IDRC | CRDI

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

Quarterly Financial Report

For the period ending

30 June 2011

Canada

Ideas. Innovation. Impact.

A key part of Canada's aid program since 1970, the International Development Research Centre (IDRC) supports research in developing countries to promote growth and development. IDRC also encourages sharing this knowledge with policymakers, other researchers, and communities around the world. The result is innovative, lasting local solutions that aim to bring choice and change to those who need it most.

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Basis of presentation

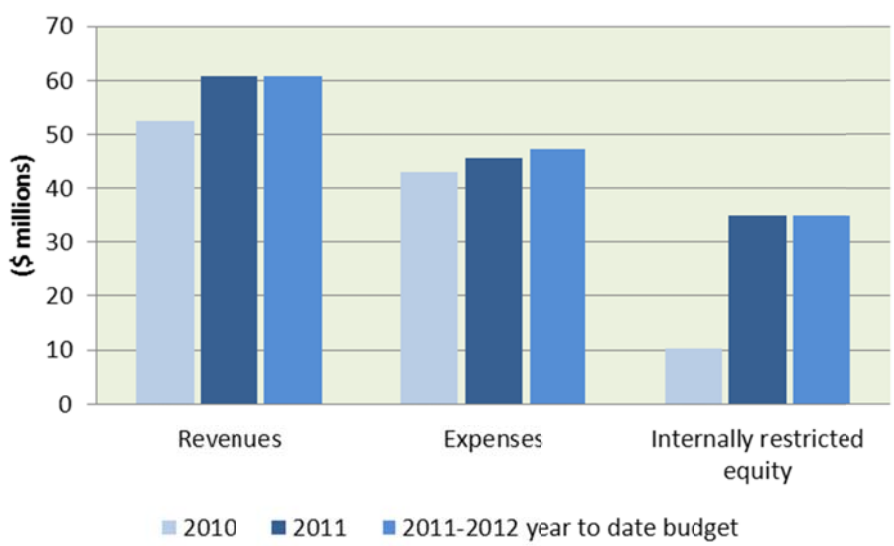
Effective 1 April 2011, all Canadian Crown corporations are required to prepare and make public a quarterly financial report within 60 days of the corporation's fiscal quarter. Accordingly, the International Development Research Centre (IDRC, the Centre) has prepared this report as required by section 131.1 of the *Financial Administration Act* using the standard issued by the Treasury Board Secretariat. This narrative should be read in conjunction with the unaudited financial statements (see page 10).

IDRC has prepared the statements for the period ended 30 June 2011 and restated the unaudited financial statements for the period ended 30 June 2010 to comply with International Financial Reporting Standards (IFRS). For information on the impact of the transition to IFRS and a reconciliation of affected financial information, see Note 23, "Reconciliation of the financial statements from CGAAP to IFRS" in the Notes to the Financial Statements.

Performance

Financial highlights

(for the period ended 30 June)



The restricted equity is used only for the Development Innovation Fund and the African Adaptation Research Centres.

Consolidated overview

Revenues

TABLE 1: REVENUES

($000)	Revised budget 2011-2012 [a]	Three months Revised budget	Actual 2011	Actual 2010	Year-over-year % change
Total revenues	**261 720**	**60 815**	**60 777**	**52 210**	**16.4%**
Parliamentary appropriations	211 326	52 004	52 273	44 942	16.3%
Donor contributions					
Funding for development research programming	45 014	7 811	7 372	6 320	16.6%
Recovery of administrative costs	4 366	757	784	591	32.7%
Investment income	600	150	222	69	221.7%
Other income	414	93	126	288	-56.3%

[a] Revised to reflect changes in donor contributions forecast.

TABLE 2: PARLIAMENTARY APPROPRIATIONS

Timing of Parliamentary Appropriations [a]	Three months Actual 2011	Actual 2010
Main estimates	51 843	45 326
Supplementary estimates	-	43
Appropriations received	**51 843**	**45 369**
Appropriations deferred	-	(600)
Appropriations amortized	430	173
Appropriations recognized	**52 273**	**44 942**
Appropriations receivable	-	-

[a] See Note 16 in the Notes to the Financial Statements.

The Centre derives funding from five sources: Parliamentary appropriations, donor contributions, recovery of administrative costs, investment income, and other income.

During the first quarter of fiscal 2011-2012, **Parliamentary appropriations** increased by 16.3% to $52.3 million from $44.9 million in the same period in 2010-2011. The increase relates to the ongoing implementation of the Development Innovation Fund.

A significant portion of expenditures are funded by a variety of revenue sources including Parliamentary appropriations. It is impractical to assign these types of expenditures to specific revenue sources and therefore IDRC cannot provide a reconciliation of Parliamentary appropriations received and receivable to appropriations used.

The **donor contribution funding for development research programming** increased 16.6% to $7.4 million from $6.3 million for the same period in 2010. The funds received in advance are recognized as revenue when the related expenses are incurred (see explanation of the variance in the expense section). The variance in the **recovery of administrative costs** is proportionate to the donor contributions revenue recognized.

The increase in **investment income** compared to budget and the same period in 2010 was driven primarily by the higher amount available to invest in the short term.

Expenses

Expenses are tracked under two main headings: development research programming and corporate and administrative services.

TABLE 3: EXPENSES

($000)	Revised budget 2011-2012 [a]	Three months			Year over year % change
		Revised budget	Actual 2011	Actual 2010	
Total expenses	**239 364**	**47 307**	**45 523**	**42 884**	**6.2%**
Development research programming					
Research projects					
Funded by Parliamentary appropriations	121 463	21 671	22 039	18 867	16.8%
Funded by donor contributions	39 492	6 532	6 051	4 720	28.2%
	160 955	28 203	28 090	23 587	19.1%
Capacity building					
Funded by Parliamentary appropriations	47 814	11 709	10 452	11 546	-9.5%
Funded by donor contributions	5 522	1 279	1 320	1 599	-17.4%
	53 336	12 988	11 772	13 145	-10.4%
	214 291	**41 191**	**39 862**	**36 732**	8.5%
Corporate and administrative services	**25 073**	**6 116**	**5 661**	**6 152**	**-8.0%**

[a] Revised to reflect different timing of project expenses.

The increase in research project expenses **funded by Parliamentary appropriations** mirrors the increased revenue and is in-line with targets. Actual expenses related to research projects **funded by donor contributions** during the first quarter is a combination of delayed spending on two large programs and faster than expected spending on two specific projects. Even though donor-funded project expenditures were lower than budgeted, they were still 28.2% over expenses incurred during the same period in 2010. The projects with the highest year-over-year increase all relate to the Canadian International Food Security Research Fund.

The year-over-year decline in the **capacity-building portion of the development research programming expenses funded by Parliamentary appropriations** is due, in part, to the slower spending on capacity-building projects as well as to management's decision to restrict capacity-building expenses. Although **contributions from donors for capacity building** increased during the first quarter of fiscal 2011-2012, the variance to budget reflects the timing of those contributions.

