



மஹபொல உயர்கல்வி புலமைப்பரிசில் நம்பிக்கை நிதியம்
Mahapola Higher Education Scholarship Trust Fund

2021

வார்க்கிவ வார்க்கல ஁ ஁ஷுமீ
வருடாந்த அறிக்கையும் கணக்குகளும்
ANNUAL REPORT & ACCOUNTS

2021

ANNUAL REPORT AND ACCOUNTS

**MAHAPOLA HIGHER EDUCATION SCHOLARSHIP
TRUST FUND**

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Vision

“To create an educated society with the aim of alleviating poverty”

Mission

“To provide Scholarships for the underprivileged youth to complete their higher education and creation of equal opportunities through the development of facilities for higher education”

Objectives

- To provide higher educational facilities to youth
- To provide assistance to deserving youth who have completed their secondary education satisfactorily, so as to enable them to complete their academic, industrial or technical education at a University or technical or higher educational institute.
- To set up and assist in the setting up and management of vocational training institutes for enabling youth to develop their vocational skills and competence.
- To set up and assist in the management and conduct of schools, institutes, foundations and similar institutions engaged in the furtherance of education.
- To provide assistance for the development and improvement of the skills and competence of lecturers, teachers, and such persons engaged in the furtherance of education. (Presently, grant of scholarships has been considered as the major task with priority).

Core Values

Integrity

We are selecting students for Mahapola Higher Education Scholarships following a prescribed methodology with transparency in a fair manner and frequently make efforts to pay Mahapola scholarships to the qualified students within a reasonable period of time.

Positive Attitudes

Have to face a number of challenges when granting scholarships and working with other institutions and obtaining funds and the employees are committed to successfully face all the challenges.

Effectiveness

Employees of Mahapola Higher Education Scholarship Trust Fund have got a better understanding and faith about their roles and they are frequently making efforts to achieve the set targets in an efficient manner. A small group of employees (10 employees) have achieved in paying around 70,000 scholarships monthly.

Flexibility

The Board of Trustees inclusive of the employees and the Director of the Fund are successfully moving in the competitive financial market looking for novel ideas in order to strengthen the fund.

Team Spirit

Employees of Mahapola Scholarship Fund are working together to achieve cooperate goals with their qualities of openness, friendliness and personal development.

Tendency towards Uniqueness

Employees of Mahapola Scholarship Trust Fund are committed to maintain its service to the high standard consecutively.

Achievements In Last 5 Years (2016 – 2021)

- Increasing the amount of a scholarship installment from Rs. 2,150/- to Rs. 2,500/-. (The contribution of the Treasury was increased from Rs. 350/ to Rs. 2,450/-)
- The Annual Income limit of a Family to be eligible for Mahapola scholarship was raised from Rs. 300,000/= to Rs. 500,000/= in the year 2018 which resulted in the number of scholarships being increased by approximately 3000.
- Direct banking system for the payment of scholarships was introduced in 2019. In the wake of Covid-19 pandemic, students participate in lectures using the online mode and scholarship installments are credited directly to the accounts of students.
- Scholarship installment of all the students of Technical Colleges was increased from Rs.1,500/- to Rs.2,500/- by Rs. 1000/- in 2019.
- Despite many challenges, the number of scholarships granted annually was increased by 1,000 in 2021. Accordingly, arrangements have been made to grant scholarships to 17,000 students in 2020/2021 academic year.
- In spite of the instability in the financial market in 2021, a net annual growth of 6% could be attained through streamlined financial management and tight control of finances.
- Since the number of scholarships granted needs to be increased by 50% during the next 05 years increasing the capital assets of the Mahapola Fund, the annual income of the Fund should be increased by about Rs. 2 billion. Towards this end, preliminary arrangements were made in the year 2021 to launch 05 projects under the auspices of the incumbent minister in charge and the Board of Trustees where through it is expected to raise the assets of the Fund up to Rs. 25 billion by the year 2025.

**Ministry in charge of the Subject of Mahapola Higher Education Trust Fund
and the Minister in charge from 1981 to 2021**

Ministry In Charge of the Subject		Minister in Charge of the Subject	Duration (Year)
1	Ministry of Trade and Shipping	Hon. Minister Lalith Athulathmudali	1981 - 1983
2	Ministry of Trade and Shipping	Hon. Minister Lalith Athulathmudali (Minister of National Security)	1984 - 1988
3	Ministry of Trade and Shipping	Hon. Minister Lalith Athulathmudali (Minister of Agriculture, Food and Cooperatives)	1989 -1990
4	Ministry of Trade and Commerce	Hon. Minister A.R. Mansoor - Trustee, Hon. Minister Lalith Athulathmudali (Minister of Agriculture, Food and Cooperatives)	1991 -1992
5	Ministry of Trade and Commerce	Hon. Minister A.R. Mansoor - Trustee, Hon. Minister Lalith Athulathmudali (Minister of Agriculture, Food and Cooperatives)	1993
6	Ministry of Trade and Commerce	Hon. Minister A.R. Mansoor	1994
7	Ministry of Internal & International Trade & Commerce	Hon. Minister Kingsley T Wickramaratne	1995 - 2000
8	Min. of Internal and International Trade & Commerce, Shipping Dev. & Muslim Religious Affairs	Hon. Minister Rauf Hakeem	2001
9	Ministry of Commerce and Consumer Affairs	Hon. Ravi Karunanayaka	2002 - 2004
10	Ministry of Commerce and Consumer Affairs	Hon. Jeyaraj Fernandopulle	2004 May - 2007
11	Ministry of Trade, Marketing Development, Cooperative and Consumer Services	Hon. Minister Bandula Gunawardhana	2008 - 2009
12	Ministry of Cooperative & Internal Trade	Hon. Minister Johnston Fernando	2010 - 2012
13	Presidential Secretariat	Secretary to the President	2013 - 2014
14	Ministry of Food Safety	Hon. Minister Gamini Jayawickrama Perera	2015
15	Ministry of Development Strategies and International Trade	Hon. Minister Malik Samarawickrama	2015 Nov. - 2018
16	Ministry of Higher Education and Cultural Affairs	Hon. Minister Dr. Wijayadasa Rajapaksa	2018 July
17	Ministry of City Planning, Water Supply and Higher Education	Hon. Minister Rauf Hakeem	2018 Oct. - 2019 Nov.
18	Ministry of Higher Education, Technical and Innovations	Hon. Minister Dr. Bandula Gunawardhana	2019 Nov.
19	Ministry of Trade	Hon. Minister Dr. Bandula Gunawardhana	2020 Jan. -2021 Dec.

Board of Trustees - 2021

	Trustee / Trustees	Designation	Position in the Board
1.	Hon. Jayantha Jayasuriya	The Chief Justice	Chairman
2.	Dr. Bandula Gunawardhana	Minister of Trade	Founder Trustee
3.	Mrs. J.M. Bhadrani Jayawardhana	Secretary, Ministry of Trade	Ex-Officio Trustee
4.	Prof. Kapila Perera	Secretary, Ministry of Education	Ex-Officio Trustee
5.	Mr. Kesarralal Gunasekara	Appointed Trustee	Appointed Trustee
6.	Dr. Ravindranath Liyanage	Appointed Trustee	Appointed Trustee



Director's Report, Mahapola Higher Education Scholarship Trust Fund

Like the year 2020, the year 2021 too was a highly challenging year. Office activities were interrupted due to lockdowns imposed from time to time amidst the Corona pandemic. Thanks to the commitment of the staff despite its small number, functions of the Mahapola Higher Education Trust Fund could be conducted optimally to the fullest possible extent and the annual accounting reports of the year 2021 could be submitted to the audit on time.

Supported by the direct payments of scholarship installments to bank accounts initiated in 2019, scholarship installments were credited to the accounts of students without any interruption during the year 2021. With the guidance of the Investment Committee and prudent investment decisions, an additional income of Rs. 2 billion was posted in the year 2021 through the investments of the Fund through which it was possible to further strengthen the Fund. Corresponding to the increased intake of students to universities, the number of scholarships granted annually too had to be increased. Accordingly, nearly 1000 additional scholarships were granted in the year 2021 entailing an additional cost of Rs. 200 million.

Under the direction of the Hon. Bandula Gunawardana, the Minister in charge of the subjects of Trade and Mahapola and with the approval of the Board of Trustees, it was possible to launch several new projects with the objective of building up the fund and attaining the objectives for which the Fund was established. Further, a raft of proposals are slated to be implemented for reinforcing the fund under the guidance of the incumbent Minister of Trade, Commerce and Food Security, the Hon. Nalin Fernando.

In the wake of global economic meltdown and its direct impact on local economy, the groundwork was laid in the year 2021 for the commencement of an international university village under the Mahapola Trust Fund with the objective of deploying the country's human resources more productively and providing employment-oriented education while retaining within the country to some extent the foreign exchange flowing out of the country.

Accordingly, the Mahapola Trust Fund acquired a 123 acres land at Millewa, Padukka belonging to the Urban Development Authority on a 99- year lease basis in 2021 and Expressions of Interest were called for the commencement of the University and several EoIs were received from local and foreign investors. The total investment value of the project is Rs. 20 billion and the number of students expected to be enrolled in 10,000.

This will ease the current foreign exchange crisis faced by the country while affording opportunities for students aspiring for higher education to gain a foreign degree in Sri Lanka. Similarly, in order to further strengthen the Mahapola Scholarship Trust Fund and procure additional funds needed to increase the value of monthly scholarship installment in relation to the current level of prices, preliminary activities were initiated in 2021 to launch an online lottery named 'Mahapola' employing the latest computer technology and the selection of a suitable investor from amongst foreign investors expressed interest in this regard will be

completed in the year 2022 and the lottery is expected to be implemented from the beginning of 2023. The additional income expected to be generated from this project is Rs. 500 million.

Corporate Good Governance

From the commencement of the Mahapola Scholarship Trust Fund, officers had not been recruited for the required posts in terms of a formal organizational structure and a scheme of recruitment (SoR) and in the year 2021 approval was secured for a formal SoR and officers were recruited to posts that remained vacant.

Thus, the Chief Executive Officer of the Fund was recruited in the year 2021 and the recruitment activities to the posts of Financial Officer and Internal Auditor in terms of the SoR were finalized in the year 2021.

The scheduled meetings of the Board of Trustees of the year 2021 were held once every two months which enabled the execution of the requisite decisions. The commitment and enthusiasm of the Hon. Minister and all trustees including the Secretary in this regard is much appreciated.

Safeguarding Assets

The assets of Sri Lanka Institute of Information Technology (SLIIT) which remained as an investment of the Mahapola Scholarship Trust Fund, had been disposed of on 12.05.2015 outside the accepted procedure that was prejudicial to the Trust Fund and in terms of the investigation conducted by the Auditor General and the Special Presidential Commission of Inquiry, it was observed that the assets had been misappropriated. Accordingly, having regard to the Cabinet Memorandum submitted by the Hon. Minister in charge in 2021, the Cabinet of Ministers agreed to maintain the status quo as regards the functions and management structure of SLIIT that existed prior to 12.05.2015.

Necessary action is being pursued accordingly and with the reverting of the assets of SLIIT back to the Mahapola Higher Education Scholarship Trust Fund belonging to the Mahapola Trust Fund with a gross estimated value of Rs. 20 billion and it is believed that such assets could be used for expanding higher education opportunities of students.

Finally, I wish to extend my gratitude to all the Ministers in Charge who were appointed representing the founding trustee and contributed to strengthen Mahapola Higher Education Scholarship Trust Fund and to achieve its set objectives through good governance and activities, the staff who served with the officers with much commitment, all the officers of the Ministry of Trade and all the other higher education institutes.

The coming year 2022 will be a very challenging year for the Mahapola Higher Education Scholarship Trust Fund and I honestly wish that Mahapola Higher Education Scholarship Trust Fund will be a prominent institute that could manage it and provide financial assistance to expand and strengthen higher education opportunities of the youth with fewer facilities that are anticipating higher education.

