



EMPLOYEES' PROVIDENT FUND FINANCIAL HIGHLIGHTS - 2018



Financial highlights of the Employees' Provident Fund (EPF) for the year ended 31st December 2018 and key performance indicators are disclosed below for the information of the general public. Financial Statements for the year 2018, submitted by the Monetary Board of the Central Bank of Sri Lanka to the Minister of Labour and Trade Union Relations will be presented to the Parliament by the Hon. Minister in terms of the Section 6 (4) of the Employees' Provident Fund Act no 15 of 1958. In terms of Section 14 (1) of the said Act, interest rate for 2018 has been fixed by the Monetary Board with the concurrence of the Hon. Minister of Finance and Hon. Minister of Labour and Trade Union Relations.

SUMMARIZED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2018

Item	2018	2017	Change (%)
Total Gross Income	222,843	223,192	(0.16)
Less: Total operating Expenditure	1,505	1,348	11.65
EPF Dept.: Central Bank of Sri Lanka	902	793	13.75
EPF Section: Department of Labour	603	555	8.65
Net Income before Income Tax	221,338	221,844	(0.23)
Less: Income Tax	30,720	18,897	62.57
Net Income after Income Tax	190,617	202,947	(6.08)
Add: Retained profit brought forward	268	189	41.80
Opening balance adjustment (Refer Note 01)	2,203	-	-
Adjusted opening retained profit	2,471	189	-
Net Income available for Distribution to the Members	193,088	203,136	(4.95)
Less: Interest paid on current year Refunds	4,296	4,624	(7.09)
Add/ (Less): Transfer from / (to) Profit Equalization Reserve	6,000	(7,000)	-
Less: Interest paid on Member Balances @ 9.50% in 2018 (10.50% in 2017)	194,633	191,244	1.77
Retained Profit Carried Forward	159	268	(40.67)

SUMMARIZED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

Item	2018	2017	Change (%)
Property, Plant and Equipment (including Intangible Assets)	290	300	(3.33)
Financial Assets	2,298,831	1,992,372	15.38
Current Assets	17,844	75,863	(76.48)
Total Assets	2,316,965	2,068,535	12.01
Less: Current Liabilities*	27,604	2,236	1,134.57
Total Net Assets	2,289,361	2,066,299	10.80
Represented By:			
Total Member Balances (After crediting interest)	2,254,194	2,020,782	11.55
Reserves	35,007	45,249	(22.63)
Retained Profit	159	268	(40.67)
Net Worth of the Fund	2,289,361	2,066,299	10.80

*Current Liabilities for 2018 includes income tax payable amount of Rs. 24,182 Million.

SUMMARIZED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2018

Description	Member Balance	Retained Profit	Other Reserves	Total
Balance as at 31st December 2016	1,810,594	189	30,713	1,841,496
Net change in fair value of AFS financial assets	-	-	7,536	7,536
Net Profit for the year - 2017	-	202,947	-	202,947
Net Contributions for 2017	18,944	-	-	18,944
Member Interest Paid on Refunds - 2017	-	(4,624)	-	(4,624)
Member Interest payable (2017 at 10.50%)	191,244	(191,244)	-	-
Transfers to Profit Equalization Reserve	-	(7,000)	7,000	-
Balance as at 31st December 2017	2,020,782	268	45,249	2,066,299
Impact of adopting SLFRS 09	-	2,207	(4,242)	(2,035)
Opening Balance Adjustment - Dept. of Labour	-	(4)	-	(4)
Adjusted opening balance	2,020,782	2,471	41,007	2,064,260
Net Profit for the year - 2018	-	190,617	-	190,617
Net Contributions for 2018	38,779	-	-	38,779
Member Interest Paid on Refunds - 2018	-	(4,296)	-	(4,296)
Member Interest payable (2018 at 9.50%)	194,633	(194,633)	-	-
Transfers from Profit Equalization Reserve	-	6,000	(6,000)	-
Balance as at 31st December 2018	2,254,194	159	35,007	2,289,361

