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Ministry of Skills Development and Vocational Training  
திறன்கள் விருத்தி மற்றும் தொழிற்பயிற் அமைச்சு

# වාර්ෂික වාර්තාව ஆண்டு அறிக்கை Annual Report 2017

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திறன் மேம்பாட்டு நிதி லிமிடெட்  
Skills Development Fund Limited

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# COMPANY BACKGROUND

Name of the Institution

: Skills Development Fund Ltd

Status

: Fully Government owned Company

Ministry

: Ministry of Skills Development and Vocational Training

Address

: 354/2,7<sup>th</sup> Floor  
“Nipunatha Piyasa”  
Elvitigala Mawatha  
Narahenpita  
Colombo 05.

Web

: [www.skillsdevelop.lk](http://www.skillsdevelop.lk)

Email Address

: [info@skillsdevelop.lk](mailto:info@skillsdevelop.lk)

Telephone

: 011 2507274

Fax

: 011 2055601

Bankers

: Bank of Ceylon  
: Peoples Bank

***SDFL***



**WHO WE  
ARE**

# **SKILLS DEVELOPMENT FUND LIMITED**

## **THEME**

Excellence & Success through People Development.

## **VISION**

To be the Nation's Leader in Skills Development.

## **MISSION**

To Enhance Nation's Enterprise Competitiveness through Skills Development.



## ESTABLISHMENT OF THE ORGANIZATION

The Skills Development Fund Limited (SDFL) was first established in 1998 as a pilot project on a recommendation by the Presidential Task Force on Technical Education and Vocational Training. During this pilot phase the Fund was sponsored by the ILO and the UNDP.

On 20<sup>th</sup> August 1999, the SDFL was incorporated as a limited liability company under the Companies Act No 17 of 1982, bearing registration number N (PBS) 832.

The cabinet approved an investment of Rs.100 million in September 1999 in ordinary shares in the company which was invested in secure investment by the SDFL. It was suggested that the income caused from this investment and from the operations of the company would be sufficient to meet the recurrent expenditure. This arrangement was to ensure that the SDFL will be self-sustaining and also the initial investment of the government, Employers Federation of Ceylon and other investors is safeguarded

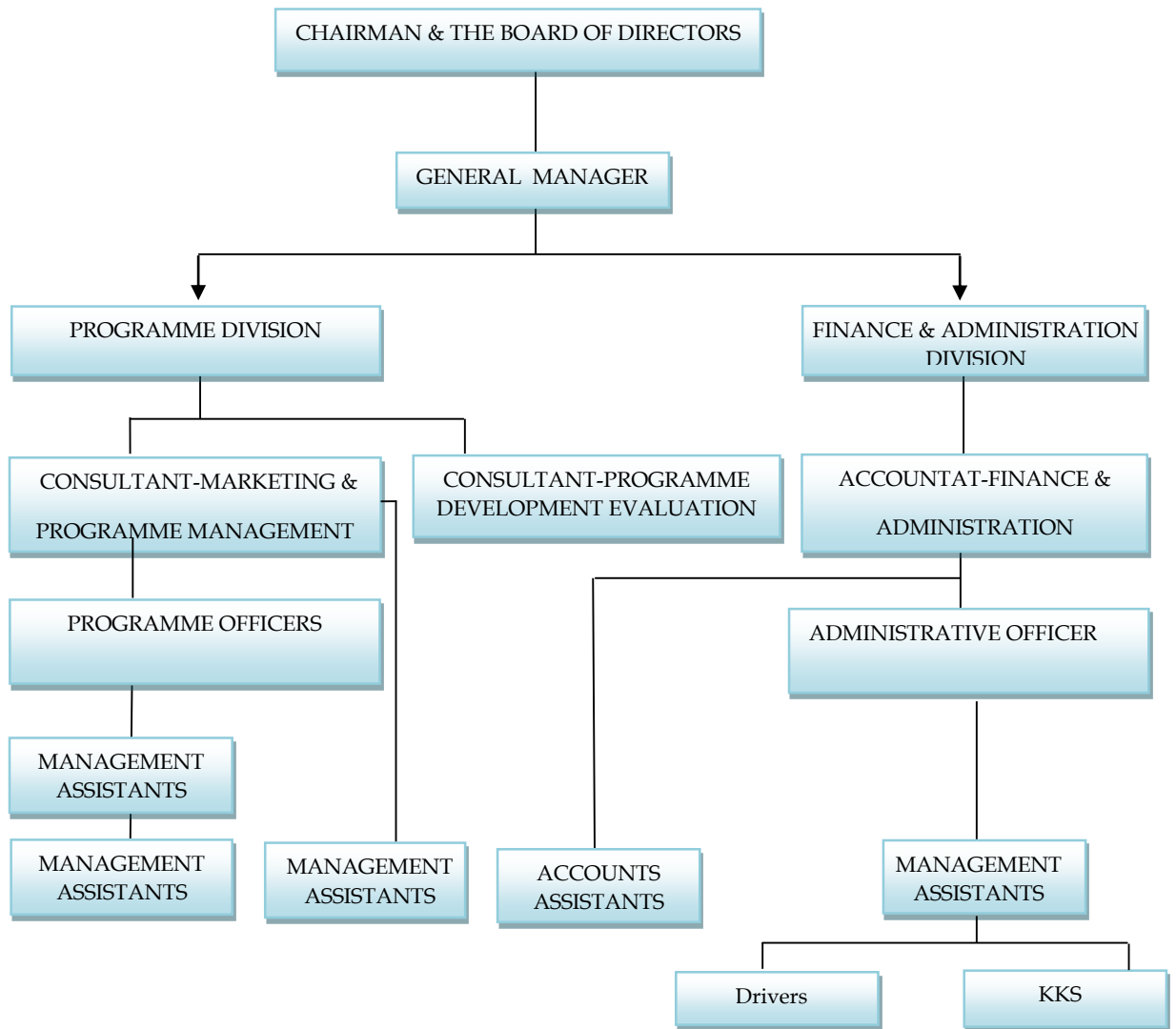
The SDFL was re-registered under the new Companies Act No.07 of 2007 - bearing Registration No. PB 833.

### PRIME OBJECTIVES

The broad objectives of the SDFL as set out in the Memorandum of Association are:

- 1 Support Job Entry Training, Skills Upgrading and Re-training of employees.
- 2 Expand and improve enterprise based training to facilitate the development of a highly trained and skilled workforce.
- 3 Provide linkages between training institutions and the employers.

# ORGANIZATION STRUCTURE



# THE CADRE OF SKILLS DEVELOPMENT FUND

The Staff As at 31.12.2017

Designation	Approved Cadre	Existing Cadre
01. Chairman/CEO	01	01
02. General Manager	01	01
03. Programme Consultant	02	00
04. Accountant	01	00
05. Programme Officer	02	04
06. Administrative Officer	01	01
07. Management Assistants	20	27
08. Drivers	02	05
09. Peon	03	08
<b>Total</b>	<b>33</b>	<b>47</b>



## BOARD MEMBERS 2017

The Board of the Skills Development Fund Ltd comprises 12 directors appointed by the Secretary of the general treasury whose details are given below.



