

Quarterly Financial Report

For the period ending
30 September 2013

IDRC

Putting research to work



IDRC funds practical research in developing countries to increase prosperity and security, and to foster democracy and the rule of law, in support of Canada's international development efforts. We promote growth and development and encourage sharing knowledge with policymakers, other researchers, and communities around the world. The result is innovative, lasting solutions that aim to bring change to those who need it most.

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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 the second quarter ended on 30 September 2013. This report was prepared as required under section 131.1 of the *Financial Administration Act* and is in compliance with the standard issued by the Comptroller General of Canada (Treasury Board Secretariat).

The financial information contained herein, as well as the unaudited condensed interim financial statements, was prepared in accordance with the recognition and measurement standards applicable under International Financial Reporting Standards (IFRS). All monetary amounts are in Canadian dollars unless otherwise stated. IDRC recommends that this report be read in conjunction with the unaudited condensed interim financial statements (beginning on page 11). Disclosures and information presented in IDRC's *Annual Report 2012-2013* apply to the current quarter unless otherwise stated.

IDRC's 2013-2014 Budget

The 2013-2014 original budget was established and approved prior to the beginning of the fiscal year. It corresponds to the budget amounts presented in IDRC's *Annual Report 2012-2013*. The original budget was revised in June, as shown in Table 1, to reflect the actual opening financial position and estimates based upon updated information. The June revised budget is the reference budget for all cost centre managers. The decrease in revenues is a result of new estimates in expected investment income. The expense budget was also adjusted to reflect updated expense estimates, primarily for the Development Innovation Fund (DIF).

TABLE 1: REVISED BUDGET

(\$000)	Original budget 2013-2014	Revised budget 2013-2014	Budget amendments
Revenues	54 636	53 935	(701)
Minus: Expenses	256 164	251 953	4 211
Cost of operations	(201 528)	(198 018)	3 510
Plus: Parliamentary appropriation	201 705	201 705	0
Net results of operations	177	3 687	3 510

Performance

Figure 1: FINANCIAL HIGHLIGHTS

(for the six months ended 30 September)

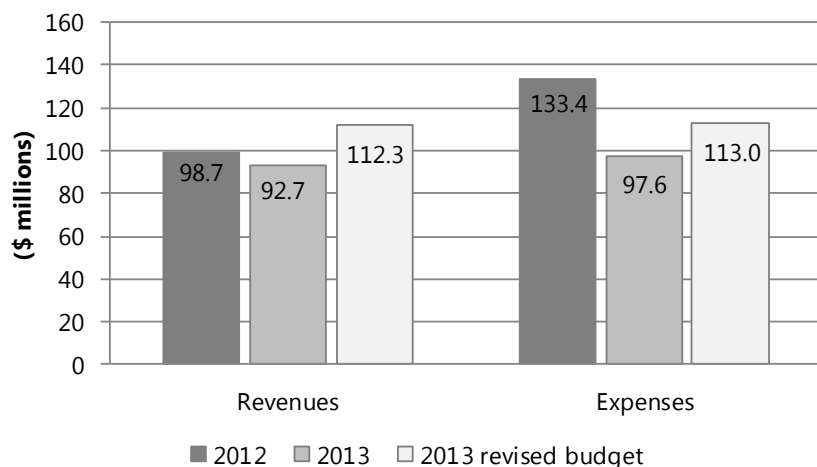


TABLE 2: FINANCIAL HIGHLIGHTS

(\$000)	For the six months ended 30 September		Year-over-year % change	Revised budget 2013-2014 ^a
	Actual 2012	Actual 2013		
Revenues	19 176	23 597	23.1%	53 935
Expenses	133 353	97 557	-26.8%	251 953
Cost of operations	(114 177)	(73 960)	-35.2%	(198 018)
Parliamentary appropriation	79 547	69 096	-13.1%	201 705
Net results of operations	(34 630)	(4 864)	-86.0%	3 687

^a See Table 1 for explanations of revised budget.

