

# FINANCIAL STATEMENTS

[Confidential]

## TRANSPARENCY INTERNATIONAL SRI LANKA

FINANCIAL STATEMENTS - 31 DECEMBER 2021

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## *Independent auditor's report*

To the Shareholders of Transparency International Sri Lanka

### *Report on the audit of the financial statements*

#### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Transparency International Sri Lanka (“the Company”) as at 31 December 2021, and of its financial performance and its 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 Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

#### *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 for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (“CA Sri Lanka Code of Ethics”). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka 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 board. The annual report of the board is expected to be made available to us after the date of this auditor's report.

*PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka*  
*T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 7237, www.pwc.com/lk*

**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

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## *Independent auditor's report*

To the Shareholders of Transparency International Sri Lanka

### *Report on the audit of the financial statements (Contd.)*

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#### *Other information (Contd.)*

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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 of the board, 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*

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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 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.



## *Independent auditor's report*

To the Shareholders of Transparency International Sri Lanka

### *Report on the audit of the financial statements (Contd.)*

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#### *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 judgement and maintain professional scepticism 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.



## *Independent auditor's report*

To the Shareholders of Transparency International Sri Lanka

### *Auditor's responsibilities for the audit of the financial statements (Contd)*

- 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.

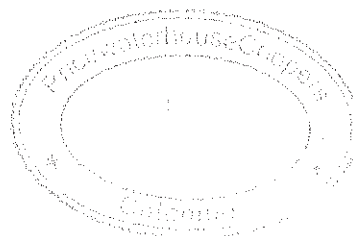
### *Report on other legal and regulatory requirements*

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.

*Price Waterhouse Coopers*  
**CHARTERED ACCOUNTANTS**

**COLOMBO**

10<sup>th</sup> June 2022

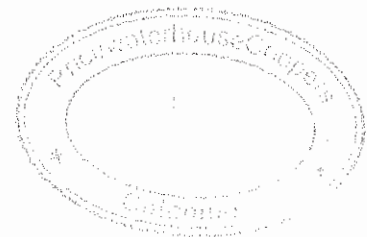


## TRANSPARENCY INTERNATIONAL SRI LANKA

## Statement of comprehensive income

(All amounts in Sri Lankan Rupees)

	Notes	Year ended 31 December	
		2021	2020
Incoming resources	4	86,366,981	75,478,897
<b>Operating expenditure</b>			
Project expenses	5	(58,665,855)	(50,820,385)
Administrative expenses	6	(27,750,718)	(23,122,153)
Total operating expenditure		(86,416,573)	(73,942,538)
<b>Net (deficit) / surplus on operating activities</b>		(49,592)	1,536,359
Net financial income	7	4,000,239	4,260,420
Other gains and losses - net	8	(2,997,020)	(5,813,706)
<b>Net surplus / (deficit) before tax</b>		953,627	(16,927)
Income tax expenses	9	(1,098,543)	(1,287,197)
Net deficit after tax		(144,916)	(1,304,124)
<b>Total comprehensive deficit for the year</b>		<b>(144,916)</b>	<b>(1,304,124)</b>



The Notes on pages 8 to 29 form an integral part of these financial statements.

Independent Auditor's Report on pages 1 - 4.

## TRANSPARENCY INTERNATIONAL SRI LANKA

## Statement of financial position

(All amounts in Sri Lankan Rupees)

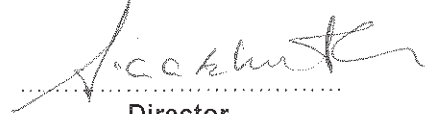
ASSETS	Notes	31 December 2021	
		2,021	2020
<b>Non-current assets</b>			
Property, plant and equipment	10	590,554	1,581,349
Right-of-use asset	11	20,269,670	1,920,803
		<u>20,860,224</u>	<u>3,502,152</u>
<b>Current assets</b>			
Notes and other receivables	12	6,972,334	4,568,771
Investments	13	29,000,377	27,418,566
Cash and cash equivalents	14	64,831,951	89,329,501
		<u>100,804,662</u>	<u>121,316,838</u>
<b>Total assets</b>		<b><u>121,664,886</u></b>	<b><u>124,818,990</u></b>
<b>FUNDING and LIABILITIES</b>			
<b>Accumulated funds</b>			
Restricted funds	15	47,894,848	69,840,305
Unrestricted funds		45,745,548	46,432,145
Capital grants	16	684,072	1,469,135
		<u>94,324,468</u>	<u>117,741,585</u>
<b>Non-current liabilities</b>			
Retirement benefit obligation	17	3,602,425	3,488,613
Lease liabilities	11	16,955,558	-
		<u>20,557,983</u>	<u>3,488,613</u>
<b>Current liabilities</b>			
Accruals and other payables	18	2,684,065	1,144,021
Income tax payable	19	412,587	393,612
Lease liabilities	11	3,685,783	2,051,159
		<u>6,782,435</u>	<u>3,588,792</u>
<b>Total funding and liabilities</b>		<b><u>121,664,886</u></b>	<b><u>124,818,990</u></b>