**M. Parakrama Bandara,
Director,
Mahapola Higher Education Scholarship Trust Fund.**

Operational Review

Scholarships Payment

Scholarship Payment Details (Per Installment)

Type	Value per Scholarship (Rs.)	MTF Contribution (Rs.)	Treasury Contribution (Rs.)
Ordinary Scholarship Payment	5,000/-	2,550/-	2,450/-
Merit Scholarship Payment	5,050/-	2,600/-	2,450/-

Scholarships Awards

Intake	No. of Students
University Students	57,773
Technical College Students	7,254
Annual Cost for Scholarship Payments	Rs. 1.8 Billion

Operational Review

Grant of Scholarships 2021 (2019/2020 Academic Year)

	UNIVERSITY	2021(2019/2020)
1	Colombo	2,217
2	Peradeniya	2,036
3	Kelaniya	1,756
4	Sri Jayawardenepura	2,504
5	Moratuwa	1,131
6	Jaffna	989
7	Jaffna - Vavuniya Campus	121
8	Ruhuna	1,444
9	Eastern	310
10	Gampaha Wickramarachchi Ayurveda Institute	60
11	Institute of Indigenous Medicine	115
12	School of Computing, University of Colombo	131
13	Colombo - Si Pali	42
14	Visual and Performing Arts	155
15	South Eastern	463
16	Rajarata	569
17	Sabaragamuwa	597
18	North Western	745
19	Eastern - Trincomalee Campus	118
20	Uva Wellassa	376
21	Swami Wipulananda Institute	19
	Total No. of scholarships	15,898

Operational Review

Mahapola Scholarship Awards (Other Institutes)

Institute		No. of students
1.	Sri Lanka Law College	25
2.	National Institute of Technology – Moratuwa	170
3.	Buddha and Pali University	26
4.	Buddasravaka Biksu University	20
5.	National Social Development Institute (10 Degrees 14 Diplomas)	10
6.	Sri Lanka Institute of Advanced Technological Education (SLIATE)	1,500
7.	Open University of Sri Lanka (OUSL)	400
Total		2,151

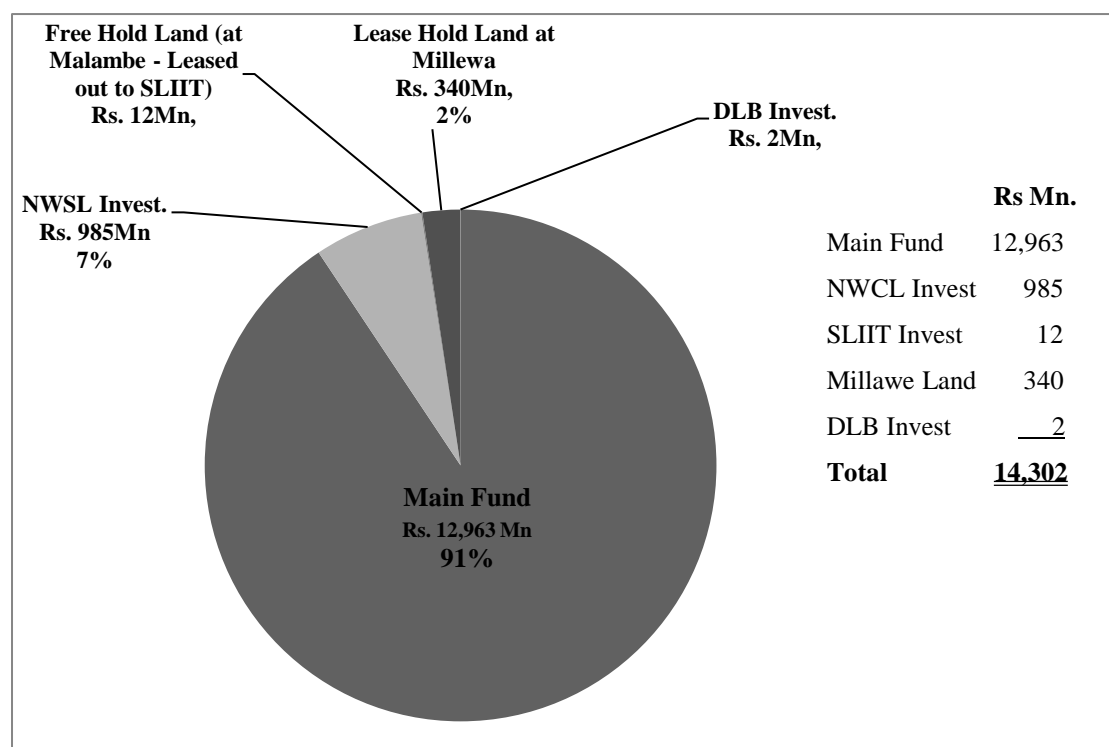
Comparison of Total Number of University Admissions and Mahapola Recipients

Year	2017	2018	2019	2020	2021
Total number of university admissions	30,000	31,158	34,161	35,000	40,111
Number of students who qualified as per the limit of income (less than Rs. 5 Lakhs)	15,000	20,000	17,890	20,000	26,000
Number of Mahapola Scholarship recipients	14,500	14,984	15,001	15,000	16,000
Students qualified for scholarships as per the limit of income as a percentage of the total number of students	50%	64.1%	52%	57.1%	64.88%
Mahapola recipients as a percentage of total number of students	48%	48.8%	44%	42.85%	39.88%
Number of Mahapola recipients among the number of students qualified based on the limit of income	96%	75%	84%	75%	61.5%

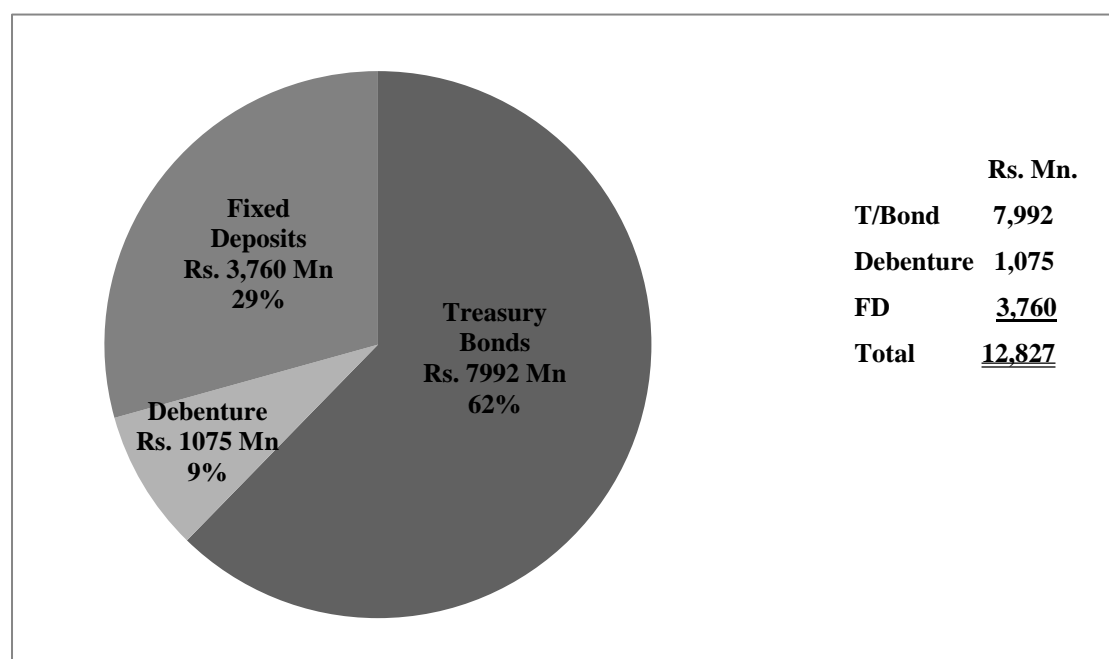
Operational Review

Financial Position of Mahapola Higher Education Scholarship Trust Fund 31.12.2021

Total Fund

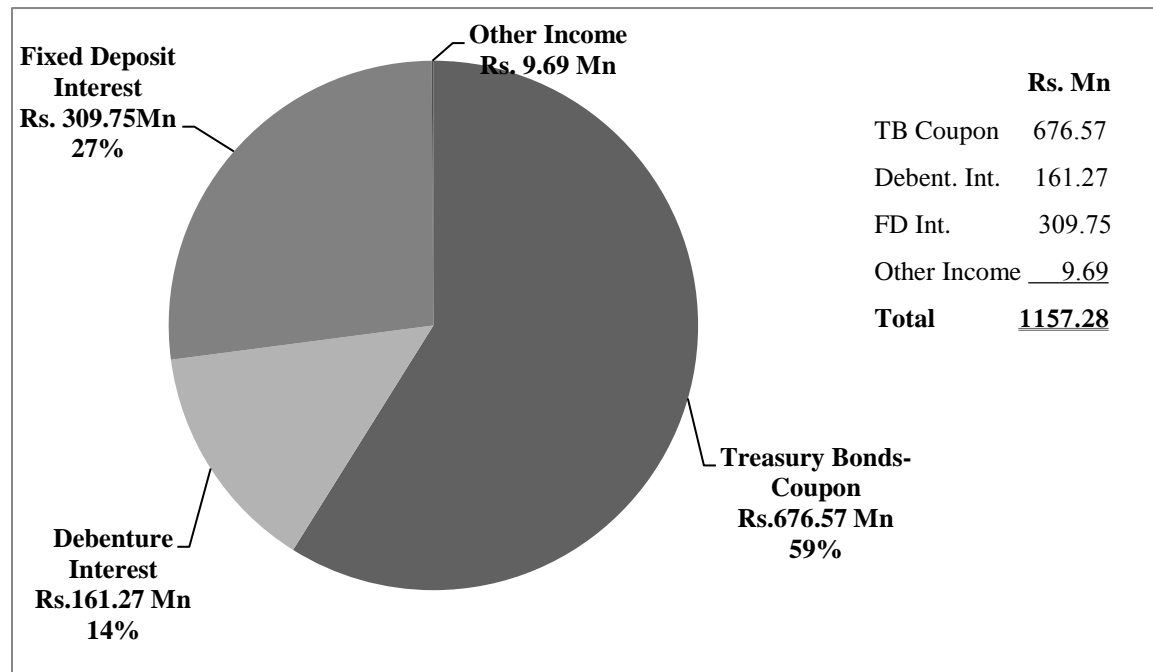


Portfolio - Main Fund

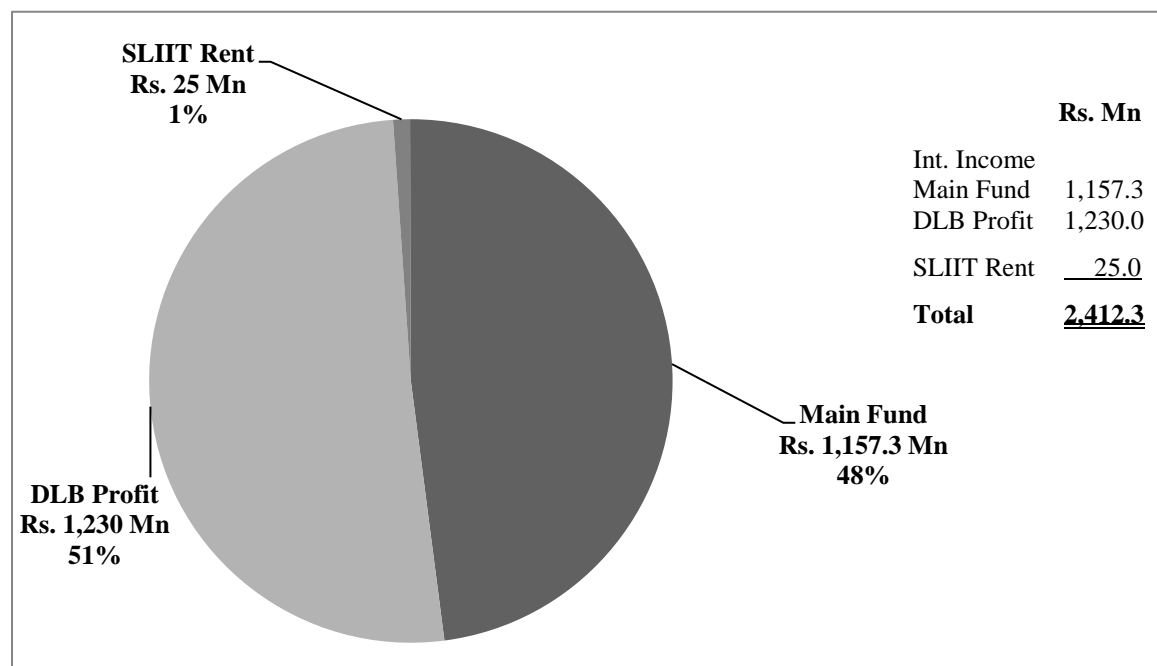


Operational Review

Investment Income - Main Fund



Total Income 2021



Operational Review

Comparison of Comprehensive Income Statement for the year ended 31.12.2021

Investment Income Category	31.12.2021 (Rs. Mn)	31.12.2020 (Rs. Mn)	Variance
Treasury Bonds - Coupon	676.6	579.5	17%
Treasury Bonds - Capital Gain Net of Premium		173.2	-100%
Treasury Bills -Interest	-	0.2	-100%
Debenture Interest	161.2	205.3	-21%
Fixed Deposits Interest Net of WHT	309.7	287.8	8%
Other Income	9.7	9.3	4%
Total Investment Income	1,157.2	1,255.3	-8%
Direct Expenses			
Custodian Fees -BOC Investment Banking	(2.6)	(3.5)	-26%
Net Investment Income	1,154.6	1,251.8	-8%
Other Income			
DLB Dividend	1,230.0	1,262.6	-3%
SLIIT Rent	25.0	25.0	0%
Total Other Income	1,255.0	1,287.6	-3%
Total Income	2,409.6	2,539.4	-5%
Expenditure			
Scholarship Payments	(1,052.9)	(1,391.4)	-24%
Salaries	(15.8)	(15.9)	-1%
Depreciation	(31.3)	(30.6)	2%
Other Administrative Expenses	(17.4)	(16.2)	7%
Total Expenditure	(1,117.4)	(1,454.1)	-23%
Net Income Exceeding Expenses	1,292.2	1,085.3	19%

