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යෞවන කටයුතු අමාත්‍යාංශය

தேசிய கொள்கை பொருளாதார விவகாரங்கள், மீள்குடியேற்றம்
மற்றும் புனர்வாழ்வு, வடக்கு மாகாண அபிவிருத்தி, தொழிற்பயிற்சி
மற்றும் திறன் அபிவிருத்தி மற்றும் இளைஞர் விவகார அமைச்சகம்

Ministry of National Policy Economic Affairs, Resettlement and
Rehabilitation, Northern Provincial Development, Vocational
Training and Skill Development and Youth Affairs

වාර්ෂික වාර්තාව ஆண்டு அறிக்கை Annual Report 2018

සීමාසහිත නිපුණතා සංවර්ධන අරමුදල
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 National Policy Economic Affairs, Resettlement and Rehabilitation, Northern Provincial Development, Vocational Training and Skill Development and Youth Affairs
Address	: 354/2,7 th Floor “Nipunatha Piyasa” Elvitigala Mawatha Narahenpita Colombo 05.
Web	: www.skillsdevelop.lk
Email Address	: info@skillsdevelop.lk
Telephone	: 011 2507274
Fax	: 011 2055601
Banks	: Bank of Ceylon : Peoples Bank

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 20th 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.

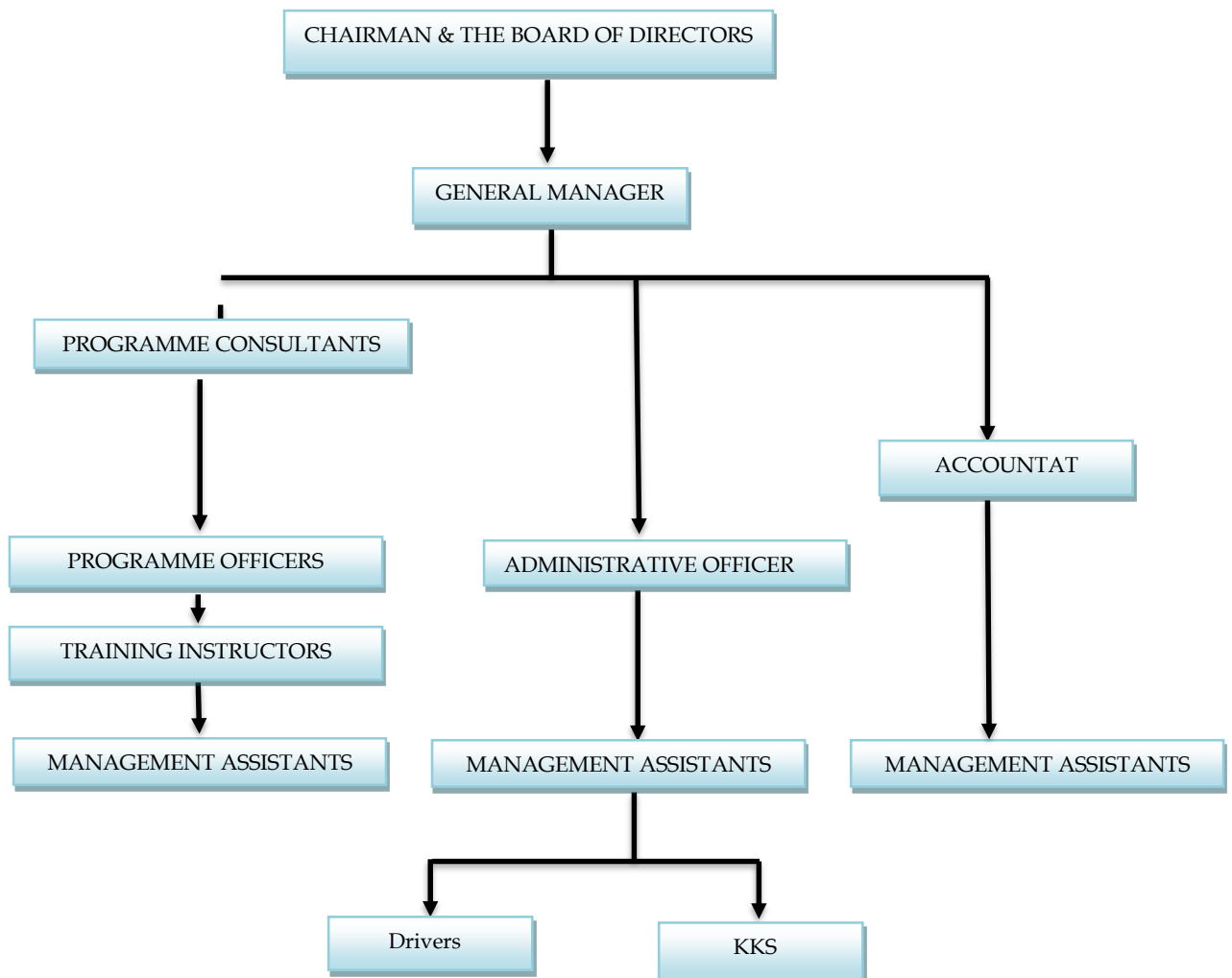
The cabinet approved an investment of Rs.100 million in September 1999 in ordinary shares in the company which was invested in secure investment by the SDFL. It was suggested that the income caused from this investment and from the operations of the company would be sufficient to meet the recurrent expenditure. 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.

