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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Government Notifications

SRI LANKA ACCOUNTING AND AUDITING STANDARDS ACT, No. 15 OF 1995

Publication under Section 4(2)

BY virtue of the powers vested in the Institute of Chartered Accountants of Sri Lanka (hereinafter referred to as the "Institute"), the Institute has issued the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organizations (including Non-Governmental Organizations) with effect from 1 January, 2012, published herewith for the purpose of the Sri Lanka Accounting and Auditing Standards, Act, No. 15 of 1995.

By Order of the Council,

ARUNA ALWIS,
Secretary

The Institute of Chartered Accountants of Sri Lanka,
No. 30A,
Malalasekera Mawatha,
Colombo 07.
25th July, 2014

Sri Lanka Statement of Recommended Practice

For

Not-for-Profit Organisations

(including Non-Governmental Organisations)

(SL SoRP – NPOs [including NGOs])

Contents

1. Preface

1.1 The objective of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in setting up the SL SoRP for NPOs is to assist those who are responsible for the preparation of the financial statements, to improve the quality of financial reporting by NPOs, thereby providing adequate information to the users of the financial statements. The intention is also to reduce the diversity that exists among NPOs in accounting practice and presentation. It is recommended that all NPOs follow this SL SoRP in order that their financial statements provide a true and fair view of the state of affairs of their organisations.

1.2 With full convergence to International Financial Reporting Standards (IFRS) with effect from 1 January 2012, the existing SL SoRP for NPOs issued in 2005 which became operative from 1 April 2006 requires revisions as it was based on Sri Lanka Accounting Standards (SLASs) applicable in 2006. Therefore, CA Sri Lanka decided to revise the existing SL SoRP to be in line with IFRS based new Sri Lanka Accounting Standards.

1.3 This SL SoRP is intended to apply to all NPOs operating in Sri Lanka, regardless of their size, or complexity.

1.4 It provides the basis for the preparation of accrual based financial statements to give a true and fair view.

1.5 NPOs have to comply only with those standards, which apply to them. NPOs may safely ignore the standards dealing with matters, which do not apply to the activities of their own NPO.

1.6 All NPOs are required to comply with the requirements stipulated by the Sri Lanka Accounting Standards (SLFRS Framework) to prepare and present their financial statements. SLFRS Framework comprises full SLFRSs (comprehensive set of SLFRSs including IFRIC and SIC pronouncements) and SLFRS for SMEs (Sri Lanka Accounting Standard for Small and Medium – sized Entities). All NPOs with public accountability should comply with full SLFRSs.

1.7 Additional specific provisions for NPOs which should be read in conjunction with the applicable set of Sri Lanka Accounting Standards are given in Section 4 of this SL SoRP.

1.8 Each provision included in this SL SoRP should be considered in the context of its relevance and what is material to any particular NPO.

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2. Introduction

2.1 General

2.1.1 All over the world, Not-for-Profit Organisations (NPOs) play an important role in the socio-economic process of the countries in which they operate. This is true not only in developing countries, but also in developed countries. NPOs in Sri Lanka are no exception. These organisations are important players in both the social and political spheres.

2.1.2 The first activities in Sri Lanka, similar to those of an NPO emerged during the British colonial period in the late 19th century. About 100 years later, with the macro changes in the country, a substantial expansion of NPO presence in Sri Lanka took place. With the liberalization of the economy in late 1970s and the consequent relaxation of foreign exchange regulations, trade and travel restrictions, there arose a phenomenal increase in the number of foreign NGOs. With the increased flow of foreign assistance and the expansion of community and rural development, a further proliferation of NGOs was observed in the country.

2.2 Legal Framework

2.2.1 The magnitude of the funds channelled through these organisations creates considerable responsibility in terms of follow up, monitoring and accountability. Transparency thus becomes an important issue in Sri Lanka. Clear guidelines need to be provided to these organisations on how to conduct their affairs, including accounting and reporting. It is also acknowledged however, that extensive regulation is not necessarily fruitful, and that “too much” regulation might turn out to be equally as bad as “too little”, considering the important role that these organisations play within society at large. The Sri Lanka Statement of Recommended Practice for Not-for-Profit Organisations (including Non-Governmental Organisations) has been designed within this broader framework.

2.2.2 The Voluntary Social Service Organisation Act No. 31 of 1980 (the "VSSO Act") requires all organisations, which receive government grants or require visas for expatriate staff to register under this Act. NPOs may also register as limited liability companies under the Companies Act No. 07 of 2007, as Trusts under the Trust Ordinance No. 17 of 1917, as Charities under the Inland Revenue Act No. 38 of 2000, as Approved Charities under the Inland Revenue Act No. 4 of 1963 or the Inland Revenue Act No. 28 of 1979 or under the Mutual Provident Societies Act No. 55 of 1949. An NPO can also be formed by an Act of Parliament.

2.2.3 The "Voluntary Social Service Organisations (Registration and Supervision) (Amendment) Act, . 8 of 1998", was an amendment to the VSSO Act. This amendment allows for an Interim Board of Management to be appointed to administer the affairs of an organisation in cases of fraud or misappropriation.

2.2.4 Subsequently, in 1999, a Presidential Circular was issued, calling all NGOs to re-register with the National NGO Secretariat, and asking them to declare their sources of funding, annual expenditure and annual budgets. Pre-requisite for re-registration includes clearance from the Ministries in charge of the subjects of Defence, Foreign Affairs and Plan Implementation and the relevant line Ministry. NGOs conducting activities in one District or at divisional levels also have to register with the applicable District or Divisional Secretary.

3. Conceptual Framework for Financial Reporting

3.1 Key Definitions and Concepts related to NPO

3.1.1 Definition of a NPO (Not-for-Profit Organisation)

I. A Not-for-Profit Organization is a corporation or an association that conducts business for the benefit of the general public without shareholders and without a profit motive. They are also often referred to as “Development Organisations”, “Private Voluntary Organisations”, “Civil Society Organisations” “Non-Governmental Organisations”, “Non-Profit Organisations”, “Charities” and other similar terms.

II. This SL SoRP has drawn on the following definition provided by the World Bank for the phrase Civil Society, for the application of its contents:

“The World Bank uses the term Civil Society to refer to the wide array of non-governmental and non-profit organisations that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations. Civil Society Organisations (CSOs) therefore refer to a wide array of organisations: community groups, non-governmental organisations (NGOs), labour unions, indigenous groups, charitable organisation, faith-based organisations, professional associations, and foundations".

III. Although various scholars have defined ‘non-governmental organizations’ in different ways, Act No. 31 of 1980, Voluntary Social Service Organization (Registration and Monitoring) Act has defined non-governmental organizations in the following manner.

Accordingly, any organization;

- that has been formed on a voluntary basis by a group of individuals and are of non-governmental in nature,
- that depend on public contribution, charity, governmental aid and local and foreign donations in performing its activities,
- that has as its main objective, providing aid and services for mentally handicapped or physically disabled persons, the poor, orphans and the destitute and providing relief in times of natural disaster

can be called a non-governmental organization.

IV. The common salient features of the vast variety of NPOs to which this SL SoRP would apply are:

(a) They are voluntary organisations, either local (to a particular area), national or international;

(b) They have formulated specific objective(s) to the benefit of the general society, a particular vulnerable group of the society, or to particular identified interest or target groups;

(c) Their objectives are not profit oriented, unlike that of business entities;

(d) Profit may be generated in a NPO, but since there are no ownership interests, it is not distributed to those providing the resources;

(e) They solicit and receive financial support for promotion of the organisation’s objective(s) or purpose, either from individuals (or groups of individuals) in society, corporate entities, governmental entities, international organisations or agencies of sovereign states;

(f) Financial dispositions are made for the purpose of promoting the objective(s) of the organisation;

3.1.2 Donations/Contributions, Grants, Membership Subscription

I. Donations and/or contributions from donor organisations or individuals, and government grants constitute an important part of NPO resources. An obligation, for example to deliver or perform specified service or work, is often attached to these contributions, and in such an event should be regarded as part of "restricted funds".

II. Donations/contributions from individuals or institutions create:

- a moral obligation, by whichever way it is received;
- a legal obligation to use the funds for what it was solicited; and
- restricted Funds, where usage is specified.

III. An obligating event is a legal obligation, which for example derives from a contract that results in an enterprise having no alternative but to settle or meet that obligation.

IV. A contribution (donation or grant) should not be recognised as an incoming resource, until there is reasonable assurance that the contribution will be received, and where relevant that the organisation has or will comply with the condition(s) attached to it. Receipt of the funds does not by itself provide conclusive evidence that the conditions attached to the contribution have been or will be fulfilled. Until the conditions have been fulfilled, the contribution should be regarded as part of Restricted Funds.

V. Membership subscription is an element of incoming resources for most of NPOs. If the membership subscriptions permit only membership and all other services or products are paid for separately, they should be recognised when received. If the membership fee entitles the members to services or publications to be provided during the year, it should be recognised on a systematic and rational basis having regard to the timing and nature of all services.

3.1.3 Donor Agreements

I. Most NPOs enter into formal agreements or contracts with donors, thereby committing themselves to deliver/perform service/work to be financed by the respective donors. The agreement or contract will provide a detailed description of what, where and when specified activities are to take place. A corresponding budget and a list of terms and conditions, including for example reporting requirements, almost always constitute an essential part of the agreement entered into. In addition to audited Financial Statements, a Variance Report, comparing actual expenditure with the approved budget, together with a corresponding narrative Progress Report, covering the same activity and period as the Variance Report, are also often demanded. These reports, therefore, often constitute an essential part of the requirements spelled out in the agreement between a donor and the NPO. These reports when read in conjunction with the financial statements often provide a useful tool to the donor in assessing the degree of completion of the activity, and to determine whether or not agreed objectives and conditions are being achieved.

