

வார्षிக வர்வை
வருடாந்த அறிக்கை
ANNUAL REPORT
2015

கிழகா சவர்பனை ஂரவ்வு
திறன்கள் அபிவருத்தி நிதியம்
SKILLS DEVELOPMENT FUND LIMITED

TABLE OF CONTENTS

| | Page No: |
|---|-----------------|
| 1. Organizational Background | 02 |
| 2. Our Vision, Mission & the Theme | 03 |
| 3. Establishment of the Organization | 04 |
| 4. Organizational Structure | 05 - 06 |
| 5. Board of Directors – 2015 | 07 |
| 6. Performance Review | 08 - 09 |
| 7. Independence Auditor’s Report | 10 |
| 8. Annual Financial Reports 2015 / 2016 | 11 - 35 |

INSTITUTIONAL BACKGROUND

Name of the Institution : Skills Development Fund Limited

Status : Fully Government owned Company

Ministry : Ministry of Skills Development & Vocational Training

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

Web : www.skillsdevelop.lk

Email Address : info@skillsdevelop.lk

Telephone : 011-2507274

Fax : 011-2055601

Bankers : Bank of Ceylon / Peoples Bank

Auditors : A. D. N. D. Samarakkody & Co.
(Chartered Accountants)

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 SKILLS DEVELOPMENT FUND LIMITED

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.

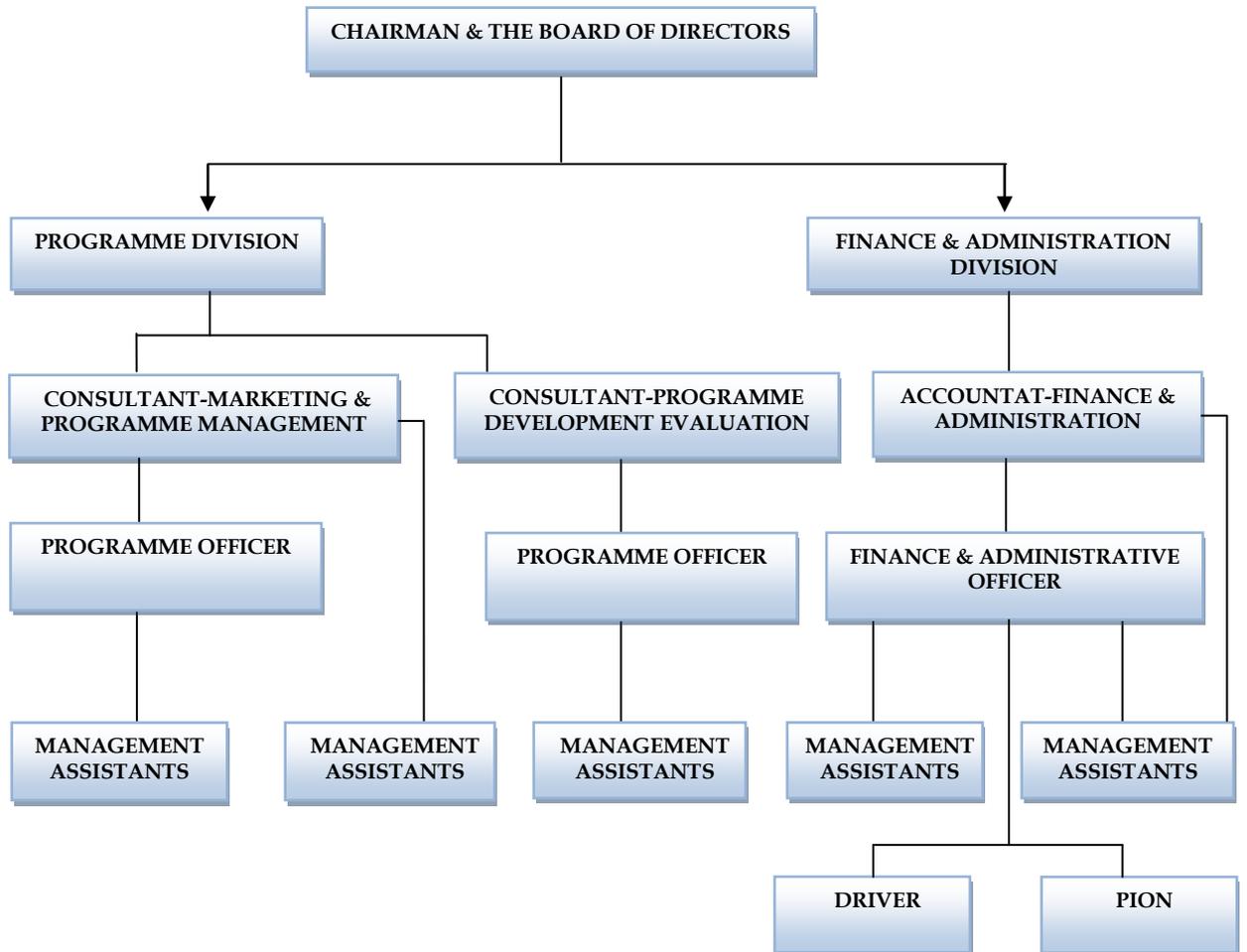
The SDFL was re-registered under the new Companies Act No.07 of 2007 - bearing Registration No. PB 833.