Operational Review

Budgetary Review 2021

Description	Estimated and Approved Budget	Actual Cost (Accrued Basis)	Variance		Reasons
	31.12.2021 (Rs. Mn)	31.12.2021 (Rs. Mn)	Rs. Mn.	%	
Income					
Interest Income of the Major Fund	1,300.0	1,157.3	(142.7)	-10.98%	Interest rate taking a low value. Decrease in Lottery sale due to Covid-19
DLB Dividend	1,300.0	1,230.0	(70.0)	-5.38%	
SLIIT rental	25.0	25.0	-		
Total income	2,625.0	2,412.3	(212.7)	-8.10%	
Expenditure					
Recurrent	1,693.0	1,087.9	(605.1)	-35.74%	Scholarship payments not taking place as scheduled.
Scholarship payments	1,650.7	1,052.9	(597.8)	-36.21%	
Personal Emoluments	22.2	16.4	(5.8)	-26.13%	Surplus
Maintenance Expenses	2.8	2.8	-	0.00%	Surplus
Administrative Expenses	15.1	13.2	(1.9)	-12.58%	
Other recurrent Expenses	2.2	2.6	0.4	18.18%	
Capital Expenditure	331.5	341.0	9.4	2.85%	
Office equipment	1.5	-	(1.5)	-100%] Not being spent.
Buildings/Office Improvements	5.0	-	(5.0)	-100%	
University Village Project	315.0	340.2	25.2	8.00%	Non-Commencement of projects.
Mihintale Mega City Project	10.0	0.8	(9.3)	-92.50%	
Total Expenditure	2,024.5	1,428.9	(595.7)	-29.42%	
Net balance	600.5	983.5	383.0	64%	

Corporate Good Governance

Board of Trustees and Investment Management Committee Meetings

Meetings of Board of Trustees

At the Board of Trustees Meetings', the Board of Trustees engages in close observation and supervision of organizational operations and results as per the approved budget and relevant standards. The Board of Trustees pays attention on a standard agenda and the other matters discussed in the meetings. All the minutes of the meetings of the Board of Trustees are approved and certified by the Chairman. The Board of Trustees meets once in two months and Special Meetings of the Board of Trustees are called as and when required. The meetings of the Board of Trustees held in the year ended as at 31st December 2021 and the information of participation of the trustees are given below.

	Trustee / Trustees	Designation	Number of meetings held							
			1	2	3	4	5	6	7	8
			85	86	87	88	89	90	91	92
1	Hon. Jayantha Jayasuriya	Chief Justice	*	*	*	*	*	*	*	*
2	Hon. Dr. Bandula Gunawardhana	Minister of Trade	√	√	√	√	√	√	√	√
3	Mrs. Bhadrani Jayawardhana	Secretary, Ministry of Trade	*	√	√	√	√	√	√	√
4	Prof. Kapila Perera	Secretary, Ministry of Higher Education	√	*	√	√	*	√	*	*
5	Mr. S.V.D.Kesarralal Gunasekara	Appointed Trustee	√	√	√	√	√	√	√	√
6	Dr. Ravindranath Liyanage	Appointed Trustee	√	√	√	√	√	√	√	√

- √ - No. of meetings held & Participated
 - - Resigned from the Board of Trustees
 * - Not Participated

Corporate Good Governance

Investment Committee Meeting

Progress of the meetings held by the Investment Committee appointed by the Trust Fund during the year 2021 is as follows.

	Name	Office in the Board	Designations	No. of Meetings held	
				1	2
				8 th	9 th
2	Mrs. Bhadrani Jayawardhana	Chairman	Secretary, Ministry of Trade, Ex-Officio Trustee, CAO of MTF	√	√
3	Prof. Abeyrathna Bandara	Member	Emeritus Professor, Department of Finance, Sri Jayewardenepura University	√	*
4	Mr. S.V.D. Kesarralal Gunasekara	Member	Appointed Trustee	√	√
5	Mr. Manjula De Silva	Member	Secretary General/Chief Executive Officer, Ceylon Chamber of Commerce	√	√
6	Mr. Ganaka Amarasinghe	Member	Managing Director, Raigam (Pvt) Ltd	√	√
7	Mr. M.P. Bandara	Member	Director / Mahapola Trust Fund	√	√
8	Mr. T. Dharmarajah (FCA)	Member	Chartered Accountant		√

- √ - No. of meetings held & Participated
 - - Resigned from the Committee
 * - Not Participated

Corporate Good Governance

Staff

Service Category	Approved Cadre	Existing Vacancies	Vacancies
Senior	7	3	4
Secondary	15	11	4
Tertiary	2	2	-
Primary	7	3	4
Total	31	19	12

Mahapola Higher Education Scholarship Trust Fund spends a limited cost on its staff and from the onset it has been functioning with a limited staff. Administrative expenditure on the staff could be maintained at a very low level as 0.62% of the income and 1.9% of the expenditure.

The Board of Trustees has decided to fill vacancies in the staff by internal promotions and the vacancies that will emerge in future by the external applicants.

During the year under review, the Ministry of Trade which is the Ministry in charge of the subject of Mahapola Trust Fund carried out the review of the cadre and the organizational structure and the approval was granted.

The Minister of Trade informed that all the posts in the Mahapola Trust Fund had to be approved by the Department of Management Services and even though the request was referred to the Department of Management Services on 25.03.2021 and it was advised to act in accordance with the General guidelines and circulars issued by the Treasury as the legal provisions are included in Mahapola Higher Education Scholarship Trust Fund Act No.66 of 1981 to confirm the independent running of the Fund. Accordingly, the Scheme of Recruitment of the MHESTF was approved by the Mahapola Board of Trustees.

Other Investments of the Mahapola Trust Fund

Development Lotteries Board

Mahapola Trust Fund has invested Rs 2.2 Mn. in Development Lotteries Board and the Chairman of the Mahapola Higher Education Scholarship Trust Fund or one of his representatives will be appointed by Ex-officio power to the Board of Directors of Development Lotteries Board.

Development Lotteries Board directly transfers its income to the President's Fund and subsequently, the dividend is transferred to Mahapola Higher Education Trust Fund by the President's Fund.

Profit of Development Lotteries Board (DLB) during 2016-2021 and the dividend transferred by the Development Lotteries Board to the Mahapola Higher Education Scholarship Trust Fund through the President's Fund

Description	2016	2017	2018	2019	2020	2021
	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Net Profit of the DLB	1,783.30	501.7	2,187.60	2,668.80	2,770.00	2,870.00
Dividend entitled to the Mahapola Higher Education Scholarship Trust Fund 50%	891.7	250.9	1,093.80	1,334.40	1,385.00	1,435.00
The share transferred to the Mahapola Trust Fund	767.3	25	780.6	922.3	1,153.30	1,010.20
Share of dividend further to be received	124.4	225.9	313.2	412.1	231.7	424.8

Other Investments of the Mahapola Trust Fund

National Wealth Cooperation Ltd. (NWCL)

Mahapola Trust Fund has invested Rs. 200 Mn in its fully owned company National Wealth Corporation Ltd. and incorporated it as a limited company on 23rd March 2003. NWCL acted as an investment manager and the portfolio of Mahapola Trust Fund was managed with the objective of obtaining benefits to the maximum with low risk. The Mahapola Fund such managed by the NWCL was transferred to the Mahapola main account being functioned in the corporate division of the Bank of Ceylon in 2019 and the Fund Management Agreement which was with NWCL was cancelled with effect from 28th February 2019. The company remained inactive in 2021. When looking at the year 2021, the financial situation was as follows.

National Wealth Cooperation Ltd. (NWCL)

Performance Report for the period ending 31.12.2021

	2021 (Rs. Mn.)	2020 (Rs. Mn.)
Income	0.93	2.4
Expenses	3.85	5.2
Net Profit (Loss)	(2.92)	(2.8)

Financial Position as at 31.12.2021

Assets	2021 (Rs. Mn.)	2020 (Rs. Mn.)
Cash and Cash Equivalents	0.06	0.8
FDs and REPOs	15.02	39.4
Deposits, Prepayments and other Receivables	59.22	38.5
Investment in Subsidiary - NWSL	1,148.60	1,148.6
Other Assets	35.20	38.7
Total Assets	1,258.10	1,266.0

Equity and Liabilities	2021 (Rs. Mn.)	2020 (Rs. Mn.)
Expenses		
Stated Capital	985.50	985.5
Retained Earnings as at 31.12.2021	271.41	274.0
Total Equity	1,256.91	1,259.5
Liabilities	1.19	6.5
Total Equity and Liabilities	1,258.10	1,266.0

Other Investments of the Mahapola Trust Fund

NatWealth Securities Ltd. (NWSL)

Nat Wealth Securities Ltd. was incorporated on 23th June 2003 as a subsidiary of National Wealth Corporation Limited. This company functioned as a primary dealer of the Central Bank of Sri Lanka continually from the year 2003 and due to the losses incurred by the Company from 2015 to 2018 and the shortage of working capital required for the sustenance of the company, its participation in the Treasury bond auctions remained at a minimal level. On account of these management deficiencies and the change of the board of directors within a very short period, the primary dealer license of NWSL was suspended for 06 months by the Central Bank of Sri Lanka. As this suspension was in force from May 2020 to 30th November 2020, it had a direct impact on its functions and which in turn resulted in income losses.

As approved at the meeting of the Cabinet of Ministers held on 26.10.2020, it was decided to liquidate NWCL and NWSL companies and as at 31.12.2021, the progress of the liquidation activities was as follows.

- (1) The service of all employees was terminated in March 2021 and due compensation and gratuities were paid off.
- (2) For the settlement of debt of Trillion Securities which was amongst payable creditor balances, Rs. 95 was paid as the final payment.
- (3) Agreement was reached to pay all income and VAT taxes payable to the Inland Revenue Department and the Department agreed to withdraw penalties imposed on all taxes and out of tax arrears, Rs. 304 million was paid in March 2022 and it was agreed to settle the remaining Rs. 100 million in 12 installments.
- (4) Agreement could not be reached as to the debt payable to Virtual Investment Limited was a Repo creditor amongst the creditors for whom further payments were due during the year under review. Accordingly, it has been decided to negotiate with the relevant creditor and reach a final agreement as per the recommendation of the committee appointed to look into the settlement of the relevant debt and convey same to the Cabinet of Ministers.

Other Investments of the Mahapola Trust Fund

Performance Report for the period ending 31.12.2021

	2021 (Rs. Mn.)	2020 (Rs. Mn.)
Income	60.61	119.3
Interest Expense on Outstanding REPO	40.84	-
Expenses	37.65	68.2
Net Profit (Loss)	(17.88)	51.1

Financial Position as at 31.12.2021

Assets	2021 (Rs. Mn.)	2020 (Rs. Mn.)
Cash and Cash Equivalents	45.86	0.9
FDs and REPOs	1,064.53	1,193.6
Deposits, Prepayments and other receivables	175.94	144.3
Other Assets	0.13	0.5
Total Assets	1,286.46	1,339.3

Equity and Liabilities	2021 (Rs. Mn.)	2020 (Rs. Mn.)
Expenses		
Stated Capital	1,175.00	1,175.0
Special Risk Reserve	354.04	354.0
Retained Earnings as at 31.12.2021	(717.69)	(294.4)
Total Equity	811.35	1,234.6
Liabilities	475.11	104.7
Total Equity and Liabilities	1,286.46	1,339.3

Other Investments of the Mahapola Trust Fund

Investments of the Sri Lanka Institute of Information Technology (SLIIT)

The agreements entered into on 12th May 2015 had been signed without the approval of the trustees and a special investigation in this regard was conducted by the Presidential Commission of Inquiry and as per the Special report of the Auditor General, since assets of the MTF had been transferred without proper approval COPE Committee has been proposed to establish the administration of SLIIT under the Mahapola Higher Education Scholarship Trust Fund. It has been observed that SLIIT possesses net assets more than Rs. 20 Bn and the Board of Trustees of Mahapola has decided to obtain an assessment report and the present administrative authority of SLIIT had not provided facilities 31.12.2020. Accordingly, Mahapola Trust Fund had deprived of its returns based on these assets.