II. Restrictions, or obligations, are attached not only to those funds provided by large donor agencies, but also in many cases to contributions from individuals. In a fundraising campaign, for example, where the NPO may look to the public to raise funds for a specific cause, even while there may be no written agreements, there is a clear understanding between the parties. There is, consequently, a moral obligation to utilise the funds as announced during the campaign, and the funds raised should, therefore, be regarded as restricted.

III. Funds received as donations without any direct request being made, or without any defined terms and conditions being laid down with regard to utilisation, are unrestricted. In such circumstances, there will be an unwritten agreement, that the funds will be utilised within the objectives of the NPO.

IV. In this same context, there must also be clear transparency in how much of the funds received are being used to meet the general administrative and other central office costs of the NPO.

3.1.4 Restricted Funds

V. Nearly all NPOs hold funds that can be applied only for particular purposes within their overall objectives. These purposes are often imposed by donors (whether it be the Government or other donors) and contained in an agreement or may be self-imposed through announcements made during the course of a fundraising campaign, the media or other similar form of communication. Funds held for such specified usage are restricted funds and have to be separately accounted for in the financial statements. Income that is generated from assets held in a restricted fund will normally be subject to the same restriction as the original fund, unless the terms that imposed the original restriction specifically say otherwise.

VI. A different form of a restricted fund is an "endowment", which is held on trust to be retained for the benefit of the organisation as a capital fund. Such funds cannot normally be spent as if it were income to the organisation. The income earned from such capital may, however, be utilised for restricted or other purposes of the organisation. In some instances the governing body may have a power of discretion to convert endowed capital into income. In such an event, and if such power be exercised, the relevant funds become restricted income or unrestricted income, dependent upon whether the governing body, within its discretion permits the funds to be expended for any of the purposes of the NPO, or only for the specific purpose. As a restricted fund, the endowment fund should, in any event, be separately accounted for in the financial statements.

3.1.5 Unrestricted Funds

I. Many NPOs have resources, which are available for the general purposes of the NPOs as set out in its governing document. This is the NPOs "unrestricted" or "general" fund. Income generated from assets held in an unrestricted fund will be unrestricted income.

II. The NPOs governing body may earmark part of the NPOs unrestricted funds to be used for particular purposes in the future. Since the governing body has the power, at a future date, to re-designate such funds within unrestricted funds, they should be described as "designated funds" and, consequently, be accounted for as part of the NPOs unrestricted funds.

3.1.6 Accumulated Fund

I. The Oxford Dictionary of Accounting defines Accumulated Fund as “A fund held by a non-profit-making organisation to which a surplus of income over expenditure is credited and to which any deficit is debited. The value of the accumulated funds can be calculated at any time by valuing the net assets (i.e. assets less liabilities) of the organisation. The accumulated fund is the equivalent of the capital of a profit making organisation”.

II. However, although NPOs do not have ownership interests or profit in the same sense as commercial entities, they do nonetheless need a concept of capital maintenance, or its equivalent, to reflect "the relation between inflows and outflows of resources during a period". An organisation may, during any period, draw upon resources received in past periods and still unutilised, or set aside resources for use in future periods.

III. Maintenance of the accumulated fund of an NPO is based on the maintenance of its financial capital. An NPO’s capital has been maintained if the financial value of its net assets at the end of a period equals or exceeds the financial value of its net assets at the beginning of the period.

IV. If an NPO fails to maintain its accumulated fund, its ability to continue to provide services will dwindle and affect its ability to service future beneficiaries. Future resource providers may need to make up the deficiency, unless the organisation has the ability to generate income, e.g. by fundraising, in order to avoid such decline.

V. Restricted funds constitute an important part of the accumulated fund of an NPO. It is therefore important to distinguish between the restricted accumulated fund and the general accumulated fund.

3.1.7 Governing Body

I. The governing body of an NPO is similar to the board of directors of a company. However, in the case of an NPO this may be referred to as the Board of Governors or Council of Members or some other suitable name.

3.2 Users and their Information Needs

3.2.1 Financial statements of NPOs are used by different persons (statutory or corporate bodies, other NPOs or individuals) for different purposes, and their information requirements vary considerably. Unlike in the corporate sector, NPOs have neither owners nor investors. The most common groups of users of NPO financial statement are the resource providers or contributors (i.e. the different categories of donors), beneficiaries (different target groups), suppliers/creditors, employees and the authorities. Some NPOs have members who represent an essential group of users. Others might have partner organisations with whom they co-operate, and who will be important users of the financial statements.

3.2.2 Some examples of Information required by different users are listed below:

Members
- Are the funds utilised in conformity with given guidelines?
- Is the NPO run according to given governing rules (By-laws or similar)?
- What is the underlying statute or regulation and are such regulations being met with?

Resource Providers
- Is the NPO qualified to achieve agreed beneficiary objectives?
- Does the NPO demonstrate sound stewardship?
- Is the NPO run efficiently and effectively?
- Is the NPO accountable – should support be extended or continued?
- Are the funds utilised as agreed and within the identified mandate of the NPO?
- Does the NPO adhere to agreed restrictions/requirements?
- Does the NPO have the structure and/or the capacity to implement the projects as agreed?

Beneficiaries
- Does the NPO provide support/services according to given guidelines?
- Does the NPO possess the ability to provide future support/services?
- Do the systems work as expected?

Suppliers/ Creditors
- Is the NPO credible?
- Is it able to settle its debts by the due date?

Employees
- Is the NPO a safe, secure working place?
- Is the NPO able to pay timely salary and other agreed benefits?
- Is the NPO financially able to carry out its objectives and provide the service as has been indicated.

Authorities
- Do the NPOs comply with applicable statutory and legal requirements? (registration/ tax/report requirements etc.)?
- Should NPO activities be made subject to further regulation?
- Is there transparency in its activities and in the utilisation of resources?

Partners
- Are available funds utilised as agreed, in conformity with applicable objectives/ guidelines?

3. 3 Qualitative characteristics of useful financial information

3.3.1 If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable.

Fundamental qualitative characteristics

3.3.2 The fundamental qualitative characteristics are *relevance* and *faithful representation*.

Relevance

3.3.3 Relevant financial information is capable of making a difference in the decisions made by users. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources.

3.3.4 Financial information is capable of making a difference in decisions if it has predictive value, confirmatory value or both.

3.3.5 Financial information has predictive value if it can be used as an input to processes employed by users to predict future outcomes. Financial information need not be a prediction or forecast to have predictive value. Financial information with predictive value is employed by users in making their own predictions.

3.3.6 Financial information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.

3.3.7 The predictive value and confirmatory value of financial information are interrelated. Information that has predictive value often also has confirmatory value. For example, revenue information for the current year, which can be used as the basis for predicting revenues in future years, can also be compared with revenue predictions for the current year that were made in past years. The results of those comparisons can help a user to correct and improve the processes that were used to make those previous predictions.

Materiality

3.3.8 Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report. Consequently, A uniform quantitative threshold for materiality cannot be specified or predetermine what could be material in a particular situation.

Faithful representation

3.3.9 Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be *complete*, *neutral* and *free from error*. Of course, perfection is seldom, if ever, achievable. The objective is to maximise those qualities to the extent possible.

3.3.10 A complete depiction includes all information necessary for a user to understand the phenomenon being depicted, including all necessary descriptions and explanations. For example, a complete depiction of a group of assets would include, at a minimum, a description of the nature of the assets in the group, a numerical depiction of all of the assets in the group, and a description of what the numerical depiction represents (for example, original cost, adjusted cost or fair value). For some items, a complete depiction may also entail explanations of significant facts about the quality and nature of the items, factors and circumstances that might affect their quality and nature, and the process used to determine the numerical depiction.

3.3.11 A neutral depiction is without bias in the selection or presentation of financial information. A neutral depiction is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to increase the probability that financial information will be received favorably or unfavorably by users. Neutral information does not mean information with no purpose or no influence on behavior. On the contrary, relevant financial information is, by definition, capable of making a difference in users' decisions.

3.3.12 Faithful representation does not mean accurate in all respects. Free from error means there are no errors or omissions in the description of the phenomenon, and the process used to produce the reported information has been selected and applied with no errors in the process. In this context, free from error does not mean perfectly accurate in all respects. For example, an estimate of an unobservable price or value cannot be determined to be accurate or inaccurate. However, a representation of that estimate can be faithful if the amount is described clearly and accurately as being an estimate, the nature and limitations of the estimating process are explained, and no errors have been made in selecting and applying an appropriate process for developing the estimate.

3.3.13 A faithful representation, by itself, does not necessarily result in useful information. For example, a reporting entity may receive property, plant and equipment through a government grant. Obviously, reporting that an entity acquired an asset at no cost would faithfully represent its cost, but that information would probably not be very useful. A slightly more subtle example is an estimate of the amount by which an asset's carrying amount should be adjusted to reflect an impairment in the asset's value. That estimate can be a faithful representation if the reporting entity has properly applied an appropriate process, properly described the estimate and explained any uncertainties that significantly affect the estimate. However, if the level of uncertainty in such an estimate is sufficiently large, that estimate will not be particularly useful. In other words, the relevance of the asset being faithfully represented is questionable. If there is no alternative representation that is more faithful, that estimate may provide the best available information.