PRIME OBJECTIVES

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

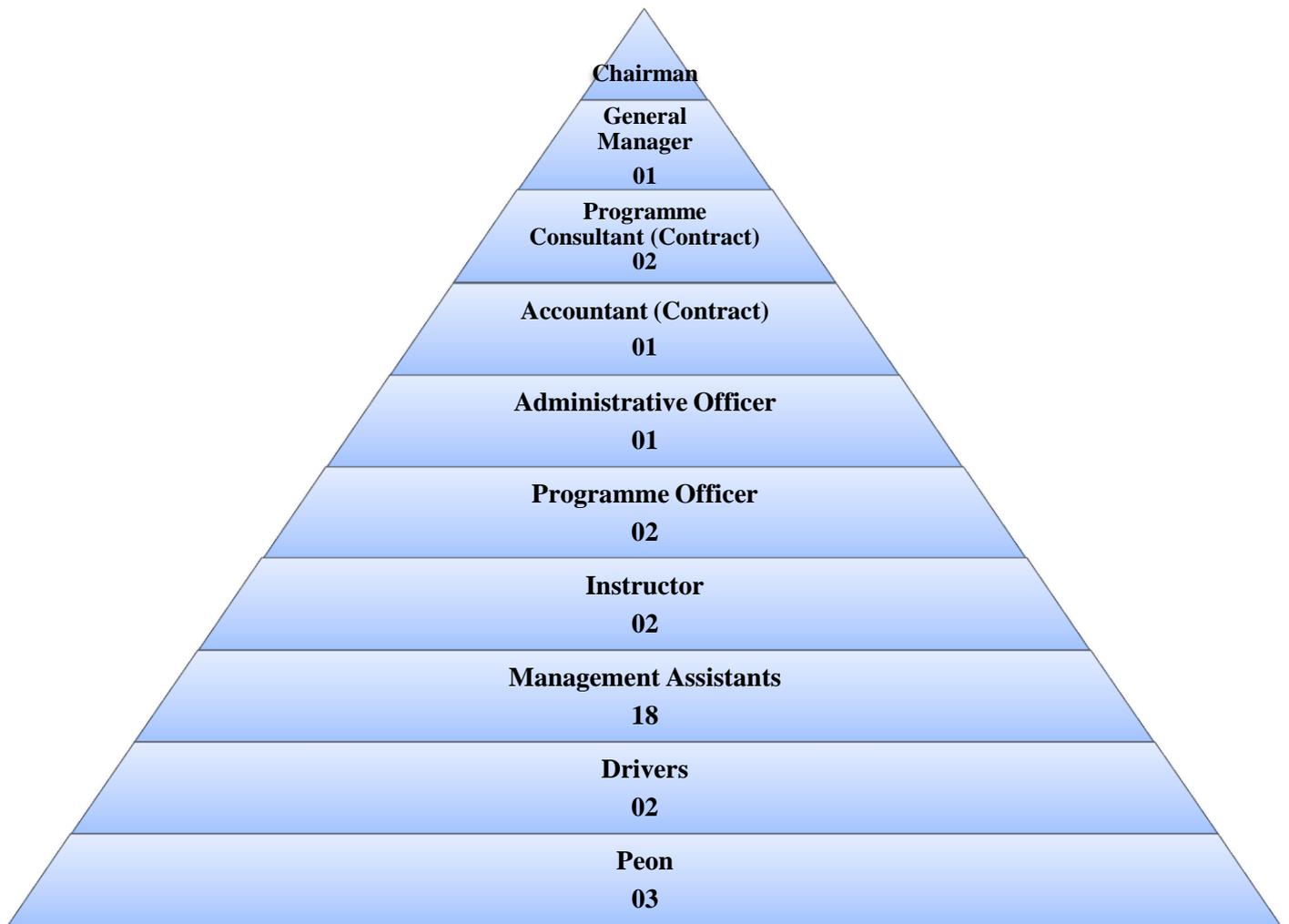
- Support Job Entry Training, Skills Up-grading and Re-training of employees.
- Expand and improve enterprise based training to facilitate the development of a highly trained and skilled workforce.
- Provide linkages between training institutions and the employers.

