



**Lalith Athulathmudali Mahapola
Higher Education Scholarship Trust Fund**

Financial Statements 2019



**Ministry of Higher Education, Technology
& Innovations**

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund


Statement of Financial Position

As At 31 December 2019


	Notes	2019 Rs.	2018 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	12	900,600,030	913,888,938
Intangible Assets	13	708,209	-
Investment Property	14	12,460,179	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	10,747,181,046	10,230,227,708
		12,648,149,463	12,143,776,825
Current Assets			
Other Assets	18	5,724,867	4,461,271
Advances and Prepayments	19	1,658,029	1,579,729
Receivables	20	767,566,984	155,363,740
Cash and Cash Equivalents	21	138,160,020	140,608,323
		913,109,900	302,013,063
TOTAL ASSETS		13,561,259,363	12,445,789,888
EQUITY AND LIABILITIES			
EQUITY			
Accumulated Fund		10,147,376,951	10,147,376,951
Retained Earnings		2,947,863,461	2,148,934,763
Total Equity		13,095,240,412	12,296,311,714
Non Current Liabilities			
Retirement Benefit Obligation	22	3,835,329	3,172,760
		3,835,329	3,172,760
Current Liabilities			
Accruals & Other Payables	23	462,183,622	146,305,414
		462,183,622	146,305,414
TOTAL EQUITY AND LIABILITIES		13,561,259,363	12,445,789,888

The Board of Trustees are responsible for the preparation and presentation of these financial statements


Signed for and on behalf of the board by:



 Mr. Anura Dissanayake
 Secretary
 Ministry of Higher Education, Technology
 and Innovations
 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

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

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 Rs.	2018 Rs.
Revenue	7	2,167,588,794	1,854,746,428
Direct Expenses (Scholarship Payments)	8	<u>(1,311,706,136)</u>	<u>(1,325,566,790)</u>
		855,882,658	529,179,638
Other Income	9	77,727	3,753,459
Total Income		<u>855,960,385</u>	<u>532,933,097</u>
Administrative Expenses	10	(63,253,113)	(81,372,485)
Finance Cost	11	<u>(36,734,476)</u>	<u>-</u>
Total Expenses		<u>(99,987,589)</u>	<u>(81,372,485)</u>
Surplus/(Deficit) Before Tax		755,972,796	451,560,612
Income Tax Expenses		-	-
Net Surplus/(Deficits)		<u>755,972,796</u>	<u>451,560,612</u>
Other Comprehensive Income		-	-
Total Comprehensive Income For The Year		<u>755,972,796</u>	<u>451,560,612</u>

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

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Statement of Changes In Equity

For the year ended 31 December 2019

	Accumulated Fund Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2018	10,147,376,951	1,697,374,151	11,844,751,102
Net Surplus /(Deficits) for the year	-	451,560,612	451,560,612
Balance as at 31 December 2018	<u>10,147,376,951</u>	<u>2,148,934,763</u>	<u>12,296,311,714</u>
Net Surplus /(Deficits) for the year	-	755,972,796	755,972,796
Prior Year Adjustments	-	42,955,902	42,955,902
Balance as at 31 December 2019	<u>10,147,376,951</u>	<u>2,947,863,461</u>	<u>13,095,240,412</u>