Applying the fundamental qualitative characteristics

3.3.14 Information must be both relevant and faithfully represented if it is to be useful. Neither a faithful representation of an irrelevant phenomenon nor an unfaithful representation of a relevant phenomenon helps users make good decisions.

3.3.15 The most efficient and effective process for applying the fundamental qualitative characteristics would usually be as follows (subject to the effects of enhancing characteristics and the cost constraint, which are not considered in this example). First, identify an economic phenomenon that has the potential to be useful to users of the reporting entity's financial information. Second, identify the type of information about that phenomenon that would be most relevant if it is available and can be faithfully represented. Third, determine whether that information is available and can be faithfully represented. If so, the process of satisfying the fundamental qualitative characteristics ends at that point. If not, the process is repeated with the next most relevant type of information.

Enhancing qualitative characteristics

3.3.16 *Comparability*, *verifiability*, *timeliness* and *understandability* are qualitative characteristics that enhance the usefulness of information that is relevant and faithfully represented. The enhancing qualitative characteristics may also help determine which of two ways should be used to depict a phenomenon if both are considered equally relevant and faithfully represented.

Comparability

3.3.17 Users' decisions involve choosing between alternatives, for example, selling or holding an investment, or investing in one reporting entity or another. Consequently, information about a reporting entity is more useful if it can be compared with similar information about other entities and with similar information about the same entity for another period or another date.

3.3.18 Comparability is the qualitative characteristic that enables users to identify and understand similarities in, and differences among, items. Unlike the other qualitative characteristics, comparability does not relate to a single item. A comparison requires at least two items.

3.3.19 Consistency, although related to comparability, is not the same. Consistency refers to the use of the same methods for the same items, either from period to period within a reporting entity or in a single period across entities. Comparability is the goal; consistency helps to achieve that goal.

3.3.20 Comparability is not uniformity. For information to be comparable, like things must look alike and different things must look different. Comparability of financial information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

3.3.21 Some degree of comparability is likely to be attained by satisfying the fundamental qualitative characteristics. A faithful representation of a relevant economic phenomenon should naturally possess some degree of comparability with a faithful representation of a similar relevant economic phenomenon by another reporting entity.

3.3.22 Although a single economic phenomenon can be faithfully represented in multiple ways, permitting alternative accounting methods for the same economic phenomenon diminishes comparability.

Verifiability

3.3.23 Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Quantified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities can also be verified.

3.3.24 Verification can be direct or indirect. Direct verification means verifying an amount or other representation through direct observation, for example, by counting cash. Indirect verification means checking the inputs to a model, formula or other technique and recalculating the outputs using the same methodology. An example is verifying the carrying amount of inventory by checking the inputs (quantities and costs) and recalculating the ending inventory using the same cost flow assumption (for example, using the first-in, first-out method).

3.3.25 It may not be possible to verify some explanations and forward-looking financial information until a future period, if at all. To help users decide whether they want to use that information, it would normally be necessary to disclose the underlying assumptions, the methods of compiling the information and other factors and circumstances that support the information.

Timeliness

3.3.26 Timeliness means having information available to decision-makers in time to be capable of influencing their decisions. Generally, the older the information is the less useful it is. However, some information may continue to be timely long after the end of a reporting period because, for example, some users may need to identify and assess trends.

Understandability

3.3.27 Classifying, characterising and presenting information clearly and concisely makes it *understandable*.

3.3.28 Some phenomena are inherently complex and cannot be made easy to understand. Excluding information about those phenomena from financial reports might make the information in those financial reports easier to understand. However, those reports would be incomplete and therefore potentially misleading.

3.3.29 Financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

Applying the enhancing qualitative characteristics

3.3.30 Enhancing qualitative characteristics should be maximised to the extent possible. However, the enhancing qualitative characteristics, either individually or as a group, cannot make information useful if that information is irrelevant or not faithfully represented.

3.3.31 Applying the enhancing qualitative characteristics is an iterative process that does not follow a prescribed order. Sometimes, one enhancing qualitative characteristic may have to be diminished to maximise another qualitative characteristic. For example, a temporary reduction in comparability as a result of prospectively applying a new financial reporting standard may be worthwhile to improve relevance or faithful representation in the longer term. Appropriate disclosures may partially compensate for non-comparability.

3.4 The cost constraint on useful financial reporting

3.4.1 Cost is a pervasive constraint on the information that can be provided by financial reporting. Reporting financial information imposes costs, and it is important that those costs are justified by the benefits of reporting that information. There are several types of costs and benefits to consider.

3.4.2 Providers of financial information expend most of the effort involved in collecting, processing, verifying and disseminating financial information, but users ultimately bear those costs in the form of reduced returns. Users of financial information also incur costs of analysing and interpreting the information provided. If needed information is not provided, users incur additional costs to obtain that information elsewhere or to estimate it.

3.4.3 Reporting financial information that is relevant and faithfully represents what it purports to represent helps users to make decisions with more confidence. This results in more efficient functioning of capital markets and a lower cost of capital for the economy as a whole. An individual investor, lender or other creditor also receives benefits by making more informed decisions. However, it is not possible for general purpose financial reports to provide all the information that every user finds relevant.

3.4.4 In applying the cost constraint, the Council assesses whether the benefits of reporting particular information are likely to justify the costs incurred to provide and use that information. When applying the cost constraint in developing a proposed financial reporting standard, the Council seeks information from providers of financial information, users, auditors, academics and others about the expected nature and quantity of the benefits and costs of that standard. In most situations, assessments are based on a combination of quantitative and qualitative information.

3.4.5 Because of the inherent subjectivity, different individuals' assessments of the costs and benefits of reporting particular items of financial information will vary. Therefore, the Council seeks to consider costs and benefits in relation to financial reporting generally, and not just in relation to individual reporting entities. That does not mean that assessments of costs and benefits always justify the same reporting requirements for all entities. Differences may be appropriate because of different sizes of entities, different ways of raising capital (publicly or privately), different users' needs or other factors.

3.5 Underlying assumption

Going concern

3.5.1 The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used should be disclosed.

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4. NPO Specific Provisions

The following specific provisions should be read in conjunction with the applicable set of Sri Lanka Accounting Standards and the purpose of giving the specific provisions is to address NPO specific matters and adjustments. This section prescribes the principles to be followed in the presentation of financial statements by NPOs, inclusive of disclosures and should be followed in its entirety by NPOs to be in compliance with this SL SoRP.

The Council will from time to time issue additional specific provisions and guidelines to address the developments in the sector. Those will also need to be considered as a part of this SL SoRP.

4.1 The Elements of Financial Statements

Components of the Financial Statements

A complete set of financial statements of an NPO will include:

(a) Statement of Comprehensive Income
(b) Statement of Financial Position
(c) Statement of Changes in Reserves
(d) Statement of Cash Flow; and
(e) Accounting Policies and Explanatory Notes.

As part of the explanatory notes to the financial statements, NPOs may also include supplementary schedules and information based on or derived from, and expected to be read with, such statements. Financial statements would not, however, normally include such items as reports by the governing body/ management, statements by the chairman, discussion and analysis by management and similar items that may be included in a financial or annual report of a corporate entity, unless required by the relevant Donor Agreements.

4.2 Accumulated Fund

Unrestricted Fund (Capital)

Unrestricted fund is equivalent to the NPOs own capital, and should be presented separately from restricted funds in the financial statements. However, in the case of projects that have been completed, any surplus remaining in restricted funds, if permitted by the relevant contract or agreement, may also be transferred for inclusion in the unrestricted fund.

Restricted Fund

*Restricted fund*s, also called "*Unspent Grant",* represent a part of Restricted Net Assets in NPOs.

Measurement and Recognition

Restricted funds should be presented in the Statement of Financial Position at the time of receipt, - that is, when received as cash or deposited to the bank account - or at the time when there is *reasonable* assurance that it will be received.

Disclosure

The following should be disclosed:

(a) the accounting policy adopted for restricted funds and unrestricted funds, including the methods of presentation in the financial statements;

(b) the nature and extent of restricted contributions recognised in the financial statements, and an indication of other forms of assistance from which the organisation has directly benefited; and

(c) unfulfilled conditions and contingencies attaching to assistance that has been recognised.

4.3 Recognition of Revenue /Grants

4.3.1 NPOs should distinguish between

(a) restricted revenue and
(b) unrestricted revenue

and each should be measured at the fair value of the consideration received or receivable.

4.3.2 Different approaches are used for the recognition of (a) restricted and (b) unrestricted revenue.

Restricted Revenue

4.3.3 Restricted contributions are not gratuitous. They are based on agreements, contracts, or other understanding, where the conditions for receipt of the funds are linked to a performance, of a service or other process. The NPO earns the contribution through compliance with the conditions that have been laid down and meeting the envisaged obligations. Revenue should not therefore be recognised in the Statement of Comprehensive Income, until there is reasonable assurance that the contribution will be received, and the conditions stipulated for its receipt have been complied with.

4.3.4 Subject to the above restricted contributions when recognised in the Statement of Comprehensive Income must be matched against the related costs, which they are intended to compensate on a systematic basis. Effectively, such contributions should be recognised only to the extent that the NPO has provided the relevant services or performance.