ORGANIZATION STRUCTURE



THE CADRE OF SKILLS DEVELOPMENT FUND

The Staff As at 31.12.2015



THE DIRECTOR BOARD – 2015



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

01. Mr. Malith Jayathilaka (Chairman)
02. Mr. S. R. W. M. P. Sathkumara (Treasury Representative) From 2012.06.07
03. Mr. J. A. Hemasiri Jayalath
04. Mr. R. L. P. Peiris
05. Mr. Hema Madiwela
06. Mr. Sadhdhathissa Dasanayake
07. Mr. Keerthi Muthukumarana
08. Major L. G. K. Kithsiri
09. Mr. H. M. Ranjith Kiriella
10. Mr. S. P. Ranjith Fernando
11. Mrs. N. D. Sugathadasa

15.12.2015

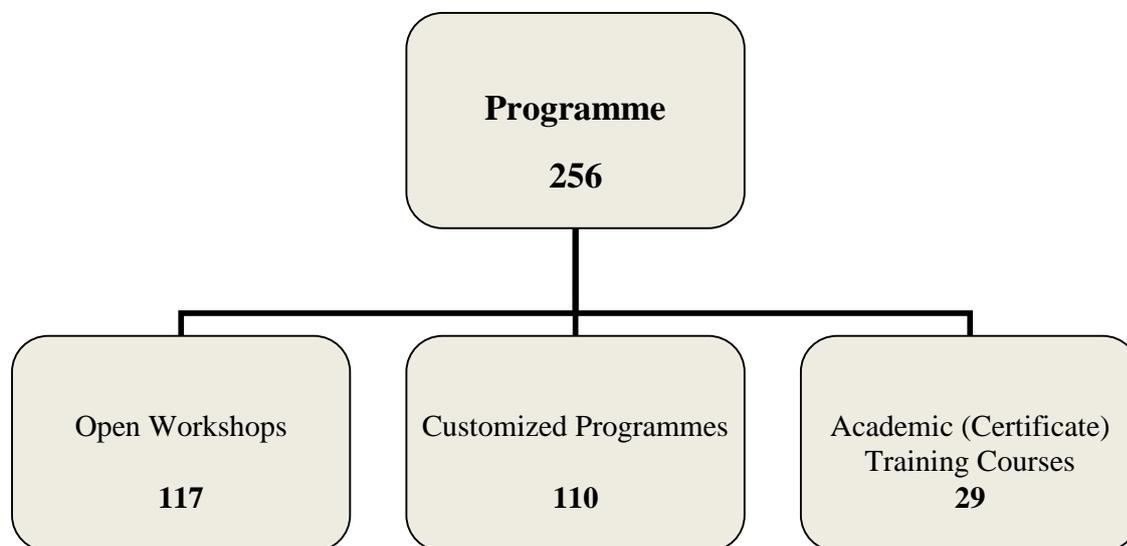
01. Mr. H. A. Wimalasooriya (Chairman)
02. Mr. M. A. S. H. Perera (Treasury Representative)
03. Mr. N. Poorna Perera
04. Mr. D. L. D. Chinthaka Nishantha
05. Mr. K. Rupasingha Arachchi
06. Mr. D. M. S. Nadi Kumara
07. Mr. D. D. K. Chandrakeerthi
08. Mr. L. A. D. T. Pushpakumara
09. Mr. D. W. C. Kannangara
10. Mr. W. A. S. S. Gunasinghe
11. Mr. L. R. A. Kinsly Perera
12. Mr. P. G. D. Nishantha Premalal

PERFORMANCE REVIEW

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 numbers of programmes conducted during 2015 under different types are given below



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SKILLS DEVELOPMENT FUND LIMITED**

Report on the Financial Statement

We have audited the accompanying Financial Statements of Skills Development Fund Limited which comprise the Statement of Financial Position as at 31st March 2016 and the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate Accounting Policies, and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statements presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except the present value of the Defined Benefit Obligation (PVDBO) for employees. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2016 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31st March 2016 and its Profit and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other Legal and Regulatory Requirements

In our opinion, these Financial Statements also comply with the requirements of section 151(2) of the Companies Act No. 07 of 2007.

**A.D.N.D. Samarakkody & Co.
(Chartered Accountants)**

Managing Partner A.D.N.D. Samarakkody (FCA), B.Sc. (Bus. Adm)

15.09.2016

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2016.

| | Notes | 2015/2016 Rs. Cts. | 2014/2015 Rs. Cts. |
|--|-----------|------------------------------|----------------------------|
| Revenue | 03 | 51,624,800.00 | 56,310,690.00 |
| Direct Cost | 04 | <u>(29,223,183.64)</u> | <u>(28,442,936.49)</u> |
| Gross Profit / (Loss) | | 22,401,616.36 | 27,867,753.51 |
| Other Income / (Expenses) | | <u>-</u> | <u>(127,930.33)</u> |
| | | 22,401,616.36 | 27,739,823.18 |
| Administration & Establishment Expenses | 05 | <u>(33,505,138.16)</u> | <u>(28,202,051.31)</u> |
| Earnings Before Interest & Tax | | (11,103,521.80) | (462,228.13) |
| Net Financial Income | 07 | <u>7,823,666.31</u> | <u>10,063,964.33</u> |
| Profit Before Taxation | | (3,279,855.49) | 9,601,736.20 |
| Income Tax | 14 | <u>58,997.00</u> | <u>(2,294,893.03)</u> |
| Net Profit / (Loss) for the year | | <u>(3,220,858.49)</u> | <u>7,306,843.17</u> |
| Other Comprehensive Income | | | |
| Defined Benefit Plan Actuarial Gains/ (Losses) | | <u>-</u> | <u>(197,882.33)</u> |
| Total Comprehensive Income for the year | | <u>(3,220,858.49)</u> | <u>7,108,960.84</u> |
| Earnings Per Share | 15 | (0.32) | 0.72 |