OBJECTIVES

1. To develop a highly trained, skilled, motivated and productive labour force
2. To match the gap between the Industry employers demand on whatever job description and the supply of skilled employees the technological training system to meet local employer requirements as well as the requirements in relation to opportunities in the international labour market.
3. To gain skills required immediately and in the foreseeable future for the domestic economy as well as in the global economic system thus enhancing their employment prospects and productivity.

ORGANIZATION STRUCTURE



THE CADRE OF SKILLS DEVELOPMENT FUND

The Staff as at 31.12.2018

Designation	Approved Cadre	Existing Cadre
01. Chairman/CEO	01	01
02. Managing Director		01
03. General Manager	01	01
04. Programme Consultant	02	00
05. Accountant	01	01
06. Programme Officer	02	02
07. Administrative Officer	01	01
08. Training Instructor	02	02
09. Management Assistants	18	18
10. Drivers	02	02
11. Office Assistant	03	08
Total	33	37

BOARD MEMBERS

2018

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

Director Board 2018.01.01 to 2018.05.30

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

Director Board 2018.09.21 to 2018.12.31

- 01. Mr. K.G.D.D. Dheerasinghe (Chairman)**
- 02. Mr. M.A.S.H. Perera (Director for the Treasury)**
03. Mr. L.S.B. Garihagama
04. Mr. G.K.M.T.S. Swarnathilaka
05. Mr. S. Chandrasena
06. Mr. A.G.R.P. Somarathna
07. K.M.P. Karunarathna

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

<i>Date</i>	<i>Participation</i>
2018.03.29	11
2018.05.30	07
2018.09.21	06
2018.10.18	07
2018.11.21	05
2018.12.20	05

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 2018-19 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 9,060 participants.

The numbers of programmes conducted during 2018 under different types are given below:

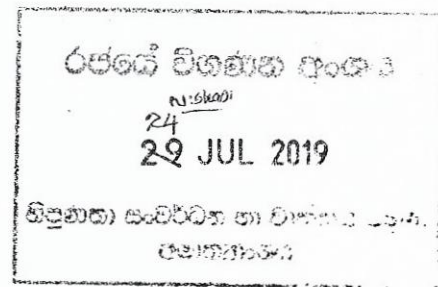
Types of Programmes	No. Of Programmes	No. Of Participances
Open Programmes	101	3470
Customized Programmes	147	5509
Academic (Certificate) Training Courses	03	50
International Training Programmes	01	31

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 2017& 2018.

2017(Mn)			2018(Mn)		
Income	Expenditure	Profit	Income	Expenditure	Profit
82.23	43.81	37.3	84.71	44.27	39.4

As far as the year 2018 is concerned all the programmes have been conducted at a profit of Rs.39.4 million That is certainly due to the commitment of the programme staff and the other support staffs of the SDFL.



