

# { Financial Statements }

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**AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF  
TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED**

We have audited the accompanying financial statements of Transparency International Sri Lanka (Guarantee) Limited, which comprise the Balance Sheet as at 31 December 2010, and the Statement of Financial Activities, Statement of Changes in Accumulated Funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the organization as of 31 December 2009 were audited by another auditor whose report dated 24 February 2010 expressed a unqualified opinion on those financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) issued by the Institute of Chartered Accountants of Sri Lanka. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Scope of Audit and Basis of Opinion**

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

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

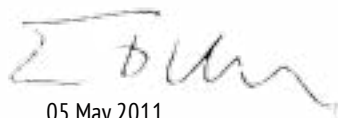
We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion, So far as appears from our examination, the Organisation has maintained proper accounting records for the year ended 31 December 2010 and the financial statements presents fairly in all material respects, the Organisation's state of affairs as at 31 December 2010 and its financial activities and cash flows for the year then ended in accordance with the Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) issued by the Institute of Chartered Accountants of Sri Lanka.

**Report on Other Legal and Regulatory Requirements**

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.



05 May 2011  
Colombo

# Balance Sheet

As at 31 December 2010

ASSETS	Note	2010 Rs.	2009 Rs. (Restated)
<b>Non-Current Assets</b>			
Property, Plant & Equipment	4	3,654,607	4,936,282
		<u>3,654,607</u>	<u>4,936,282</u>
<b>Current Assets</b>			
Short Term Deposits	5	2,488,984	29,234,532
Receivables	6	2,253,413	3,074,905
Cash & Bank Balances	15	18,916,911	3,731,171
		<u>23,659,308</u>	<u>36,040,608</u>
<b>Total Assets</b>		<u><u>27,313,915</u></u>	<u><u>40,976,890</u></u>
<b>FUNDING &amp; LIABILITIES</b>			
<b>Accumulated Funds</b>			
Restricted Funds	7	19,952,212	29,697,916
Unrestricted Funds	8	(919,353)	(1,757,471)
Transparency International Secretariat		-	5,131,914
Capital Grants	9	3,904,080	5,125,016
<b>Total Accumulated Funds</b>		<u>22,936,939</u>	<u>38,197,375</u>
<b>Non-Current Liabilities</b>			
Retirement Benefit Liability	10	1,589,111	1,528,907
		<u>1,589,111</u>	<u>1,528,907</u>
<b>Current Liabilities</b>			
Income Tax Payable		-	486,506
Creditors	11	1,615,246	492,948
Bank Overdraft	15	1,172,619	271,154
		<u>2,787,865</u>	<u>1,250,608</u>
<b>Total Accumulated Funds and Liabilities</b>		<u><u>27,313,915</u></u>	<u><u>40,976,890</u></u>

  
Finance Officer

The Management is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Organization by;

  
Director

  
Director

The accounting policies and notes on pages 23 through 43 form an integral of the finance statements.  
05 May 2011  
Colombo

# Statement of Financial Activities

Year ended 31 December 2010

	Note	2010 Rs.	2009 Rs. (Restated)
Incoming Resources	3	73,990,205	43,282,570
Project Expenditure	12	(50,785,297)	(21,314,284)
<b>Net Surplus on Projects</b>		23,204,908	21,968,286
Revenue Earned from Other Activities	13	838,118	482,809
Administrative Expenses	14	(22,959,800)	(20,613,730)
<b>Net Surplus / (Deficit) Before Tax</b>		1,083,226	1,837,365
Income Tax (Expenses) / Reversal		(245,108)	(574,329)
<b>Net Surplus / (Deficit) After Tax</b>		838,118	1,263,036

