.82
3-4 Years	592,422.7	20.4	10.32
More than 5 years	1,809,671.8	62.3	11.49
Total	2,903,929.5	100.0	10.73

Source : EPF Department, Central Bank of Sri Lanka

Capital Goods, Consumer Services, Material, etc. The details of EPF's listed equity portfolio as per the Global Industry Classification System (GICS) classification adopted by the Colombo Stock Exchange w.e.f. 20th January 2020 at market value is shown in graph 9. EPF held 22.0 per cent of its listed equity portfolio in Banking sector which showed a setback during year 2021. EPF's equity portfolio recorded a net gain of Rs. 42.2 billion during 2021 and a dividend income of Rs. 6.7 billion.

1.2.3 Corporate Debt Portfolio

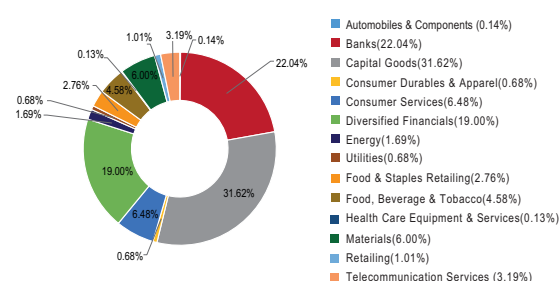
EPF invests in debt instruments such as corporate debentures, trust certificates and mortgage-backed securities issued by investment grade companies. Accordingly, during 2021, investment opportunities in corporate debentures were limited given the low interest rate regime, while the EPF Department was also conscious of the need to invest in corporates with better credit ratings to mitigate the credit risk of the corporate debt portfolio of the EPF. The corporate debenture portfolio of the Fund stood at Rs 24.0 billion on book value as at end of 2021, constituting 0.8 per cent of the total portfolio. The Fund earned interest income of Rs. 3,968.7 million on the corporate debt portfolio and the rate of return on the average portfolio was 13.49 per cent during the year.

1.2.4 Reverse Repurchase Transactions

The Funds are invested in the repo market and Open Market Operation window of Central Bank in managing the liquidity of the Fund. During 2021, the Fund earned an interest income of Rs. 544.5 million from reverse repo transactions, which was Rs. 521.0 million in 2020.

1.2.5 Fixed Deposits

Based on the special approval granted by the Monetary Board, EPF invested its funds in short term Fixed Deposits with three state banks with a maximum maturity of one year. Accordingly, the outstanding value of Fixed Deposit investments at the end of 2021 was Rs. 57.2 billion, which is equivalent to 1.8 per cent of the total portfolio. The interest income earned during the year 2021 was Rs. 3,856.6 million.

Graph 09 Sectorial Composition of the Listed Equity Portfolio as at end of 2021 Based on Market Value

Source : EPF Department, Central Bank of Sri Lanka

1.2.6 Total Investment Income of the Fund

Total investment income of the Fund amounted to Rs. 342.2 billion in 2021, recording an increase of 19.9 percent compared to that of the previous year (Table 03). Interest income, which accounts for 85.8 per cent of the investment income was the major source of income of the fund and grew by 5.9 per cent from Rs. 277.4 billion in 2020 to Rs. 293.7 billion in 2021. Further, dividend income generated from equity portfolio was reported as Rs. 6,685.5 million in 2021 compared to Rs. 2,985.0 million earned in 2020. Further, listed equity portfolio of EPF recorded an impressive net gain of Rs. 41.8 billion at end of 2021 compared to Rs.5.0 billion net gain earned in 2020 which attributed to the improved performance in stock market by the end 2021.

Table 3 Investment Income of the Fund

Source of Income	2020	2021	Growth (%)
	Amount (Rs.mn)	Amount (Rs.mn)	
Interest	277,409	293,678	5.9
Dividends	2,985	6,685	124.0
Net Gain/(Loss) on Financial Instruments at FVTP/L	5,023	41,840	733.0
Impairment of Financial Assets	1.6	(1.0)	(161.8)
Total	285,419	342,203	19.9

Source : EPF Department, Central Bank of Sri Lanka

1.3 Governance Framework for Risk Management of EPF

EPF Department is also considered as an integral part of the Risk Governance structure of the Central Bank of which the ultimate authority is the Monetary Board of the Central Bank as the custodian of the Fund. Accordingly, fund management activities and other operational activities are overseen within the Risk Governance Structure of the Central Bank, covering both financial and non-financial risks. Further, Monetary Board, as the ultimate decision-making authority of the fund management activities of the EPF Department, provides policy direction for the investment activities of the Fund by specifying the overall risk parameters, such as the risk appetite and risk tolerance levels within which the fund should be managed. Monetary Board has established the respective process through the supervision of two high-level committees, namely, the Board Risk Oversight Committee (BROC) and EPF Investment Oversight Committee (EIOC) in order to strengthen the governance of the risk management structure of the EPF.

The BROC is responsible for overseeing the risk management function and the EIOC provides the highest level of oversight authority pertaining to the fund management activities. The role of the EIOC is to oversee the investment activities of the EPF by providing strategic and policy guidance for the management of the fund. Further, powers with respect to the day-to-day investment decision-making function of the EPF fund management activities have been delegated to the departmental level committee, the EPF Investment Committee (EIC). The Middle Office (MO) of the Fund Management Division of EPF Department is responsible for the risk management and

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

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

The Risk Management Department (RMD) as the Second Line of Defense, is responsible for providing the policy framework for the investment governance process through an independent assessment, recommending risk control measures to the EPF, reporting risks and compliance associated with the fund management activities of the EPF to the EIOC, NFRMC, BROCC and Monetary Board. Accordingly, providing applicable policy directions and guidelines relating to investment activities are handled by RMD through revising and updating the IPS, SAA and IGs in line with updated market and EPF's requirements, to improve the existing work procedures and to provide greater independence over the investment decision making process while maintaining an adequate level of internal controls. Further, RMD continuously coordinate with identifying and reporting the non-financial

risks of EPF Department while being within the bank wide risk management procedures.

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

In 2021, MO of EPF Department reviewed the adherence of fund management activities of EPF with the parameters provided in IPS, SAA and IGs, and the internal control system in place while ensuring the safety of funds and optimal return to the fund. Further, regular reporting of such activities was done as necessary. Also, MO deliberated the possible risks to the investment portfolio due to the drastic changes took place in the market during the year in the evaluation of pre-trade and post-trade compliances. Such challenges occurred mainly due to the significant upward movement of yield curve, drastic increase in All Share Price Index, revision of National Long-term Rating of the Sri Lankan financial institutions following the recalibration of its Sri Lankan sovereign rating scale, in January 2021 etc. Further, Co-ordinated with RMD to revise the prevailing investments policy framework in order to strengthen the existing risk management framework of the investment activities towards the prevailing market conditions. Accordingly, as a part of this process, RMD revised IPS and IGs which are applicable for EPF's investment activities with effect from 23.09.2021. Also, EPF Department continuously paid its attention to identify and address its non-financial risks while being align with Central Bank's risk management framework. Accordingly, periodic reviews were conducted to identify and review non-financial risks of EPF Department and to decide and monitor the implementation of risk mitigation actions thereon.

Table 4 Operational Expenditure of the Fund

Item	EPF Department of Central Bank			Labour Department			Total		
	2020 (Rs. million)	2021 (Rs. million)	Change (%)	2020 (Rs. million)	2021 (Rs. million)	Change (%)	2020 (Rs. million)	2021 (Rs. million)	Change (%)
Personnel Expenses	648	602	(7.1)	455	456	0.2	1,102	1,058	(4.0)
Administrative Expenses	282	299	6.0	190	224	17.9	472	523	10.8
Other Expenses	63	60	(4.8)	8	6	(25.0)	71	66	(7.0)
Total	993	961	7.1	652	685	(0.3)	1,645	1,646	0.1
Total Expenses as a % of Gross Income	0.35	0.28		0.23	0.20		0.58	0.48	

Source: EPF Department, Central Bank of Sri Lanka

1.4 Operational Expenditure

The total operational expenditure of the Fund increased to Rs. 1,646.1 million in 2021, with 0.1 per cent increase compared to Rs. 1,645.1 million in 2020 mainly due to the increase in personnel expenses. Even though, operational expenses as a percentage of gross income decreased to 0.48 per cent during the year compared to 0.58 per cent in 2020. (Table 04).

1.5 Tax Expenditure

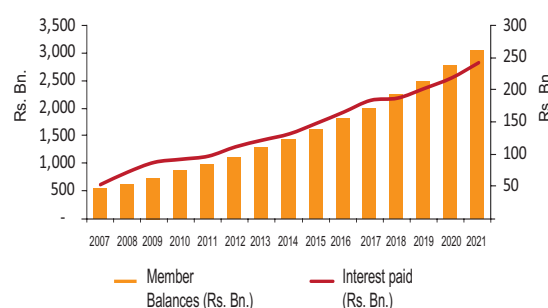
With the introduction of the Inland Revenue Act, No.24 of 2017, which was effective from 01st April 2018, the income tax rate applicable for the fund increased from 10 per cent to 14 per cent, which resulted in an increase of Rs. 2.6 billion in the tax expenditure when compared with the previous year. Furthermore, the Withholding Tax (WHT) of 10.0 per cent paid on Treasury bond interest income which had been recognised as part of gross income under the previous tax regulations has been abolished with effect from 01st April 2018. Since, EPF Treasury bond portfolio still consists

of investments prior to 01st April 2018, the abolishment of WHT is adversely affected to the investment income of the Fund.

1.6 Member Account Balances and Interest Credited

In 2021, a sum of Rs.251.8 billion was credited to member accounts as interest. Accordingly, the member account balances increased by 10.8 per cent to Rs. 3,066.9 billion as at end of 2021 compared to Rs. 2,767.8 billion as at end of 2020. Despite the low interest rate environment that prevailed during the recent years, the fund was able to declare an interest rate of 9.00 per cent on the closing balance

Graph 10 Member Balances and Interest Credited.



Source: EPF Department, Central Bank of Sri Lanka

of member accounts for the year ending 31st December 2021, which is same as 2020.

1.7 Housing Loan Guarantee Facility

The Housing Loan Guarantee Scheme, introduced in 1988 with the objective of facilitating the members to obtain housing loans from the participating lending institutions, viz., Housing Development and Finance Corporation Bank, State Mortgage and Investment Bank, Bank of Ceylon, People's Bank and Co-operative Rural Banks, continued during the year. During 2021, the EPF Department issued 9,068 certificates of loan guarantees against EPF balances of members to the participating lending institutions for the approval of housing loans amounting to Rs.5,423 million (Table 5). Further, during 2021, nearly Rs. 3,573 million

was deducted from the relevant member accounts and remitted to the participating lending institutions to settle the overdue loans of respective members for the year 2020.

1.8 Enforcement of Law

In accordance with the provisions of the EPF Act, the Department of Labour is responsible for the general administration and enforcement of the EPF Act. Accordingly, during 2021, the district labour offices and sub offices registered 4,188 new institutions and 18,298 new employees covering all provinces. More than 50.8 per cent of the institutions registered during the year 2021, were from the Western province while the Northern and the Eastern provinces together accounted for 10.1 per cent of the total employer registrations.

Table 5

Housing Loan Facility

Year	Number of Certificate Issued	Value of the Guarantee Certificates Issued (Rs. mn)	Amount Remitted to Lending Institutions to settle overdue loans of the Previous Year (Rs. mn)
2011	20,041	6,355	1,896
2012	11,234	3,973	2,019
2013	16,268	6,914	2,178
2014	17,786	8,021	2,394
2015	13,132	5,489	2,522
2016	12,780	5,414	2,541
2017	10,998	4,946	2,485
2018	10,036	4,974	2,759
2019	10,022	5,097	3,164
2020	8,537	4,497	3,321
2021	9,068	5,423	3,573

Source : EPF Department, Central Bank of Sri Lanka

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 has sent 8,273 first notices and 7,319 red notices claiming overdue EPF contributions of Rs. 4,379.8 million and Rs. 4,304.9 million, respectively. Further, Rs. 556.6 million has been recovered by the Department of Labour by filing legal cases against 2,218 institutions which had failed to settle the arrears within 28 days after receiving the red notices.

1.9 Re-registration of EPF members

The project of re-registering member details in accordance with their details on the National Identity Card (NIC), which was commenced by EPF Department in 2010 was continued in the year 2021 as well. This project was implemented with the collaboration of the

Labour Department with the intention of rendering an efficient service to both employers and employees. Accordingly, members were re-registered with the EPF as per the collected NIC details and this is the preliminary work that is underway to accomplish a Member Centric Database that can be utilized by both institutions commonly through the facility of identifying each member by their NIC number as the Unique Identification Number. The statistical information chart on re-registered members during the year 2021 under this project is given in table 07 below.

