2018

වාර්ෂික වාර්තාව

வருடாந்த அறிக்கை

Annual Report

දුරස්ථ ඉගෙනුම් මධ්‍යස්ථානය
வரையறுக்கப்பட்ட தொலைக் கல்வி நிலையம
Distance Learning Centre

State Owned Institute Under
Ministry of Public Administration

Distance Learning Centre Ltd.
Connecting Minds

GLOBAL DEVELOPMENT LEARNING NETWORK
GDLN

CONTENTS

Chairperson's Review

Wasantha Perera

It is with great pleasure I am presenting the Annual Report and Audited Accounts for the year ended 31st December 2018 on behalf of the Board of Directors of the Company.

Distance Learning Centre (DLC) has once again, successfully posted increased profits topping the strong growth trend seen in the last three years. 2018 has been one of the best years with an all-round performance of the company. DLC continued to excel with projects of national importance in sectors such as Education and IT.

It is important to note that the continued success of DLC, in the past three years, has been the clarity of its purpose and impact, and the adoption of the long-term vision for the journey DLC needed to undertake.

The many projects that were identified with the international affiliates of the Global Development Learning Network (GDLN) is another area of strategic importance to DLC. Once again GDLN bestowed the running of its Asia Pacific Secretariat which is funded by the World Bank, to DLC. In addition, the World Bank awarded the training component of its Waste Management project, thereby strengthening DLC's position as a reliable partner which could fulfill the Bank's operational objectives in Sri Lanka. The highlighted change in the organization and its way of doing business paved the way to new collaborations at provincial, national and international levels.

DLC is focused on bringing the latest thinking in human resources development, through videoconferencing. This organization needs to embrace new trends in technology, revolutionizing its internal capabilities and service offerings with the recent changes in digital technology. This journey commenced in 2017, when DLC made use of cloud based technology, for its videoconferencing activities for GDLN. This continued throughout 2018 and will do so in the years to come. Through these changes DLC demonstrates its adaptability in leveraging emerging technologies, to deliver value to its clients by exceeding in its service expectations.

Finally I wish to thank the staff and the management of DLC for the highly commendable performance in 2018, and wish the team even greater achievements in the years to come.

Wasantha Perera

Chairperson, DLC

Colombo, Sri Lanka

CEO’s Report

Gershaun Arulanantham

This is another year of DLC posting strong year-end profits. The overall higher profitability points the selective collaborative work DLC carried throughout the year, with high value strategic partners while increasing the frequency of its regular programmes.

DLC furthered its collaboration with the Global Development Learning Network (GDLN) with a World Bank project. The Regional Secretariat of GDLN was once again bestowed on DLC to host in 2018.

DLC was setup with the mandate to create unprecedented opportunities in human capital development by bringing the latest thinking to the public and private sectors. In keeping with its mandate, the Education Sector training was extended to the provinces. In the Northwestern province alone DLC trained over 30 batches of Principals, with the overall objective of a nurturing sustained improvements in “classroom teaching”. DLC aims to replicate such training to the education sectors in other provinces too in the future.

Another first, was the training related on Staff Disciplinary Procedure, to the Corporations and the Public Enterprises. During this year over 500 staff, from various public sector organizations were trained, through a series of Seminars, establishing DLC as a reliable training partner to many enterprises in the public sector.

Besides the revenue from above projects, DLC also saw an increase in revenue from its facility bookings as well as for Videoconferencing events. The online exams also posted very good revenue with the addition of three exam providers to its portfolio. It is expected that, DLC’s staff, having years of experience in technical and test administration capabilities, could further increase the number of exam deliveries every year.

The strong performance of DLC comes with the untiring efforts of the DLC Team, focusing on the pressing training needs of its partner-clients and a strong determination to constantly drive higher value.

As we move into a very turbulent 2019, we hold fast to our values and resolute willingness to be an organization that is guided by innovation, driven by customer insights. Through all these we aim to create unprecedented opportunities for individuals and groups whom we serve.

G***ershaun Arulanantham***
CEO, DLC

Colombo, Sri Lanka

An overview of DLC

DLC is one of the premier training institutions established by the Government of Sri Lanka in 2002, with an aim of developing the capacities of both government and private sector personnel, keeping the focus on the best practices at global level. Over the past few years, the DLC has been able to cater to those personnel by updating their academic and professional knowledge and skills after taking not only the domestic resources but also with the assistance of Global Development Learning Network of the World Bank Institute. DLC's training function is free from the constraints of traditional thinking and enables them to both develop themselves and optimise the performance.

Throughout the past few years, DLC has been engaging in conducting demand driven programmes, for the needy sectors rather than continuing on the traditional way of imparting knowledge. DLC has looked at today's changing context of the business environment and has developed specific programs using customer oriented approach. With this new direction, DLC was able to deliver value to its clients. As a result of this, the company's net profit before tax has increased in the year under review when compared with the previous year. It is a clear reflection of continuous efforts of the DLC staff to rationalize its expenditure from Rs 29.1 mn in 2017 to Rs.21.5 mn in 2018 (Table 2). As a result, the net profit before tax shows a marginal increase from Rs 14.1 mn in 2017 to Rs 15.1 mn in 2018. It is also pertinent to mention that this marginal increase of net profit before tax, has been associates with downward adjustment of two balance sheet items; Amortization of Rent which was adjusted to reflect the changes over the years and part of the income tax refund was set off to mitigate the risk of part realization. Nonetheless, DLC with clear direction from its strategic goals, will continue this trend in performance in the years to come.

Performance of the Company over the last 5 years

Table 1 – Net Profit before Tax (Rs)

	2014	2015	2016	2017	2018
Total revenue (Including finance income)	34,262,954	40,428,238	48,599,370	69,671,388	67,769,778
Total Expenditure	30,933,905	33,881,823	40,757,451	55,552,355	52,651,915
Profit Before Income Tax	3,329,049	6,546,415	7,841,919	14,119,033	15,117,863

Table 2 – Gross Profit (Rs)

Gross Profit	**2014**	**2015**	**2016**	**2017**	**2018**
Revenue from core operations	29,374,573	36,673,859	44,262,033	62,953,972	59,779,244
Cost of sales	10,254,365	11,628,170	15,528,207	29,154,623	21,572,552
Gross Profit	**19,120,208**	**25,045,689**	**28,733,826**	**33,799,349**	**38,206,692**
Gross profit ratio	**65%**	**68%**	**65%**	**54%**	**64%**

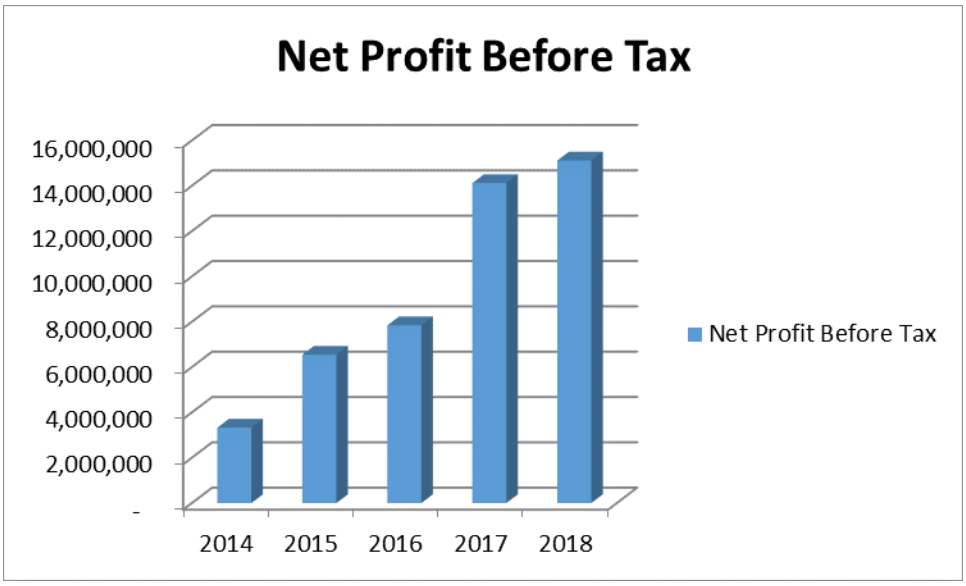


Figure 1 Annual profit

The importance of Capacity development.

