



FINANCIAL STATEMENTS

Independent auditor's report

To the Shareholders of Transparency International Sri Lanka (Guarantee) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Transparency International Sri Lanka (Guarantee) Limited (“the Company”) as at December 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) and Sri Lanka Accounting standards issued by CA Sri Lanka.

What we have audited

The financial statements of the Company, which comprise:

- the statement of financial position as at December 31, 2020;
- the Statement of comprehensive income for the year then ended;
- the statement of changes in funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Other information

Management is responsible for the other information. The other information comprises the information presented in the Annual report of the Company. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

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Partners D T S H Mudalige FCA, C S Manoharan FCA, Ms S Hadgie FCA, Ms S Perera ACA, N R Gunasekera FCA
T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda FCA, Ms W D A S U Perera ACA



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, slightly stylized script.

CHARTERED ACCOUNTANTS

COLOMBO

8 April 2021

TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

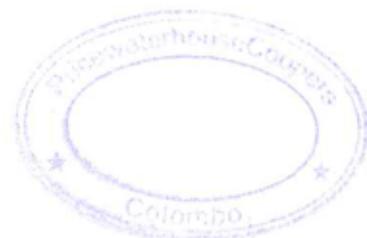
Statement of comprehensive income

(All amounts in Sri Lankan Rupees)

	Notes	Year ended 31 December	
		2020	2019
Incoming resources	4	75,478,897	122,787,918
Operating expenditure			
Project expenses	5	(50,820,385)	(109,275,527)
Administrative expenses	6	(23,122,153)	(13,610,922)
Total operating expenditure		(73,942,538)	(122,886,449)
Net surplus / (deficit) on operating activities		1,536,359	(98,531)
Net financial income	7	4,260,420	4,676,416
Other gains and losses - net	8	(5,813,706)	(6,100,545)
Net deficit before tax		(16,927)	(1,522,660)
Income tax expenses	9	(1,287,197)	(1,373,471)
Net deficit after tax		(1,304,124)	(2,896,131)
Total comprehensive deficit for the year		(1,304,124)	(2,896,131)

The Notes on pages 8 to 28 form an integral part of these financial statements.

Independent Auditor's Report on pages 1 - 3.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Statement of financial position

(All amounts in Sri Lankan Rupees)

ASSETS	Notes	31 December 2020	
		2020	2019
Non-current assets			
Property, plant and equipment	10	1,581,349	766,443
Right-of-use asset	11	1,920,803	5,213,609
		<u>3,502,152</u>	<u>5,980,052</u>
Current assets			
Notes and other receivables	12	4,568,771	5,950,544
Investments	13	27,418,566	20,447,740
Cash and cash equivalents	14	89,329,501	39,909,774
		<u>121,316,838</u>	<u>66,308,058</u>
Total assets		<u>124,818,990</u>	<u>72,288,110</u>
FUNDING and LIABILITIES			
Accumulated funds			
Restricted funds	15	69,840,305	20,293,782
Unrestricted funds		46,432,145	41,597,784
Capital grants	16	1,469,135	600,533
		<u>117,741,585</u>	<u>62,492,099</u>
Non-current liabilities			
Retirement benefit obligation	17	3,488,613	3,135,800
Lease liabilities	11	-	3,263,289
		<u>3,488,613</u>	<u>6,399,089</u>
Current liabilities			
Accruals and other payables	18	1,144,021	812,988
Income tax payable	19	393,612	532,775
Lease liabilities	11	2,051,159	2,051,159
		<u>3,588,792</u>	<u>3,396,922</u>
Total funding and liabilities		<u>124,818,990</u>	<u>72,288,110</u>

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.


.....
Finance Manager

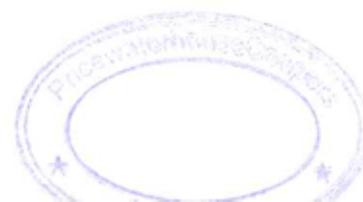
The Board of Directors are responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by Board of Directors on 8th April 2021.