The 8.0% decline in **corporate and administrative services** in the three months ended 30 June 2011 from the same period in 2010 reflects the lower use of professional services and management's prudent approach on other expenses.

Balance sheet

TABLE 4: ASSETS AND LIABILITIES

($000)	June 2011	March 2011 [a]	% change
Total assets	**134 876**	**108 768**	**24.0%**
Current	123 126	96 834	27.2%
Non-current	11 750	11 934	-1.5%
Total liabilities	**61 595**	**50 741**	**21.4%**
Current	49 416	38 271	29.1%
Non-current	12 179	12 470	-2.3%

[a] Certain accounts were reclassified to comply to the IFRS.

Total **assets** at 30 June 2011 increased by 24.0% (from $108.8 million to $134.9 million) compared to 31 March 2011. The change derives largely from the increase in cash received in relation to the Development Innovation Fund and from donor receivables. **Liabilities** increased by $10.8 million from 31 March 2011 (or 21.4%) largely due to deferred revenue liability from donor contributions (see Note 13 from the Notes to the Financial Statements).

TABLE 5: EQUITY

($000)	Revised budget 2011-2012	Three months			Year over year % change
		Revised budget[a]	Actual 2011	Actual 2010	
Total equity	**80 383**	**71 535**	**73 281**	**38 150**	**92.1%**
Unrestricted	14 787	18 876	20 706	14 940	38.6%
Internally restricted	47 862	34 925	34 841	10 214	241.1%
Reserved	17 734	17 734	17 734	12 996	36.5%

[a] Reflects starting position and revised revenue and expenses forecast.

The 38.6% year-over-year increase in **unrestricted** equity is due to the savings in the expenses that were previously mentioned. The increase from $10.2 million to $34.8 million in **internally restricted** equity was generated by management's decision to set aside funding for the Development Innovation Fund and the African Adaptation Research Centres. The 36.5% increase in **reserved** equity reflects a change in accounting due to the adoption of IFRS. For more details, see Note 23 in the Notes to the Financial Statements.

Cash flows

TABLE 6: CASH FLOWS

($000)	Three months		Year over year % change
	Actual 2011	Actual 2010	
Net results of operations	15 254	9 326	63.6%
Non-cash items	(1 571)	279	-663.1%
Cash flows from operating activities	**13 683**	**9 605**	**42.5%**
Purchases of investments	(66 875)	(19 474)	243.4%
Maturity of investments	54 351	3 490	1457.3%
Other	(256)	(175)	46.3%
Cash flows used in investing activities	**(12 780)**	**(16 159)**	**20.9%**
Net increase (decrease) in cash and cash equivalents	**903**	**(6 554)**	**113.8%**
Cash and cash equivalents at 1 April	**14 235**	**23 238**	**-38.7%**
Cash and cash equivalents at 30 June	**15 138**	**16 684**	**-9.3%**

The **net results of operations** totaled $15.3 million, up 63.6% or $5.9 million from 30 June 2010. This increase is a result of higher Parliamentary revenues, more revenues from donor contributions, and lower expenses due to delays in spending. The **non-cash items** change is due largely to fluctuations in the receivables related to donor contributions and the associated deferred revenue. The cash flows from **investing activities** show a year-over-year increase of $3.4 million (or 20.9%). Specifically, investment purchases for the first three months of this fiscal year was $66.9 million (compared to $19.5 in June 2010) and investment maturities were $54.4 million (compared to $3.5 million in June 2010). The investment opportunities and returns in the market have improved markedly since June 2010.

Corporate developments

Four new program prospectuses were approved by the Board of Governors in June 2011. A program prospectus is the strategic document that describes a program's objectives, outcomes, and the portfolio of projects the Centre intends to support. Each prospectus fits with the Centre's strategic framework and is valid for five years. It also grants staff the authority to engage in research and capacity-building activities within the scope of the prospectus. The four new prospectuses are:

- Governance for Equity in Health Systems: how to improve access to health services;
- Non-Communicable Disease Prevention: how to reduce the public health burden due to cardiovascular disease, diabetes, cancer, and respiratory disease;
- Innovation for Inclusive Development: how innovation in the informal economy can improve livelihoods; and
- Information and Networks: how information networks affect citizens and marginalized communities.

The four prospectuses pursue different objectives from their predecessor programs that ran between 2006 and 2011. The new orientation was informed by external evaluations of the predecessor programs conducted in 2010.

Evaluations are a key component of IDRC's process to ensure project achievements and significant learning are captured collaboratively during and at the end of the research. During the first quarter of 2011-2012, two significant evaluation reports were completed:

- WaDImena – Regional Water Demand Initiative for the Middle East and North Africa: Final Project Review.
- Impact Evaluation for Policy Making: A Close Look at Latin American Countries with Weaker Research Capacities.

IDRC received its instruction for the horizontal strategic and operating review of the Government's international assistance envelope at the very end of the period. This review was announced by the Minister of Finance in the 2011-2012 Government of Canada budget passed in June 2011. The review is being coordinated by the Canadian International Development Agency.

Risk management

There has not been any material change in the risks to performance reported in "Management's Discussion and Analysis "of the 2010-2011 *Annual Report*.

Outlook

At this time, the context in which IDRC operates is the same as it was at the time of the 2010-2011 *Annual Report*.

Financial statements

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements, which, we confirm, have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. This interim financial report was therefore also prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

Management has implemented internal controls that aim at keeping quarterly financial statements free from material misstatements. Management is also responsible for ensuring that all other information in this quarterly financial report for the period ending 30 June 2011 is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the corporation, as at the date of, and for the periods presented in, the quarterly financial statements.

David M. Malone
President

Sylvain Dufour
Vice-President, Resources, and Chief Financial Officer

Ottawa, Canada
16 August 2011

Statement of Financial Position

as at 30 June 2011 *(unaudited)*
(in thousands of Canadian dollars)

	June 2011	March 2011
Assets		
Current		
Cash and cash equivalents (Note 7)	15 138	14 235
Investments (Note 8)	86 370	73 884
Accounts receivable (Note 9)	19 825	7 143
Prepaid expenses	1 793	1 572
	123 126	96 834
Non-current		
Property and equipment (Note 10)	8 976	9 224
Intangible assets (Note 11)	2 774	2 710
	11 750	11 934
	134 876	**108 768**
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 12)	11 784	15 541
Deferred revenue (Note 13)	37 632	22 730
	49 416	38 271
Non-current		
Deferred revenue (Note 13)	5 243	5 843
Employee benefits (Note 14)	6 936	6 627
	12 179	12 470
	61 595	**50 741**
Equity		
Unrestricted	20 706	16 044
Internally restricted (Note 17)	34 841	24 249
Reserved	17 734	17 734
	73 281	**58 027**
	134 876	**108 768**

Commitments (Note 18)
Contingencies (Note 19)