Today, the role of the service sector in Sri Lanka economy has become one of the major contributory factors in economic development and stability of a country, given the growing trend of information and communication technology (ICT), new innovative products, processes, structures, complexities and increased risks associated with globalization. In recent years, while advanced economies continued to update their services deliveries, the developing countries are trying to increase their per capita income and economic growth by various means .Especially, the emergence of Asia as an engine of world economic growth has given rise to increased opportunities in the business environment, especially in the service sector of developing countries and their organisations.

Against this backdrop, the DLC's prime responsibility is to integrate its training function to global level and acquire the modern way of transferring the knowledge and skills to needy sectors. In effect, we have successfully run both Personal Development and Organisational Change, through Young executive development programmes, video conferencing and project management programmes. Since DLC has accessibility to different organizations in different parts of the world in widely differing cultures and languages and in every case those involved could share the knowledge and experiences effectively.

Vision

To be the world class center for competency development using state of the art technology.

Mission

To provide; global knowledge sharing services through world-class knowledge centers, access to reliable technology based facilities and conduct demand driven capacity building programs with dedicated team of experts.

Our Values

- Innovative and creative
- Responsive to customer needs
- Driven by sense of urgency
- Accountable and committed
- Believe in competency development

CORPORATE INFORMATION

Distance Learning Centre Ltd. (DLC) was incorporated, under the Companies Act, on 01 Nov 2001 and commenced its operation on 26 March 2002.

The stated capital consists of 14,206,509 ordinary shares of Rs. 10 each and is 100% (14,206,509) owned by Government of Sri Lanka. This is a self-funding enterprise with no recourse to government budget or subsidy.

Further it is part of the Global Development Learning Network (GDLN) of the World Bank Institute, which provides cost effective learning opportunities and capacity building programs through its interactive, multi-channel network, a flexible learning system of multi-site videoconferencing, Internet and other advanced communications technologies.

It also has links with other International Training Institutes and is privileged to offer their courses within Sri Lanka.

DLC is a test site provider for CIMA and ACCA online exams and the only such large secure facility available in Colombo. DLC came to be known as the largest CIMA test centre in South Asia in 2017 and successfully delivers exams to over 2000 candidates each year.

Principal Activities

Global knowledge sharing, e-learning, ICT related training, Education Sector Training and providing Corporate Suite type of facilities for business meetings and videoconferencing facilities for public and private sector clients. DLC also provides secure online testing facility for major international test providers.

Registered Office

28/10, Malalasekara Mawatha, Colombo 7

Auditors

Auditor General, Sri Lanka.

Secretaries

Accounting Systems Secretarial Services (Private) Limited.

Bankers

Bank of Ceylon

BOARD OF DIRECTORS

Chairperson

Ms. Wasantha Perera
MSc in Project Management (Australia)
PgD in Economic Development (U/Col.)
PgD in Management (PIM, U/SJP)
BSc. (U/Pera)
Secretary- Ministry of Health, Nutrition & Indigenous Medicine

Dr. S H A M Abeyratne
PhD IUA, M A in Economics, Dip Development Economics, University of Manchester UK
B A Economics, B Phl Economics (Uni Colombo)

Mr. Faizal Salieh
B A Economics (First Class Honors), MBA (Sri J)
Member of the Main Committee of the Ceylon Chamber of Commerce; Board Director, Cargills Bank; Board Director HNB General Insurance Limited; Vice Chairman, Sri Lanka Institute of Directors.

Ms.Tania Alikie Perera
ACMA (UK), MBA (Sri J)
Deputy Secretary General/Financial Controller
The Ceylon Chamber of Commerce

Ms Kalyanee Gunatilake
MBA in HR Management (Sri J), MSc in Economics (Uni. Illinois, USA), BA Special Sociology (Sri J)
PG Dip. in Economic Development (Uni of Colombo),
Prof. Dip. in HR Systems and Techniques (Sri J)
Assistant Governor, Central Bank of Sri Lanka

Treasury Representative to the Board

Ms K A Ramya Kanthi
MA in Policy Economics (USA)
MA in Financial Economics (UoC)
PgD in Economic Development (UoC)
Bsc (Sp. Deg.) (UoC)
Director, Comptroller General's office
Ministry of Finance

Alternate Director to Ms T Alikie Perera

Dr. Selvanathan Anojan
Ph.D., M.Phil., MBA, BBA, B.Eng
Assistant Secretary General
The Ceylon Chamber of Commerce

Human Resources

The Management Team

CEO
Gershaun Arulanantham
ACIM (UK), FIM (SL), MBA (Peradeniya)

Learning Development and Marketing Manager
Keerthi Wijesekara
MCIM (UK), AABE (UK) MBA Uni Sunderland UK,
MSc HRM & Dev. University of Salford UK

IT Manager
Aruna Buddhika
MSc SITM (UK), ACS

Finance and Administrative Manager
Lakshika Kalubowila
BBA (Sp) 2nd Upper (Hons.),
MBA (Colombo), CBA , MAAT

Assistant Sales Manager
Vajira Abeynayake
Advance Diploma in Business Management (NIBM)

Other Members of Our Team

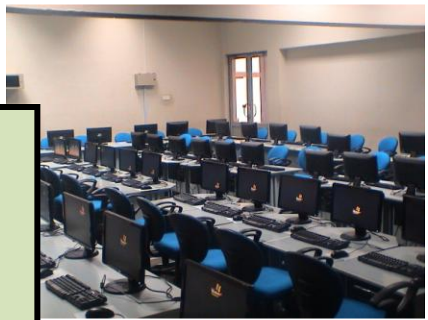
From Left

Suleka Dissanayake (Administrative Assistant), Nirosha Priyadarshani (Programme Coordinator), Lakmali Samarasekara (Executive Secretary), Dhanushka Dushanthi (Secretarial Assistant), Nayani Kalpage (Accounts Assistant), Romesh Perera (IT Assistant),

Physical Resources

State-of-the-art video conferencing facility

30 active participants with personal microphones and 50 other observers could be accommodated.

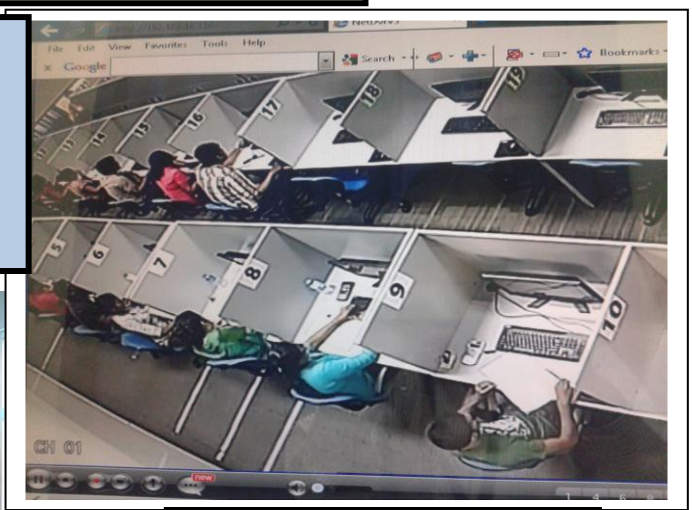


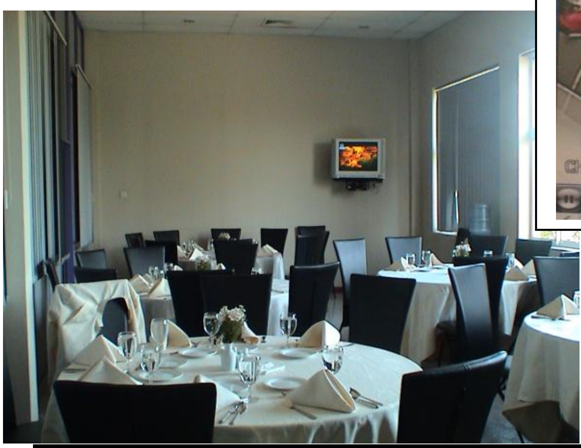
Two multi-media rooms equipped with computers