Consolidated overview

Revenues

TABLE 3: REVENUES

(\$000)	For the quarter ended 30 September				For the six months ended 30 September				Revised budget 2013-2014 ^a
	2012	2013		Year-over-year % change	2012	2013		Year-over-year % change	
	Actual	Revised budget	Actual		Actual	Revised budget	Actual		
Total revenues	51 949	61 171	40 722	-21.6%	98 723	112 279	92 694	-6.1%	255 640
Parliamentary appropriation	39 713	50 549	28 300	-28.7%	79 547	91 495	69 096	-13.1%	201 705
Donor contributions	11 471	10 468	12 333	7.5%	17 903	20 445	23 169	29.4%	53 208
Investment and other income	765	154	89	-88.4%	1 273	339	429	-66.3%	727

^a See Table 1 for explanations of revised budget.

The Centre is funded from a Parliamentary appropriation, donor contributions, and other income (which includes investment income and other miscellaneous income).

TABLE 4: PARLIAMENTARY APPROPRIATION

Parliamentary appropriation	For the six months ended 30 September			Revised budget 2013-2014 ^a
	Actual 2012	Actual 2013	Year-over-year % change	
Recurring portion	75 990	54 492	-28.3%	142 873
Non-recurring portion	3 119	14 303	358.6%	58 517
Appropriation received	79 109	68 795	-15.0%	201 390
Appropriation amortized	438	301	-31.4%	315
Appropriation recognized	79 547	69 096	-15.1%	201 705
Appropriation to drawdown	77 114	132 595	71.9%	-

^a See Table 1 for explanations of revised budget.

During the six months ended 30 September 2013, the **Parliamentary appropriation** drawdown dropped by 15% to \$68.8 million from \$79.1 million for the same period of 2012-2013. The Centre's **recurring** portion of the Parliamentary appropriation for the six months ended 30 September decreased by \$21.5 million (28.3%) compared to the same period last year. The reduction is due to two distinct factors: it reflects the implementation of year two reductions announced in the Government's *Budget 2012: Economic Action Plan*; and secondly, it reflects the implementation of a new appropriation drawdown strategy by the Centre, whereby seasonal variations in funding needs are taken into account. The increase in the year-to-date **non-recurring** Parliamentary appropriation is mainly due to the rescheduling of the portion of the

appropriation for the DIF (\$11.7 million as at 30 September 2013 versus zero for the same period last year).

Table 5 shows how the appropriation was used during the period ending 30 September 2013.

TABLE 5: RECONCILIATION OF THE PARLIAMENTARY APPROPRIATION RECEIVED TO THE UNUSED APPROPRIATION

(\$000)	For the six months ended 30 September		Revised Budget 2013-2014 ^a
	Actual 2012	Actual 2013	
Total expenses	133 353	97 557	251 953
Minus:			
Donor-funded expenses	17 903	23 169	53 208
Replenishment of financial reserve	115 450	74 388	198 745
Used for purchase of property, equipment and intangibles	480	5 302	3 663
	269	426	1 676
Total funding requirement	116 199	80 116	204 084
Parliamentary appropriation received	79 547	69 096	201 705
Unused (shortfall) appropriation	(36 652)	(11 020)	(2 379)

^a See Table 1 for explanations of revised budget.

The financial reserve was replenished to compensate for the depletion that occurred with the 2012-2013 year-end accruals of additional research project expenses. For the period ended 30 September 2013, the total funding requirement exceeded the Parliamentary appropriation drawdown by \$11.0 million due to expense accruals and drawdown timing differences. The October drawdown request took into consideration the need to compensate for the second quarter's shortfall. The \$2.4 million shortfall projected for fiscal year 2013-2014 as shown in Table 5 will be funded from other revenues generated by the Centre as well as from a small reduction of reserved equity (see Table 9).

In the second quarter, **donor contribution funding for development research programming** increased 7.5% year-over-year to \$12.3 million from \$11.5 million. For the six months ended 30 September 2013, donor contributions increased by 29.4% to \$23.2 million from \$17.9 million in the same period in 2012-2013. Donor contributions, received in advance, are recognized as revenue when the related expenses are incurred (see explanation of the variance in the Expenses section below). The year-over-year variance is a direct result of new multi-year partnership agreements signed in the later part of 2012-2013.