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

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Statement of Cash Flows

For the year ended 31 December 2019

	2019	2018
	Rs.	Rs.
Cash Flow From Operating Activities		
Net Surplus/ (Deficits)	755,972,796	451,560,612
<u>Adjustment For:</u>		
Depreciation	29,715,489	56,039,045
Profit on Disposal of Fixed Assets	-	(3,457,750)
Gratuity Expense	662,569	999,218
Prior Year Adjustments of Investment Portfolio	42,955,902	-
Operating Surplus/(Deficits) Before working capital	<u>829,306,757</u>	<u>505,141,125</u>
<u>Working Capital Changes</u>		
Increase/Decrease in Receivables	(613,545,140)	(97,986,980)
Increase/Decrease in Payables	315,878,208	95,810,833
Cash from Operations	<u>(297,666,932)</u>	<u>(2,176,148)</u>
Net Cash Inflows/Outflows from Operating Activities	<u>531,639,825</u>	<u>502,964,977</u>
Cash Flows From Investing Activities		
Acquisition of Property Plant & Equipments	(16,426,582)	(2,002,645)
Acquisition of Intangible Assets	(708,209)	-
Sales Proceeds from Disposal of Fixed Assets	-	3,457,750
Investment / (Withdrawal) in Financial Assets	(516,953,338)	(370,961,860)
Net Cash Inflows/(Outflows) from Investing Activities	<u>(534,088,129)</u>	<u>(369,506,755)</u>
Cash Flows From Financing Activities		
Dividend Paid	-	-
Net Cash Inflows/(Outflow) from Finance Activities	<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,448,303)	133,458,222
Cash & Cash Equivalent as at 01.01.2018	140,608,323	7,150,101
Cash & Cash Equivalents as at 31.12.2019	<u>138,160,020</u>	<u>140,608,323</u>

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

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

Corporate Information

1.1 General

Lalith Athulathmudali 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 Lalith Athulathmudali Mahapola Scholarship Trust Fund for the year ended 31 December 2019, were authorized for issue, in accordance with a resolution of the Board of Trustees on 28/02/2020.

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 2019 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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

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 Policies

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 these 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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

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 bringing 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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

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 embodied 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

Accounting Policy

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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

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 year end 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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

3.5.1 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.

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

a) Mahapola Trust Fund

Trust Fund is exempt from Income Tax as per the Act No 66 of 1981 of Mahapola Higher Education Scholarship Trust Fund.

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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

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.

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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

5. LIABILITIES AND PROVISIONS

5.1 Liabilities

5.1.1 Retirement Benefit Obligations

5.1.2 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 Standard for SMEs. 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.

5.1.3 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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

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.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2019

7 Revenue	2019 Rs.	2018 Rs.
Net Interest Income (NWCL and MTF) -Sub Note 7.1	1,150,242,194	930,146,041
Share of Profit from Development Lotteries Board	997,346,600	904,600,387
Lease Rental from SLIIT	20,000,000	20,000,000
	<u>2,167,588,794</u>	<u>1,854,746,428</u>
7.1 Net Interest on Portfolio Managed by NWCL and Other Interest	2019 Rs.	2018 Rs.
NWCL Portfolio- Investment Income	-	758,219,849
MTF -Investment Income (Sub Note 7.2)	1,150,242,194	171,926,192
	<u>1,150,242,194</u>	<u>930,146,041</u>
7.2 MTF -Investment Income	2019 Rs.	2018 Rs.
Treasury Bonds -Coupon (Sub Note 7.3)	621,446,796	109,772,203
Treasury Bonds -Capital Gain Net of Premium	50,165,824	-
Treasury Bills -Interest	6,270,403	-
Assets Bank Income	32,401,919	-
Debenture Interest	171,570,098	-
Fixed Deposits Interest Net of WHT	253,265,898	52,401,309
REPO Income	9,191,949	5,660,517
Overnights Income	5,683,277	3,786,337
Sweeper Income	246,030	305,826
	<u>1,150,242,194</u>	<u>171,926,192</u>
7.3 Treasury Bond Coupon	2019 Rs.	2018 Rs.
Treasury Bonds -Coupon	664,811,515	123,619,110
Less :Treasury Bond Premium & Discount	(43,364,719)	(13,846,907)
	<u>621,446,796</u>	<u>109,772,203</u>

Note :

The investment portfolio of Mahapola Trust Fund which was managed by National Wealth Corporation Ltd (NWCL) has been transferred to Mahapola Trust Fund on 28.02.2019.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2019

8 Direct Expenses

	2019	2018
	Rs.	Rs.
Scholarship Award Expenses		
Scholarship Payments -Universities (Sub Note 8.1)	1,253,782,384	1,269,525,962
Scholarship Payments -Technological Colleges	50,727,500	47,040,200
Institutes	5,524,996	6,693,400
New Scholarship Award Expenses	1,671,256	2,307,228
	<u>1,311,706,136</u>	<u>1,325,566,790</u>