One with 30 and the other with 50 computers

Pearson VUE Testing Center

(90 seat capacity testing center)





Spacious Lobby used as a lecture room when required

Audio conferencing facilities available for all seminar rooms

DLC offers the following through its Video Conferencing (VC) facility

- Courses leading to certificates on themes such as Microfinance, Natural Resource Management and Science and Policy of Climate Change using blended learning methods
- Video conferencing based training exposures that are provided by different resource centers around the world on subjects such as Disaster Nursing and Partograph
- Short seminars and presentations from renowned speakers (authority on subjects) living elsewhere in the world
- Global Experience Sharing Dialogues linking different countries on themes such as Korean Development Experience
- Tailor made training to meet customer requirements such as Web Application Security
- Renting of the facility for business conferences & meetings, academic chats and cross border family events, etc using VC

DLC offers the following through its Multi Media (MM) facility

- Programs for Developing Young Executives, exposing them to global trends
- Computer based exams for recruitment and promotions
- Tailor made foreign and local training programs using e-learning
- Computer training (Computer Essentials, International Computer Driving License, SL Computer Driving License, Advance e-Office Skills etc.)
- Computer based training such as Project Management, Presentation Skills, Publishing Skills, e-learning content development skills, etc
- Renting of the facility for business promotions, soft-ware promotions and computer-based training and computer based/ internet based exams

DLC rents out its facilities and its ICT enabled services for; Video conferencing, blended face-to-face events and exams (both computer based and other exams)

Visit DLC web for more information
www.dlcsrilanka.org

DLC offers the following in additional services

- Content development and content translations along with Compact Disk (CD) development for e-learning initiatives
- Documentation of proceedings (both digital and printed modes)
- Design exams for screening prospective candidates for recruitment to meet client requirements

GALLERY OF KEY TRAINING PROGRAMMES IN 2018

1. Capacity Building Programmes for Provincial Education Departments

DLC conducted over 30 training programs, for over 1200 principals and education administrators of three provincial education departments (Northwestern, Western and Central Provinces). These training were designed to assist the provinces to enhance the students' results in national exams.

DLC introduced two new programmes to the education sector, namely; Training/Development of Trainers (TDOT) for In Service Advisors attached to the Provincial Education Departments and Education Planning for Planning Directors (Education Planning).

2. Online Exams

In 2018 DLC continued the collaboration with British Council Sri Lanka in delivering their Cambridge English exams at the company's facilities. DLC has been in the forefront in conducting online exams for various clients. Some of the clients that it caters to are; CIMA, ACCA, CASTLE, GATE, JEE, PSI and AWS. With the secure exam environment, this is a sought after institute by clients who require secure exam site for computer exams, as well as, clients who need to conduct paper based exams at their own sites.

3. Public Seminar Series

DLC increased the frequency of its public seminars on in-demand topics. In 2018 DLC conducted seminars on Procurement Management, Staff Disciplinary Procedures, IT procurement Management, Financial Regulations, Information Systems Audit, Procurement Auditing, Systems and Network Administration and Advanced Excel.

4. Collaboration with KDI School

Blended Learning Programme on Regional Development

DLC successfully offered a blended learning programme on Regional Development through KDI School Korea. The program consisted of 7 Video Conferences and a face to face training in Seoul. Participant from Sri Lanka who successfully completed the 7 video conferences attended the fully sponsored face to face training in Korea.

5. Partnering with Asian Productivity Organization

DLC hosted three videoconferencing seminars together with Asian Productivity Organization and National Productivity Secretariat on three topics namely;

i. E-learning course on Management Innovation for SMEs
ii. E-Learning Course on Waste management in agribusiness
iii. E-Learning Course on CS Management for Health Sector

The programs were conducted for four days as well as a field visit and a country presentation for the audience. The programs were attended by more than 10 countries through Video Conference mode.

Financial growth over the last 5 years

Summary of Results for the year ended 31st December	2018 Rs.Mn	2017 (Restated) Rs.Mn	2016 Rs Mn	2015 Rs Mn	2014 Rs Mn
Turnover	59.8	62.9	44.3	36.6	29.4
Other Income	7.8	6.5	4.1	3.5	4.6
Total Income	67.6	69.6	48.4	40.1	34.0
Total Expenses	52.5	55.5	40.6	33.6	30.7
Net Profit for the Year Before tax	15.1	14.1	7.8	6.5	3.3
Staff Cost	13.0	11.7	10.5	10.3	9.3
No. of staff	12	11	10	9	9

Financial Position as at 31st December	2018 Rs Mn	2017 (Restated) Rs Mn	2016 Rs Mn	2015 Rs.Mn	2014 Rs.Mn
Stated Capital	142.06	142.06	142.06	142.06	142.06
Noncurrent liabilities Government to be repaid under the agreement	3.2	6.4	9.6	12.8	16.0
Current Liabilities	6.9	5.5	1.7	2.6	2.0
Total Equity / Liabilities	130.3	115.7	100 7	97.1	93.7
Short Term Investments	84.0	68.8	53.6	49.7	48.6
Working Capital	88.1	73.1	60.9	57.8	55.6
Total Assets	130.3	115.7	100.7	97.1	93.7

REPORT OF THE DIRECTORS

DISTANCE LEARNING CENTRE LIMITED – PB 192

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY FOR THE YEAR ENDED 31ST DECEMBER, 2018

The Directors have pleasure in submitting their Report together with the Audited Statement of Accounts for the year ended 31st December, 2018.

1. **PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS**

Principal Business Activities of the Company are organizing and conducting programs, seminars, workshops, conferences and other activities to facilitate Public & Private sector employees to gain access to update information and opportunities for interaction with international experts especially in the areas of Public Management and Economic Development using the Global Distance Learning Network.

2. **DIRECTORS**

The Director of the Company as at 31st December, 2018 were:

Ms. Wasantha Perera	-	Chairperson
Dr. S.A.M. Abeyratne	-	Director
Mr. M.O. Faizal Salieh	-	Director
Ms. K. Gunatilake	-	Director
Ms. K. A. Ramya Kanthi	-	Director
Ms. Alikie Ismail	-	Director
Dr. Anojan Selvanathan	-	Alternate Director to Alike Ismail (appointed on 26.06.2018)

Ms. Wasantha Perera and Mr. M.O. Faizal Salieh who retires by rotation in terms of Article 89 and 90 of the Articles of Association of the Company will offer themselves for re-election at the forthcoming Annual General Meeting.

Dr. S. A. M. Abeyratne who retires pursuant to Section 210 & 211 of the Companies Act No.07 of 2007 and offer himself for re-appointment at the forthcoming Annual General Meeting.

3. **FINANCIAL STATEMENT**

The Financial Statements of the Company are given in the Annual Report.

4. **AUDITOR'S REPORT**

The Auditor's Report on the Financial Statements is given in the Annual Report.

5. **ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

The accounting policies and notes are given in Annual Report, there were no material changes in the Accounting Policies adopted.

6. **INTERESTS REGISTER**

The Company do maintain an Interest Register in terms of Section 192 of the Companies Act No.07 of 2007.

7. **DIRECTORS INTEREST IN CONTRACT**

Ms. Wasantha Perera, Mr. M.O. Faizal Salieh, Dr. S.A.M. Abeyratne, Ms. K. Gunatilake, Ms. Alikie Ismail, Ms. K. A. Ramya Kanthi Directors were not interested in the contracts of the Company during the year ended 31st December, 2018 as per the Note 22 to the Financial statements.

8. **DIRECTORS REMUNERATION AND OTHER BENEFIT**

The Directors were not paid remuneration in respect of the Company, for the financial year ended 31st December, 2018

9. **EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

There were no significant events after the reporting date that required adjustments to or disclosures in the financial statements.