According to the memorandum of the appointed Council of Ministers in 2021, it was observed that the agreements entered into with SLIIT were incorrect and not properly approved and it was decided that the administrative structure of SLIIT should be maintained as it was before 12.05.2015. Accordingly, the Board of Trustees of Mahapola is taking necessary measures. In the year 2021, SLIIT will invest Rs. Mr. 500 over profit and it is a share of profit payable to Mahapola Fund. This has deprived the children of low-income families from higher education opportunities and it is hoped that everyone's attention will be paid to this.

New Projects to be implemented under the Mahapola Higher Education Scholarship Trust Fund (2022 – 2025)

New Projects

Name of the Project	Capital Investment Rs. Mn.	Expected Annual Income Rs. Mn.
Database of Scholarship Recipients	-	200
University College for Language Studies	200	200
Metro Trade City Project- Mihintale (300 Acres)	500	300
Padukka Millewa Watta Proposed University Village (123 Acres)	200	300
Online Lottery	-	300
University College for Bio-Systems Technology (23 Acres)	500	200

- **Database of the scholarship recipients**

Around 03 lakhs of undergraduates who obtained Mahapola Scholarships completed their degrees, passed out from universities and presently employed locally and in abroad. A database on those scholarship recipients has been prepared and arrangements have been made to send requests to those graduates to get their contribution for Mahapola Fund. For this, direct bank payment (Online Payment Gateway) facilities have been obtained with People's Bank and it has been proposed to start a Face book account and a U Tube channel under the name of Mahapola. With this, arrangements have been made to implement a fund promotion program using newspaper advertisements and electronic media. It is expected obtain additional funds around Rs. 500 million from that in addition to the existing fund.

- **University College for language studies**

As per the government's vision of Splendour of Prosperity and the set objectives of the Mahapola Fund, Mahapola Fund is committed for fulfilling the higher education needs of the youth of less income generative families and providing job oriented higher education for all who desire to get higher education. Hence, it has been planned to start a university college for language studies and a Diploma in foreign languages will be awarded at the completion of two years. It is expected to invest Rs. 200 Mn. of capital for this project and it is expected to earn an additional income of Rs. 200 Mn.

New Projects to be implemented under the Mahapola Higher Education Scholarship Trust Fund (2022 – 2025)

- **Metro Trade City Project (Trade Hub – Mihintale)**

As per an initiative of the Present Minister in charge of the subject of Mahapola, it has been planned to implement a metro trade city project at Mihintale of Anuradapura District in a land of 300 acres under Mahapola fund. This project will be completed in five years of time and this project is a way of partly shifting wholesale trade in Colombo Fort to the centre of the country and it will strengthen the distribution network and facilitate the farmers to sell their agro-products at a reasonable price. It is expected to invest a capital of Rs. 500 million on this project and thereby it is expected to earn an annual additional income of Rs. 500 million to Mahapola Fund.

- **Universal University Village**

It has been planned to establish a university village in a land in the extent of 123 Acres in Padukka, Homagama. It will be started under two stages and it is expected to establish a university of technology and a training center of technological studies and a research center. Expressions of Interest (EOI) were invited for investment in the year 2021 and three people have expressed interest in foreign universities and local investment and the total investment value is about Rs. Bn 20. The attached land (123 acres) has been obtained from the Urban Development Authority under the 99-year lease basis and for that Rs. Mn. 340 was paid on 31st December 2021. It is proposed to start in from the year 2023 and students are expected to be recruited from the year 2024. Study opportunities will be provided to around 10000 local and foreign students and this project is planned as a solution to the current foreign exchange crisis. The initial investment is Rs. 200 Mn and expected annual income is Rs. 300 Mn.

- **University college for Biosystems Technology (Bio System Technology Floriculture Institute)**

It has been arranged to establish a University College of Biosystems Technology in Ambewela of Nuwaraeliya District. This project will be started with the main objective of providing technical knowledge on floriculture (cultivation of flowers) and pomiculture (cultivation of fruits) and exporting the products. This institute will start courses to provide technical knowledge on Floriculture and Pomiculture and they will be awarded with NVQ certificate. This is a fee-levying institute and the expected annual income is Rs. 200 million. It has been estimated that the initial investment is Rs. 500 million.

It is expected to increase the strength of the Mahapola Capital Fund up to Rs. 20 billion and to increase the number of annual scholarships from 16,000 to 25,000 which is 30%.

AUDITOR GENERAL'S REPORT

The Chairman
Mahapola Higher Education Scholarship Trust Fund

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Mahapola Higher Education Scholarship Trust Fund for the year ended 31 December 2021 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 Mahapola Higher Education Scholarship Trust Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 Section 10(4) of the Mahapola Higher Education Trust Fund Act, No. 66 of 1981 and the 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 and Finance Act No. 38 of 1971. In terms of Article 154(6) of the Constitution, my report will be tabled in Parliament in due course.

In my opinion, except for the effects of the matters described in the section on the basis for the qualified opinion in my report, the accompanying financial statements of the Trust Fund give a true and fair view of the financial position of the Fund as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

1.2.1 Non-compliance with Sri Lanka Accounting Standards

(a) Sri Lanka Accounting Standard No. 07

- I. Though the interest income of Rs. 1,157,299,900 and the interest of Rs. 1,307,590,803 received in cash in respect of the period should be disclosed separately in the Statement of Cash Flow, the Trust Fund had not done so.
- II. Though property, plant and equipment belonging to the Trust Fund costing Rs. 772,000 had been exchanged at the cost value with the Ministry of Trade, a value of Rs. 772,000 had been indicated as property, plant and equipment sale profits in the Statement of Cash Flow.

(b) Sri Lanka Accounting Standard No. 08

In terms of paragraph 49, even though the nature and amount in respect of the previous year adjustments should be disclosed with the financial statements by the entity, adjustments relevant to prior periods amounting to Rs. 157,863,504 had not been disclosed in financial statements and at least a schedule as regards the adjusted total had not been submitted to the audit.

(c) Sri Lanka Accounting Standard No. 40

Even though the investment property should be assessed and indicated at the current value in terms of paragraph 06, the 25- acre land at Malambe belonging to the Trust Fund accounted as Rs. 12,460,179 in the year 2005, had not been assessed at the current value and taken into books even by the year under review.

- (d) According to the confirmations received from the President's Fund, though the profit share receivable from the Development Lotteries Board as at 31 December 2021 was Rs. 1,263,928,947, it was stated as Rs. 1,230,000,000 in financial statements thus understating it by Rs. 33,928,947.
- (e) Consolidated Financial Statements of National Wealth Corporation Ltd and NatWealth Securities Ltd which are two subsidiaries with the sole ownership of the Trust Fund had not been prepared and submitted for auditing from 2013 to the year under review.
- (f) The interest income of Rs. 219,431,931 receivable for treasury bills as at 31 December 2021 had not been accounted as receivable income in financial statements.
- (g) Rs. 1,021,450 receivable to the fund for the transfer of a part of office equipment acquired from the subsidiaries to the Ministry of Trade was stated under other receivables as Rs. 772,000, thus understating by Rs. 249,450.
- (h) Traveling expenditure of Rs. 870,000 paid to a private entity for the video report of the Mihintale Township Project had been debited to the account and accordingly, the expenditure relevant to the Mihintale Township Project had been understated by Rs. 870,000 in financial statements.
- (i) According to the ledger account balances and financial statements as at 31 December 2021, a difference of Rs. 5,100,000 existed between the motor vehicle balance and the depreciation allocation account 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund 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 Fund.

1.4 Auditor's Responsibility 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 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 Fund'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 Fund 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 have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

2. Report on other legal and regulatory requirements

- 2.1 Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.
 - 2.1.1 In terms of the requirements of section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the 'Basis for the qualified Opinion' of this report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the Trust Fund had maintained proper financial reports.

- 2.1.2 In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements presented by the Trust Fund are consistent with the preceding year.
- 2.1.3 The recommendations made by me in the previous year have been included in the financial statements as per the requirement of Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018.
- 2.2 On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements did not come to my attention.
 - 2.2.1 In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the Trust Fund has any interest, direct or otherwise, outside normal business status in any contract entered into by the Trust Fund.
 - 2.2.2 In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether the Trust Fund has not complied with any applicable written law, or other general or special directions issued by the governing body of the Trust Fund;
 - 2.2.3 In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, whether the Trust Fund has not performed according to its powers, functions and duties, except for the following observations.
 - 2.2.4 In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, other than the following observations, whether the resources of the Trust Fund had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.
 - (a) Even though Rs. 500,000 had been allocated for the procurement of additional space for the Mahapola office complex, an expenditure of Rs. 859,305 alone had been incurred on its publicity during the year under review whilst Rs. 804,978 had been spent on publicity and for publishing newspaper notices, despite only Rs. 300,000 being allocated for publicity.

3. Other Audit Observations

- (a) Action had not been taken to reclaim a refundable rent deposit of Rs. 348,810 given by the Fund to the Cooperative Wholesale Establishment (CWE) for using a building belonging to CWE on rent basis even after five years of vacating the building.
- (b) A sum of Rs. 3,832,875 retained in respect of construction activities carried out in several schools had been mentioned continually from the year 2018 up to now in the

financial statements and no action had been taken even during the year under review to settle this amount.

- (c) The Fund had not prepared an Action Plan for the year under review.
- (d) The following recommendations made at the Committee on Public Enterprises held on 08 January 2021 had hitherto not been implemented.
 - (i) Though members have been appointed to the Board of Trustees of the Fund, a Chairman has not been appointed up to now despite a request made to that effect from the Ministry.
 - (ii) Necessary measures have hitherto not been taken to have the Development Lotteries Board Act amended so as to receive 50 percent of the profits of the DLB to the Trust Fund.
 - (iii) Even though instructions have been given to conduct an internal inquiry into the financial fraud committed in respect of the online lottery, it has not been completed to date.
- (e) Even though the approved cadre of the Trust Fund is 31, the actual cadre as at 31 December 2021 was 13 and therefore 18 posts comprising 06 senior level posts, 06 secondary level posts and 06 primary level posts remained vacant. Even by the year under review, those vacancies had not been filled and by April 2022 02 out of 06 vacancies in the Senior Level had been filled.

W.P.C. Wickremaratne
Auditor General

**ANSWERS TO THE AUDITOR
GENERAL'S REPORT**

1.2.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with reference to the relevant standard	whether a new/existing observation	Risk control disclosure	Comments of the management	Recommendation	Actions taken & present situation
Sri Lanka Accounting Standard No. 07 i. Though the interest income of Rs. 1,157,299,900 and the interest of Rs. 1,307,590,803 received in cash in respect of the period should be disclosed separately in the Statement of Cash Flow, the Trust Fund had not done so.	New	The existing system needs to be upgraded.	One of the key functions of the Trust Fund is the investment of the main fund and award scholarship from the returns (interest income) to scholarship recipients. Accordingly, action will be taken to correct the interest income from the money for the relevant period in the statement of cash flows in terms of the relevant accounting standard.	Financial statements should be submitted in compliance with the Sri Lanka Accounting Standards.	Action will be taken present financial statements and reports in conformity with Sri Lanka Accounting Standards from the year 2022.
ii. Though property, plant and equipment belonging to the Trust Fund costing Rs. 772,000 had been exchanged at the cost value with the Ministry of Trade, a value of Rs. 772,000 had been indicated as property, plant and equipment sale profits u the Statement of Cash Flow.	New	The existing system needs to be upgraded.	Agreed. Action will be taken to correct this accounting deficiency in the accounts of the year 2022.	The correct position of the institution should be reflected in financial statements.	Measures will be taken in the coming accounting years to prepare accounts accurately.