Even though a slight drawback in the re-registration project was noted during the year 2021 due to the disruptions caused by the COVID-19 pandemic situation that prevailed in the country, EPF Department took several initiatives in 2021 based on the access gained to the database of the

Table 6 Enforcement of Law

Description		Year				
		2017	2018	2019	2020	2021
New Registrations	Employers	7,718	9,243	8,930	5,092	4,188
	Employees	280,079	37,662	37,297	427,016	18,298
Provincial wise Employer Registrations (As a % of total Employer Registration)	Western	50.4	43.0	42.8	45.1	50.8
	Northern & Eastern	6.3	15.0	11.3	11.3	10.1
	Other	43.3	42.0	45.9	43.6	39.1
First Notices	No. of notices sent	10,888	13,653	20,436	11,395	8,273
	Amount Claimed (Rs. million)	5,876	4,316	6,839	5,076	4,380
Red Notices	No. of notices sent	6,613	8,364	13,756	7,742	7,319
	Amount Claimed (Rs. million)	3,775	3,320	5,231	3,884	4,305
Filed Cases	No. of cases	3,019	2,831	4,255	2,712	2,218
	Amount Recovered (Rs. million)	1,093	1,710	547	329	557

Source : EPF Section, Department of Labour

Department of Registration of Persons (DRP), with the intention to expedite the process of re-registering members in 2022 covering more number of active members.

1.10 e>Returns System for EPF Payments

The e-Return system which facilitates collection of EPF contributions and respective member details in electronic means was introduced by the EPF Department with an objective of improving its operational efficiency in a paperless operating environment. This system was operated on voluntary basis until the respective enactment, i.e, EPF (amendment) Act, No. 02 of 2012 came into effect. Accordingly, submission of EPF contribution details through an electronic media made mandatory for the employers having more than 50 employees in their employments.

In 2011, Licensed Commercial Banks (LCBs) joined this system as facilitators to collect EPF contributions via their own online portals which paved the way for a remarkable improvement in employer participation and speedy member accounts updating process while strengthening its administrative and monitoring functionalities. The e-Return system achieved its highest technological breakthrough in 2016 with the introduction of the online member information validating mechanism which brought 100 per cent process automation and real time updating of member accounts. Accordingly, eight LCBs are facilitating EPF online payments while four

of them provide online member information validation and real time member accounts updating facility for their customers. In 2020, a notable modification was introduced to the e-collection system with regard to crediting the EPF contributions to the member accounts. With the implementation of the system, the error-free contributions are credited to the members automatically upon the processing of the e-files with an automated reply for fund acknowledgement and details of member name discrepancies, if any.

Year 2021 was a remarkable year for EPF Department a new mechanism was introduced via its' revamped official website for strengthening existing e-collection procedure. It enabled the employers to submit their e>Returns through the website and to make the payment online through a participating LCB via 'LankaPay Online Payment Platform (LPOPP)' or by a cheque or as a direct debit. Bank of Ceylon, People's Bank and Commercial Bank of Ceylon PLC were the LCBs that have joined with EPF Department with regard to the facility by end 2021. One of the salient features of the new system is that it further expedites the individual member accounts updating process to be completed within 24 hours upon a successful payment. Furthermore, it facilitates employers to ensure the accuracy of member records appeared in the contribution detail file by comparing with the respective details in the EPF Department's database. This would be a significant improvement in establishing a comprehensive EPF database and hence there

Table 7

Re-registration of Member Accounts

No. of members re-registered during the year 2021	Total no. of members re-registered by the end of year 2021
18,758	1,656,019

will be no or minimal efforts to be exerted in member detail amendments in future.

By end 2021, the participation of employers in the e-Return submission system was increased from 10,069 to 11,260 covering approximately 88 per cent of the active member accounts and approximately 88 per cent of the total monthly EPF contribution. In addition, actions were taken to make the employers further aware regarding the e-Return submission procedure and its benefits for EPF stakeholders while emphasizing the importance of taking actions to rectify the issues with regard to member name discrepancies of the e – correspondences to assure that the contributions are credited member accounts on timely basis.

1.11 Pre-Retirement Refund Scheme

Pre-retirement refund scheme was introduced in terms of the provisions in EPF (Amendment) Act, No. 02 of 2012 and the subsequent procedures passed by the Parliament. Accordingly, members who have service of more than 10 years and EPF account balance of more than Rs. 300,000 are entitled to withdraw up to 30 per cent of the member balance in their accounts subject to a maximum of Rs. 2 million for the purposes of constructing a house or medical requirements w.e.f. 2015. The said scheme is in high demand among the members of EPF and Rs.8.8 billion was released to 16,554 beneficiaries during 2021 under this scheme, while a total of Rs. 107.1 billion was refunded to over 197,057 beneficiaries by the end of 2021.

1.12 EPF Mobile Service Programme

During 2021, a mobile service was conducted facilitating almost all the services a member could obtain by visiting the EPF Department.

The services included issuing of EPF balance statements, amendment of EPF member details, clearing of dummy numbers, EPF account amendments and promoting SMS & internet member services. Furthermore, awareness for employers on e-collection and direct debit system, re-registration of member details, and providing advice on overall EPF procedures. However, mobile services scheduled to be conducted during the year were curtailed due to the COVID-19 pandemic situation.

1.13 Image Scanning Project

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

The servers procured for ISP in year 2013 reached entirely being utilized. Therefore, during the year the EPF Department procured SAN disks and expanded the capacity of the servers.

After the expansion of the server capacity, the tender procedures were conducted to select a suitable service provider to scan Form C & C3 used for the collection of contribution from employers belonging to the year 2018 to 2021, Refund worksheets from 2016 to 2021, Amendment letters from 2018 to 2021 and Re-registration documents belong to the period from 2015 to 2021.

The EPF Department also conducted the tender procedures on the subject "Supply, Delivery, Installation, Commissioning & Maintenance of Hardware & Software for the IBM FileNet & DataCap Document Management System at the Production &

Disaster Recovery Site and Providing System Update, Maintenance & Application Support for Document Management System including its Customized Components” to enhance the document management system with Disaster Recovery arrangement.

1.14 Other Services to Members

The Public Relations and Inquiries Counter of EPF Department concluded a challenging year in 2021 amidst the COVID-19 pandemic. The EPF Department provided its services to 96,561 members/employers who visited the Department and attended to 50,071 and 11,059 member inquiries through telephone calls and e-mails, respectively, during the year. Further, the Department received 76,759 letters from members, employers and other stakeholders.

In year 2021, Record Amendment Division (RAD) of EPF Department has attended to 33,400 EPF record amendments to rectify mismatches of name and NIC details of members and correction of account numbers, while updating the correct account balances of respective members. With the access to the database of the DRP, EPF Department was able to serve its members expeditiously, particularly at their identity verification stage of record amendment.

1.15 Process Improvement and Capacity Development

A separate division, Process Improvement & Capacity Development Division (PICDD) was established in April 2021 at the EPF Department, primarily to be the central point for the proposed Financial Sector Modernization Project (FSMP) by the World Bank, to upgrade the EPF Department's ICT systems and to assist any innovative initiations at the EPF Department which are ongoing.

During the year 2021, EPF Department successfully managed to relaunch EPF's official website which facilitates enhanced services to its members such as an online contribution platform. This platform is undergoing additional enhancements where members will be facilitated with a mobile based payment gateway during 2022.

During the last two quarters of 2021, EPF Department worked towards finalizing a contract between the Central Bank and Price Waterhouse Coopers (PWC) India who was selected by the Central Bank to become its Consultant cum Project Manager. This consultancy arrangement is expected to assist EPF Department's senior management to redesign some of its business processes, introduce innovation and ultimately, implement new state-of-the art ICT solution at the EPF Department with enhanced member services.



SECTION C

FINANCIAL STATEMENTS

EMPLOYEES' PROVIDENT FUND
STATEMENT OF INCOME AND EXPENDITURE

For the year ended 31 st December	Note	2021			2020
		Monetary Board	Labour Dept.	Total	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Income	5	293,678,260	-	293,678,260	277,409,000
Dividend Income	6	6,685,492	-	6,685,492	2,985,049
Net Gain/ (Loss) on Financial Instruments at Fair Value B Through Profit or Loss	7	41,840,149	-	41,840,149	5,023,106
Over/(Under) Provision of Impairment of Financial Assets	8	(1,016)	-	(1,016)	1,643
Investment Income		342,202,885	-	342,202,885	285,418,798
Other Income	9	162,652	9,009	171,661	212,090
Gross Income		342,365,537	9,009	342,374,546	285,630,888
Operating Expenses	10	(960,793)	(685,343)	(1,646,136)	(1,645,078)
Operating Profit/ (Loss) before Income Tax		341,404,744	(676,334)	340,728,410	283,985,810
Tax Expense	11	(41,656,976)	-	(41,656,976)	(39,062,581)
Profit/ (Loss) for the Year		299,747,768	(676,334)	299,071,434	244,923,230
Retained Profit Brought Forward				429,929	129,112
Unrealised Gain on Listed Equity				(40,503,848)	-
Profit available for Distribution				258,997,515	245,052,342
Profit Distribution					
Less : Interest Paid on Current Year Refunds				(4,549,668)	(4,315,789)
Add/ (Less) - Transfer from / (to) Profit Equalisation Reserve				(2,600,000)	(13,000,000)
Interest on member balances as at 31 st December 2021 @ 9.00% (2020-9.00%)				(251,786,584)	(227,306,624)
Balance Carried Forward for the Distribution in Next Year				61,263	429,929

The accounting policies and notes on pages 08 through 55 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,

Ajith Nivard Cabraal

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Date : 15 February 2022

A G U Thilakarathna

A G U Thilakarathna
Superintendent
Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 st December	Note	2021 Rs.'000	2020 Rs.'000
Profit for the Year		299,071,434	244,923,230
Other Comprehensive Income			
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	12	48,794	350,829
Total Comprehensive Income for the Year		299,120,228	245,274,059

The accounting policies and notes on pages 08 through 55 form an integral part of the Financial Statements.

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

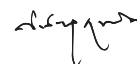
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For and on behalf of the Monetary Board,



.....
Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Date : 15 February 2022



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

EMPLOYEES' PROVIDENT FUND
STATEMENT OF FINANCIAL POSITION

As at 31 st December	Note	2021 Rs. Rs.'000	2020 Rs. Rs.'000
Assets			
Property, Plant and Equipment	13	274,150	250,536
Capital Work-in-Progress		235,497	81,995
Intangible Assets	14	2,009	2,989
Equity Instruments at FVOCI	15	9,902,267	9,853,473
Equity Instruments at FVTPL	16	111,201,978	70,094,309
Debt Instruments at Amortised Cost	17	3,052,238,755	2,749,546,574
Inventories		9,618	11,099
Interest Receivables		122,125	122,125
Contribution Receivable		14,100,000	14,546,427
Other Current Assets	18	555,488	985,255
Cash and Cash Equivalents	19	3,101,966	2,613,033
		3,191,743,853	2,848,107,816
Liabilities			
Accounts Payable	20	3,967	4,554
Accrual Expenses		329,333	437,237
Other Current Liabilities	21	25,274,773	23,353,148
		25,608,073	23,794,939
Total Net Assets		3,166,135,780	2,824,312,877
Represented by,		3,066,871,294	2,767,832,367
Member Balances	22	3,066,871,294	2,767,832,367
Reserves	23	53,699,375	56,050,581
Retained Profit		45,565,111	429,929
		99,264,486	56,480,510
Total Net Worth of the Fund		3,166,135,780	2,824,312,877

The accounting policies and notes on pages 08 through 55 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,

Ajith Nivard Cabraal

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Date : 15 February 2022

A G U Thilakarathna

A G U Thilakarathna
Superintendent
Employees' Provident Fund

EMPLOYEES' PROVIDENT FUND
RECEIPTS AND PAYMENTS ACCOUNT

For the year ended 31 st December	Note	2021			2020
		Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Cash balance at the beginning of the year		2,613,062	26,392	2,639,453	3,212,373
Total Receipts	24	458,937,397	863,836	459,801,233	421,508,877
Total Payments	25	(458,448,399)	(890,050)	(459,338,449)	(422,081,797)
Cash balance at the end of the year		3,102,060	178	3,102,238	2,639,453

The accounting policies and notes on pages 08 through 55 form an integral part of the Financial Statements.

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

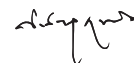
These Financial Statements were approved by the Monetary Board.

