IDRC | CRDI

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

Quarterly Financial Report

For the period ending

30 September 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.

Contents

MANAGEMENT’S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS

Management's discussion and analysis

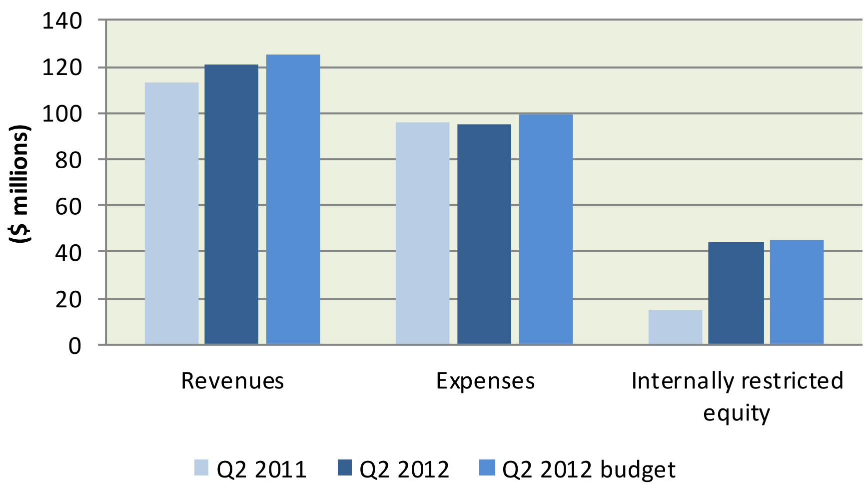
Introduction

This Management's Discussion and Analysis (MD&A) provides a narrative discussion outlining the financial results and corporate updates of the International Development Research Centre (IDRC, the Centre) for both the second quarter and the six months ended 30 September 2011. This report was prepared as required under section 131.1 of the *Financial Administration Act* using the standard issued by the Treasury Board Secretariat. IDRC recommends that this report be read in conjunction with the audited *2010-2011 Annual Report*, the unaudited financial statements for the first quarter ended 30 June 2011, and the second quarter unaudited financial statements (page 10).

Performance

Financial highlights

(for the six months ended 30 September)



Currently the internally restricted equity is used to set aside funding for the Development Innovation Fund and the African Adaptation Research Centres.

Consolidated overview

Revenues

TABLE 1: REVENUES

($000)	Revised budget 2011-2012 [a]	For the quarter ended 30 September Revised budget	Actual 2011	Actual 2010	Year-over-year % change	For the six months ended 30 September Revised budget	Actual 2011	Actual 2010	Year-over-year % change
Total revenues	**261 720**	**64 574**	**60 168**	**60 477**	**-0.5%**	**125 390**	**120 944**	**112 688**	**7.3%**
Parliamentary appropriations	211 326	52 478	52 408	45 450	15.3%	104 482	104 681	90 392	15.8%
Donor contributions									
Funding for development research programming	45 014	10 813	6 652	13 223	-49.7%	18 624	14 023	19 543	-28.2%
Recovery of administrative costs	4 366	1 049	693	1 345	-48.5%	1 807	1 477	1 936	-23.7%
Investment income	600	150	312	132	136.4%	300	534	202	164.4%
Other income	414	84	103	327	-68.5%	177	229	615	-62.8%

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

TABLE 2: PARLIAMENTARY APPROPRIATIONS

Timing of Parliamentary appropriations	For the quarter ended September 30 Actual 2011	Actual 2010	For the six months ended September 30 Actual 2011	Actual 2010
Main estimates	51 843	45 326	103 685	90 652
Supplementary estimates	-	43	-	86
Appropriations received	**51 843**	**45 369**	**103 685**	**90 738**
Appropriations deferred	-	(600)	-	(1 200)
Appropriations amortized	566	681	996	854
Appropriations recognized	**52 408**	**45 450**	**104 681**	**90 392**
Appropriations receivable	-	-	-	-

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

During the second quarter of fiscal year 2011-2012, **Parliamentary appropriations** increased by 15.3% to $52.4 million from $45.5 million in the same period in 2010-2011. For the six months ended 30 September 2011, Parliamentary appropriations increased by 15.8% to $104.7 million ($90.4 million in 2010-2011). The increases relate to the ongoing implementation of the Development Innovation Fund (DIF).