# Statement of Changes in Accumulated Funds

Year ended 31 December 2010

	Restricted Funds Rs.	Unrestricted Funds (Restated) Rs.	Transparency International Secretariat Rs.	Capital Grants (Restated) Rs.	Total Rs.
<b>Balance as at 1 January 2009 as previously stated</b>	3,019,273	(3,418,668)	5,131,914	4,155,425	8,887,944
Effects of Correction of Prior Periods - Note 17	-	398,161	-	(398,161)	-
<b>Balance as at 1 January 2009 (Restated)</b>	3,019,273	(3,020,507)	5,131,914	3,757,264	8,887,944
Funds Received/(Returned) During the Year (Restated)	68,075,684	-	-	-	68,075,684
Accrued Interest	1,523,290	-	-	-	1,523,290
Funds Transferred to Statement of Financial Activities	(42,920,331)	-	-	(991,726)	(43,912,057)
Net Surplus / (Deficit) for the Year (Restated) - Note 17	-	1,263,036	-	-	1,263,036
Capitalize during the Year	-	-	-	2,359,478	2,359,478
<b>Balance as at 31 December 2009 (Restated)</b>	29,697,916	(1,757,471)	5,131,914	5,125,016	38,197,375
Funds Transferred from Transparency International Secretariat to Restricted Funds	5,131,914	-	(5,131,914)	-	-
Funds Received During the Year	58,653,567	-	-	-	58,653,567
Funds Transferred to Statement of Financial Activities	(73,815,611)	-	-	(1,581,596)	(75,397,207)
Accrued Interest	964,029	-	-	-	964,029
Returned to Donor	(679,603)	-	-	-	(679,603)
Capitalised During the year	-	-	-	360,660	360,660
Net Surplus / (Deficit) for the Year	-	-	-	-	838,118
<b>Balance as at 31 December 2010</b>	19,952,212	(919,353)	-	3,904,080	22,936,939

# Cash Flow Statement

Year ended 31 December 2010

	Note	2010 Rs.	2009 Rs. (Restated)
<b>Cash Flows from Operating Activities</b>			
Net Surplus/(Deficit) before Taxation		1,083,226	1,837,365
Adjustments for			
Depreciation	4	2,217,774	1,264,917
Provision for Gratuity	10	607,325	481,658
(Profit)/Loss on sale of Property, Plant & Equipment		32,321	39,498
Amortization		(1,581,596)	(991,726)
Interest Income		(466,623)	(199,695)
Net cash flow before Working Capital Changes		1,892,427	2,432,017
(Increase)/ Decrease in Receivables	6	821,492	(277,359)
Increase/(Decrease) in Creditors	11	1,122,298	(742,475)
Cash Generated from Operations		3,836,217	1,412,183
Payment of Taxes		(326,959)	(700,177)
Net Cash from Project Activities		3,509,258	712,006
<b>Cash Flows from/(Used in) Investing Activities</b>			
Purchase of Property, Plant & Equipment	4	(662,787)	(828,311)
Proceeds from sale of Property, Plant & Equipment		67,680	2,499
Proceeds from/(Investment on) Short Term Deposits		26,745,548	(23,130,140)
Interest Income	13	466,623	199,689
Net Cash from/(used in) Investing Activities		26,617,064	(23,756,263)
<b>Cash Flows from/(Used in) Financing Activities</b>			
Cash received from Donors not used		(15,842,047)	26,388,645
Net Cash from/(used in) Financing Activities		(15,842,047)	26,388,645
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		14,284,275	3,344,388
Cash and Cash Equivalents at the beginning of the year	15	3,460,017	115,629
Cash and Cash Equivalents at the end of the year	15	17,744,292	3,460,017

# Notes to the Financial Statements

Year ended 31 December 2010

## 1. BACKGROUND INFORMATION

### 1.1 General

Transparency International Sri Lanka (Guarantee) Limited was incorporated on 23 March 2004 under the Companies Act No. 17 of 1982 as a limited company. It was re-registered on 07 May 2009 under the Companies Act No. 7 of 2007 as a company limited by guarantee.

Transparency International Sri Lanka is domiciled in the Democratic Republic of Sri Lanka. The registered office of the Company is located at No. 28/1, Bullers, Lane, Colombo 07, and the principal place of the Company is located at No. 06, 37th Lane, Off Queens Road, Colombo 03. Its programmes are carried out throughout the country.

### 1.2 Principle activities of the organization

Transparency International Sri Lanka (Guarantee) Limited (TISL) is a National chapter of Transparency International (TI), the leading global movement against corruption. TI raises awareness of the damaging effects of corruption and works with partners in government, business and civil society to develop and implement effective measures to tackle it. TI has an international secretariat in Berlin, Germany, and more than 90 Chapters worldwide.

Transparency International Sri Lanka (Guarantee) Limited (TISL) commenced active operations at the end of 2002 and has since built a strong institution arduously fighting corruption in Sri Lanka. It functions as a self financing autonomous Chapter of TI with its own strategic directions and priorities.

### 1.3 Date of Authorization for Issue

The Financial Statements of Transparency International Sri Lanka (Guarantee) Limited, for the year ended 31 December 2010 was authorized for issue in accordance with a resolution of the board of directors on 5 May 2011.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2. BASIS OF PREPARATION

### 2.1 General Policies

#### 2.1.1 Basis of Preparation

The Financial Statements have been prepared on a historical cost basis. The Financial Statements are presented in Sri Lankan Rupees. The Preparation and Presentation of these financial statements is in compliance with the Companies Act No. 07 of 2007.