For and on behalf of the Monetary Board;



.....
Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Date : 15 February 2022



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

**EMPLOYEES' PROVIDENT FUND
STATEMENT OF INVESTMENTS**

Class of Investment	Note	Face value Rs.'000	Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Book Value Rs.'000
As at 31st December 2021						
Treasury Bonds	17.1.1	2,903,929,508	2,840,108,379	2,803,156,402	2,958,768,982	2,958,768,982
Treasury Bills	17.1.2	20,000	19,026	19,617	19,797	19,797
Corporate Debt Instruments	17.2	23,164,868	23,164,868	23,507,445	23,967,522	23,965,887
Reverse Repo	17.3	12,300,000	12,300,000	12,502,377	12,502,377	12,302,577
Fixed Deposits	17.4	55,000,000	55,000,000	57,182,866	57,182,866	57,181,712
Listed Equities	15.1/16.1	-	84,067,293	111,963,256	84,067,293	111,963,256
Unlisted Equities	15.2	-	9,640,989	9,140,989	9,640,989	9,140,989
		2,994,414,376	3,024,300,555	3,017,272,952	3,145,949,826	3,173,343,000
As at 31st December 2020						
Treasury Bonds	17.1.1	2,609,116,044	2,529,082,614	3,055,928,375	2,639,859,512	2,639,859,512
Treasury Bills	17.1.2	3,100,000	3,028,474	3,043,021	3,049,915	3,049,915
Corporate Debt Instruments	17.2/17.5	33,901,549	33,901,549	33,256,205	34,867,042	34,865,417
Reverse Repo	17.3	16,000,000	16,000,000	16,002,379	16,002,379	16,002,379
Fixed Deposits	17.4	53,000,000	53,000,000	55,769,566	55,769,566	55,769,551
Listed Equities	15.1/16.1	-	83,463,472	70,806,793	83,463,472	70,806,793
Unlisted Equities	15.2	-	9,640,989	9,140,989	9,640,989	9,140,989
		2,715,117,593	2,728,117,098	3,243,947,329	2,842,652,874	2,829,494,356

The accounting policies and notes on pages 08 through 55 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

Ajith Nivard Cabraal
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Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Date : 15 February 2022

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

EMPLOYEES' PROVIDENT FUND
STATEMENT OF CASH FLOWS

For the year ended 31 st December	2021 Rs.'000	2020 Rs.'000
Cash flows from operating activities		
Interest received from Investments	284,632,900	266,195,662
Dividends received from equities	5,873,448	2,512,227
Surcharges and other income	13,567	10,534
Recoveries from receivables	238	(234)
Payment of operating expenses	(1,380,418)	(1,189,882)
Advances given	(6,239)	(38,721)
Settlement of Creditors and other payables	(3,919,946)	(3,575,745)
Cash generated from operating activities	285,213,550	263,913,841
Taxes Paid	(40,241,383)	(41,783,609)
Net cash generated from operating activities	244,972,167	222,130,232
Cash flows from investing activities		
Investments in Financial Assets	(2,572,161,546)	(2,035,967,793)
Maturities of Investments	2,277,746,788	1,771,076,730
Proceeds on sale of Financial Investments	2,684,987	1,262,186
Acquisition of Property, Plant and Equipment	(206,792)	(94,228)
Net cash used in investing activities	(291,936,563)	(263,723,104)
Cash flow from financing activities:		
Contributions received	165,723,380	150,734,735
General Deposit Account - Labour Department	(77,693)	55,584
Refunds to Members	(118,192,115)	(109,725,147)
Net cash generated from financing activities	47,453,572	41,065,171
Net increase in cash and cash equivalents	489,176	(527,701)
Cash and Cash equivalents at the beginning of the year	2,613,062	3,167,154
Cash and cash equivalents at the end of the year-Before Adjustments	3,102,238	2,639,453
Adjustments:		
Cash balance at the end of the year - Labour Department	(178)	(26,392)
Cash and cash equivalents at the end of the year (Note A)	3,102,060	2,613,062
Note A		
Analysis of Cash and Cash equivalents as at 31 st December;		
Cash in Hand	20	20
Cash in Transit	-	-
Cash at Bank	3,102,040	2,613,042
	3,102,060	2,613,062
(-) Provision for impairment	(94)	(28)
	3,101,966	2,613,033

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

Description	Members Balance	Building Reserve Fund	Technology Advancement Reserve Fund	Profit Equalisation Reserve Fund	General Reserve Fund	Investment Revaluation Reserve	Retained Profit	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st December 2019	2,497,609,596	3,157,000	350,000	32,550,000	6,650,000	(7,249)	129,112	2,540,438,459
Net Profit for the year - 2020	-	-	-	-	-	-	244,923,230	244,923,230
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	-	-	-	-	-	-	-	350,829
Net Contributions for 2020	42,916,148	-	-	-	-	-	-	42,916,148
Member Interest Paid on Refunds - 2020	-	-	-	-	-	-	(4,315,789)	(4,315,789)
Member Interest payable (2020 at 9.00%)	227,306,624	-	-	-	-	-	(227,306,624)	-
Transfers to Profit Equalization Reserve from Distributable Profit	-	-	-	13,000,000	-	-	(13,000,000)	-
Balance as at 31st December 2020	2,767,832,367	3,157,000	350,000	45,550,000	6,650,000	343,581	429,929	2,824,312,877
Net Profit for the year - 2021	-	-	-	-	-	-	299,071,434	299,071,434
Net Gain/ (Loss) on financial assets fair value through other comprehensive income	-	-	-	-	-	48,794	-	48,794
Net Contributions for 2021	47,252,343	-	-	-	-	-	-	47,252,343
Member Interest Paid on Refunds - 2021	-	-	-	-	-	-	(4,549,668)	(4,549,668)
Member Interest payable (2021 at 9.00%)	251,786,584	-	-	-	-	-	(251,786,584)	-
Transfers from Profit Equalization Reserve	-	-	-	(5,000,000)	-	-	5,000,000	-
Transfers to Profit Equalization Reserve from Distributable Profit "	-	-	-	2,600,000	-	-	(2,600,000)	-
Balance as at 31st December 2021	3,066,871,294	3,157,000	350,000	43,150,000	6,650,000	392,375	45,565,111	3,166,135,780

EMPLOYEES' PROVIDENT FUND

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

1.1 Reporting Entity

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

2. Basis of Accounting

2.1 Statement of Compliance

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

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

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

2.2 Responsibility for Financial Statements

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

2.3 Approval of Financial Statements by the Monetary Board

The Financial Statements for the year ended 31st December 2021, were authorised for issue by the Monetary Board on 15th February 2022.

2.4 Basis of Preparation

The Financial Statements have been prepared on the historical cost basis, except for financial assets that have been measured at fair value or amortised cost as appropriately giving due consideration to the requirements of SLFRS 09 Financial Instruments and LKAS 26 Accounting and Reporting by Retirement Benefit Plans.

2.5 Functional and Presentation Currency

The Financial Statements of the Fund are presented in Sri Lankan Rupees, which is the functional and presentation currency of the Fund.

2.6 Use of Materiality, Offsetting and Rounding

Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

Offsetting

Assets and liabilities and income and expenses in the Financial Statements are not set off unless required or permitted by Sri Lanka Accounting Standards.

Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousands, except where otherwise indicated.

2.7 Use of Judgments, Estimates and Assumptions

In preparing these Financial Statements of the Fund, the Monetary Board has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosure of contingent liabilities. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

The Management considered the following items, where significant judgments, estimates and assumptions have been used in preparing these Financial Statements.

Going concern

The Management has made an assessment of Fund's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the Financial Statements of the Fund continued to be prepared on a going concern basis.

In addition to that specific accounting judgments, estimations and assumptions were used in following disclosures.

- Valuation of Financial Instruments
- The impairment of assets
- Depreciation of Property, Plant and Equipment
- Provision for liabilities

2.8 Events Occurring after the Reporting Period and Contingent Liabilities

All material events occurring after the Reporting Date has been considered when preparing the financial statements. Provisions and relevant disclosures have been made for all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

3. Significant Accounting Policies***3.1 Recognition of Income and Expenses***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and revenue can be reliably measured. Expenses are recognised in the Statement of Income and Expenditure on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in managing the Fund by both the EPF Department of the Central Bank and the EPF Section of the Department of Labour has been charged to the Fund as its expenditure.

3.1.1 Interest Income

Interest income is recognised in the Statement of Income and Expenditure for all interest bearing financial instruments on an accrual basis using the effective interest method. Interest income consists of coupon interest income and gain or loss on amortisation of discount or premium of the financial instruments.

3.1.2 Dividends

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

3.1.3 Gain on Sale of Financial Investments at Fair Value through Profit or Loss

Gain on Sale of Financial Investments at Fair Value Through Profit or Loss (FVTPL) comprises realised trading gains on disposal of listed shares and are presented in direct income as sale of financial investments at fair value through profit or loss in the Statement of Income and Expenditure.

3.1.4 Gain on Disposal of Financial Investments at Fair Value through Other Comprehensive Income

Gain on Disposal of Financial Investments at Fair Value through Other Comprehensive Income (FVOCI) comprises realised capital gain on disposal of investment in equity securities classified as FVOCI, is directly transferred to retained earnings and no recycling impact is recorded in the Statement of Income and Expenditure.

3.1.5 Gain on Fair Valuation of Financial Investments at FVTPL

Fair Valuation changes on Financial Investments at FVTPL comprises unrealised gains on fair valuation (marked to market valuation) of listed equity, are presented in profit or loss as 'gain or loss on fair valuation of Financial Investments at Fair Value through Profit or Loss' in the Statement of Income and Expenditure.

3.1.6 Gain on Fair Valuation of Financial Investments at Fair Value through Other Comprehensive Income

Fair Valuation changes on Financial Investments at Fair Value through Other Comprehensive Income (FVOCI) comprises unrealised gains on fair valuation (marked to market valuation) of unlisted equity, if any are presented in other comprehensive income as gain or loss on fair valuation of Financial Investments at FVOCI in the Statement of Comprehensive Income.

3.1.7 Personnel Expenses

Personnel expenses include all staff related expenses incurred by both the EPF Department of the Central Bank and the EPF Section of the Department of Labour. The Fund does not maintain separate pension fund or other post employee benefit plans.

3.1.8 Income Tax

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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

3.2 Assets

3.2.1 Financial Instruments

3.2.1.1 Initial Recognition, classification and subsequent measurement

The EPF classifies its financial assets into the following measurement categories:

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

The classification depends on the EPF's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

(i) Financial assets measured at amortised cost

Debt instruments

Investments in debt instruments which are acquired principally to match the obligation of members are measured at amortised cost where they:

- have contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost assuming a constant rate of return to maturity. The measurement of credit impairment is based on the three-stage expected credit loss model described below in Note 3.2.1.2 Impairment of financial assets.

(ii) Financial assets measured at fair value through other comprehensive income

Debt Instruments

Investments in debt instruments are measured at fair value through other comprehensive income where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate

component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in profit and loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost. The expected credit loss model is described below in Note 3.2.1.2 Impairment of financial assets.

Equity instruments

Investment in equity instruments that are neither held for trading nor contingent consideration recognized by the EPF in a business combination to which SLFRS 3 'Business Combination' applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable election of adopting fair value through other comprehensive income, by default such investments shall be measured at fair value through profit and loss.

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

(iii) Items at fair value through profit or loss

Items at fair value through profit or loss comprise:

(a) Items held for trading;

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

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable, and typically comprise of instruments such as swaps, forward rate agreements, futures and options.

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

3.2.1.2 Impairment of financial assets

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

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

No ECL is recognised on equity investments.

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

Stage 1: 12-months ECL

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

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

Stage 2: Lifetime ECL – not credit impaired

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

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

Further, movements within the ratings of the investment grade stipulate significant deterioration of credit risk. Significant deterioration is measured through the two notches downgrade of the external credit rating of the counterparty since the origination of the instrument.

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

Stage 3: Lifetime ECL – credit impaired

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

Determining the stage for impairment

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

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

Measurement of ECLs

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

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

- with the contract and the cash flows that the EPF expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the EPF if the commitment is drawn down and the cash flows that the EPF expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the EPF expects to recover

For further details on how the EPF calculates ECLs including the use of forward looking information, refer to the Credit quality of financial assets section in Note 29.

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

3.2.1.3 Recognition and Derecognition of financial instruments

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

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

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

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

3.2.1.4 Offsetting

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

3.2.1.5 Critical accounting assumptions and estimates

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

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

Fair value measurement

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

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

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

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

However, as explained in Note 15 unlisted equities are carried at cost as sufficient and recent information are not available to measure the fair value reliably using valuation techniques. Further, estimated fair values of unlisted equity investments are disclosed in Note 30.

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

Recognition

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

Measurement

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

Cost model

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

Subsequent costs

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

Derecognition

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

Depreciation

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

The estimated rates of depreciation of assets are follows;

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

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

3.2.3 Intangible Assets

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

3.2.4 Inventories

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

3.2.5 Receivables

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

3.2.6 Impairment of Non- Financial Assets

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

3.3 *Liabilities*

3.3.1 Unclaimed Benefits

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

3.3.2 Retained Benefits

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

3.3.3 Under Payments & Over Payments (Refunds)

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

3.3.4 Under Payments & Over Payments (Contribution)

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

3.3.5 Provisions

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

3.3.6 De-recognition of Liabilities

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

3.4 *Income Statement*

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

3.5 *Statement of Cash Flows*

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

3.6 *Receipts and Payments Account*

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

4. **Comparative Information**

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

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

5. Interest Income

<i>For the year ended 31st December</i>	Monetary Board Rs.'000	2021 Labour Dept. Rs.'000	Total Rs.'000	2020 Total Rs.'000
Interest on Treasury Bonds	285,052,453	-	285,052,453	266,130,027
Interest on Treasury Bills	256,047	-	256,047	414,639
Interest on Corporate Debt Securities - Listed	3,153,144	-	3,153,144	3,601,195
Interest on Corporate Debt Securities - Unlisted	815,523	-	815,523	863,335
Interest on Fixed Deposits	3,856,550	-	3,856,550	5,877,047
Interest on Trust Certificates	-	-	-	1,798
Interest on Reverse Repos	544,543	-	544,543	520,960
	293,678,260	-	293,678,260	277,409,000

6. Dividend Income

<i>For the year ended 31st December</i>	Monetary Board Rs.'000	2021 Labour Dept. Rs.'000	Total Rs.'000	2020 Total Rs.'000
Dividend from Equity Securities - Listed	4,057,095	-	4,057,095	2,451,343
Dividend from Equity Securities - Unlisted	2,628,397	-	2,628,397	465,619
Dividend from Unlisted Preference Shares	-	-	-	68,087
	6,685,492	-	6,685,492	2,985,049