	2019	2018
	Rs.	Rs.
8.1 Scholarship Payments -Universities		
Scholarship Payments -Universities	2,197,988,134	1,269,525,962
Less :Treasury Contribution (UGC Grants)	(944,205,750)	-
	<u>1,253,782,384</u>	<u>1,269,525,962</u>

9 Other Income

	2019	2018
	Rs.	Rs.
Staff loan Interest	56,382	45,384
Donations	15,000	15,000
Recovered Money	-	229,500
Sundry Income	6,345	5,825
Profit on Disposal of Fixed Assets	-	3,457,750
	<u>77,727</u>	<u>3,753,459</u>

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2019

10 Administrative Expenses	2019 Rs.	2018 Rs.
Salaries	11,806,066	9,233,460
Attendance Allowance	1,319,000	457,125
Overtime & Weekend Payments	685,260	466,319
E.P.F	895,192	1,911,540
E.T.F	201,678	393,295
Leave Encashment	272,261	243,771
Depreciation	29,715,489	56,039,045
Amortization	166,292	-
Postage & communication	94,859	612,556
Gratuity	662,569	999,218
Welfare Expenses	195,806	191,467
Telephone	579,819	41,694
Audit & Management Committee Fees	287,782	42,000
Board of Trustees Members Fees	325,104	218,741
Fuel, Travelling & Subsistance	513,115	260,073
Water	10,956	-
Electricity	553,199	518,056
Cleaning Expenses	64,600	70,566
Security Charges	310,000	269,000
Printing & Stationeries	913,215	578,928
Maintaince Expenses	128,459	148,151
Building Rent	4,185,851	3,863,862
System Maintenance & IT Expenses	-	27,566
Donations	1,345,218	74,550
Insurance	262,499	448,072
Advertisement Expenses	-	181,844
Subscription Fees	291,950	25,750
Sundry Expenses	137,439	92,519
Web Site Development Cost	285,500	155,000
Vehicle LeaseRental	1,819,225	1,828,500
Vehicle Maintenance	294,472	34,830
Professional Fees	2,971,133	1,909,503
Bank Charges	1,959,106	35,485
	63,253,113	81,372,485
11 Finance Cost	2019 Rs.	2018 Rs.
Loan Interest	36,734,476	-
	36,734,476	-

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2019

12 Property, Plant & Equipment

12.1 Gross Carrying Amounts	Balance As at 01.01.2019 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.12.2019 Rs.
Buildings	1,064,520,695	-	-	1,064,520,695
Furniture and Fittings	7,935,353	-	-	7,935,353
Office Equipment	1,479,585	31,500	-	1,511,085
Computer & Accessories	6,869,830	27,000	-	6,896,830
Motor Vehicles	-	16,190,000	-	16,190,000
Total Value of Depreciable Assets	1,080,805,463	16,248,500	-	1,097,053,963

12.2 Accumulated Depreciation and Impairment	Balance As at 01.01.2019 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.12.2019 Rs.
Buildings	159,678,105	24,455,205	-	184,133,310
Furniture and Fittings	3,089,702	1,432,976	-	4,522,678
Office Equipment	560,030	280,173	-	840,203
Computer & Accessories	3,410,607	1,178,516	-	4,589,123
Motor Vehicles	-	2,368,619	-	2,368,619
Total Depreciation	166,738,444	29,715,489	-	196,453,933

12.3 Net Book Values	2019 Rs.	2018 Rs.
Buildings	880,387,385	904,842,590
Furniture and Fittings	3,412,675	4,845,651
Office Equipment	670,882	921,976
Computer & Accessories	2,307,707	3,278,721
Motor Vehicles	13,821,381	-
Total Carrying Amount of Property, Plant & Equipment	900,600,030	913,888,938

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2019

13 Intangible Assests

13.1 Gross Carrying Amounts	Balance As at 01.01.2019 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.12.2019 Rs.
Computer Software	-	177,000	-	177,000
Mahapola Web site	-	697,500	-	697,500
Total Value of Depreciable Assets	-	874,500	-	874,500

13.2 Accumulated Amortisation and Impairment

	Balance As at 01.01.2019 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.12.2019 Rs.
Computer Software	-	34,818	-	34,818
Mahapola Web site	-	131,473	-	131,473
Total Depreciation	-	166,291	-	166,291