Expenses

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

TABLE 6: EXPENSES

(\$000)	For the quarter ended 30 September				For the six months ended 30 September				Revised budget 2013-2014 ^a		
	2012		2013		Year-over-year % change	2012		2013		Year-over-year % change	
	Actual	Revised budget	Actual			Actual	Revised budget	Actual			
Total expenses	88 274	72 271	52 958	-40.0%	133 353	113 042	97 557	-26.8%	251 953		
Development research programming											
Research projects											
Funded by Parliamentary appropriation	61 878	46 438	27 230	-56.0%	84 545	62 394	46 677	-44.8%	140 725		
Funded by donor contributions	9 187	8 083	9 874	7.5%	14 288	15 902	18 788	31.5%	42 904		
Capacity building											
Enhancing research capabilities	9 120	9 872	8 597	-5.7%	18 569	19 230	17 496	-5.8%	37 689		
Research complements	2 289	2 584	2 236	-2.3%	4 513	4 925	4 622	2.4%	9 648		
	82 474	66 977	47 937	-41.9%	121 915	102 451	87 583	-28.2%	230 966		
Corporate and administrative services	5 800	5 294	5 021	-13.4%	11 438	10 591	9 974	-12.8%	20 987		

^a See Table 1 for explanations of revised budget.

Second quarter **research project expenses funded by Parliamentary appropriation** are lower than targeted and lower when compared to the same period last year. The year-over-year decrease is directly attributable to the expense reductions mandated by the Government's *Budget 2012: Economic Action Plan* as well as to the realignment of Development Innovation Fund expenditures through to 2016-2017.

TABLE 7: RESEARCH PROJECTS FUNDED BY PARLIAMENTARY APPROPRIATION

	For the six months ended 30 September			Year-over-year % change	Revised budget 2013-2014 ^a
	2012	2013			
	Actual	Revised budget	Actual		
Research projects	63 295	37 894	46 677	-26.3%	101 894
Development Innovation Fund	21 250	24 500	0	-100.0%	38 831
Total funded by Parliamentary appropriation	84 545	62 394	46 677	-44.8%	140 725

^a See Table 1 for explanations of revised budget.

Table 7 drills into the *Research projects funded by Parliamentary appropriation* line of Table 6. The total variance compared to the budget there is largely attributable to the timing of remittances for the DIF as a large payment, originally scheduled to take place in the second quarter, delayed to the beginning of the third quarter. The variance on research projects is the result of project remittances occurring sooner than modeled given there were more new project commitments than envisaged during the first two quarters. At this time, it is expected that the budget variance in research projects will diminish over the course of the fiscal year, and that the annual budget target of \$101.9 million remains valid.

Expenses on research projects funded by donor contributions for the actual second quarter and the six months ended 30 September show an increase when compared to the same period last year. This increase was anticipated as this year's budget is higher than last year's actuals. The increase in donor-funded research projects relates to the ramping up of a number of large programs approved during 2012-2013.

The year-over-year decline for both the quarter and the first six months in **expenses for enhancing research capabilities** is directly linked to the reduction in the appropriation related to the Government's *Budget 2012: Economic Action Plan*. Higher donor-funded expenses incurred as part of new agreements signed in 2012-2013 have partially offset this reduction. The lower expenses compared to budget reflects, among other things, less travel and fewer professional services being engaged.

The **research complements** for the six months ended 30 September 2013 increased by 2.4% compared to the previous year. This increase, as well as the variance of the actuals against the year-to-date budget, is related to the timing of ongoing activities.

The decrease in **corporate and administrative services** in the second quarter and the six months ended 30 September 2013 versus 2012 is due principally to the consolidation of six regional offices into four as part of the Centre's strategy to reduce its expenses in line with the reduction of its appropriation. The variance against budget reflects the reduced use of professional services and less travel.

Financial position

TABLE 8: SUMMARY OF ASSETS AND LIABILITIES

(\$000)	September 2013	March 2013	% change	
Total assets	59 257	65 379	-9.4%	Total assets at 30 September 2013 decreased by 9.4% (from \$65.4 million to \$59.3 million) as compared to 31 March 2013. The decrease in current assets directly relates to the aforementioned budget variance in appropriation revenue drawdown (see page 4) and expenses (page 5) during the first two quarters of 2013-2014.
Current	49 398	55 104	-10.4%	
Non-current	9 859	10 275	-4.0%	
Total liabilities	51 968	53 227	-2.4%	
Current	47 060	48 248	-2.5%	
Non-current	4 908	4 979	-1.4%	

Liabilities decreased by \$1.3 million from 31 March 2013 (or 2.4%) as a result of higher advances being received on donor contributions (recorded as deferred revenue) offset by a reduction in grant accruals since 31 March 2013.