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income

for the period ended 30 June *(unaudited)*
(in thousands of Canadian dollars)

	2011	2010
Revenues		
Donor contributions (Note 15)		
Funding for development research programming	7 372	6 320
Recovery of administrative costs	784	591
Investment income	222	69
Other income	126	288
	8 504	7 268
Expenses		
Development research programming		
Research projects		
Funded by Parliamentary appropriations	22 039	18 867
Funded by donor contributions	6 051	4 720
Capacity building		
Funded by Parliamentary appropriations	8 315	9 093
Funded by donor contributions	1 320	1 599
Research complements	2 137	2 453
	39 862	36 732
Corporate and administrative services		
Corporate services	4 313	4 724
Regional office administration	1 348	1 428
	5 661	6 152
Total expenses	**45 523**	**42 884**
Cost of operations before Parliamentary appropriations	(37 019)	(35 616)
Parliamentary appropriations (Note 16)	52 273	44 942
Net results of operations	**15 254**	**9 326**

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

for the period ended 30 June *(unaudited)*
(in thousands of Canadian dollars)

	2011	2010
Unrestricted equity		
Beginning of period	16 044	9 804
Net results of operations	15 254	9 326
Transfers to reserved and restricted equity	(10 592)	(4 190)
Balance end-of-period	20 706	14 940
Internally restricted equity (Note 17)		
Beginning of period	24 249	5 225
Expenditures incurred	(658)	(11)
Additions	11 250	5 000
Balance end-of-period	34 841	10 214
Reserved equity		
Beginning of period	17 734	13 796
Financial planning reserve increase (decrease)	-	(800)
Balance end-of-period	17 734	12 996
Equity, end-of-period	**73 281**	**38 150**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

for the period ended 30 June *(unaudited)*
(in thousands of Canadian of dollars)

	2011	2010
Operating activities		
Net results of operations	15 254	9 326
Items not affecting cash		
Depreciation of property and equipment	365	438
Amortization of intangible assets	98	98
Amortization of bond premium	38	421
(Gain) on disposal of property and equipment	(23)	(1)
Employee benefits	309	156
Deferred revenue – non-current	(600)	(2 318)
	187	(1 206)
Change in non-cash operating items		
Accounts receivable	(12 681)	4 926
Prepaid expenses	(222)	(263)
Accounts payable and accrued liabilities	(3 757)	(3 072)
Deferred revenue – current	14 902	(106)
	(1 758)	1 485
Cash flows from operating activities	**13 683**	**9 605**
Investing activities		
Purchase of investments	(66 875)	(19 474)
Maturity of investments	54 351	3 490
Acquisition of property and equipment	(127)	(17)
Acquisition of intangible assets	(161)	(159)
Proceeds from disposition of property and equipment	32	1
Cash flows used in investing activities	**(12 780)**	**(16 159)**
Increase (decrease) in cash and cash equivalents	**903**	**(6 554)**
Cash and cash equivalents, beginning of period	**14 235**	**23 238**
Cash and cash equivalents, end-of-period	**15 138**	**16 684**
Composition of cash and cash equivalents		
Cash	5 140	10 692
Cash equivalents	9 998	5 992
	15 138	**16 684**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the period ended 30 June 2011 *(unaudited)*
(in thousands of Canadian dollars unless otherwise stated)

1. Corporate information

The International Development Research Centre (the Centre), a Canadian Crown corporation without share capital, was established in 1970 by the Parliament of Canada through the *International Development Research Centre Act*. The Centre is a registered charity; and is exempt under section 149 of the *Income Tax Act* from the payment of income tax.

The financial statements for the period ended 30 June 2011 are issued in accordance with Bill C-51. The Centre's head office is located at 150 Kent Street, Ottawa, Canada.

2. Authority and objective

The Centre is funded primarily through an annual appropriation received from the Parliament of Canada. In accordance with section 85(1) of the *Financial Administration Act*, the Centre is exempt from Divisions I to IV of Part X of the Act, except for sections 131 to 148 of Division III.

The objective of the Centre is to initiate, encourage, support, and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical, and other knowledge to the economic and social advancement of those regions.

3. Basis of preparation

The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand ($000) except when otherwise indicated.

a. Statement of compliance

For all periods up to and including the year ended 31 March 2011, the Centre prepared its financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The Centre's financial statements for the year ending 31 March 2012 will be the first audited annual statements that comply with International Financial Reporting Standards (IFRS). These interim financial statements, for the period ended 30 June 2011, are the first set of statements the Centre has prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The Centre has applied IAS 34 "Interim financial reporting" and IFRS 1 "First time adoption of IFRS" in preparing these statements. These interim financial statements have been prepared in accordance with the significant accounting policies described in Note 4. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations that the Centre expects to be applicable at that time. However, they are subject to change and may be affected by additional interpretation(s). The accounting policies will be finalized when the first annual IFRS financial statements are prepared for the year ending 31 March 2012.

Accordingly, the Centre has prepared financial statements that comply with IFRS applicable for periods beginning on or after 1 April 2010. In preparing these financial statements, the Centre's opening statement of financial position was prepared as at 1 April 2010, the Centre's date of transition to IFRS. Note 23 explains the principal adjustments made by the Centre in restating its Canadian GAAP statement of financial position as at 1 April 2010 and its previously published Canadian GAAP financial statements for the year ended 31 March 2011.

The Centre has applied IFRS 1 which sets out the procedures that the Centre must follow when it initially adopts IFRS as the basis for preparing its financial statements. The Centre is required to establish its IFRS accounting policies as at 31 March 2011 and, in general, apply these retrospectively to determine the IFRS opening statement of financial position at its date of transition, 1 April 2010. This standard also provides a number of optional exemptions to this general principle. The Centre chose to adopt only one of these exemptions which is set out below.

b. IFRS 1 exemption adopted

The Centre has chosen to adopt the exemption for the retrospective application of IFRIC 4, "Determining whether an arrangement contains a lease." The Centre, as a first time adopter, may determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date.

4. Summary of significant accounting policies

The significant accounting policies of the Centre are:

a. Revenue recognition

i) Parliamentary appropriations

Parliamentary appropriations are recorded as revenue in the year in which they are appropriated except for appropriations received for specific projects and programs, which are deferred and recognized when the related expenses are incurred. The Centre recognizes the appropriations and related expenses in the year on a gross basis in the statement of comprehensive income. The Centre does not receive Parliamentary appropriations for which the primary condition is that the Centre should purchase, construct, or otherwise acquire long-term assets. There are no conditions or contingencies existing under which the Parliamentary appropriations would be required to be repaid once approved and received by the Centre. The *IDRC Act* gives the Board of Governors the authority to allocate the appropriated funds.

ii) Donor contributions

The Centre enters into contribution agreements for research conducted or managed on behalf of other organizations. Funds received or receivable under donor contribution agreements are recorded as deferred revenues. These deferred revenues are recognized as revenues in the year in which the related expenses are incurred.

iii) Investment and other income

Investment income is recorded on an accrual basis and includes realized gains and losses on disposal of investments. Other income is comprised of tax rebates, rental, and subleasing income and other small refunds and earnings. All other income is recorded on the accrual basis of accounting.

b. Grant payments

All contractual grant payments are subject to the provision of funds by Parliament or by donor partners. They are recorded as an expense in the year they come due under the terms and conditions of the agreements. Refunds on previously disbursed grant payments are credited against the current year expenses.

c. Property and equipment, and depreciation

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When certain recognition criteria are met, replacement parts may also be included in the cost. All other repair and maintenance expenditures are recognized in the statement of comprehensive income as incurred.