#### 2.1.2 Statement of compliance

The Financial Statements of Transparency International Sri Lanka have been prepared in accordance with the Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) issued by the Institute of Chartered Accountants of Sri Lanka.

#### 2.1.3 Comparative Information

Previous year's figures and phrases have been re-arranged wherever necessary to confirm to the current presentation.

#### 2.1.4 Translation of Foreign Currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Trust's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date and non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any resulting exchange gains and losses are accounted for in the statement of financial activities except for gains or losses relating to items adjusted through the Accumulated Fund which are reflected therein.

#### 2.1.5 Taxation

##### Current Taxes

Board of Directors of the Organisation is of the view that it does not come under the definition of a Non Governmental Organizations (NGOs) as being a limited by Guarantee Company. Accordingly the grants and donations received by TISL are not liable for income tax. Interest income on treasury bill is taxed at 30%.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2.2 Accounting for the Receipts & Utilization of Funds

### 2.2.1 Funds

#### a) Unrestricted Funds

Unrestricted Funds are those that are available for use by the organization at the discretion of the board, in furtherance of the general objectives of the organization and which are not designated for any specific purpose.

Contributions received from the general public are recognized in the statement of Financial Activities on a cash basis.

#### b) Restricted 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 Financial Activities Account to match with expenses incurred in respect of that identified project. Unutilized funds are held in their respective fund accounts and included under Accumulated Fund in the Balance Sheet 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 a certainty that the balance will be received such amount is recognized through debtors in the Balance Sheet.

The activities for which these Restricted Funds may and are being used are identified in the notes to the Financial Statements.

#### c) Endowment Funds

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

d) Investment income and other gains realized from funds available under each of the categories are allocated to the appropriate funds, unless the relevant agreement or minute provides otherwise.

### 2.2.2 Grants and Subsidies

Grants and subsidies related to assets are deferred in the Balance Sheet and recognized as income over the life of depreciable asset by way of a reduced depreciation charge in the Statement of Financial Activities over the useful life of the asset.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2.3 Valuation of Assets and their Measurement Bases

### 2.3.1 Receivables

Receivables are stated at the amounts they are estimated to realize net of allowances for bad and doubtful receivables.

### 2.3.2 Cash & Cash Equivalents

Cash and cash equivalents are defined as cash in hand, short term investments readily convertible to identified amounts of cash and which are not subject to any significant risk of change in value.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and bank deposits, net of outstanding bank overdrafts.

### 2.3.3 Property Plant & Equipment

#### 2.3.3.1 Cost and Valuation

Property, Plant & Equipment is stated at cost excluding the cost of day to day servicing less accumulated depreciation and accumulated impairment in value.

Property, Plant and Equipment is purchased as a part of a project is capitalised at the completion of projects at cost less accumulated depreciation and accumulated impairment is in value.

#### 2.3.3.2 Depreciation

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 less any terminal value in order to write off such amounts over the estimated useful lives of such assets. Depreciation is provided on assets commencing from the month assets are available for use. Where project assets are subsequently transferred to property, plant & equipment a corresponding amount is credited to capital grant account. Depreciation charged on these assets are set off against the amortization of this capital grant.

#### 2.3.3.3 Investments

Fixed Deposits and other interest bearing securities held for resale in the near future to benefit from short term market movements are accounted for at cost plus the relevant proportion of the discounts or premium.

#### 2.3.3.4 Donated Asset

When 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 assets 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 not provided on such assets.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2.4 Liability and Provisions

### 2.4.1 Retirement Benefit obligations

#### (a) Defined Benefit Plan- Gratuity

Retirement Gratuity is a Defined Benefit Plan. The organization is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried in the Balance Sheet that is based on a half months salary as of the last month of the financial year for all employees for each completed year of service commencing from the first year of service. The difference between the provision that is brought forward at the beginning of the year and the provision that is required to be carried forward at the end of the year is adjusted through the Statement of Financial Activities.

This provision is not externally funded. However in accordance with the payment of Gratuity Act No 12 of 1983, this liability arises only on the completion of five years of continued service of any employee.

#### (b) Defined Contribution Plans

All employees are eligible to contribute to the Employees Provident Fund and the Employees Trust Fund in accordance with the relevant statutes and regulations. The organization contributes 12% and 3% of the gross emolument of the employees to the Employees Provident Fund and to the Employees Trust Fund respectively.

## 2.5 Statement of Income

### 2.5.1 Income Recognition

#### (a) Incoming Resources

Income realized from restricted funds is recognized in the Statement of Financial Activities only when there is a certainty that all conditions for receipt of funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the Statement of Financial Activities. Unutilized funds are carried forward as such in the Balance Sheet.