Management is currently reviewing the composition of the working capital and its associated restrictions in order to include enhanced working capital disclosure in future reports.

TABLE 9: EQUITY

(\$000)	For the six months ended 30 September			Year-over-year % change	Revised budget 2013-2014 ^a
	2012	2013			
	Actual	Revised budget ^a	Actual		
Total equity	69 204	17 389	7 289	-89.5%	15 839
Unrestricted	11 274	520	(9 708)	-	-
Internally restricted	40 088	1 163	1 130	-97.2%	1 169
Net investments in capital assets	10 885	9 969	9 859	-9.4%	10 301
Reserved	6 957	5 737	6 008	-13.6%	4 369

The second quarter's **internally restricted** equity is virtually the same as it was at the beginning of the fiscal year. The *2012-2013 Annual Report* provides details on the components of internally restricted equity during that year and explains that they were fully utilized by 31 March 2013.

The **net investment in capital assets** of \$9.9 million segregates the portion of the equity representing the Centre's net investments in capital assets. This class of equity funds offsets future amortization and depreciation expenses for capital assets — it is not a cash account as it matches the property, equipment and intangible values in the condensed interim statement of financial position.

The **reserved** equity at 30 September 2013 is 13.6% lower than at the same time in 2012. The decrease is directly related to the Centre's expense reduction (see Table 6) as it is meant to provide working capital and the means to protect the Centre from unfavorable fluctuations in the expensing of outstanding program commitments — with lower expenses, the risk of expense variance is also lower. The reserved equity at 30 September 2013 includes an amount for the future purchase of property, equipment and intangibles which is expected to be fully utilized by the end of the fiscal year.

The **unrestricted** equity normally represents the residual balance of equity after the allotments are made to internally restricted and reserved equity. The negative amount reflects the non-recognition of a portion of the Parliamentary appropriation revenue as a result of timing. This issue came about as the result of a late spike in project expenses for the six months ending 30 September 2013 (see Table 7 for further explanations). The negative unrestricted equity was replenished in early October 2013 when the requisite Parliamentary appropriation was drawn down. This presentation better reflects the intended stability in reserved equity since the end of this year's first quarter.

Cash flows

TABLE 10: SUMMARY OF CASH FLOWS

(\$000)	For the quarter ended 30 September		Year-over-year change	For the six months ended 30 September		Year-over-year change
	Actual 2012	Actual 2013		Actual 2012	Actual 2013	
Net results of operations	(36 325)	(12 236)	24 089	(34 630)	(4 863)	29 767
Changes in items other than cash and cash equivalents	12 611	9 393	(3 218)	49 927	(2 138)	(52 065)
Cash flows (used in)/from operating activities	(23 714)	(2 843)	20 871	15 297	(7 001)	(22 298)
Purchase of investments	(52 346)	(9 748)	42 598	(102 968)	(25 178)	77 790
Maturity of investments	63 836	21 133	(42 703)	97 644	55 631	(42 013)
Other	(225)	(418)	(193)	(348)	(426)	(78)
Cash flows from/(used in) investing activities	11 265	10 967	(298)	(5 672)	30 027	35 699
(Decrease)/Increase in cash and cash equivalents	(12 449)	8 124	20 573	9 625	23 026	13 401
Cash and cash equivalents, beginning of period	31 568	15 483	(16 085)	9 494	581	(8 913)
Cash and cash equivalents, end of period	19 119	23 607	4 488	19 119	23 607	4 488

For the six months ended 30 September 2013, the **operating activities** reduced cash flows by \$7.0 million (from a contribution of \$15.3 million for the same period in 2012). The **changes in items other than cash and cash equivalents** are due largely to greater accounts receivable and deferred revenue as well as the decline in accounts payable and accrued liabilities.

The cash flows from **investing activities** as at 30 September 2013 show a year-over-year increase of \$35.7 million which is due to an overall net redemption of investments used to finance ongoing activities in the quarter.