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

<i>For the year ended 31st December</i>	Monetary Board Rs.'000	2021 Labour Dept. Rs.'000	Total Rs.'000	2020 Total Rs.'000
Listed Equity Securities	41,840,149	-	41,840,149	5,023,106
	41,840,149	-	41,840,149	5,023,106

8. Impairment of Financial Assets

<i>For the year ended 31st December</i>	2021 Rs.'000	2020 Rs.'000
Under/ (Over) Provision for impairment; (Note 17 & 19)		
Corporate Debt Securities	69	(1,416)
Trust Certificate	-	(14)
Fixed Deposits	939	(24)
Other Financial Investment	(58)	(180)
Bank Balances	66	(8)
	1,016	(1,643)
Under/(Over) Provisions of Impairment/Impairment Expense	1,016	(1,643)

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

9. Other Income

	<i>For the year ended 31st December</i>		
	Monetary Board Rs.'000	2021 Labour Dept. Rs.'000	2020 Total Rs.'000
Surcharges	162,650	-	203,320
Other Income	2	9,009	8,770
	162,652	9,009	212,090

10. Operating Expenses

	<i>For the year ended 31st December</i>		
	Monetary Board Rs.'000	2021 Labour Dept. Rs.'000	2020 Total Rs.'000
Personnel Expenses	601,719	455,912	1,102,321
Administration Expenses	299,212	223,840	472,014
Other Expenses	59,862	5,591	70,743
	960,793	685,343	1,645,078

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

11. Tax Expense

<i>For the year ended 31st December</i>	2021	2020
	Rs.'000	Rs.'000
Income Tax on Profit for the Year (11.1)	41,650,393	39,080,226
(Over)/ Under Provision in respect of Previous Years	6,583	(17,645)
	<u>41,656,976</u>	<u>39,062,581</u>

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

Summary of significant provision applicable under relevant tax legislation

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

11.1 Reconciliation between Profit before Tax & Taxable income

	2021	2020
	Total	Rs. '000
	Rs. '000	
Operating Profit/ (Loss) before Income Tax	340,728,410	283,985,810
Adjustment;		
Dividend Income	(2,800,870)	(1,231,564)
Unrealised Loss/ (Gain) on Financial Instruments at Fair Value through Profit or Loss	(41,840,149)	(5,023,106)
Over Provision of Impairment of Financial Assets	1,016	(1,643)
Disallowed Expenses	1,414,398	1,414,971
Adjusted income for taxation	<u>297,502,806</u>	<u>279,144,469</u>
current tax expenses for the Fund		
14% (after 01.04.2018)	41,650,393	39,080,226
	<u>41,650,393</u>	<u>39,080,226</u>

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

<i>For the year ended 31st December</i>	2021	2020
	Total	Total
	Rs.'000	Rs.'000
Gain/ (Loss) on Equity	48,794	350,829
	<u>48,794</u>	<u>350,829</u>

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

13 Property, Plant and Equipment

13.1 Monetary Board & Labour Dept: - 2021

	Computer Equipment	Furniture and Fittings	Office Equipment	Motor Vehicles	Other	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost						
As at 01 st January 2021	571,054	110,937	424,513	97,202	6,423	1,210,130
Additions during the year	39,155	1,253	8,228	-	-	48,636
Disposals During the year	-	-	-	-	-	-
As at 31st December 2021	610,210	112,190	432,741	97,202	6,423	1,258,766

Accumulated Depreciation

As at 01 st January 2021	504,276	93,211	300,661	56,093	5,351	959,593
Charge for the year	13,536	6,812	4,181	-	495	25,024
Disposals During the year	-	-	-	-	-	-
As at 31st December 2021	517,812	100,023	304,842	56,093	5,846	984,616

Net Book Value (NBV)

As at 31st December 2021	92,398	12,167	127,899	41,109	577	274,150
As at 31st December 2020	66,778	17,226	123,851	41,109	1,072	250,536

Monetary Board & Labour Dept: - 2020

	Computer Equipment	Furniture and Fittings	Office Equipment	Motor Vehicles	Other	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost						
As at 01 st January 2020	565,032	109,999	418,267	97,202	6,423	1,196,924
Additions during the year	6,022	938	6,246	-	-	13,206
Disposals During the year	-	-	-	-	-	-
As at 31st December 2020	571,054	110,937	424,513	97,202	6,423	1,210,130

Accumulated Depreciation

As at 01 st January 2020	484,023	86,490	294,686	56,093	4,746	926,038
Charge for the year	20,254	6,721	5,976	-	605	33,555
Disposals During the year	-	-	-	-	-	-
As at 31st December 2020	504,276	93,211	300,661	56,093	5,351	959,593

Net Book Value (NBV)

As at 31st December 2020	66,778	17,226	123,851	41,109	1,072	250,536
As at 31st December 2019	81,009	23,509	123,581	41,109	1,677	270,886

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements**Property, Plant & Equipment Contd....**

13.2

2021	Computer Equipment		Furniture and Fittings		Office Equipment		Motor Vehicles		Other		Total		Total
	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	
		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000	
Cost													
	130,662	440,392	47,966	62,971	29,237	395,276	-	97,202		352	213,937	996,193	1,210,130
	9,541	29,614	-	1,253	546	7,682	-	-	-	-	10,087	38,549	48,636
	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 st December 2021	140,203	470,006	47,966	64,224	29,783	402,958	-	97,202	6,071	352	224,024	1,034,742	1,258,766
Accumulated Depreciation													
As at 01 st January 2021	117,686	386,590	38,464	54,747	20,298	280,363	-	56,094	4,999	352	181,448	778,146	959,593
Charge for the year	4,582	8,953	3,654	3,158	3,047	1,134	-	-	495	-	11,778	13,245	25,023
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 st December 2021	122,268	395,543	42,118	57,905	23,345	281,497	-	56,094	5,494	352	193,226	791,391	984,616
NBV as at 31st December 2021	17,935	74,463	5,848	6,319	6,438	121,461	-	41,108	578	-	30,798	243,351	274,150
NBV as at 31st December 2020	12,976	53,802	9,502	8,224	8,939	114,913	-	41,108	1,072	-	32,489	218,047	250,537

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Property, Plant & Equipment Contd....

2020	Computer Equipments		Office Furniture and Fittings		Office Equipments		Motor Vehicles		Other		Total	
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000	Monetary Board Rs.'000	Labour Dept. Rs.'000
Cost												
As at 01 st January 2020	124,640	440,392	47,932	62,067	23,592	394,676	-	97,202	6,071	352	202,235	994,688
Additions during the year	6,022	-	34	904	5,646	600	-	-	-	-	11,702	1,504
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-
As at 31st December 2020	130,662	440,392	47,966	62,971	29,237	395,276	-	97,202	6,071	352	213,937	996,192
Accumulated Depreciation												
As at 01 st January 2020	113,729	370,294	34,804	51,686	17,941	276,745	-	56,094	4,394	352	170,866	755,171
Charge for the year	3,958	16,296	3,660	3,061	2,558	3,618	-	-	605	-	10,581	22,974
Disposals During the year	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 st December 2020	117,686	386,590	38,464	54,747	20,298	280,363	-	56,094	4,999	352	181,447	778,145
NBV as at 31st December 2020	12,976	53,802	9,502	8,224	8,939	114,912	-	41,109	1,073	-	32,490	218,047
NBV as at 31st December 2019	10,911	70,098	13,128	10,381	5,651	117,931	-	41,109	1,678	-	31,368	239,517
												270,886

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

14. Intangible Assets

Computer Software	2021			2020
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Cost				
As at 01 st January	35,590	4,626	40,216	40,216
Acquisitions during the Year	-	1,040	1,040	-
As 31st December	35,590	5,666	41,256	40,216
Amortisation				
As at 01 st January	34,046	3,181	37,227	36,598
Amortisation during the period	574	1,446	2,020	629
As 31st December	34,620	4,627	39,247	37,227
Net book value				
As at 01 st January	1,544	1,445	2,989	3,618
As 31st December	970	1,039	2,009	2,989

15. Equity Instruments at Fair Value through Other Comprehensive Income

As at 31 st December	2021		2020	
	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Investments in equity				
Listed Equity (Note 15.1)	368,903	761,278	368,903	712,484
Unlisted Equity (Note 15.2)	9,640,989	9,140,989	9,640,989	9,140,989
Total Equity Instruments at FVOCI	10,009,892	9,902,267	10,009,892	9,853,473

The unlisted equities are continued to be accounted at cost since there is no reliable measure of fair value, except for Sri Lankan Airlines. A separate disclosure is given in Note 30 for estimated fair values.

15.1 Listed Equity

As at 31 st December	2021		2020	
	Cost Rs.'000	Book value Rs.'000	Cost Rs.'000	Book value Rs.'000
Company Name				
Laufgs Power Limited - Voting	281,261	607,927	281,261	578,978
Laufgs Power Limited - Non Voting	87,642	153,351	87,642	133,506
	368,903	761,278	368,903	712,484

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

15.2 Unlisted Equity

<i>As at 31st December</i>	2021		2020	
	Cost Rs.'000	Book value Rs.'000	Cost Rs.'000	Book value Rs.'000
Company Name				
Canwill Holdings (Pvt) Ltd.	5,000,000	5,000,000	5,000,000	5,000,000
Cargills Bank Limited	495,000	495,000	495,000	495,000
Fitch Ratings Lanka Limited	625	625	625	625
Sri Lankan Airlines	500,000	0.1	500,000	0.1
Laugfs Gas Eco Sri Limited - Voting	62,282	62,282	62,282	62,282
Laugfs Gas Eco Sri Limited - Non Voting	19,407	19,407	19,407	19,407
Laugfs Gas Leisure Limited - Voting	448,820	448,820	448,820	448,820
Laugfs Gas Leisure Limited - Non Voting	139,855	139,855	139,855	139,855
West Coast Power (Pvt) Ltd	2,975,000	2,975,000	2,975,000	2,975,000
	9,640,989	9,140,989	9,640,989	9,140,989

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

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

16. Equity Instruments at FVTPL

<i>As at 31st December</i>	2021		2020	
	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Investments in equity Listed Equity (Note 16.1)	83,698,390	111,201,978	83,094,569	70,094,309
Total Equity Instruments at FVTPL	83,698,390	111,201,978	83,094,569	70,094,309

16.1 Listed Equity

<i>As at 31st December</i>	2021		2020	
	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Company Name	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Access Engineering PLC	448,736	653,257	448,736	503,766
ACL Cables PLC	155,514	1,184,440	155,514	452,509
Aitken Spence PLC	1,997,136	1,696,697	1,997,136	1,190,159
Aitken Spence Hotel Holdings PLC	1,710,207	1,332,518	1,710,207	1,017,502
Asian Hotels & Properties PLC	3,273,782	1,995,516	3,273,782	1,941,216
Asiri Surgical Hospital PLC	1,681	4,113	1,681	4,113
Bairaha Farms PLC_Voting Shares	-	-	5,274	4,985
Bogawantalawa Tea Estates PLC	-	-	1,463	1,193
Browns & Company PLC	1,799,560	2,554,954	1,799,560	727,419
Bukit Darah PLC	2,310,609	1,150,294	2,310,609	998,255
C W Mackie PLC	-	-	12,644	6,708
Cargills (Ceylon) PLC	1,372,001	1,809,678	1,372,001	1,723,503
Carson Cumberbatch PLC	2,607,240	1,719,994	2,607,240	1,562,001
Central Finance Company PLC	2,741,510	2,270,984	2,712,636	1,997,095
Ceylon Grain Elevators PLC	1,005,585	651,429	1,005,585	593,911
Ceylon Guardian Investment PLC	555,487	308,830	555,487	378,019
Ceylon Hospitals PLC - Voting	-	-	81,715	85,251
Ceylon Hospitals PLC (NV)	25,410	142,565	25,410	103,893
Ceylon Hotels Corporation PLC	711,243	395,956	711,243	290,511
Ceylon Theatres PLC	1,086,557	1,279,883	1,086,557	1,267,584
Chevron Lubricant Lanka PLC	49,564	114,799	49,564	109,719
CIC Holdings PLC - Non Voting	221,726	545,682	221,726	421,209
CIC Holdings PLC Voting	694,300	1,717,163	694,300	1,203,995
Colombo Dockyard PLC	2,791,809	932,474	2,791,809	1,001,764
Commercial Bank of Ceylon PLC	9,760,191	7,682,896	9,570,743	7,663,152
DFCC Bank PLC	3,481,694	1,540,651	3,408,152	1,600,756
Dialog Axiata PLC	2,255,649	2,587,923	2,255,649	2,944,059
Diesel & Motor Engineering PLC	1,625,690	1,134,568	1,625,690	1,091,284
Dipped Products PLC	312,650	1,396,841	668,020	2,044,441
Dilmah Ceylon Tea Services PLC	1,082,639	1,179,382	1,082,639	1,086,136
Galadari Hotels (Lanka) PLC	810,322	526,411	810,322	225,266
Hatton National Bank PLC	6,932,619	5,537,879	6,792,640	5,059,236
Haycarb PLC	222,565	1,016,123	238,460	806,027