All other income is recognized when the organization is legally entitled to the use of such funds and the amount can be quantified.

#### (b) Revenue Earned from Other Activities

Interest earned is recognized on an accrual basis.

Revenue earned on services rendered is recognized in the accounting period in which the services are rendered.

Other income is recognized on an accrual basis.

### 2.5.2 Expenditure Recognition

(a) Expenses in carrying out the projects and other activities of the organization are recognised in the statement of Financial Activities during the year in which they are incurred. Other expenses incurred in administering and running the organization 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 financial activities.

(b) For the purpose of presentation, of the statements of financial activities, the Management is of the opinion that the function of expenses method, presents fairly the elements of the Organisation's performance, and hence such a presentation method is adopted.

# Notes to the Financial Statements

Year ended 31 December 2010

3. INCOMING RESOURCES	2010	2009
	Rs.	Rs.
Restricted Funding	73,815,611	43,282,570
Income from Private Sponsorships	174,594	-
	<u>73,990,205</u>	<u>43,282,570</u>

4. PROPERTY, PLANT & EQUIPMENT	Balance	Additions	Disposals	Balance
	As at			As at
4.1 Gross Carrying Amounts	01.01.2010			31.12.2010
At Cost	Rs.	Rs.	Rs.	Rs.
Furniture & Fittings	1,366,768	284,778	-	1,651,546
Office Equipment	4,558,500	90,200	70,950	4,577,750
Computer	2,368,591	570,470	333,251	2,605,810
Motor Vehicle	387,325	77,999	-	465,325
	<u>8,681,184</u>	<u>1,023,447</u>	<u>404,201</u>	<u>9,300,431</u>
<b>Total Gross Carrying Amount</b>	<u>8,681,184</u>	<u>1,023,447</u>	<u>404,201</u>	<u>9,300,431</u>

4.2 Depreciation	As At	Charge for	Disposals	As at
	01.01.2010	the year		31.12.2010
At Cost	Rs.	Rs.	Rs.	Rs.
Furniture & Fittings	426,350	383,879	-	810,229
Office Equipment	1,720,517	1,151,688	35,476	2,836,729
Computer	1,598,035	574,001	281,376	1,890,660
Motor Vehicle	-	108,206	-	108,206
	<u>3,744,902</u>	<u>2,217,774</u>	<u>316,852</u>	<u>5,645,824</u>
<b>Total Depreciation</b>	<u>3,744,902</u>	<u>2,217,774</u>	<u>316,852</u>	<u>5,645,824</u>

4.3 Net Book Values	As At	As at
	01.01.2010	31.12.2010
	Rs.	Rs.
<b>Total Carrying Value of Property, Plant &amp; Equipment</b>	<u>4,936,282</u>	<u>3,654,607</u>

4.4 During the financial period, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. Rs.662,787/- and capitalised Property, Plant & Equipment which has been categorised under "Project Assets Not Included in the Balance Sheet" to the aggregate value of Rs. 360,660/-.

4.5 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 3,357,536/- (2009 - Rs.2,151,358/-).

# Notes to the Financial Statements

Year ended 31 December 2010

4.6 The useful lives of the assets are estimated as follows;	2010	2009
Furniture & Fittings	Over 4 Years	Over 4 Years
Office Equipment	Over 4 Years	Over 4 Years
Computer	Over 4 Years	Over 4 Years
Motor Vehicle	Over 4 Years	Over 4 Years

4.7 Project Assets not Included in Balance Sheet	Balance	Additions	Capitalised	Balance
	As at	During	During	As at
	01.01.2010	the year	the year	31.12.2010
At Cost	Rs.	Rs.	Rs.	Rs.
Furniture & Fittings	8,010	169,575	(8,010)	169,575
Office Equipment	-	38,575	-	38,575
Computer	252,500	100,150	(352,650)	-
Air Conditioners	-	111,675	-	111,675
	<u>260,510</u>	<u>419,975</u>	<u>(360,660)</u>	<u>319,825</u>

5. SHORT TERM DEPOSITS	2010	2009
	Rs.	Rs.
Fixed Deposits	2,488,984	2,940,300
Treasury Bills	-	26,294,232
	<u>2,488,984</u>	<u>29,234,532</u>

6. RECEIVABLES	2010	2009
	Rs.	Rs.
Deposits & Prepayments	1,758,767	1,742,250
Advances	19,900	1,020,730
Other Receivables	474,746	311,925
	<u>2,253,413</u>	<u>3,074,905</u>