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

Figures in bracket indicate deductions

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2016

| | | 2015/2016 | 2014/2015 |
|--|-----------|------------------------------|------------------------------|
| | Notes | Rs. Cts. | Rs. Cts. |
| <u>ASSETS</u> | | | |
| <u>NON CURRENT ASSETS</u> | | | |
| Property, Plant & Equipment | 06 | 11,518,131.73 | 14,750,808.14 |
| Fixed Deposit- Scholarship Fund | | 3,398,214.54 | 3,200,000.00 |
| <u>CURRENT ASSETS</u> | | | |
| Inventory | | 295,844.20 | - |
| Investments | 08 | 112,934,583.96 | 157,922,570.81 |
| Trade & Other Receivables | 09 | 12,373,180.66 | 9,488,999.87 |
| Cash & Cash Equivalents | 10 | 45,845,677.50 | 3,770,640.69 |
| Total Assets | | <u>186,365,632.92</u> | <u>189,133,019.51</u> |
| <u>EQUITY & LIABILITIES</u> | | | |
| <u>CAPITAL & RESERVES</u> | | | |
| Stated Capital | 11 | 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 | | 77,692,595.78 | 80,913,454.27 |
| TOTAL EQUITY | | <u>179,876,702.49</u> | <u>183,097,560.98</u> |
| <u>NON CURRENT LIABILITIES</u> | | | |
| Retirement Benefit Obligations | 12 | 1,591,256.14 | 1,351,036.44 |
| Deferred Tax | 16 | 486,768.00 | 545,765.00 |
| Skills Development Provident Fund | 17 | 3,014,058.54 | 3,278,406.00 |
| <u>CURRENT LIABILITIES</u> | | | |
| Trade & Other Payables | 13 | 1,396,847.75 | 860,251.09 |
| TOTAL EQUITY & LIABILITIES | | <u>186,365,632.92</u> | <u>189,133,019.51</u> |

It is certified that the Financial Statements have been prepared in compliance with requirements of Companies Act No 07 of 2007.

.....
Accountant

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

.....
Director

.....
Director

Colombo
10th September 2015

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 2016

| | Stated Capital | | Revenue Reserves | | Other Reserves | | Retained Profit | | Total | |
|-------------------------------|-----------------------|-----|---------------------|-----|---------------------|-----|----------------------|-----|-----------------------|-----|
| | Rs. | Cts | Rs. | Cts | Rs. | Cts | Rs. | Cts | Rs. | Cts |
| Balance as at 1st April 2014 | 102,001,520.00 | | 479,890.00 | | (99,420.00) | | 76,156,649.10 | | 178,538,639.10 | |
| Net Profit During The year | - | | - | | - | | 7,306,843.17 | | 7,306,843.17 | |
| Other Comprehensive Income | - | | - | | (197,882.33) | | (2,550,038.00) | | (2,747,920.33) | |
| Balance as at 31st March 2015 | 102,001,520.00 | | 479,890.00 | | (297,302.33) | | 80,913,454.27 | | 183,097,561.94 | |
| Balance as at 1st April 2015 | 102,001,520.00 | | 479,890.00 | | (297,303.29) | | 80,913,454.27 | | 183,097,560.98 | |
| Net Profit for the Year | - | | - | | - | | (3,220,858.49) | | (3,220,858.49) | |
| Balance as at 31st March 2016 | 102,001,520.00 | | 479,890.00 | | (297,303.29) | | 77,692,595.78 | | 179,876,702.49 | |

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 CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2016.**