4.3.5 On receiving any restricted contributions, e.g. as a bank deposit, the contribution should be credited to the restricted fund account in the Statement of Financial Position and debited to the bank account. Thereafter, on a systematic basis, (e.g. at the end of each month), an amount equivalent to that which has been spent on agreed "restricted" activities during the month, should be taken to income, by debiting the restricted fund account in the Statement of Financial Position and crediting restricted Income account.

4.3.6 By following this procedure, the net result of restricted Income and direct project expenses of any particular transaction in the Statement of Comprehensive Income will normally be zero ("0"). Any amount in excess of or less than zero would therefore, reflect results from other captions, e.g. unrestricted income or expenses not linked to project activities, or any surplus remaining in a restricted fund, provided that the donor has permitted such surplus to be transferred as unrestricted revenue.

Unrestricted Revenue

4.3.7 Revenue that arises from general unrestricted resources has characteristics similar to revenue in business entities and should be treated accordingly. It should only be recognised when the amount of revenue can be measured reliably, or when it is probable that the economic benefits associated with the transaction will flow to the NPO. That is, at the time when no significant uncertainty exists with regard to the amount of the consideration that will be derived from, for example, membership fees, sundry donations, consultancy fees, sale of goods or other sources of unrestricted income.

4.3.8 The Statement of Comprehensive Income is designed to include all the gains and losses of an NPO, which would be found in the profit and loss account of a business organisation.

4. 4 Inventory

Inventory Purchased or Donated on Account of Beneficiaries

4.4.1 NPOs may manufacture or purchase items for the purpose of distributing them to beneficiaries either free of cost or at a nominal amount. Although such items are not held for the purpose of sale, or for consumption in a production process, or in the rendering of services or other purpose of a commercial, industrial or business nature, such items shall be considered to be inventory for the purpose of this SL SoRP.

4.4.2 Items are on occasion received as a donation by an NPO for distribution to beneficiaries or for sale with the proceeds being used for the benefit of such beneficiaries. In such an instance, it may not be possible to apply a valuation to the items received. Items donated and held as at the Statement of Financial Position should therefore be listed and quantified.

4.5 Income Tax

Items Credited or Charged Directly to the Accumulated Fund

4.5.1 Current tax should be charged or credited directly to the relevant fund account, if the tax relates to items that are credited or charged, in the same or a different period, directly to such a Fund account.

Tax Expense (Income)

4.5.2 The tax expense (income) should be presented on the face of the Statement of Comprehensive Income.

4.6 Property, Plant & Equipment

Land

4.6.1 An NPO may acquire land in a variety of ways such as the following:

(a) By way of purchase from the landowners, including through a scheme of compulsory acquisition formulated by the government;

(b) Land gifted to NPOs by institutions or individuals, whether with or without any conditions as to their use;

(c) Land provided to NPOs by government free of cost, whether with or without any conditions as to their use;

(d) Land may also be vested in NPOs where such an NPO acts merely as a trustee and has no ownership rights.

4.6.2 The accounting treatment of land acquired through the above modes may be as follows:

a. Land Acquired through Purchase

- Such land should be recorded at the aggregate of the purchase price paid/payable and other costs incidental to acquisition such as registration charges.

- In the case of land acquired under a scheme of compulsory acquisition, in the event that there is a dispute between the NPO and the previous owner whose land has been acquired, with regard to the rate of compensation, in determining the cost of land for purpose of the financial statements, an appropriate allowance shall also be included for the additional compensation that may become payable, provided the following conditions are satisfied.

(i) The payment of additional compensation is probable, and
(ii) the amount so payable can be reasonably estimated.

b. Land Acquired Free of Cost

- Land is sometimes provided by the government to the NPO free of cost. Land may also be provided by individuals or institutions through an endowment for specific purposes like construction of schools, for construction of parks and similar common facilities, etc. The cost of such land to NPOs is zero. In substance, such land received is a non-monetary grant and, accordingly both grant and asset shall be accounted for at the fair value. An alternative course that is sometimes followed is to record both asset and grant at a nominal amount. However in order to maintain proper control, such land must be recorded in the Fixed Asset Register and details disclosed in the notes to the financial statements, including any conditions laid down for its use.

- Any incidental cost of acquisition such as registration charges shall be added to the above.

c. Vested Government Land

- Such land is neither owned by the NPO nor do the economic benefits from the use of such land flow to the NPO. The ownership remains with the government and the NPO merely acts as a trustee in respect of such land. Such land shall therefore not be considered as an asset of the NPO.

Opening Balance at the Time of Shifting to the Accrual Basis of Accounting

4.6.3 An entity that has not recorded all of its property plant and equipment may be faced with a problem in accounting for such items at the time the NPOs switches over to the accrual basis of accounting in accordance with this SL SoRP. For example property, plant and equipment received by way of donations or endowments may not have been recorded at the time they were acquired. Also, items acquired as part of project expenditure through restricted funds may have been written off to the Statement of Comprehensive Income. It would be necessary to identify such assets, and account for them appropriately. In accounting for such assets, factors such as adverse possession, defects in title, etc., would also need to be considered.

Property, Plant and Equipment received as Donations or Endowments or through Grants

4.6.4 Property, plant and equipment that is received directly as donations or endowments should be debited to the property, plant and equipment account at fair value and a corresponding amount credited to a deferred income account. Such items should thereafter be depreciated in accordance with this SL SoRP, while a corresponding amount could be transferred from the deferred income to the Statement of Comprehensive Income, in the Statement of Financial Position. In the Statement of Financial Position, deferred Income would be deducted from the net book value of the assets so that the carrying amount of the asset would be zero.

4.6.5 Where any item has been purchased for use by the NPO in a project being funded through a grant and the value of such item has been charged to the relevant project account, such items shall be disclosed as a note to the financial statement with the same categorisation as would be provided in respect of any item included under property, plant and equipment in the Statement of Financial Position.

4.6.6 Where project assets are held and disclosed in accordance with paragraph 4.6.4, on conclusion of the project, those items of property, plant and equipment that are to be retained by the organisation may be brought into the books of accounts of the organisation at fair value through a capital reserve. Depreciation provided on such assets would then be charged against the capital reserve. Where items are handed over to the relevant beneficiaries or revert back to the donor at the end of the project appropriate disclosure must be made in the financial statements.

5. Effective Date

5.1 The Sri Lanka Statement of Recommended Practice for Not-for-Profit Organisations (including Non-Governmental Organisations) - (SL SoRP – NPOs [including NGOs]) becomes operative for financial statements covering periods beginning on or after 1 January 2012. It is recommended and encouraged to apply this SL SoRP for financial statements covering periods beginning on or after 1 January 2012 and it is mandatory to apply this SL SoRP for financial statements covering periods beginning on or after 1 January 2013.

5.2 This SL SoRP supersedes SL SoRP for NPOs issued in 2005 which became operative from 1 April 2006 by CA Sri Lanka.

Appendix:

Illustrative Financial Statements Structure

The appendix is illustrative only and does not form part of the SL SoRP. The purpose of the appendix is to illustrate the application of the SL SoRP principles to assist in clarifying their meaning. The illustrative financial statements are based on full SLFRSs.

The SL SoRP sets out the components of financial statements and minimum requirements for disclosure on the face of the Statement of Financial Position and the Statement of Comprehensive Income, Statement of Changes in Reserves as well as for the Statement of Cash flows. The financial statements are accompanied by accounting policies and notes. The purpose of the Appendix is to provide examples of the ways in which, requirements for the presentation of the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Reserves and Statement of Cash flows might be presented in the primary financial statements. The order of presentation and the description used for line items should be changed where necessary in order to achieve a fair presentation in each organisation's circumstances.

ABC SRI LANKA
STATEMENT OF FINANCIAL POSITION
As at 31 March 2013
(In thousands of Rs.]

As at 31 March	Notes	Organisation 2013	2012
ASSETS			
Non - Current Assets			
Property Plant and Equipment	4.1	**xxxx**	xxxx
Intangible assets	4.2	**xxxx**	xxxx
Long-term receivables	4.3	**xxxx**	xxxx
Other financial assets	4.4	**xxxx**	xxxx
Total Non - Current Assets		**xxxx**	**xxxx**
Current Assets			
Inventories	4.5	**xxxx**	xxxx
Accounts receivable	4.6	**xxxx**	xxxx
Prepayments	4.7	**xxxx**	xxxx
Other financial assets	4.8	**xxxx**	xxxx
Cash and cash equivalents	4.9	**xxxx**	xxxx
Total Current Assets		**xxxx**	**xxxx**
Total Assets		**xxxx**	**xxxx**
LIABILITIES & RESERVES			
Accumulated Reserves			
Unrestricted Funds	4.10	**xxxx**	xxxx
Designated Funds	4.11	**xxxx**	xxxx
Restricted Funds	4.12	**xxxx**	xxxx
Endowment Fund	4.13	**xxxx**	xxxx
Other Capital Reserves	4.14	**xxxx**	xxxx
Total Accumulated Reserves		**xxxx**	**xxxx**
Non - Current Liabilities			
Loans and borrowings	4.15	**xxxx**	xxxx
Employee benefit liabilities	4.16	**xxxx**	xxxx
Deferred income	4.17	**xxxx**	xxxx
Total Non - Current Liabilities		**xxxx**	**xxxx**
Current Liabilities			
Accounts payable	4.18	**xxxx**	xxxx
Accrued expenses	4.19	**xxxx**	xxxx
Loans and borrowings	4.15	**xxxx**	xxxx
Provisions	4.20	**xxxx**	xxxx
Bank overdrafts	4.21	**xxxx**	xxxx
Total Current Liabilities		**xxxx**	**xxxx**
Total Liabilities		**xxxx**	**xxxx**
Total Liabilities and Reserves		**xxxx**	**xxxx**

The Board of Directors/Trustees is responsible for the preparation and presentation of these financial statements.
These financial statements were approved for issue by the Board of Directors/Trustees on xx xx 20xx.
I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.[1]

Signed on behalf of the Board by

Date: xx xx 20XX	………………..	…………………	…………………..
	Director	Director	Head of Finance

The Notes on pages …… to …… form an integral part of these financial statements.