<p>(a) Sri Lanka Accounting Standard No. 08</p> <p>In terms of paragraph 49, even though the nature and amount in respect of the previous year adjustments should be disclosed with the financial statements by the entity, adjustments relevant to prior periods amounting to Rs. 157,863,504 had not been disclosed in financial statements and at least a schedule as regards the adjusted total had not been submitted to the audit.</p>	New	The existing system needs to be upgraded.	Action will be taken to correct this in financial statements.	Financial statements should be submitted in compliance with the Sri Lanka Accounting Standards.	Action will be taken present financial statements and reports in conformity with Sri Lanka Accounting Standards from the year 2022.
<p>(a) Sri Lanka Accounting Standard No. 40</p> <p>Even though the investment property should be assessed and indicated at the current value in terms of paragraph 06, the 25- acre land at Malambe belonging to the Trust Fund accounted as Rs. 12,460,179 in the year 2005, had not been assessed at the current value and taken into books even by the year under review.</p>	Existing	The existing system needs to be upgraded	Owing to the failure of the Governing Council of SLIIT to provide facilities to obtain a valuation report for assets, it has not been possible to adjust the assets of the year under review to their current value in the accounts.	Action should be taken in compliance with Sri Lanka Accounting Standards.	Cabinet approval has been sought to transfer the assets of SLIIT to back to the Mahapola Fund and having considered this request at the meeting of the Cabinet of Ministers held on 07.02.2022, the Cabinet determined that the status quo that existed prior to 12/05/2015 should be maintained in respect of ownership and management of SLIIT.

(a) According to the confirmations received from the President's Fund, though the profit share receivable from the Development Lotteries Board as at 31 December 2021 was Rs. 1,263,928,947, it was stated as Rs. 1,230,000,000 in financial statements thus understating it by Rs. 33,928,947.	Existing	The existing system needs to be upgraded	The overall profit of the Development Lottery Board includes the net lottery income and unclaimed prize money. The unclaimed prize money is credited to the President's Fund of which the share of 50% is not credited to the Mahapola Fund. Accordingly, the share of 50% of the overall profit as per the income reports of the DLB is not received by the Mahapola Fund. Thus the difference shown here is the share of the unclaimed prizes.	Action should be taken to have the correct share of profits confirmed and account accordingly.	From the year 2022, disclosures will be made in financial statements in a more appropriate manner in financial statements. A written request has been made from the President's Fund to obtain the 50% share relevant to the unclaimed prize money to the Mahapola Fund.
(b) Consolidated Financial Statements of National Wealth Corporation Ltd and NatWealth Securities Ltd which are two subsidiaries with the sole ownership of the Trust Fund had not been prepared and submitted for auditing from 2013 to the year under review.	Existing	The existing system needs to be upgraded	National Wealth Corporation Ltd and NatWealth Securities Ltd which are two fully owned subsidiaries of the Trust Fund had not prepared consolidated financial statements with the Mahapola Trust fund from 2013 to 2018 and this matter was discussed at the COPE and was instructed to prepare and submit consolidated financial statements from the year	As recommended by COPE, consolidated accounts should be prepared and submitted to the audit.	This matter was discussed at COPE meeting held on 08.01.2021 and it was instructed to submit the accounts and the annual report of the Mahapola Fund without the consolidated accounts and all annual reports from 2013 to 2019 and audited accounts were submitted to Parliament on 04.10.2021.

<p>(c) A request had been made on 24 May 2020 from the Chief Government Valuer to submit an assessment report in respect of all buildings & equipment in the 25- acre land at Malambe belonging to the Trust Fund and without obtaining an accurate valuation report on the current value the Trust Fund had indicated value of buildings as Rs. 1,064,520,695 in financial statements.</p>	<p>Existing</p>	<p>The existing system needs to be upgraded</p>	<p>2019 onwards. Accordingly, the preparation of accounts was handed over to an audit company. Since it was decided to liquidate these 2 companies in the year 2019, the accounts of the Mahapola Fund and the 2 said companies were submitted separately for the audit and submitted to Parliament with annual reports up to the year 2020.</p> <p>Action has been taken in this regard and as permission was not granted by the current governing council of SLIIT to obtain the relevant valuation, it was not possible to take the value of the land and buildings of SLIIT to to account books. No sooner the approval is received by the Attorney General as to this, action will be taken to obtain a comprehensive report from the Chief Government Valuer and to have a full audit conducted by the Auditor General and take the value of the assets to books.</p>	<p>Upon the receipt of the approval of the Auditor General, action should be taken accordingly.</p>	<p>Approval has been sought from the Cabinet of Ministers to revert the assets of SLIIT to the Mahapola Fund and having considered the matter at the Cabinet meeting held on 07.02.2022, the Cabinet approved that the status quo of the ownership and management of SLIIT should be maintained as prevailed before 12/05/2015.</p>
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(d) The interest income of Rs. 219,431,931 receivable for treasury bills as at 31 December 2021 had not been accounted as receivable income in financial statements.	New	The system should be introduced.	In calculating the fair value of treasury bonds as at 31.12.2021, the treasury bond income receivable as at 31.12.2021 has been accounted under the value of treasury bonds.	The income receivable should be correctly accounted.	Action will be taken to submit accurate financial statements and reports in conformity with standards.
(e) Rs. 1,021,450 receivable to the fund for the transfer of a part of office equipment acquired from the subsidiaries to the Ministry of Trade was stated under other receivables as Rs. 772,000, thus understating by Rs. 249,450.	New	The system should be introduced.	Agreed. Action will be taken to correct this accounting deficiency in the accounts of the year 2022.	Money receivable should be correctly accounted.	Action will be taken in the ensuing accounting years to prepare accounts in such manner so as to minimize accounting deficiencies.
(f) Traveling expenditure of Rs. 870,000 paid to a private entity for the video report of the Mihintale Township Project had been debited to the account and accordingly, the expenditure relevant to the Mihintale Township Project had been understated by Rs. 870,000 in financial statements.	New	The existing system needs to be upgraded.	Agreed. Action will be taken to correct this accounting deficiency in the accounts of the year 2022.	Transactions should be correctly accounted.	Action will be taken in the ensuing accounting years to prepare accounts in such manner so as to minimize accounting deficiencies.
(g) According to the ledger account balances and financial statements as at 31 December 2021, a difference of Rs. 5,100,000 existed between the	New	The system should be introduced.	Action for correction in the financial statements will be taken.	Financial statements should be prepared correctly.	Action will be taken in the ensuing accounting years to prepare accounts in such manner so as to

motor vehicle balance and the depreciation allocation account balance.					minimize accounting deficiencies.
(h) Though the custodian fee of Rs. 2,592,000 paid to Bank of Ceylon was a financial cost, it had been classified under administrative expenditure.	New	The system should be introduced.	Action for correction in the financial statements will be taken.	Financial statements should be prepared correctly.	Action will be taken in the ensuing accounting years to prepare accounts in such manner so as to minimize accounting deficiencies.

1.5 Accounts Receivable and Payable

Audit Observation	whether a new/existing observation	Risk control disclosure	Comments of the management	Recommendation	Actions taken & present situation
Action had not been taken to reclaim a refundable rent deposit of Rs. 348,810 given by the Fund to the Cooperative Wholesale Establishment (CWE) for using a building belonging to CWE on rent basis even after five years of vacating the building.	Existing	The existing system needs to be upgraded.	Though letters and relevant bank statements were sent from time to time to recover the sum of Rs. 348,810, the CWE has still not action to return this money.	Action should be taken to recover money receivable expeditiously.	Letters and bank statements relevant thereto were sent from time to time to recover the sum of Rs. 348,810 and thought it was verbally agreed to settle the amount subsequent to a decision held between an administrative officer of the Mahapola Fund the Deputy Finance Manager of CWE, the money has still been not received by the Mahapola Fund.

<p>A sum of Rs. 3,832,875 retained in respect of construction activities carried out in several schools had been mentioned continually from the year 2018 up to now in the financial statements and no action had been taken even during the year under review to settle this amount.</p>	<p>Existing</p>	<p>The existing system needs to be upgraded.</p>	<p>The sum of Rs. 3,832,875 which was to be paid in respect of development activities carried out in several schools could not be paid due to the non-submission of the relevant reports as to the completion of the task relevant to those bills and the bills relevant to the receipts.</p>	<p>A sum of Rs. 3,832,875 retained in respect of construction activities carried out in several schools had been mentioned continually for 8 years from the year 2018 up to now in the financial statements and no action had been taken even during the year under review to settle this amount.</p>	<p>Due to deficiencies in the award of the contract and the procurement process and the non submission of bills of creditors. Payments could not be made.</p>
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1.6 Non-compliance with laws, rules and management decisions

Reference to laws, rules, regulations etc.	Non-compliance	whether a new/existing observation	Risk control disclosure	Comments of the management	Recommendation	Actions taken & present situation
Financial regulations of the Democratic Socialist Republic of Sri Lanka (i) No. 104(4)	Though a complete report should be submitted following an inquiry within 3 months of a vehicle accident, action had not been so taken.	Existing	Should be in compliance with the existing system	Since the relevant ministries should be informed regarding vehicle accidents only if the state vehicles are involved, the accidents involving the vehicles of the Trust Fund are not so reported but only recorded in log books.	Action should be taken in line with Financial Regulations.	Action will be taken to follow Financial Regulations from the year 2022.
(ii) No. 103(i)(a)	Accidents caused to vehicles on 03 July 2021 and 14 April 2021 had not been reported to police.	Existing	Should be in conformity with the existing system	Accidents were not reported to police as damages were not caused to a third party from the accidents and insurance claims were obtained.	Action should be taken in line with Financial Regulations.	Action will be taken to follow Financial Regulations from the year 2022.

(iii) No. 1645(a)	Though the officers in charge of vehicles should use a log book with an accepted format to enter all details of vehicles in his charge, the Trust Fund had not done so.	Existing	Should be in conformity with the existing system	In compliance with the government Financial Regulations, log books are maintained by the Trust Fund using the format it has been using over a long period of time.	An accepted format should be used for log entries.	An accepted format will be used from the year 2022.
(iv) No. 1646	Though the summary of monthly running charts of vehicles of vehicles should be submitted to the Auditor General before the 15 th of the month coming after the relevant month, the Trust Fund had not submitted the summary of monthly running charts of the said vehicle.	Existing	Should be in conformity with the existing system	Since this was a vehicle allocated to the Director and since fuel is not provided by the Trust Fund, only log entries are maintained in respect of the relevant vehicle.	Action should be taken in line with Financial Regulations.	Action will be taken to follow Financial Regulations from the year 2022.
(b) Paragraph 3.1 of the Public Administration circular No. 30/2016 of 29 Dec. 2016	Though an inspection should be carried out about the fuel consumption of each vehicle after each 12-month period or running a distance of 25,000 kilometers,	Existing	Should be in conformity with the existing system	On each occasion fuel is pumped to the vehicle, an inspection is carried out on the fuel consumption. This has been conveyed to the Auditor	The circular should be followed.	Action will be taken as per the circular from the year 2022.

	the Trust Fund had not duly carried out this task.				General through monthly charts submitted to the Auditor General.		
(c) Financial Regulation 877(2) under the amendment of provisions of the Code of Financial Regulations of the Public Finance Circular No. 01/2020 dated 28 August 2020.	Though a performance report together with the certified financial statements in respect of each fund should be submitted to the Auditor General within 02 months of the conclusion of the Accounting Year, the Performance Report had not been submitted to the Auditor General.	New	The system should be introduced.	Though accounting reports had been prepared within 02 months of the conclusion of the accounting year. The relevant accounts could not be submitted to the Auditor General on due date as the meeting of the Board of Trustees could not be held due to the change of ministries.	The circular should be followed.	Action will be taken as per the circular from the year 2022.	

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 1,292,729,814 and the corresponding surplus in the preceding year amounted to Rs. 1,085,347,967. Therefore an improvement amounting to Rs. 207,381,847 of the financial result was observed. The reason for the improvement is the decrease in direct expenses by Rs.338,463,816 (24 percent) compared to preceding year.

3. Operational Review

3.1 Uneconomical transactions

Audit Observation	whether a new/existing observation	Risk control disclosure	Comments of the management	Recommendation	Actions taken & present situation
Though a travelling allowance had been paid by the Mahapola Trust Fund for all employees during the period of Covid-19 pandemic, Rs. 376,997 had been paid under Covid -19 petty cash for an employee serving in the Fund under contract basis for travelling undertaken during the 10 month period from January to October 2021 in addition to the said travelling allowance.	New	The existing system needs to be upgraded.	The Book Keeper of the Trust Fund had been recruited on contract basis and transport facilities were provided to him by a private company to report for duty when Covid-19 curfew was in force. For this purpose, a sum of Rs. 2,500 to Rs. 3,000 was spent daily.	Only one allowance should be paid for transport facilities.	All transport facilities were suspended from January 2022.

