

REPORT OF THE AUDITORS TO THE MEMBERS OF
AFLAC INTERNATIONAL

1. We have audited the Balance Sheet of Aflac International as at 31st March 2005 and the related statements of Receipts and Payments, for the year then ended, together with the accounting policies and notes as set out on pages (01) to (10).

2. **Respective Responsibilities of Directors and Auditors**

The Directors are responsible for preparing and presenting these financial statements in accordance with the Generally Accepted Accounting Principles. Our responsibility is to express an opinion on these Financial Statements, based on our audit.

3. **Basis of Opinion**

An audit includes examining, 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 Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Generally Accepted Accounting Principles. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

We therefore believe that our audit provides a reasonable basis for our opinion.

4. **Opinion**

In our opinion so far as appears from our examination, the Company maintained proper books of accounts for the year ended 31st March, 2005 and to the best of our information and according to the explanations given to us, the said Balance Sheet and related statements of Receipts & Payments 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 Generally Accepted Accounting Principles, provide the information required by the Companies Act, No.17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st March, 2005 and its Receipts and Payments for the year then ended.

5. Directors' Interest in Contracts with the Company

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March 2005.

B.R. DE SILVA & CO.
Chartered Accountants

Colombo 5.

Date 19 July 2006

NM/sj

AFLAC INTERNATIONAL

RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2005

<u>RECEIPTS</u>	<u>Notes</u>	<u>2004/2005</u>		<u>2003/2004</u>	
		<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
Donations for Education Programme	(3)	3,694,098.20		2,908,830.54	
Donations for Health Programme	(4)	2,210,494.30		1,241,798.67	
Donations for Food Programme	(5)	1,629,207.84		1,491,820.53	
Donations for Tsunami Programme	(7)	38,698,644.80		-	
Donations/Funds Raised for Other Programmes	(8)	1,444,811.02		2,289,766.60	
Special Donation for Administration Expenses		1,314,717.25		100,450.00	
Interest Earned		317,094.09		58,095.76	
Total Receipts		49,309,067.50		8,090,762.10	
<u>PAYMENTS</u>					
Education Programme	(3)	2,796,229.20		3,224,946.65	
Health	(4)	2,040,224.93		1,595,007.76	
Food	(5)	1,357,000.00		1,348,250.00	
Shelter	(6)	1,310,852.31		3,287,420.25	
Tsunami Projects	(7)	11,299,460.48		-	
Adhoc Projects	(9)	126,972.50		103,859.45	

Administration Expenses	(10)	530,551.72	415,057.79
Bank Charges		61,023.23	20,837.27
Total Payments		<u>19,522,314.37</u>	<u>9,995,379.17</u>
EXCESS OF RECEIPTS OVER PAYMENTS FOR THE YEAR		<u><u>29,786,753.13</u></u>	<u><u>(1,904,617.07)</u></u>

EXCESS OF RECEIPTS OVER PAYMENTS

	<i>Opening Balance</i>		<i>Excess</i>		<i>Closing Balance</i>	
	<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
Education Programme	131,560.87		897,869.50		1,029,430.37	
All Other Programmes/Projects	3,523,855.17		28,632,812.77		32,156,667.94	
Bank Savings Interest less Bank Charges	229,540.92		256,070.86		485,611.78	
	<u>3,884,956.96</u>		<u>29,786,753.13</u>		<u>33,671,710.09</u>	

AFLAC INTERNATIONAL

BALANCE SHEET

AS AT 31ST MARCH 2005

ASSETS

Note

2004/2005

2003/2004

Rs. Cts.

Rs. Cts.

Non Current Assets

Office Equipment

(11)

235,918.47

70,526.36

Furniture & Fittings

52,692.50

31,106.25

288,610.97

101,632.61

Current Assets

Cash at Bank

Account No.