**FINANCIAL STATEMENTS FOR THE YEAR ENDED
31TH MARCH 2019**

(2018/2019)

SKILLS DEVELOPMENT FUND LIMITED

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

SKILLS DEVELOPMENT FUND LTD**"Nipunatha Piyasa", 7th Floor, 354/2, Elvitigala Mawatha, Colombo 05.****STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2019**

	Note	2018/2019		2017/2018	
		Rs.	Cts.	Rs.	Cts.
Revenue	03	89,465,586.00		93,588,360.00	
Direct Cost	04	(46,655,701.07)		(54,854,980.74)	
Gross Profit/(Loss)		42,809,884.93		38,733,379.26	
Other Income	05	17,000.00		8,500.00	
		42,826,884.93		38,741,879.26	
Administration & Establishment Expenses	06	(44,094,008.22)		(49,053,955.27)	
Earnings Before Interest & Tax		(1,267,123.29)		(10,312,076.01)	
Net Financial Income	07	16,017,845.25		16,856,304.04	
Profit Before Taxation		14,750,721.96		6,544,228.03	
Income Tax	14	(4,356,349.37)		(1,548,530.85)	
Net Profit/(Loss) For the Year		10,394,372.59		4,995,697.18	
Other Comprehensive Income					
Defined Benefit Plan Actuarial Gains/ (Losses)		(197,771.00)		-	
Total Comprehensive Income for the year		10,196,601.59		4,995,697.18	
Earnings Per Share	18		1.00		0.49

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 2019

	Note	2018/2019		2017/2018	
		Rs.	Cts.	Rs.	Cts.
ASSETS					
NON CURRENT ASSETS					
Property, Plant & Equipment	08	8,070,129.34		10,350,194.68	
Fixed Deposit-Scholarship Fund		4,478,854.28		4,065,489.65	
CURRENT ASSETS					
Inventory		662,755.72		797,521.22	
Investments	09	152,726,500.76		148,146,431.70	
Trade & Other Receivables	10	24,334,068.44		21,122,121.67	
Income Tax Refund		1,296,872.18		1,296,872.18	
Deferred Tax Assets	15	6,607,452.28		-	
Cash & Cash Equivalents	11	13,512,922.70		6,066,962.49	
TOTAL ASSETS		211,689,555.70		191,845,593.59	
EQUITY & LIABILITIES					
CAPITAL & RESERVES					
Stated Capital	12	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		97,275,996.08		75,628,824.84	
TOTAL EQUITY		199,460,102.79		177,812,931.55	
NON CURRENT LIABILITIES					
Retirement Benefit Obligations	13	3,147,364.00		2,639,217.00	
Deferred Tax Liabilities	15	-		486,768.00	
Skills Development Provident Fund	16	4,156,377.99		3,723,109.45	
CURRENT LIABILITIES					
Trade & Other Payables	17	4,925,710.92		5,635,036.74	
Income Tax Payable		-		1,548,530.85	
TOTAL EQUITY & LIABILITIES		211,689,555.70		191,845,593.59	

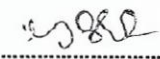
It is Certified that the Financial Statements have been prepared in compliance with the requirements of Companies Act No.7. of 2007


.....
Accountant

10/7/2019
.....
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 2019

	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 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>
Balance as at 01 st of April 2018	102,001,520.00	479,890.00	(297,303.29)	75,628,824.84	177,812,931.55
Net Profit During The Year	-	-	-	10,394,372.59	10,394,372.59
Other Comprehensive Income	-	-	-	(197,771.00)	(197,771.00)
Prior Adjustment	-	-	-	11,450,569.65	11,450,569.65
Balance as at 31 st of March 2019	<u>102,001,520.00</u>	<u>479,890.00</u>	<u>(297,303.29)</u>	<u>97,275,996.08</u>	<u>199,460,102.79</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 2019