Depreciation is recognized on a straight line basis. The useful life of each asset category is as follows:

Asset category	Useful life
Computer equipment	3 years
Office furniture and equipment	5 years
Vehicles	3 to 7 years
Communications systems	5 years
Leasehold improvements	Remaining term of lease

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized. The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

d. Intangible assets and amortization

The Centre's intangible assets consist of purchased software and internally developed software that is not an integral part of any hardware. The software is initially recorded at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The amortization period and method for intangible assets are reviewed at least at each financial year-end. Amortization is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful economic lives. The estimated useful life of the asset class is 3 to 10 years.

The amortization expense is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

e. Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at inception date. It requires an assessment as to whether or not the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and that the arrangement conveys the right to use the asset.

The Centre as a lessee

Leases that do not transfer to the Centre substantially all the risks and benefits incidental to ownership of the leased items are accounted for as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term. The Centre's operating leases are detailed in Note 18b).

Finance leases, which transfer to the Centre substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the start of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The Centre did not have any finance leases during the quarter.

f. Financial instruments

The Centre has chosen to early-adopt IFRS 9 as at 1 April 2010, as its business model regarding financial instruments is closely aligned with requirements for using the amortized cost method outlined in IFRS 9. The Centre's financial instruments consist of cash, cash equivalents, investments, accounts receivable, accounts payable, and accrued liabilities that are incurred in the normal course of business. Financial instruments are initially recognized at fair value which is the transaction price (i.e., consideration given). Subsequent to initial recognition they are measured based on their classification. The classifications are as follows:

i) Financial instrument

Financial instrument	Classification and measurement
Cash	Financial assets at fair value through profit and loss
Cash equivalents and investments	Financial assets at amortized cost
Accounts receivable	Financial assets at amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost

ii) Cash and cash equivalents

Cash includes only funds on deposit at financial institutions. Cash equivalents consist of short-term money market instruments with maturities of 90 days or less at the time of acquisition.

iii) Investments

Investments are comprised of high quality money market instruments with a maturity between 91 days and one year at the time of acquisition. These investments are initially recognized at the transaction price, which is the fair value of the consideration given, plus transaction costs directly attributable to the acquisition. Purchases and sales of investments are recorded on the settlement date.

Investments are held to maturity in order to collect contractual cash flows. However, investments may be sold in response to changes in the Centre's liquidity requirements, to changes in the credit rating of the instruments or to an imbalance in the asset mix relative to benchmarks stipulated in the Centre's investment policy. Gains and losses arising on derecognition, impairment, or amortization are recognized in the statement of comprehensive income in the period in which they occur.

iv) Impairment of financial assets

An assessment is made at each reporting date whether a financial asset or group of financial assets is impaired. At 30 June 2011 the Centre had no impairment of financial assets.

v) Embedded derivatives

Embedded derivatives are required to be separated and measured at fair value if certain conditions are met. Management reviews contracts and determines, on an ongoing basis, whether the Centre has embedded derivatives requiring separate accounting treatment. These are reported in the year-end financial statements.

g. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the statement of financial position date. Assets and liabilities are translated at rates in effect when the assets were acquired or obligations incurred. Revenue and expense items are translated at a weekly rate of exchange. Exchange gains and losses are included in other net income for the quarter. The Centre does not hedge against foreign currency fluctuations.

Notes to the Financial Statements

For the period ended 30 June 2011 *(unaudited)*
(in thousands of Canadian dollars unless otherwise stated)

h. Employee benefits

i) Pension benefits – head office

Substantially all the employees of the Centre are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Centre to cover current service cost. Pursuant to legislation currently in place, the Centre has no legal or constructive obligation to pay further contributions with respect to any past service or Plan funding deficiencies. Consequently, contributions are recognized as an expense in the year during which employees have rendered service and represent the total pension obligation of the Centre.

ii) Pension benefits – regional offices

The Centre offers a number of defined contribution plans that provide pension and other benefits to eligible employees. The Centre's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions to the plans. The Centre's contributions are expensed during the year in which the employee's services are rendered and represent the total obligation of the Centre.

iii) Other benefit plans

Severance benefit

Employees are entitled to a severance benefit, as provided for under their conditions of employment. Generally, at the time of separation, employees with more than five years of service are entitled to a severance benefit calculated on the basis of one week of the final salary per year of service. Management determines the accrued obligation for severance benefits using an actuarial evaluation that is conducted every two years. The most recent actuarial estimate was completed for the year ending 31 March 2011. Changes in severance liabilities will be adjusted for 2011– 2012 based on management's best estimates. The cost of these benefits is accrued as employees render the services necessary to earn them.

Sick leave benefit

The Centre allows employees a number of fully paid sick days in each year. Unused sick days can be accumulated indefinitely but do not vest; they cannot be paid out in cash or used as vacation. Management determines the accrued obligation for sick leave benefits using an actuarial evaluation that is conducted every two years. The most recent actuarial estimate was completed for the year ending 31 March 2011. Changes in sick leave liabilities will be adjusted for 2011–2012 based on management's best estimates. The Centre classifies the accrual as a current liability.

i. Equity

The Centre's equity consists of the accumulation of revenues over expenditures from operations and include unrestricted, internally restricted amounts for special program and operational projects, and reserved amounts.

Internally restricted equity for special programs and operational projects is drawn down as the funds are used for the initiatives. Internally restricted equity unused at the end of the initiatives is reclassified by management into unrestricted equity.

Variances in regular program spending can have a significant impact on net results of operations and therefore the equity balance. One of the objectives of the Centre's equity policy is to ensure that a sufficient balance is available to absorb these program expenditure variances. The CFO earmarks a minimum of 4% and a maximum of 7% of the Parliamentary appropriation as a financial planning reserve. Also, the CFO can reserve an additional amount to ensure sufficient liquidity for the internal financing of property and equipment. The value of the reserve is established each year during the budgeting process.

j. Non-monetary transactions

On occasion, the Centre carries out non-monetary exchanges, which are exchanges of non-monetary assets, goods, or services for other non-monetary assets, goods, or services with little or no monetary consideration involved. Non-monetary transactions are recorded at the fair value of the assets, goods, or services given up, unless the fair value of the assets, goods, or services received is more reliable.

k. Use of judgments, estimates, and assumptions

The preparation of financial statements in accordance with IFRS principles requires management to make judgments, estimates, and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the period. However, uncertainty about these assumptions and estimates, or changes in the significant judgments made, could result in outcomes that require a material adjustment to the disclosed amounts of the assets or liabilities in future periods.

i) Significant judgments

In the process of applying the Centre's accounting policies, apart from those involving estimation, management has made a judgment concerning the nature of the Centre's lease commitments as operating leases as opposed to capital leases.

ii) Contingent liabilities

Management makes judgments as to the probability of the settlement of contingent liabilities due to litigation.

iii) Assumptions and other major sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are:

- the estimated useful lives of property and equipment
- the estimated useful lives of intangible assets
- the carrying value of employee severance and sick leave benefits.