10. **TAXATION**

According to the Income Statement, tax saving for the year ended 31st December, 2018 was Rs. 247,956/-.

11. **STATUTORY PAYMENTS**

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the Government and the employees have been made on time.

12. **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

There were no significant capital commitments and contingencies as at the balance sheet date.

13. **AUDITORS**

The present Auditors of the Company are the National Audit Office, will be re-appointed as the Auditors to the Company for the ensuing year at the forthcoming Annual General Meeting.

14. **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held on 30th May, 2018 at 4.00 p.m. at No. 28/10, Malalasekera Mawatha, Colombo 7.

BY ORDER OF THE BOARD OF DIRECTORS OF
DISTANCE LEARNING CENTRE LIMITED
ACCOUNTING SYSTEMS SECRETARIAL SERVICES (PRIVATE) LIMITED
SECRETARIES

………………………..
Chairperson

…..…………………….
Director

………………….
Secretaries

Date: 15th May, 2019

AUDITORS' REPORTS

AUDIT COMMITTEE REPORT 2018

The Audit Committee of DLC is chaired by the Treasury Representative, Ms. K A Ramya Kanthi and comprises of two non-Executive Board members, Dr. S. H. A. M. Abeyratne and Ms. K. Gunatilake. This Committee met five times in 2018 which includes a special meeting to discuss compliance of DLC with circulars issued by the Ministry of Public Administration and Ministry of Finance and also instructed to appoint an officer to update the changes in Circular Instructions to ensure the DLC was in compliance with new and updated Circulars.

DLC outsourced the internal auditing work to the reputed Audit firm, B.R. De Silva & Co till the end of 2017. However, Audit committee decided and DLC Board agreed that internal audit function should be carried out by an Internal Auditor appointed to DLC by the Ministry, as it was observed that there were lapses in internal auditing. Hence, on the request of DLC, Ministry of Public Administration and Disaster Management, line Ministry of DLC, gave approval for the Internal Auditor of SLIDA to cover up duties of DLC Internal Auditor.

During the year 2018, following key activities were undertaken by the Audit Committee:

1. Preparation of Annual Audit Plan including compliance with statutory requirements.
2. Expediting the rectification of WHT rebate issue with Inland Revenue Department.
3. Taking action to submit the DLC Scheme of Recruitment for the approval of Public Enterprises Department.

While strengthening the internal audit function, within the given scope, the Audit Committee has taken actions to reap the desired effects of good governance in DLC.

Ramya Kanthi (Ms)
Chairperson
DLC Audit Committee

EXTERNAL AUDITOR'S REPORT

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. EHA/C/DLC/FA/03/ 2018/01 ඔබේ අංකය / உமது இல. / Your No. දිනය / திகதி / Date 15 May 2019

The Chairperson
Distance Learning Centre Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Distance Learning Centre Limited for the year ended 31 December 2018 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 Distance Learning Centre Limited ("Company") for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the 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 . 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 section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for SME's.

1.2 Basis for Qualified Opinion

(a) Withholding Tax receivable as at December 2018 amounting to Rs. 3,477,438 which outstanding over five years are shown as receivable, without making any provision for

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

impairment as required by the section 11.21 of the Sri Lanka Accounting Standards for Small and Medium sized entities (SLFRS for SME).

(b) According to the section 29 of the Sri Lanka Accounting Standards for SME's(SLFRS for SME's), when deferred tax rates apply to different levels of taxable profit, deferred tax liabilities/(assets) to be assess using the average income tax rates that it expects to be applicable to the taxable profit/(tax loss) of the periods in which it expects the deferred tax liability to be settled. However, contrary to that 28 percent tax rate applicable to interest income had been used to assess the deferred tax liabilities/(assets) arising from both trade income, taxable at 14 percent and tax losses. As a result, the current year income tax expense and deferred tax asset had been overstated by Rs. 3,374,000.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium Sized Entities (SLFRS for SMEs), and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain 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 is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

- Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

- The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to law	Description
(a) Public Enterprises Circular No. PED 12 of 02 June 2003	
(i) Section 9.2 (a)	The Organizational Chart and the Cadre should be approved with the Department of Public Enterprises, General Treasury. However, the Company had failed to fulfil the requirements.
(ii) Section 9.3.1	Every public enterprise should have a Scheme of Requirements and Promotions. However, the Company did not have such an approved Scheme of Recruitments and Promotions.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

(b) Section 02 of Public Administration Circular No.09/2009 of 16 April 2009	Finger scanners should be used to confirm their Arrival and Departure. However, the officers of the Company had not used finger scanner to record their arrival and departure.

- to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

W.P.C. Wickramarathne
Auditor General

State Owned Institute Under
Ministry of Public Administration

DLC
Distance Learning Centre Ltd.
Connecting Minds

AUDITED FINANCIAL STATEMENT 2018

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	2018 Rs.	2017 Rs.
Revenue	04	59,779,244	62,953,972
Cost of Sales	05	(21,572,552)	(29,154,623)
Gross Profit		38,206,692	33,799,349
Other Income	06	130,459	76,738
Distribution Expenses	07	(2,005,942)	(1,466,631)
Administrative Expenses	08	(29,017,313)	(24,832,784)
Net Financial Income	09	7,803,967	6,542,361
Profit / (Loss) before Income Tax		15,117,863	14,119,033
Income Tax Saving	10	247,956	(1,101,429)
Profit / (Loss) for the year		15,365,819	13,017,604
Earning Per Share	11	1.08	0.92

Notes to the Financial Statements form an integral part of these Financial Statements.
Figures in brackets indicate deductions

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

STATEMENT OF FINANCIAL POSITION

AS AT	Note	31.12.2018 Rs.	31.12.2017 Rs. (Restated)
ASSETS			
Non- Current Assets			
Property, Plant & Equipment	12	1,373,551	1,649,262
Lease Rental	13	23,170,821	24,825,880
Deferred Tax Asset	14	7,630,698	7,382,742
Total Non Current Assets		32,175,070	33,857,884
Current Assets			
Trade & Other Receivables	15	9,105,818	8,344,585
Other Financial Assets	16	84,011,006	68,846,070
Current Tax Recoverable	17	4,675,331	4,172,925
Cash & Cash Equivalents	18	354,721	448,790
Total Current Assets		98,146,876	81,812,370
Total Assets		130,321,946	115,670,254
EQUITY AND LIABILITIES			
Equity			
Stated Capital	19	142,065,090	142,065,090
Accumulated Profit / (Loss)		(24,494,297)	(39,641,902)
Total Equity		117,570,793	102,423,188
Non-Current Liabilities			
Interest Bearing Borrowings	20	-	3,206,160
Employee Benefits	21	2,657,995	1,282,875
Total Non Current Liabilities		2,657,995	4,489,035
Current Liabilities			
Interest Bearing Borrowings	20	3,206,160	3,206,160
Trade & Other Payables	22	3,764,888	4,404,642
Advances Received	23	3,122,110	234,260
Income Tax Payable		-	912,969
Total Current Liabilities		10,093,158	8,758,031
Total Equity and Liabilities		130,321,946	115,670,254

These Financial Statements have been presented in compliance with the requirements of the Companies Act No. 07 of 2007.

Finance Manager | **Chief Executive Officer**

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board of Directors of Distance Learning Centre Limited.