	2018/2019		2017/2018	
	Rs.	Cts.	Rs.	Cts.
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES				
Net Profit / (Loss) before Taxation		14,750,721.96		6,544,228.03
Adjustments for				
Depreciations		3,736,490.00		4,881,167.11
Interest Income		(16,017,845.25)		(16,856,304.04)
Finance Cost		90,556.17		379,841.60
Gratuity provision		631,168.00		1,231,183.90
Operating Profit before Changes in Working Capital		3,191,090.88		(3,819,883.40)
(Increase) / Decrease in Inventory		134,765.50		(797,521.22)
(Increase) / Decrease in Trade & Other Receivables		(3,211,946.77)		(800,735.94)
Increase / (Decrease) in Trade & Other Payables		(709,325.82)		3,315,601.33
Increase / (Decrease) in Payable to Ministry Of Youth		433,268.54		417,757.88
Net Cash Generated from Operating Activities		(162,147.67)		(1,684,781.35)
Gratuity Paid		(320,792.00)		(679,734.00)
Tax Paid		(1,548,530.85)		-
Finance Cost Paid		(90,556.17)		(379,841.60)
Net Cash Flow from Operating Activities		(2,122,026.69)		(2,744,356.95)
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES				
Investments in Fixed Deposits		(4,580,069.06)		(770,218.21)
Interest Income Received		16,017,845.25		16,856,304.04
Acquisition of Property, Plant & Equipment		(1,456,424.66)		(2,436,347.00)
Sales Proceeds of Property, Plant & Equipment		-		-
Investments of Scholarship Fund - Fixed Deposit		(413,364.63)		(375,982.08)
Net Cash Generated from Investing Activities		9,567,986.90		13,273,756.75
CASH FLOW /(USED IN) FROM FINANCING ACTIVITIES				
Payment of Dividends		-		-
Net Cash Generated from Financing Activities		-		-
Net Cash Increase / (Decrease) in Cash & Cash Equivalents		7,445,960.21		10,529,399.80
Cash & Cash Equivalents at the beginning of the period		6,066,962.49		(4,462,437.31)
Cash & Cash Equivalents at the end of the period		13,512,922.70		6,066,962.49
Cash & Cash Equivalent				
Cash at Bank - BOC-801		3,343,065.25		(1,821,388.45)
Bank of Ceylon - A/C No.764148708		161,076.00		161,076.00
Call Deposit		9,924,343.45		7,655,327.94
Cash in Hand		84,438.00		71,947.00
		13,512,922.70		6,066,962.49

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 - 2018/ 19

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", 7th 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 31st March 2019 was authorized for issue by the Board of Directors on 10th July 2019.

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 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 19.

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 24 of 2017 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

Note - 03

Revenue

Programme Income	31,035,700.00	33,766,250.00
Customised Programmes	22,195,850.00	21,328,300.00
Academic Training Courses	3,225,000.00	1,601,000.00
International Prog. Income	32,503,136.00	36,641,500.00
Other Sales	505,900.00	251,310.00
	<u>89,465,586.00</u>	<u>93,588,360.00</u>

Note - 04

Cost of Sales

Add-Opening Inventory	797,521.22	-
Advertising - Programmes	106,837.50	129,250.00
Resource Personal Fees - Open Prog.	3,226,300.00	3,940,345.00
Resource Personal Fees - Customized	4,515,055.00	3,153,899.00
Resource Personal Fees - Academic	989,900.00	714,170.00
Postage - Programmes	462,610.00	423,455.00
Programme Relevant cost	828,357.00	15,055.00
Travelling & Daily Subsistence - Programmes	158,523.00	191,486.00
Hall Charges	137,000.00	152,483.40
Refreshments - Open Prog.	3,896,202.50	7,271,066.80
Refreshments - Customized	2,569,380.00	3,219,100.69
Refreshments - Academic	301,496.00	655,435.00
Stationery & Printing - Customised	309,130.00	5,500.00
Fuel - Programme	110,005.00	34,092.00
OBT - Programme Expenses	221,762.20	1,991,820.00
Other Programme Expenses	1,500.00	17,120.00
CSR Programme Expenses	-	75,000.00
Subsistence	808,200.00	1,070,500.00
International Prog. Expenses	27,878,677.37	30,374,097.65
Open Programme Cost	-	1,421,105.20
Less-Closing Inventory	(662,755.72)	-
	<u>46,655,701.07</u>	<u>54,854,980.74</u>