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...<sup>10<sup>th</sup></sup> June 2022.

  
.....  
**Director**

  
.....  
**Director**

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Independent Auditor's Report on pages 1 - 4.

## TRANSPARENCY INTERNATIONAL SRI LANKA

## 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 2020	20,293,782	41,597,784	600,533	-	62,492,099
Net deficit for the year	-	-	-	(1,304,124)	(1,304,124)
<b>Balance before transfer to reserves</b>	20,293,782	41,597,784	600,533	(1,304,124)	61,187,975
Total comprehensive surplus 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
Additions during the year	-	-	1,927,409	-	1,927,409
Amortisation made during the year	-	-	(1,058,807)	-	(1,058,807)
<b>Funds transferred to statement of comprehensive income</b>					
against expenses incurred	(75,478,897)	-	-	-	(75,478,897)
on completed projects	(5,408,210)	5,408,210	-	-	-
<b>Balance as at 31 December 2020</b>	<b>69,840,305</b>	<b>46,432,145</b>	<b>1,469,135</b>	<b>-</b>	<b>117,741,585</b>
Net deficit for the year	-	-	-	(144,916)	(144,916)
<b>Balance before transfer to reserves</b>	69,840,305	46,432,145	1,469,135	(144,916)	117,596,669
Total comprehensive surplus for the year	-	(144,916)	-	144,916	-
Funds received during the year	64,508,207	-	-	-	64,508,207
Adjustment made during the year	-	(541,681)	-	-	(541,681)
Addition during the year	-	-	402,340	-	402,340
Amortisation made during the year	-	-	(1,187,403)	-	(1,187,403)
<b>Funds transferred to statement of comprehensive income</b>					
- against expenses incurred	(86,366,981)	-	-	-	(86,366,981)
- on completed projects	(86,683)	-	-	-	(86,683)
<b>Balance as at 31 December 2021</b>	<b>47,894,848</b>	<b>45,745,548</b>	<b>684,072</b>	<b>-</b>	<b>94,324,468</b>

The Notes on pages 8 to 29 form an integral part of these financial statements.

Independent Auditor's Report on pages 1 - 4.





# TRANSPARENCY INTERNATIONAL SRI LANKA

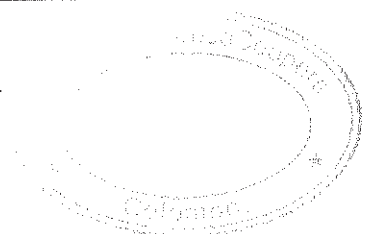
## Statement of cash flows

(All amounts in Sri Lankan Rupees)