01. Mr. Chrysanth Gunathilaka (Chairman)
02. Mr. M.A.S.H. Perera (Director for the Treasury)
03. Mr. Lasantha Wickramasinghe
04. Mr. M.W. Indika Gamage
05. Mr. Isuru Thilakawardhana
06. Ms. Dilruskshi Kurukulasooriya
07. Mr. Rohan Pandithakoralage
08. Mr. Prasad Piyadigama
09. Mr. A.C.K. Muller
10. Mr K.M. Senevirathne
11. Mr. Ishan Dantanarayana
12. Mr. Kanishka Weerasinghe

Ten Board meetings were held for the year 2017 at the office of the SDFL at Narahenpita on the following dates.

<b>Date</b>	<b>Participation</b>
<b>2017.01.16</b>	<b>11</b>
<b>2017.02.01</b>	<b>10</b>
<b>2017.03.06</b>	<b>11</b>
<b>2017.04.07</b>	<b>11</b>
<b>2017.04.24</b>	<b>8</b>
<b>2017.05.23</b>	<b>10</b>
<b>2017.08.17</b>	<b>8</b>
<b>2017.09.26</b>	<b>12</b>
<b>2017.11.14</b>	<b>12</b>
<b>2017.12.29</b>	<b>12</b>



## PERFORMANCE REVIEW

### PROGRAMMES

The Mission of Skills Development Fund Limited is to build a stronger and more competitive training organization in Sri Lanka to support both public and private sector employers in making choices that help them live productive and rewarding lives and to improve their quality of life at work, supporting a flexible, national labour market, increasing participation in the training.

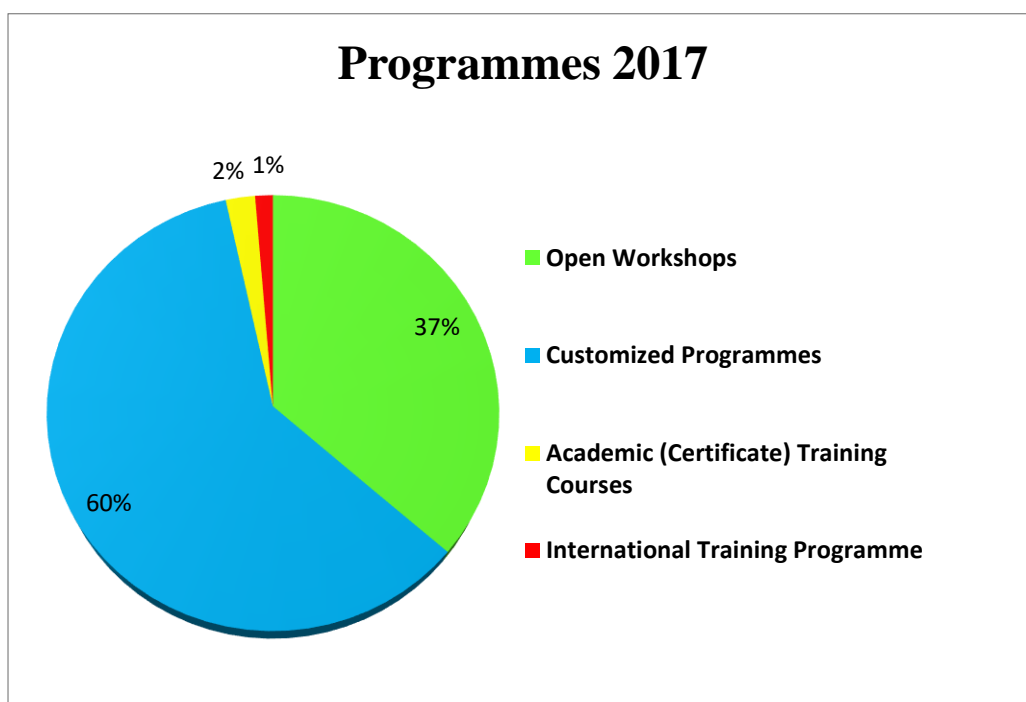
The Skills Development Fund delivers a range of training programs and services that affect employees throughout their employment through programs that support human resource and skills development, in assisting their employers to fulfill their visions and missions, In the past year, the Skills Development Fund made changes design and innovation, and implementing new business processes that promote efficiency and collaboration across organizations. Introducing training on bid evaluation, Salary conversion, Financial Leadership, Supply chain Management etc, SDFL's approach has focused on better aligning its activities with a set of priorities; achieving its fiscal targets, modernizing the way it does business and ensuring that both the employers and employees of government and Private sector are receiving the best service.

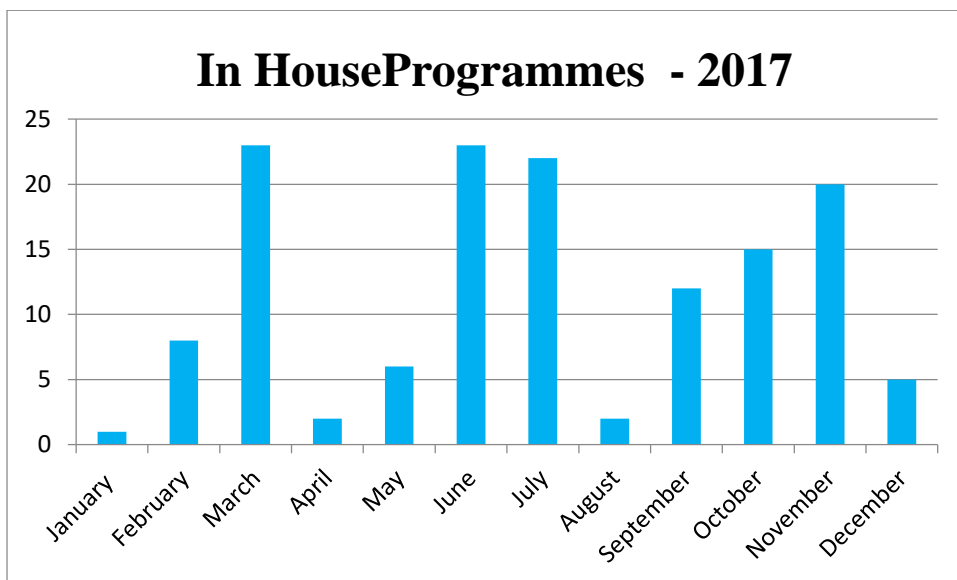
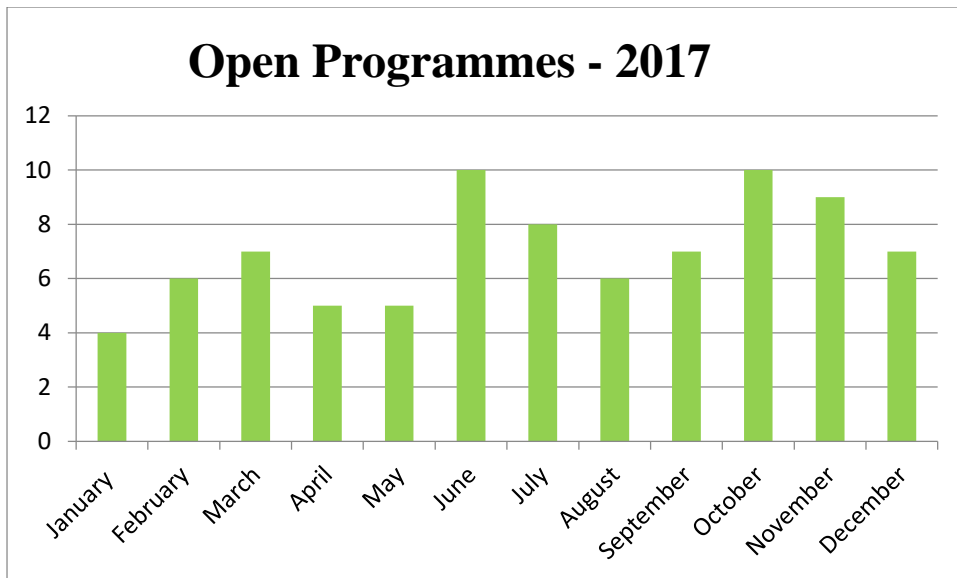
The Skills Development Funds Efforts in 2017-18 to improve efficiency and effectiveness of programs and professional courses underlie some important achievements that have a direct impact on employees of public and private sector. Continued modernization of training programs while delivering on a sizeable agenda to over 10,138 participants.