3.2 Identified Losses

Audit Observation	whether a new/existing observation	Risk control disclosure	Comments of the management	Recommendation	Actions taken & present situation
A van had been acquired by the fund from a private company at a price of Rs. 132,500 monthly without VAT under operating lease system on the basis of driving 3 000 km in a month within a contractual period of 60	New	The existing system needs to be upgraded.	Vehicle was not driven within 2 ½ years due to the temporary closure of the office because of the Covid-19 pandemic situation. As the car was not driven, approximately Rs. 4 lakhs of	Leasing agreements should be entered into only after the need for vehicles has been properly identified.	Since the lease agreement has been entered into for a period of 05 years, lease has to be paid until 30 Sep.2022. A request for an

months from 21 September 2017 to 20 September 2022. However, 51 months had passed since the acquisition of the relevant van and despite that having the ability to drive 153,000 km at 3,000 km per month for the amount spent during that period, only 116,456 km had been driven. As a result of driving a low mileage of 36,544 km without completing the minimum driving distance, the van that acquired without identifying the need correctly, the trust fund had incurred a financial loss of Rs.2,381,762.			fuel cost was saved to the fund.		alternative vehicle was made to the secretary of the Ministry of Trade, Commerce and Food Security by letter dated 24.08.2022. Action has been taken to abort the agreement from 30 September 2022
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3.3 Management inefficiencies

Audit Observation	whether a new/existing observation	Risk control disclosure	Comments of the management	Recommendation	Actions taken & present situation
The following recommendations given at the Committee on Public Enterprises held on 08 January 2021 have not been implemented so far. (i) Even though members had been appointed for the Board of Trustees of the Fund, the	New	The existing system needs to be upgraded.	The Trust Fund Act (Amendment) was gazetted on 14 January 2022 and the relevant request regarding the appointment of the Chairman has already been forwarded to the Ministry of Trade.	Reminders have to be sent to the Ministry to act in accordance with the recommendations of COPE.	The Trust Fund Act (Amendment) was gazetted on 14 January 2022 and the relevant request regarding the appointment of the Chairman has already been forwarded to the Ministry of Trade. It

requests made from the Ministry for the appointment of a Chairman had hitherto not been fulfilled.					has been delayed due to the prevailing situation in the country.
(ii) Necessary actions have not yet been taken to amend the Development Lotteries Board Act so as to receive a 50 per cent share of the profits of the Development Lottery Board to the Trust Fund.	Existing	The existing system needs to be upgraded.	Since the Development Lotteries Board Act has to be amended to obtain 50% of the share of the profit of the Development Lotteries Board to the Trust Fund, action was taken to prepare and submit a draft subsequent to discussions and the approval of the Minister and the President's Fund thereto has still not been granted.	Reminders have to be sent to the Ministry to act in accordance with the recommendations of COPE.	Action is being pursued to obtain the 50% share of unclaimed prize money included in the profit of DLB.
(iii) Even though instructions were given to conduct an internal inquiry regarding the financial fraud related to online Lottery, the investigation has not yet been completed.	Existing	The existing system needs to be upgraded.	A complaint was lodged with the Financial Crimes Investigation Division to ascertain whether a financial fraud had been committed as regards the Mahapola online lottery launched in the year 2013 and a letter of demand had been sent in order to recover Rs.750 million payable by the lottery operator as per the agreement and the related legal interest in this regard. An arbitral tribunal will be	Arrangements should be made promptly to get the amount receivable to the trust fund.	in appointing an arbitral tribunal in terms of the agreement with the DLB, an appeal was submitted as to the appointment of former Chief Justice Professor Sriyani Bandaranaike who was the then Chairperson of the Mahapola Trust Fund which is still pending. Soon after its conclusion, action will

				appointed by the lottery operator for arbitration in terms of the agreement, and measures will be taken to recover a sum of Rs. 750 million receivable to the Mahapola Fund and the legal interest thereon..		be taken for the recovery of the amount in arrears.
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3.4 Procurement Management

Audit Observation	whether a new/existing observation	Risk control disclosure	Comments of the management	Recommendation	Actions taken & present situation
Even though Rs. 500,000 had been allocated for the procurement of additional space for the Mahapola office complex according to the procurement plan, an expenditure of Rs. 859,305 was incurred for its advertising only during the year under review, and despite Rs.300,000 has been allocated for advertising, Rs. 804,978 had been spent on advertising and publication of newspaper advertisements.	New	The system should be introduced.	He relevant newspaper advertisement was published seeking to obtain a land, buildings as an endowment from a philanthropist and the total amount spent thereon was Rs. Eight Hundred Thousand.	Expenditure should be incurred as per the procurement plan.	A correct procurement plan will be prepared and implemented for the year 2022.

3.5 Human Resources Management

Audit Observation	whether a new/existing observation	Risk control disclosure	Comments of the management	Recommendation	Actions taken & present situation
<p>Even though the approved cadre of the Trust Fund was 31, the actual cadre as at 31 December 2021 was 13 thus 18 posts were vacant, and those vacancies were consisted of 06 senior level posts, 06 secondary level posts and 06 primary level posts. Those vacancies were not filled up to the end of the year under review, and 02 out of 06 senior level vacancies had been filled by April 2022.</p>	<p>Existing</p>	<p>The existing system needs to be upgraded.</p>	<p>Even though the approved cadre of the Trust Fund was 31, relevant recruitments are made taking the available space and need of the Fund into consideration. It is not practical to fill all the vacancies as recruitment is restricted as per government circulars. The Board of Trustees had given the approval to recruit for 4 vacant posts at the secondary level, and necessary actions are being taken for the same. Further, trainees are recruited from vocational training institutes continuously to support secondary level posts to cover vacancies available at present.</p>	<p>Action should be taken to recruit at least the minimum staff needed for fulfilling the requirements of the Fund.</p>	<p>A minimum staff has been recruited as per the available space in the office of the Trust Fund. Since a significant cost has to be incurred and in recruiting as per the Scheme of Recruitment and the process is time consuming, the amendment of SORs was approved by the Board of Trustees at its 95th meeting held on 04.08.2022. Future recruitments will be carried out accordingly.</p>

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	whether a new/existing observation	Risk control disclosure	Comments of the management	Recommendation	Actions taken & present situation
Though an annual action plan should be prepared stating the activities to be carried out during the relevant year by each division belonging to the Trust Fund, the dates on which such activities should be completed and persons responsible for such activities, the Trust Fund had not prepared an action plan for the year under review.	New	Should be in conformity with the existing system.	An annual action plan has been prepared for the year 2022.	Action should be prepared annually.	An annual action plan has been prepared for the year 2022.

4.2 Audit Committee

Audit Observation	whether a new/existing observation	Risk control disclosure	Comments of the management	Recommendation	Actions taken & present situation
The meetings of the Audit Committee had not been held for the year under review.	Existing	The system should be introduced.	No comments have been made.	Action should be taken to hold Audit Committee meetings.	An audit officer was recruited to the Fund in April 2022 and arrangements have been made to hold the audit committee meetings as scheduled from the last quarter of 2022.

FINANCIAL STATEMENTS

31 DECEMBER 2021


MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND
STATEMENT OF FINANCIAL POSITION


(Expressed in Sri Lankan Rupees)

AS AT 31 DECEMBER	Notes	2021	2020
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	12	841,968,416	870,388,263
Intangible Assets	13	669,280	606,180
Investment Property	14	352,660,179	12,460,179
Investment in Subsidiary	15	985,000,000	985,000,000
Other Investments	16	2,200,000	2,200,000
Financial Assets	17	12,962,967,385	11,827,211,201
Total Non-Current Assets		15,145,465,260	13,697,865,823
Current Assets			
Other Assets	18	6,125,764	5,844,020
Advances and Prepayments	19	1,937,954	1,202,085
Other Receivables	20	381,372,566	722,067,345
Cash and Cash Equivalents	21	1,926,327	72,064,231
Total Current Assets		391,362,611	801,177,681
TOTAL ASSETS		15,536,827,871	14,499,043,504
EQUITY AND LIABILITIES			
EQUITY			
Accumulated Fund		10,147,376,951	10,147,376,951
FVTOCI Financial Assets Reserve		(168,796,660)	-
Retained Earnings		5,487,540,598	4,036,947,280
Total Equity		15,466,120,889	14,184,324,231
Non Current Liabilities			
Retirement Benefit Obligation	22	4,905,475	4,587,845
Total Non Current Liabilities		4,905,475	4,587,845
Current Liabilities			
Accruals & Other Payables	23	65,801,507	310,131,428
Total Current Liabilities		65,801,507	310,131,428
TOTAL EQUITY AND LIABILITIES		15,536,827,871	14,499,043,504

The Board of Trustees are responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Trustees and signed on their holding.


.....
Mrs. Bhadrani Jayawardena
Secretary
Ministry of Trade
Ex-officio Trustee of Mahapola Trust Fund


.....
Mr. S. V. D. K. Gunasekara
Appointed Trustee
Mahapola Higher Education
Scholarship Trust Fund


.....
Mr. M. Parackrama Bandara
Director
Mahapola Higher Education
Scholarship Trust Fund

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 through 24 form an integral part of the financial statements.

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER		2021	2020
	Notes		
Revenue	7	2,412,299,900	2,542,964,725
Direct Expenses (Scholarship Payments)	8	(1,052,955,600)	(1,391,419,416)
		1,359,344,300	1,151,545,309
Other Income	9	534,614	52,640
Total Income		1,359,878,914	1,151,597,949
Administrative Expenses	10	(67,078,075)	(66,178,257)
Finance Cost	11	(71,025)	(71,725)
Total Expenses		(67,149,100)	(66,249,982)
Surplus / (Deficit) Before Tax		1,292,729,814	1,085,347,967
Income Tax Expenses		-	-
Net Surplus / (Deficits)		1,292,729,814	1,085,347,967
Other Comprehensive Income / (Expense)			
Net Gain/(Loss) on Debt Instruments at Fair value through Other Comprehensive Income	17.1	(168,796,660)	-
Net Surplus after the Comprehensive Income For The Year		1,292,729,814	1,085,347,967

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 through 24 form an integral part of the financial statements.

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND**STATEMENT OF CHANGES IN EQUITY***(Expressed in Sri Lankan Rupees)***FOR THE YEAR ENDED 31 DECEMBER**

	Accumulated Fund	FVTOCI Financial Assets Reserve	Retained Earnings	Total
Balance as at 01 January 2020	10,147,376,951	-	2,947,863,461	13,095,240,412
Net Surplus /(Deficits) for the year	-	-	1,085,347,967	1,085,347,967
Prior Year Adjustments (Note I)	-	-	3,735,852	3,735,852
Balance as at 31 December 2020	10,147,376,951	-	4,036,947,280	14,184,324,231
Net Surplus /(Deficits) for the year	-	-	1,292,729,814	1,292,729,814
Other Comprehensive Income / (Expense)	-	(168,796,660)	-	(168,796,660)
Prior Year Adjustments (Note I/ II)	-	-	157,863,504	157,863,504
Balance as at 31 December 2021	10,147,376,951	(168,796,660)	5,487,540,598	15,466,120,889

Note I

Prior year adjustment represents, correction of Share of Profit from Development Lotteries Board relating to previous year.

Note II

Prior year adjustment represents, correction of the face value of Treasury Bonds relating to previous years.

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND**STATEMENT OF CASH FLOWS***(Expressed in Sri Lankan Rupees)***FOR THE YEAR ENDED 31 DECEMBER****2021****2020****Cash Flow From Operating Activities**

Net Surplus/ (Deficits)	1,292,729,814	1,085,347,967
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Adjustment For;

Depreciation	31,589,511	30,769,145
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Profit on Disposal of Fixed Assets	772,000	-
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Gratuity	317,630	752,515
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Prior Year Adjustments	157,863,504	3,735,852
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Operating Surplus Before working capital changes	1,483,272,459	1,120,605,480
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Working Capital Changes

Increase/Decrease in Other Receivables	339,677,165	45,836,430
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Increase/Decrease in Other Payables	(244,329,921)	(152,052,194)
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Cash from Operations	95,347,244	(106,215,764)
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Net Cash Inflows / Outflows from Operating Activities	1,578,619,703	1,014,389,716
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Cash Flows From Investing Activities

Acquisition of Property Plant & Equipments	(343,921,459)	(377,850)
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Acquisition of Intangible Assets	(283,306)	(77,500)
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Sales Proceeds from Disposal of Fixed Assets	-	-
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Investment / (Withdrawal) in Financial Assets	(1,304,552,843)	(1,080,030,155)
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Net Cash Inflows / (Outflows) from Investing Activities	(1,648,757,608)	(1,080,485,505)
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Cash Flows From Financing Activities

Dividend Paid	-	-
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Net Cash Inflows/(Outflow) from Finance Activities	-	-
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Net Increase/(Decrease) in Cash & Cash Equivalents	(70,137,904)	(66,095,789)
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Cash & Cash Equivalent as at 01 January	72,064,231	138,160,020
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Cash & Cash Equivalents as at 31 December	1,926,327	72,064,231
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Figures in brackets indicate deductions.**The accounting policies and notes on pages 05 through 24 form an integral part of the financial statements.**

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. CORPORATE INFORMATION

1.1. General

Mahapola Higher Education Scholarship Trust Fund (Trust Fund) is a Trust Fund established in 1981 under the Act of Parliament No. 66 of 1981 and the management and control of the Trust Fund is vested to the Board of Trustees. It is located at 4th Floor, J R Jayewardene Centre, 191, Dharmapala Mawatha, Colombo 07.