	Notes	Year ended 31 December	
		2021	2020
<b>Cash flows from operating activities</b>			
Net surplus / (deficit) before income tax		953,627	(16,927)
Adjustments for:			
Depreciation of property, plant and equipment	10.2	770,678	678,664
Depreciation of leased assets	11	3,564,290	3,292,806
Provision for gratuity	17	912,001	1,067,813
Amortisation of capital grant		(1,187,403)	(1,058,807)
Interest on leases	7	577,025	336,711
Interest income	7	(4,577,264)	(4,597,131)
Net cash generated / (used) before working capital changes		1,012,954	(296,871)
Changes in working capital:			
Receivables		(2,403,563)	1,381,773
Payables		1,540,042	331,033
Cash generated from operations		149,433	1,415,935
Payment of taxes	19	(1,079,568)	(1,426,360)
Payment of gratuity	17	(798,189)	(715,000)
Net cash used in operating activities		(1,728,324)	(725,425)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10.1	(402,337)	(1,493,826)
Addition to the capital grants		402,340	1,927,409
Investment on short term deposits		(1,581,811)	(5,000,000)
Interest income	7	4,577,264	4,597,131
Net cash generated from investing activities		2,995,456	30,714
<b>Cash flows from financing activities</b>			
Funds received from donors and utilised		(21,864,682)	53,714,438
Repayments of leases		(3,900,000)	(3,600,000)
Net cash (used in) / generated from financing activities		(25,764,682)	50,114,438
<b>Net (decrease) / increase in cash and cash equivalents</b>		(24,497,550)	49,419,727
Cash and cash equivalents at the beginning of the year	14.2	89,329,501	39,909,774
<b>Cash and cash equivalents at the end of the year</b>	<b>14.2</b>	<b>64,831,951</b>	<b>89,329,501</b>

The Notes on pages 8 to 29 form an integral part of these financial statements.

Independent Auditor's Report on pages 1 - 4.



# TRANSPARENCY INTERNATIONAL SRI LANKA

## 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 ('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. 366, Nawala Road, Nawala Rajagiriya.

#### 1.2 Principle activities of the Company

Transparency International Sri Lanka (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.

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 2021 are as follows:

Name	Date of appointment	Date of resignation
Ms. M. A. Amarasinghe	20.06.2013	Not applicable
Mr. P. R. K. Hewamanna	08.02.2017	Not applicable
Mr. S. C. C Elankovan	20.02.2015	Not applicable
Ms. S. S. A. Saroor	08.02.2017	Not applicable
Prof. C. E. Guneratne	26.09.2018	Not applicable
Prof. P. Kailasapathy	27.11.2018	Not applicable
Ms. B. H. Ibrahim	20.01.2021	Not applicable
Mr. A.F. Farouk	30.06.2021	Not applicable
Ms. J. Samuel	18.12.2020	Not applicable
Mr. T. M. B. S. Thudugala	25.11.2020	Not applicable
Mr. T. Someswaran	29.07.2014	08.06.2021
Mr. A. L. M. Senewiratne	27.07.2015	01.07.2021

# TRANSPARENCY INTERNATIONAL SRI LANKA

## 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

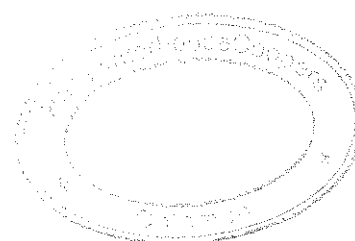
The Board of Directors is responsible for preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 07 of 2007, the Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) and Sri Lanka Accounting standards 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 2021 were authorised for issue by the Directors on...*10<sup>th</sup>*...June 2022.

#### 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

### 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

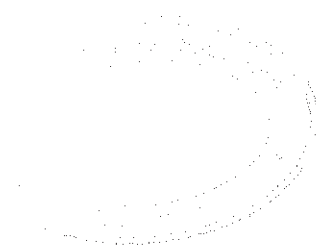
The accounting policies have been consistently applied by the Company are unless otherwise stated is consistent with those used in the previous year.

##### 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

## 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:

Critical accounting estimates / judgments	Disclosure reference	
	Accounting policy	Note
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

### 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

### Notes to the financial statements (contd)

#### 3 Significant accounting policies (contd)

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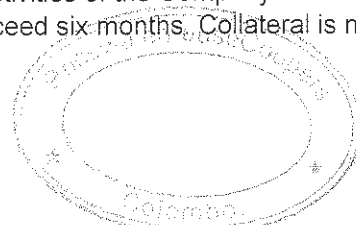
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## TRANSPARENCY INTERNATIONAL SRI LANKA

### 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

### 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:

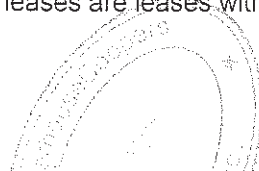
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- restoration costs.

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 straight-line basis. The amortisation periods for the right-of-use assets are as follows:

- right of use for the Office Bilding 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

### 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 office buildings 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

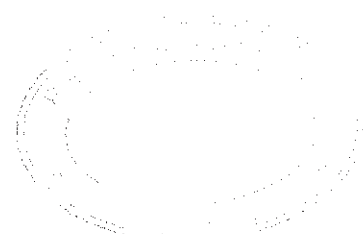
Fixed deposits and other interest bearing securities held for resale in the near future to benefit from short term market movements are accounted for at cost plus the relevant proportion of the discounts or premium.

#### 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

### 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

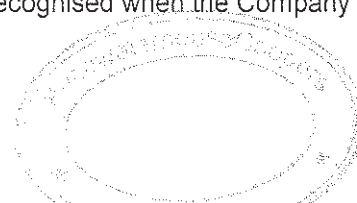
Income realised from restricted funds is recognised in the Statement of comprehensive income only when there is a certainty that all conditions for receipt of funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the Statement of 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

### 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

	Year ended 31 December	
	2021	2020
Income recognised for projects carried out [Refer Note 15]	86,366,981	75,478,897
	<b>86,366,981</b>	<b>75,478,897</b>

#### 5 Project expenses

	Year ended 31 December	
	2021	2020
Staff cost	24,952,352	17,848,302
Direct project cost	33,713,503	32,972,083
	<b>58,665,855</b>	<b>50,820,385</b>



## TRANSPARENCY INTERNATIONAL SRI LANKA

## Notes to the financial statements (contd)

Donor	Name of the project	Staff cost	Project Cost	Total
Neelan Tiruchelvam Trust - NTT	Supporting Women's Voices Through Transparent and Participatory Governance at the Local Level.	-	200,000	200,000
Transparency International United Kingdom - TIUK	National Advocacy to advance Sri Lanka's Anti Corruption Summit commitments.	70,000	1,210,602	1,280,602
Open Society Policy Center - OSF	Organizational support and advancing the Open Government Partnership in Sri Lanka 2019.	1,160,755	4,114,745	5,275,500
Transparency International e.V. Secretariat - GACC	Airbus corruption and asset recovery for Sri Lanka - Global anti-corruption consortium project 2020-21.	865,122	1,901,064	2,766,186
Management Systems International - IDEA	Strengthened civil society - TISL Follow on Increased Demand and Engagement for Accountability (IDEA).	1,451,155	3,606,968	5,058,123
The Asia Foundation - TAF	Using technology to track the abuse of state property.	3,882,544	4,521,360	8,403,904
Transparency International e.V. Secretariat - STRONGG	Indo - Pacific partnership for strong, Transparent, Responsive and open Networks for Good Governance.	4,851,201	2,995,403	7,846,604
European Commission - EIDHR	Stronger Media through enhanced freedom of expression and Right to Information.	6,596,216	8,364,433	14,960,649
Transparency International e.V. Secretariat - SANCUS	Strengthening accountability networks among civil society: Regional Coordination of AP countries and in-country action.	2,309,769	897,140	3,206,909
High Commission of Canada - CFLI	Strengthening Accountability Mechanisms across Sectors in Sri Lanka to Combat Corruption.	894,774	1,237,447	2,132,221
The International Republican Institute - IRI	Research Consultancy on grand corruption in Sri Lanka.	1,375,207	73,531	1,448,738
Taiwan Foundation for Democracy - TFD	Integrity Idol Sri Lanka 2021.	-	320,080	320,080
Foundation Open Society Policy Center - OSF new (FOSI)	To support Grantee to tie-off work on promoting the Right to Information.	1,210,040	1,213,280	2,423,320
Friedrich Naumann Foundation FNF	Integrity Icon Programme.	-	1,955,000	1,955,000
Transparency International Sri Lanka - TISL		285,569	1,102,450	1,388,019
<b>Total</b>		<b>24,952,352</b>	<b>33,713,503</b>	<b>58,665,855</b>



## TRANSPARENCY INTERNATIONAL SRI LANKA

## Notes to the financial statements (contd)

## 6 Administrative expenses

	Year ended 31 December	
	2021	2020
Salaries	17,137,126	11,531,416
Office rent	1,276,750	2,610,000
Security	1,108,080	855,360
Telephone / internet charges	528,097	291,559
Insurance	148,172	766,145
Electricity	574,705	566,509
Janitorial charges	398,850	426,780
Office maintenance	1,735,583	374,227
IT maintenance	675,592	479,598
Recruitment cost	-	81,000
Travelling	364,118	195,939
AGM expenses	-	153,210
Staff welfare	272,441	554,603
Printing and stationery	212,747	168,198
Secretarial fees	230,120	157,016
Water rates	30,105	96,581
Equipment maintenance	50,201	73,835
Postage, stamps and courier charges	2,910	6,476
Board meeting expenses	27,260	16,790
Vehicle maintenance	18,800	11,876
Accounting package maintenance	-	56,376
Legal expenses	702,970	526,640
Stamp duty	283,430	28,400
Audit fees - institutional	842,213	446,351
Audit fees - other	-	1,971,018
Strategic Planning	222,721	676,250
Office shifting Expenses	11,000	-
Rates	578,620	-
Tax consultancy	168,107	-
Other Expenses	150,000	-
	<b>27,750,718</b>	<b>23,122,153</b>

## TRANSPARENCY INTERNATIONAL SRI LANKA

## Notes to the financial statements (contd)

## 7 Net financial income

	Year ended 31 December	
	2021	2020
Interest income	4,577,264	4,597,131
Interest expenses on lease liabilities	(577,025)	(336,711)
	<b>4,000,239</b>	<b>4,260,420</b>

## 8 Other gains and losses - net

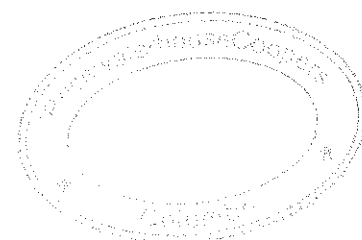
	Year ended 31 December	
	2021	2020
Sundry income	1,649,407	47,545
Amortisation of capital grant	1,187,403	1,058,807
Depreciation	(770,678)	(1,112,248)
Bank charges	(198,261)	(233,191)
Provision for impairment of other receivables	(388,600)	(1,214,000)
Depreciation buildings (right-of-use asset)	(3,564,290)	(3,292,806)
Gratuity	(912,001)	(1,067,813)
	<b>(2,997,020)</b>	<b>(5,813,706)</b>

## 9 Income tax expenses

## Current income tax

	Year ended 31 December	
	2021	2020
Current income tax charge [Note 19]	1,098,543	1,287,197
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>1,098,543</b>	<b>1,287,197</b>

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



## TRANSPARENCY INTERNATIONAL SRI LANKA

## Notes to the financial statements (contd)

## 10 Property, plant and equipment

## 10.1 Gross carrying amounts

	Balance as at 1 January 2021	Additions	Disposals	Balance as at 31 December 2021
Furniture and fittings	1,870,667	66,187	(195,271)	1,741,583
Office equipment	2,071,850	-	(336,574)	1,735,276
Computers	2,197,893	336,150	(446,631)	2,087,412
Motor vehicles	78,000	-	-	78,000
<b>Total gross carrying amount</b>	<b>6,218,410</b>	<b>402,337</b>	<b>(978,476)</b>	<b>5,642,271</b>

## 10.2 Depreciation

	Balance as at 1 January 2021	Charge for the period	Transferred for disposed assets	Balance as at 31 December 2021
Furniture and fittings	1,752,395	95,132	(195,253)	1,652,274
Office equipment	1,737,811	193,749	(336,568)	1,594,992
Computers	1,666,402	481,797	(421,748)	1,726,451
Motor vehicles	78,000	-	-	78,000
<b>Total depreciation</b>	<b>5,234,608</b>	<b>770,678</b>	<b>(953,569)</b>	<b>5,051,717</b>

## 10.3 Net book values

	As at 31 December	
	2021	2020
Total carrying value of property, plant and equipment	<b>590,554</b>	<b>983,802</b>





## TRANSPARENCY INTERNATIONAL SRI LANKA

## Notes to the financial statements (contd)

## 11 Right-of-use asset

## Building

## (i) Right-of-use asset

## Cost

	As at 31 December	
	2021	2020
Balance as at 1 January	6,585,611	6,585,611
Write off value	(6,585,611)	-
Additions during the year	21,913,157	-
<b>Balance as at 31 December</b>	<b>21,913,157</b>	<b>6,585,611</b>

## Accumulated depreciation and impairment losses

Balance as at 1 January	4,664,808	1,372,002
Write off value	(6,585,611)	-
Depreciation for the year	3,564,290	3,292,806
<b>Balance as at 31 December 2021</b>	<b>1,643,487</b>	<b>4,664,808</b>

## Carrying value as at 31 December 2021

<b>20,269,670</b>	<b>1,920,803</b>
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## (ii) Lease liabilities

Non current	16,955,558	-
Current	3,685,783	2,051,159
	<b>20,641,341</b>	<b>2,051,159</b>

## (iii) Amounts relating to leases recognised in the statement of income

## Depreciation charge for the right-of-use assets by class of assets

Building	3,564,290	3,292,806
<b>Total depreciation charge</b>	<b>3,564,290</b>	<b>3,292,806</b>

Interest expense on lease liabilities	577,025	336,711
<b>Total expenses related to leases</b>	<b>577,025</b>	<b>336,711</b>



## TRANSPARENCY INTERNATIONAL SRI LANKA

## Notes to the financial statements (contd)

## 12 Notes and other receivables

## (a) Deposits, advances and prepayments

	As at 31 December	
	2021	2020
Advance given to project staff	1,072,368	226,116
Deposits and prepayments	5,718,016	3,531,284
	<b>6,790,384</b>	<b>3,757,400</b>

## (b) Other receivables

	As at 31 December	
	2021	2020
Receivable from Mr. T R U Priyankara (i)		
Balance as at 01 January	5,456,738	4,242,738
Additions during the year	388,600	1,214,000
Balance as at 31 December	5,845,338	5,456,738
Less: provision for impairment	(5,845,338)	(5,456,738)
	-	-
Reimbursable expenses	181,950	811,371
	181,950	811,371
<b>Total notes and other receivables</b>	<b>6,972,334</b>	<b>4,568,771</b>

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

## 13 Financial investments

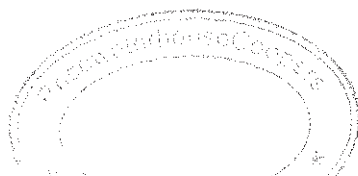
	As at 31 December	
	2021	2020
Fixed deposits	29,000,377	27,418,566
	<b>29,000,377</b>	<b>27,418,566</b>

## 14 Cash and cash equivalents

	As at 31 December	
	2021	2020
<b>14.1 Favorable cash and cash equivalents balance</b>		
Balance at bank	71,810,976	91,708,557
Cash in hand	155,000	152,621
	<b>71,965,976</b>	<b>91,861,178</b>

## 14.2 Unfavorable cash and cash equivalent balances

Balance at bank	(7,134,025)	(2,531,677)
	(7,134,025)	(2,531,677)
	<b>64,831,951</b>	<b>89,329,501</b>



## Notes to the Financial Statements (Contd)

### 15 Restricted funds

	As at 31 December	
	2021	2020
Balance at the beginning of the year	69,840,305	20,293,782
Funds received during the year	64,508,207	130,433,630
Funds transferred to statement of comprehensive income against expenses incurred	(86,366,981)	(75,478,897)
Excess funds transferred to statement of comprehensive income on completed projects	(86,683)	(5,408,210)
<b>Balance at the end of the year</b>	<b>47,894,848</b>	<b>69,840,305</b>



### Movements in restricted funds

Name of Donor Organisations	Budget for the period	Balance as at 01.01.2021		Cash Received / paid during the year	Income Recognised		Balance as at 31.12.2021	
		Accrued	Deferred		Restricted	Unrestricted	Accrued	Deferred
		A		B	C		D = A + B - C	
Diakonia Country Office - Sri Lanka	-	-	483,484	-	-	-	483,484	483,484
Neelan Tiruchelvam Trust - NTT	200,000	-	200,000	-	200,000	-	-	-
Transparency International United Kingdom - TIUK	1,320,602	-	1,320,602	-	1,320,602	-	-	-
Open Society Policy Center - OSF	8,460,284	-	9,389,424	-	9,389,424	-	-	-
Transparency International e.V. Secretariat - GACC	3,333,259	-	799,409	2,425,870	3,138,596	86,683	-	-
Management Systems International - IDEA (New)	7,596,834	(2,276,719)	-	4,289,389	6,375,365	-	(4,362,695)	-
The Asia Foundation - TAF	26,666,468	-	12,702,656	13,587,658	13,290,060	-	13,000,254	13,000,253
Transparency International e.V. Secretariat - STRONGG	13,262,982	-	6,817,083	4,847,750	10,284,281	-	1,380,552	1,380,551
European Commission - EIDHR	38,876,763	-	40,404,366	-	21,551,843	-	18,852,523	18,852,523

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 01.01.2021		Cash Received / Paid during the year	Income Recognised		Balance as at 31.12.2021		
		Accrued	Deferred		Restricted	Unrestricted	Accrued	Deferred	
		A		B	C		D = A + B - C		
Transparency International e.V. Secretariat - SANCUS	8,523,813	-	-	15,724,837	5,566,407	-	10,158,430	-	10,158,430
High Commission of Canada - CFLI	3,089,296	-	-	3,402,236	2,192,853	-	1,209,383	-	1,209,383
The International Republican Institute - IRI	5,000,000	-	-	5,289,893	5,028,076	-	261,817	-	261,817
Taiwan Foundation for Democracy- TFD	780,000	-	-	392,124	320,080	-	72,044	-	72,044
Foundation Open Society Policy Center - OSF new (FOSI)	5,609,684	-	-	12,593,450	5,754,394	-	6,839,056	-	6,839,056
Friedrich Naumann Foundation - FNF	1,955,000	-	-	1,955,000	1,955,000	-	-	-	-
<b>Total for ongoing project</b>	<b>124,674,985</b>	<b>(2,276,719)</b>	<b>72,117,024</b>	<b>64,508,207</b>	<b>86,366,981</b>	<b>86,683</b>	<b>47,894,848</b>	<b>(4,362,694)</b>	<b>52,257,541</b>



## TRANSPARENCY INTERNATIONAL SRI LANKA

## Notes to the financial statements (contd)

## 16 Capital grants

	As at 31 December	
	2021	2020
Balance at the beginning of year	1,469,135	600,533
Addition during the year	402,340	1,927,409
Amortisation during the year	(1,187,403)	(1,058,807)
<b>Balance at the end of year</b>	<b>684,072</b>	<b>1,469,135</b>

## 17 Retirement benefit obligations

	As at 31 December	
	2021	2020
Balance at the beginning of year	3,488,613	3,135,800
Charge for the year	912,001	1,067,813
Payment made during the year	(798,189)	(715,000)
<b>Balance at the end of year</b>	<b>3,602,425</b>	<b>3,488,613</b>

## 18 Accruals and other payables

	As at 31 December	
	2021	2020
EPF	618,927	532,850
ETF	92,839	80,556
Audit fees	747,360	420,000
Advance - FNF	1,013,200	-
Payable to Royal Norwegian Embassy [Refer Note (i) below]	175,000	-
Others	36,739	-
Medical insurance	-	260,518
Printing charges	-	147,050
Salary control	-	(308,668)
Payable to programme	-	11,715
	<b>2,684,065</b>	<b>1,144,021</b>

(i) Remaining utilised funds payable to Royal Norwegian Embassy.



## TRANSPARENCY INTERNATIONAL SRI LANKA

## Notes to the financial statements (contd)

## 19 Income tax payable

Income tax payable	As at 31 December	
	2021	2020
Taxable income	4,577,264	4,597,131
	4,577,264	4,597,131
Tax liability at 24%	1,098,543	1,287,197
Balance at beginning of year	393,612	532,775
Self assessment tax payments	(1,079,568)	(1,426,360)
<b>Balance at the end of year</b>	<b>412,587</b>	<b>393,612</b>

## 20 Capital commitments

There are no capital commitments as at 31 December 2021.

## 21 Contingent liabilities

The Company does not have significant contingent liabilities as at the 31 December 2021.

## 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.

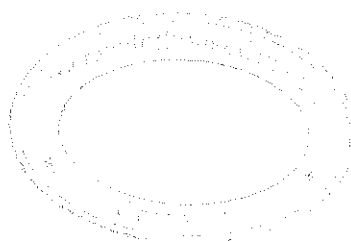
## 22 Related party disclosures

## 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	
	2021	2020
Short - term employee benefits	11,329,456	9,307,500
Retirement benefit obligations	665,926	984,917
	<b>11,995,382</b>	<b>10,292,417</b>



## TRANSPARENCY INTERNATIONAL SRI LANKA

### 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. However the overall pandemic did not have a significant impact on entity's operations in year 2021.

