

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 xxx 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

<u>Date:</u> xx xxx 20XX
	Director	Director	Head of Finance

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

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	<u>XXXX</u>	<u>XXXX</u>
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		<u>XXXX</u>	<u>XXXX</u>
Net surplus/(deficit) of operating activities		XXXX	XXXX
OTHER INCOME			
Net financial income	4.26	XXXX	XXXX
Other income		<u>XXXX</u>	<u>XXXX</u>
Total Other income		XXXX	XXXX
OTHER EXPENDITURE			
Foreign exchange losses (net)		XXXX	XXXX
Other expenses		<u>XXXX</u>	<u>XXXX</u>
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	<u>XXXX</u>	<u>XXXX</u>
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		<u>(xxx)</u>	<u>(xxx)</u>
Total Other comprehensive income for the year		XXXX	XXXX
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>XXXX</u>	<u>XXXX</u>
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
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
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	<u>xxxx</u>	<u>xxxx</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
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	<u>xxxx</u>	<u>xxxx</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Borrowing of government loans	xxxx	xxxx
Repayments of government loans	(xxx)	(xxx)
Net cash from/(used in) financing activities	<u>xxxx</u>	<u>xxxx</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>xxxx</u>	<u>xxxx</u>
CASH AND CASH EQUIVALENTS AT 1 APRIL	<u>xxxx</u>	<u>xxxx</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u>xxxx</u>	<u>xxxx</u>

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. Cost and Valuation

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. Subsequent Expenditure

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. 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 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:

<u>Assets</u>	<u>Rate pa.</u>
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
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
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

	Organisation	
<i>For the year ended 31 March</i>	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	Balanceas 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

	Organisation	
<i>For the year ended 31 March</i>	2013	2012
Deferred Income	xxxx	xxxx
Total	xxxx	xxxx

4.4 Other Financial Assets

	Organisation	
<i>For the year ended 31 March</i>	2013	2012
Forward currency contracts	xxxx	xxxx
Guarantee deposits	xxxx	xxxx
Total	xxxx	xxxx

4.5 Inventories	Organisation	
	2013	2012
<i>For the year ended 31 March</i>		
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	Organisation	
	2013	2012
<i>For the year ended 31 March</i>		
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	Organisation	
	2013	2012
<i>For the year ended 31 March</i>		
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	Organisation	
	2013	2012
<i>For the year ended 31 March</i>		
Fair Value through Profit & Loss financial assets	XXXX	XXXX
Total	XXXX	XXXX

4.9 Cash and cash equivalents	Organisation	
	2013	2012
<i>For the year ended 31 March</i>		
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

	Organisation	
<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
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

	Organisation	
<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
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
<u>Designated for</u>		
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

	Organisation	
For the year ended 31 March	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

	Organisation	
For the year ended 31 March	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

	Organisation	
For the year ended 31 March	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

	<u>Organisation</u>	
<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
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:

	<u>Organisation</u>	
<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
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

	<u>Organisation</u>	
<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
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

	<u>Organisation</u>	
<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
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

	<u>Organisation</u>	
<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
National Societies, organizations, foundations and funds	xxxx	xxxx
Accrued expenses	xxxx	xxxx
Total	xxxx	xxxx

4.20 Provisions

	<u>Organisation</u>	
<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
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	<u>(XXX)</u>	<u>(XXX)</u>
Total	<u>XXXX</u>	<u>XXXX</u>

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

	<u>Organisation</u>	
<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
Bank 1	XXXX	XXXX
Bank 2	<u>XXXX</u>	<u>XXXX</u>
Total	<u>XXXX</u>	<u>XXXX</u>

4.22 Incoming Resources

	<u>Organisation</u>	
<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>

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	<u>XXXX</u>	<u>XXXX</u>
	<u>XXXX</u>	<u>XXXX</u>

(a) Profit from trading activities

Sale Proceeds	XXXX	XXXX
Cost/Fair value of items	<u>XXXX</u>	<u>XXXX</u>
Profit earned	<u>XXXX</u>	<u>XXXX</u>

4.23 Staff-related Costs

	<u>Organisation</u>	
<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
Wages and salaries	XXXX	XXXX
Social insurance and social benefits	XXXX	XXXX
Contributed services	XXXX	XXXX
Post-employment benefit costs	<u>XXXX</u>	<u>XXXX</u>
Total	<u>XXXX</u>	<u>XXXX</u>

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

4.24 Direct Project/Activity Costs		<u>Organisation</u>	
	<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
	Administration costs	xxxx	xxxx
	Consultancy fees	xxxx	xxxx
	Travelling	xxxx	xxxx
	Other	xxxx	xxxx
	Total	xxxx	xxxx
4.25 Rentals		<u>Organisation</u>	
	<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
	Premises and equipment	xxxx	xxxx
	Transport	xxxx	xxxx
	Other	xxxx	xxxx
	Total	xxxx	xxxx
4.26 Net Financial Income		<u>Organisation</u>	
	<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
	Dividends	xxxx	xxxx
	Interest	xxxx	xxxx
	Gains/(losses) on securities	xxxx	xxxx
	Total	xxxx	xxxx
4.27 Income Tax Expense			
	<i>For the year ended 31 March</i>	<i>2013</i>	<i>2012</i>
	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			
<u>Housing</u> Location 1 Location 2 Other									
Total									
<u>Fisheries</u> Location 1 Location 2 Other									
Total									
<u>Other</u> 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.