Currency

Amount

Rate

Hatton National Bank

A/C No: 005 0011496

LKR

-

-

51,640.65

(402,931.92)

A/C No: 005 0145123

US \$

100,451.45

99.45

9,989,896.70

4,840,920.00

A/C No: 005 0149404

SG \$

25,318.61

60.32

1,527,218.56

808,957.45

A/C No: 005 0372235

Euro

3,545.65

128.46

455,474.20

-

Peoples Bank

A/C No: 0091 154 0096941

LKR

-

-

58,656.39

59,578.39

Hongkong & Shanghai Bank

A/C No: 008 048456-001

LKR

-

-

2,022,282.25

-

14,105,168.75

5,306,523.92

Short Term Cash Investments - Repo in HSBC

20,139,060.06

-

34,244,228.81

5,306,523.92

Total Assets

34,532,839.78

5,408,156.53

REPRESENTED BY
Accumulated Fund

Balance Brought Forward	3,884,956.96	5,789,574.03
Excess of Receipts over Payments for the year	29,786,753.13	(1,904,617.07)
Balance Carried Forward	<u>33,671,710.09</u>	<u>3,884,956.96</u>

Exchange Equalization Reserve

Balance Brought Forward	1,523,199.57	1,473,608.41
Exchange Gain for the year/(Loss)	(662,069.88)	49,591.16
Balance Carried Forward	<u>861,129.69</u>	<u>1,523,199.57</u>
TOTAL LIABILITIES	<u><u>34,532,839.78</u></u>	<u><u>5,408,156.53</u></u>

The Board of Directors is responsible for the preparation and presentation of these Financial Statements Signed for and on behalf of the Board by.

	<i>Signature</i>	<i>Name</i>
DIRECTORS	1 signed	Elmo Jayawardena
	2 signed	Dayantha E De Mel
DATE OF APPROVAL BY THE BOARD	} 18 July 2006	

AFLAC INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS **YEAR ENDED 31ST MARCH 2005**

1. CORPORATE INFORMATION

1.1 General

Aflac International (“Company”) is a Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is situated at No. 45, Cornelious Place, Korawella, Moratuwa and the principal place of business is situated at No 11/3, Dharmarathne Avenue, Rawathawatta, Moratuwa.

1.2 Principal Activities and Nature of Operations

Aflac International is a non profit charitable institution reaching out and helping the less Fortunte in Sri Lanka

1.3 The notes to the Financial Statements on pages (03) to (10), form an integral part of the Financial Statements.

1.4 Number of Employees

The number of employees at the end of the year was 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Basis of Preparation

The Balance Sheet, Statement of Receipts and Payments, together with accounting policies and notes (“Financial Statements”) of the Company as at 31st March 2005 and for the year then ended comply in all material respects with the applicable Generally Accepted Accounting Principles.

These financial statements presented in Sri Lanka Rupees have been prepared on a historical cost basis.

The Directors have made an assessment of the Company’s ability to continue as a going concern and they do not intend either to liquidate or to cease operations.

AFLAC INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS **YEAR ENDED 31ST MARCH 2005**

2.1.2 Foreign Currency Translation

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency at the rates of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using year-end spot foreign exchange rates. The resulting gains and losses are accounted for in the Balance Sheet as a exchange equalization reserve.

2.1.3 Cash and Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2.1.4 Property, Plant & Equipment

(a) Cost

Property, Plant & Equipment are recorded at cost less accumulated depreciation.

(b) Depreciation

The provision for depreciation is calculated by using a straight line method on the cost or valuation of all Property, Plant and Equipment in order to write off such amounts over the following estimated useful lives. The principal annual rates used are;

Furniture & Fittings @ 12.5 % p.a

Computer Equipment @ 33.33% p.a

Full provision is made in the year of sale and none in the year of purchase.

AFLAC INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2005

2.2 Receipts and Payments Statements

Grants

- (a) Donations received have been accounted for on a cash basis.

Interest

- (b) Interest Income is recognized on an accrual basis.