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

16.1 Continued...

<i>As at 31st December</i>	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Company Name	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hayleys Fabric PLC	213,592	456,556	213,592	154,032
Hayleys Leisure PLC	348,646	233,736	348,646	218,154
Hayleys PLC	9,303	41,652	403,250	575,659
Jetwing Symphony PLC	390,000	446,727	390,000	340,364
John Keells Holdings PLC	1,597,949	1,523,898	1,597,949	1,519,835
John Keells Hotels PLC	1,166,289	1,153,574	1,166,289	863,219
Kegalle Plantations PLC	-	-	24,734	10,885
Kelani Tyres PLC	98,635	153,205	98,635	134,404
Lanka IOC PLC	76,437	171,768	76,437	52,563
Lanka Orix Leasing Company PLC	1,611,013	17,641,785	1,611,013	2,049,605
Lanka Tiles PLC	406,130	2,732,572	406,130	714,443
Laugfs Gas PLC - Non Voting	459,439	315,723	459,439	360,826
Laugfs Gas PLC - Voting	1,891,758	1,401,127	1,891,758	1,528,502
The Lighthouse Hotel PLC	309,422	177,460	309,422	181,019
National Development Bank PLC	3,037,545	2,338,614	2,236,663	1,816,897
Nations Trust Bank PLC	8,573	6,999	8,573	7,636
Nawaloka Hospitals PLC	-	-	14,587	24,689
Nestle Lanka PLC	21,687	121,550	21,687	127,500
Palm Garden Hotel PLC	-	-	54,109	7,252
People's Leasing & Finance PLC	1,663,168	1,047,069	1,593,778	1,147,239
PGP Glass Ceylon PLC	541,434	1,643,772	541,434	848,981
Raigam Wayamba Salterns PLC	153,681	304,453	153,681	254,980
Richard Pieris & Company PLC	1,647,208	4,179,528	1,647,208	2,531,503
Royal Ceremics Lanka PLC	1,633,878	11,932,116	1,633,878	2,705,733
Sampath Bank PLC	6,697,680	5,945,849	6,697,680	5,158,395
Seylan Bank PLC	1,568,265	1,146,209	1,530,305	1,164,072
Seylan Bank PLC - Non Voting	493,969	479,440	473,142	472,077
Sierra Cables PLC	33	127	33	56
Softlogic Holdings PLC	133,137	248,006	133,137	89,658
Sri Lanka Telecom PLC	857,619	982,575	857,619	848,357
Tal Lanka Hotels PLC	343,941	164,376	343,941	125,699
Tangerine Beach Hotels PLC	147,658	107,545	147,658	75,445
Tea Smallholder Factories PLC	-	-	440	329
Teejay Lanka PLC	262,021	309,882	262,021	265,215
The Finance Company PLC*	205,490	-	205,490	-
The Kingsbury PLC	555,502	485,639	555,502	304,163
Tokyo Cement Company (Lanka) PLC -NV	134,651	280,483	134,651	384,888
Trans Asia Hotels PLC	263,155	236,291	263,155	283,120
Vallibel One PLC	2,705,806	7,727,772	2,502,708	2,640,279
	83,698,390	111,201,978	83,094,569	70,094,309

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

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

17. Debt Instruments at Amortised Cost

As at 31 st December	2021					2020				
	Face Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000		Face Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	
Investments in Government Securities										
Treasury Bonds (Note 17.1.1)	2,903,929,508	2,840,108,379	2,803,156,402	2,958,768,982		2,609,116,044	2,529,082,614	3,055,928,375	2,639,859,512	
Treasury Bills (Note 17.1.2)	20,000	19,026	19,617	19,797		3,100,000	3,028,474	3,043,021	3,049,915	
	2,903,949,508	2,840,127,405	2,803,176,019	2,958,788,779		2,612,216,044	2,532,111,088	3,058,971,396	2,642,909,427	
Investments in Debentures										
Listed (Note 17.2.1)	18,164,868	18,164,868	18,502,205	18,962,282		27,151,549	27,151,549	26,495,286	28,106,122	
Unlisted (Note 17.2.2)	5,000,000	5,000,000	5,005,240	5,005,240		6,500,000	6,500,000	6,506,842	6,506,842	
Less: Provision for Impairment	-	-	-	(1,635)		-	-	-	(1,566)	
	23,164,868	23,164,868	23,507,445	23,965,887		33,651,549	33,651,549	33,002,128	34,611,398	
Investments in Repo Transactions (17.3)										
	12,300,000	12,300,000	12,302,377	12,302,377		16,000,000	16,000,000	16,002,379	16,002,379	
	12,300,000	12,300,000	12,302,377	12,302,377		16,000,000	16,000,000	16,002,379	16,002,379	
Investments in Fixed Deposits (17.4)	55,000,000	55,000,000	57,182,866	57,182,866		53,000,000	53,000,000	55,769,566	55,769,566	
Less: Provision for Impairment	-	-	-	(1,154)		-	-	-	(215)	
	55,000,000	55,000,000	57,182,866	57,181,712		53,000,000	53,000,000	55,769,566	55,769,351	
Investment in Other Financial Investments (17.5)	-	-	-	-		250,000	250,000	254,077	254,077	
Less: Provision for Impairment	-	-	-	-		-	-	-	(58)	
	-	-	-	-		250,000	250,000	254,077	254,019	
Total investments in Debt Instruments at Amortised Cost	2,994,414,376	2,930,592,273	2,896,168,707	3,052,238,755		2,715,117,593	2,635,012,637	3,163,999,547	2,749,546,574	

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

**Movement of Impairment for Debt Instruments
at Amortised Cost**

	Provision as at 31.12.2021	Provision as at 31.12.2021	Over/ (Under) Provision
	Rs'000	Rs'000	Rs'000
Impairment allowance for			
Corporate Debt Securities	1,635	1,566	69
Fixed Deposits	1,154	215	939
Other Financial Investment	-	58	(58)
	2,789	1,840	950

The impairment model was changed from Incurred Loss model to Expected Credit Loss Model according to the provisions given in SLFRS 09. Detailed information are given in Note 29.

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

17.1 Investments in Government Securities

17.1.1 Treasury Bonds

As at 31 st December	Year of Maturity	2021				2020			
		Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000
Government of Sri Lanka Treasury Bonds	2021	-	-	-	-	73,390,000	71,700,957	75,619,291	75,058,066
	2022	144,212,710	133,692,387	144,500,379	149,021,814	144,212,710	133,692,387	149,963,449	147,219,532
	2023	208,482,053	199,769,593	210,604,663	211,028,100	195,046,569	186,148,167	211,668,146	196,606,574
	2024	149,140,198	149,226,509	150,609,570	153,349,780	135,524,344	135,397,460	150,918,866	139,404,848
	2025	230,362,096	233,936,739	231,812,408	238,521,149	225,580,277	228,604,017	257,569,363	233,448,316
	2026	362,060,622	322,424,327	335,583,379	352,858,309	314,425,198	274,739,072	340,088,564	300,710,333
	2027	227,789,468	240,259,248	218,589,817	240,050,723	196,989,468	207,868,255	231,093,750	208,300,204
	2028	466,069,950	442,863,477	435,185,327	465,952,387	358,624,950	325,994,369	418,743,907	345,670,146
	2029	146,703,233	169,856,529	157,733,948	168,638,317	137,903,233	159,826,935	187,212,834	159,860,299
	2030	91,928,830	94,977,703	89,157,268	94,943,456	77,328,947	79,962,928	94,618,308	80,187,486
	2031	150,695,000	155,800,477	146,153,505	158,174,337	68,205,000	69,074,674	84,611,917	70,384,456
	2032	155,942,350	118,953,942	126,882,848	129,931,260	111,342,350	77,725,946	114,790,476	86,609,283
	2033	227,469,648	204,495,834	206,753,652	215,637,191	227,469,648	204,495,834	268,687,245	214,957,864
	2034	91,558,330	106,288,588	96,815,360	109,089,770	91,558,330	106,288,588	126,595,490	109,571,589
	2035	97,446,810	105,910,014	95,338,158	106,914,684	97,446,810	105,910,014	126,114,102	107,128,615
	2039	13,659,000	13,746,969	12,307,538	14,080,885	13,659,000	13,746,969	16,960,708	14,079,457
	2041	26,700,000	27,737,826	27,299,095	29,291,891	26,700,000	27,737,826	37,582,333	29,308,090
	2043	30,676,000	22,309,955	24,156,491	22,965,660	30,676,000	22,309,955	33,936,215	22,894,304
	2044	78,263,210	92,355,217	88,841,204	92,853,289	78,263,210	92,355,217	122,239,988	92,969,029
	2045	4,770,000	5,503,044	5,031,792	5,485,980	4,770,000	5,503,044	6,913,423	5,491,021
		2,903,929,508	2,840,108,379	2,803,156,402	2,958,768,982	2,609,116,044	2,529,082,614	3,055,928,375	2,639,859,513

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

17.1 Investments in Government Securities

17.1.2 Treasury Bills

As at 31 st December	Year of Maturity	2021				2020			
		Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000
Government of Sri Lanka Treasury Bills	2021	-	-	-	-	3,100,000	3,028,474	3,043,021	3,049,915
	2022	20,000	19,026	19,617	19,797	-	-	-	-
		20,000	19,026	19,617	19,797	3,100,000	3,028,474	3,043,021	3,049,915

The fair values of the Government Securities are based on the average of buying and selling quotes (Clean Price) as at 31st December 2021, published by the Central Bank of Sri Lanka.

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

17.2 Investments in Debentures

17.2.1 Corporate Debentures - Listed

As at 31 st December	Year of Maturity	2021				2020			
		Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000
Bank Of Ceylon_13.25%_2021	2021	-	-	-	-	1,141,892	1,141,892	1,184,598	1,142,721
Commercial Bank Debentures Type A 2016-2021	2021	-	-	-	-	2,000,000	2,000,000	1,800,000	2,042,082
HNB Debenture 11.50% p.a	2021	-	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000
Hatton National Bank Type A 2016-2021	2021	-	-	-	-	444,790	444,790	444,790	453,524
Nations Trust Bank Type A 2021 12.65%	2021	-	-	-	-	1,200,000	1,200,000	1,238,880	1,222,042
People's Leasing Company 2016-2021	2021	-	-	-	-	1,000,000	1,000,000	100,000	1,015,534
Seylan Bank Debenture 15.07.2021	2021	-	-	-	-	1,000,000	1,000,000	1,027,000	1,060,548
Siyapatha Finance PLC - B	2021	-	-	-	-	200,000	200,000	200,000	207,619
Sampath Bank_12.50%_2022	2022	349,208	349,208	386,747	350,403	349,208	349,208	386,747	350,403
Bank of Ceylon_13.75% p.a	2023	134,090	134,090	137,067	137,525	134,090	134,090	137,067	137,525
Commercial Bank Debentures Type A 2018-2023	2023	2,000,000	2,000,000	2,000,000	2,106,521	2,000,000	2,000,000	2,000,000	2,106,230
DFCC Type B Debenture 12.75%_2023	2023	1,000,000	1,000,000	995,000	1,018,164	1,000,000	1,000,000	995,000	1,018,164
Hatton National Bank Type B 2016-2023	2023	1,000,000	1,000,000	1,072,500	1,021,726	1,000,000	1,000,000	1,071,900	1,021,726
National Development Bank PLC_2013-2023_13.90% p.a	2023	375,000	375,000	412,875	375,000	375,000	375,000	381,488	375,000
Nations Trust Bank PLC_12.65%_2018-2023	2023	1,000,000	1,000,000	1,000,000	1,025,300	1,000,000	1,000,000	1,000,000	1,025,300
People's Leasing & Finance PLC 2018-2023_12.80%	2023	666,000	666,000	666,000	726,258	666,000	666,000	666,000	726,257
Sampath Bank_12.50%_2018-2023	2023	2,000,000	2,000,000	1,990,200	2,070,548	2,000,000	2,000,000	1,990,200	2,070,548
Seylan Bank Debenture 15.07.2016 to 15.07.2023	2023	1,000,000	1,000,000	1,000,000	1,064,041	1,000,000	1,000,000	1,029,800	1,064,041
Sampath Bank_13.9%_2024	2024	1,000,000	1,000,000	1,143,200	1,116,912	1,000,000	1,000,000	1,143,200	1,116,973
DFCC Type B Debenture 13.00%_2025	2025	1,000,000	1,000,000	1,000,000	1,099,014	1,000,000	1,000,000	1,000,000	1,099,014

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

17.2 Investments in Debentures

17.2.1 Corporate Debentures - Listed

As at 31 st December	Year of Maturity	2021				2020			
		Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000
National Development Bank PLC 2013-2025_14.00%p.a	2025	500,000	500,000	502,500	500,000	500,000	500,000	502,500	500,000
National Development Bank PLC 2020-2025_9.50%p.a	2025	1,200,000	1,200,000	1,200,000	1,230,608	1,200,000	1,200,000	1,200,000	1,230,608
Commercial Bank Debentures Type B 2016-2026	2026	1,685,110	1,685,110	1,685,110	1,721,305	1,685,110	1,685,110	1,685,110	1,721,305
DFCC Bank_13.75%_2026	2026	555,460	555,460	611,006	613,840	555,460	555,460	611,006	613,840
HNB Debenture_12.80%_2026	2026	1,700,000	1,700,000	1,700,000	1,759,617	1,700,000	1,700,000	1,700,000	1,759,616
Sri Lanka Telecom PLC 2018-2028 12.75%	2028	1,000,000	1,000,000	1,000,000	1,025,500	1,000,000	1,000,000	1,000,000	1,025,500
		18,164,868	18,164,868	18,502,205	18,962,282	27,151,549	27,151,549	26,495,286	28,106,122

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

17.2 Investments in Debentures

17.2.2 Corporate Debentures - Unlisted

As at 31 st December	Year of Maturity	2021				2020			
		Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000	Face Value Rs.'000	Purchase Cost Rs.'000	Fair Value Rs.'000	Amortised Cost Rs.'000
National Savings Bank_13%_2021 Bank Of Ceylon_12.75%_2025	2021	-	-	-	-	1,500,000	1,500,000	1,501,603	1,501,603
	2025	5,000,000	5,000,000	5,005,240	5,005,240	5,000,000	5,000,000	5,005,240	5,005,240
		5,000,000	5,000,000	5,005,240	5,005,240	6,500,000	6,500,000	6,506,842	6,506,842

The fair values of the corporate debentures - listed : are based on the spot prices as at 31st December 2021, published by the Colombo Stock Exchange. Unlisted debentures : amortised cost was considered as fair value as no information are available to estimate the fair value.