7. RESTRICTED FUNDS	2010	2009
	Rs.	Rs.
		(Restated)
Balance as at Beginning of the Year	29,697,916	3,019,273
Secretariat	5,131,914	-
Funds Received During the Year (7.1)	58,653,567	68,075,684
Accrued Interest	964,029	1,523,290
Transfer to Statement of Financial Activities (7.1)	(73,815,611)	(42,920,331)
Returned to Donor	(679,603)	-
<b>Balance at End of the Year</b>	<u>19,952,212</u>	<u>29,697,916</u>

7. RESTRICTED FUNDS (Contd..)

7.1 Movements in Restricted Funds - 1 January to 31st December 2010

Name of Donor Organisation	Project	Project Budget '2010	(A) Balance Brought forward	(B) Transferred from Transparency International Secretariat	(c) Received/during the year	(D) Interest Accrued	E=(A)+(B)+(C)+(D) Total available in current Year	(F) Transferred to statement of financial activities for Project Cost	(G) Transferred to statement of financial activities for Administrative and Tax Expense	(H)=(F)+(G) Total Transferred to statement of financial activities	(I) Surplus Returned to Donor /Transferred to/(from) Co-donor	(J)=(E)-(H)-(I) Balance carried forward
		Rs	Rs		Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
SIDA / MFA	From Co-donors	46,746,529	10,968,696	-	36,203,855	339,455	47,512,006	20,083,119	23,204,908	43,288,027	241,173	3,982,806
FES	Investigative Journalism Workshop	1,656,296	-	-	1,656,296	-	1,656,296	1,913,296	-	1,913,296	-	(257,000)
TI Secretariat	3 Position Paper Translations	55,587	-	-	55,087	-	55,087	-	-	-	-	55,087
TI Secretariat	Security Grant 2010 - Enhance Security Measures	960,000	11,760	-	1,496,647	523	1,508,931	1,496,647	-	1,496,647	-	12,284
World Bank	Plantation Sector Community Development - Education Sector	500,622	499,703	-	-	22,160	521,863	694,122	-	694,122	(172,259)	-
Stromme Foundation	Civil Society for Accountable Governance - CBO Network	895,550	97,788	-	895,550	-	993,338	215,547	-	215,547	679,603	98,188
TI Secretariat	National Integrity Study	1,049,096	1,049,096	-	-	51,361	1,100,458	779,240	-	779,240	-	321,218
FK	Exchange Programme - TI South Asian Chapters	1,402,031	1,402,031	-	-	31,977	1,434,009	1,140,679	-	1,140,679	-	293,330
FK-2010/11	Exchange Programme - TI South Asian Chapters	2,091,900	-	-	2,563,477	9,613	2,573,089	2,105,104	-	2,105,104	-	467,986
TI Secretariat	Seed Funding - Website , Newsletter & Annual Report	919,900	-	-	897,858	-	897,858	945,111	-	945,111	-	(47,252)
Helvetas Sri Lanka	Programme Activities	1,000,000	-	-	900,000	-	900,000	1,068,914	-	1,068,914	(68,914)	(100,000)
Helvetas Sri Lanka - Ampara	Public Officials Capacity Development	12,500	12,500	-	-	-	12,500	-	-	-	-	12,500
Helvetas Kalmunai	Public Officials Capacity Development	23,549	23,548	-	-	-	23,548	-	-	-	-	23,548
SAHR	Parliament Watch	584,000	-	-	463,000	-	463,000	485,033	-	485,033	-	(22,033)
NED Washington D C USA	Kurunegala Capacity Building Project-2 DS Divisions	4,206,542	1,504,786	-	2,112,118	-	3,616,904	4,487,648	-	4,487,648	-	(870,744)
Royal Netherlands Embassy	Governance Report 2010	2,416,060	-	-	2,295,257	25,030.00	2,320,287	170,105	-	170,105	-	2,150,182
European Union	Enhancing Demand for Accountability in Local Governance- Anurdhapura,Polonnaruwa and Ampara Districts	15,535,677	12,407,665	-	8,902,562	483,909	21,794,136	13,126,938	-	13,126,938	-	8,667,198
PTF	Financial Accountability in 2 Pradeshiya Sabhas-Badulla	3,956,146	1,237,446	-	-	-	1,237,446	1,299,177	-	1,299,177	-	(61,731)
Federation of Chambers of Commerce	FCCISL Seminar-Regional Chamber Awareness Seminar	37,111	-	-	37,111	-	37,111	-	-	-	-	37,111
TI Secretariat	Global Corruption Report	483,000	482,896	-	-	-	482,896	430,140	-	430,140	-	52,756
CHRI	Right to Information	172,110	-	-	174,749	-	174,749	169,883	-	169,883	-	4,865
TI Secretariat		-	-	5,131,914	-	-	5,131,914	-	-	-	-	5,131,914
Interest Income		1,500,000	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>		<b>86,204,206</b>	<b>29,697,916</b>	<b>5,131,914</b>	<b>58,653,567</b>	<b>964,029</b>	<b>94,447,426</b>	<b>50,610,703</b>	<b>23,204,908</b>	<b>73,815,611</b>	<b>679,603</b>	<b>19,952,212</b>