Chairperson | **Director** | **Director**

Notes to the Financial Statements form an integral part of these Financial Statements
Figures in brackets indicate deductions

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

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

	Stated Capital Rs.	Accumulated Profit / (Loss) Rs. (Restated)	Total Equity (Restated)
Balance as at 1st January 2017	142,065,090	(53,942,220)	88,122,870
Restatement of Lease Rental (Note A)	-	1,282,714	1,282,714
Total Comprehensive Income for the year	-	13,017,604	13,017,604
Balance as at 31st December 2017	142,065,090	(39,641,902)	102,423,188
Balance as at 1st January 2018	**142,065,090**	**(39,641,902)**	**102,423,188**
Prior Year Adjustment (Note B)	**-**	**(218,214)**	**(218,214)**
Total Comprehensive Income for the year	**-**	**15,365,819**	**15,365,819**
Balance as at 31st December 2018	**142,065,090**	**(24,494,297)**	**117,570,793**

Notes to the Financial Statements form an integral part of these Financial Statements
Figures in brackets indicate deductions

Note A -Restatement of Lease Rental	**Rs.**
Adjusting the Lease asset amortization value according the SLIDA agreement	**(1,902,645)**
Adjusting the Lease asset value according the SLIDA agreement	**3,185,359**
	1,282,714

Note B -Prior Year Adjustment	**Rs.**
Being recorded understated Interest income in 2017	**(206,676)**
Being corrected Depreciation difference in 2017	**26,208**
Being corrected income tax difference in 2017	**(37,746)**
	(218,214)

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

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

	2018 Rs.	2017 Rs.
Cash Flows from Operating Activities		
Profit / (Loss) before Income Tax Expenses	15,117,863	14,112,211
Adjustment for		
Depreciation on Property, Plant and Equipment	1,033,040	903,549
Writeoff WHT Receivable	695,487	-
Provision for Gratuity	1,375,120	-
Lease Rental Amortization	1,655,059	1,548,880
Finance Cost	56,108	98,317
Interest Income	(8,066,751)	(6,572,439)
Operating Profit before Working Capital Changes	11,865,926	10,090,518
(Increase) / Decrease in Trade & Other Receivables	(588,545)	1,017,695
Increase / (Decrease) in Trade & Other Payables	(639,754)	3,122,887
Increase / (Decrease) in Advances Received	2,887,851	-
	13,525,479	14,231,100
Cash Generated from Operations		
ESC Paid	(247,530)	-
WHT Paid	(466,140)	(266,237)
Interest Paid for Government Loan	(56,108)	(98,317)
Income Tax paid	(1,434,938)	(234,544)
Net Cash from / (Used in) Operating Activities	11,320,762	13,632,002
Cash Flows from Investing Activities		
Acquisition of Property, Plant & Equipment	(731,122)	(65,000)
Investment in Fixed Deposits	(15,164,936)	(16,857,722)
Interest Received	7,687,387	6,572,439
Net Cash used in Investing Activities	(8,208,672)	(10,350,283)
Cash Flows from Financing Activities		
Loans Repaid during the year	(3,206,160)	(3,206,160)
Net Cash used in Financing Activities	(3,206,160)	(3,206,160)
Net Increase in Cash & Cash Equivalents	(94,069)	75,559
Cash & Cash Equivalents at the beginning of the year	448,790	373,231
Cash & Cash Equivalents at the end of the year (Note A)	354,721	448,790

NOTE A - CASH & CASH EQUIVALENTS	As at 31.12.2018 Rs.	As at 31.12.2017 Rs.
Cash at Bank - BOC : Ac. No. 0002323189	329,721	423,790
Cash in Hand	25,000	25,000
	354,721	448,790

Notes to the Financial Statements form an integral part of these Financial Statements
Figures in brackets indicate deductions

DISTANCE LEARNING CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 2018

1. Reporting Entity

Distance Learning Centre Limited is a Public Limited Company incorporated and domiciled in Sri Lanka. The registered office of the company and the principal place of business are located at No. 28/10, Malalasekara Mawatha, Colombo 07.

The principal activity of the company is to organize and conduct programs, seminars, workshops, conferences and other activities to facilitate Public & Private sector employees to gain access to update information and opportunities for interaction with international experts especially in the areas of Public Management and Economic Development using the Global Distance Learning Network.

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements of the Company comprise the statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, together with the Notes to the Financial Statements and Significant Accounting Policies which have been prepared in accordance with the Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 7 of 2007.

Financial Statements prepared in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs)

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and accounting policies are applied consistently with no adjustments being made for inflationary factors affecting the financial statements.
The Directors have made an assessment of the company's ability to continue as a going concern.

2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the Company's functional currency.

2.4 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standard for Small and Medium sized Entities (SLFRS For SMEs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets , liabilities , income and expenses.

Judgments and estimates are based on historical experience and other factors including expectations that are believed to be reasonable under the circumstances. Hence actual results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements for the purpose of the transition to SLFRS for SMEs, unless otherwise indicated.

The accounting policies have been applied consistently by the entity.

3.1. Foreign Currency Transactions

In preparing the Financial Statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate. Non –monetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined. Non –monetary items measured at historical cost are translated at the rates prevailing on the dates of transactions.

Exchange difference arising on the settlements of monetary items and on the translation of monetary items is included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences which are recognized in other comprehensive income.

3.2. Assets and the bases of their valuation

Assets classified as Current Assets in the Statement of Financial Position are cash, bank balances and those which are expected to be realized in cash, during the normal operating cycle of the Company, business, or within one year from the reporting date, whichever is shorter. Assets other than Current Assets are those which the Company intends to hold beyond a period of one year from the reporting date.

3.2.1 Property .Plant & Equipment

3.2.1.1 Recognition and Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property .plant and equipment, and are recognized net within other income in profit or loss.

3.2.1.2 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.
The estimated useful lives for the current and comparative period are as follows

Assets Category	Useful Life (Years)	Depreciation Rate (%)
Bridge & Teaching Equipment	5	20
Computer Equipment	4	25
Motor Vehicles	5	20
Office Equipment	5	20
Furniture and Fittings	5	20

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Depreciation method, useful lives and residual value are reviewed at each financial year end and adjusted if appropriate.

3.3 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the Statement of Financial Position date. Non-current liabilities are those balances that fall due for payment after one year from the Statement of Financial Position date. All known liabilities have been accounted for in preparing this financial Statements.

A provision is recognized if, as a result of a past event the company has a present legal or constructive obligation that can be estimated reliably and its probable that an outflow of economic benefits will be required to settle the obligation.

3.3.1 Employee Benefits

3.3.1.1 Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

A Defined Contribution Plan is a post-employment Benefit Plan under which an entity pays a fixed contribution into separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to Defined Contribution pension plans are recognized as an Employee Benefit expense in profit or loss in the periods during which services are rendered by employees.

The company contributes 12% of gross emoluments of the employees to Employees' Provident Fund.(EPF)

All of the employees are eligible for Employees Trust Fund to which the company contributes 3% of gross emoluments of such employees.

3.3.1.2 Defined Benefit Plan – Retirement Gratuity

A defined Benefit Plan is a post –Employment Benefit plan other than a Defined Contribution Plan. Under defined benefit plans, the entity's obligation is to provide the agreed benefit to the current and former employees.

The company's net obligation in respect of defined benefit pension plan is calculated without an actuarial valuation, at half month's salary for each year of service from the date of commencement of service using the simplification permitted in section 28 to the SLFRS for SMEs – "Employee Benefit" such as; ignoring future services of current employees, ignoring estimated future salary increases and ignoring possible in- service mortality of current employees between the reporting date and the date employees are expected to begin receiving post employment benefits

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with Section 28 to the SLFRS for SMEs-' Employee Benefits'. However, under the payment of Gratuity Act No.12 of 1983, the liability for gratuity to an employee arises only on completion of 5 years of continued service and also when the number of employees is less than 15, payment of gratuity has not been made mandatory for such employees. The liability is externally funded.

3.3.2 Capital commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the company's control.

3.4 Statement of comprehensive income

For the purpose of presentation of the statement of comprehensive income the directors are of the opinion that function of expenses method presents fairly the elements of the company's performance, and hence such presentation method is adopted in line with the provisions of section 3 to the SLFRS for SMEs – "Financial statements presentation".

3.4.1 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and the associate cost already incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration revised or revisable, net of trade discounts and revenue related taxes. The following specific criteria are used for the purpose of recognition of revenue.

3.4.1.1 Rendering of Services

Revenue from transactions involving the rendering of the services is recognized by reference to the stage of completion of the transaction at the end of the reporting period. When services are performed by an indeterminate number of acts over a specified period of times, the company recognizes revenue on the straight line basis over the specified period and when a specific act is much more significant than any other act, the company postpones recognition of revenue until the significant act is executed.