Note - 05

Other Income

Consultancy & Other Income	17,000.00	8,500.00
	<u>17,000.00</u>	<u>8,500.00</u>

Note - 06

Administration & Establishment Expenses

Salaries & Allowances	16,770,517.88	20,777,162.00
Chairman's Allowances	1,041,847.43	750,000.00
Chairman's Vehicle Allowances	493,548.55	300,000.00
Chairman's Entertainment Allowances	45,774.14	50,000.00
Managing Director Allowances	830,450.00	-
EPF	2,057,489.33	2,429,565.64
ETF	520,869.86	607,432.57
Over Time	851,420.33	962,495.00
Staff Welfare	446,631.00	460,877.00
Staff Vehicle & other Allowance	1,215,095.00	461,310.00
Gratuity	631,168.00	1,231,183.90
Staff Incentive	2,638,750.00	3,281,271.00

Note 06-Cont.**Depreciations**

Furnitures & Fittings	216,067.70	259,360.52
Office Equipments	875,328.59	1,047,540.18
Motor Vehicles	956,249.76	1,912,500.20
Computer Equipments	927,154.11	925,225.77
New Office Premises	702,906.27	687,640.44
Web Pages	58,783.57	48,900.00
Accounting Package Maintenance	1,222,156.00	281,440.00
Audit Fee	190,000.00	170,000.00
Legal,Secretarial Services	198,561.14	206,973.91
Postage	80,430.00	58,294.00
Stationery	1,466,780.00	854,377.46
Printing	905,544.50	290,131.00
Telephone	1,179,289.23	1,524,044.01
Transport	405,210.00	711,559.00
Accountancy & Professional Fee	153,435.00	250,000.00
Electricity	949,120.99	1,017,806.84
Water	55,453.69	414,611.36
Janitorial Services	579,514.70	684,287.80
Insurance - Vehicle	153,199.46	160,366.49
Security	1,628,750.88	1,030,083.48
Staff Training & Development	560,765.00	106,019.00
Staff Recruitments	-	98,600.00
Fuel	172,489.00	668,218.00
Vehicle Repair & maintenance	537,518.00	671,861.00
Maintenance Charges	499,403.00	367,914.40
Office Equipment Maintenance	443,624.94	282,715.44
AC Repair & Maintenance	-	1,500.00
Board Members Atten. Allowance	209,500.00	691,267.00
Board Members Travel. Allowance	72,500.00	260,000.00
Audit & Mgt Committee Allowance	80,000.00	30,000.00
Refreshment for Board Meeting	36,850.00	-
Computer Maintenance	25,900.00	365,253.00
Vehicle Hire Charges	-	375,320.00
Donation	25,000.00	545,980.00
News Papers & Periodicals	168,160.00	183,495.00
Festival & Event Expenses	177,769.00	93,010.00
Bank Charges	90,556.17	379,841.60
Web pages Maintenance	27,000.00	16,521.26
Committee Meetings Allowances	-	70,000.00
PAYE	383,396.00	-
Rates and Taxes	136,080.00	-
	44,094,008.22	49,053,955.27

Note - 07**Net Financial Income**

Interest Income - Staff Loan	101,822.00	119,557.88
Interest Income - Fixed Deposit	15,628,332.66	16,708,130.00
Interest Income - Call Deposit	287,690.59	28,616.16
	16,017,845.25	16,856,304.04