The majority of expenditures are funded by a variety of revenue sources, including Parliamentary appropriations. It is therefore impractical to assign these types of expenditures to specific revenue sources. And so IDRC cannot provide a reconciliation of Parliamentary appropriations received and receivable to appropriations used.

The **donor contribution funding for development research programming** decreased by 49.7% to $6.7 million from $13.2 million for the same period in 2010-2011. For the six months ended 30 September 2011, donor contributions decreased by 30.1% to $11.3 million from $16.1 million in the same period in 2010-2011. The funds, received in advance, are recognized as revenue when the related expenses are incurred (see explanation of the variance in the Expenses section). The variance between the revised year-to-date budget and the actual for the six months ended 30 September 2011 is due primarily to delayed spending on one large program. The variance in the **recovery of administrative costs** is proportionate to donor contributions revenue being recognized.

The increase in **investment income** compared to the year-to-date budget and the same periods in 2010 was driven primarily by the higher amount available to invest in the short term and the improved availability of investment products. The average return on the bank account and investments was 1.14 % compared to the average 90-day Treasury Bill yield of 0.87% for the first six months of this fiscal year.

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]	For the quarter ended September 30 Revised budget	Actual 2011	Actual 2010	Year-over-year % change	For the six months ended 30 September Revised budget	Actual 2011	Actual 2010	Year-over-year % change
Total expenses	**239 364**	**51 742**	**49 077**	**52 728**	**-6.9%**	**99 049**	**94 599**	**95 612**	**-1.1%**
Development research programming									
Research projects									
Funded by Parliamentary appropriations	121 463	23 021	25 735	22 801	12.9%	44 691	47 773	41 668	14.7%
Funded by donor contributions	39 492	9 286	5 227	11 415	-54.2%	15 819	11 279	16 135	-30.1%
	160 955	32 307	30 962	34 216	-9.5%	60 510	59 052	57 803	2.2%
Capacity building									
Funded by Parliamentary appropriations	47 814	11 856	10 834	10 782	0.5%	23 565	21 286	22 328	-4.7%
Funded by donor contributions	5 522	1 527	1 425	1 809	-21.2%	2 805	2 745	3 408	-19.5%
	53 336	13 383	12 259	12 591	-2.6%	26 370	24 031	25 736	-6.6%
	214 291	**45 690**	**43 221**	**46 807**	**-7.7%**	**86 880**	**83 083**	**83 539**	**-0.5%**
Corporate and administrative services	**25 073**	**6 052**	**5 856**	**5 921**	**-1.1%**	**12 169**	**11 516**	**12 073**	**-4.6%**

[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 higher than targeted for the quarter and the year-to-date budget. Actual expenses related to research projects **funded by donor contributions** during the quarter and year-to-date are lower than budgeted due to delayed spending on a large program. It is anticipated however, that expenses will return to forecasted levels by fiscal year-end. Donor-funded project expenditures were 54.2% lower than expenses incurred during the same period in 2010, with the most significant year-over-year decrease being realized by projects falling under the Think Tank Initiative.

The year-over-year decline as at 30 September 2011 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. The **contributions from donors for capacity building** for the six months ended 30 September 2011 decreased by 19.5% compared to the previous year mainly due to timing and the closure of several agreements that were active in 2010. The small variance to budget reflects the timing of those contributions.

The reduction in **corporate and administrative services** in the second quarter and in the six months ended 30 September 2011 from the same periods in 2010 reflects the reduced use of professional services and management's increased prudence vis-à-vis other expenses.