The numbers of programmes conducted during 2017 under different types are given below:

<b>Types of Programmes</b>	<b>No. Of Programmes</b>	<b>No. Of Participances</b>
<b>Open Programmes</b>	<b>84</b>	<b>2918</b>
<b>Customized Programmes</b>	<b>139</b>	<b>7044</b>
<b>Academic (Certificate) Training Courses</b>	<b>5</b>	<b>84</b>
<b>International Training Programmes</b>	<b>3</b>	<b>92</b>

The complete list of workshops and programmes conducted during 2017 is given in the next pages.



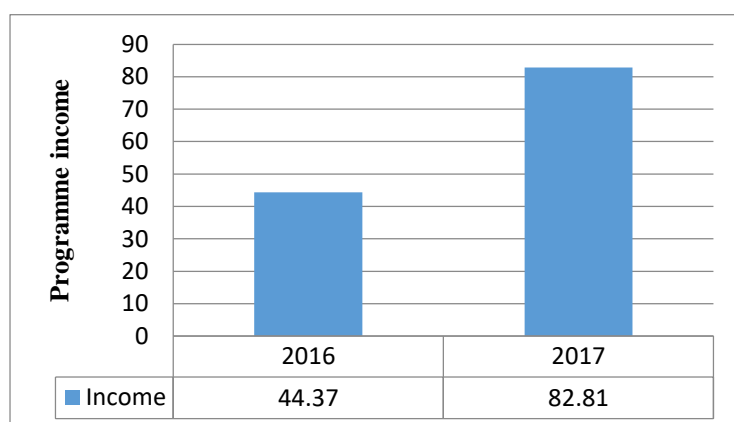


## **PROGRAMME INCOME, EXPENDITURE & PROFIT**

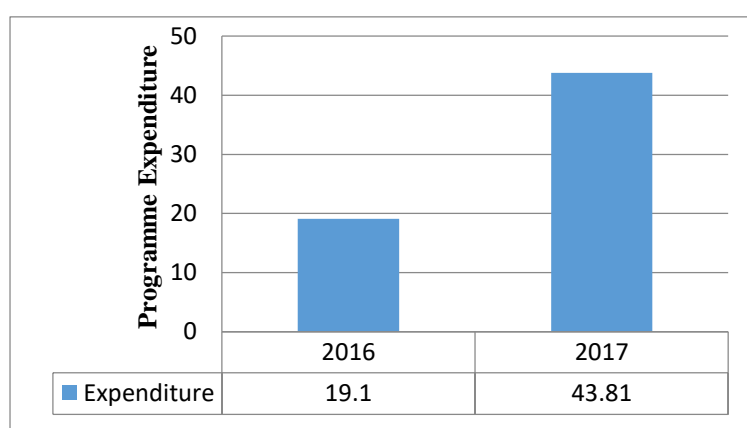
Besides the interest of bank / treasury deposits which is the main source of income of the SDFL a considerable income is earned from the programmes and consultancy services. The following table indicates the income, expenditure and profits generated from different types of programmes carried out in 2016 & 2017.

2016(Mn)			2017(Mn)		
Income	Expenditure	Profit	Income	Expenditure	Profit
44.37	19.10	25.27	82.23	43.81	37.3

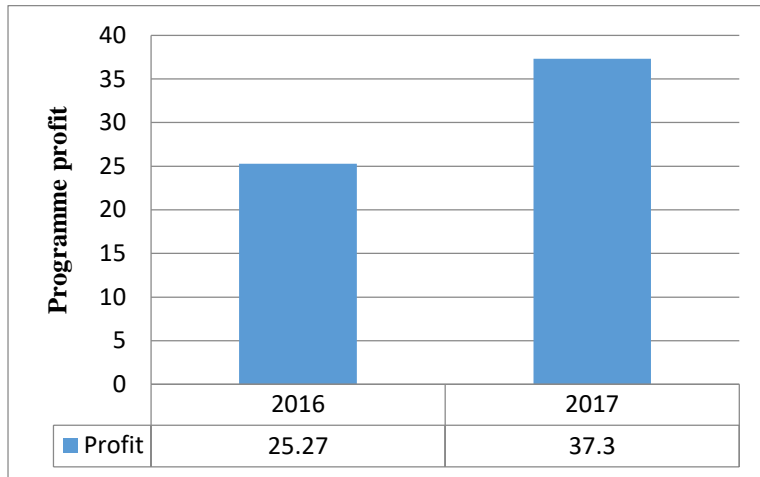
### **Programme Income 2016 - 2017**



### **Programme Expenditure 2016 - 2017**



## Programme Profit 2016 - 2017



As far as the year 2017 is concerned all the programmes have been conducted at a profit of Rs.37.3 million That is certainly due to the commitment of the programme staff and the other support staffs of the SDFL.

# SKILLS DEVELOPMENT FUND LTD

"Nipunatha Piyasa", 7th Floor, 354/2, Elvitigala Mawatha, Colombo 05.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH 2018


	<u>Note</u>	<u>2017/2018</u> <u>Rs. Cts.</u>	<u>2016/2017</u> <u>Rs. Cts.</u>
Revenue	03	93,588,360.00	52,963,915.00
Direct Cost	04	(54,854,980.74)	(34,268,023.37)
<b>Gross Profit/(Loss)</b>		<b>38,733,379.26</b>	<b>18,695,891.63</b>
Other Income	05	8,500.00 38,741,879.26	1,728,000.00 20,423,891.63
Administration & Establishment Expenses	06	(49,053,955.27)	(42,883,007.72)
<b>Earnings Before Interest &amp; Tax</b>		<b>(10,312,076.01)</b>	<b>(22,459,116.09)</b>
Net Financial Income	07	16,856,304.04	15,399,647.97
<b>Profit Before Taxation</b>		<b>6,544,228.03</b>	<b>(7,059,468.12)</b>
Income Tax		(1,548,530.85)	-
<b>Net Profit /(Loss) For the Year</b>		<b>4,995,697.18</b>	<b>(7,059,468.12)</b>
<b>Other Comprehensive Income</b>			
Defined Benefit Plan Actuarial Gains/ (Losses)		-	-
<b>Total Comprehensive Income for the year</b>		<b>4,995,697.18</b>	<b>(7,059,468.12)</b>
<b>Earnings Per Share</b>	<b>17</b>	<b>0.49</b>	<b>(0.69)</b>