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[1] Only if Relevant

ABC SRI LANKA
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 March 2013

(in thousands of Rs.)

	Note	**Organisation**	
Year ended 31 March		**2013**	2012
OPERATING INCOME			
Incoming Resources	4.22	xxxx	xxxx
Total Operating income		xxxx	xxxx
OPERATING EXPENDITURE			
Staff-related costs	4.23	xxxx	xxxx
Direct project/activity costs	4.24	xxxx	xxxx
Rentals	4.25	xxxx	xxxx
Purchase of goods and materials		xxxx	xxxx
Depreciation		xxxx	xxxx
General expenditure		xxxx	xxxx
Total Operating expenditure		xxxx	xxxx
Net surplus/(deficit) of operating activities		xxxx	xxxx
OTHER INCOME			
Net financial income	4.26	xxxx	xxxx
Other income		xxxx	xxxx
Total Other income		xxxx	xxxx
OTHER EXPENDITURE			
Foreign exchange losses (net)		xxxx	xxxx
Other expenses		xxxx	xxxx
Total Other expenditure		xxxx	xxxx
Net surplus/(deficit) of non-operating activities		xxxx	xxxx
Net surplus/(deficit) before Taxation		xxxx	xxxx
Income Tax Expenses	4.27	xxxx	xxxx
SURPLUS/(DEFICIT) FOR THE YEAR		xxxx	xxxx
OTHER COMPREHENSIVE INCOME			
Actuarial gains/(losses) on defined benefit plans	4.11	xxxx	xxxx
Exchange difference on translating foreign operations		xxxx	xxxx
Gains on property revaluation		xxxx	xxxx
Cash flow hedges		xxxx	xxxx
Net change in fair value of available for sale financial assets		xxxx	xxxx
Income tax relating to components of other comprehensive Income		(xxx)	(xxx)
Total Other comprehensive income for the year		xxxx	xxxx
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		xxxx	xxxx
ALLOCATION OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Allocation to Reserves		xxxx	xxxx
Allocation to Endowment Fund		xxxx	xxxx

The Notes on pages …… to …… form an integral part of these financial statements.

ABC SRI LANKA
STATEMENT OF CHANGES IN RESERVES
For the Year Ended 31 March 2013

(in thousands of Rs.)

Description	Restricted Reserves	Unrestricted Reserves	Endowment Funds	Capital Reserves	Result for the Year	Total
Balance as at 1 April 2011	**xxxx**	**xxxx**	**xxxx**	**xxxx**	**xxxx**	**xxxx**
Net surplus/(deficit) for the year					xxxx	xxxx
Other comprehensive income for the year					xxxx	xxxx
Balance before transfers to/from reserves	**xxxx**	**xxxx**	**xxxx**	**xxxx**	**xxxx**	**xxxx**
Allocation of results to Reserves	xxxx	xxxx			(xxxx)	xxxx
Allocation of results to Endowment Fund			xxxx		(xxxx)	xxxx
Increase/ Decrease in donors' restricted contributions for specific operations (Note 4.12)	(xxxx)				xxxx	xxxx
Balance as at 31 March 2012	**xxxx**	**xxxx**	**xxxx**	**xxxx**	**xxxx**	**xxxx**
Net surplus/(deficit) for the year					xxxx	xxxx
Other comprehensive income for the year					xxxx	xxxx
Balance before transfers to/from reserves	**xxxx**	**xxxx**	**xxxx**	**xxxx**	**xxxx**	**xxxx**
Allocation of results to Reserves	xxxx	xxxx			(xxxx)	xxxx
Allocation of results to Endowment Fund			xxxx		(xxxx)	xxxx
Increase/ Decrease in donors' restricted contributions for specific operations (Note 4.12)	(xxxx)				xxxx	xxxx
Balance as at 31 March 2013	**xxxx**	**xxxx**	**xxxx**	**xxxx**	**xxxx**	**xxxx**

The Notes on pages …… to …… form an integral part of these financial statements

ABC SRI LANKA
STATEMENT OF CASH FLOWS
For the Year Ended 31 March 2013

(in thousands of Rs.)

	Organisation	
Year ended 31 March	**2013**	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/ (deficit) for the year (Before Tax)	**xxxx**	xxxx
Adjustments to reconcile surplus/(deficit) to net cash flows:		
Non-cash items:		
Depreciation and impairment of property, plant and equipment	**xxxx**	xxxx
Amortization and impairment of intangible assets	**xxxx**	xxxx
Provision and losses on inventories	**xxxx**	xxxx
Movement in provisions, receivables and specific risks	**xxxx**	xxxx
Interest and securities income	**(xxx)**	(xxx)
Losses/ (gains) on securities	**(xxx)**	(xxx)
Gains from disposal of fixed assets	**(xxx)**	(xxx)
Working capital adjustments:		
Accounts receivable	**(xxx)**	(xxx)
Prepayments	**xxxx**	xxxx
Inventories	**xxxx**	xxxx
Other financial assets	**(xxx)**	(xxx)
Accounts payable	**xxxx**	xxxx
Accrued expenses and deferred income	**(xxx)**	(xxx)
Other financial liabilities	**xxxx**	xxxx
Less:		
Income Tax Paid	**(xxx)**	(xxx)
Interest paid	-	-
Net cash from/(used in) operating activities	**xxxx**	xxxx
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property Plant and Equipment	**(xxx)**	(xxx)
Purchase of intangible assets	**(xxx)**	(xxx)
Proceeds from sale of equipment	**xxxx**	xxxx
Purchase of securities	**(xxx)**	(xxx)
Interest received	**xxxx**	xxxx
Income from securities, net	**xxxx**	xxxx
Net cash from/(used in) investing activities	**xxxx**	xxxx
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing of government loans	**xxxx**	xxxx
Repayments of government loans	**(xxx)**	(xxx)
Net cash from/(used in) financing activities	**xxxx**	xxxx
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**xxxx**	xxxx
CASH AND CASH EQUIVALENTS AT 1 APRIL	**xxxx**	xxxx
CASH AND CASH EQUIVALENTS AT 31 MARCH	**xxxx**	xxxx

The Notes on pages …… to …… form an integral part of these financial statements.

ABC SRI LANKA
Notes to Financial Statements
for the year ended 31 March 2013

1. General Information

ABC Sri Lanka is a non governmental organisation as per the definition provided in the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organisations (including Non Governmental Organisations).

[It is/is not registered with the Department of Social Services and has been established under the Social Services Act No. of ………….]

[The organisation has been incorporated under the Companies Act No……..... of Sri Lanka as a company limited by guarantee. In the event that the company is wound up the liability of members is limited to Rs. …… per member].

[The Organisation has been established under the Trust Ordinance of Sri Lanka].*

The names of the Members of the Board/Trustees of the Organisation are provided on page…

It is domiciled in Sri Lanka and is the local representation of ABC in the UK. The principle place of activity of the organisation is located at …………..

In the financial statements "Organisation" refers to ABC Sri Lanka.

Except for certain activities that will conclude on the realisation of their relevant activities in accordance with the relevant terms of reference, the financial statements have been prepared on going concern basis.

The notes to the financial statements on pages … to …. are an integral part of the financial statements

All values presented in the financial statements are in Rupees thousands (Rs.'000s) unless otherwise indicated.

2. Basis of Preparation

2.1 Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Cash Flows together with the Accounting Policies and Notes to the financial statements as at 31 March 2013 and for the year then ended comply with the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organisations (including Non-Governmental Organisations) issued by the Institute of Chartered Accountants of Sri Lanka (SL SoRP).

2.2 Basis of measurement

The financial statements have been prepared using the historical cost convention, except as concerns financial securities and derivative financial instruments, which are stated at their fair value.

* select as appropriate

2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees (Rs.), which is the organization's functional and presentation currency. All financial information presented in Rupees has been rounded to the nearest thousand, except when otherwise indicated.

2.4 Changes in Accounting Policies and Disclosures

The Accounting policies have been consistently applied, unless otherwise stated, and are consistent with those used in previous years, except for the changes in accounting policies specified by the SL SoRP issued in 2012.

2.5 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates can result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying ABC Sri Lanka's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.
[state the judgements made by the management]

Estimates and assumptions

The key assumptions concerning the future and other crucial sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.
[state the estimates and assumptions made by the management]

3. Summary of significant accounting policies

3.1 Foreign-currency transactions

Transactions in currencies other than Sri Lanka Rupees are converted into Sri Lanka Rupees at rates which approximate the actual rates at the transaction date. At the reporting date, monetary assets (including securities) and liabilities denominated in foreign currency are converted into Sri Lanka Rupees at the rate of exchange at that date. Non-monetary assets and liabilities in foreign currencies that are stated at historical cost are translated at the foreign exchange rate at the date of the transaction. Realized and unrealized exchange differences are reported in the Statement of Comprehensive Income.