1.2. Principal Activities and Nature of Operations

The fund awards Scholarships for the unprivileged youth to obtain higher education and to create equal opportunities for higher education through the improvement of facilities.

1.2.1. Mahapola Trust Fund

The aims and objects of the Fund shall be -

- (a) to provide higher education facilities to youths;
- (b) provide assistance to deserving youths who have completed their secondary education satisfactory, so as to enabling them to complete their academic, industrial or technical education at a university or technical or higher education institute, as the case may be;
- (c) to set up and assist in the setting up and management of Vocational Training Institutes for enabling youth to develop their vocational skills and competence;
- (d) to set up and assist in the management and conduct of schools, institutes, foundations and similar institutions engaged in the furtherance of education; and
- (e) to provide assistance for the development and improvement of the skills and competence of lecturers, teachers, and such persons engaged in the furtherance of education.

1.3. Date of Authorization for Issue

The Financial Statements of Mahapola Scholarship Trust Fund for the year ended 31 December 2021, were authorized for issue, in accordance with a resolution of the Board of Trustees on 08th March 2022.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Financial Statements which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes as at 31 December 2021 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by the Institute of Chartered Accountants of Sri Lanka.

2.2. Basis of Measurement

The financial statements have been prepared on an accrual basis and under the historical cost convention unless otherwise stated.

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

2.3. Materiality and Aggregation

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial position only when there is a legally enforceable 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 liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation as specifically disclosed in the accounting policies.

2.4. Comparative Information

The accounting policies have been consistently applied by the Trust Fund with those of the previous financial year in accordance with LKAS 01 Presentation of Financial Statements, except those which had to be changed as a result of application of the new SLFRS. Further, comparative information is reclassified wherever necessary to comply with the current presentation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLITIES

The significant accounting policies applied by the Trust Fund in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in theses financial statements, unless otherwise is indicated.

3.1. Property Plant and Equipment

3.1.1. Basis of Recognition

Property, Plant and Equipment are tangible items that are held for servicing or for administrative purposes, and are expected to be used during more than one year.

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the company and cost of the assets can be measured reliably.

3.1.2. Basis of Measurement

An item of Property, Plant and Equipment that qualifies for recognition as assets is initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the assets and cost incurred subsequently to add to, or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to brining the items and restoring at the site on which they located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property Plant and Equipment.

The trust fund applies the cost to model to property Plant and Equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

3.1.3. Subsequent costs

The cost of replacing a part of an item Property, Plant and Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the fund and its cost can be measured reliably. The cost of day today servicing of property, plant and equipment is charged to the statement of profit or loss as incurred.

3.1.4. Repairs and Maintenance

Repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred. The cost of major renovation is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently replace an identifiable part of the assets. Major renovations are depreciated during the remaining the remaining useful life of the related assets.

3.1.5. De-recognition

Property, Plant and Equipment are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is recognised in "Other operating income" in the statement of profit or loss in the year the assets is de-recognized.

3.1.6. Depreciation

Depreciation is recognized in the statement of profit or loss on a straight-line over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflect the expected pattern of consumption of the future economic benefits embodies in the assets.

The estimated useful lives are as follows;

Buildings and Fixtures	40 years
Furniture and Fittings	05 years
Office Equipment	05 years
Computer and Accessories	04 years
Motor Vehicle	05 years

The depreciation rates determined separately for each significant part of an item of Property, Plant and Equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted, if appropriate.

3.1.7. Intangibles Assets

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the fund and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite useful lives

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

The estimated useful lives for Intangible Assets are as follows:

Item	Useful Life
Computer software	5 years
Web Site	5 years

De-recognition

The carrying amount of an intangible asset is de-recognised on disposal or when no future economic benefits are expected from its use. Gain or loss arising from de-recognition of an intangible asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset as at the date of disposal, and are recognised in the statement of profit or loss when the asset is de-recognised.

3.2. Investment Property

3.2.1. Basis of Recognition and Measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost. Subsequent to initial recognition, the investment properties are stated at cost.

3.2.2. De-recognition

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

3.2.3. Subsequent transfer to/from Investment Property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change use, Evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the company as an owner occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under the property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss. When the company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

3.2.4. Impairment of Non-Financial Assets

The Trust Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use 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 groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset 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 a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

3.3. Investment in Subsidiaries and Other Investment

Investment in Subsidiaries and other investment are initially recognized at cost in the financial statements of the company. Any transaction cost relating to acquisition of subsidiaries are immediately recognised in the income statement, following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses.

3.4. Foreign Currencies

a) Functional and Presentation Currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at the yearend exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. Monetary assets & liabilities balances are translated at year end exchange rate.

3.5. Taxation

3.5.1. Current taxation

Current Income Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date.

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The basis of the provision for income tax for the Trust Fund is as follows;

a) Mahapola Trust Fund

Mahapola Higher Education Scholarship Trust Fund is liable for income tax then the final tax would be calculated on net income for the period and all the expenditure treated as allowable expenses then arriving at the determination of the final income on calculation tax.

b) Cabinet Decision on Income Tax of Mahapola Higher Education Scholarship Trust Fund

Cabinet Papers - Policy Matters

Cabinet Paper No.20/0144/215/010, a Memorandum dated 2019-12-31 by the Minister of Higher Education, Technology and Innovation on Obtaining Cabinet approval for the inclusion of the Mahapola Higher Education Scholarship Trust Fund in the Third schedule of section 9 of the Inland Revenue Act, No.24 of 2017 in order to exempt from all the taxes including import Duties, Income Tax & Gifts Tax and Withholding Tax as specified in section 12 of the Mahapola Higher Education Scholarship Trust Fund Act, No.66 of 1981 –the above Memorandum was considered along with the observations of the Minister of Finance, Economy and Policy Development. After discussion, it was decided to direct the Secretary, Ministry of Higher Education, Technology and Innovation, to explore the possibility of submitting a proposal in the next Budget for the purpose indicated in the memorandum, in association with the secretary, Ministry of Finance, Economy and Policy Development and pursue action accordingly.

3.5.2. Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised.

3.6. Cash & Cash Equivalents

Cash and cash equivalents comprise cash in hand and bank, other short-term highly liquid investments with original maturities of three months or less from the date of acquisition. Bank overdrafts are shown under current liabilities on the balance sheet.

4. FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

4.1. Financial Assets

4.1.1. Classification and Measurement of Financial Assets

From 1st January 2018 as per SLFRS 9, the Trust Fund classifies all of its financial assets based on the business model for managing the assets and the assets contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

4.1.2. Financial assets measured at Amortised Cost

As per SLFRS 9, financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4.1.3. Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

4.1.4. Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and ECL and reversals are recognised in profit or loss. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. These instruments comprise Government Securities that had previously been classified as available for sale under LKAS 39.

4.1.5. Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of de-recognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

These instruments comprise unquoted shares that had been previously classified as Available for sale under LKAS 39.

4.1.6. Financial Assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor

held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

As per LKAS 39, financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

4.2. Financial Liabilities

4.2.1. Classification and subsequent measurement of financial liabilities

As per SLFRS 9, the financial liabilities are classified as follows.

- Financial liabilities at fair value through profit or loss, and within this category as
 - Held for trading or
 - Designated at fair value through profit or loss
- Financial liabilities measured at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

4.2.2. 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 that are not designated at FVTPL are classified as financial liabilities at amortised cost.

4.3. De recognition of Financial Assets and Financial Liabilities

4.3.1. Financial Assets

The Company derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. However, cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on de-recognition of such securities as per SLFRS 9.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Company retains all or substantially all risks and rewards of ownership of such assets.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Company has retained.

4.3.2. Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

4.3.3. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

5. Liabilities and Provisions

5.1. Liabilities

5.1.1. Retirement Benefit Obligations

5.1.1.1. Defined Benefit Plan – Retirement Gratuity

Provision has been made for retiring gratuities which is a defined benefit plan from the first year of service for all employees in conformity with Sri Lanka Accounting Standards. However under the Payment of Gratuity Act No 12 of 1983, liability to an employee arises only on completion of five years of service. The liability is calculated on the basis of half a month's salary for each year of service. The item is stated under Employee Benefit Liability in the Statement of Financial Position.

The gratuity liability is not externally funded.

5.1.1.2. Defined Contribution Plans- Employee Provident Fund & Employee Trust Fund

The Trust Fund contributes to Employees' Provident Fund contribution and Employees' Trust Fund contribution is covered by relevant contribution funds in line with respective regulation. Obligations for contributions to the plans covering the employees are recognized as an expense in the income statement.

Employees' Provident Fund

The Trust Fund and Employees contribute to provident fund at 15% and 10% respectively on gross salary.

Employees' Trust Fund

The Trust Fund contributes 3% on gross salary to the Employees' Trust Fund.

5.2. Provisions

Provisions are recognised when the Trust Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

6. INCOME AND EXPENSES

6.1. Revenue Recognition

From 1st January 2018 as per SLFRS 15 replaces revenue recognition guidance, including LKAS 18 on Revenue LKAS 11 on Construction Contracts and IFRIC 13 on Customer Loyalty Programmes.

SLFRS 15 provides a comprehensive framework for determining whether, how much, and when revenue is recognised. Entities are required to apply five step model to determine when to recognise revenue and at what amount. The model specifies that revenue is recognised when or as an entity transfer control of goods and services to a customer at the amount at which the entity expects to be entitled and when it is probable that the economic benefits will flow to the Trust Fund and the revenue and associated costs incurred or to be incurred can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

6.1.1. Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

6.1.2. Other Income

Other income is recognised on an accrual basis.

6.2. Expenses

All expenditures incurred in the running of the business have been charged to income in arriving at the profit for the year. Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Sri Lankan Rupees)
FOR THE YEAR ENDED 31 DECEMBER
2021
2020
7 Revenue

Net Interest Income (NWCL and MTF)	(Note 7.1)	1,157,299,900	1,255,366,340
Share of Profit from Development Lotteries Board		1,230,000,000	1,262,598,385
Lease Rental from SLIIT		25,000,000	25,000,000
		2,412,299,900	2,542,964,725

7.1 Mahapola Trust Fund Investment Income

MTF -Investment Income	(Note 7.2)	1,157,299,900	1,255,366,340
		1,157,299,900	1,255,366,340

7.2 MTF -Investment Income

Treasury Bonds -Coupon	(Note 7.3)	676,572,164	579,451,161
Treasury Bonds -Capital Gain Net of Premium			173,237,794
Treasury Bills -Interest		-	238,865
Debenture Interest		161,279,088	205,311,963
Fixed Deposits Interest Net of WHT		309,751,558	287,876,625
REPO Income		3,711,191	2,462,846
Overnights Income		5,862,119	6,552,749
Sweeper Income		123,779	234,337
		1,157,299,900	1,255,366,340

7.3 Treasury Bond Coupon

Treasury Bonds -Coupon		676,572,164	629,944,580
Less :Treasury Bond Premium & Discount		-	(50,493,419)
		676,572,164	579,451,161

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in Sri Lankan Rupees)***FOR THE YEAR ENDED 31 DECEMBER****2021****2020****8 Direct Expenses****Scholarship Payments**

Scholarship Payments - Universities	(Note 8.1)	984,512,850	1,321,558,450
Scholarship Payments - Technological Colleges		61,581,500	63,617,000
Scholarship Payments - Other Higher Education Institutes		6,861,250	4,354,750
New Scholarship Award Expenses		-	1,889,216
		1,052,955,600	1,391,419,416