Balance sheet

TABLE 4: ASSETS AND LIABILITIES

($000)	September 2011	March 2011 [a]	% change
Total assets	**156 918**	**108 768**	**44.3%**
Current	145 239	96 834	50.0%
Non-current	11 679	11 934	-2.1%
Total liabilities	**72 546**	**50 741**	**43.0%**
Current	61 687	38 271	61.2%
Non-current	10 859	12 470	-12.9%

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

Total **assets** at 30 September 2011 increased by 44.3% (from $108.8 million to $156.9 million) compared to 31 March 2011. The change is derived largely from the increase in cash received in relation to the DIF. **Liabilities** increased by $21.8 million from 31 March 2011 (or 43%), largely due to deferred revenue liability.

TABLE 5: EQUITY

($000)	Revised budget 2011-2012	For the six months ended 30 September Revised budget[a]	Actual 2011	Actual 2010	Year-over-year % change
Total equity	**80 383**	**84 368**	**84 372**	**45 901**	**83.8%**
Unrestricted	14 787	21 359	22 488	12 903	74.3%
Internally restricted	47 862	45 275	44 150	15 196	190.5%
Reserved	17 734	17 734	17 734	17 802	-0.4%

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

The 74.3% year-over-year increase in actual **unrestricted** equity resulted primarily from a higher balance at the beginning of this fiscal year; savings in the year-to-date expenses also contributed to the increase. The increase from $15.2 million to $44.2 million in **internally restricted** equity was generated by management's decision to continue setting aside the unspent funding for the DIF and the African Adaptation Research Centres. The **reserved** equity remains stable.

Cash flows

TABLE 6: CASH FLOWS

($000)	For the quarter ended 30 September Actual 2011	Actual 2010	Year-over-year % change	For the six months ended 30 September Actual 2011	Actual 2010	Year-over-year % change
Net results of operations	11 091	7 750	43.1%	26 345	17 076	54.3%
Non-cash items	28 922	9 305	210.8%	27 351	9 584	185.4%
Cash flows from operating activities	**40 013**	**17 055**	134.6%	**53 696**	**26 660**	101.4%
Purchases of investments	(107 727)	0		(174 602)	(19 474)	796.6%
Maturity of investments	66 094	40 862	61.7%	120 445	44 352	171.6%
Other	(382)	(374)	2.1%	(638)	(549)	16.2%
Cash flows (used in) from investing activities	**(42 015)**	**40 488**	-203.8%	**(54 795)**	**24 329**	-325.2%
(Decrease) increase in cash and cash equivalents	**(2 002)**	**57 543**	-103.5%	**(1 099)**	**50 989**	-102.2%
Cash and cash equivalents, beginning of period	**15 138**	**16 684**	-9.3%	**14 235**	**23 238**	-38.7%
Cash and cash equivalents, end-of-period	**13 136**	**74 227**	-82.3%	**13 136**	**74 227**	-82.3%

For the six months ended 30 September 2011, the **net results of operations** increased by 54.3% to $26.3 million, from $17.1 million in the same period in 2010-2011. The increase, compared to the previous year, was the result of both higher DIF-related Parliamentary revenues and ongoing delays in spending from that fund (see Expenses, page 3). 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** as at 30 September 2011 show a year-over-year decrease of $79.1 million (or 325.2%) reflecting an increase in investments as compared to the same period in 2010, when no investments were purchased mainly because there was limited availability of short-term investments offering yields higher than those earned on the Centre's bank account. IDRC has been able to capitalize on the increased investment opportunities and improvement in market returns experienced compared to September 2010.

Corporate developments

A special meeting of the Board of Governors was held in August 2011 to provide strategic direction to management on IDRC's approach to the Strategic and Operating Review.

Risk management

Funding: IDRC is affected by the government-wide Strategic and Operating Review. During the last quarter, the Centre continued to work on generating its proposals for submission to the Canadian International Development Agency (CIDA) on 3 October 2011, as part of the horizontal review of the Internal Assistance Envelope. The results of the Government review will be incorporated into the 2012 federal budget, due sometime in February or March 2012. Both IDRC's cost-saving and communication plans are ready for implementation as soon as the outcomes of the Strategic and Operating Review become public.