No other accounting assumptions or estimates have been identified to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next accounting period.

iv) Provisions

Provisions are recognized when the Centre has a present obligation (legal or constructive) arising from a past event, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made for the amount of the liability. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. The Centre currently establishes provisions for sick leave and severance benefits.

5. Recent accounting pronouncements

The International Accounting Standards Board has a number of projects underway, some of which will affect standards relevant to the Centre. The Centre is closely monitoring the progress of these projects. Revisions and additions of the following standards could potentially have an impact on the financial statements and may require revisiting the Centre's conclusions:

- IAS 1 – Presentation of financial statements
- IAS 17 – Leases
- IAS 19 – Employee benefits
- IFRS 13 – Fair value measurement

6. Seasonality of operations

The Centre's operations consist of funding research projects in the developing regions of the world. It receives most of its funding from the Parliament of Canada. Parliamentary revenue is recognized when it is received, whereas donor contributions are recognized when the financial resources are spent. Research project expenditures are driven by different cycles (academic, climatic, and agricultural) thus tend not to be evenly distributed during the year.

(in thousands of Canadian dollars unless otherwise stated)

7. Cash and cash equivalents

	June 2011	March 2011
Cash	5 140	2 760
Cash equivalents	9 998	11 475
	15 138	14 235

The Centre invests in money market instruments such as commercial paper, bankers' acceptances, and bearer deposit notes that are rated R-1 (low) or better by the Dominion Bond Rating Service (DBRS). The weighted average yield as at 30 June 2011 is 1.20% (31 March 2011: 1.15%) and the average term to maturity at the time of purchase is 80 days (31 March 2011: 66 days). The carrying amount of cash of the Centre's quarter portfolio is a reasonable approximation of fair value.

8. Investments

	June 2011	March 2011
Canadian chartered banks	68 920	55 924
Corporations	14 463	7 986
Federal, provincial or municipal governments	2 987	9 974
	86 370	73 884

The Centre invests in bonds that are rated A or better by the DBRS and money market instruments such as commercial paper, banker's acceptances, and bearer deposit notes that are rated R-1 (low) or better by the DBRS. The weighted average yield as at 30 June 2011 is 1.22% (31 March 2011: 1.23%) and the average term to maturity of the Centre's period end portfolio at the time of purchase is 134 days (31 March 2011: 139 days). The carrying amount of investments is a reasonable approximation of their fair value.

9. Accounts receivable

Accounts receivable are incurred in the normal course of business and are due on demand. The carrying values of accounts receivable approximate their fair value due to the short-term nature of these instruments. Of the total from donor contributions, 50% is due from the William and Flora Hewlett Foundation and is not considered by management to present a significant risk (31 March 2011: 86% was due from the Canadian International Development Agency).

	June 2011	March 2011
Donor contributions	16 785	3 474
Parliamentary appropriations	-	829
Other	3 040	2 840
	19 825	7 143

(in thousands of Canadian dollars unless otherwise stated)

The Centre did not identify any receivables that are either past due or impaired as at 30 June 2011 (31 March 2011: nil).

10. Property and equipment

	Computer equipment	Office furniture & equipment	Vehicles	Comm. systems	Leasehold improve.	Total
Cost						
at 1 April 2010	3 730	2 144	1 008	1 213	11 201	19 296
Additions	167	113	106	-	204	590
Disposals	(716)	(1 088)	(189)	(3)	(29)	(2 025)
at 31 March 2011	3 181	1 169	925	1 210	11 376	17 861
Additions	52	26	49	-	1	128
Disposals	-	(38)	(110)	-	-	(148)
at 30 June 2011	3 233	1 157	864	1 210	11 377	17 841
Depreciation and impairment						
at 1 April 2010	(3 078)	(1 773)	(815)	(690)	(2 608)	(8 964)
Depreciation for the year	(370)	(167)	(81)	(323)	(743)	(1 684)
Disposals	716	1 065	189	3	38	2 011
at 31 March 2011	(2 732)	(875)	(707)	(1 010)	(3 313)	(8 637)
Depreciation for the quarter	(79)	(43)	(22)	(49)	(174)	(367)
Disposals	-	33	106	-	-	139
at 30 June 2011	(2 811)	(885)	(623)	(1 059)	(3 487)	(8 865)
Net book value						
at 1 April 2010	652	371	193	523	8 593	10 332
at 31 March 2011	449	294	218	200	8 063	9 224
at 30 June 2011	422	272	241	151	7 890	8 976

At 30 June 2011, the gross original cost of fully depreciated assets still in use was $4 861. The majority of leasehold improvements pertain to head office.

Notes to the Financial Statements

For the period ended 30 June 2011 *(unaudited)*
(in thousands of Canadian dollars unless otherwise stated)

11. Intangible assets

	Internally developed software	Purchased software	Total
Cost			
at 1 April 2010	7 899	1 513	9 412
Additions	1 017	68	1 085
Disposals	(1 156)	(59)	(1 215)
at 31 March 2011	7 760	1 522	9 282
Additions	161	-	161
Disposals	-	-	-
at 30 June 2011	7 921	1 522	9 443
Amortization and impairment			
at 1 April 2010	(6 339)	(1 054)	(7 393)
Amortization for the year	(232)	(162)	(394)
Disposals	1 156	59	1 215
at 31 March 2011	(5 415)	(1 157)	(6 572)
Amortization for the quarter	(58)	(39)	(97)
Disposals	-	-	-
at 30 June 2011	(5 473)	(1 196)	(6 669)
Net book value			
at 1 April 2010	1 560	459	2 019
at 31 March 2011	2 345	365	2 710
at 30 June 2011	2 448	326	2 774

At 30 June 2011, the gross original cost of fully amortized intangible assets still in use was $5 852.

(in thousands of Canadian dollars unless otherwise stated)

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are incurred in the normal course of business. The amounts set out below represent the carrying value and are estimated to be the fair value owed by the Centre.

	June 2011	March 2011
Accounts payable	4 371	8 048
Payroll accruals	4 442	3 464
Grant accruals	1 962	2 914
Sick leave provision	247	247
Severance provision	252	359
Other	510	509
	11 784	15 541

13. Deferred revenue

Deferred revenue includes the unspent portion of funds received or receivable on donor contribution activities, and the unspent portion of the Parliamentary appropriations received for specific projects and programs.