AFLAC INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2005

(3) <u>EDUCATION PROGRAMME</u>	<i>2004/2005</i>		<i>2003/2004</i>	
	<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
<i>Receipts</i>				
Sponsorship Donations	3,631,082.02		2,815,042.74	
Other Donations	63,016.18		93,787.80	
	<u>3,694,098.20</u>		<u>2,908,830.54</u>	
<i>Payments</i>				
Sponsored Students	2,504,100.00		2,789,195.40	
Herbal Porridge for School Children	-		49,500.00	
Libraries	-		73,215.25	
Other Education Projects	292,129.20		313,036.00	
	<u>2,796,229.20</u>		<u>3,224,946.65</u>	

(4) **HEALTH PROGRAMME**

Receipts

Cancer Programme Donations	2,110,683.62	1,209,970.63
Other Health Donations	99,810.68	31,828.04
	<u>2,210,494.30</u>	<u>1,241,798.67</u>

Payments

Sponsored Patients	1,901,184.00	1,453,807.76
Other Health Projects	139,040.93	141,200.00
	<u>2,040,224.93</u>	<u>1,595,007.76</u>

(5) **FOOD PROGRAMME**

Receipts

Sponsorship Donations	1,626,062.34	1,487,846.53
Other Donations For Food	3,145.50	3,974.00
	<u>1,629,207.84</u>	<u>1,491,820.53</u>

Payments

Sponsored Families	1,350,100.00	1,342,100.00
Other Food Projects	6,900.00	6,150.00
	<u>1,357,000.00</u>	<u>1,348,250.00</u>

		<i>2004/2005</i>		<i>2003/2004</i>	
		<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
(6)	<u>SHELTER</u>				
(6 A)	<i><u>Indigaswewa Housing Project</u></i>				
	Cost of Building Houses	587,774.00		3,096,046.25	
	Agriculture		-	12,000.00	
	Other - AFLAC community hall, Quarters, School Equip: etc.	723,078.31		137,050.00	
	Indigaswewa Project Cost	<u>1,310,852.31</u>		<u>3,245,096.25</u>	
(6 B)	<i><u>Other Shelter Projects</u></i>				
	Repairs to Houses		-	27,956.00	
	Other Projects		-	14,368.00	
			-	<u>42,324.00</u>	
(7)	<u>TSUNAMI PROJECT</u>				
	<i><u>Receipts</u></i>				
	Unspecified Donations Received	37,540,799.99			
	Donation for Food	273,199.50			
	Children's Education	669,818.63			
	Kiula Pre-School	214,826.68			
		<u>38,698,644.80</u>			

Payments

Kalamulla Housing	3,577,500.00
Siribopura Housing	3,470,000.00
Kalutara Fisheries	1,041,625.00
Koralawella Fisheries	318,900.00
Modara Fisheries	52,500.00
Tangalle Fisheries	918,019.50
Monthly Disbursement to Tsunami Children	248,000.00
Kiula Pre-School	740,132.75
Monthly Disbursement to Tsunami Villages	15,400.00
Tsunami Adhoc Livelihood Projects	181,305.00
Tsunami Adhoc Housing Projects	25,000.00
Tsunami Adhoc Other Projects	711,078.23
	<hr/>
	11,299,460.48
	<hr/> <hr/>

		<i>2004/2005</i>		<i>2003/2004</i>	
		<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
(8)	<u>DONATIONS/FUNDS RAISED FOR OTHER PROGRAMMES</u>				
	Net Proceeds of Greeting Cards Project (Note 8A)	594,844.96		1,048,309.59	
	Clothing	8,270.00		18,270.00	
	<i>Less : Payments for Clothing</i>		-	(6,064.00)	
	Donations for Indigaswewa Project	138,084.07		635,386.14	
	Donations for Other General Projects	703,611.99		593,864.87	
		<u>1,444,811.02</u>		<u>2,289,766.60</u>	
(8					
A)	<u>Net Proceeds</u>				
	Sale of Greetings Cards	1,382,848.51		1,920,172.05	
	<i>Less : Cost of Printing Cards</i>	<u>788,003.55</u>		<u>871,862.46</u>	
		<u>594,844.96</u>		<u>1,048,309.59</u>	