| | 2015/2016 | 2014/2015 |
|---|------------------------|-----------------------|
| | Rs. Cts. | Rs. Cts. |
| CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES | | |
| Net Profit / (Loss) Before Taxation | (3,279,855.49) | 9,601,736.20 |
| Adjustments for | | |
| Disposal Profit / (Loss) | - | 48,400.00 |
| Depreciation | 3,627,484.27 | 2,706,912.75 |
| Interest Income | (7,823,666.31) | (10,063,964.33) |
| Finance Cost | 64,990.00 | - |
| Gratuity Provision | 519,869.70 | 300,060.40 |
| Write Off of Inventory & Deposits | - | 121,135.00 |
| Operating Profit before Changes in Working Capital | (6,891,177.83) | 2,714,280.02 |
| (Increase)/Decrease in Inventory | (295,844.20) | - |
| (Increase)/Decrease in Trade & Other Receivables | (2,884,181.12) | (654,562.74) |
| Increase/(Decrease) Trade & Other Payables | 536,596.66 | (213,507.90) |
| (Increase)/Decrease in Payable to Ministry of Youth | (264,347.46) | 3,278,406.00 |
| Net Cash Generated From Operating Activities | (9,798,953.95) | 5,124,615.38 |
| Gratuity Paid | (279,650.00) | (223,300.00) |
| Tax Paid | - | (2,353,890.03) |
| Finance Cost Paid | (64,990.00) | - |
| <i>Net Cash Flow from Operating Activities</i> | (10,143,593.95) | 2,547,425.35 |
| CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES | | |
| Investments proceeds from Fixed Deposits | 44,987,986.85 | 910,997.33 |
| Interest Income Received | 7,823,666.31 | 10,063,964.33 |
| Acquisition of Property, Plant & Equipment | (394,807.86) | (9,077,169.82) |
| Sales Proceeds of Property, Plant & Equipment | - | 5,400.00 |
| Investments of Scholarship fund - Fixed Deposit | (198,214.54) | (3,200,000.00) |
| Net Cash Generated from Investing Activities | 52,218,630.76 | (1,296,808.16) |
| CASH FLOW /(USED IN)FROM FINANCING ACTIVITIES | | |
| Payment of Dividends | - | (2,550,038.00) |
| Net Cash Generated from Financing Activities | - | (2,550,038.00) |
| Net Cash Increase / (Decrease) in Cash & Cash Equivalents | 42,075,036.81 | (1,299,420.81) |
| Cash & Cash Equivalents at the beginning of the period | 3,770,640.69 | 5,070,061.50 |
| Cash & Cash Equivalents at the End of the period | 45,845,677.50 | 3,770,640.69 |
| Cash & Cash Equivalents | | |
| Cash at Bank - BOC -801 | (49,765.95) | 446,524.33 |
| Bank of Ceylon - A/C No.764148708 | 161,076.00 | 103,406.00 |
| Call Deposits | 45,667,626.20 | 3,153,969.11 |
| Cash in Hand | 66,741.25 | 66,714.25 |
| | 45,845,677.50 | 3,770,640.69 |

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

SKILLS DEVELOPMENT FUND LIMITED
“NIPUNATHA PITASA”, 7TH FLOOR, 354/2, ELVITIGALA MAWATHA, COLOMBO 05.
NOTES TO THE FINANCIAL STATEMENTS – 2015/2016

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 2016 was authorized for issue by the Board of Directors on 3rd August 2016.

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

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. 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 12 - Measurement of Retirement Benefit Obligation.

Note 16 - Deferred Taxation

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, 2015.

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, 2014 and March 31, 2015.

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.

The management ensures that there is no chances of impairment of debtors as many of are state institutions.

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 16.

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 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.

The relevant details are disclosed in the Notes 16 to the Financial Statements.

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 2016**

| NOTE 03 | 2015/2016 | 2014/2015 |
|---|-----------------------------|-----------------------------|
| | Rs. Cts. | Rs. Cts. |
| <u>Revenue</u> | | |
| Programme Income | 51,624,800.00 | 56,310,690.00 |
| | <u>51,624,800.00</u> | <u>56,310,690.00</u> |
| <u>NOTE - 04</u> | | |
| <u>Cost of Sales</u> | | |
| Advertising – Programmes | 10,822.00 | 568,880.80 |
| Resource Personnel Fees | 8,470,660.00 | 8,657,365.00 |
| Programme Development Cost | 3,197,000.00 | 2,296,020.00 |
| Postage - Programme | 298,895.00 | 564,450.00 |
| Programme Relevant Cost | 4,308,008.63 | 4,130,910.89 |
| Travelling & Daily Subsistence - Programme | 213,468.00 | 561,127.00 |
| Hall Charges | 289,135.68 | 45,000.00 |
| Material – Customised | 848,500.00 | - |
| Refreshments | 11,737,742.73 | 11,626,682.80 |
| Course Fee Refunds | 23,500.00 | (7,500.00) |
| Stationary & Printing - Customised | 75,674.00 | - |
| (-) Closing Stock of Stationery & Others | (250,222.40) | - |
| | <u>29,223,183.64</u> | <u>28,442,936.49</u> |
| <u>Note - 05</u> | | |
| <u>Administration & Establishment Expenses</u> | | |
| Salaries & Allowances | 15,171,166.00 | 11,568,375.00 |
| Chairman's Allowance | 450,000.00 | 462,500.00 |
| Chairman's Vehicle Allowance | 150,000.00 | 485,000.00 |
| Chairman's Entertainment Allowance | 25,000.00 | 47,500.00 |
| EPF | 1,820,580.00 | 1,388,268.00 |
| ETF | 455,125.00 | 347,021.00 |
| Over Time | 305,948.00 | 96,472.50 |
| On the Job Trainee – Payments | 4,500.00 | 222,576.00 |
| Staff Welfare | 726,764.00 | 735,631.50 |
| Other Allowances | 162,624.00 | - |
| Gratuity | 519,869.70 | 300,060.40 |
| Staff Bonus | 360,000.00 | 381,189.00 |
| <u>Depreciation</u> | | |
| Furniture & Fittings | 231,256.65 | 208,271.56 |
| Office Equipment | 501,765.94 | 464,707.28 |
| Motor Vehicles | 1,912,500.00 | 956,250.00 |
| Computer Equipment | 338,359.06 | 434,081.25 |
| New Office Premises | 643,602.62 | 643,602.62 |