In preparation for the outcome of the review exercise, IDRC continued with the staffing controls implemented in the second quarter of the 2010-2011 fiscal year. Under this restriction, vacant posts may only be filled under recommendation by IDRC's three vice-presidents and with the approval of the President.

Change in leadership: The Centre is taking steps to ensure a smooth presidential transition. The Board of Governors has begun succession planning to replace IDRC's current president, whose term will expire 30 June 2013.

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 September 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 Centre, 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
7 November 2011

Statement of Financial Position

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

	September 2011	March 2011
Assets		
Current		
Cash and cash equivalents	12 972	14 235
Investments	128 102	73 884
Accounts receivable	2 580	7 143
Prepaid expenses	1 585	1 572
	145 239	96 834
Non-current		
Property and equipment (Note 7)	8 800	9 224
Intangible assets (Note 8)	2 879	2 710
	11 679	11 934
	156 918	**108 768**
Liabilities		
Current		
Accounts payable and accrued liabilities	11 087	15 541
Deferred revenue	50 600	22 730
	61 687	38 271
Non-current		
Deferred revenue	3 774	5 843
Employee benefits	7 085	6 627
	10 859	12 470
	72 546	**50 741**
Equity		
Unrestricted	22 488	16 044
Internally restricted	44 150	24 249
Reserved	17 734	17 734
	84 372	**58 027**
	156 918	**108 768**

Commitments (Note 9)
Contingencies (Note 10)

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

Statement of Comprehensive Income

as at 30 September 2011 (unaudited)

(in thousands of Canadian dollars)

	For the quarter ended 30 September		For the 6 months ended 30 September	
	2011	**2010**	**2011**	**2010**
Revenues				
Donor contributions				
Funding for development research programming	6 652	13 223	14 023	19 543
Recovery of administrative costs	693	1 345	1 477	1 936
Investment income	312	133	534	202
Other income	103	327	229	615
	7 760	15 028	16 263	22 296
Expenses				
Development research programming				
Research projects				
Funded by Parliamentary appropriations	25 735	22 801	47 773	41 668
Funded by donor contributions	5 227	11 415	11 279	16 135
Capacity building				
Funded by Parliamentary appropriations	8 385	8 502	16 701	17 595
Funded by donor contributions	1 425	1 809	2 745	3 408
Research complements	2 449	2 280	4 585	4 733
	43 221	46 807	83 083	83 539
Corporate and administrative services				
Corporate services	4 529	4 629	8 842	9 353
Regional office administration	1 327	1 292	2 674	2 720
	5 856	5 921	11 516	12 073
Total expenses	**49 077**	**52 728**	**94 599**	**95 612**
Cost of operations before Parliamentary appropriations	(41 317)	(37 700)	(78 336)	(73 316)
Parliamentary appropriations	52 408	45 450	104 681	90 392
Net results of operations	**11 091**	**7 750**	**26 345**	**17 076**

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

Statement of Changes in Equity

as at 30 September 2011 (unaudited)

(in thousands of Canadian dollars)	For the quarter ended 30 September		For the 6 months ended 30 September	
	2011	**2010**	**2011**	**2010**
Unrestricted equity				
Beginning of period	20 706	14 940	16 044	9 804
Net results of operations	11 091	7 750	26 345	17 076
Transfers to reserved and restricted equity	(9 309)	(9 787)	(19 901)	(13 977)
Balance end-of-period	22 488	12 903	22 488	12 903
Internally restricted equity				
Beginning of period	34 841	10 215	24 249	5 225
Expenditures incurred	(1 941)	(19)	(2 599)	(29)
Additions	11 250	5 000	22 500	10 000
Balance end-of-period	44 150	15 196	44 150	15 196
Reserved equity				
Beginning of period	17 734	12 996	17 734	13 796
Financial planning reserve increase (decrease)	-	4 806	-	4 006
Balance end-of-period	17 734	17 802	17 734	17 802
Equity, end-of-period	**84 372**	**45 901**	**84 372**	**45 901**