	<i>2004/2005</i>		<i>2003/2004</i>	
	<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
(9) <u>OTHER GENERAL PROJECTS</u>				
<u>Payments</u>				
Blind Colony	17,000.00		34,000.00	
Other Projects	109,972.50		69,859.45	
	<u>126,972.50</u>		<u>103,859.45</u>	
(10) <u>ADMINISTRATION EXPENSES</u>				
Staff Costs	268,000.00		209,500.00	
Communication Costs	79,210.28		46,946.40	
Stationery	8,900.00		18,085.00	
Electricity	4,918.25		5,748.10	
Office Equipment Maintenance	34,700.05		28,133.00	
Other Administration Expenses	95,121.50		66,943.65	
Depreciation - Office Equipment	35,257.89		35,257.89	
Depreciation - Furniture & Fittings	4,443.75		4,443.75	
	<u>530,551.72</u>		<u>415,057.79</u>	

(11) **FIXED ASSETS**

<u>Code</u>	<u>Description</u>	<u>Cost</u>	<u>Additions/ (Disposals)</u>	<u>Rates</u>	<u>W.D.V.as at</u>	<u>Depriciation</u>	<u>W.D.V.as at</u>
		<i>Rs. Cts.</i>	<i>Rs. Cts.</i>	<i>%</i>	<u>31.03.2004</u>	<u>2004/2005</u>	<u>31.03.2005</u>
					<i>Rs. Cts.</i>	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>
	Furniture						
1 - 01 - 03 - 01	Computer Table	2,500.00	-	12.50%	2,187.50	312.50	1,875.00
1 - 01 - 03 - 02	Cupboard	6,750.00	-	12.50%	5,906.25	843.75	5,062.50
1 - 01 - 03 - 03	Cupboard	6,750.00	-	12.50%	5,906.25	843.75	5,062.50
1 - 01 - 03 - 04	Computer Table	7,125.00	-	12.50%	6,234.38	890.63	5,343.75
1 - 01 - 03 - 05	Computer Table	2,450.00	4,540.00	12.50%	2,143.75	306.25	6,377.50
1 - 01 - 03 - 06	Typist Chair	4,570.00	5,300.00	12.50%	3,998.75	571.25	8,727.50
1 - 01 - 03 - 07	Writing Table	5,405.00	13,690.00	12.50%	4,729.38	675.63	17,743.75
	Office Chairs	-	2,500.00		-	-	2,500.00
		<u>35,550.00</u>	<u>26,030.00</u>		<u>31,106.26</u>	<u>4,443.76</u>	<u>52,692.50</u>

	Equipment				<i>Rs. Cts.</i>	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>
1 - 01 - 02 - 01	Cordless Telephone	4,000.00	-	33.33%	2,666.80	1,333.20	1,333.60
1 - 01 - 01 - 01	UPS	7,056.00	-	33.33%	4,704.23	2,351.76	2,352.47
1 - 01 - 01 - 02	Computer Monitor	2,000.00	-	33.33%	1,333.40	666.60	666.80
1 - 01 - 01 - 03	Computer Monitor	2,000.00	-	33.33%	1,333.40	666.60	666.80
1 - 01 - 01 - 04	Lexmark Printer	8,437.50	-	33.33%	5,625.28	2,812.22	2,813.06
1 - 01 - 01 - 05	UPS	7,056.00	-	33.33%	4,704.23	2,351.76	2,352.47
1 - 01 - 01 - 06	Computer, Floppy Drive & Installation Charge	68,178.75	-	33.33%	45,454.78	22,723.98	22,730.80
1 - 01 - 01 - 07	UPS	7,056.00	-	33.33%	4,704.24	2,351.77	2,352.47
	Replacement of RAM	-	19,000.00	33.33%	-	-	19,000.00
	Computer Accessories	-	54,150.00	33.33%	-	-	54,150.00
	Laptop	-	127,500.00	33.33%	-	-	127,500.00
		<u>105,784.25</u>	<u>200,650.00</u>		<u>70,526.36</u>	<u>35,257.89</u>	<u>235,918.47</u>
Grand Total		<u><u>141,334.25</u></u>	<u><u>226,680.00</u></u>		<u><u>101,632.62</u></u>	<u><u>39,701.65</u></u>	<u><u>288,610.97</u></u>

Depreciation Policy

Depreciation on Fixed Assets will not be provided in the year of purchase and will be fully provided in the year of sale.