.....
Director


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Director

The Notes on pages 8 to 28 form an integral part of these financial statements.

Independent Auditor's Report on pages 1 - 3.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

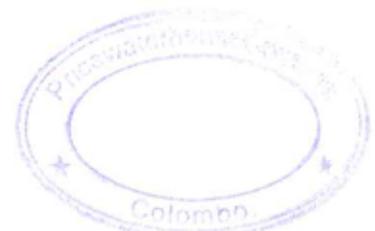
Statement of changes in funds

(All amounts in Sri Lankan Rupees)

	Restricted funds	Unrestricted funds	Capital grants	Results for the year	Total
Balance as at 01 January 2019	42,142,534	30,423,207	525,163	-	73,090,904
Net deficit for the year	-	-	-	(2,896,131)	(2,896,131)
Balance before transfer to reserves	42,142,534	30,423,207	525,163	(2,896,131)	70,194,773
Total comprehensive surplus for the year	-	(2,896,131)	-	2,896,131	-
Funds received during the year	115,581,849	-	-	-	115,581,849
Adjustment made during the year	-	(571,975)	-	-	(571,975)
Additions during the year	-	-	333,900	-	333,900
Amortisation made during the year	-	-	(258,530)	-	(258,530)
Funds transferred to statement of comprehensive income					
against expenses incurred	(122,787,918)	-	-	-	(122,787,918)
on completed projects	(14,642,683)	14,642,683	-	-	-
Balance as at 31 December 2019	20,293,782	41,597,784	600,533	-	62,492,099
Net deficit for the year	-	-	-	(1,304,124)	(1,304,124)
Balance before transfer to reserves	20,293,782	41,597,784	600,533	(1,304,124)	61,187,975
Total comprehensive deficit for the year	-	(1,304,124)	-	1,304,124	-
Funds received during the year	130,433,630	-	-	-	130,433,630
Adjustment made during the year	-	730,275	-	-	730,275
Addition during the year	-	-	1,927,409	-	1,927,409
Amortisation made during the year	-	-	(1,058,807)	-	(1,058,807)
Funds transferred to statement of comprehensive income					
- against expenses incurred	(75,478,897)	-	-	-	(75,478,897)
- on completed projects	(5,408,210)	5,408,210	-	-	-
Balance as at 31 December 2020	69,840,305	46,432,145	1,469,135	-	117,741,585

The Notes on pages 8 to 28 form an integral part of these financial statements.

Independent Auditor's Report on pages 1 - 3.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED**Statement of cash flows**

(All amounts in Sri Lankan Rupees)

	Notes	Year ended 31 December	
		2020	2019
Cash flows from operating activities			
Net deficit before income tax		(16,927)	(1,522,660)
Adjustments for:			
Depreciation of property, plant and equipment	10.2	678,664	416,404
Depreciation of leased assets	11	3,292,806	1,372,002
Provision for gratuity	17	1,067,813	542,485
Amortisation of capital grant		(1,058,807)	(258,530)
Interest income	7	(4,597,131)	(4,905,253)
Net cash used before working capital changes		(633,582)	(4,355,552)
Changes in working capital:			
Receivables		1,381,773	(825,096)
Payables		331,033	(824,943)
Cash generated from / (used in) operations		1,079,224	(6,005,591)
Payment of taxes	19	(1,426,360)	(602,625)
Payment of gratuity	17	(715,000)	(532,818)
Net cash used in operating activities		(1,062,136)	(7,141,034)
Cash flows from investing activities			
Purchase of property, plant and equipment	10.1	(1,493,826)	(57,655)
Addition to the capital grants		1,927,409	333,900
Investment on short term deposits		(5,000,000)	(16,513,175)
Interest income	7	4,597,131	4,905,253
Net cash generated from / (used in) investing activities		30,714	(11,331,677)
Cash used in financing activities			
Funds received from donors and utilised		50,451,149	(7,206,069)
Return to donors		-	(1,500,000)
Net cash generated from / (used in) financing activities		50,451,149	(8,706,069)
Net increase / (decrease) in cash and cash equivalents		49,419,727	(27,178,780)
Cash and cash equivalents at the beginning of the year	14.2	39,909,774	67,088,554
Cash and cash equivalents at the end of the year	14.2	89,329,501	39,909,774

The Notes on pages 8 to 28 form an integral part of these financial statements.