Transferred to statement of financial activities for Project Cost	50,610,703
Income from Private Sponcerships (Note 3)	174,594
	<u>50,785,297</u>
Transferred to statement of financial activities for Administrative Cost (Note	22,959,800
Tax Expense	245,108
	<u>23,204,908</u>



# Notes to the Financial Statements

Year ended 31 December 2010

8. UNRESTRICTED FUNDS	2010	2009
	Rs.	Rs. (Restated)
Balance as at the Beginning of the Year	(1,757,471)	(3,020,507)
Net Surplus / (Deficit) for the Year	838,118	1,263,036
Balance as at the End of the Year	<u>(919,353)</u>	<u>(1,757,471)</u>
<b>9. CAPITAL GRANTS</b>	<b>2010</b>	<b>2009</b>
	Rs.	Rs. (Restated)
Balance as at the Beginning of the Year	5,125,016	3,757,264
Transfer to Statement of Income & Expenditure	(1,581,596)	(991,726)
Capitalise During the Year	360,660	2,359,478
Balance as at the End of the Year	<u>3,904,080</u>	<u>5,125,016</u>
<b>10. RETIREMENT BENEFIT LIABILITY</b>	<b>2010</b>	<b>2009</b>
	Rs.	Rs.
<b>Retirement Benefits Obligation-Gratuity</b>		
As at 1 January 2010	1,528,907	1,047,250
Charge for the Year	607,325	481,657
Payments Made During the Year	(547,121)	-
As at 31 December 2010	<u>1,589,111</u>	<u>1,528,907</u>
<b>11. CREDITORS</b>	<b>2010</b>	<b>2009</b>
	Rs.	Rs.
Accrued Expenses	1,568,972	457,622
Other Payables	46,274	35,326
	<u>1,615,246</u>	<u>492,948</u>
<b>12. PROJECT EXPENDITURE</b>	<b>2010</b>	<b>2009</b>
	Rs.	Rs.
Staff (12.1)	26,250,242	7,517,719
Direct Cost (12.1)	23,206,513	13,659,655
Indirect Cost (12.1)	1,328,542	136,910
	<u>50,785,297</u>	<u>21,314,284</u>

# Notes to the Financial Statements

Year ended 31 December 2010

## 12. PROJECT EXPENDITURE (Contd.)

### 12.1 Project Activity Summary For the year ended 31st December 2010

Activity/Project	Donor Organization	Project Budget Year 2010	Transferred From Restricted Fund	Total Amount Expended			Net Surplus /Deficit
				Staff Cost	ECT Project Cost	Indirect Project Cost	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
NIS Study	TI Secretariat	1,838,311	2,006,773	1,888,508	118,265	-	2,006,773
Position Papers & Short Publications	SIDA/MFA	879,331	486,128	318,683.96	167,443.69	-	486,128
Foreign Employment Study	SIDA/MFA	486,100	554,861	123,596	431,265	-	554,861
Accountability in Plantation Schools	World Bank	1,367,197	1,442,599	1,293,460	149,139.0	-	1,442,599
Governance Report 2010	Royal Netherland Embassy	2,416,060	195,369	195,369	-	-	195,369
Financial Accountability in 2 Prad.Sha. In Badulla	PTF	5,002,614	2,628,914	1,913,572	715,343	-	2,628,914
Enhancing Demand for Local Accountability	NED	7,663,797	5,778,952	3,135,444	2,308,574	334,933	5,778,952
Regular Policy Update and Networking	SIDA/MFA	132,482	111,158	111,158	-	-	111,158
Research Advisory Committee	SIDA/MFA	108,100	18,000	18,000	-	-	18,000
National Integrity Awards	SIDA/MFA	3,131,827	4,340,805	1,380,577	2,960,227	-	4,340,805
Campaign for Right to Information	SIDA/MFA	1,610,728	746,162	422,573	323,589	-	746,162
Private Sector Programme	TI Secretariat	1,107,610	1,099,443	455,998	643,445	-	1,099,443
Parliamentary Watch	SAHR	980,102	802,844	702,019	76,825	24,000	802,844
Civil Society for Accountable Governance within-CSO Network	Stromme Foundation	1,025,879	329,500	313,803	15,697	-	329,500
PPPR Parliamentary Election	SIDA/MFA	2,580,290	2,404,094	1,353,561	1,050,533	-	2,404,094
PPPR Presidential Election	SIDA/MFA	3,239,851	3,712,073	2,376,015	1,336,058	-	3,712,073
Foreign Employment Study- Launch	SIDA/MFA	106,853	6,657	5,957	700	-	6,657
		33,677,132	26,664,331	16,008,294	10,297,104	358,933	26,664,331