The principal rates of exchange are shown below:

Currency	Closing Rate		Average Rate	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012

3.2 Cash and cash equivalents

ABC Sri Lanka considers cash on hand, amounts due from banks and short-term deposits with an original maturity of three months or less to be "Cash and cash equivalents". Bank borrowings that are repayable on demand and form an integral part of the ABC Sri Lanka's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash flows.

3.3 Financial Instruments

ABC Sri Lanka classifies financial assets in to the following categories; financial assets at fair value through profit and loss, held to maturity financial assets, loans and receivables, and available for sale financial assets.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are classified as current assets, with any resultant gains or losses recognized in finance costs in the Statement of Comprehensive Income. As ABC Sri Lanka's securities are managed externally on a portfolio basis, all income from securities is disclosed net. Securities are recognized and de-recognized on the trade date that the portfolio manager, on behalf of ABC Sri Lanka, commits to purchase or sell the investments.

The fair value of listed securities is their quoted bid price at the reporting date. Financial income consists principally of interest and net realized and unrealized gains on changes in fair value. Interest income is recognized on an accruals basis, taking into account the effective yield of the asset.

Held to maturity financial assets

If the organisation has positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and Receivables

ABC Sri Lanka initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the organisation becomes a party to the contractual provisions of the instrument. Loans and receivables are stated at their cost net of an allowance on outstanding amounts to cover the risk on non-payment.

Available for sale financial assets

Available for sale financial assets are financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value therein, other than impairment losses and foreign currency difference on available for sale debt instruments, are recognised in other comprehensive income and presented in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Impairment of financial assets

The carrying amounts of ABC Sri Lanka's assets are reviewed at each reporting date to determine whether there is any indication of impairment. The organisation assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset or assets (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty or default in interest or principal payments, the probability that they will enter bankruptcy or any financial reorganization, and when observable data indicate that there is a measurable decrease in future cash flows, such as change in arrears or economic conditions that correlate with defaults. If any indication exists, the asset's recoverable amount is estimated.

An impairment loss is then recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Statement of Comprehensive Income. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.4 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the price at which inventories can be reasonably expected to be sold in the market place, less any estimated cost necessary to make the sale.

Cost incurred to bringing inventories to its present location and condition include cost of raw materials on a first in first out basis, any direct labour, and an appropriate portion of any other direct overhead.

Items donated for distribution or resale are not included in the financial statements until such time they are distributed or resold.

3.5 Property Plant and Equipment

a. <u>Cost and Valuation</u>

All items of property, plant and equipment are initially recorded at cost. Where any item of property, plant and equipment subsequently revalued, the entire class of such asset is revalued. Revaluation is carried out with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values as at the date of the Statement of Financial Position. Subsequent to the initial recognition of an asset, property plant and equipment are carried at historical cost or, if revalued, at the revalued amounts less any subsequent depreciation. Additions subsequent to the last revaluation is carried at cost less any subsequent depreciation.

Buildings owned are used for purposes of ABC Sri Lanka and therefore do not fall under the definition of Investment Property.

b. <u>Subsequent Expenditure</u>

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the Statement of Comprehensive Income as an expense as incurred.

c. <u>Depreciation</u>

Depreciation is provided for on all assets on the straight-line basis and is calculated on the cost or revalued amount of all property, plant and equipment other than land, in order to write off such amounts less any terminal value over the estimated useful lives of such assets.

The annual rates of depreciation currently being used by ABC Sri Lanka are:

Assets	Rate pa.
Buildings	2 ½%
Motor Vehicles	20%
Computer equipment	33 1/3%
Computer software	33 1/3%
Office Equipment	20%
Furniture and Fittings	10%

[*Please note these rates are for purpose of the illustrative statements only and not recommendations*]

d. Donated Assets

Where property plant and equipment is purchased as a part of a project through restricted funds, until the conclusion of the project or, if on conclusion of the project, the asset is not handed over to the beneficiary or returned to the original donor, the cost of the asset is included in a memorandum inventory of property plant and equipment identified as such in the financial statements. Depreciation is/is not provided on such assets.

Alternative treatment:

Where property plant and equipment is purchased as a part of a project through restricted funds, if on conclusion of the project, the asset is not handed over to the beneficiary or returned to the original donor, the asset is valued on the conclusion of the project and brought into the financial statements under property plant and equipment through a Capital Reserve. The basis of valuation is as provided hereunder. Depreciation provided on such assets will be charged against the reserve. For purpose of depreciation the date of valuation for inclusion in the financial statements is considered the date of purchase.

3.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost minus any accumulated amortization and any accumulated impairment losses, except for assets with indefinite useful lives. Internally generated intangible assets are not capitalized as the criteria of recognition under *LKAS 38 – Intangible Assets* cannot be reliably measured; expenditure is therefore reflected in the Statement of Comprehensive Income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Statement of Comprehensive Income as a depreciation expense.

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

3.7 Financial liabilities

Subsequent to initial recognition, interest-bearing loans are stated at amortized cost with any difference between cost and redemption value being recognized in the Statement of Comprehensive Income over the period of the loan on an effective interest basis.

Interest-free loans are recorded at fair value on initial recognition, which is the present value of the expected future cash flows, discounted using a market-related rate. The difference between the cost and the fair value of these loans on initial recognition is a deferred income. These loans and deferred income are subsequently recognized at amortized cost and spread over the useful life of the related assets.

3.8 Provisions

A provision is recognized in the statement of financial position when ABC Sri Lanka has a legal or constructive obligation as a result of a past event, it is probable that an outflow of assets will be required to settle the obligation, and the obligation can be measured reliably. For certain operational claims reported as provisions, it is not practical to disclose detailed information on their corresponding nature and uncertainties. If the effect is material, provisions are determined by discounting the expected future cash flow so as to reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.9 Employee Benefits

a. Defined Benefit Plan – Gratuity

A defined benefit plan is a pension plan that is not defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the Statement of Financial Position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the Statement of Financial Position together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of long term Government Bonds or high quality corporate bonds.

Past service costs are recognized immediately in income, unless the changes to the defined benefit plans are conditional on the employees remaining in services for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

As a policy, ABC Sri Lanka adopts the Corridor Method in recognizing the actuarial gains and losses. Accordingly, ABC Sri Lanka recognizes in the Statement of Comprehensive Income a specified portion of the net cumulative actuarial gains and losses that exceed the greater of;

(i) 10% of the present value of the defined benefit obligation (before deducting plan assets); and
(ii) 10% of the fair value of any plan assets

b. Defined Contribution plans

All employees are eligible to contribution to the Employees' Provident Fund and the Employees' Trust Fund in accordance with the relevant statutes and regulations. ABC Sri Lanka contributes 12% and 3% of the gross emoluments of the employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

3.10 Accounting for the receipt and utilisation of Funds/Reserves

Reserves

Reserves are classified as either restricted or unrestricted reserves.

a. Unrestricted Reserves/Funds

Unrestricted funds are those that are available for use by ABC Sri Lanka at the discretion of the Board, in furtherance of the general objectives of ABC Sri Lanka and which are not designated for any specific purpose.

Surplus funds are transferred from restricted funds to unrestricted funds in terms of the relevant Donor Agreements or with the subsequent approval of the Donor.

Contributions received from the general public are recognised in the Statement of Comprehensive Income on a cash basis.

b. Designated Reserves/Funds

Unrestricted funds designated by the Board to a specific purpose are identified as designated funds. The activities for which these funds may be used are identified in the financial statements.

c. Restricted Reserves/Funds

Where grants are received for use in an identified project or activity, such funds are held in a restricted fund account and transferred to the Statement of Comprehensive Income to match with expenses incurred in respect of that identified project. Unutilised funds are held in their respective Fund accounts and included under accumulated fund in the Statement of Financial Position until such time as they are required.

Funds collected through a fund raising activity for any specific or defined purpose are also included under this category.

Where approved grant expenditure exceeds the income received and there is certainty that the balance will be received such amount is recognised through Debtors in the Statement of Financial Position.

The activities for which these restricted funds may and are being used are identified in the notes to the financial statements.

e. Endowment Reserves/Funds

Where assets are received as an endowment, which are not exhausted, only the income earned from such assets may be recognised and used as income.

f. Investment Income and other gains realised from funds available under each of the above categories are allocated to the appropriate funds, unless the relevant agreement or minute provides otherwise.

3.11 Grants and Subsidies

Grants and subsidies are recognised in the financial statements at their fair value. When the grant or subsidy relates to an expense it is recognised as income over the period necessary to match it with the costs, which it is intended to compensate for on a systematic basis.

Grants and subsidies related to assets are generally deferred in the Statement of Financial Position and credited to the Statement of Comprehensive Income over the useful life of the asset.

In the case of grants received to fund an entire project or activity, which includes the purchase of an asset, and the cost of such asset is charged with the project costs to the Statement of Comprehensive Income, the grant value is recognised as income in the same period as the cost of the asset is charged to the Statement of Comprehensive Income. On conclusion of the project, in the event that the asset is not handed over to the beneficiary or returned to the original donor, the cost of the asset is included in a memorandum inventory of property plant and equipment identified as such in the financial statements.

3.12 Leases

a. Finance Leases

Property, plant and equipment on finance leases, which effectively transfer to ABC Sri Lanka substantially all of the risk and benefits incidental to ownership of the lease items, are capitalised and disclosed as Finance Lease at their cash price and depreciated over the period ABC Sri Lanka is expected to benefit from the use of the leased assets.