Independent Auditor's Report on pages 1 - 3.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in Sri Lankan Rupees unless otherwise stated)

1 Reporting entity

1.1 Corporate information

Transparency International Sri Lanka (Guarantee) Limited ('The Company') 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 and the principal place of the Company is located at No. 5/1 Elibank Road, Colombo 05.

1.2 Principle activities of the Company

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.

The Board of Directors who held office for the year ended 31 December 2020 are as follows:

Name	Date of appointment	Date of resignation
Ms. Anushika Amarasinghe	20.06.2013	Not applicable
Ms. Shyamala Gomez	20.06.2013	30.09.2020
Mr. T. Someswaran	29.07.2014	Not applicable
Mr. S. C. C Elankovan	20.02.2015	Not applicable
Mr. Tony Senewiratne	27.07.2015	Not applicable
Ms. Shreen Saroor	08.02.2017	Not applicable
Mr. Pulasthi Hewamanna	08.02.2017	Not applicable
Prof. Camena Guneratne	26.09.2018	Not applicable
Prof. Pavithra Kailasapathy	27.11.2018	Not applicable



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

2 Basis of preparation

2.1 Basis of Preparation

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) and Sri Lanka Accounting standards issued by the Institute of Chartered Accountants of Sri Lanka.

The Financial Statements are presented in Sri Lanka Rupees and have been prepared on a historical cost basis.

These financial statements include the following components:

- Statement of comprehensive income providing the information on the financial performance of the Company for the year under review;
- Statement of financial position providing the information on the financial position of the Company as at the year-end;
- Statement of changes in funds depicting all changes in shareholders' funds during the year under review of the Company;
- Statement of cash flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of the Company to utilise those cash flows; and
- Notes to the financial statements comprising accounting policies and other explanatory information which details of the Company's accounting policies, including changes during the year, are included in Note 3.

2.2 Responsibility for financial statements

The Board of Directors is responsible for preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 07 of 2007, the Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) and Sri Lanka Accounting standards issued by the Institute of Chartered Accountants of Sri Lanka.

2.3 Approval of financial statements

The financial statements for the year ended 31 December 2020 were authorised for issue by the Directors on.....^{5th} April 2021.

2.4 Materiality and aggregation

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of financial statements'.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED**Notes to the financial statements (contd)****2 Basis of preparation (contd)****2.5 Going concern**

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

2.6 Basis of measurement

These financial statements have been prepared on a historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

Item	Note No.	Measurement basis	Note
Net defined benefit assets / (liabilities)	3.4.2	Actuarially valued and recognised at the present value	Note 17

No adjustments have been made for inflationary factors affecting the financial statements.

2.7 Comparative information

The accounting policies have been consistently applied by the Company are unless otherwise stated is consistent with those used in the previous year.

2.8 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 Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) issued by the Institute of Chartered Accountants of Sri Lanka.

2.9 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional and presentation currency since the entity use LKR in majority of these transactions and reflects the economic substance of the underlying events and circumstances relevant to the Company.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

2 Basis of preparation (contd)

2.10 Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included as follows:

	Disclosure reference	
	Accounting policy	Note
Critical accounting estimates / judgments		
Measurement of defined benefit obligations	3.4.2	Note 17

3 Significant accounting policies

3.1 General policies

3.1.1 Translation of foreign currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Company'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 Statement of financial position 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 comprehensive income except for gains or losses relating to items adjusted through the accumulated fund which are reflected therein.