3.4.1.2 Interest Income

Interest income is recognized as the interest accrued (taking into Account the effective yield on the Assets) unless collectability is in doubt.

3.4.1.3 Other Income

All other income is recognized on accrual basis.

3.4.2 Expenditure Recognition

3.4.2.1 Operating Expenses

All expenses incurred in day to day operations of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Comprehensive Income in arriving at the Profit / (Loss) for the year. Provision has also been made for impairment of trade receivables, all known liabilities and depreciation on property, plant and equipment.

3.4.2.2 Finance Cost

Finance cost comprise of interest expenses on Government Loans and Bank Overdrafts. All of the borrowing costs are recognized in profit or loss using the effective interest method.

3.4.2.3 Tax Expenses

Income Tax expenses comprising of current and deferred tax. Income tax expense is recognized in Statement of Comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

3.4.2.3.1. Current Taxes

Current tax expense for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on Taxable Income for the respective year of assessment computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 as amended by subsequent legislation enacted or substantively enacted by the reporting date.

3.4.2.3.2. Deferred Taxation

Deferred taxation is recognized using the Balance Sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes to the extent that they are expected to be reversed in the future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and deferred tax liabilities are offset, if legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

3.5 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "Indirect Method" Interest paid is classified as operating cash flows while interest received is classified as investing Cash Flows for the purpose of presentation of the Statement of Cash Flow.

3.6 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies / decisions of the other, irrespective of whether a price is being charged or not.

3.7 Earnings Per Share

The Company presents Basic Earnings per Share (EPS) data for its ordinary Shares Basic EPS is calculated by dividing the Profit or Loss attributable to ordinary share holders of the company by the weighted average number of ordinary shares outstanding during the period.

3.8 Events occurring after the reporting period

Events after the reporting period are those events favorable and unfavorable occur between the end of the reporting period and the date when the Financial Statements are authorized for issue. The materiality of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

NOTES TO THE FINANCIAL STATEMENTS - 2018

NOTE 04 - REVENUE

	2018	2017
	Rs.	Rs.
Computer Based Training	21,554,516	20,328,587
Face to Face Training	30,529,592	33,938,841
Video Conference	3,643,012	2,662,939
Non Facility Based Income	4,052,124	6,023,605
	59,779,244	62,953,972

NOTE 05 - COST OF SALES

	Rs.	Rs.
Total program cost	21,572,552	29,154,623
	21,572,552	29,154,623

NOTE 06 - OTHER INCOME

	Rs.	Rs.
Exchange Gain / (Loss)	130,459	(99,961)
Miscellaneous Income	-	176,699
	130,459	76,738

NOTE 07 - DISTRIBUTION EXPENSES

	Rs.	Rs.
Advertising	10,000	10,000
Sales Promotion	88,720	23,530
Sales Incentive	455,652	402,887
Field Sales Incentive	1,305,000	910,000
Bad & doubtful debts	16,320	-
Travelling Allowance - Coordinator	130,250	120,214
	2,005,942	1,466,631

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

NOTES TO THE FINANCIAL STATEMENTS - 2018

NOTE 08 - ADMINISTRATION EXPENSES	2018 Rs.	2017 Rs.
Salaries	10,310,538	9,120,845
EPF Expenses	1,239,080	1,095,446
ETF Expenses	309,770	274,492
Overtime Expenses	553,802	692,107
Incentive Expenses	575,512	572,243
Training and Development Fees	26,441	81,424
Provision for Gratuity	1,375,120	-
Staff Recruitment Expenses	6,800	41,900
Special payment / Bonus for the Staff-Paid (Note 8.1)	148,500	108,000
Special payment / Bonus for the Staff-Provision (Note 8.2)	416,500	442,000
Board Meeting Attendance Fees (Note 24.1)	640,000	543,970
Board Meeting Expenses	99,160	69,420
Staff Welfare	53,430	39,270
Telephone	308,780	290,769
Electricity	4,296,431	4,507,488
Water	24,684	-
Internet Charges	170,107	205,420
E-mail set up Fee	30,483	-
Travelling	88,616	69,754
Fuel - Company Bike	32,200	41,657
Fuel Allowance for CEO	306,000	306,000
Vehicle Allowance for CEO	600,000	600,000
Printing and Stationery Cost	197,543	149,115
Newspapers and Magazines Expenses	36,970	36,750
Maintenance of Equipment	605,126	740,350
Maintenance of Building	851,954	849,436
Maintenance of Motor Bike	61,964	25,770
Maintenance of Other Assets	-	9,768
Maintenance of Furniture	14,350	49,320
Health Insurance	241,763	177,990
Motor Bicycle Insurance	10,462	10,781
Fire Insurance	58,854	60,899
Depreciation	1,033,040	903,549
Lease Rental Amortization	1,655,059	1,548,880
Cleaning Charges	686,409	650,552
Audit Fees (Note 8.3)	495,524	146,426
Subscriptions	-	24,288
Professional Fees	30,000	50,000
Secretarial Fees	163,805	146,288
Casual Labour	-	3,500
Bank Charges	21,155	26,776
Tea Expenses for Staff	62,105	67,643
Other Expenses	-	6,360
Translation Fees	39,085	46,138
Foreign Travelling	264,243	-
Photo Copy Machine Rental	180,462	-
Provision for Irrecoverable WHT Receivable (Note 8.4)	695,488	-
	29,017,313	24,832,784

Note 8.1. As per the PED circular No 03/2018 year end bonus paid Rs. 13,500/- per employee.

Note 8.2. Provision for special payment according to the board approved formula based on operating profit.

Note 8.3 - Audit fee

Internal audit fee for 2017 (B. R. De Silva Co.)	**60,996**
External audit fee for Auditor General - 2015 /2016 /2017	**434,528**
	495,524

Note 8.4

The WHT Receivable amount of Rs 4,172,925 has been accumulated due to withholding remitted to the Inland Revenue Department by the different suppliers & customers of Distance Learning Center Limited under the scheme of WHT on specified payments & WHT deductions at the income source of interest of short term investments by the commercial banks.

However this accumulated WHT amount has not been recognized by the Inland Revenue Department and the company has made a number of appeals for refund WHT receivable amount. But the Inland Revenue Department not properly acknowledged the claim yet and audit is going on on the refund. Therefore there is a uncertainty shrouded over this claim.

Hence Board of Directors has come to the conclusion that the this WHT receivable amount of Rs 4,172,925 is not claimable and has decided write-off to the income statement over six years with effect from 2018 with the recommendation of the Audit Committee held on 13th February 2019.

NOTE 09 - NET FINANCIAL INCOME

	Rs.	Rs.
Finance Income		
Fixed Deposit Interest Income	**7,617,074**	6,572,439
Interest on Fund Management Account	**243,001**	68,239
	7,860,075	6,640,678
Less: Finance Cost		
Interest on Bank Overdrafts	-	10,148
Government Loan Interest	**56,108**	88,169
	56,108	98,317
	7,803,967	6,542,361

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

NOTES TO THE FINANCIAL STATEMENTS - 2018

NOTE 10 - INCOME TAX EXPENSES

10.1 - Current Taxes

The Company in terms of the Inland Revenue Act No 10 of 2006 as amended by the subsequent Amendment Acts, Profits & Income from which engage in providing Educational Services is liable at the rate of 10%.Other Sources of Income are liable at 28%.