Details of these balances are as follows:

a. Donor contribution funding for development research programming

	June 2011	March 2011
Current	35 913	21 011
Non-current	4 099	4 269
	40 012	25 280

Of the total deferred donor contribution funding, the Canadian International Development Agency accounts for $9 653 (31 March 2011: $7 694) of which $9 428 (31 March 2011: $4 697) was received during the period and $225 (31 March 2011: $2 997) is receivable at quarter end.

b. Parliamentary appropriations – projects and programs

	June 2011	March 2011
Current	1 719	1 719
Non-current	1 144	1 574
	2 863	3 293

(in thousands of Canadian dollars unless otherwise stated)

c. Total deferred revenues (sum of all of the above)

	June 2011	March 2011
Current	37 632	22 730
Non-current	5 243	5 843
	42 875	28 573

14. Employee benefits

a. Pension benefits – head office

Substantially all the employees of the Centre are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Centre. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The average contribution rate for the employer effective at period end was 11.8% (13.5% as at 31 March 2011). Total employer contributions of $798 ($1 002 in prior year period) were recognized as an expense during the quarter.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and are indexed to inflation.

b. Pension benefits – regional offices

The Centre and eligible regional employees contribute to various defined contribution pension plans as specified in the Plan Agreements. The Centre's contributions to these plans for the period ended 30 June 2011 were $106 (period ended 30 June 2010: $102).

c. Severance benefit

The Centre provides a severance benefit to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations.

d. Sick leave benefit

The Centre allows employees 15 fully paid sick days in each year. Unused sick days can be accumulated indefinitely but do not vest (they cannot be paid out in cash or used as vacation). Adjustments will be made to the total amount of the liability on an annual basis.

Notes to the Financial Statements

For the period ended 30 June 2011 *(unaudited)*
(in thousands of Canadian dollars unless otherwise stated)

15. Donor contributions

Donor contribution funding for development research programming relates specifically to research projects conducted or managed by the Centre on behalf of other organizations. A breakdown of the revenue and expense recognition for donor contributions is provided below:

	June 2011	**June 2010**
Canadian International Development Agency	4 651	2 033
Department for International Development	1 744	1 946
William and Flora Hewlett Foundation	412	319
Bill & Melinda Gates Foundation	315	1 344
Other Government of Canada entities	20	154
Other donor agencies	230	524
	7 372	6 320

The Centre recovers administrative costs from the management of donor contribution funding. The total recovery for the period ending 30 June 2011 is $784 (30 June 2010: $591) of which $388 (30 June 2010: $202) was from CIDA.

16. Parliamentary appropriations

	June 2011	**June 2010**
Approved Parliamentary appropriation	51 843	45 369
Portion deferred for projects and programs	-	(600)
	51 843	44 769
Amortization of deferred Parliamentary appropriation - projects and programs	430	173
Parliamentary appropriation recognized in the statement of comprehensive income	52 273	44 942

(in thousands of Canadian dollars unless otherwise stated)

17. Equity – internally restricted

	June 2011				June 2010
	Opening	Received and internally restricted	Expended	Closing value	Closing value
African Adaptation Research Centres (AARC)	8 382	-	(609)	7 773	-
Development Innovation Fund (DIF)	15 867	11 250	(49)	27 068	10 214
Total	24 249	11 250	(658)	34 841	10 214

The African Adaptation Research Centres initiative (AARC) will help deliver timely and independent scientific advice and expert assessment for adaptation investments and policy decisions across Africa. Funding was provided to existing organizations that have demonstrated their scientific leadership in adaptation and their capacity to work effectively with decision-makers. Management has internally restricted the AARC funding because of the relative importance of the amount the Centre received in 2010-2011, which management intends to disburse to recipients over approximately three years. Internally restricted equity allows management to segregate the AARC commitments from the recurring programming of the Centre.

A portion of the 2011–2012 Parliamentary appropriation was internally restricted by management to finance the Development Innovation Fund (DIF). The DIF is a large initiative implemented by the Centre to support leading-edge scientific research that improves the lives of the poor in developing countries. The DIF is focused on global health research. Funding support is being provided to scientific institutions engaged in health research through a series of peer-reviewed grant competitions which result in research awards to successful applicants. Management has segregated the DIF in its accounts because of its significant size and the impact any delays or variances in implementation could have on the Centre's results.

18. Commitments

a. Program-related

The Centre is committed to making payments up to $482.6 million (March 2011: $471.9 million) during the next five years, subject to funds being provided by Parliament or donors and subject to compliance by recipients with the terms and conditions of grant agreements. Of this amount, $373.4 million (March 2011: $366.7 million) is expected to be covered by funding from future Parliamentary appropriations and the balance of $109.2 million (March 2011: $105.2 million) by funding from donor contribution agreements.

(in thousands of Canadian dollars unless otherwise stated)

b. Operating leases

The Centre has entered into various contractual commitments for leases of office premises in Canada and abroad and for staff accommodation in various countries. The lease agreements expire at different dates up to 2022. Future payments related to these contractual commitments as at 30 June 2011 are as follows:

	June 2011
Within one year	5 491
After one year, but not more than five	38 975
More than five years	44 402
Total future payments	88 868

19. Contingencies

Various claims have been asserted or instituted against the Centre. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. Based on the advice of legal counsel, management is of the opinion that these claims are unlikely to materialize.

20. Related party transactions

The Centre is a government entity and has assumed the exemption available for government-related entities under IAS 24.25. The Government of Canada is the ultimate parent of the Centre and has control over the Centre.

In addition to the related party transactions disclosed above and in Notes 9, 13 and 15 to these financial statements, the Centre is related in terms of common ownership to all Government of Canada-created departments, agencies, and Crown corporations. The Centre enters into transactions with other Government of Canada entities in the normal course of operations, under the same terms and conditions that apply to unrelated parties. The transactions are recorded at their exchange amounts, which are determined to approximate fair value.

21. Financial instrument risks

The principal risks that the Centre is exposed to as a result of holding financial instruments are credit risk, market risk, and liquidity risk. Risk management for investing activities is carried out by the Corporate Treasury function. Investments are held for liquidity purposes, or for longer terms. The Centre has various other financial instruments such as cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities which arise directly from operations.

a. Credit risk

Credit risk is the risk that the counterparty to a financial instrument will default on its obligations to the Centre, thus resulting in financial losses. The Centre is exposed to credit risk since it has investments and extends credit to its customers and donor partners in the normal course of business. The maximum exposure is represented by cash and cash equivalents, investments, and accounts receivable amounts presented on the Centre's statement of financial position. Credit risk associated with accounts receivable is considered by management to be minimal since most receivables are due from donor partners and Canadian government entities. The Centre's investment policy sets out guidelines that define the minimum acceptable counterparty credit rating pertaining to investments. The investments in financial institutions and Canadian government entities must have minimum ratings from two external rating agencies that are equivalent to Dominion Bond Rating Service (DBRS) ratings of R-1 (low) for short-term investments and A for long-term investments. The investment policy is reviewed and approved as required by the Board of Governors, and procedures which establish credit limits for each counterparty are reviewed by management at least annually. These policies and procedures are designed to manage and limit the credit risk associated with these financial instruments.