The Accounting Policies & Notes form an integral part of these Financial Statements.  
*Figures in Bracket indicate deductions*

**SKILLS DEVELOPMENT FUND LTD****"Nipunatha Piyasa", 7th Floor, 354/2, Elvitigala Mawatha, Colombo 05.****STATEMENT OF FINANCIAL POSITION  
AS AT 31ST MARCH 2018**

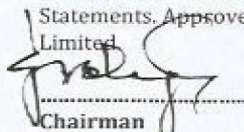
	<b>Note</b>	<b>2017/2018</b>		<b>2016/2017</b>	
		<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>	<b>Cts.</b>
<b><u>ASSETS</u></b>					
<b><u>NON CURRENT ASSETS</u></b>					
Property, Plant & Equipment	<b>08</b>	10,350,194.68		12,795,014.79	
Fixed Deposit-Scholarship Fund		4,065,489.65		3,689,507.57	
<b><u>CURRENT ASSETS</u></b>					
Inventory		797,521.22		-	
Investments	<b>09</b>	148,146,431.70		147,376,213.49	
Trade & Other Receivables	<b>10</b>	21,122,121.67		20,321,385.73	
Income Tax Refund		1,296,872.18		1,296,872.18	
Cash & Cash Equivalents	<b>11</b>	7,888,350.94		248,578.74	
<b>TOTAL ASSETS</b>		<b>193,666,982.04</b>		<b>185,727,572.50</b>	
<b><u>EQUITY &amp; LIABILITIES</u></b>					
<b><u>CAPITAL &amp; RESERVES</u></b>					
Stated Capital	<b>12</b>	102,001,520.00		102,001,520.00	
Revenue Reserves		479,890.00		479,890.00	
Other Reserves		(297,303.29)		(297,303.29)	
Retained Earnings		75,628,824.84		70,633,127.66	
<b>TOTAL EQUITY</b>		<b>177,812,931.55</b>		<b>172,817,234.37</b>	
<b><u>NON CURRENT LIABILITIES</u></b>					
Retirement Benefit Obligations	<b>13</b>	2,639,217.00		2,087,767.10	
Deferred Tax		486,768.00		486,768.00	
Skills Development Provident Fund	<b>14</b>	3,723,109.45		3,305,351.57	
<b><u>CURRENT LIABILITIES</u></b>					
Bank Overdraft (BOC - A/C No. 801)	<b>15</b>	1,821,388.45		4,711,016.05	
Trade & Other Payables	<b>16</b>	5,635,036.74		2,319,435.41	
Income Tax Payable		1,548,530.85		-	
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>193,666,982.04</b>		<b>185,727,572.50</b>	

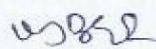
It is Certified that the Financial Statements have been prepared in compliance with the requirements of Companies Act No 7. of 2007

  
.....  
**Accountant**

**18/10/2018**  
.....  
**Date**

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board of Directors of Skills Development Fund Limited

  
.....  
**Chairman**

  
.....  
**Director**

The Accounting Policies & Notes form an integral part of these Financial Statements.  
*Figures in Bracket indicate deductions*

**SKILLS DEVELOPMENT FUND LTD**  
**"Nipunatha Piyasa", 7th Floor, 354/2, Elvitigala Mawatha, Colombo 05.**

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

	Stated Capital		Revenue Reserves		Other Reserves		Retained Profit		Total	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
Balance as at 01 st of April 2016	102,001,520.00		479,890.00		(297,303.29)		77,692,595.78		179,876,702.49	
Net Profit During The Year	-		-		-		(7,059,468.12)		(7,059,468.12)	
Balance as at 31 st of March 2017	<u>102,001,520.00</u>		<u>479,890.00</u>		<u>(297,303.29)</u>		<u>70,633,127.66</u>		<u>172,817,234.37</u>	
Balance as at 01 st of April 2017	102,001,520.00		479,890.00		(297,303.29)		70,633,127.66		172,817,234.37	
Net Profit During The Year	-		-		-		4,995,697.18		4,995,697.18	
Balance as at 31 st of March 2018	<u>102,001,520.00</u>		<u>479,890.00</u>		<u>(297,303.29)</u>		<u>75,628,824.84</u>		<u>177,812,931.55</u>	

The Accounting Policies & Notes form an integral part of these Financial Statements.  
*Figures in Bracket indicate deductions*



# SKILLS DEVELOPMENT FUND LTD

"Nipunatha Piyasa", 7th Floor, 354/2, Elvitigala Mawatha, Colombo 05.

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2018

	2017/2018		2016/2017	
	Rs.	Cts.	Rs.	Cts.
<b>CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES</b>				
Net Profit / (Loss) before Taxation		6,544,228.03		(7,059,468.12)
<b>Adjustments for</b>				
Depreciations		4,881,167.11		4,170,575.34
Interest Income		(16,856,304.04)		(15,399,647.97)
Finance Cost		379,841.60		164,701.73
Gratuity provision		1,231,183.90		496,510.96
<b>Operating Profit before Changes in Working Capital</b>		<b>(3,819,883.40)</b>		<b>(17,627,328.06)</b>
(Increase) / Decrease in Inventory		(797,521.22)		295,844.20
(Increase) / Decrease in Trade & Other Receivables		(800,735.94)		(8,901,419.92)
Increase / (Decrease) in Trade & Other Payables		3,315,601.33		922,587.66
Increase / (Decrease) in Payable to Ministry Of Youth		417,757.88		291,293.03
<b>Net Cash Generated from Operating Activities</b>		<b>(1,684,781.35)</b>		<b>(25,019,023.09)</b>
Gratuity Paid		(679,734.00)		-
Tax Paid		-		(343,657.00)
Finance Cost Paid		(379,841.60)		(164,701.73)
<b>Net Cash Flow from Operating Activities</b>		<b>(2,744,356.95)</b>		<b>(25,527,381.82)</b>
<b>CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES</b>				
Investments in Fixed Deposits		(770,218.21)		(34,441,629.53)
Interest Income Received		16,856,304.04		15,399,647.97
Acquisition of Property, Plant & Equipment		(2,436,347.00)		(5,447,458.40)
Sales Proceeds of Property, Plant & Equipment		-		-
Investments of Scholarship Fund - Fixed Deposit		(375,982.08)		(291,293.03)
<b>Net Cash Generated from Investing Activities</b>		<b>13,273,756.75</b>		<b>(24,780,732.99)</b>
<b>CASH FLOW /(USED IN)FROM FINANCING ACTIVITIES</b>				
Payment of Dividends		-		-
<b>Net Cash Generated from Financing Activities</b>		<b>-</b>		<b>-</b>
<b>Net Cash Increase / (Decrease) in Cash &amp; Cash Equivalents</b>		<b>10,529,399.80</b>		<b>(50,308,114.81)</b>
<b>Cash &amp; Cash Equivalents at the beginning of the period</b>		<b>(4,462,437.31)</b>		<b>45,845,677.50</b>
<b>Cash &amp; Cash Equivalents at the end of the period</b>		<b>6,066,962.49</b>		<b>(4,462,437.31)</b>
<b>Cash &amp; Cash Equivalent</b>				
Cash at Bank - BOC-801		(1,821,388.45)		(4,711,016.05)
Bank of Ceylon - A/C No.764148708		161,076.00		161,076.00
Call Deposit		7,655,327.94		(12,497.26)
Cash in Hand		71,947.00		100,000.00
		<b>6,066,962.49</b>		<b>(4,462,437.31)</b>

The Accounting Policies & Notes form an integral part of these Financial Statements.