Corporate developments

During the quarter, IDRC and the United Kingdom's Department for International Development (DfID) signed a five-year co-funding agreement for the Growth and Economic Opportunities for Women program. Over the course of the agreement, DfID will contribute \$11.2 million and IDRC \$4.2 million. DfID's share will be accounted for as Donor contribution revenues over the life of the program.

The relocation of the Centre's Regional Office for Sub-Saharan Africa within the city of Nairobi, Kenya, is proceeding as planned and is expected to be completed in January 2014.

Risk management

There has not been any material change in the risks to performance reported in the "Management's Discussion and Analysis" section in the *Annual Report 2012-2013*.

Outlook

The remaining aspects of the context in which IDRC operates remain the same as detailed in the *Annual Report 2012-2013*.

Unaudited condensed interim financial statements

Statement of management responsibility

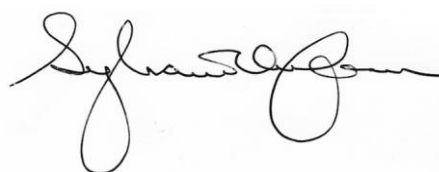
Management is responsible for the preparation and fair presentation of these condensed quarterly financial statements, which, we confirm, have been prepared in accordance with the International Accounting Standard 34, *Interim Financial Reporting* and the *Standard on Quarterly Financial Reports for Crown Corporations* as issued by the Treasury Board of Canada.

Management has implemented internal controls that aim to keep condensed quarterly financial statements free from material misstatements. Management is also responsible for ensuring that all other information in this condensed quarterly financial report for the period ending 30 September 2013 is consistent, where appropriate, with the condensed quarterly financial statements.

Based on our knowledge, these unaudited condensed 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 condensed quarterly financial statements.



Jean Lebel, PhD
President



Sylvain Dufour, Eng., CPA, CMA, M.Sc.
Vice-President, Resources, and CFO

Ottawa, Canada
18 November 2013

Condensed Interim Statement of Financial Position

as at

(in thousands of Canadian dollars)

(unaudited)

	<u>30 September 2013</u>	<u>31 March 2013</u>
Assets		
Current		
Cash and cash equivalents	23 607	581
Investments	20 246	50 795
Accounts receivable	4 424	1 984
Prepaid expenses	1 121	1 744
	<u>49 398</u>	<u>55 104</u>
Non-current		
Property and equipment	7 104	7 423
Intangible assets	2 755	2 852
	<u>59 257</u>	<u>65 379</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	14 551	25 094
Provision for restructuring	149	292
Deferred revenue (Note 5)	32 359	22 862
	<u>47 059</u>	<u>48 248</u>
Non-current		
Deferred revenue (Note 5)	556	615
Employee benefits	4 353	4 364
	<u>51 968</u>	<u>53 227</u>
Equity		
Unrestricted	(9 708)	—
Internally restricted	1 130	1 171
Net investments in capital assets	9 859	10 275
Reserved	6 008	706
	<u>7 289</u>	<u>12 152</u>
	<u>59 257</u>	<u>65 379</u>
Commitments (Notes 8 and 11)		
Contingencies (Note 9)		

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

Condensed Interim Statement of Comprehensive Income

(unaudited)

(in thousands of Canadian dollars)

	For the quarter ended 30 September		For the 6 months ended 30 September	
	2013	2012	2013	2012
Revenues				
Donor contributions (Notes 6 and 12)	12 333	11 471	23 169	17 903
Investment and other income (Note 12)	89	765	429	1 273
	<u>12 422</u>	<u>12 236</u>	<u>23 598</u>	<u>19 176</u>
Expenses				
Development research programming (Note 10)				
<i>Research projects</i>				
Funded by Parliamentary appropriation	27 230	61 878	46 677	84 545
Funded by donor contributions	9 874	9 187	18 788	14 288
<i>Capacity building</i>				
Enhancing research capabilities	8 597	9 120	17 496	18 569
Research complements	2 236	2 289	4 622	4 513
	<u>47 937</u>	<u>82 474</u>	<u>87 583</u>	<u>121 915</u>
Corporate and administrative services (Note 10)				
Corporate services	4 186	4 377	8 285	8 649
Regional office administration	835	1 423	1 689	2 789
	<u>5 021</u>	<u>5 800</u>	<u>9 974</u>	<u>11 438</u>
Total expenses	<u>52 958</u>	<u>88 274</u>	<u>97 557</u>	<u>133 353</u>
Cost of operations before Parliamentary appropriation	(40 536)	(76 038)	(73 959)	(114 177)
Parliamentary appropriation (Note 7)	28 300	39 713	69 096	79 547
Net results of operations	<u>(12 236)</u>	<u>(36 325)</u>	<u>(4 863)</u>	<u>(34 630)</u>