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019

Note-08 Property, Plant & Equipment

Assets	Rate	Cost				Depreciation									
		Balance as at 01.04.2018		Additions/ (Disposals)		Balance as at 31.03.2019		Balance as at 01.04.2018		Charge For the Year		Balance as at 31.03.2019		WDV 31.03.2019	
		Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
Furniture & Fittings	10%	2,911,531.94		101,656.80		3,013,188.74		1,569,946.84		216,067.70		1,786,014.54		1,227,174.20	
Other Office Equipment	20%	6,352,095.04		161,224.00		6,513,319.04		3,830,374.91		875,328.59		4,705,703.50		1,807,615.54	
Motor Vehicles	25%	11,253,125.00		-		11,253,125.00		10,296,875.24		956,249.76		11,253,125.00		-	
Computer Equipments	25%	5,840,899.00		57,000.00		5,897,899.00		3,193,514.65		927,154.11		4,120,668.76		1,777,230.24	
New Office Premises	10%	6,876,404.25		1,071,543.86		7,947,948.11		4,108,782.24		702,906.27		4,811,688.51		3,136,259.60	
Web Page	25%	195,600.00		65,000.00		260,600.00		79,966.67		58,783.57		138,750.24		121,849.76	
		33,429,655.23		1,456,424.66		34,886,079.89		23,079,460.55		3,736,490.00		26,815,950.55		8,070,129.34	

Note - 09**Investments**

Fixed Deposits-BOC

Fixed Deposits-People's Bank

12,726,500.76	8,146,431.70
140,000,000.00	140,000,000.00
152,726,500.76	148,146,431.70

Note - 10**Other Receivable**

Prepaid Insurance

Interest Receivable

WHT Receivables

Staff Distressed Loan

Advance

Trade Debtors

Pre Paid Rent - Office Premise

Salary Advance

Refundable Deposits

65,661.68	65,661.68
2,633,931.09	2,792,598.07
865,103.99	214,586.24
1,889,902.88	2,024,276.88
464,955.00	221,885.00
18,358,153.80	15,747,753.80
45,360.00	45,360.00
10,000.00	10,000.00
1,000.00	-
24,334,068.44	21,122,121.67

Note - 11**Cash & Cash Equivalents**

Bank of Ceylon - A/C No. 801

Call Deposit

Bank of Ceylon - A/C No. 76148708

Cash in Hand

3,343,065.25	(1,821,388.45)
9,924,343.45	7,655,327.94
161,076.00	161,076.00
84,438.00	71,947.00
13,512,922.70	6,066,962.49

Note - 12**Stated Capital**

Fully Paid Ordinary Shares & One Golden Share

102,001,520.00	102,001,520.00
102,001,520.00	102,001,520.00

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

Balance at the Beginning of the year

Charged during the year

Payment made/ transferred to payable during the year

Actuarial Loss on Present Value of Defined Benefit Obligation

Balance at the end of the year

2018/2019		2017/2018	
Rs.	Cts.	Rs.	Cts.
2,639,217.00		2,087,767.10	
631,168.00		1,231,183.90	
(320,792.00)		(679,734.00)	
197,771.00		-	
3,147,364.00		2,639,217.00	

Actuarial valuation as at 31.03.2019 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. 631,168.00 amount to be recognized as a current service cost & interest cost.

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019**

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 - 14**Income tax Expenses**

Statutory Tax Rate	28%	28%
Income Tax on Current Year Profit	-	1,548,530.85
Origination and Reversal of Temporary Differences	4,356,349.37	482,038.46
	<u>4,356,349.37</u>	<u>2,030,569.31</u>

Note - 15**Deferred Tax**

	2018/2019		2017/2018	
	Rs.	Cts.	Rs.	Cts.
Balance at the beginning of the Year	(10,963,801.65)		(11,445,840.12)	
Origination and Reversal of Temporary Differences	4,356,349.37		482,038.46	
Balance at the end of Year	<u>(6,607,452.28)</u>		<u>(10,963,801.65)</u>	

Deferred Income Tax and Liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes related to the same fiscal authority.