13.3 Net Book Values

	2019 Rs.	2018 Rs.
Computer Software	142,182	-
Mahapola Web site	566,027	-
Total Carrying Amount of Intangible Assets	708,209	-

14 Investment Property

	2019 Rs.	2018 Rs.
Free Hold Land (at Malabe -Leased out to SLIIT)	12,460,179	12,460,179
	12,460,179	12,460,179

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

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2019

15 Investment In Subsidiaries	2019	2018
	Rs.	Rs.
National Wealth Corporation *	985,000,000	985,000,000
	<u>985,000,000</u>	<u>985,000,000</u>

* National Wealth Corporation Ltd (NWCL) set up as a fully owned subsidiary of Mahapola Trust Fund

16 Other Investments	2019	2018
	Rs.	Rs.
Capital Invesment of Development Lotterries Board	2,200,000	2,200,000
	<u>2,200,000</u>	<u>2,200,000</u>

17 Financial Assets	2019	2018
	Rs.	Rs.
Financial Assets at Amortized Cost		
Treasury Bonds	7,143,199,654	7,241,977,335
Treasury Bills	-	198,387,726
Debentures	1,738,600,000	1,284,047,982
Assets Back Trust Certificates	-	448,227,563
Fixed Deposits	1,863,000,000	766,490,959
Financial Assets at FVPL		
Reverse Repo	-	290,111,232
BOC- Sweeper Account -4079	2,381,392	984,911
	<u>10,747,181,046</u>	<u>10,230,227,708</u>

18 Other Assets	2019	2018
	Rs.	Rs.
Retirement Benefit Assets (Fixed Deposit)	3,172,760	2,173,542
Stationery Stock	391,597	291,919
Rent deposit Jayawardna Centre	1,811,700	1,647,000
CWE Rent Deposit	348,810	348,810
	<u>5,724,867</u>	<u>4,461,271</u>

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2019

19 Advances and Prepayments	2019	2018
	Rs.	Rs.
Staff Loan & Advances	1,259,029	1,180,729
University Grant Commission	399,000	399,000
	<u>1,658,029</u>	<u>1,579,729</u>

20 Receivables	2019	2018
	Rs.	Rs.
UGC Receivables (Treasury Contribution)	214,501,100	-
DLB Profit Share Receivables	75,000,000	100,700,127
Fixed Deposit Interest	185,380,223	10,809,227
Treasury Bond Coupon	229,230,149	43,827,663
Debenture Interest Receivables	63,431,406	-
Overnight Income	24,105	26,723
	<u>767,566,984</u>	<u>155,363,740</u>

21 Cash & Cash Equivalents	2019	2018
	Rs.	Rs.
BOC- Current Account -1791	866,899	992,000
BOC - Current Account -83302834	145,766	2,616,323
BOC -Current Account -83867162	47,355	-
BOC - Overnight Investment -1791	137,100,000	137,000,000
	<u>138,160,020</u>	<u>140,608,323</u>

22 Retirement Benefit Obligation	2019	2018
	Rs.	Rs.
Balance as at the beginning of the year	3,172,760	2,173,542
Provision for the year	662,569	999,218
	<u>3,835,329</u>	<u>3,172,760</u>

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2019

23 Accruals & Other Payables	2019 Rs.	2018 Rs.
Scholarship Payables -Universities	441,644,815	109,966,050
Scholarship Payables - Technical colleges	15,632,400	27,785,500
Scholarship Payables - Higher Education Institutes	326,600	3,535,940
Softlogic Information Technologies (Pvt) Ltd	-	556,200
Vertual Hosting	23,328	25,347
Telephone Bill	19,728	20,761
Payables for Overtime	52,617	22,632
Payables for Attendance Allowance	98,000	174,125
School Development Activites	1,074,097	1,074,097
Payables for Salalries & Wages	94,000	74,250
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	243,503	243,503
Retention Embilipitiya Swimming Pool Expenses	585,449	585,449
Security Charges	48,000	39,132
Annual Leave Encashment	272,261	235,207
Electricity & Water	43,482	37,395
Translation Fees Payables	40,275	
Staff Expenses	55,242	-
	<u>462,183,622</u>	<u>146,305,414</u>