The corresponding principal amount that is payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in a suspense account. The interest element of the rental obligation pertaining to each financial year is charged to the Statement of Comprehensive Income over the period of the lease.

b. Operating leases

Leases where, the lessor effectively retains substantially all of the risks and benefits of ownership over the term of the lease are classified as operating leases. Rentals paid under operating leases are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

3.13 Income recognition

a. Contributions/ Incoming Sources

Income realised from restricted funds is recognised in the Statements of Comprehensive Income only when there is certainty that all of the conditions for receipt of the funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the Statements of Comprehensive Income. Unutilised funds are carried forward as such in the Statement of Financial Position.

Gifts and donations received in kind are recognised at valuation at the time that they are distributed to beneficiaries, or if received for resale with proceeds being used for the purpose of ABC Sri Lanka at the point of such sale. Items not sold or distributed are inventorised but not recognised in the financial statements.

All other income is recognised when ABC Sri Lanka is legally entitled to the use of such funds and the amount can be quantified. This would include income receivable through fund raising activities and donations.

b. Revenue

Interest earned is recognised on an accrual basis.

Dividend received is recognised when the right to receive dividend is established.

Revenues earned on services rendered are recognised in the accounting period in which the services were rendered.

Net gains and losses on the disposal of property, plant and equipment and other non current assets, including investments, are recognised in the Statement of Comprehensive Income after deducting from the proceeds on disposal, the carrying value of the item disposed of and any related selling expenses. In the case of any revalued asset, any balance remaining in the Revaluation Reserve account is transferred to the Statement of Comprehensive Income.

Other income is recognised on an accrual basis.

3.14 Expenditure recognition

Expenses in carrying out the projects and other activities of ABC Sri Lanka are recognised in the Statement of Comprehensive Income during the period in which they are incurred. Other expenses incurred in administering and running ABC Sri Lanka and in restoring and maintaining the property plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the Statement of Comprehensive Income.

ABC Sri Lanka has adopted the “Function of expense” method to present fairly the elements of ABC Sri Lanka’s activities in its Statement of Comprehensive Income.

3.15 Taxation

a. Current Taxes

Income tax is provided in accordance with the provisions of the Inland Revenue Act No. 10 of 2006, on the profits earned by ABC Sri Lanka and in terms of Section 96A; and is based on the elements of income and expenditure reflected in the Statement of Comprehensive Income and on the elements of grants received, subject to exemptions referred to in Note xx to the financial statements.

b. Deferred Taxes

Deferred Tax is provided on the difference between the values of assets and liabilities as per the Statement of Financial Position and as listed for the purpose of Income Tax as at the date of the Statement of Financial Position adjusting for any differences that will not reverse in the foreseeable future.

The carrying amount of such deferred taxes will be reviewed at each date of the Statement of Financial Position and will be increased by virtue of any new assets being included or be reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

c. Value added taxes

Value added taxes (or VAT) are payable on the import of certain items and are normally included in the cost of such item. An exception would be where the item Statement of Financial Position sheet until such time as it is received.

3.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as a part of the cost of that asset. Other borrowing costs are treated as an expense in the period in which it is incurred.

3.17 Financial income and expenditure

Net financial income (see Note xx) comprises interest payable on borrowings, interest receivable on funds invested, securities income and gains and losses on hedging instruments. Interest income is recognized in the Statement of Comprehensive Income as it accrues, taking into account the effective yield on the asset.

3.18 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of ABC Sri Lanka. It may also be a present obligation that arises from past events but in respect of which an outflow of economic benefit is not probable or which cannot be measured with sufficient reliability. Such contingent liabilities are recorded under Note xx. For certain operational claims reported as contingent liabilities, it is not practical to disclose detailed information on their corresponding nature and uncertainties.

4. Notes to the Financial Statements

4.1 Property Plant and Equipment

(a)

Item	*Balance as at 01.04.2012*	*Additions during the year*	*Disposals during the year*	*Balance as at 31.03.2013*
At Cost /Valuation				
Land	xxxx	xxxx	xxxx	xxxx
Buildings	xxxx	xxxx	xxxx	xxxx
Motor Vehicles	xxxx	xxxx	xxxx	xxxx
Computer equipment	xxxx	xxxx	xxxx	xxxx
Computer software	xxxx	xxxx	xxxx	xxxx
Office Equipment	xxxx	xxxx	xxxx	xxxx
Furniture and Fittings	xxxx	xxxx	xxxx	xxxx
	xxxx	xxxx	xxxx	xxxx
Capital work in progress	xxxx	xxxx	xxxx	xxxx
Total	**xxxx**	**xxxx**	**xxxx**	**xxxx**

Item	*Balance as at 01.04.2012*	*Charge for the year*	*Disposals during the year*	*Balance as at 31.03.2013*
Depreciation on Cost/Valuation				
Land	xxxx	xxxx	xxxx	xxxx
Buildings	xxxx	xxxx	xxxx	xxxx
Motor Vehicles	xxxx	xxxx	xxxx	xxxx
Computer equipment	xxxx	xxxx	xxxx	xxxx
Computer software	xxxx	xxxx	xxxx	xxxx
Office Equipment	xxxx	xxxx	xxxx	xxxx
Furniture and Fittings	xxxx	xxxx	xxxx	xxxx
	xxxx	xxxx	xxxx	xxxx
Capital work in progress	xxxx	xxxx	xxxx	xxxx
Total	**xxxx**	**xxxx**	**xxxx**	**xxxx**
Net book value of Assets				
At cost	xxxx	xxxx	xxxx	xxxx
At valuation	xxxx	xxxx	xxxx	xxxx
Total	**xxxx**	**xxxx**	**xxxx**	**xxxx**

(b) Segment analysis of net book value of assets

For the year ended 31 March	Organisation 2013	2012
Segment		
Provision of housing	**xxxx**	xxxx
Fisheries	**xxxx**	xxxx
Other project	**xxxx**	xxxx
Administration	**xxxx**	xxxx
	xxxx	xxxx

(c). Project Assets not included in Statement of Financial Position

At Cost /Valuation

Item	**Balance as at 01.04.2012**	**Additions during the year**	**Capitalised during the year**	**Transferred during the year**	**Balance as at 31.03.2013**
Buildings	xxxx	xxxx	xxxx	xxxx	xxxx
Motor Vehicles	xxxx	xxxx	xxxx	xxxx	xxxx
Computer equipment	xxxx	xxxx	xxxx	xxxx	xxxx
Computer software	xxxx	xxxx	xxxx	xxxx	xxxx
Office Equipment	xxxx	xxxx	xxxx	xxxx	xxxx
Furniture and Fittings	xxxx	xxxx	xxxx	xxxx	xxxx
Total	**xxxx**	**xxxx**	**xxxx**	**xxxx**	**xxxx**

4.2 Intangible Assets

Item	*Balance as at 01.04.2012*	*Additions during the year*	*Disposals during the year*	*Balance as at 31.03.2013*
At Cost /Valuation				
Software	xxxx	xxxx	xxxx	xxxx
Emblem	xxxx	xxxx	xxxx	xxxx
Total	**xxxx**	**xxxx**	**xxxx**	**xxxx**

Item	*Balanceas at 01.04.2012*	*Charge for the year*	*Balance as at 31.03.2013*
Amortization			
Software	xxxx	xxxx	xxxx
Emblem	xxxx	xxxx	xxxx
Total	**xxxx**	**xxxx**	**xxxx**
Net Book Value	**xxxx**	**xxxx**	**xxxx**

4.3 Long Term Receivables

For the year ended 31 March	Organisation 2013	2012
Deferred Income	**xxxx**	xxxx
Total	**xxxx**	xxxx

4.4 Other Financial Assets

For the year ended 31 March	Organisation 2013	2012
Forward currency contracts	**xxxx**	xxxx
Guarantee deposits	**xxxx**	xxxx
Total	**xxxx**	xxxx

4.5 Inventories

For the year ended 31 March	Organisation 2013	2012
Consumables	**xxxx**	xxxx
Administration, identification and security	**xxxx**	xxxx
Publications	**xxxx**	xxxx
Work In progress	**xxxx**	xxxx
Total	**xxxx**	xxxx

Inventory written off and charged to expenses amounted to Rs.xxx.

4.6 Accounts Receivable

For the year ended 31 March	Organisation 2013	2012
Pledges	**xxxx**	xxxx
National Societies, organizations, foundations and funds	**xxxx**	xxxx
	xxxx	xxxx
Withholding taxes	**xxxx**	xxxx
Other income receivable	**xxxx**	xxxx
Allowance for accounts receivable	**(xxx)**	(xxx)
Total	**xxxx**	xxxx

4.7 Prepayments

For the year ended 31 March	Organisation 2013	Organisation 2012
Prepaid expenses	**xxxx**	xxxx
Advance payments to suppliers	**xxxx**	xxxx
Social security and insurance contributions	**xxxx**	xxxx
Total	**xxxx**	xxxx

4.8 Other Financial Assets

For the year ended 31 March	Organisation 2013	Organisation 2012
Fair Value through Profit & Loss financial assets	**xxxx**	xxxx
Total	**xxxx**	xxxx

4.9 Cash and cash equivalents

For the year ended 31 March	Organisation 2013	Organisation 2012
Cash in hand	**xxxx**	xxxx
Cash at Bank	**xxxx**	xxxx
Short-term deposits	**xxxx**	xxxx
Total	**xxxx**	xxxx

Cash at banks earns interest at floating rates based on daily bank rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of ABC Sri Lanka, and earn interest at the respective short-term deposit rates.