Deferred Tax Assets	7,829,221.15	12,277,157.81
Deferred Tax Liabilities	<u>(1,221,768.87)</u>	<u>(1,313,356.16)</u>
	<u>6,607,452.28</u>	<u>10,963,801.65</u>

	2018/2019		2017/2018	
	Assets	Liabilities	Assets	Liabilities
Recognised Deferred Tax Assets and Liabilities				
Provision for Liabilities	-	1,221,768.87	-	1,313,356.16
Provision for Assets	-	-	428,400.00	-
Defined Benefit Obligation	881,261.92	-	738,980.76	-
Unused Tax Credit	6,584,835.02	-	10,746,652.84	-
Income Tax Refund	363,124.21	-	363,124.21	-
	<u>7,829,221.15</u>	<u>1,221,768.87</u>	<u>12,277,157.81</u>	<u>1,313,356.16</u>
Net Deferred Tax	<u>6,607,452.28</u>	<u>-</u>	<u>10,963,801.65</u>	<u>-</u>

Note - 16**Skills Development Provident Fund**

	31.03.2019		31.03.2018	
	Rs.	Cts.	Rs.	Cts.
Scholarship Fund Payable	4,156,377.99		3,723,109.45	
	<u>4,156,377.99</u>		<u>3,723,109.45</u>	

Note - 17**Accrued Expenses**

Audit Fees Payable	526,809.50	336,809.50
Bills Payable-Security	135,729.24	271,458.48
Bills Payable - Electricity	87,007.77	163,142.71
Bills Payable - Water	8,487.19	14,149.10
Bills Payable - Secretary	46,421.09	35,858.78
Bills Payable - Janitorial	49,804.90	45,268.90
Bills Payable - OT/Subsistence & Train Season	622,248.33	408,261.00
Bills Payable - Refreshment	1,152,687.00	1,630,646.80
Bills Payable - Resource Person Fee	1,029,650.00	2,053,055.20
Bills Payable - Telephone	262,542.87	255,109.50
Bills Payable - News Papers	26,990.00	29,375.00
Bills Payable - Accounting Package Maintenance	47,500.00	-
Bills Payable - Professional Fee	32,500.00	-
Non-Represented Cheques over 06 months (801)	531,878.82	143,165.82
Trade Creditor	74,000.00	74,000.00
ETF Payable	1,012.57	1,012.57
EPF Payable	-	2.70
Salary Payable	-	11.04
Gratuity Payable	123,732.00	-
Web Page Payable	70,300.00	70,300.00
Refundable Deposits	-	7,000.00
Unidentified Deposit	96,409.64	96,409.64
	<u>4,925,710.92</u>	<u>5,635,036.74</u>

Note - 18
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.

18.01 Basic Earnings per Share

	2018 / 2019		2017 / 2018	
	Rs.	Cts.	Rs.	Cts.
Profit attributable to Ordinary Shareholders (Rs.Cts)	10,196,601.59		4,995,697.18	
Weighted average number of ordinary shares	10,200,152.00		10,200,152.00	
Earnings / Loss Per Shares		1.00		0.49

Note - 19
Capital Commitments

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

Note - 20
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 - 21
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.

	31.03.2019		31.03.2018	
	Rs.	Cts.	Rs.	Cts.
Loans and Receivables				
Trade and Other Receivables	25,630,940.62		22,418,993.85	
Investments	152,726,500.76		148,146,431.70	
Cash and Cash Equivalents	13,512,922.70		7,888,350.94	
	<u>191,870,364.08</u>		<u>178,453,776.49</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.

Non-derivative financial liabilities

	31.03.2019		31.03.2018	
	Rs.	Cts.	Rs.	Cts.
Trade and Other Payables	4,925,710.92		7,183,567.59	
	<u>4,925,710.92</u>		<u>7,183,567.59</u>	

Note - 22

Property, Plant & Equipment-Disposal

The company has been identified the Property, Plant & Equipment to be disposed as at 31st March 2019 and also the company requested the verification officer from Ministry of Skills Development and Vocational Training. The person had been nominated for verification of Property, Plant & Equipment on 30th of April 2019 and verification was completed on 24th of June 2019.