	2018	2017
	Rs.	Rs.
Taxation on Current year Profits(Note 10.2)	-	1,223,774
Deferred Tax Asset reversed / (recognized) during the year	**(247,956)**	(122,345)
	(247,956)	1,101,429

10.2 - Reconciliation between Accounting Profit and Taxable Profit

Accounting Profit before Income Tax Expenses	**15,117,863**	14,119,033
Aggregate Disallowed Items	**1,747,348**	906,049
Aggregate Allowed Items	**(754,726)**	(799,150)
Interest Income	**(7,860,075)**	(6,640,678)
Taxable Profit / (Loss) from Business	**8,250,410**	7,585,254
Total Statutory Income	**16,110,485**	14,225,932
Tax Loss Utilized during the year	**(16,110,484)**	(4,979,076)
Taxable Income	-	9,246,856
Income Tax at 14% on Business Income	-	758,525
Income Tax at 28% on Investment Income	-	465,249
Taxation on Current year Profit	-	1,223,774

10.3 Reconciliation of Tax Loss

Tax Loss B/F	**105,315,098**	110,294,174
Tax Loss utilized during the year	**(16,110,485)**	(4,979,076)
Tax Loss C/F	**89,204,613**	105,315,098

11. EARNINGS / (LOSS) PER SHARE

The calculation of earning / (Loss) per share is based on the Profit / (Loss) after tax for the year attributable to Ordinary Shareholders divided by the weighted average number of ordinary shares outstanding during the year end is calculated as follows,

	2018	2017
Profit / (Loss) attributable to ordinary shareholders	**Rs.**	Rs.
Profit after Tax attributable to the Ordinary Shareholders (Rs.	**15,365,819**	13,012,024
Number of Ordinary Shares		
Weighted Average Number of Ordinary Shares outstanding d	**14,206,509**	14,206,509
Earning / (Loss) per share (Rs.)	**1.08**	0.92

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

NOTES TO THE FINANCIAL STATEMENTS - 2018

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	Free Hold					
12.1 COST	Furniture & Fittings	Office Equipments	Computer Equipment	Motor Vehicles	Bridge & Teaching Equipments	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st January 2017	4,666,634	3,079,828	39,915,561	152,040	6,104,142	53,918,205
Additions during the year	20,000	39,250	671,873	-	-	731,122
Disposal / (Transfer)during the year	-	-	-	-	-	-
Balance as at 31st December 2018	**4,686,634**	**3,119,078**	**40,587,434**	**152,040**	**6,104,142**	**54,649,327**
12.2 ACCUMULATED DEPRECIATION / AMORTIZATION						
Balance as at 01st January 2017	3,946,627	2,734,782	39,358,825	124,568	6,104,141	52,268,943
Charge for the year	325,283	145,521	536,028	-	-	1,006,832
Disposal / (Transfer)during the year	-	-	-	-	-	-
Balance as at 31st December 2018	**4,271,910**	**2,880,303**	**39,894,853**	**124,568**	**6,104,141**	**53,275,776**
As at 31st December 2017	720,007	345,046	556,736	27,472	1	1,649,262
As at 31st December 2018	**414,724**	**238,775**	**692,581**	**27,472**	**1**	**1,373,551**

NOTE 13 - LEASE RENTAL

The company has signed a lease agreement with Sri Lanka Institute of Development Authority (SLIDA) where the lessor has agreed to lease the building constructed by the company. This cost is treated as an advance on rent for a period of 30 years commencing from 1st of January 2003 to 31st December 2032 and the lease advance payment is charged to Statement of Comprehensive Income over 30 years. However the lease agreement has not been registered with the

	2018	2017
	Rs.	Rs.
		Restated
Rental Paid in Advance	49,651,765	46,466,406
Add- Adjustment for Lease Asset Cost	-	3,185,359
	49,651,765	49,651,765
Less: Total Amount written of as lease rent	(24,825,885)	(22,923,240)
Current Year Lease Amortization	(1,655,059)	-
Adjustment for Lease Asset Accumulated Amortization	-	(1,902,645)
	23,170,821	24,825,880

NOTE 14 - DEFERRED TAXATION

	Rs.	Rs.
At the beginning of the year	7,382,742	7,260,397
(Charge) / Reversal for the year	247,956	122,345
At the end of the year	7,630,698	7,382,742

Deferred Tax is provided using the balance sheet liability method providing for temporary differences as between the Company value of assets and liabilities for the financial reporting purpose and the amount used for taxation purpose at rate of 28%.

Deferred Tax Assets as at the year end is made up as follows,

	2018		2017	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.	Rs.	Rs.	Rs.
Tax Loss B/F	25,325,013	7,091,003	25,325,013	7,091,004
Property, Plant & Equipment	(762,308)	(213,446)	(240,951)	(67,466)
Retirement Benefit Obligation	2,657,995	744,239	1,282,875	359,205
	27,220,700	7,621,796	26,366,937	7,382,742

Deferred Tax Assets has been recognized in respect of the tax loss brought forward to the extent that it is expected to reverse in the foreseeable future based on the income forecast made by the management as at the reporting date.

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

NOTES TO THE FINANCIAL STATEMENTS - 2018

NOTE 15 - TRADE & OTHER RECEIVABLES

	2018	2017
	Rs.	Rs.
Trade Receivables	5,437,818	4,833,232
Advances and Prepayments	1,619,101	1,635,142
Interest Receivables	2,048,899	1,876,211
	9,105,818	8,344,585

NOTE 16 - OTHER FINANCIAL ASSETS

	Rs.	Rs.
Salary Advances given to employees	72,000	72,000
Festival Advance Account	54,000	54,000
Short Term Investments (Note No. 16.1)	83,885,006	68,720,070
	84,011,006	68,846,070

Note 16.1 - Short Term Investments

	Rs.	Rs.
Fixed Deposits	68,774,187	61,987,684
Fund Management Account	15,110,819	6,732,386
	83,885,006	68,720,070

NOTE 17 - CURRENT TAX RECOVERABLE

	Rs.	Rs.
WHT Receivable on Interest Income 2018	466,140	
Income Tax - Self Assessment Payment	484,223	-
ESC Receivable	247,530	-
Tax Receivable Balance	3,477,438	4,172,925
	4,675,331	4,172,925

NOTE 18 - CASH & CASH EQUIVALENTS

	Rs.	Rs.
Favorable Balances		
Cash in Hand	25,000	25,000
Cash at Bank - BOC : Ac. No. 0002323189	329,721	423,790
	354,721	448,790

NOTE 19 - STATED CAPITAL

	Rs.	Rs.
Issued & Fully paid (14,206,509 Ordinary Shares)	142,065,090	142,065,090
	142,065,090	142,065,090

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

NOTES TO THE FINANCIAL STATEMENTS - 2018

NOTE 20 - INTEREST BEARING BORROWINGS	2018 Rs.	2017 Rs.
Payable after one year		
Government Loan (Note 20.1)	-	3,206,160
	-	3,206,160
Payable within one year		
Government Loan (Note 20.1)	**3,206,160**	3,206,160
	3,206,160	3,206,160
	3,206,160	6,412,320

Note 20.1 - Government Loan

	Rs.	Rs.
Balance at the beginning of the year	**6,412,320**	9,618,480
Installments paid during the year	**(3,206,160)**	(3,206,160)
Balance at the end of the year	**3,206,160**	6,412,320

Note 20.2 -

As per the Subsidiary Loan Agreement between the Government of Sri Lanka and the company dated 28th April 2003,the total contribution from Government of Sri Lanka was Rs. 174,126,602/- out of which as amount up to Rs. 142,065,000/- (US $ 1.5 million) has been treated as a contribution to the stated capital and the balance amount of Rs. 32,061,602/- (US $ 338,524) has been treated as a Loan, repayable within 10 years from commencing from December 2009. Out of the total contribution to the stated capital, an amount of Rs. 26 Million has been converted into 2,600,000 fully paid ordinary shares of Rs. 10/- each in favor of Secretary to the Treasury in 2004 and the remaining balance amounting to Rs. 116,065,000/- has been converted to ordinary shares in 2010.