Figures in Bracket indicate deductions

**SKILLS DEVELOPMENT FUND LIMITED**  
**"NIPUNATHA PIYASA", 7TH FLOOR, 354/2, ELVITIGALA**  
**MAWATHA, COLOMBO 05.**

**NOTES TO THE FINANCIAL STATEMENTS – 2017/ 18**

**01. GENERAL**

**1.1 Legal status**

Skills Development Fund Limited is a limited liability Company incorporated and Domiciled in Sri Lanka. The registered Company and principal place of business is located at “Nipunatha Piyasa”, 7<sup>th</sup> Floor, 354/2, Elvitigala Mawatha, Colombo 05.

**1.2 Principal activities & Nature of business**

During the year, the principal activities of the company were,

- Support job entry training, Skills upgrading and Retraining of employees.
- Expand and improve enterprise based training to facilitate the development of a highly trained and skilled workforce.
- Provided linkage between training institutions and the employers.

**1.3 Date of authorization for issue**

The Financial Statements of Skills Development Fund Limited for the year ended 31<sup>st</sup> March 2018 was authorized for issue by the Board of Directors on 30<sup>th</sup> May 2018.

**1.4 BASIS OF PREPARATION**

**1.4.1 Statement of compliance**

The financial statements which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (“financial statements”) have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 07 of 2007.

**1.4.2 Going Concern**

The directors have made an assessment of the company’s ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

#### **1.4.3 Basis of Presentation**

The financial statements were prepared on accrual basis and under the historical cost basis except for the following material items in the Statement of Financial Position.

- Retirement Benefit Obligations recognized based on actuarial valuation (LKAS - 19) (Note 13)

No adjustments have been made for inflationary factors in the financial statements.

#### **1.4.4 Functional and Presentation Currency**

The Financial Statements are presented in Sri Lankan Rupees which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless otherwise stated.

#### **1.4.5 Use of Estimates and Judgments**

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS/LKAS) 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, trends and other factors including expectations that are believed to be reasonable under the circumstances. Accordingly, the actual results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis to ensure the validity of the same. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are included in the following notes:

Note 13- Measurement of Defined Benefit Obligation.

#### **1.4.6 Comparative Information**

The presentation and classification of the financial statements of the previous years have been amended where relevant for better presentation and to be comparable with those of the current year.

## **02        SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **02.1      Assets and the Basis 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's 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.

#### **2.1.1    Property, Plant & Equipment**

##### **2.1.1.1 Recognition and Measurement**

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

The cost for this purpose includes the cost of acquisition and any directly attributable expenditure incurred to bring the asset to its working condition or intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition or its intended use. This also includes cost of dismantling and removing the existing asset.

Capital Work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned. However No Capital Work in Progress exists as at the reporting date.

When 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 as different between the proceeds from disposal and the carrying amount of property, plant and equipment, and are recognized under other income in the statement of comprehensive income.

### **2.1.1.2 Subsequent Expenditure**

Expenditure incurred on existing property, plant and equipment are capitalized when it is expected that such expenses would result in future economic benefits in excess of those originally assessed and its cost can be measured reliably. The carrying amount of the replaced asset is derecognized.

The costs of the day to day servicing/ maintenance of property, plant and equipment are recognized in Comprehensive Income Statement as incurred. When a revalued asset is disposed, the amount included in the revaluation surplus reserve is transferred to retained earnings.

### **2.1.1.3 De-recognition**

The carrying amount of an item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognized under other income in statement of comprehensive income.

### **2.1.1.4 Borrowing Cost**

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalized as a part of the asset. The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with the in LKAS 23 - Borrowing Costs.

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the Statement of Comprehensive Income.

### **2.1.1.5 Depreciation and Amortization**

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 life of each asset, 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 periods are as follows:

Computer Equipment	Over 04 years
Other Office Equipment	Over 05 years
Motor Vehicles	Over 04 years
New Office Premises	Over 10 years
Furniture and Fittings	Over 10 years

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 values are reviewed at each financial year end and adjusted if appropriate.

#### **2.1.1.6 Impairment of Non-Financial Assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sale and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets is considered impaired and is written down to its' recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss of continuing operations are recognized in the Statement of Comprehensive Income in those expenses categories consistent with the function of the impaired asset. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Comprehensive Income

## **2.1.2 Financial Instruments**

### **2.1.2.1 Financial Assets**

#### **2.1.2.1.1 Initial Recognition and Measurement**

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets include cash and short term deposits, trade and other receivables and loans and receivables.

#### **2.1.2.1.2 Subsequent Measurement**

The subsequent measurement of financial assets depends on their classification as follows:

##### **Financial assets at fair value through profit or loss**

A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance costs in the Statement of Comprehensive Income.

The Company did not hold any financial asset designated as financial asset at fair value through profit or loss during the year ended March 31, 2018.

## **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income in finance costs.

Loans and receivables held by the Company comprise of trade receivables, deposits, advances and other receivables and cash and cash equivalents.

## **Held-to-Maturity Investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive income in finance costs.

## **Available-for-Sale Financial Investments**

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Statement of Comprehensive Income in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in profit or loss.



#### **2.1.2.1.3 De-Recognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### **2.1.2.1.4 Impairment of Financial Assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The Company did not recognize any impairment losses in respect of financial assets for the year ended March 31, 2018.

#### **2.1.2.2 Financial Liabilities**

##### **2.1.2.2.1 Initial Recognition and Measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, transaction costs that are directly attributable to the acquisition or issue of such financial liability. The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings. Subsequent Measurement Financial liabilities at fair value through profit or loss financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the Statement of Comprehensive Income. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss. Loans and borrowings after initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost

using the effective interest rate method. Gains and losses are recognized in the Statement of Comprehensive Income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Statement of Comprehensive Income.

#### **2.1.2.2.2 De-recognition**

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

#### **2.1.2.3 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### **2.1.2.4 Financial Risk Management**

##### **Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and related parties.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

##### **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

##### **Interest Rate Risk**

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

### **2.1.3 Trade receivables**

Company recognizes trade receivables as financial assets in its statement of financial position when, and only when, the Company has a contractual right to receive cash or another financial asset.

Trade receivables are amounts due from customers for commodities sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value. After initial the Company measures

Trade receivables at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

### **2.1.4 Cash & Cash Equivalents**

Cash and cash equivalents comprise cash balances, call deposits, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

### **2.1.5 Stated capital**

The stated capital includes the total of all amounts received by the Company or due and payable to the Company in respect of the issue of Shares and in respect of calls on Shares.