| | | |
|--|-----------------------------|-----------------------------|
| Accounting Package Maintenance - MYOB | 35,000.00 | 65,950.00 |
| Audit Fees | 151,645.00 | 115,000.00 |
| Legal, Secret Services | 263,190.27 | 170,992.72 |
| Other Expenses | 2,630.00 | 10,030.00 |
| Postage | 42,380.00 | 44,910.00 |
| Stationery | 319,986.61 | 380,104.23 |
| (-) Less : Closing Stock of Stationer <u>(45,621.80)</u> | 274,364.81 | - |
| Printing | 900,701.00 | 958,958.44 |
| Telephone | 112,454.51 | 258,851.50 |
| E-mail & Internet Charges | 30,375.00 | - |
| Transport | 353,621.60 | 322,130.80 |
| Professional Charges | 193,929.00 | 103,500.00 |
| Electricity | 1,026,608.82 | 1,006,506.57 |
| Water | 62,274.20 | 62,113.51 |
| Janitorial Services | 845,026.80 | 722,999.08 |
| Insurance | 147,445.71 | 92,957.76 |
| Security | 910,350.00 | 844,350.00 |
| Staff Training & Development | 54,500.00 | 265,000.00 |
| Staff Recruitments | 40,750.00 | - |
| Fuel | 314,185.20 | 213,487.60 |
| Vehicle Repair & Maintenance | 544,516.00 | 777,015.00 |
| Maintenance Charges | 388,840.00 | 1,273,768.23 |
| Office Equipment Maintenance | 465,007.18 | 224,970.76 |
| Gifts & Compliments | 17,995.00 | - |
| AC Repair & Maintenance | 1,138,599.09 | - |
| Courier Charges | 2,100.00 | - |
| Board Members Atten Allowance | 250,000.00 | 230,000.00 |
| Board Members Travel Allowance | 25,000.00 | 77,200.00 |
| Audit & Mgt Committee Allowance | 22,000.00 | 65,000.00 |
| Computer Maintenance | 97,325.00 | 148,425.00 |
| Bad Debts- Written Off | 414,000.00 | 228,750.00 |
| Vehicle Hire Charges | - | 86,666.00 |
| Donations | 54,000.00 | 222,000.00 |
| Newspapers & Periodicals | 91,945.00 | 64,110.00 |
| Festival Event Expenses | 342,968.00 | 105,783.00 |
| Rates & Taxes | 45,360.00 | 75,600.00 |
| Bank Charges | 64,990.00 | 71,760.00 |
| World Youth Conference | - | 171,655.00 |
| | <u>33,505,138.16</u> | <u>28,202,051.31</u> |

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 2016**

Note-06

Property, Plant & Equipment

| Assets | Rate | Cost | | | Depreciation | | | WDV 31.03.2016 |
|------------------------|------|-----------------------------|----------------------------|-----------------------------|-----------------------------|------------------------|-----------------------------|----------------------|
| | | Balance as at 01.04.2015 | Additions / (Disposals) | Balance as at 31.03.2016 | Balance as at 01.04.2015 | Charge For the Year | Balance as at 31.03.2016 | |
| | | Rs. Cts | Rs. Cts | Rs. Cts | Rs. Cts | Rs. Cts | Rs. Cts | Rs. Cts |
| Furniture & Fittings | 10% | 2,371,272.58 | 203,507.86 | 2,574,780.44 | 844,640.68 | 231,256.65 | 1,075,897.33 | 1,498,883.11 |
| Other Office Equipment | 20% | 2,898,970.14 | 161,450.00 | 3,060,420.14 | 1,399,700.80 | 501,765.94 | 1,901,466.74 | 1,158,953.40 |
| Motor Vehicles | 25% | 11,253,125.00 | - | 11,253,125.00 | 4,559,375.04 | 1,912,500.00 | 6,471,875.04 | 4,781,249.96 |
| Computer Equipment | 25% | 2,411,199.00 | 29,850.00 | 2,441,049.00 | 1,698,434.38 | 338,359.06 | 2,036,793.44 | 404,255.56 |
| New Office Premises | 10% | 6,436,026.25 | - | 6,436,026.25 | 2,117,633.93 | 643,602.62 | 2,761,236.55 | 3,674,789.70 |
| | | 25,370,592.97 | 394,807.86 | 25,765,400.83 | 10,619,784.83 | 3,627,484.27 | 14,247,269.10 | 11,518,131.73 |