3.1.2 Taxation

Current taxes

Board of Directors of the Company is of the view that it does not come under the definition of a Non-Governmental Organisation's (NGOs) as being a limited by Guarantee Company. Accordingly the grants and donations received by the Company are not liable for income tax. Interest Income is taxed at 28%.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

3 Significant accounting policies (contd)

3.2 Accounting for the receipts and utilisation of funds

3.2.1 Funds

a) Unrestricted funds

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

Surplus funds are transferred to unrestricted funds in terms of the relevant donor agreements or with subsequent approval of the donor.

Contributions received from general public are recognised in the Statement of comprehensive income 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 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 a certainty that the balance will be received such amounts recognised through debtors in the Statement of financial position.

c) Other

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

3.2.2 Capital grants and subsidies

Grants and subsidies related to assets are deferred in the Statement of financial position and recognised as income over the life of depreciable asset by way of a reduced depreciation charge in the Statement of comprehensive income over the useful life of the asset.

3.3 Valuation of assets and their measurement bases

3.3.1 Receivables

Advances, deposits and other receivables are stated at cost less impairment (if any). These amounts generally arise from transactions outside the usual operating activities of the Company. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

3 Significant accounting policies (contd)

3.3.2 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

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

3.3.3 Property, plant and equipment

a) Cost and valuation

Property, plant and equipment is stated at cost excluding the cost of day to day servicing less accumulated depreciation and accumulated impairment in value. 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 balance sheet date.

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.

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.

b) 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 year assets are available for use. Where project assets are subsequently transferred to property, plant and equipment a corresponding amount is credited to capital grant account. Depreciation charged on these assets is set off against the amortisation of this capital grant.

The economic useful lives of assets are estimated below for depreciation purpose:

	Estimated useful life	Rate of depreciation
Furniture and fittings	4 Years	0.25
Office equipment	4 Years	0.25
Computers	4 Years	0.25
Motor vehicles	4 Years	0.25

c) Donated asset

When 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 are not handed over to the beneficiary or returned to the original donor the cost of the assets are included in a memorandum inventory of plant and equipment identified as such in the financial statements. Depreciation is not provided on such assets.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

3 Significant accounting policies (contd)

3.3.4 Leases

The Company as a lessee

a) Recognition and measurement

Leases are recognised as right-of-use assets and corresponding liabilities as at the date at which the leased assets are available for use by the Company.

The right-of-use assets are presented separately in the statement of financial position.

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Each lease payment is allocated between the liability and interest cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is re-measured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- restoration costs.

Subsequently, the right-of-use assets, are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for re-measurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a

- right of use for the storage warehouse 2-5 years

Payments associated with all short-term leases and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

3 Significant accounting policies (contd)

3.3.4 Leases (contd)

b) Lease activities

The Company in general leases properties such as storage warehouses which contains a wide range of different terms and conditions. Lease agreements do not impose any covenants, but lease assets may not be used as security for borrowing purposes.

c) Termination and extension option

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (extension option) or not terminated (termination option). The assessment of whether the Company is reasonably certain to exercise an extension option, or not to exercise a termination option is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Company.

The management has applied judgment that:

- For the office building the extension option was not included as it is not reasonably certain that the Company will continue the lease beyond the 5 year period.
- For the office vehicles the extension option was not included as the alternative assets are easily available and there are no economic incentives to continue beyond the basic period of 5 years.

3.3.5 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.

3.4 Liability and provisions

3.4.1 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

3 Significant accounting policies (contd)

3.4.2 Retirement Benefit Obligations

(a) Provisions

Provision are recognised when the organisation has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resource embodying economic benefit will be required to settle the obligation and the reliable estimate can be made to the amount of the obligation. When the organisation expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial activities net of any reimbursement.

(b) Defined benefit plan

Retirement gratuity is a defined benefit plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried in the Statement of financial Position 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 comprehensive income.

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.

(c) Defined contribution plans

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

3.5 Income and expenditure

3.5.1 Income recognition

(a) Incoming resources

Income realised from restricted funds is recognised in the Statement of comprehensive income 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 comprehensive income. Unutilised funds are carried forward as such in the Statement of financial position.

(b) Revenue generated from other activities

Interest earned is recognised on an accrual basis.