At 31 March 2013, ABC Sri Lanka had available Rs. xxxxx (2012: Rs. xxx) of undrawn committed borrowing facilities in respect of which all prior conditions had been met.

For the purpose of the Statement of Cash flows, cash and cash equivalents comprised the following as at 31 March:

	31.03.2013	**31.03.2012**
Cash and cash equivalents	xxxx	xxxx
Bank overdrafts	xxxx	xxxx
Total Cash and cash equivalents in the statement of cash flows	xxxx	xxxx

4.10 Unrestricted Reserves/Funds

For the year ended 31 March	Organisation 2013	Organisation 2012
Balance at beginning of the year	**xxxx**	xxxx
Unrestricted surplus/deficit in operating Activities	**(xxx)**	(xxx)
Balance at end of the year	**xxxx**	xxxx

4.11 Designated Funds

For the year ended 31 March	Organisation 2013	2012
Balance as at beginning of year	**xxxx**	xxxx
Additional Funds received during the year	**xxxx**	xxxx
Transfer to Statement of Comprehensive Income	**(xxx)**	(xxx
Balance as at year end	**xxxx**	xxxx
Designated for		
Refurbishment/expansion of office space	**xxxx**	xxxx
Staff welfare	**xxxx**	xxxx
	xxxx	xxxx

4.12 Restricted Funds

Balance as at beginning of year	**xxxx**	xxxx
Additional Funds received during the year	**xxxx**	xxxx
Transfer to Statement of Comprehensive Income	**(xxx)**	(xxx)
Transfer to Unrestricted Funds	**(xxx)**	(xxx)
Balance as at year end	**xxxx**	xxxx

Project wise allocation and movement in Restricted Funds

Name of Donor Organisation	Project	Balance brought forward	Received /restricted surplus during the year	Transferred to Income and Expenditure	Interest Income on Restricted Funds	Balance carried forward
ABC						
GH1						
MNO						
XYZ						
Total						

4.13 Endowment Funds

For the year ended 31 March	Organisation 2013	2012
Balance at beginning of the year	**xxxx**	xxxx
Surplus / deficit for the year	**(xxx)**	(xxx)
Balance at end of the year	**xxxx**	xxxx
Endowment Funds as at year-end comprise:		
……………………	**xxxx**	xxxx

4.14 Other Capital Reserves

For the year ended 31 March	Organisation 2013	2012
Balance at beginning of the year	**xxxx**	xxxx
Surplus / deficit for the year	**(xxx)**	(xxx)
Balance at end of the year	**xxxx**	xxxx

4.15 Loans and borrowings

For the year ended 31 March	Organisation 2013	2012
Unsecured interest-free loans	**xxxx**	xxxx
Less current portion	**(xxx)**	(xxx)
Total	**xxxx**	xxxx

There are two interest-free loans related to buildings, both granted by a governmental body. These interest-free loans were recognized at their fair values at initial recognition. The difference between fair value and cost has been booked in deferred income (see Note xx). As at 31 March 2013,the fair value of these non-current loans amounts to Rs.xxxx. Notional interest for a contributed service of Rs.xxxx (2012:Rs. xxx) has been recorded as expenditure and as income.

4.16 Employee benefit liabilities

For the year ended 31 March		Organisation 2013	2012
Balance as at 1 April		**xxxx**	xxxx
Current service cost		**xxxx**	xxxx
Past service cost	**xxxx**	xxxx	
Interest cost		**xxxx**	xxxx
Actuarial losses/(gains)		**xxxx**	xxxx
Benefits paid during the year		**(xxx)**	(xxx)
Balance as at 31 March		**xxxx**	xxxx

Amounts recognised in the Statement of Comprehensive Income are as follows:

For the year ended 31 March		Organisation 2013	2012
Current service cost		**xxxx**	xxxx
Past service cost	**xxxx**	xxxx	
Interest cost		**xxxx**	xxxx
Balance as at 31 March	**xxxx**	xxxx	

This obligation is not externally funded.

4.17 Deferred income

For the year ended 31 March		Organisation 2013	2012
Deferred income related to pledges	**xxxx**	xxxx	
Deferred income related to government loans		**xxxx**	xxxx
Balance as at 31 March		**xxxx**	xxxx

4.18 Accounts Payable

For the year ended 31 March	Organisation 2013	2012
Refundable to donors	**xxxx**	xxxx
Suppliers	**xxxx**	xxxx
Sundry items	**xxxx**	xxxx
Total	**xxxx**	xxxx

Terms and conditions of the above financial liabilities

- Governments, National Societies, organizations, foundations, funds and suppliers are non-interest bearing and are normally settled on 30-day terms.
- Sundry items are non-interest bearing and have an average term of six months.

4.19 Accrued expenses

For the year ended 31 March	Organisation 2013	2012
National Societies, organizations, foundations and funds	**xxxx**	xxxx
Accrued expenses	**xxxx**	xxxx
Total	**xxxx**	xxxx

4.20 Provisions

For the year ended 31 March	Organisation 2013	2012
Balance at 1 April	**xxxx**	xxxx
Allocations during the year	**xxxx**	xxxx
Use of provisions during the year	**xxxx**	xxxx
Release of provisions during the year	**(xxx)**	(xxx)
Total	**xxxx**	xxxx

The balance represents operational claims that are principally legal in nature and that management considers will probably be paid by ABC Sri Lanka. All provisions are expected to be settled within a year.

4.21 Bank overdrafts

For the year ended 31 March	Organisation 2013	2012
Bank 1	**xxxx**	xxxx
Bank 2	**xxxx**	xxxx
Total	**xxxx**	**xxxx**

4.22 Incoming Resources

For the year ended 31 March	Organisation 2013	2012
Summary		
Activities in furtherance of organisation's objectives		
Grants - Restricted Funding	**xxxx**	xxxx
Grants – Unrestricted Funding	**xxxx**	xxxx
Income from endowments	**xxxx**	xxxx
Donations from the public	**xxxx**	xxxx
Corporate Fundraising	**xxxx**	xxxx
Gifts in kind	**xxxx**	xxxx
Profit from trading or other activities [refer (a)]	**xxxx**	xxxx
Other fund raising activity	**xxxx**	xxxx
	xxxx	xxxx

(a) **Profit from trading activities**

Sale Proceeds	**xxxx**	xxxx
Cost/Fair value of items	**xxxx**	xxxx
Profit earned	**xxxx**	xxxx

4.23 Staff-related Costs

For the year ended 31 March	Organisation 2013	2012
Wages and salaries	**xxxx**	xxxx
Social insurance and social benefits	**xxxx**	xxxx
Contributed services	**xxxx**	xxxx
Post-employment benefit costs	**xxxx**	xxxx
Total	**xxxx**	xxxx

The average number of positions/employees during 2012/2013 was xxxx.

4.24 Direct Project/Activity Costs

For the year ended 31 March	Organisation 2013	2012
Administration costs	**xxxx**	xxxx
Consultancy fees	**xxxx**	xxxx
Travelling	**xxxx**	xxxx
Other	**xxxx**	xxxx
Total	**xxxx**	xxxx

4.25 Rentals

For the year ended 31 March	Organisation 2013	2012
Premises and equipment	**xxxx**	xxxx
Transport	**xxxx**	xxxx
Other	**xxxx**	xxxx
Total	**xxxx**	xxxx

4.26 Net Financial Income

For the year ended 31 March	Organisation 2013	Organisation 2012
Dividends	**xxxx**	xxxx
Interest	**xxxx**	xxxx
Gains/(losses) on securities	**xxxx**	xxxx
Total	**xxxx**	xxxx

4.27 Income Tax Expense

Current Tax on Ordinary Activities	**xxxx**	xxxx
NGO Tax on Grants received	**xxxx**	xxxx
Total Income Tax expense	**xxxx**	xxxx

Applicable rates of tax and the relevant tax regimes

As per the Inland Revenue Act No. 10 of 2006, all Non-Governmental Organisations are liable to tax at xx% on any surplus earned during the year; and xx% of all grants received during the year are taxable at xx% subject to certain specified exemptions.

ABC Organisation is exempted from Income based taxes as per xx of the Act and the following activities are exempted from the Grants tax as per xx of the Act.

4.28 Project Activity Summary

Identified Project	**Transferred from Restricted Funds**		**Received during the year from unrestricted funds and other sources**	**Total amount expended**					**Surplus/ deficit on project**
	Organisation	Amount		Staff	Other Direct		Other Indirect	Total	
					Assets	Other			
Housing Location 1 Location 2 Other									
Total									
Fisheries Location 1 Location 2 Other									
Total									
Other Location 1 Location 2 Other									
Total									
Transfer to Statement of Financial Position									
Per SFA									

4.29 Capital Commitments

ABC Sri Lanka has committed to building 10 houses in ….. in the ….. District at a cost of Rs. xxx millions of which a sum of Rs. xxx has been expended as at the date of the Statement of Financial Position.

4.30 Contingent Liabilities

ABC Sri Lanka has committed to provide equipment to a value of Rs.xxx to a home in ….. on the basis of funds to be provided by Donor X. In the event that these funds are not received ABC Sri Lanka would be required to meet this cost.

4.31 Related Party Transactions

ABC Sri Lanka has entered into a contract with P and Sons to provide computer equipment to a value of Rs. xxx. The owner of P and Sons is also a consultant to ABC Sri Lanka.

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