8.1 Scholarship Payments -Universities

Scholarship Payments -Universities	1,830,436,600	2,583,971,250
Less : Treasury Contribution (through UGC)	(845,923,750)	(1,262,412,800)
	984,512,850	1,321,558,450

9 Other Income

Staff loan Interest	54,744	32,818
Donations	365,550	-
Scholarship Deduction	27,000	13,400
Sundry Income	87,320	6,422
	534,614	52,640

Figures in brackets indicates deductions.**Notes to the Financial Statements Continued**

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	2021	2020
10 Administrative Expenses		
Salaries	12,448,631	12,590,984
Attendance & Communication Allowance	1,184,000	1,523,500
Overtime & Weekend Payments	583,285	490,483
E.P.F	1,174,779	1,033,835
E.T.F	255,561	232,211
Leave Encashment & Staff Incentive	147,767	-
Depreciation	31,369,306	30,589,616
Amortization	220,205	179,529
Postage & communication	39,540	56,835
Gratuity	321,961	482,837
Welfare Expenses	215,602	157,664
Telephone	804,320	567,465
Audit Fees	300,000	1,306,140
Translation & Other Service Fees	539,130	402,513
BOT & Investment Meeting Fees	362,500	464,944
Fuel, Travelling & Subsistence	1,803,219	408,803
Water	12,358	9,727
Electricity	496,017	552,982
Cleaning Expenses	46,500	43,100
Entertainment Expenses	64,033	60,226
Security Charges	272,160	336,160
Printing & Stationeries	1,860,663	910,953
Maintaince Expenses- Office Equipment	369,241	320,479
Office Rent -J.R.Jayawardenare	3,623,400	3,571,163
System Maintenance & IT Expenses	190,950	241,578
Donations -J.R.Jayawardenare Centre	10,000	755,000
Insurance -Staff	323,151	328,750
Advertisement Expenses	1,927,784	163,500
Legal Fees	194,309	2,344,514
Subscription Fees	24,590	6,595
Sundry Expenses	90,805	76,412
Web Site Development Cost	-	-
Vehicle Lease Rental	1,717,200	1,717,200
Vehicle Maintenance	477,317	515,094
Custodian Fees -BOC Investment Banking	2,592,000	3,507,388
Healthcare & Safety Expenses	265,794	230,078
Annual Report Expenses		-
Project -Mihintale	750,000	-
	67,078,075	66,178,257
11 Finance Cost		
Bank Charges	71,025	71,725
Loan Interest	-	-
	71,025	71,725

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in Sri Lankan Rupees)***FOR THE YEAR ENDED 31 DECEMBER 2021****12 Property, Plant & Equipment**

Gross Carrying Amounts	Balance As at 01.01.2021	Additions	Disposals	Balance As at 31.12.2021
Buildings	1,064,520,695	-	-	1,064,520,695
Furniture and Fittings	7,935,353	471,459	-	8,406,812
Office Equipment	1,614,435	2,335,500	-	3,949,935
Computer & Accessories	7,171,330	142,500	-	7,313,830
Motor Vehicles	16,190,000	-	-	16,190,000
Nat Wealth Assets	-	772,000	(772,000)	-
Total Value of Depreciable Assets	1,097,431,813	3,721,459	(772,000)	1,100,381,272

Accumulated Depreciation and Impairment	Balance As at 01.01.2021	Charge for the Year	Disposals	Balance As at 31.12.2021
Buildings	208,588,515	24,455,205	-	233,043,720
Furniture and Fittings	5,955,654	2,043,538	-	7,999,192
Office Equipment	1,117,979	738,541	-	1,856,520
Computer & Accessories	5,774,782	894,022	-	6,668,804
Motor Vehicles	5,606,619	3,238,000	-	8,844,619
Total Depreciation	227,043,550	31,369,306	-	258,412,856

Net Book Values

Buildings	831,476,975	855,932,180
Furniture and Fittings	407,620	1,979,699
Office Equipment	2,093,415	496,456
Computer & Accessories	645,026	1,396,548
Motor Vehicles	7,345,381	10,583,381

Total Carrying Amount of Property, Plant & Equipment	841,968,416	870,388,263
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Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in Sri Lankan Rupees)***FOR THE YEAR ENDED 31 DECEMBER 2021****13 Intangible Assests**

Gross Carrying Amounts	Balance As at 01.01.2021	Additions	Disposals	Balance As at 31.12.2021
Computer Software	177,000	-	-	177,000
Mahapola Web site	775,000	-	-	775,000
MS Office -2019		283,306	-	283,306
Total Value of Depreciable Assets	952,000	283,306	-	1,235,306

Accumulated Depreciation and Impairment	Balance As at 01.01.2021	Charge for the year	Disposals	Balance As at 31.12.2021
Computer Software	70,218	35,400	-	105,618
Mahapola Web site	275,602	155,000	-	430,602
MS Office -2019		29,805	-	29,805
Total Depreciation	345,820	220,205	-	566,025

Net Book Values

Computer Software	71,382	106,782
Mahapola Web site	344,398	499,398
MS Office -2019	253,501	
Total Carrying Amount of Intangible Assets	669,280	606,180

14 Investment Property

	2021	2020
Free Hold Land (at Malabe -Leased out to SLIIT)	12,460,179	12,460,179
Lease Hold Land (at Millewa)	340,200,000	-
	352,660,179	12,460,179

Note: This land which is at Malabe leased out to Sri Lanka Institute of Information Technology Guranty Ltd.

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	2021	2020
15 Investment In Subsidiaries		
National Wealth Corporation *	985,000,000	985,000,000
	985,000,000	985,000,000
* National Wealth Corporation Ltd (NWCL) set up as a fully owned subsidiary of Mahapola Trust Fund		
16 Other Investments		
Capital Investment of Development Lotteries Board	2,200,000	2,200,000
	2,200,000	2,200,000
17 Financial Assets		
Financial Assets at FVTOCI		
Treasury Bonds (Note)	7,992,639,179	5,772,569,282
Treasury Bond Premium & Discount	-	165,655,344
Financial Assets at Amortised Cost		
Treasury Bills	-	215,000,000
Debentures	1,075,000,000	1,458,750,000
Fixed Deposits	3,760,000,000	3,913,071,233
Financial Assets at FVPL		
REPO	134,000,000	300,000,000
BOC- Sweeper Account -4079	1,328,206	2,165,343
	12,962,967,385	11,827,211,201
17.1 Treasury Bonds		
Balance at as at 31 December	8,161,435,839	5,772,569,282
Fair Value Changes During the Year	(168,796,660)	-
Fair Value as at 31 December	7,992,639,179	5,772,569,282
18 Other Assets		
Retirement Benefit Assets (Fixed Deposit)	3,685,913	3,485,497
Stationery Stock	279,341	198,013
Rent deposit Jayawardna Centre	1,811,700	1,811,700
CWE Rent Deposit	348,810	348,810
	6,125,764	5,844,020

Figures in brackets indicates deductions.
Notes to the Financial Statements Continued

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in Sri Lankan Rupees)***FOR THE YEAR ENDED 31 DECEMBER****2021****2020****19 Advances and Prepayments**

Staff Loan & Advances	1,477,096	775,363
University Grant Commission	399,000	399,000
Prepayment Medical Insurance	61,858	23,973
Festival Advance	-	3,750
	1,937,954	1,202,085

20 Other Receivables

Receivable NWCL/NWSL - Due Diligence Audit Fees	3,208,265	3,769,451
- Legal Fees	94,500	1,744,249
- Liquidation Fees	193,580	60,000
UGC Receivables (Treasury Contribution)	49,807,900	129,359,400
DLB Profit Share Receivables	219,503,210	109,302,245
Fixed Deposit Interest Receivables	64,887,973	214,405,331
Treasury Bond Coupon Receivables	-	203,466,586
Debenture Interest Receivables	42,799,052	59,537,942
Gratuity FD Interest Receivables	71,194	77,421
Overnight Income	-	-
Scholarship Payment Receivables	25,000	25,000
Receivables -Trade Ministry	772,000	
	381,362,673	721,747,625
Vehicle Insurance Receivables	-	314,186
Insurance Premium Receivables	9,893	5,534
	381,372,566	722,067,345

21 Cash & Cash Equivalents

BOC- Current Account -1791	853,373	666,909
BOC - Current Account -83302834	206,090	677,058
BOC -Current Account -83867162	866,863	720,264
BOC - Overnight Investment -1791	-	70,000,000
	1,926,327	72,064,231

22 Retirement Benefit Obligation

Balance as at 01 January	4,587,845	3,835,329
Gratuity FD Interest Income	194,189	269,678
Expenses Recognized in Profit or Loss	123,441	482,838
Balance as at 31 December	4,905,475	4,587,845

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in Sri Lankan Rupees)*

FOR THE YEAR ENDED 31 DECEMBER	2021	2020
23 Accruals & Other Payables		
Scholarship Payables -Universities	50,715,900	260,685,500
Scholarship Payables - Technical colleges	7,313,600	37,578,500
Scholarship Payables - Higher Education Institutes	-	1,033,700
Retention A/C	1,547,409	1,547,409
Retention A/C St.Anne's College	382,417	382,417
Retention A/C Sir.John Kothalawala College	243,502	243,502
Retention Embilipitiya Swimming Pool Expenses	585,449	585,449
	60,788,277	302,056,477
UGC Award expenses Payable	-	1,074,259
Audit Fees Payable	348,000	649,140
Contribution Lalithathulathmudali Fund	-	750,000
UGC Grant Payable	68,600	66,150
Slip Return	2,260,450	2,340,165
Virtual Hosting	23,328	23,328
Telephone Bill	30,854	24,514
Payables for Overtime	27,430	76,689
Payables for Attendance Allowance	91,500	130,000
School Development Activites	1,074,097	1,074,097
Payables for Salaries & Wages	111,250	161,750
Scholarship Payment Payable	475,700	465,900
Insurance Claim Payable		17,235
Custodian Fees Payable	432,000	648,000
Security Charges	-	42,120
Provision for Vehicle Rent	-	143,100
Electricity & Water	51,378	244,533
Stationery & Printing Charges	18,643	143,971
	5,013,230	8,074,951
	65,801,507	310,131,428

24 Capital and Other Commitments

There were no material capital expenditure or other financial commitments approved by the Board of Directors as at 31 December 2021.

25 Events after the Reporting Period

There were no events occurred, which required adjustments or disclosure in these financial statements between the 31 December reporting date and the date of

26 Contingent liabilities

There were no material contingent liabilities as at 31 December 2021 which require adjustments to / or disclosure in the Financial Statements.

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in Sri Lankan Rupees)***FOR THE YEAR ENDED 31 DECEMBER 2021****27 Related Party Disclosures**

The Trust Fund related parties includes the Related Entities and Key Management Personnel.

Transactions with Related Entities

The following transactions have been carried out with related parties during the year ended 31 December 2021 under normal commercial terms.

Name of the Company / Entity	Relationship	Nature of Transactions	Value of Transaction	Amount Due from /(to)
Development Lotteries Board	Common Director	Share of Profit	1,272,646,405	219,503,210
NatWealth Securities Limited	Common Director	Purchase of Fixed Assets	3,302,583	-
National Wealth Corporation Limited	Common Director	Expenses incurred Payment Received	3,496,345 (5,573,700)	3,496,345

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2021

28 Financial Instruments and Risk Management

The accounting classification of each category of financial instruments and their carrying amounts reported in the statement of financial position are stated below.

The Carrying Values of Financial Assets and Liabilities.	Note	2021	2020
Fair Value Through Other Comprehensive Income Financial Assets			
Treasury Bonds	17	7,992,639,179	5,772,569,282

The FVTOCI investments are stated at Fair Value as at 31 December 2021.

Fair Value Through Profit or Loss Financial Assets			
REPO	17	134,000,000	300,000,000
BOC- Sweeper Account -4079	17	1,328,206	2,165,343
		135,328,206	302,165,343

Amortized Cost			
Treasury Bills	17	-	215,000,000
Debentures	17	1,075,000,000	1,458,750,000
Fixed Deposits	17	3,760,000,000	3,913,071,233
Other Receivables	20	381,362,673	721,747,625
Cash and Cash Equivalents	21	1,926,327	72,064,231
		5,218,289,000	6,380,633,088

The corporate loans are stated at amortized cost using effective interest rate and other categories of financial asset designated at amortized cost are stated at carrying values as their carrying value approximates the fair value.

FINANCIAL LIABILITIES

Other Financial Liabilities			
Other Payables	23	60,788,277	302,056,477

The financial liabilities are stated at amortized cost using the effective interest method.

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued