SWISS AGENCY FOR DEVELOPMENT AND COOPERATION IN SRI LANKA - MATARA FIELD OFFICE

FINANCIAL STATEMENTS
31 AUGUST 2007

PRICEWATERHOUSECOOPERS

SWISS AGENCY FOR DEVELOPMENT AND COOPERATION IN SRI LANKA - MATARA FIELD OFFICE

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PRICEWATERHOUSECOOPERS

DC2

PricewaterhouseCoopers
P.O. Box 918
100, Braybrooke Place
COLOMBO 2
SRI LANKA
Telephone: 94-11-4719838 (Hunting)
Facsimile: 94-11-2303197

Report of the auditors

To the Country Director
On the financial statements of Swiss Agency for Development and Cooperation in Sri Lanka - Matara Field Office

1 We have audited the balance sheet of Swiss Agency for Development and Cooperation of Sri Lanka - Matara Field Office (including projects implemented by the Field Office) as at 31 August 2007 and the related statements of financial activities and cash flow for the eight months period ended 31 August 2007, together with the accounting policies and notes as set out on pages 3 to 10.

Respective responsibilities of management and auditors

2 The management of the Field Office is responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organisations issued by the Institute of Chartered Accountants of Sri Lanka. Our responsibility is to express an opinion on these financial statements, based on our audit.

Basis of audit opinion

3 Except for the scope limitations referred to in paragraph 4, we conducted our audit in accordance with Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examination, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the management, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organisations issued by the Institute of Chartered Accountants of Sri Lanka. We believe that our audit provides a reasonable basis for our opinion.

Limitation on Scope

4 The scope of our work for the purpose of this report was limited to the accounting records maintained at the Matara Field Office, which is coordinated and funded by the Swiss Agency for Development and Cooperation in Sri Lanka, Colombo Office (the principal office). Accordingly these financial statements do not include direct payments and other related liabilities in relation to construction contracts for school projects and other administrative expenses of the Field Office borne by the principal office, if any. As a result, we are unable to state with reasonable accuracy whether there are any expenses and liabilities in relation to the Matara Field Office incurred by the principal office and projects which have not been accounted in the books of account of the Matara Field Office.

Report of the auditors continued on page 2

Report of the auditors

To the Country Director
On the financial statements of Swiss Agency for Development and Cooperation in Sri Lanka - Matara Field Office (Contd)

Opinion

5 Except for the effect of any adjustments that might have been found to be necessary had we been able to satisfy ourselves as to the matter referred to in paragraph 4 above, in our opinion, so far as appears from our examination, the Field Office maintained proper books of account for the eight months ended 31 August 2007, and to the best of our information and according to the explanations given to us, the said balance sheet and related statements of financial activities and cash flow and the accounting policies and notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organisations issued by the Institute of Chartered Accountants of Sri Lanka and give a true and fair view of the state of affairs of the Field Office and projects implemented by the Field Office as at 31 August 2007 and of its incoming resources and application of resources for the eight months period then ended.

PricewaterhouseCoopers

15 October 2007
COLOMBO

CHARTERED ACCOUNTANTS

PricewaterhouseCoopers
Colombo

SWISS AGENCY FOR DEVELOPMENT AND COOPERATION IN SRI LANKA - MATARA FIELD OFFICE

Statement of financial activities

(all amounts in Sri Lanka Rupees)

	Notes	8 months ended 31 August 2007	Year ended 31 December 2006
INCOMING RESOURCES			
Direct transfers	3	56,482,466	44,705,941
Other income	3	360,793	Nil
TOTAL INCOMING RESOURCES		56,843,259	44,705,941
EXPENDITURE			
Project costs	4	(47,607,511)	(31,134,282)
Coordination office expenses	5	(9,128,241)	(19,778,507)
Net surplus / (deficit) before tax		107,507	(6,206,848)
Taxation	6	Nil	Nil
Net surplus / (deficit) after tax		**107,507**	**(6,206,848)**

The notes on pages 6 to 10 form an integral part of these financial statements.

Auditors' report - page 1 & 2

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Colombo.

SWISS AGENCY FOR DEVELOPMENT AND COOPERATION IN SRI LANKA - MATARA FIELD OFFICE

Balance sheet

(all amounts in Sri Lanka Rupees)

	Notes	As at 31 August 2007	As at 31 December 2006
ASSETS			
Current assets			
Receivables and prepayments	7	282,490	470,720
Cash and cash equivalents	8	974,008	678,271
Total assets		**1,256,498**	**1,148,991**
FUNDS			
Net surplus brought forward		1,148,991	7,355,839
Net surplus / (deficit) - current period / year		107,507	(6,206,848)
Total accumulated funds	9	**1,256,498**	**1,148,991**

The financial statements were approved on behalf of Swiss Agency for Development and Cooperation in Sri Lanka - Matara Field Office on the 15th October 07 by the Country Director.

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Country Director

The notes on pages 6 to 10 form an integral part of these financial statements.

Auditors' report - page 1 & 2

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SWISS AGENCY FOR DEVELOPMENT AND COOPERATION IN SRI LANKA - MATARA FIELD OFFICE

Cash flow statement

(all amounts in Sri Lanka Rupees)

	Notes	8 months ended 31 August 2007	Year ended 31 December 2006
Net surplus / (deficit) before tax		107,507	(6,206,848)
Adjustment for :			
Changes in working capital			
- receivables and prepayments		188,230	(118,708)
Net cash generated from / (used in) operating activities		295,737	(6,325,556)
Net increase / (decrease) in cash and cash equivalents		**295,737**	**(6,325,556)**
Movements in cash and cash equivalents			
At start of period		678,271	7,003,827
Increase / (decrease)		295,737	(6,325,556)
At end of period	8	**974,008**	**678,271**

The notes on pages 6 to 10 form an integral part of these financial statements.

Auditors' report - page 1 & 2

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SWISS AGENCY FOR DEVELOPMENT AND COOPERATION IN SRI LANKA - MATARA FIELD OFFICE

Notes to the financial statements

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

1 General information

1.1 Organisation and the Field Office in Matara

The Swiss Agency for Development and Cooperation (SDC) is Switzerland's international cooperation agency within the Swiss Foreign Ministry. Together with other federal offices, SDC is responsible for overall coordination of development activities as well as for humanitarian aid.

The Swiss Agency for Development and Cooperation of Sri Lanka (Organisation) is established for the purpose of providing humanitarian aid to affected people and victims of tsunami and constructing schools and houses in areas affected by the tsunami.

The Organisation through it's Matara Field Office was engaged in facilitating and monitoring projects which were funded by the Swiss Agency for Development and Cooperation of Sri Lanka, Colombo Office, pursuant to the Memorandum of Understanding signed between the Swiss Government and the Government of Sri Lanka on Repairs and Reconstruction of Schools damaged by the Tsunami in December 2004. The project agreements executed by Swiss Agency for Development Cooperation with the Secretariat, Ministry of Education, Sri Lanka to rehabilitate and upgrade identified schools as listed below;

- Construction of new school premises and rehabilitation works at :
  - Talalla South School - Devinuwara
  - Sangananda School - Weligama
  - Sumangala Girls' School - Weligama
- Construction of new school wing at Shariputra College, Matara
- Construction of temporary class rooms at Mahamaya Balika Vidyalaya, Matara.

The Principal Office of the Organisation transfers funds to the Matara Field Office for the project activities which are implemented by the Field Office. Accordingly the statement of financial activities does not include expenses made by the Principal Office in respect of the above projects and coordination of Field Office expenses.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The balance sheet, statements of financial activities and cash flows together with the accounting policies and notes to the financial statements as at 31 August 2007 and for the eight months period then ended have been prepared on a cash basis and in accordance with the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organisation issued by the Institute of Chartered Accountants of Sri Lanka.

2.2 Funds received

Funds received are recognised on a cash basis .

2.3 Expenditure

Expenditure is recognised when paid for during the period than when incurred.

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SWISS AGENCY FOR DEVELOPMENT AND COOPERATION IN SRI LANKA - MATARA FIELD OFFICE

Notes to the financial statements (Contd)

2 Summary of significant accounting policies (Contd)

2.4 Foreign currencies

Items in the financial statements were recorded in the books of account using the currency of the primary economic environment in which the activities were conducted, which is Sri Lanka Rupees (the functional currency).

Foreign currency transactions are translated into measurement currency using the prevailing exchange rate for each month of transaction. Monetary assets denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. The resulting gains or losses are dealt with in the statement of financial activities.

2.5 Taxation

The Agency and it's related field offices are administered directly under the Embassy of Switzerland and all income and profits from activities are exempt from income tax.

2.6 Property, plant and equipment

Property, plant and equipment purchased to facilitate administration of the Filed Office during the implementation of the Project is expensed to the Statement of Financial Activities.

2.7 Receivables

Receivables are stated at the realisable value net of provision for bad debts, if any.

2.8 Cash and cash equivalents

Cash and cash equivalent comprise cash in hand and at bank retained for Field Office purposes.

2.9 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

3 Incoming resources

Incoming resources mainly consists of direct fund transfers from the Colombo Office and other income on disposal of used assets.

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SWISS AGENCY FOR DEVELOPMENT AND COOPERATION IN SRI LANKA - MATARA FIELD OFFICE

Notes to the financial statements (Contd)

4 Project costs

	8 months ended 31 August 2007	Year ended 31 December 2006
Preliminary site selection cost		
Sangananda College	Nil	2,189,032
Sumanagala Girls' School	366,250	1,224,904
Servatious School	280,000	1,262,237
Mahamaya Balika Vidyalaya	205,000	1,076,987
Thalalla School	Nil	2,812,067
Mirissa Maha Vidyalaya	Nil	546,340
Shariputra College	Nil	490,705
	851,250	9,602,272
Construction of schools		
Sangananda College	15,010,433	16,666
Sumanagala Girls' School - Phase I	6,812,269	3,586,767
Sumanagala Girls' School - Phase II	2,040,719	Nil
Thalalla School	13,515,650	2,536,605
Shariputra College	7,596,348	9,780,375
	44,975,419	15,920,413
Construction of temporary class rooms	1,600,377	1,433,727
Other projects		
Sports projects	180,465	4,177,870
	47,607,511	**31,134,282**

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SWISS AGENCY FOR DEVELOPMENT AND COOPERATION IN SRI LANKA - MATARA FIELD OFFICE

Notes to the financial statements (Contd)

5 Coordination office expenses

	8 months ended 31 August 2007	Year ended 31 December 2006
Expatriate staff cost		
Travel and per diem	1,679,670	2,310,687
Accommodation	1,686,958	4,545,426
	3,366,628	6,856,113
National staff cost		
Salaries [Note (a)]	2,971,544	4,444,811
Other costs	147,910	379,287
	3,119,454	4,824,098
Office cost	2,563,250	6,493,075
Expenses on assets purchased	78,909	1,605,221
	2,642,159	8,098,296
	9,128,241	**19,778,507**

(a) Employee's Provident Fund and Employees' Trust Fund contributions pertaining to the employees of Matara Field Office are made by the principal office in Colombo.

6 Taxation

The Agency and its related field offices are administered directly under the Embassy of Switzerland and all income and profits from activities are exempt from income tax.

7 Receivables and prepayments

	31 August 2007	31 December 2006
Refundable deposits	226,060	470,720
Advance	56,430	Nil
	282,490	**470,720**

Advance wholly consists of receivables from Colombo office.

8 Cash and cash equivalents

	31 August 2007	31 December 2006
Cash at bank	893,208	328,110
Cash in hand	80,800	350,161
	974,008	**678,271**

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SWISS AGENCY FOR DEVELOPMENT AND COOPERATION IN SRI LANKA - MATARA FIELD OFFICE

Notes to the financial statements (Contd)

9 Accumulated funds

	31 August 2007	31 December 2006
Project funds	918,608	1,148,991
Coordination office funds	337,890	Nil
	1,256,498	**1,148,991**

10 Contingent liabilities

There were no contingent liabilities outstanding at the balance sheet date.

11 Commitments

Capital commitments

There were no capital commitment other than capital expenditure contracted for at the balance sheet date but not yet incurred amounting to Rs 141,759,618.

Financial commitments

There were no financial commitments outstanding at the balance sheet date.

12 Post balance sheet events

There were no post balance sheet events at the balance sheet date.

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