# Notes to the Financial Statements

Year ended 31 December 2010

## 12. PROJECT EXPENDITURE (Contd.)

### 12.1 Project Activity Summary For the year ended 31st December 2010 (Contd..)

Activity/Project	Donor Organization	Project Budget Year 2010	Transferred From Restricted Fund	Total Amount Expended			Total Expenses	Net Surplus /Deficit
				Staff Cost	ECT Project Cost	Indirect Project Cost		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Total brought forward		33,677,132	26,664,331	16,008,294	10,297,104	358,933	26,664,331	-
Governance Report 2009 -Launch	SIDA/MFA	150,000	136,816	44,016	92,800	-	136,816	-
NIS Study Launch	SIDA/MFA	123,195	-	-	-	-	-	-
Advocacy Events as need Arises+ Blog	SIDA/MFA	986,029	496,816	440,929	55,887	-	496,816	-
Developing Resource Material	SIDA/MFA	1,590,079	1,511,023	395,825	1,115,198	-	1,511,023	-
Investigative Journalism Training & Tool Kit	FES/SIDA/MFA	2,857,386	2,769,061	1,683,194	1,085,867	-	2,769,061	-
DIE Programme	SIDA/MFA	590,269	434,201	171,302	262,899	-	434,201	-
PIM Programme	SIDA/MFA	570,498	122,089	122,089	-	-	122,089	-
On Request	SIDA/MFA	1,310,206	263,091	209,246	53,845	-	263,091	-
CHRI	CHRI	172,110	243,514	178,389	65,125	-	243,514	-
Enhancing demand for local Accountabil	EU	17,249,932	14,821,172	5,386,723	8,464,840	969,609	14,821,172	-
Exchange Programme - TI South Asian Chapters	FK	1,402,031	1,138,882	598,733	540,149	-	1,138,882	-
Exchange Programme - TI South Asian Chapters	FK 2010/11	2,091,900	2,184,300	1,011,501	1,172,799	-	2,184,300	-
<b>TOTAL</b>		<b>62,770,767</b>	<b>50,785,297</b>	<b>26,250,242</b>	<b>23,206,513</b>	<b>1,328,542</b>	<b>50,785,297</b>	<b>-</b>

# Notes to the Financial Statements

Year ended 31 December 2010

13. REVENUE EARNED FROM OTHER ACTIVITIES	2010	2009
	Rs.	Rs.
Sundry Income	344,528	66,214
Interest Income	466,623	199,698
Long Outstanding Balances Written Off	-	258,296
Surplus Funding Written Off	-	99,597
Exchange Gain	1,506	101,565
Professional Fees	-	21,938
Loss on Disposal of Assets	-	(39,499)
CBO Payment NIA	5,000	-
Old Newspaper Sale	6,500	-
Photocopy Charges	3,671	-
Supilipanna Books to EU	10,290	-
Settlement of third Party Accident Claim	-	(225,000)
	<b>838,118</b>	<b>482,809</b>

14. ADMINISTRATIVE EXPENSES	2010 Rs.	2009 Rs. (Restated)
Salaries	11,247,758	9,635,155
Consultancy Fees	632,296	744,133
Audit Fee	100,000	50,000
Staff Welfare	566,606	389,003
Staff Training and Development	37,748	82,192
Gratuity	607,325	481,656
Travelling	152,147	242,813
Foreign Travel	303,850	251,497
Insurance -Business Guard	84,715	103,042
Insurance -Life	176,717	362,039
Insurance -Cash in Transit	1,029	-
Printing and Stationery	1,063,207	722,236
Postage, Stamps and Courier Charges	8,308	25,918
Telephone/Internet charges	361,639	428,650
Internet and E-mail Charges	17,410	48,409
Water Rates	48,470	33,409
Electricity	735,160	921,775
Office Rent	825,119	1,554,000
Equipment Maintenance	1,072,566	837,806
Office Maintenance	395,748	199,919
Security	1,496,647	1,122,424
IT Maintenance	63,448	17,304
CMC Rate and Tax	34,477	74,669
Translation and Typesetting	194,720	152,940
Vehicle Maintenance	28,766	45,128
Fuel	59,847	54,526
Depreciation	636,183	273,187
Bank Charges	76,948	126,980
Work Shops	994,847	341,585
Loss on Disposal of Assets	32,321	-
PAYE + EPF Surcharge	10,515	-
Memberships	103,824	101,752
IACC Registration	294,743	-
Secretarial fees	55,527	59,325
Miscellaneous Expenses	439,169	1,130,260
	<u>22,959,800</u>	<u>20,613,730</u>