### **2.1.6 Trade payables**

Company recognizes trade payables as financial liabilities in its statement of financial position when, and only when, the Company has a contractual obligation to deliver cash or another financial asset.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## **2.2 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 reporting date. Non-current liabilities are those balances that fall due for payment after one year from reporting date. All known liabilities have been accounted for in preparing these 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 it is probable that an outflow of economic benefit will be required to settle the obligation.

### **2.2.1 Employee Benefits**

#### **2.2.1.1 Defined Contribution Plans – EPF & ETF**

A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions 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.

#### **2.2.1.2 Defined Benefit Plan – Retirement Gratuity**

Defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company has adopted a defined benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees..

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognized past service cost. The defined benefit obligation is calculated annually by the Company using the projected unit credit method prescribed in Sri Lanka Accounting Standard 19; Employee Benefits. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of Government bonds that are denominated in the currency in which the

benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in statement of comprehensive income, unless the changes to the plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The key assumptions used in determining the Retirement Benefit Obligations are given in Note 13.

## **2.3 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.

All material Capital Commitments and Contingent Liabilities are disclosed in Note 18.

## **2.4 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 LKAS 1 – Presentation of Financial Statements.

### **2.4.1 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 associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes, and after eliminating sales within the Company. The following specific criteria are used for the purpose of recognition of revenue.

#### **2.4.1.1 Rendering of Services**

Revenue from rendering of services is recognized in the accounting period in which the services rendered or performed

#### **2.4.1.2 Interest Income**

Interest Income is recognized as the interest accrued (taking into account the effective yield on the asset) unless collectability is in doubt.

#### **2.4.1.3 Gains or Losses on Disposal**

Gains and losses on disposal of an item of Property, Plant & Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant & Equipment and are recognized within the 'other income' in the Statement of Comprehensive Income.

#### **2.4.2 Expenditure Recognition**

##### **2.4.2.1 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 non-financial assets, all known liabilities and depreciation on property, plant and equipment.

Percentage of administration cost is recognized as Programme relevant cost and treats as direct cost to arrive gross profit. The percentages of cost distribution as follows.

Stationery	75%
Telephone	90%
Fuel	60%
Transport	60%
Overtime	50%
Stamp Duty	100%

##### **2.4.2.2 Tax Expense**

Income Tax expense comprises 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, when it is recognized in equity.

###### **2.4.2.2.1 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.

#### **2.4.2.2.2 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.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

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.

#### **2.5 Statement of Cash Flows**

The Statement of Cash Flows has been prepared using the 'Indirect Method'. Lease rental paid, dividend paid and grants received are classified as financing cash flows while interest received and dividends received are classified as investing cash flows for the purpose of presentation of the Statement of Cash Flows.

#### **2.6 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 shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

#### **2.7 Events 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.

# SKILLS DEVELOPMENT FUND LTD

"Nipunatha Piyasa", 7th Floor, 354/2, Elvitigala Mawatha, Colombo 05.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018

<b>Note - 03</b>	<b>2018/2017</b>		<b>2016/2017</b>	
	<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>	<b>Cts.</b>
<b>Revenue</b>				
Programme Income	33,766,250.00		22,828,500.00	
Customised Programmes	21,328,300.00		30,120,415.00	
Academic Training Courses	1,601,000.00		15,000.00	
International Prog. Income	36,641,500.00		-	
Other Sales	251,310.00		-	
	<b>93,588,360.00</b>		<b>52,963,915.00</b>	

<b>Note - 04</b>				
<b>Cost of Sales</b>				
Advertising - Programmes	129,250.00		742,669.00	
Resource Personal Fees - Open Prog.	3,940,345.00		2,846,980.00	
Resource Personal Fees - Customized	3,153,899.00		4,277,170.00	
Resource Personal Fees - Academic	714,170.00		216,925.00	
Prog Development Cost	-		4,206,332.00	
Postage - Programmes	423,455.00		265,115.00	
Programme Relevant cost	15,055.00		5,546,184.95	
Travelling & Daily Subsistence - Programmes	191,486.00		392,521.00	
Hall Charges	152,483.40		751,088.00	
Material - Customised	-		296,319.00	
Refreshments - Open Prog.	7,271,066.80		4,809,437.10	
Refreshments - Customized	3,219,100.69		5,798,235.07	
Refreshments - Academic	655,435.00		123,919.70	
Stationery & Printing - Customised	5,500.00		31,500.00	
Fuel - Programme	34,092.00		59,640.00	
OBT - Programme Expenses	1,991,820.00		296,000.00	
Other Programme Expenses	17,120.00		64,000.00	
Public Seminar Expenses	-		20,000.00	
CSR Programme Expenses	75,000.00		191,460.00	
Subsistence	1,070,500.00		2,052,000.00	
Foreign Travelling	-		1,280,527.55	
International Prog. Expenses	30,374,097.65		-	
Open Programme Cost	1,421,105.20		-	
	<b>54,854,980.74</b>		<b>34,268,023.37</b>	

<b>Note - 05</b>				
<b>Other Income</b>				
Consultancy & Other Services	8,500.00		1,728,000.00	
	<b>8,500.00</b>		<b>1,728,000.00</b>	

<b>Note - 06</b>				
<b>Administration &amp; Establishment Expenses</b>				
Salaries & Allowances	20,777,162.00		17,654,871.00	
Chairman's Allowances	750,000.00		900,000.00	
Chairman's Vehicle Allowances	300,000.00		400,000.00	
Chairman's Entertainment Allowances	50,000.00		60,000.00	
EPF	2,429,565.64		2,117,958.00	
ETF	607,432.57		532,178.00	
Over Time	962,495.00		520,905.00	
Staff Welfare	460,877.00		1,113,955.00	
Staff Vehicle & other Allowance	461,310.00		588,000.00	
Gratuity	1,231,183.90		496,510.96	
Staff Bonus	-		360,000.00	
Staff Incentive	3,281,271.00		-	



**Note 06-Cont.****Depreciations**

Furnitures & Fittings	259,360.52	245,624.99
Office Equipments	1,047,540.18	928,267.99
Motor Vehicles	1,912,500.20	1,912,500.00
Computer Equipments	925,225.77	393,210.44
New Office Premises	687,640.44	659,905.25
Web Pages	48,900.00	31,066.67
Accounting Package Maintenance	281,440.00	115,000.00
Audit Fee	170,000.00	166,809.50
Legal,Secret Services	206,973.91	195,925.13
Postage	58,294.00	42,016.25
Stationery	854,377.46	519,232.92
Printing	290,131.00	995,700.00
Telephone	1,524,044.01	137,047.89
E-mail & Internet Charges	-	21,225.00
Transport	711,559.00	840,644.20
Accountancy & Professional Fee	250,000.00	175,000.00
Electricity	1,017,806.84	928,182.01
Water	414,611.36	62,636.87
Janitorial Services	684,287.80	757,056.80
Insurance - Vehicle	160,366.49	131,135.65
Medical Insurance - Staff	-	741,796.91
Security	1,030,083.48	834,487.50
Staff Trainning & Development	106,019.00	163,500.00
Staff Recruitments	98,600.00	45,000.00
Fuel	668,218.00	653,097.60
Vehicle Repair & maintenance	671,861.00	1,278,034.00
Maintenance Charges	367,914.40	1,142,123.46
Office Equipment Maintenance	282,715.44	71,500.00
Gifts & Compliments	-	14,390.00
AC Repair & Maintenance	1,500.00	273,600.00
Courier Charges	-	780.00
Board Members Atten. Allowance	691,267.00	870,215.00
Board Members Travel. Allowance	260,000.00	680,000.00
Audit & Mgt Committee Allowance	30,000.00	175,000.00
Computer Maintenance	365,253.00	56,465.00
Bad Debtors-Written Off	-	112,500.00
Vehicle Hire Charges	375,320.00	30,000.00
Donation	545,980.00	426,130.00
News Papers & Periodicals	183,495.00	111,660.00
Festival & Event Expenses	93,010.00	250,434.00
Rate & Taxes	-	82,320.00
Bank Charges	379,841.60	164,701.73
Loss on FA Disposal	-	3,551.00
Web pages Maintenance	16,521.26	3,450.00
Committee Meetings Allowances	70,000.00	685,000.00
VAT	-	10,706.00
	<b>49,053,955.27</b>	<b>42,883,007.72</b>