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

Statement of Cash Flows

as at 30 September 2011 (unaudited)

(in thousands Canadian of dollars)	For the quarter ended 30 September		For the 6 months ended 30 September	
	2011	2010	2011	2010
Operating activities				
Net results of operations	11 091	7 750	26 345	17 076
Items not affecting cash				
Depreciation of property and equipment	359	423	724	861
Amortization of intangible assets	97	95	195	193
Amortization of bond premium	67	345	105	766
(Gain) on disposal of property and equipment	(4)	(9)	(27)	(10)
Employee benefits	149	37	458	193
Deferred revenue – non-current	(1 469)	(1 549)	(2 069)	(3 867)
	(801)	(658)	(614)	(1 864)
Change in non-cash operating items				
Accounts receivable	17 244	(4 834)	4 563	92
Prepaid expenses	208	(3)	(14)	(266)
Accounts payable and accrued liabilities	(697)	1 949	(4 454)	(1 123)
Deferred revenue – current	12 968	12 851	27 870	12 745
	29 723	9 963	27 965	11 448
Cash flows from operating activities	**40 013**	**17 055**	**53 696**	**26 660**
Investing activities				
Purchase of investments	(107 909)	-	(174 784)	(19 474)
Maturity of investments	66 111	40 862	120 462	44 352
Acquisition of property and equipment	(183)	(100)	(310)	(117)
Acquisition of intangible assets	(202)	(294)	(363)	(453)
Proceeds from disposition of property and equipment	4	20	36	21
Cash flows (used in) from investing activities	**(42 179)**	**40 488**	**(54 959)**	**24 329**
(Decrease) increase in cash and cash equivalents	**(2 166)**	**57 543**	**(1 263)**	**50 989**
Cash and cash equivalents, beginning of period	**15 138**	**16 684**	**14 235**	**23 238**
Cash and cash equivalents, end-of-period	**12 972**	**74 227**	**12 972**	**74 227**
Composition of cash and cash equivalents				
Cash	6 986	39 247	6 986	39 247
Cash equivalents	5 986	34 980	5 986	34 980
	12 972	**74 227**	**12 972**	**74 227**

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

Notes to the Financial Statements

For the period ended 30 September 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 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.

Statement of compliance

These financial statements for the six months ended 30 September 2011 are prepared in accordance with IAS 34 *Interim financial reporting* and all other International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Centre's first quarterly financial statements as at 30 June 2011.

4. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Centre's first interim financial statements for the three months ended 30 June 2011.

Notes to the Financial Statements

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

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 have a future impact on the financial statements:

- 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 spent for their intended purpose. Research project expenditures are driven by several different cycles (academic, climatic, and agricultural) and tend not to be evenly distributed during the year.

7. Property and equipment

During the six months ended 30 September 2011, the Centre acquired property and equipment costing $310 (September 2010: $117).

Assets with a net book value of $9 were disposed of by the Centre during the six months ended 30 September 2011 (September 2010: $11), resulting in a net gain/(loss) on disposal of $27 (September 2010: $10).

The total amount of depreciation recorded during the six months ended 30 September 2011 was $724 (September 2010: $861).

8. Intangible assets

During the six months ended 30 September 2011, the Centre acquired intangible assets costing $363 (September 2010: $453).

No assets were disposed of by the Centre during the six months ended 30 September 2011 (September 2010: nil).

The total amount of amortization recorded during the six months ended 30 September 2011 was $195 (September 2010: $193).

Notes to the Financial Statements

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

9. Commitments

a. Program-related

The Centre is committed to making payments up to $468.4 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, $363.6 million (March 2011: $366.7 million) is expected to be covered by funding from future Parliamentary appropriations and the balance of $104.8 million (March 2011: $105.2 million) by funding from donor contribution agreements.

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 September 2011 are as follows:

	September 2011
Within one year	3 510
After one year, but not more than five	39 060
More than five years	44 404
Total future payments	86 974

10.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.

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

This document is available in print form and online at www.idrc.ca

idrc.ca