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

Other income is recognised on an accrual basis. All other income is recognised when the Company is legally entitled to the use of such funds and the amount can be quantified.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

3 Significant accounting policies (contd)

3.5.2 Expenditure recognition

- (a) Expenses in carrying out the projects and other activities of the Company are recognised in the Statement of comprehensive income during the year in which they are incurred. Other expenses incurred in administering and running the Company and in restoring and maintaining the plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the Statement of comprehensive income.
- (b) For the purpose of presentation, of the Statement of comprehensive income, the Management is of the opinion that the function of expenses method, presents fairly the elements of the Company's performance, and hence such a presentation method is adopted.

3.5.3 Financial income and expenses

Interest income / expenses is calculated by applying the effective interest rate to the gross carrying amount of a financial asset / liability except for financial assets that subsequently become credit-impaired.

3.5.4 Non operating income and expenses

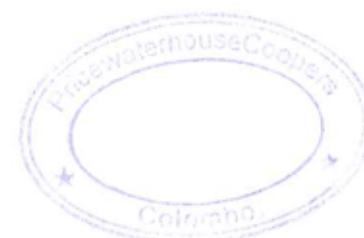
Gains / (losses) arising from the activities outside the normal course of business are calculated and recorded at the fair value.

4 Incoming resources

	<u>Year ended 31 December</u>	
	2020	2019
Income recognised for projects carried out [Refer Note 15]	75,478,897	122,787,918
	<u>75,478,897</u>	<u>122,787,918</u>

5 Project expenses

	<u>Year ended 31 December</u>	
	2020	2019
Staff cost	17,848,302	25,328,919
Direct project cost	32,972,083	83,946,608
	<u>50,820,385</u>	<u>109,275,527</u>



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED**Notes to the financial statements (contd)**

Donor	Name of the project	Staff cost	Project Cost	Total
Ministry of Foreign Affairs - Norway	Stronger democracy through anti corruption, open and inclusive governance	2,710,527	6,735,221	9,445,748
Transparency International e.V. Secretariat - TIS	Effective and Accountable Governance for Sustainable Growth	155,159	28,750	183,909
Diakonia Country office - Sri Lanka	Sri Lanka democracy and justice programme	686,673	1,975,392	2,662,065
Transparency International - United Kingdom	National advocacy to advance Sri Lanka's anti corruption summit commitments	1,223,762	2,837,179	4,060,941
IDEA (Management Systems International) - OLD	Strengthened civil society advocacy for comprehensive anti-corruption mechanisms	1,526,852	-	1,526,852
Open Society Policy Center	Organizational support and advancing the Open Government Partnership in Sri Lanka 2019	6,627,152	5,559,796	12,186,948
The International Republican Institute	Election Monitoring	-	3,408,982	3,408,982
Transparency International e.V. Secretariat - GACC	Airbus corruption and asset recovery for Sri Lanka - Global anti-corruption consortium project 2020-21	710,192	45	710,237
IDEA (Management Systems International) - New	Strengthened civil society - TISL Follow on Increased Demand and Engagement for Accountability (IDEA)	2,299,679	1,478,255	3,777,934
The Asia Foundation	Using technology to track the abuse of state property	1,645,602	9,440,102	11,085,704
Friedrich Nanmann Foundation FNF	Changing the national perception on the leadership roles women can play in eradicating corruption	-	1,508,361	1,508,361
Transparency International e.V. Secretariat - STRONGG	Indo - Pacific partnership for strong, Transparent, Responsive and open Networks for Good Governance	262,704	-	262,704
Total		17,848,302	32,972,083	50,820,385