(in thousands of Canadian dollars unless otherwise stated)

i) Concentrations of credit risk

The Centre's primary exposure to credit risk is summarized as follows:

	DBRS rating	June 2011	March 2011
Canadian charted banks	R1-L	68 920	55 924
Corporations	R1-L	14 463	7 986
Federal, provincial or municipal governments	R1-M	2 987	9 974

b. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk. The Centre is exposed to potential losses as a result of movements in interest and foreign exchange rates.

i) Currency risk

Foreign exchange risk is the potential adverse impact of foreign exchange rate movements on the value of financial instruments. The Centre has exposure to currency risk in part from the operating costs of six regional offices throughout the world. To manage this risk, the Centre normally funds regional operations to meet short-term requirements only, thereby minimizing currency balances and reducing exposure to significant foreign exchange rate movements.

The Centre has multi-year donor contribution agreements with non-Canadian donors which are denominated in currencies other than the Canadian dollar. When progress payments are received from donors, they are translated to Canadian dollars at the weekly exchange rate (see Note 4g). In turn, the Centre issues multi-year grant agreements which are denominated in Canadian dollars. The Centre manages its foreign currency risk on these activities by setting aside a portion of the donor contribution agreement funding to absorb exchange gains and losses until such time that the full impact of the currency risk is known. The magnitude of the foreign currency funding set aside is gauged against actual fluctuations on a quarterly basis, with additions being made only when needed, and releases being made only toward the end of the agreement, when no longer required. The Centre's currency risk is not considered material.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Centre is exposed to interest rate risk in that changes in market interest rates may cause fluctuations in the fair value of investments. To manage this risk, the Centre normally invests in short-term marketable securities that are not significantly affected by variations in interest rates. The Centre's business model objective is to hold investments until maturity, collecting contractual cash flows over the term of the investment and mitigating exposure to fair value changes.

c. Liquidity risk

Liquidity risk is the risk that the Centre will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk can arise from mismatched cash flows related to assets and liabilities. The treasury function within Corporate Accounting is responsible for the Centre's liquidity management. This risk is managed by monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Centre also holds cash equivalents and investments in marketable securities readily convertible to cash, to ensure that sufficient liquidity can be made available to meet forecasted cash requirements. Given the timing of receipts and payments, the Centre's exposure to liquidity risk is not considered material.

The carrying amount of accounts payable and accrued liabilities is a reasonable approximation of fair value.

22. Capital management

The Centre defines its capital as the balance of equity comprised of unrestricted, internally restricted amounts for special programs and operational projects, and reserved amounts. The Centre has a capital management process in place to ensure that it is appropriately capitalized and that the capital position is identified, measured, managed, and regularly reported to the Board of Governors.

The Centre's objectives, with respect to its capital management, are to maintain an appropriate amount of equity in order to ensure the Centre has the ability to moderate the impact on research programming activities of potential fluctuations in future revenue streams.

Capital is managed through a Board-approved equity policy which restricts a portion of equity to fund special or significant programs and operational initiatives planned for future fiscal years. Management also reserves a portion of equity as a financial planning reserve. The financial planning reserve is intended to cushion the impact of significant variances in development research programming expenditures. The Centre is not subject to any externally imposed capital requirements.

23. Reconciliation of the financial statements from CGAAP to IFRS

The following tables outline the changes that were required in order to produce IFRS-compliant statements for 1 April 2010 (Statement of Financial Position) and the full financial statements as at 31 March 2011.

Notes to the Financial Statements

For the period ended 30 June 2011 *(unaudited)*
(in thousands of Canadian dollars unless otherwise stated)

a. Statement of Financial Position

Reconciliation as at 1 April 2010

	Notes	CGAAP	Effect of transition to IFRS	IFRS
Assets				
Current				
Cash		23 238	-	23 238
Investments	B	45 952	30	45 982
Accounts receivable		9 594	-	9 594
Prepaid expenses		1 683	-	1 683
		80 467	30	80 497
Non-current				
Property and equipment		10 332	-	10 332
Intangible assets		2 019	-	2 019
		12 351	-	12 351
		92 818	**30**	**92 848**
Liabilities				
Current				
Accounts payable and accrued liabilities	C	14 202	250	14 452
Deferred revenue	A	36 281	(1 977)	34 304
		50 483	(1 727)	48 756
Non-current				
Deferred revenue	A	19 354	(10 374)	8 980
Employee benefits	C	6 152	135	6 287
		25 506	(10 239)	15 267
		75 989	**(11 966)**	**64 023**
Equity				
Unrestricted	A & C	4 038	5 766	9 804
Internally restricted		5 225	-	5 225
Reserved	A	7 596	6 200	13 796
		16 859	11 966	28 825
Accumulated other comprehensive (loss) gain income	B	(30)	30	-
		16 829	**11 996**	**28 825**
		92 818	**30**	**92 848**

A, B, & C: See at the end of Note 23.

Notes to the Financial Statements

For the period ended 30 June 2011 *(unaudited)*
(in thousands of Canadian dollars unless otherwise stated)

b. Statement of Financial Position

Reconciliation as at 31 March 2011

	Notes	CGAAP	Effect of transition to IFRS	IFRS
Assets				
Current				
Cash and cash equivalents		14 235	-	14 235
Investments	B	73 890	(6)	73 884
Accounts receivable		7 143	-	7 143
Prepaid expenses		1 572	-	1 572
		96 840	(6)	96 834
Non-current				
Property and equipment		9 224	-	9 224
Intangible assets		2 710	-	2 710
		11 934	-	11 934
		108 774	**(6)**	**108 768**
Liabilities				
Current				
Accounts payable and accrued liabilities	C	15 294	247	15 541
Deferred revenue	A	24 436	(1 706)	22 730
		39 730	(1 459)	38 271
Non-current				
Deferred revenue	A	16 071	(10 228)	5 843
Employee benefits	C	6 369	258	6 627
		22 440	(9 970)	12 470
		62 170	**(11 429)**	**50 741**
Equity				
Unrestricted	A & C	10 815	5 229	16,044
Internally restricted		24 249	-	24 249
Reserved	A	11 534	6 200	17 734
		46 598	11 429	58,027
Accumulated other comprehensive gain income	B	6	(6)	-
		46 604	**11 423**	**58,027**
		108 774	**(6)**	**108,768**

A, B, & C: See at the end of Note 23.