**Note - 07****Net Financial Income**

Interest Income - Staff Loan	119,557.88	98,961.00
Interest Income - Fixed Deposit	16,708,130.00	14,932,795.78
Interest Income - Call Deposit	28,616.16	367,891.19
	<b>16,856,304.04</b>	<b>15,399,647.97</b>

## SKILLS DEVELOPMENT FUND LTD

"Nipunatha Piyasa", 7th Floor, 354/2, Elvitigala Mawatha, Colombo 05.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018

#### Note-08

#### Property, Plant & Equipment

Assets	Rate	Balance as at 01.04.2017		Additions/ (Disposals)		Balance as at 31.03.2018		Balance as at 01.04.2017		Charge For the Year		Balance as at 31.03.2018		WDV 31.03.2018	
		Rs. Cts.		Rs. Cts.		Rs. Cts.		Rs. Cts.		Rs. Cts.		Rs. Cts.		Rs. Cts.	
Furniture & Fittings	10%		2,779,270.94		132,261.00		2,911,531.94		1,310,586.32		259,360.52		1,569,946.84		1,341,585.10
Other Office Equipment	20%		6,330,009.04		22,086.00		6,352,095.04		2,782,834.73		1,047,540.18		3,830,374.91		2,521,720.13
Motor Vehicles	25%		11,253,125.00		-		11,253,125.00		8,384,375.04		1,912,500.20		10,296,875.24		956,249.76
Computer Equipments	25%		3,558,899.00		2,282,000.00		5,840,899.00		2,268,288.88		925,225.77		3,193,514.65		2,647,384.35
New Office Premises	10%		6,876,404.25		-		6,876,404.25		3,421,141.80		687,640.44		4,108,782.24		2,767,622.01
Web Page	25%		195,600.00		-		195,600.00		31,066.67		48,900.00		79,966.67		115,633.33
			<b>30,993,308.23</b>		<b>2,436,347.00</b>		<b>33,429,655.23</b>		<b>18,198,293.44</b>		<b>4,881,167.11</b>		<b>23,079,460.55</b>		<b>10,350,194.68</b>

**Note - 09****Investments**

Fixed Deposits-BOC	8,146,431.70	7,376,213.49
Fixed Deposits-People's Bank	140,000,000.00	140,000,000.00
	<u>148,146,431.70</u>	<u>147,376,213.49</u>

**Note - 10****Other Receivable**

Prepaid Insurance	65,661.68	65,661.68
Interest Receivable	2,792,598.07	4,146,217.98
WHT Receivables	214,586.24	102,501.27
Staff Distressed Loan	2,024,276.88	2,301,538.00
Advance	221,885.00	448,000.00
Trade Debtors	15,747,753.80	13,208,103.80
Pre Paid Rent - Office Premise	45,360.00	45,360.00
Salary Advance	10,000.00	4,000.00
Prepaid EPF	-	3.00
	<u>21,122,121.67</u>	<u>20,321,385.73</u>

**Note - 11****Cash & Cash Equivalents**

Call Deposit	7,655,327.94	(12,497.26)
Bank of Ceylon - A/C No. 76148708	161,076.00	161,076.00
Cash in Hand	71,947.00	100,000.00
	<u>7,888,350.94</u>	<u>248,578.74</u>

**Note - 12****Stated Capital**

Fully Paid Ordinary Shares & One Golden Share	102,001,520.00	102,001,520.00
	<u>102,001,520.00</u>	<u>102,001,520.00</u>

**Note - 13****Retirement Benefit Obligations - Gratuity**

	<u>2018/2017</u>	<u>2016/2017</u>
	<u>Rs.</u> <u>Cts.</u>	<u>Rs.</u> <u>Cts.</u>
Balance at the Beginning of the year	2,087,767.10	1,591,256.14
Charged during the year	1,231,183.90	496,510.96
Payment made/ transferred to payable during the year	(679,734.00)	-
Balance at the end of the year	<u>2,639,217.00</u>	<u>2,087,767.10</u>

Actuarial valuation as at 31.03.2018 of the Gratuity Liability in respect of the employees of the company has done according to the Sri Lanka Accounting Standards (LKAS 19). During the year, Rs. 1,231,183.90 amount to be recognized as a current service cost & past service cost. Company could not apply the LKAS 19 in Previously. (2016/2017)

The Company will continue as a going concern. The gratuity liability is not externally funded.

**Note - 14****Skills Development Provident Fund**

	<u>31.03.2018</u>	<u>31.03.2017</u>
	<u>Rs.</u> <u>Cts.</u>	<u>Rs.</u> <u>Cts.</u>
Scholarship Fund Payable	3,723,109.45	3,305,351.57
	<u>3,723,109.45</u>	<u>3,305,351.57</u>

**Note - 15****Bank Overdraft (BOC - A/C No. 801)**

The fixed deposit of the company has been pledged as collateral against the bank overdraft of Rs.1,821,388.45 Obtained from the Bank of Ceylon

## **SKILLS DEVELOPMENT FUND LTD**

**"Nipunatha Piyasa", 7th Floor, 354/2, Elvitigala Mawatha, Colombo 05.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018**

#### **12.1 The Golden Shareholder**

The Golden Shareholder is currently held by the Secretary to the Treasury and shall only be held by Secretary to the Treasury or by an "Appointed Director" in his official capacity and not in his own name for the behalf of the Democratic Socialist Republic of Sri Lanka. In addition to the rights of the normal Ordinary Shareholder the Golden Shareholder has the following special rights.

12.1.1 The holder of the "Golden Share" may veto any ordinary, special or extraordinary resolutions passed by General Meeting or otherwise, if such resolutions is, in the opinion of the holder of the Golden Share for the time being, is either contrary to the mission, goals and objectives of the Company or is not in keeping with the policy of the Government.

12.1.2 The Articles of Association of the Company as originally framed may from time to time be altered by "Special Resolution" provided that the concurrence of the holder to the Golden Share, in writing shall be first obtained to amend the definition of the words "Golden Share" and "Golden Shareholder" and any articles relating to the rights of the holder of the Golden Share.