17.3 Investments in Repo Transactions

As at 31 st December	2021 Rs.'000	2020 Rs.'000
Domestic Operations Department - Auctions	10,702,157	3,400,821
Domestic Operations Department - Standing Facility	1,600,220	12,601,558
	12,302,377	16,002,379

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

Debt Instruments at Amortised Cost (Contd...)

17.4 Investments in Fixed Deposit

	2021 Rs.'000	2020 Rs.'000
National Saving Bank	18,594,077	32,364,501
Bank of Ceylon	26,475,369	16,566,393
Peoples Bank	12,113,420	6,838,671
	57,182,866	55,769,566

17.5 Investments in Other Financial Investments

	2021		2020	
	Purchase Cost Rs.'000	Amortised Cost Rs.'000	Purchase Cost Rs.'000	Amortised Cost Rs.'000
Sri Lanka Catering (Pvt) Ltd	-	-	250,000	254,077
	-	-	250,000	254,077

18. Other Current Assets

<i>As at 31st December</i>	2021			2020
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Dividend Receivable	48,928	-	48,928	-
Other Receivables	180	-	180	388,888
Withholding Tax Receivable	-	-	-	15,186
Prepayments	14,665	8,733	23,398	16,713
Current Account C/L	9,200,815	(9,200,815)	-	-
CGL Imprest	-	482,982	482,982	564,468
	9,264,588	(8,709,100)	555,488	985,255

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

19. Cash and Cash Equivalents

<i>As at 31st December</i>	2021 Rs.'000	2020 Rs.'000
Cash in Hand	20	20
Cash at Bank	3,102,040	2,613,042
Less: Provision for impairment on Bank Balances (Note 19.1)	(94)	(28)
	3,101,966	2,613,033

19.1	Provision for Impairment	As at 01.01.2021 Rs.'000	As at 31.12.2021 Rs.'000	Over/ (Under) Provision Rs.'000
	Bank Balances	28	94	66
		28	94	66

20. Accounts Payable

<i>As at 31st December</i>	2021			2020
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Vendors Payable	693	-	693	693
Retention Payable	3,274	-	3,274	3,860
	3,967	-	3,967	4,554

21. Other Current Liabilities

<i>As at 31st December</i>	2021			2020
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
EPF Contributions Payable	30	-	30	30
Invoice Clearing - Inventory	(7,331)	-	(7,331)	(7,335)
Invoice Clearing - Assets/ Services	586	-	586	5,947
Income Tax Payable	21,105,926	-	21,105,926	19,671,309
Housing Loan Defaults Payable for Members	4,000,000	-	4,000,000	3,500,000
Refund Claims Payable	167,183	-	167,183	174,819
Provision for Gratuity	165	-	165	165
Investment Clearing A/C	8,212	-	8,212	8,212
Other Payables	2	-	2	2
	25,274,773	-	25,274,773	23,353,148

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

22. Member Balances

Description	Balance as at 01.01.2021 Rs.'000	Debits during the year Rs.'000	Credits during the year Rs.'000	Balance as at 31.12.2021 Rs.'000
Current Year Contribution - Contribution No 01 A/C	65,864,741	194,095,266	199,063,115	70,832,590
Stated Contribution - Contribution No 02 A/C	2,443,793,632	153,723,863	419,152,670	2,709,222,439
Contribution from Comm. of Labour - CL No 01 A/C	10,486,427	2,083,092	3,052,985	11,456,320
U/P O/P Contributions A/C	1,984,165	354,307	487,303	2,117,161
Contribution for 1997/98 - 96 Contribution A/C	193	-	-	193
Members Collection A/C	5,046	170,016,919	170,128,674	116,801
Unclaimed Benefits	769,350	498,222	512,090	783,218
Retained Benefits	155,897	9,733	26,731	172,895
Refunds-Part payments(U/P O/P Refunds)	(681,903)	118,451,261	118,779,757	(353,407)
General Deposit Account Maintained with Commissioner of Labour	453,234	408,802	257,499	301,931
Interest Payable	245,001,585	225,581,441	252,801,009	272,221,153
Total	2,767,832,367	865,222,906	1,164,261,833	3,066,871,294

23. Reserves

	Balance as at 01.01.2021 Rs.'000	Transfer (from)/to during the year Rs.'000	Balance as at 31.12.2021 Rs.'000
Investment Revaluation Reserve	343,581	48,794	392,375
Building Reserve Fund (23.1)	3,157,000	-	3,157,000
Technology Advancement Reserve Fund (23.2)	350,000	-	350,000
Profit Equalisation Reserve Fund (23.3)	45,550,000	(2,400,000)	43,150,000
General Reserve Fund (23.4)	6,650,000	-	6,650,000
Total	56,050,581	(2,351,206)	53,699,375

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

23.1 Building Revaluation Reserve

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

23.2 Technology Advancement Reserve Fund (TARF)

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

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

23.3 Profit Equalisation Reserve Fund (PERF)

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

23.4 General Reserve Fund (GRF)

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

24. Receipts

<i>For the year ended 31st December</i>	2021			2020
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Income - Interest from Investments	284,632,900	-	284,632,900	266,195,662
Contributions	165,723,380	-	165,723,380	150,734,735
Reimbursement of Expenses by the EPF-CBSL	-	927,949	927,949	684,986
Imprest Account (Commissioner of Labour)	-	43,000	43,000	35,000
General Deposit Account - (EPF Contributions)	-	(120,693)	(120,693)	20,584
Surcharges	-	4,572	4,572	2,970
Proceeds on Dealing of Shares	2,684,987	-	2,684,987	1,262,186
Dividends	5,873,448	-	5,873,448	2,512,227
Sundry Income	2	8,993	8,995	7,564
Debtors	238	-	238	(234)
Settlement of Advances	52	15	67	160
Unclaimed Benefits	22,390	-	22,390	53,037
Total	458,937,397	863,836	459,801,233	421,508,877

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

25 Payments

<i>For the year ended 31st December</i>	2021			2020
	Monetary Board Rs.'000	Labour Dept. Rs.'000	Total Rs.'000	Total Rs.'000
Investments	2,572,161,547	-	2,572,161,547	2,035,967,793
Less - Maturity Proceeds	(2,277,746,788)	-	(2,277,746,788)	(1,771,076,730)
	294,414,759	-	294,414,759	264,891,062
Refunds	118,214,505	-	118,214,505	109,778,184
Operating Expenses	715,059	665,359	1,380,418	1,189,882
Settlement of creditors/payables	3,919,946	-	3,919,946	3,575,745
Reimbursement of expenses - Comm. Labour	927,949	-	927,949	684,986
Acquisition of Property, Plant and Equipments	14,038	192,754	206,792	94,228
Advances - Miscellaneous	760	5,545	6,305	38,881
Taxes Paid	40,241,383	-	40,241,383	41,783,609
Adjustment: Cash Balance at the Beginning of the Year - Labour Department	-	26,392	26,392	45,219
Total	458,448,399	890,050	459,338,449	422,081,797

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

26. Movement of Investment

For the Year Ended 31st December 2021

Type of Investment	Opening Balance 01.01.2021	Investments	Maturities	Sales	Transfers/ Adjustment	Amortisation	WHT Adjustment	Interest Received	Prov. for Impairment	Valuation Gain/Loss	Closing Balance	2019	2018	Change %
		Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000			
Fair Value Through Profit or Loss Investments														
Listed Equity	70,094,309	1,563,997	-	1,845,035	-	-	-	-	-	41,388,707	111,201,978	3.5	2.5	1.0
	70,094,309	1,563,997	-	1,845,035	-	-	-	-	-	41,388,707	111,201,978	3.5	2.5	1.0
Fair Value through Other Comprehensive Income														
Unlisted Equity	9,140,989	-	-	-	-	-	-	-	-	-	9,140,989	0.3	0.3	(0.0)
Listed Equity	712,484	-	-	-	-	-	-	-	-	48,794	761,278	0.0	0.0	(0.0)
	9,853,473	-	-	-	-	-	-	-	-	48,794	9,902,267	0.3	0.3	(0.0)
Debt Instruments at Amortised Cost														
Treasury Bonds	2,639,859,512	382,726,723	73,390,000	-	-	285,052,453	-	275,479,706	-	-	2,958,768,982	93.2	93.3	(0.1)
Treasury Bills	3,049,915	12,063,835	15,350,000	-	-	256,047	-	-	-	-	19,797	0.0	0.1	(0.1)
Corporate Debenture	34,611,399	-	10,486,682	-	-	3,964,527	34,686	4,157,974	(69)	-	25,965,887	0.8	1.2	(0.5)
Reverse Repo	16,002,379	2,121,570,106	2,125,814,651	-	-	544,543	-	-	-	-	12,302,377	0.4	0.6	(0.2)
Fixed Deposits	55,769,351	55,000,000	53,000,000	-	-	3,856,550	-	4,443,250	(939)	-	57,181,712	1.8	2.0	(0.2)
Other Investments	254,019	-	258,221	-	-	4,144	-	-	58	-	(0)	(0.0)	0.0	(0.0)
	2,749,546,575	2,571,360,664	2,278,299,553	-	-	293,678,263	34,686	284,080,930	(950)	-	3,052,238,755	96.2	97.2	(1.0)
Total	2,829,494,337	2,572,924,682	2,278,299,553	1,845,035	-	293,678,263	34,686	284,080,930	(950)	41,437,501	3,173,343,000	100	100	

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

For the Year Ended 31st December 2020

Type of Investment	Opening Balance 01.01.2020	Investments Rs. '000	Maturities Rs. '000	Sales Rs. '000	Transfers/ Adjustment Rs. '000	Amortisation Rs. '000	WHT Adjustment Rs. '000	Interest Received Rs. '000	Prov. for Impairment Rs. '000	Valuation Gain/ Loss Rs. '000	Closing Balance Rs. '000	2020	2019	Change %
Fair Value Through Profit or Loss Investments														
Listed Equity	65,907,115	814,785	-	580,564	-	-	-	-	-	5,952,974	70,094,309	2.5	2.6	(0.1)
	65,907,115	814,785	-	580,564	-	-	-	-	-	3,952,974	70,094,309	2.5	2.6	(0.1)
Fair Value through Other Comprehensive Income														
Unlisted Equity	9,140,989	-	-	-	-	-	-	-	-	-	9,140,989	0.3	0.4	(0.0)
Listed Equity	361,654	-	-	-	-	-	-	-	-	350,829	712,484	0.0	0.0	(0.0)
	9,502,643	-	-	-	-	-	-	-	-	350,829	9,853,473	0.3	0.4	(0.0)
Debt Instruments at Amortised Cost														
Treasury Bonds	2,382,459,525	358,479,658	109,554,500	-	-	266,130,027	-	257,655,199	-	-	2,639,859,512	95.3	93.5	(0.2)
Treasury Bills	7,941,165	39,589,111	44,895,000	-	-	414,639	-	-	-	-	3,049,915	0.1	0.3	(0.2)
Corporate Debenture	40,828,387	1,200,000	7,420,000	-	-	4,419,549	42,500	4,460,245	1,416	-	34,611,399	1.2	1.6	(0.4)
Preference Share	1,012,943	-	-	-	(1,000,000)	68,087	-	81,268	238	-	(0)	(0.0)	0.0	(0.0)
Trust Certificates	406,518	-	424,395	-	-	1,798	16,064	-	14	-	0	0.0	0.0	(0.0)
Reverse Repo	15,630,972	1,573,448,900	1,573,598,453	-	-	520,960	-	-	-	-	16,002,379	0.6	0.6	(0.0)
Fixed Deposits	25,031,674	63,000,000	35,000,000	-	-	5,877,047	1,680	3,141,074	24	-	55,769,351	2.0	1.0	1.0
Other Investment	-	-	750,000	-	1,000,000	45,180	-	41,103	(58)	-	254,019	0.0	-	0.0
	2,473,311,184	2,035,717,669	1,771,642,348	-	-	277,477,087	60,244	265,378,888	1,635	-	2,749,546,574	97.2	97.0	0.1
Total	2,548,720,942	2,036,532,454	1,771,642,348	580,564	-	277,477,087	60,244	265,378,888	1,635	4,303,803	2,829,494,356	100	100	

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

27 Fair values of Financial Instruments

27.1 Fair Value Hierarchy

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

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

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

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

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

27.2 Fair Value Hierarchy – Financial Instruments Measured at Fair Value

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

	2021				2020			
	Level 1 Rs'.000	Level 2 Rs'.000	Level 3 Rs'.000	Total Rs'.000	Level 1 Rs'.000	Level 2 Rs'.000	Level 3 Rs'.000	Total Rs'.000
Debt Securities Measured at Amortised Cost								
Treasury Bond	2,803,156,402	-	-	2,803,156,402	3,055,928,375	-	-	3,055,928,375
Corporate Debentures*	23,507,445	-	-	23,507,445	33,002,128	-	-	33,002,128
Preference Shares*	-	-	-	-	-	-	-	-
Treasury Bills	19,617	-	-	19,617	3,043,021	-	-	3,043,021
Fixed Deposits*	57,182,866	-	-	57,182,866	55,769,566	-	-	55,769,566
Repo*	12,302,377	-	-	12,302,377	16,002,379	-	-	16,002,379
Other Financial Investment*	-	-	-	-	254,077	-	-	254,077
Equity Instruments Measured at FVTPL								
Listed Equity	111,201,978	-	-	111,201,978	70,094,309	-	-	70,094,309
Equity Instruments Measured at FVOCI								
Unlisted Equity**	9,140,989	-	-	9,140,989	9,140,989	-	-	9,140,989
Listed Equity	761,278	-	-	761,278	712,484	-	-	712,484

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

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

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

28. Financial Risk Management Objectives, Policies and Processes

Introduction

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

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

Credit Risk

Credit Risk is the potential for loss due to the inability or unwillingness of a borrower/ counter-party to meet its payment obligations. The credit risk of the Fund is deemed minimal as 93.9% of the total investment is concentrated in Government Securities. Further, investments in Corporate Debt Instruments are made in investment grade instruments after thorough analysis of risks and returns. In additions, all Reverse Repo Investments of the Fund have been adequately collateralized by Government securities which are transferred into the Security Account of EPF at the time of transaction. Therefore, the credit risk of the Fund as a whole was at a very low level except for full concentration in the domestic market. Composition of the investment cost of the Fund as at the year end is as follows.