Note - 23

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,

	<u>2018 / 2019</u>	
	<u>Rs.</u>	<u>Cts.</u>
Board member attendance allowance		209,500.00
Board member travelling allowance		72,500.00
		<u>282,000.00</u>



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல. }
My No. }

TY/B/SDFL/FA/2018/19/07

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உமது இல. }
Your No. }

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திகதி }
Date }

24 October 2019

The Chairman
Skills Development Fund Limited

Report of the Auditor General on the Financial Statements and other legal and Regulatory Requirements of the Skills Development Fund Limited for the year ended 31 March 2019 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 Skills Development Fund Limited ("Company") for the year ended 31 March 2019 comprising the statement of financial position as at 31 March 2019 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 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

(a) According to section 4.1.1 of the SLFRS 9 Financial Instrument entity shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both, the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. According to the section 5.5 an entity shall recognize a loss allowance for expected credit losses on a financial asset. However, the company had not classified financial assets required by the standard.



- (b) According to the financial statement, a sum of Rs. 4,478,854 was shown as fixed deposit of scholarship fund under the non-current assets and corresponding payable balance of same fund had been shown as Rs. 4,156,378 under non-current liability. As a result, an unexplained difference of Rs. 322,476 was observed between these two balances.
- (c) Abnormal debit balance of Rs. 297,303 had been continuously brought to the statement of financial position as other reserve. However, I was unable to obtain board resolution to verify the accuracy of the balance.

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, 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 intends 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.

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.
- 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.
- 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 which 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 course 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/ direction	Description
(a) Section 124 (1) of the Inland Revenue Act, No. 10 of 2006 and Section 86 (2) of the Inland Revenue Act, No. 24 of 2017	PAYE returns should be submitted within 30 days after the end of each year of assessment. However, PAYE return for the last 03 years of assessments had been submitted from 1 to 3 years delay and 2018/2019 had been submitted with 44 days delay.
(b) Section 86 of the Inland Revenue Act, No. 24 of 2017	PAYE tax deducted shall be remitted to the Commissioner General not later than the 15 day of the following month. However, PAYE deducted had been remitted with 01 to 13 months delay.
(c) Section 21 (1) of the Value Added Tax Act (Amended), No. 14 of 2002	VAT returns should be furnished on or before the last day of the following month after the expiry of each taxable period. However, in four instances company had submitted VAT returns with 19 to 28 months delay in last 03 years.
(d) Section 2 (2) of Economic Service Charge Act (Amended), No. 13 of 2006	If the turnover of Company exceeds Rs. 12.5 million per quarter commencing from the year of assessment 2018/2019, such entities are liable for ESC. However the company had not registered and paid ESC even though the company's quarterly turnover exceeds above threshold.
(e) Stamp Duty (Special Provisions) Act (Amended), No. 10 of 2008	The Company had not deducted stamp duty as required by the act eventhough there were employees , who have earned gross salary above Rs. 25,000.
(f) Section 8 of the Nation Building Tax Act, No. 09 of 2009	(i) Return for any relevant quarter shall be furnished on or before the 20 day of the month commencing immediately after the expiry of such quarter. Whereas, entity had not complied with the above requirement.

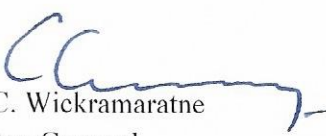
(ii) If turnover exceeds Rs. 3 Mn threshold for a quarter, those who have engaged in education service is liable to pay NBT. However though the Company's turnover exceeds the threshold limit tax pertaining to the year had not been paid by the Company.

- 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.

3. Other Audit Observations

The following observations are made.

- (a) Contrary to the Public Enterprises Circular No.3/2016 dated 29 April 2006, the Company had paid a some of Rs.383,396 to Inland Revenue Department as PAYE tax of the employees out of the Company fund in respect of year 2017.
- (b) During the year under review the Company had been paid a sum of Rs.2,638,750 as incentive allowance based on the monthly profit contrary to the Director General of Management Services letter No. DMS/E4/47/9/281/1 dated 18 December 2018.
- (c) The Inland Revenue Department had been issued an assessment to the Company to pay a sum of Rs.2,593,613 as NBT and penalty since company had not paid the tax on due date. However no provision had been made in the financial statements in this regard.


W.P.C. Wickramaratne
Auditor General