TISL received grants from certain donors to be used to subsidise rent, rates & electricity expenses. The amounts received have been credited against those expenses as follows;

	Rs.
Rent	775,381
Electricity	694,371
CMC rates	22,133
Water	36,792

## Notes to the Financial Statements

Year ended 31 December 2010

15. CASH & BANK BALANCES	2010 Rs.	2009 Rs. (Restated)
<b>Favorable Balances</b>		
Balance at Bank	18,895,682	3,691,171
Cash in Hand	21,229	40,000
	<u>18,916,911</u>	<u>3,731,171</u>
<b>Unfavorable Balances</b>		
Balance at Bank	(1,172,619)	(271,154)
	<u>17,744,292</u>	<u>3,460,017</u>

### 16. COMPARATIVE INFORMATION

The presentation and classification of following items in these Financial Statements are amended to ensure comparability with the current year.

Statement of Financial Activities	2009 As reported previously Previously Rs.	Increase Rs.	(Decrease) Rs.	2009 Current Presentation Rs.
<b>Project Expenditure</b>				
Staff Cost	10,048,736	-	(2,531,017)	7,517,719
Direct Costs	15,558,641	-	(1,898,986)	13,659,655
Indirect Costs	260,510	-	(123,600)	136,910
Administrative Expenses	16,060,127	4,553,603	-	20,613,730
	<u>41,928,014</u>	<u>4,553,603</u>	<u>(4,553,603)</u>	<u>41,928,014</u>

#### Reasons for change in the presentation and classification:

During the year ended 31 December 2009, a sum of Rs. 4,553,603/- was expended on the enhancing the IT capabilities of TI Sri Lanka. Since donor funding was received towards this cost, the entire cost had been identified as a project in the financial statements of that year. This has been rectified in the current year by the transfer of this amount to relevant expenditure items under Administrative Expenses.

# Notes to the Financial Statements

Year ended 31 December 2010

## 17. RETROSPECTIVE RESTATEMENT

17.1 Capital Grants represents the value of Project Assets subsequently capitalised as Property, Plant and Equipment. Up to and including the year ended 31 December 2009, although the corresponding Property, Plant and Equipment had been depreciated there had been no corresponding amortisation of the Capital Grant. The Financial Statements of 2009 have been restated to correct this error by setting off the amortisation against the corresponding depreciation charge in the Income Statement. The effect of the restatements is summarised below.

Income Statement	Effect on Year ended 31 December 2009 Rs.
Decrease in Administrative expenditure	991,726
Increase in Net surplus	<u>991,726</u>
Balance Sheet	31 December 2009 Rs.
Decrease in Capital Grants	(1,389,887)
Increase in Unrestricted Funds	<u>1,389,887</u>
Increase/(Decrease) in Accumulated Funds	<u>-</u>

## 17. RETROSPECTIVE RESTATEMENT OF ERRORS (Contd..)

17.2 In 2009, in view of a bank statement being received to the middle of a month, an amount received from a donor had been excluded from the Financial Statements. The Financial Statements of 2009 have been restated to correct this error. The effect of this restatements is summarised below.

Balance Sheet	31 December 2009 Rs.
Increase in Balance at Bank	<u>1,237,446</u>
Increase in Total Assets	<u>1,237,446</u>
Increase in Restricted Funds	<u>1,237,446</u>
Increase in Accumulated Fund	<u>1,237,446</u>

# Notes to the Financial Statements

Year ended 31 December 2010

## 18. CAPITAL COMMITMENTS

There are no capital commitments as at 31 December 2010.

## 19. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2010.

## 20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

## 21. RELATED PARTY DISCLOSURES

### 21.1 Transactions with Key Management Personnel of the organization

The key management personnel are the members of the executive committee being responsible for Project management, General management and implementation of policy decisions. None of these key personnel are members of the board of directors of TISL. No member of the board of directors receives any salary or other compensation.

a) Key Management Personnel Compensation	2010 Rs.	2009 Rs.
Short - term employee benefits	<u>7,526,774</u>	<u>5,131,500</u>