NOTE 21 - EMPLOYEE BENEFITS

	2018 Rs.	2017 Rs.
Balance at the beginning of the year	**1,282,875**	1,282,875
Provision made/ (Reversal made) during the year	**1,375,120**	-
Balance at the end of the year	**2,657,995**	1,282,875

NOTE 22 - TRADE & OTHER PAYABLES

	Rs.	Rs.
Trade Payables	**65,000**	65,000
Accrued Expenses (Note 22.1)	**3,692,738**	4,332,492
Other Current Liabilities	**7,150**	7,150
	3,764,888	4,404,642

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

NOTES TO THE FINANCIAL STATEMENTS - 2018

NOTE 22.1 - ACCRUED EXPENSES AS AT 31ST DECEMBER	2018 Rs.	2017 Rs.
DLC Offered Programme Cost	327,885	1,508,345
Rental Cost	260,573	355,338
Program Printing Cost	12,600	-
Program Cost	-	189,162
Board Meeting Expenses	5,600	40,870
Vehicle Rent	50,000	50,000
Fuel Allowance	25,500	25,500
Overtime	54,501	50,102
Newspapers	3,260	3,140
Electricity	344,328	361,038
Water	5,184	10,368
Sales Commission	48,191	57,677
Incentive	73,577	86,515
Transport incentive	466,565	345,000
Travelling allowance-coordinator	-	19,500
Cleaning Charges	52,496	51,025
Translation Fees	2,390	46,137
Telephone	26,546	23,347
Equipment Maintenance	-	29,922
Internet Charges	67,054	112,820
Printing & Stationery	4,430	81,725
Professional Fees	30,000	50,000
EPF	194,420	167,620
ETF	29,163	25,143
PAYE	26,078	63,109
Stamp Fees	925	825
Incentive Fund General Staff	-	3,425
Special Payment / Bonus (Note 22.1.1)	858,500	442,000
NBT	127,346	128,714
ESC	89,271	-
Audit Fees	213,900	-
Salaries	-	4,125
Travelling	620	-
With Holding Tax	20,438	-
Photo Copy Machine Rental	90,961	-
Mainenance -Building	153,000	-
Maintenance of Equipment	25,337	-
Staff Wel-fare	2,100	-
	3,692,738	4,332,492

Note 22.1.1 Bonus

Provision for bonus / Special payment for 2017 & 2018 based on board approved formula.

NOTE 23- ADVANCE RECEIVED

	2018
	Rs.
Coreintegra Consulting Services (Pvt) Ltd	141,593
Provincial Department of Education - Western Province	2,862,757
Department of Manpower & Employment	107,500
Advance Recieived for VC Program	10,260
	3,122,110

NOTE 24- RELATED PARTY TRANSACTION

There were no related party transactions during the year.

NOTE 24.1 - Transaction with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures" Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. The board of Directors have been identified as Key Management Personnel of the company and an amount of Rs. 640,000 have been paid to key management personnel of the company as board meeting attendance allowance.

TIN : 134008989

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

INCOME TAX COMPUTATION
YEAR OF ASSESSMENT : 2018 (YEAR ENDED 31.12.2018)

	Rs.	Rs.
Net Profit / (Loss) as per Account		15,117,863
Less : Interest Income		(7,860,075)
		7,257,788
Add : Disallowable Expenses		
Advertising	2,500	
Bad & Doubtful Debts	16,320	
Impairement Provision	695,488	
Depreciation	1,033,040	1,747,348
Less : Capital Allowances (Note A)		(754,726)
Adjusted Business Profit		8,250,410
Interest Income		7,860,075
Total Statutory Income		16,110,485
Business Losses B/F (Unrelived Business Losses)	105,315,098	
Maximum Claimable 100% of Total Statutory Income	16,110,485	16,110,485
Business Losses C/F	89,204,613	
(Maximum Period of B/F is another 05 years Only) Section 19 of IR Act		
TAXABLE INCOME		-
Tax Payable 14%		-
Tax Payable 28%		-
Total Tax Payable		-
Tax Credits		
WHT on Fixed Deposit on Interest		466,140
Self Assesment Payments (Note B)		484,223
Income Iax Refund Due Claimed		950,363

DISTANCE LEARNING CENTRE LIMITED
NO 28/10, MALALASEKARA MAWATHA, COLOMBO 07

NOTES TO THE TAX COMPUTATION -2018

Note A - Capital Allowances

	Rs.
Office Equipment	-
Furniture & Fittings	
Rs. 265,301/- @ 20% (5th year)	**53,060**
Rs. 1,342,900/- @ 20% (4th year)	**268,580**
Computer Equipment	
Rs. 1,311,751/- @ 25% (4th year)	**327,938**
Rs.30,709/-@ 25% (3rd year)	**7,677**
Rs.187,250/-@ 25% (4th year)	**46,813**
Rs.7,000/- @ 25% (3rd year)	**1,750**
Rs.9,000/-@ 25% (3rd year)	**2,250**
Rs.65,000/-@ 25% (2nd year)	**16,250**
Motor Vehicles	
Rs. 152,040/- @ 20% (5th year)	**30,408**
	754,726

Note B - Self Assesment Payments

Date	Cheq No	Amount
8/14/2018	11096	243,830.00
11/14/2018	11362	240,393.00
		484,223.00

Deloitte.

Accounting Systems Secretarial Services (Private) Limited
Level 03, No. 11, Castle Lane,
Colombo 04,
Sri Lanka.

Tel: +94 11 2505152, 5444425
Fax: +94 11 2504008
www.deloitte.com

DISTANCE LEARNING CENTRE LIMITED

NOTICE is hereby given that the Annual General Meeting of the Shareholders of Distance Learning Centre Limited will be held on Thursday the 30th day of May, 2019 at 4.00 p.m. at the Registered Office, 4th Floor, No.28/10, Malalasekera Mawatha, Colombo 7.

AGENDA

1. To read the notice convening the meeting.

2. To receive and consider the Annual Report of the Board of Directors on the Affairs of the Company and the Statement of Accounts for the year ended 31st December, 2018 with the Report of the Auditors thereon.

3. To re-elect Ms. Wasantha Perera who retires by rotation in terms of Article 89 & 90 of the Articles of Association of the Company.

4. To re-elect Mr. M.O. Faizal Salieh who retires by rotation in terms of Article 89 & 90 of the Articles of Association of the Company.

5. Re-appointment of Dr. S. A. M. Abeyratne as a Director of DLC who has reached the age limit of 70 years referred to in section 210 and 211 of the Companies Act No. 07 of 2007.

6. To re-appoint Auditors of the Company for the ensuing year.

BY ORDER OF THE BOARD
DISTANCE LEARNING CENTRE LIMITED

ACCOUNTING SYSTEMS SECRETARIAL SERVICES
(PRIVATE) LIMITED - PV 4190

Date: 17th day of May, 2019

DIRECTOR / SECRETARY

Regd. Office: Level 03. No. 11, Castle Lane, Colombo 04, Sri Lanka. Reg. No.: PV 4190

Deloitte.

DISTANCE LEARNING CENTRE LIMITED

FORM OF PROXY

I/We*.. of

.... being a

Shareholder/Shareholders* of Distance Learning Centre Limited hereby appoint

.... of

.... or failing him/her*

Ms. Wasantha Perera	of Colombo or failing her
Mr. Suriyahetti Adikari Mudiyanselage Abeyratne	of Colombo or failing him
Mr. Mohamed Ozman Faizal Salieh	of Colombo or failing him
Ms. Kalyanee Gunatilake	of Colombo or failing her
Ms. Alikie Ismail	of Colombo or failing her
Ms. K. A. Ramya Kanthi	of Colombo

as my/our* Proxy to vote for me/us* on my/our* behalf at the Annual General Meeting of the Company, to be held on Thursday, 30th May, 2019 at 4.00 p.m., and at any adjournment thereof and at every poll which may be taken in consequence thereof.

....
Signature of Shareholder

Signed this..............................day of.........................2019

Instructions as to the completion of Proxy Form

1. A member is entitled to appoint a proxy to attend and vote in his/her/their place.
2. A proxy holder need not be a member of the Company.
3. A member wishing to vote by proxy at the meeting may use the form enclosed and interpolate the 'right to speak'.
4. To be valid, the completed form of proxy must be lodged at the registered office of the Company not less than 48 hours before the meeting.
5. In the case of a Company /corporation the proxy must be under it's Common Seal, which should be affixed and attested in the manner prescribed by its Articles.