12.1.3 The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once in every three month period if desired to meet with the Golden Shareholder and or his nominees and the Directors if so called upon shall meet with the Golden Shareholder and or his nominees to discuss matters of the Company of interest to the State of Democratic Socialist Republic of Sri Lanka.

12.1.4 The Golden Shareholder may be converted into an Ordinary Share with the concurrence of the Golden Shareholder given in writing and the concurrence of the majority of the Shareholders.

12.1.5 The Golden Shareholder and / or his nominees shall be entitles to inspect the books of accounts of the Company after giving two weeks written notice to the Company.

12.1.6 The Company shall submit to the Golden Shareholder, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the Golden Shareholder and the Company.

12.1.7 The Company shall submit to the Golden Shareholder, within 90 days of the end of each fiscal year, information relating to the Company in a pre-specified format agreed to by the Golden Shareholder and the Company.

**Note - 16****Accrued Expenses**

Audit Fees Payable	336,809.50	166,809.50
Bills Payable-Security	271,458.48	-
Bills Payable - Electricity	163,142.71	130,510.50
Bills Payable - Water	14,149.10	10,579.87
Bills Payable - Secretary	35,858.78	26,775.02
Bills Payable - Janitorial	45,268.90	58,921.40
Bills Payable - OT/Subsistence & Train Season	408,261.00	408,261.00
Bills Payable - Refreshment	1,630,646.80	409,387.00
Bills Payable - Resource Person Fee	2,053,055.20	413,550.00
Bills Payable - Telephone	255,109.50	210,213.30
Bills Payable - News Papers	29,375.00	13,520.00
Accountancy & Professional Fee	-	175,000.00
Non-Represented Cheques over 06 months (801)	143,165.82	149,790.82
Trade Creditor	74,000.00	74,000.00
ETF Payable	1,012.57	1,800.00
EPF Payable	2.70	-
Salary Payable	11.04	17.00
Web Page Payable	70,300.00	70,300.00
Refundable Deposits	7,000.00	-
Unidentified Deposit	96,409.64	-
	<u>5,635,036.74</u>	<u>2,319,435.41</u>

**Note - 17****Earnings Per Share**

The calculation of the earnings per share is based on Profit attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year.

**17.01 Basic Earnings per Share**

	<u>2017 / 2018</u>		<u>2016 / 2017</u>	
	<u>Rs.</u>	<u>Cts.</u>	<u>Rs.</u>	<u>Cts.</u>
Profit attributable to Ordinary Shareholders (Rs.Cts)	4,995,697.18		(7,059,468.12)	
Weighted average number of ordinary shares	10,200,152.00		10,200,152.00	
Earnings / Loss Per Shares		0.49		(0.69)

**Note - 18****Capital Commitments**

The Company had no material capital commitments outstanding as at the Reporting date.

**Note - 19****Events After the Reporting Period**

There was no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

**Note - 20**  
**Financial Risk Management**

**Overview**

The Company has exposure to the following risks from its use of financial instruments:

- \* Credit risk
- \* Liquidity risk

This note presents qualitative and quantitative information about the Company's exposure to each of the above risks, the Company's objectives, policies and procedures for measuring and managing risk.

**Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

**Credit Risk**

Credit risk is the risk of financial Loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivables from customers and investment securities. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

	31.03.2018		31.03.2017	
	Rs.	Cts.	Rs.	Cts.
Loans and Receivables				
Trade and Other Receivables		22,418,993.85		21,618,257.91
Investments		148,146,431.70		147,376,213.49
Cash and Cash Equivalents		7,888,350.94		248,578.74
		<u>178,453,776.49</u>		<u>169,243,050.14</u>

**Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal or stressed conditions, without incurring unacceptable Losses or damage to the Company's reputation.

To measure and mitigate liquidity risk, the Company closely monitored its net operating cash flow, maintained a level of Cash and Cash equivalents and secured committed funding facilities from financial institutions.

	31.03.2018		31.03.2017	
	Rs.	Cts.	Rs.	Cts.
Non-derivative financial liabilities				
Trade and Other Payables		7,183,567.59		2,319,435.41
		<u>7,183,567.59</u>		<u>2,319,435.41</u>

**Note - 21**

**Property, Plant & Equipment-Disposal**

The company has been identified the Property, Plant & Equipment to be disposed as at 31st March 2018. However, Company has not been completed the disposal process during the period.

**Note - 22**

**Related Party Transaction**

The Company had related party transactions during the periods covered by the financial statements. The Key management personnel compensations are as follows,

	2017 / 2018	
	Rs.	Cts.
Board member attendance allowance		691,267.00
Board member travelling allowance		260,000.00
		<u>951,267.00</u>



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## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



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எனது இல.  
My No. }

VTY/B/SDFL/FA/2017/18

ඔබේ අංකය  
உமது இல.  
Your No. }

දිනය  
திகதி  
Date }

29 October 2018

To the Shareholders of the  
Skills Development Fund Limited

#### Report of the Auditor General on the Financial Statements of the Skills Development Fund Limited for the year ended 31 March 2018

The audit of financial statements of the Skills Development Fund Limited (“the Company”) for the year ended 31 March 2018 comprising the statement of financial position as at 31 March 2018 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

#### Board’s Responsibility for the Financial Statements

The Board of Directors (“Board”) is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation of the financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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





### **Basis for Qualified Opinion**

- (a) Fully depreciated assets costing Rs. 5,485,778 procured during the previous years are being continuously used by the Company without taking action to review the residual value and useful economic lifetime of those assets, and accounted for accordingly in terms of provisions in **LKAS 16 - Property, Plant and Equipment**.
- (b) According to the financial statements presented, a sum of Rs. 4,065,489 is shown as fixed deposit of scholarship fund under Non-current Assets. However, the corresponding balance of that fund (scholarship fund payable) is shown as Rs.3,723,109 under Non-current Liabilities. Hence, an unexplained difference of Rs. 342,380 was observed between these two amounts.
- (c) An abnormal debit balance of Rs. 297,303 had been continuously brought to the statement of financial position as other reserve under the Capital and Reserves. However, no evidence were made available for audit to verify the accuracy and reliability of this balance.
- (d) Staff distress loan amounting to Rs 2,024,276 was not initially recognized at fair value and subsequently, it had not been measured at amortized cost by using effective interest rate as per the requirements of **LKAS 39 - Financial Instruments Recognition and Measurement and SLFRS 13 - Fair Value Measurement**
- (e) The accuracy of deferred tax liability amounting to Rs Rs.486,768 as at 31 March 2018 could not be ascertained in audit due to absence of sufficient appropriate audit evidence.

### **Qualified Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Skills Developments Fund Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **Report on Other Legal and Regulatory Requirements**

As required by Section 163(2) of the Companies Act, No.07 of 2007, I state the followings:

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion :
  - Except for the possible effects of the matters described in Basis for Qualified Opinion paragraph, I have obtained all the information and explanations that were required for the audit and as far as appears from my examinations, proper accounting records have been kept by the Company.
  - The financial statements of the Company, comply with the requirements of Section 151 of the Companies Act, No. 07 of 2007.





### Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

A handwritten signature in black ink, appearing to be 'H.M. Gamini Wijesinghe', is positioned above the printed name.

H.M. Gamini Wijesinghe

Auditor General