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 2016****Note - 07****Net Financial Income**

| | | |
|---------------------------------|---------------------|----------------------|
| Interest Income- Staff loans | 90,315.00 | 14,209.00 |
| Interest Income – Fixed Deposit | 7,076,229.81 | 9,938,685.47 |
| Interest Income - Call Deposits | 657,121.50 | 111,069.86 |
| | <u>7,823,666.31</u> | <u>10,063,964.33</u> |

Note - 08**Investments**

| | | |
|------------------------------|-----------------------|-----------------------|
| Fixed Deposits-BOC | 4,791,643.04 | - |
| Fixed Deposits-People's Bank | 108,142,940.92 | 157,922,570.81 |
| | <u>112,934,583.96</u> | <u>157,922,570.81</u> |

Note - 09**Other Receivable**

| | | |
|-----------------------|----------------------|---------------------|
| Prepaid Insurance | 70,794.97 | 55,365.92 |
| Prepaid Email Charges | 21,225.00 | - |
| Prepaid Rates & Taxes | - | 45,360.00 |
| Interest Receivable | 472,415.89 | 475,930.97 |
| WHT Receivables | 65,712.15 | - |
| Staff Distressed Loan | 1,955,306.00 | 1,505,353.00 |
| Advance | 480,000.00 | 275,000.00 |
| Income Tax Refund | 953,215.18 | 953,215.18 |
| Trade Debtors | 8,354,511.80 | 6,178,772.80 |
| | <u>12,373,180.99</u> | <u>9,488,999.87</u> |

Note - 10**Cash & Cash Equivalents**

| | | |
|-----------------------------------|----------------------|---------------------|
| Call Deposit | 45,667,626.20 | 3,153,969.11 |
| Bank of Ceylon - A/C No. 801 | (49,765.95) | 446,524.33 |
| Bank of Ceylon - A/C No. 76148708 | 161,076.00 | 103,406.00 |
| Cash in Hand | 66,741.25 | 66,741.25 |
| | <u>45,845,677.50</u> | <u>3,770,640.69</u> |

Note - 11**Stated Capital**

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

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 2016**

11.1 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.

11.1.1 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.

11.1.2 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.

11.1.3 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.

11.1.4 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.

11.1.5 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.

11.1.6 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.

11.1.7 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 - 12**Retirement Benefit Obligations – Gratuity**

| | 2015/2016 | | 2014/2015 | |
|--|---------------------|------|---------------------|------|
| | Rs. | Cts. | Rs. | Cts. |
| Balance at the Beginning of the year | 1,351,036.44 | | 1,076,393.71 | |
| Charged during the year | 519,869.70 | | 497,942.73 | |
| Payment made/ transferred to payable during the year | (279,650.00) | | (223,300.00) | |
| Balance at the end of the year | 1,591,256.14 | | 1,351,036.44 | |

Actuarial valuation as at 31.03.2016 of the Gratuity Liability in respect of the employees of the company has not done the specific time by the Company which has undertaken this assignment. Therefore we could not apply The Sri Lanka Accounting Standards. (LKAS 19)

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

Note - 13**Accrued Expenses**

| | | |
|---|---------------------|-------------------|
| Audit Fees Payable | 151,645.00 | 115,000.00 |
| Bills Payable-Security | 75,862.50 | 75,862.50 |
| Bills Payable – Electricity | 168,670.36 | 216,838.06 |
| Bills Payable – Water | 8,942.55 | - |
| Bills Payable – Secretary | 61,099.35 | - |
| Bills Payable – Janitorial | 58,921.40 | - |
| Bills Payable - OT/Subsistence & Train Season | 195,590.00 | - |
| Bills Payable – Refreshment | 365,655.00 | - |
| Bills Payable - Resource Person Fee | 46,400.00 | - |
| Bills Payable – Sundry | - | 307,342.59 |
| Bills Payable – Telephone | 69,580.77 | 74,717.94 |
| Bills Payable - News Papers | 8,690.00 | 10,490.00 |
| Professional Fees | - | 60,000.00 |
| Non-Represented Cheques over 06 months (801) | 134,790.82 | - |
| Trade Creditor - Course Fee Payables | 51,000.00 | - |
| | 1,396,847.75 | 860,251.09 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2016**

**Note - 14
Income Tax**

14.1 Current Tax

The company in terms of the Inland Revenue Act No 10 of 2006 as amended by the Amendment Act No 22 of 2011, profits & income from any business which has annual turnover less than 300 million is liable at the rate of 10% as per the first schedule to this Act. Other profits are liable at normal rates. Current year no taxable profit.