Analysis of Risk Concentration – Investment Composition

	2021		2020	
	Cost	%	Cost	%
	Rs. '000		Rs. '000	
Government Securities	2,840,127,405	93.9%	2,532,111,088	92.8%
Corporate Debt Securities	23,164,868	0.8%	33,901,549	1.2%
Investment in Equity	93,708,282	3.1%	93,104,461	3.4%
Others	67,300,000	2.2%	69,000,000	2.5%
	3,024,300,555	100.0%	2,728,117,098	100.0%

Market Risk

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

Interest Rate Risk

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

Equity Price Risk

The equity price risk is the reduction in the value of equity portfolio due to the decline in share prices. This is an inherent risk of equity investments which has been mitigated by investing in fundamentally sound stocks with robust value. Further, the listed equity portfolio has been diversified into different sectors and the market risk on the listed equity portfolio is relatively low on the overall Fund since exposure to the equity market is approximately 3.1% of the total portfolio of the Fund and as the Fund makes appropriate adjustments to its portfolio from time to time as and when necessary.

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

28. Analysis of Risk Concentration – Sector wise exposure analysis (Contd....)

	2021		2020	
	Cost	%	Cost	%
	Rs. '000		Rs. '000	
Automobiles & Components	98,635	0.12%	98,635	0.12%
Banks	31,980,535	38.04%	30,717,899	36.80%
Capital Goods	12,620,393	15.01%	15,517,048	18.59%
Consumer Durables & Apparel	475,612	0.57%	475,612	0.57%
Consumer Services	10,030,167	11.93%	10,084,276	12.08%
Diversified Financials	6,776,668	8.06%	6,678,404	8.00%
Energy	2,427,634	2.89%	2,427,634	2.91%
Food & Staples Retailing	2,458,558	2.92%	2,458,558	2.95%
Food, Beverage & Tobacco	7,181,442	8.54%	7,213,353	8.64%
Health Care Equipment & Services	27,091	0.03%	123,393	0.15%
Materials	2,176,890	2.59%	2,548,155	3.05%
Power & Energy	-	0.00%	368,903	0.44%
Retailing	1,625,690	1.93%	-	0.00%
Telecommunication Services	3,113,268	3.70%	1,638,334	1.96%
Utilities	3,074,709	3.66%	3,113,268	3.73%
Total	84,067,293	100%	83,463,472	100%

Liquidity Risk

Liquidity Risk is the risk arising from the inability of the EPF to meet its financial commitments and obligations when they fall due. The net contribution of the Fund has been around Rs.3.9Bn per month during the year. Further, interest and maturity proceeds provides additional cash flow to the Fund. EPF actively participates in the overnight Reverse Repo market as a lender enabling the Fund to earn interest income while maintaining adequate Funds to meet daily liquidity requirements.

In addition, due to the size of the Fund and the developing stage of the Financial Market in Sri Lanka, the Fund faces market liquidity risk. Specially, when the Fund is disposing sizable amount of securities, it affects the market prices adversely.

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

Further, the Fund maintains sufficient amounts/ instruments of different maturities and highly liquid assets in order to meet all its liquidity needs through which the overall liquidity risk of the Fund is mitigated to greater extent. The maturity profile of the investment portfolio is given at Note No. 31.

Operational Risk

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

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

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

29. Impairment losses on financial investments subject to impairment assessment

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

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

Accordingly, Treasury Bonds, Treasury Bills, Corporate Debt Securitisation, Senior Debt Securities, Fixed Deposits and Bank Balances shall be considered for impairment provisioning. However, Government Securities such as Treasury Bills and Treasury Bonds are not subject to impairment, since the counterparty is the sovereign of the country and the instrument is based on rupee terms.

Methodology

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

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

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

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

II Lifetime PD Structure

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

III Determination of Significant Deterioration of Credit Risk

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

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

29. Impairment losses (Contd...)

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

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

12 Month ECL
(Investment Grade)

Lifetime ECL
(Non - Investment Grade)

IV Loss Given Default (LGD)

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

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

V For the purpose of determination of ECL, EPF applies the Point of default as the mid of the year (i.e. 6 months) considering the fact that the default events could be occurred at earlier part of the year or latter part of the year. Therefore, we have used the mid point of the year as point of default.

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

VII Financial Investments

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

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

Impairment losses (Contd...)

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

31.12.2021

Rs' 000	Note	12MECL		LTECL		Total
		Individual	Collective	Individual	Collective	
Cash at Bank	8	66	-	-	-	66
Debt Instruments measured at Amortised Cost	8	62	-	888	-	950
Total Impairment Loss		128	-	888	-	1,016

31.12.2021

Rs' 000	Specific	Collective (individually not significant exposures)	Collective (Incurred but not yet identified)	Total
Credit loss expense on Bank Balance	66	-	-	66
	66	-	-	66
Credit loss expense on Debt Instruments measured at Amortised Cost				
Corporate Debt Securities	68	-	-	68
Trust Certificates	-	-	-	-
Fixed Deposits	939	-	-	939
Other Financial Investments	(58)	-	-	(58)
	950	-	-	950
Total on balance sheet items	1,016	-	-	1,016
Off balance sheet items	-	-	-	-
Total	1,016	-	-	1,016

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

Impairment losses (Contd...)

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk per LKASed on the External credit ratings. The amounts presented are gross of impairment allowances. Details of the Fund's internal grading system are explained in Note 29 and policies on whether ECL allowances are calculated on an individual or collective are set out in Note 29.

31.12.2021						
Rs. '000	12MECL		LTECL		Total	
	Collective		Collective			
	Balance	ECL	Balance	ECL	Balance	ECL
External Rating Grade						
AAA	2,989,685,233	-	-	-	2,989,685,233	-
AA+	-	-	-	-	-	-
AA	-	-	-	-	-	-
AA-	45,186,937	1,345	12,777,433	1,029	57,964,370	2,374
A+	5,598,883	299	-	-	5,598,883	299
A	2,095,098	210	-	-	2,095,098	210
A-	-	-	-	-	-	-
BBB+	-	-	-	-	-	-
BBB	-	-	-	-	-	-
BBB-	-	-	-	-	-	-
BB+	-	-	-	-	-	-
Total	3,042,566,151	1,854	12,777,433	1,029	3,055,343,584	2,883

01.01.2021						
Rs. '000	12MECL		LTECL		Total	
	Collective		Collective			
	Balance	ECL	Balance	ECL	Balance	ECL
External Rating Grade						
AAA	2,692,777,910	-	-	-	2,692,777,910	-
AA+	39,581,269	359	-	-	39,581,269	359
AA	-	-	-	-	-	-
AA-	5,537,924	191	1,025,500	142	6,563,424	333
A+	8,405,358	552	-	-	8,405,358	552
A	4,579,846	565	-	-	4,579,846	565
A-	254,077	58	-	-	254,077	58
BBB+	-	-	-	-	-	-
BBB	-	-	-	-	-	-
BBB-	-	-	-	-	-	-
BB+	-	-	-	-	-	-
Total	2,751,136,384	1,726	1,025,500	142	2,752,161,884	1,868

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Impairment losses (Contd...)

29.2 Credit quality analysis

The table below shows gross balances under SLFRS 09 as at 31 December 2021 analysed on the External Credit Rating system, which is described in Note 29.

Neither past due nor impaired												
Rs. '000	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	Total
Investment Balances												
Debt instruments measured at Amortised Cost												
Corporate Debt Securities	-	-	-	16,315,297	5,562,884	2,089,341	-	-	-	-	-	23,967,522
Trust Certificates	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Deposits	18,594,077	-	-	38,588,790	-	-	-	-	-	-	-	57,182,866
Other Financial Investments	-	-	-	-	-	-	-	-	-	-	-	-
Bank Balances	-	-	-	3,060,283	35,999	5,757	-	-	-	-	-	3,102,040
	18,594,077	-	-	57,964,370	5,598,883	2,095,098	-	-	-	-	-	84,252,428
ECL Provision												
Debt instruments measured at Amortised Cost												
Corporate Debt Securities	-	-	-	1,128	297	209	-	-	-	-	-	1,635
Trust Certificates	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Deposits	-	-	-	1,154	-	-	-	-	-	-	-	1,154
Senior Debts	-	-	-	-	-	-	-	-	-	-	-	-
Bank Balances	-	-	-	92	2	1	-	-	-	-	-	94
Total	-	-	-	2,374	299	210	-	-	-	-	-	2,883

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

Impairment losses (Contd...)

29.2 Credit quality analysis

01-01-2021

Neither past due nor impaired

Rs. '000	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	Total
Investment Balances												
<i>Debt instruments measured at Amortised Cost</i>												
Corporate Debt Securities	1,501,603	13,630,353	-	6,563,424	8,338,035	4,579,550	-	-	-	-	-	34,612,965
Trust Certificates	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Deposits	52,364,501	23,405,065	-	-	-	-	-	-	-	-	-	55,769,566
Other Financial Investments	-	-	-	-	-	-	254,077	-	-	-	-	254,077
Bank Balances	-	2,545,852	-	-	67,323	296	-	-	-	-	-	2,613,471
	33,866,104	39,581,269	-	6,563,424	8,405,358	4,579,846	254,077	-	-	-	-	93,250,078
ECL Provision												
<i>Debt instruments measured at Amortised Cost</i>												
Corporate Debt Securities	-	121	-	333	548	565	-	-	-	-	-	1,566
Trust Certificates	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Deposits	-	215	-	-	-	-	-	-	-	-	-	215
Other Financial Investments	-	-	-	-	-	-	58	-	-	-	-	58
Bank Balances	-	23	-	-	5	0	-	-	-	-	-	28
Total	-	359	-	333	552	565	58	-	-	-	-	1,868

EMPLOYEES' PROVIDENT FUND

Notes to the Financial Statements

30. Valuation of Unlisted Equity Instruments

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

Investment	Basis	Number of shares	Purchase Value	2021		2020	
				Fair value per share	Fair value	Fair value per share	Fair value
			Rs.'000	Rs.	Rs.'000	Rs.	Rs.'000
Canwill Holdings (Pvt) Ltd.	Net asset based	500,000,000	5,000,000	9.82	4,908,155	9.91	4,953,562
Cargills Bank Limited	Net asset based	44,000,000	495,000	11.02	484,983	11.81	519,767
West Coast Power (Pvt) Ltd	Net asset based	29,750,000	2,975,000	670.79	19,955,890	552.23	16,428,723
Fitch Ratings Lanka Limited	Dividend valuation model	62,500	625	82.69	5,168	64.14	4,009
Laufgs Gas Eco Sri Limited - V	Net asset based	57,897,800	62,282	3.44	198,940	2.97	172,140
Laufgs Gas Eco Sri Limited - NV	Net asset based	18,041,300	19,407	3.44	61,991	2.97	53,640
Laufgs Gas Leisure Limited - V	Net asset based	57,897,800	448,820	6.27	362,844	7.69	445,208
Laufgs Gas Leisure Limited - NV	Net asset based	18,041,300	139,855	6.27	113,064	7.69	138,729
Grand Total			9,140,989		26,091,034		22,715,578

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

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

Financial Statement Impact-Overall

	2020	2021
Cost	9,140,989	9,140,989
Estimated Fair Value	22,715,578	26,091,034
Impact to Net Assets	13,574,590	16,950,045
Gross Impact to FVOCI on change in fair values	(674,430)	3,375,456