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

6 Administrative expenses

	Year ended 31 December	
	2020	2019
Salaries	11,531,416	4,723,616
Office rent	2,610,000	1,950,000
Security	855,360	909,134
Telephone / internet charges	291,559	615,867
Insurance	766,145	612,685
Electricity	566,509	805,380
Janitorial charges	426,780	488,050
Office maintenance	374,227	377,684
IT maintenance	479,598	262,560
Recruitment cost	81,000	229,308
Travelling	195,939	228,702
AGM expenses	153,210	146,701
Staff welfare	554,603	436,608
Printing and stationery	168,198	311,144
Secretarial fees	157,016	183,622
Water rates	96,581	48,398
Equipment maintenance	73,835	73,002
Postage, stamps and courier charges	6,476	16,515
Board meeting expenses	16,790	6,490
Vehicle maintenance	11,876	1,325
Accounting package maintenance	56,376	17,366
Legal expenses	526,640	253,460
Stamp duty	28,400	35,000
Audit fees - institutional	446,351	454,435
Audit fees - other	1,971,018	-
Strategic Planing	676,250	-
News papers	-	144,370
Rates	-	194,450
Tax consultancy	-	85,050
	23,122,153	13,610,922



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

7 Net financial income

	Year ended 31 December	
	2020	2019
Interest income	4,597,131	4,905,253
Interest expenses on lease liabilities	(336,711)	(228,837)
	4,260,420	4,676,416

8 Other gains and losses - net

	Year ended 31 December	
	2020	2019
Sundry income	47,545	357,602
Amortisation of capital grant	1,058,807	258,530
Depreciation	(1,112,248)	(416,404)
Bank charges	(233,191)	(143,048)
Provision for impairment of other receivables	(1,214,000)	(4,242,738)
Depreciation buildings (right-of-use asset)	(3,292,806)	(1,372,002)
Gratuity	(1,067,813)	(542,485)
	(5,813,706)	(6,100,545)

9 Income tax expenses

Current income tax

	Year ended 31 December	
	2020	2019
Current income tax charge [Note 19]	1,287,197	1,373,471
Income tax expense reported in the statement of comprehensive income	1,287,197	1,373,471

As per the Inland Revenue act No. 24 of 2017, Company is liable for Income tax at 28% on taxable income. Taxable income of the Company solely consists of interest earned on bank balances and fixed deposits.



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

10 Property, plant and equipment

10.1 Gross carrying amounts

	Balance as at 1 January 2020	Additions	Disposals	Balance as at 31 December 2020
Furniture and fittings	1,636,284	242,383	-	1,878,667
Office equipment	1,540,861	27,035	-	1,567,896
Computers	1,469,431	1,224,408	-	2,693,839
Motor vehicles	78,000	-	-	78,000
Total gross carrying amount	4,724,576	1,493,826	-	6,218,402

10.2 Depreciation

	Balance as at 1 January 2020	Charge for the period	Transferred for disposed assets	Balance as at 31 December 2020
Furniture and fittings	1,586,833	39,545	-	1,626,378
Office equipment	1,389,070	55,548	-	1,444,618
Computers	904,486	583,571	-	1,488,057
Motor vehicles	78,000	-	-	78,000
Total depreciation	3,958,389	678,664	-	4,637,053

10.3 Net book values

	As at 31 December	
	2020	2019
Total carrying value of property, plant and equipment	1,581,349	766,187



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

11 Right-of-use asset

Building

(i) Right-of-use asset

As at 31 December

	2020	2019
Cost		
Balance as at 1 January	6,585,611	6,585,611
Additions during the year	-	-
Balance as at 31 December	6,585,611	6,585,611
Accumulated depreciation and impairment losses		
Balance as at 1 January	1,372,002	-
Depreciation for the year	3,292,806	1,372,002
Balance as at 31 December 2020	4,664,808	1,372,002
Carrying value as at 31 December 2020	1,920,803	5,213,609
(ii) Lease liabilities		
Non current	-	3,263,289
Current	2,051,159	2,051,159
	2,051,159	5,314,448
(iii) Amounts relating to leases recognised in the statement of income		
Depreciation charge for the right-of-use assets by class of assets		
Building	3,292,806	1,372,002
Total depreciation charge	3,292,806	1,372,002
Interest expense on lease liabilities	336,711	228,837
Total expenses related to leases	336,711	228,837