| | 2015/2016 Rs. | 2014/2015 Rs. |
|--|--------------------|---------------------|
| Current Income Tax Expense (Note 14.2) | Nil | 1,757,890.03 |
| Previous Years Arrears Income Taxes Paid | - | 596,000.00 |
| Deferred Taxation (Note 14.3 & 16) | (58,997.00) | (58,997.00) |
| | <u>(58,997.00)</u> | <u>2,294,893.03</u> |

14.2 Reconciliation between Accounting Profit to Income Tax

For the year ended 31st March

| | | |
|---|------------------------|---------------------|
| Accounting Profit Before Taxation | (3,279,855.49) | 9,601,736.00 |
| Income from Other Sources & Exempt Income | (7,823,666.31) | (10,063,964.00) |
| | <u>(11,103,521.80)</u> | <u>(462,228.00)</u> |
| Aggregate Disallowable Items | 4,204,059.47 | 3,419,593.00 |
| Aggregate Allowable Items | (2,967,018.13) | (3,362,595.00) |
| Adjusted Profit / (Loss) from the Business | <u>(9,866,480.46)</u> | <u>(405,230.00)</u> |
| Income from Other Sources - (Interest Income) | 7,823,666.31 | 10,063,964.00 |
| Total Statutory Income/Losses | (2,042,813.46) | 9,658,734.00 |
| Business Losses Claimed | - | (3,380,557.00) |
| Taxable Income/Losses | (2,042,813.46) | 6,278,177.00 |
| Tax on Ordinary Business 10% | - | - |
| Tax on Other Income 28% | - | 1,757,890.00 |
| Income Tax on Profits for the year | <u>Nil</u> | <u>1,757,890.00</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2016**

14.3 Deferred Tax

Provision has be made for Deffered Taxation as estimated figure (same as previous year). Employee benefit liability has not been valued according to the Sri Lanka Accounting Standards. (LKAS 19)

| | 2015/2016 | 2014/2015 |
|--|--------------------|--------------------|
| | Rs. | Rs. |
| Deferred Tax Expense / (Income) arises from : | | |
| Accelerated Depreciation for Tax Purpose | (31,531.00) | (31,531.00) |
| Employee Benefit Liability | (27,466.00) | (27,466.00) |
| | <u>(58,997.00)</u> | <u>(58,997.00)</u> |

Note - 15

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.

15.01 Basic Earnings per Share

| | 2014/2015 | 2013/2014 |
|--|----------------------|----------------------|
| | Rs. Cts | Rs. Cts |
| Profit attributable to Ordinary Shareholders (Rs. Cts) | (3,220,858.49) | 7,306,843.17 |
| Weighted average number of ordinary shares | <u>10,200,152.00</u> | <u>10,200,152.00</u> |
| Earnings Per Shares | <u>(0.32)</u> | <u>0.72</u> |

15.02 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year ended 31st March 2016. Therefore, Diluted Earnings per Share is same as Basic Earnings per Share repoted above.

Note - 16

Deferred Tax Liabilities

| | 2015 / 2016 | 2014 / 2015 |
|--------------------------------------|--------------------|-------------------|
| | Rs. | Rs. |
| Balance at the beginning of the year | 545,765.00 | 604,762.00 |
| Charged during the year | (58,997.00) | (58,997.00) |
| Balance at the end of the year | <u>486,768.00</u> | <u>545,765.00</u> |

Provision has be made deffered taxation as estimated figure. (same as previous year) Employee benefit liability has not been calculated according to the Sri Lanka Accounting Standards. (LKAS 19)

Future Applicable Tax Rate

As per the tax consultants' opinion, Profit derived by the Company from its normal course of business would be liable for Income Tax at the rate of 10%.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2016**

Note - 17

| <u>Skills Development Provident Fund</u> | 31.03.2016 | 31.03.2015 |
|---|---------------------|---------------------|
| | Rs. Cts. | Rs. Cts. |
| Scholarship Fund Payable | <u>3,014,058.54</u> | <u>3,278,406.00</u> |
| | <u>3,014,058.54</u> | <u>3,278,406.00</u> |

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 were 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,

| | 31.03.2016 | 31.03.2015 |
|------------------------------|------------------------------|------------------------------|
| | Rs. Cts. | Rs. Cts. |
| Loans and Receivables | | |
| Trade and other Receivables | 12,373,180.99 | 9,488,999.87 |
| Investments | 112,934,583.96 | 157,922,570.81 |
| Cash and Cash Equivalents | 45,845,677.50 | 3,770,640.69 |
| | <u>171,153,442.45</u> | <u>171,182,211.37</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.

| | 31.03.2016 | 31.03.2015 |
|---|----------------------------|--------------------------|
| | Rs. Cts. | Rs. Cts. |
| Non-derivative financial liabilities | | |
| Trade and other Payables | 1,396,847.75 | 860,251.09 |
| | <u>1,396,847.75</u> | <u>860,251.09</u> |