EMPLOYEES' PROVIDENT FUND
Notes to the Financial Statements

31. Classification of Maturity Profile of the Portfolio

As at 31st December 2021

Class of Investment		(Rs. mn)																				
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2039	2041	2043	2044	2045	Not Defined	Total
Debt Securities Measured at Amortised Cost																						
Treasury Bonds		149,022	211,028	153,350	238,521	352,858	240,051	465,952	168,638	94,943	158,174	129,931	215,637	109,090	106,915	14,081	29,292	22,966	92,833	5,486	-	2,958,769
Corporate Debentures		350	9,545	1,117	7,835	4,095	-	1,025	-	-	-	-	-	-	-	-	-	-	-	-	-	23,968
Treasury Bills		20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
Fixed Deposits		57,183	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,183
Repo		12,302	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,302
Other Investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Instruments Measured at FVTPL		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Listed Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	111,202	111,202
Equity Instruments Measured at FVOCI		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unlisted Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,141	9,141
Listed Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	761	761
Grand total		218,877	220,573	154,467	246,356	356,953	240,051	466,978	168,638	94,943	158,174	129,931	215,637	109,090	106,915	14,081	29,292	22,966	92,833	5,486	121,104	3,173,346
Provision for Impairment on Debt Securities at Amortised Cost																						(3)
Portfolio value net of impairment																						3,173,343

Provision for Impairment on Debt Securities at Amortised Cost

Portfolio value net of impairment

(3)

3,173,343

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

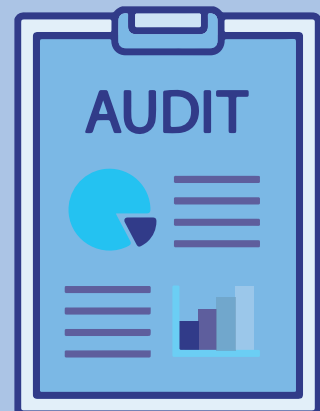
As at the reporting date, Employees' Provident Fund has received a Notice of Assessment (NOA) issued by the Department of Inland Revenue on 12th July 2021 with respect to Value added Tax on the Supply of Financial Services (VAT on FS) claiming LKR 28,500,657,821.00 and penalty of LKR 14,250,328,910.50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

33. Events After the Reporting Period**The Surcharge Tax**

The Government of Sri Lanka, in its Budget Proposal for year 2022 presented to the Parliament on 12th November 2021 intimated that companies or individual who have recorded more than Rs. 2,000 million of taxable income for the Year of Assessment 2020/21 would be liable to a one-off Surcharge Tax of 25%. Surcharge Tax Bill was gazetted on 07th February 2022. However, instructions/directions are yet to be received from the Commissioner General of Inland Revenue/ Ministry of Finance/Ministry of Labour or any other relevant authority in this regard. Accordingly, no provision has been made on account of the said tax in these Financial Statements.

SECTION D

AUDITOR GENERAL'S REPORT



Disclaimer : The original Auditor General's Report has been issued only in Sinhala Language and the same was translated to English for publishing the EPF Annual Report 2021 by the Department of Official Languages.

Commissioner General of Labour,
Department of Labour
Chairman,
Central Bank of Sri Lanka.

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements for the Employees' Provident Fund for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the Financial Statements of the Employees' Provident Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of income and expenditure, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018 and provisions of the Finance Act, No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion, the accompanying financial statements give a true and fair view of the financial position of the Employees' Provident Fund as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with the Sri Lanka Auditing Standards (SLAuSS).

1.2. Basis for Qualified Opinion

(a) Although there had been unidentified transactions amounting to a total of Rs. 15,779.99 million from 2001 to 31 December 2021 according to the bank reconciliation statements in relation to 08 bank accounts maintained by the Fund as at 31 December 2021, they had been indicated in the

bank reconciliation statements repeatedly without taking measures to rectify or resolve those transactions.

- i. There was a total of Rs. 13,316.08 million in issued but returned cheques, transactions not recorded in the bank statement, transactions not recorded in the cash book, direct debit/credit and other unidentified balances as at 31 December 2021 from which, an amount of Rs. 11,103.61 million had not been settled as of 31 May 2022.
- ii. There was a total of Rs. 2,322.59 million in deposited but unrealized money orders, unrealized cheques and issued but unrepresented cheques as at 31 December 2021 from which, an amount of Rs. 715.70 million had not been settled as of 31 May 2022.
- iii. Measures had not been taken during the year under review to rectify the debit balance of Rs. 141.32 million carried forward from 2006 due to an error in the computerized accounting system used by the Fund.

(b) Although the useful life of fixed assets should be reviewed annually as per paragraph 51 of the Sri Lanka Auditing Standards No. 16, the Fund had not taken action accordingly. According to the depreciation schedule for the financial statements as at 31 December of the year under review, the value of the fully depreciated assets amounted to Rs. 599.81 million. Action had not been taken to rectify the estimation error caused by incorrectly reviewing the useful life of fixed assets as per paragraph 51 of the Sri Lanka Auditing Standards No. 16 after identifying assets further in use as per the Sri Lanka Auditing Standards No. 08 and to dispose of the assets no longer in use in an appropriate manner.

(c) Although the cost of the 04 categories of property, plant and equipment stated in the financial statement as at 31 December 2021 was Rs. 1,034.75 million (holding value of Rs.243.35 million), the same had been indicated in the schedule for allocating depreciation as Rs. 574.27 million, thereby, a difference of Rs. 460.47 million was observed in the cost of assets between the financial statement and the schedule.

(d) Motor vehicles should annually depreciate 20% under the straight-line method in line with the accounting policy of the Fund. The cost of motor vehicles as at 31 December 2021 was Rs. 97.20 million and the cost of fully depreciated motor vehicles according to the schedule for calculating depreciation was Rs. 36.22 million as stated in the financial statement. Accordingly, although depreciations should have been calculated for the cost of motor vehicles of Rs. 60.98 million, the depreciations for 2020 and 2021 had not been recorded.

(e) Although the total of balances according to the financial statements of 05 accounts included in the members fund was Rs. 85,362 million, the total of balances according to the schedules submitted in relation to the 05 accounts was Rs. 42,580 million, thereby, a difference of Rs. 42,782 million was observed.

This audit was conducted by me in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility under those Auditing Standards is further described under the “Auditor’s

Responsibility for the Audit of the Financial Statements” section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3. Other Information Included in the Annual Report of the Fund for the Year 2021

Other information consists of the information included in the Annual Report of 2021 that I have received before the date of this Audit Report, but not included in the Financial Statements and my auditor’s report thereon. Management is responsible for the other information.

My opinion on the Financial Statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

In connection with my audit of the Financial Statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the other information I have obtained before the date of this Audit Report and on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

Those charged with governance are responsible for the examination of the financial reporting process of the Fund.

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

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

My objective is to provide a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with SLAuSs will always detect material misstatements. As material misstatements can arise from the individual or aggregate impact of fraud and error, they could be expected to influence the economic decisions made by users based on these financial statements.

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

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

and, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

2. Report on Other Legal and Regulatory Requirements

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

2.1.1. As per the requirements of section 12(a) of the National Auditing Act No.19 of 2018, I have obtained all the relevant information and explanations which were necessary for the purpose of the audit, except for the effect of the matters I have described in the “Basis for Qualified Opinion” section of the report, and as per my examination the Fund has maintained proper accounting records.

2.1.2. As per the requirements of section 6(1)(d)(III) of the National Auditing Act No.19 of 2018, the set of financial statements presented for audit is consistent with the previous year.

2.1.3. As per the requirements of section 6(1)(d)(IV) of the National Auditing Act No.19 of 2018, except for the observations made in section (c) of the “Basis for Qualified Opinion” of this report, the recommendations made by me in the previous year were included in the financial statements presented for audit.

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

2.2.1. As per the requirement of section 12(d) of the National Auditing Act No.19 of 2018, that any member of the governing body of the Fund has any direct or indirect interest in any contract entered into by the Fund, other than those relating to the ordinary business activities.

2.2.2. As per the requirement of section 12(f) of the National Auditing Act No.19 of 2018, that the Fund has not complied with any applicable written law or other general or special directions issued by the governing body of the Fund, except for the following observations.

2.2.3. As per the requirement of section 12(g) of the National Auditing Act No.19 of 2018, that the Fund has not performed according to its powers, functions and duties.

2.2.4. As per the requirement of section 12(h) of the National Auditing Act No.19 of 2018, that the resources of the Fund had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

Although the total estimated cost of Rs. 135.3 million obtained from the Department of Buildings without following the proper Government Procurement Guidelines for interior designing of the office premises of the Fund in Mehewara Piyasa was approved and fully paid as at as at 31 December 2020, the interior designing of the office premises of the Fund was incomplete as of 30 April 2022.

2.3 Other Matters

(a) Action had not been taken as at 31 December 2021 to credit into each of the member accounts the sum of Rs. 11,456 million recovered by the department by taking legal action against the employers of the account held under the name of Commissioner of Labour within the members fund of the Fund and the sum of Rs. 301 million kept in a general deposit account to be settled after recovery by taking legal action. Further, in relation to the “Current Annual Subscription No. 01” account maintained separately under the names of the employers, action had not been taken to identify the relevant members and settle the balance of Rs. 70,832 million as at 31 December 2021. Similarly, although Rs. 956 million in retained earnings and unclaimed earnings, Rs. 2,117 million in deficit/surplus subscription fees and Rs. 353 million in deficit/surplus benefit payment had been indicated under the members fund, action had not been taken to identify and settle the balances.

Also, directions had been issued by the Committee on Public Accounts in 2013, 2016 and 2017 to promptly settle the accounts which were not credited to the abovementioned member accounts.

(b) There had been no dividend income in 2019, 2020 and 2021 for the investment of general shares worth Rs. 7,386 million by 11 listed companies as at 31 December 2021. Investment by only 02 of the 11 companies amounted to Rs. 3,410.57 million. I was informed by the Governor of the Central Bank of Sri Lanka that this was due to disruptions in the operations of companies due to the situation in the country during those 03 years.

(c) There had been no dividend income in 2021 for the investment of general shares worth Rs. 9,486.07 million by 08 listed companies as at 31 December 2021. I was informed by the Governor of the Central Bank of Sri Lanka that this was due to disruptions in the operations of companies due to the Covid 19 pandemic in the country during 2020-2021.

(d) There had been no income received by the Fund from the time of investment in relation to an investment worth Rs. 500 million in an airline in 2010.

(e) The Fund had incurred the loss of Rs. 205.49 million due to the cancellation of licence of The Finance Company on 31 December 2021.

(f) An agreement had been reached with an external party with regard to the computerization and scanning of the data on the members of the Fund. It was observed that in place of deducting the fine calculated by the Central Documentation Division for the percentage error in computerization and scanning of the data from the total value of the monthly invoice, the percentage error had been deducted from only 01 of the 02 invoices issued a month and payments made accordingly. Hence, the fine to be deducted as per the agreement had been calculated Rs. 175,684 less in the year under review.

(g) Timely maintenance and servicing was expected to be carried out in order to maintain the computer network at the main office and the district labour offices without disruptions. However, it was observed that although the agreement period had expired on 06 occasions during 2015-2020, measures were not taken to renew the agreement. Further, it had been decided by the Departmental Procurement Committee to select a new establishment for obtaining maintenance services and appoint a Technical Evaluation Committee consisting of experts. However, in relation to the Monitoring System and Pseries Services, it was observed that maintenance services continued to be obtained from the previous establishment by repeatedly extending their agreement period.

(h) In 2013, 53% of investment of shares by unlisted companies, i.e., Rs. 5000 million had been invested in constructing the Canville Holdings hotel complex. Although construction work of the Grand Hyatt Colombo project in connection with the Canville Holdings hotel complex had commenced in July 2020, vesting the Board of Directors with powers to carry out the necessary procurement procedures and raise funds had been done by Cabinet Paper No. 21/2278/306/100 dated 04 January 2022. Accordingly, the construction work of the hotel complex had not been completed as planned by 27 December 2021. Thus, although a period of 08 years had passed after the said investment, no benefit had been received by the Fund.

(i) In 2008, 15,000 cards had been purchased for Rs. 12.61 million for computerized issuing of new identity cards and re-registration of the members of the Fund, which had remained unused. Likewise, out of 35 machines purchased for this project at Rs. 17.67 million, 02 had been disposed of and no suitable action had been taken regarding the remaining 33 machines.

(j) Out of selling shares by the Fund in 2021, a capital loss of Rs. 53.76 million had been incurred by selling shares of 05 companies costing Rs. 93.39 million.

(k) Out of a total investment of Rs. 84,067 million in the share market, as of 31 December 2021, Rs. 9,681 million, i.e., 12% had been invested in 11 companies in the hotel industry. The following observations are made concerning the same.

- i. The market value of this investment had decreased by Rs. 2,659.51 million as of 31 December 2021.

- ii. Investments made in the hotel industry had been Rs. 10,084.28 million at the end of 2019 and 2020 and Rs. 9,681.52 million at the end of 2021. No profits had been made from these investments in the year 2021. The profits received on these investments in 2019 and 2020 were Rs. 103.18 million and Rs. 47.40 million, i.e., 2.47% and 0.98% respectively. Further, there had been no profits on investments worth Rs. 3,174.54 million by 07 companies in 2019 and 2020. I was informed by the Governor of the Central Bank of Sri Lanka that this was due to disruptions in the operations of companies due to the Covid 19 pandemic in the country during 2020-2021.

Signed by
W P C Wickramaratne
Auditor General