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

12 Notes and other receivables

(a) Deposits, advances and prepayments

	As at 31 December	
	2020	2019
Advance given to project staff	226,116	1,829,446
Deposits and prepayments	3,531,284	3,977,191
	3,757,400	5,806,637

(b) Other receivables

	As at 31 December	
	2020	2019
Receivable from Mr. T R U Priyankara (i)		
Balance as at 01 January	4,242,738	-
Additions during the year	1,214,000	4,242,738
Balance as at 31 December	5,456,738	4,242,738
Less: provision for impairment	(5,456,738)	(4,242,738)
	-	-
Reimbursable expenses	811,371	143,907
	811,371	143,907
Total notes and other receivables	4,568,771	5,950,544

(i) This amount is a discovered fraud, which is under due legal process.

13 Financial investments

	As at 31 December	
	2020	2019
Fixed deposits	27,418,566	20,447,740
	27,418,566	20,447,740

14 Cash and cash equivalents

	As at 31 December	
	2020	2019
14.1 Favorable cash and cash equivalents balance		
Balance at bank	91,708,557	48,831,743
Cash in hand	152,621	152,621
	91,861,178	48,984,364

14.2 Unfavorable cash and cash equivalent balances

Balance at bank	(2,531,677)	(9,074,590)
	(2,531,677)	(9,074,590)
	89,329,501	39,909,774



Notes to the Financial Statements (Contd)

15 Restricted funds

	As at 31 December	
	2020	2019
Balance at the beginning of the year	20,293,782	42,142,534
Funds received during the year	130,433,630	115,581,849
Funds transferred to statement of comprehensive income against expenses incurred	(75,478,897)	(122,787,918)
Excess funds transferred to statement of comprehensive income on completed projects	(5,408,210)	(14,642,683)
Balance at the end of the year	69,840,305	20,293,782

Movements in restricted funds

Name of Donor Organisations	Budget for the period	Balance as at 01.01.2020		Cash Received / paid during the year	Income Recognised		Balance as at 31.12.2020	Of which	
		Accrued	Deferred		Restricted	Unrestricted		Accrued	Deferred
Ministry of Foreign Affairs - Norway - MFA	12,490,469	-	4,607,572	8,524,700	13,132,272	-	-	-	-
Transparency International e.V. Secretariat - ACA	-	-	1,576,650	(1,144,650)	432,000	-	-	-	-
Transparency International e.V. Secretariat - TIS	-	-	2,355,913	(1,715,448)	640,465	-	-	-	-
Diakonia Country office - Sri Lanka	5,126,979	-	523,777	5,086,685	5,126,979	-	483,483	-	483,483
Commonwealth Foundation	-	(340,636)	-	340,636	-	-	-	-	-
Transparency International e.V. Secretariat - Enabling Impact	-	(659,133)	-	1,199,133	540,000	-	-	-	-
East West Management Institute	-	(583,320)	-	588,624	-	5,305	-	-	-
Neelan Tiruchelvam Trust	-	(129,551)	-	560,649	-	431,098	-	-	-
Neelan Tiruchelvam Trust - Donation for IISL	-	-	-	200,000	-	-	200,000	-	200,000



Notes to the Financial Statements (Contd)

15 Restricted funds (contd)

Movements in restricted funds (contd)