SELECTED KEY PERFORMANCE INDICATORS

Indicator	2018	2017
Membership		
Contributing Member Accounts (Active Members) (mn.)	2.6	2.8
Non-contributing Member Accounts (Inactive Members) (mn.)	16.0	15.2
Total Member Accounts (mn.)	18.6	18.0
Contributing Employers (Nos.)	86,203	76,782
Total Member Balances (Rs. mn.)	2,254,194	2,020,782
Member Contributions Received (Rs. mn.)	144,996	133,353
Annual growth in Member Contributions (%)	8.7	12.7
Gross Income (Rs. mn.)	222,843	223,192
Income from Government Securities	218,259	213,203
Income from Equities		
Dividend Income and Capital Gain	3,767	2,994
Gain/ (Loss) on Fair Valuation of Equities	(10,901)	(163)
Income from Corporate Debts and Reverse repos	5,956	4,478
Income from Fixed Deposits	5,359	3,594
Impairment of Financial Assets	1	(1,502)
Other Income	403	589
Operating Expenses (Rs. mn.)	1,505	1,348
As a % of total Gross Income of the Fund	0.68	0.60
Investment Portfolio (Rs. mn.)	2,298,831	1,992,372
Annual Growth in Investment Portfolio (%)	15.4	12.4
Composition (%)		
Government Securities - Treasury Bonds and Bills	92.2	91.3
Equities	3.3	4.2
Corporate Debt Instruments	1.9	2.1
Reverse Repos	1.1	-
Fixed Deposits	1.5	2.4
Total	100	100
Refunds		
Amount Paid to Members (Rs. mn.)	106,497	117,477
Refunds - including part payments and 30% withdrawals (Nos.)	241,190	260,989
Annual increase in Refunds (%)	(9.3)	8.4
Housing Loan Guarantee Facilities		
Amount Sanctioned (Rs. mn.)	4,974	4,946
Guarantee Certificates issued (Nos.)	10,036	10,998
Return on Investments		
Gross Rate of Return on Average Portfolio (%)	10.39	11.83
Rate of Interest Paid on Member Balances (%)	9.50	10.50
Effective Rate of Interest Paid on Member Balances (%)	9.54	10.51

SUMMARIZED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2018

For the year ended 31 st December	2018	2017
Net cash generated from operating activities	196,280	162,651
Net cash used in investing activities	(234,571)	(179,568)
Net cash generated from financing activities	38,513	15,864
Net increase/ (decrease) in cash and cash equivalents	222	(1,053)
Cash and cash equivalents at the beginning of the year	3,274	4,385
Cash and cash equivalents at the end of the year - Before Adjustments	3,496	3,332
Adjustments:		
Cash balance at the end of the year - Dept. of Labour	(77)	(58)
Cash and cash equivalents at the end of the year	3,419	3,274

EFFECTIVE RATE OF RETURN FOR MEMBER BALANCES VS. MARKET RATES (%)

Year	2014	2015	2016	2017	2018
Effective Rate of Return offered by EPF	10.60	10.57	10.51	10.51	9.54
Rate of Return offered by a similar Superannuation Fund	10.00	9.30	9.10	9.00	9.00
One Year Fixed Deposits rate of a major Savings Bank	6.50	7.25	11.00	11.00	10.50
Commercial Banks' Average Weighted Deposits Rate (AWDR)	6.20	6.20	8.17	9.07	8.81
Annual Average Inflation - CCPI (2013=100)	3.3*	3.8	4.0	7.7	2.1

* Annual Average Inflation (2006/07 = 100)

Source: Annual Report 2018, Central Bank of Sri Lanka

Explanatory Notes

- SLFRS 9 - Financial Instruments replaced LKAS 39 - Financial Instruments: Recognition and Measurement and is applicable for annual reporting periods beginning on or after 01.01.2018. In accordance with the modified approach given in SLFRS 9, the Fund adjusted differences arising from the adoption of SLFRS 9 directly to the retained earnings as of 01.01.2018 and has not restated comparative information for 2017. Therefore, comparative information for 2017 is reported under LKAS 39 and is not comparable with the information presented for 2018. Further,
 - Financial Assets were reclassified to be in line with the new classification given in SLFRS 9 and the measurement of the financial assets has been changed accordingly. As a result, all listed equities (Trading and Investment) have been reclassified as Fair Value through Profit and Loss (FVTPL) and all marked to market losses were directly charged to the Income Statement as Loss on Fair Valuation of Equities. Unlisted equities have been classified under Fair Value through Other Comprehensive Income (FVOCI) and continued to measure at cost due to unavailability of sufficient information to estimate the fair value reliably.
 - The method of calculating the impairment allowance were changed to Expected Loss Model from Incurred Loss Model.
- With the enactment of the Inland Revenue Act No. 24 of 2017 with effect from 01.04.2018, the tax liability of the Fund increased significantly as follows.
 - The income tax rate applicable for EPF was increased from 10% to 14% and the basis of computation of taxable income was changed, thereby the tax expenditure for the year 2018 has resulted in a significant increase of Rs.12 Billion (from Rs.18 Billion to Rs.30 Billion) compared to the previous year.
 - The Fund recognized, Withholding Tax (WHT) of 10% paid on Treasury bond interest income as part of gross income until 31.03.2018 and the respective tax expenditure thereon. However, due to the abolishment of WHT on Government Securities with the above Act, amortisation of WHT was not considered as a part of the income with effect from 01.04.2018. This resulted in the income on Government Securities to decrease compared to the previous year.

We, the under-signed, certify that the above financial highlights were extracted from the audited financial statements for the year 2018 prepared in accordance with the applicable Sri Lanka Accounting Standards (LKAS/SLFRS).

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