Notes to the Financial Statements

For the period ended 30 June 2011 *(unaudited)*
(in thousands of Canadian dollars unless otherwise stated)

c. Statement of Comprehensive Income

Reconciliation for the year ended 31 March 2011

	Notes	CGAAP	Effect of transition to IFRS	IFRS
Revenues				
Donor contributions				
Funding for development research programming		46 299	-	46,299
Recovery of administrative costs		4 623	-	4,623
Investment income		627	-	627
Other income		1 673	-	1,673
		53 222	-	53,222
Expenses				
Development research programming				
Research projects				
Funded by Parliamentary appropriations		104 641	-	104 641
Funded by donor contributions		39 861	-	39 861
Capacity building				
Funded by Parliamentary appropriations	C	34 698	44	34 742
Funded by donor contributions		6 438	-	6 438
Research complements	C	9 413	13	9 426
		195 051	57	195 108
Corporate and administrative services				
Corporate services	C	18 666	25	18 691
Regional office administration	C	5 382	38	5 420
		24 048	63	24 111
Total expenses		**219 099**	**120**	**219 219**
Cost of operations before Parliamentary appropriations		(165 877)	(120)	(165 997)
Parliamentary appropriations	A	195,616	(417)	195,199
Net results of operations		**29,739**	**(537)**	**29,202**
Other comprehensive gain (loss) income				
Net unrealized gains from available-for-sale financial instruments	B	36	(36)	-
Total comprehensive income		**29,775**	**(573)**	**29,202**

A, B, & C: See at the end of Note 23.

(in thousands of Canadian dollars unless otherwise stated)

d. Statement of Changes in Equity

Reconciliation for the year ended 31 March 2011

	Notes	CGAAP	Effect of transition to IFRS	IFRS
Unrestricted equity				
Beginning of year	A & C	4 038	5 766	9 804
Net results of operations	A & C	29 739	(537)	29 202
Transfers to reserved and restricted equity		(22 962)	-	(22 962)
Balance end-of-year		10 815	5 229	16 044
Internally restricted equity				
Beginning of year		5 225	-	5 225
Expenditures incurred		(9 985)	-	(9 985)
Additions		29 009	-	29 009
Balance end-of-year		24,249	-	24,249
Reserved equity				
Beginning of year	A	7 596	6 200	13 796
Financial planning reserve increase		3 938	-	3 938
Balance end-of-year		11 534	6 200	17 734
Equity, end-of-year before OCI		**46 598**	**11 429**	**58 027**
Accumulated other comprehensive (loss) gain income				
Beginning of year	B	(30)	30	-
Other comprehensive gain income	B	36	(36)	-
Balance end-of-year		6	(6)	-
Equity, end-of-year		**46 604**	**11 423**	**58 027**

A, B, & C: See at the end of Note 23.

Notes to the Financial Statements

For the period ended 30 June 2011 *(unaudited)*
(in thousands of Canadian dollars unless otherwise stated)

e. Statement of Cash Flows

Reconciliation for the year ended 31 March 2011

	CGAAP	Effect of transition to IFRS	IFRS
Operating activities			
Net results of operations	29 739	(537)	29 202
Items not affecting cash			
Amortization of property and equipment and intangible assets	2 035	-	2 035
Amortization of deferred revenue – property and equipment and intangible assets	(2 035)	2 035	-
Amortization of bond premium	1 095	-	1 095
(Gain) loss on disposal of property and equipment and intangible assets	(41)	-	(41)
Employee benefits	217	123	340
Deferred revenue – non-current	(3 137)	-	(3 137)
	(1 866)	2 158	292
Change in non-cash operating items			
Accounts receivable	2 451	-	2 451
Prepaid expenses	112	-	112
Accounts payable and accrued liabilities	1 092	(3)	1 089
Deferred revenue – current	(11 574)	-	(11 574)
	(7 919)	(3)	(7 922)
Cash flows from operating activities	**19 954**	**1 618**	**21 572**
Financing activities			
Parliamentary appropriation used for property and equipment and intangible assets	1 618	(1 618)	-
Cash flows from financing activities	**1 618**	**(1 618)**	**-**
Investing activities			
Purchase of investments	(130 186)	-	(130 186)
Maturity of investments	101 189	-	101 189
Acquisition of property and equipment and intangible assets	(1 632)	-	(1 632)
Proceeds from the disposition of property and equipment and intangible assets	54	-	54
Cash flows (used in) from investing activities	**(30 575)**	**-**	**(30 575)**
(Decrease) in cash and cash equivalents	**(9 003)**	**-**	**(9 003)**
Cash beginning of year	**23 238**	**-**	**23 238**
Cash and cash equivalents, end-of-year	**14 235**	-	**14 235**
Composition of cash and cash equivalents			
Cash	2 760	-	2 760
Cash equivalents	11 475	-	11 475
	14 235	**-**	**14 235**

Notes to the Financial Statements

For the period ended 30 June 2011 *(unaudited)*
(in thousands of Canadian dollars unless otherwise stated)

Note A IAS 20 requires the recognition of untargeted government grants as revenue in the period it is received. Under Canadian GAAP, the portion of government grants used for property and equipment, and intangible assets was held in deferred revenue and recognized as revenue as the assets were depreciated or amortized.

The impact at 1 April 2010 of recognizing accumulated deferred revenue linked to property and equipment and intangible assets resulted in a $12 351 million decrease in deferred revenue ($1 977 current and $10 374 non-current) and a corresponding increase in equity (unrestricted $6 151 million and reserved $6 200). At 31 March 2011, the effect on equity was $11 934.

Note B IFRS 9 allows for alternative classification of financial instruments. Upon transition, the Centre classified investments as "amortized cost" instead of "available for sale" under Canadian GAAP. This classification eliminated the need to record changes in the fair value of investments through Other Comprehensive Income.

At 1 April 2010, unrestricted equity increased by $30. On 31 March 2011, unrestricted equity decreased by $6.

Note C IAS 19 requires the accrual of amounts related to benefits given to employees. The standard also strongly encourages organizations to use an actuary to determine the amount of the liability.

Based on the actuarial valuation performed, it was determined that although the sick leave benefit does not vest, it represented potential future costs of $250 at 1 April 2010. The actuary also determined that the future severance benefit costs were underestimated by $135 at 1 April 2010. Both of these amounts were transferred from unrestricted equity.

These line items were further adjusted at 31 March 2011 by a reduction of $3 for sick leave and an increase in severance of $123. In other words, at 31 March 2011 accounts payable and accrued liabilities related to sick leave was $247 ($250-$3) and the non-current employee benefits liability was $258 ($135+$123).

How to reach us

Contact information

Head office

MAILING ADDRESS
PO Box 8500
Ottawa, ON, Canada
K1G 3H9

STREET ADDRESS
150 Kent Street
Ottawa, ON, Canada
K1P 0B2

Phone (+1) 613-236-6163
Fax: (+1) 613-238-7230
Email: info@idrc.ca

To connect with IDRC's regional offices, or to view the staff directory, go to the Contact Us page on IDRC' website, www.idrc.ca

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