Name of Donor Organisations	Budget for the period	Balance as at 01.01.2020		Cash Received / Paid during the year	Income Recognised		Balance as at 31.12.2020	Of which	
		Accrued	Deferred		Restricted	Unrestricted		Accrued	Deferred
		A		B		C			
Transparency International - United Kingdom	7,681,983	-	4,920,352	2,811,403	6,411,152.00	-	1,320,602	-	1,320,602
IDEA (Management Systems International) - Old	1,639,399	-	2,248,272	1,817,447	1,792,342.00	2,273,377.00	-	-	-
Open Society Policy Center	22,606,237	-	9,279,688	20,778,450	20,668,713.00	-	9,389,425	-	9,389,425
Transparency International - Anti Corruption in OGP	-	(1,540,279)	-	1,540,279	-	-	-	-	-
Transparency International e.V. Secretariat - TIS	-	(27,623)	-	27,623	-	-	-	-	-
The International Republican Institute	6,500,000	(1,937,900)	-	8,045,312	3,408,982.00	2,698,430.00	-	-	-
Transparency International e.V. Secretariat - GACC	3,431,032	-	-	2,012,200	1,212,791.00	-	799,409	-	799,409
IDEA (Management Systems International) - New	8,885,246	-	-	3,522,000	5,798,718.00	-	(2,276,718)	(2,276,718)	-
The Asia Foundation	24,353,288	-	-	27,175,317	14,472,662.00	-	12,702,655	-	12,702,655
Friendrsh Naumann Foundation - FNF	1,500,000	-	-	1,508,361	1,508,361.00	-	-	-	-
Transparency International e.V. Secretariat - STRONGG	-	-	-	7,150,543	333,460.00	-	6,817,083	-	6,817,083
Transparency International e.V. Secretariat - EU - EIDHR	-	-	-	40,404,366	-	-	40,404,366	-	40,404,366
Total for ongoing project	94,214,633	(5,218,442)	25,512,224	130,433,630	75,478,897	5,408,210	69,840,305	(2,276,718)	72,117,023



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

16 Capital grants

	As at 31 December	
	2020	2019
Balance at the beginning of year	600,533	525,163
Addition during the year	1,927,409	333,900
Amortisation during the year	(1,058,807)	(258,530)
Balance at the end of year	1,469,135	600,533

17 Retirement benefit obligations

	As at 31 December	
	2020	2019
Balance at the beginning of year	3,135,800	3,126,133
Charge for the year	1,067,813	542,485
Payment made during the year	(715,000)	(532,818)
Balance at the end of year	3,488,613	3,135,800

18 Accruals and other payables

	As at 31 December	
	2020	2019
EPF	532,850	1,210
Medical insurance	260,518	260,518
Audit fees	420,000	400,000
Printing charges	147,050	147,050
ETF	80,556	810
Salary control	(308,668)	(308,668)
Payable to programme	11,715	11,719
WHT payable	-	55,440
Others	-	244,909
	1,144,021	812,988



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

19 Income tax payable

Income tax payable	As at 31 December	
	2020	2019
Taxable income	4,597,131	4,905,254
	4,597,131	4,905,254
Tax liability at 28%	1,287,197	1,373,471
Balance at beginning of year	532,775	(238,071)
WHT paid on interest	-	(202,999)
Self assessment tax payments	(1,426,360)	(399,626)
Balance at the end of year	393,612	532,775

20 Capital commitments

There are no capital commitments as at 31 December 2020.

21 Contingent liabilities

The Company does not have significant contingent liabilities as at the 31 December 2020.

22 Events after the reporting period

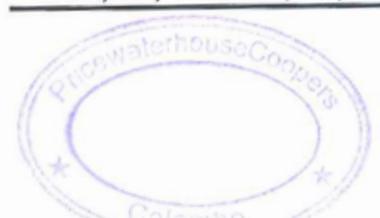
No events have occurred after the reporting date which would require adjustments to, or disclosure in the financial statements.

22 Related party disclosures**22.1 Transactions with key management personnel of the Company**

The key management personnel are the members of the senior management 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 the Company. No member of the Board of Directors receives any salary or other compensation.

Key management personnel compensation

	Year ended 31 December	
	2020	2019
Short - term employee benefits	9,307,500	10,829,478
Retirement benefit obligations	984,917	1,487,841
	10,292,417	12,317,319



TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

Notes to the financial statements (contd)

23 Management's assessment of the impact of COVID 19 outbreak

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across the globe, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, the management do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. While there was no impact on the funding, there were some impacts on field-based project activities, where they were delayed and rescheduled with the understanding of the donors. Funding allocated to certain activities were reallocated. Staff continued to work remotely through work from home arrangements, where certain activities were conducted online as well.