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

Condensed Interim Statement of Changes in Equity

(unaudited)

(in thousands of Canadian dollars)

	For the quarter ended 30 September		For the 6 months ended 30 September	
	2013	2012	2013	2012
Unrestricted equity				
Beginning of period	2 080	13 830	—	10 996
Net results of operations	(12 236)	(36 325)	(4 863)	(34 630)
Transfers (to)/from other classes of equity	448	33 769	(4 845)	34 908
Balance end of period	(9 708)	11 274	(9 708)	11 274
Internally restricted equity				
Beginning of period	1 157	73 857	1 171	74 996
Net decrease	(27)	(33 769)	(41)	(34 908)
Balance end of period	1 130	40 088	1 130	40 088
Net investments in capital assets				
Beginning of period	9 862	11 074	10 275	11 365
Net decrease	(3)	(189)	(416)	(480)
Balance end of period	9 859	10 885	9 859	10 885
Reserved equity				
Beginning of period	6 426	6 768	706	6 477
Net (decrease) increase	(418)	189	5 302	480
Balance end of period	6 008	6 957	6 008	6 957
Equity, end of period	7 289	69 204	7 289	69 204

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

Condensed Interim Statement of Cash Flows

(unaudited)

(in thousands of Canadian dollars)

	For the quarter ended		For the 6 months ended	
	30 September		30 September	
	2013	2012	2013	2012
Operating activities				
Net results of operations	(12 236)	(36 325)	(4 863)	(34 630)
Items not affecting cash				
Amortization and depreciation of property and equipment and intangible assets	420	335	842	749
Amortization of bond premium	35	253	96	661
Loss on disposal of property and equipment	—	80	—	79
Employee benefits	(138)	277	(11)	386
	317	945	927	1 875
Change in non-cash operating items				
Accounts receivable	11 516	15 336	(2 439)	21 586
Prepaid expenses	757	363	623	(5)
Accounts payable and accrued liabilities	2 121	1 803	(10 687)	(2 661)
Deferred revenue	(5 318)	(5 836)	9 438	29 132
	9 076	11 666	(3 065)	48 052
Cash flows (used in)/from operating activities	(2 843)	(23 714)	(7 001)	15 297
Investing activities				
Purchase of investments	(9 748)	(52 346)	(25 178)	(102 968)
Maturity of investments	21 133	63 836	55 631	97 644
Acquisition of property and equipment and intangible assets	(418)	(145)	(426)	(269)
Net costs from disposition of property and equipment	—	(80)	—	(79)
Cash flows from/(used in) investing activities	10 967	11 265	30 027	(5 672)
Increase/(Decrease) in cash and cash equivalents	8 124	(12 449)	23 026	9 625
Cash and cash equivalents, beginning of period	15 483	31 568	581	9 494
Cash and cash equivalents, end of period	23 607	19 119	23 607	19 119
Composition of cash and cash equivalents				
Cash	23 607	13 628	23 607	13 628
Cash equivalents	—	5 491	—	5 491
	23 607	19 119	23 607	19 119

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

Notes to the Condensed Interim Financial Statements

For the period ended 30 September 2013 (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(1.1) of the *Financial Administration Act*, the Centre is exempt from Divisions I to IV of Part X of the Act, except for subsection 105(2) and sections 113.1, 119, 131 to 148 and 154.01.

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

These condensed interim financial statements have been prepared in accordance with the International Accounting Standard 34 *Interim financial reporting* based on recognition and measurement standards applicable under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the *Standard on Quarterly Financial Reports for Crown Corporations* as issued by the Treasury Board of Canada. These statements have not been audited or reviewed by the Centre's external auditors.

The condensed interim financial statements were prepared on the basis of historical cost unless otherwise indicated and do not include all the information and disclosures required for full annual financial statements. The present interim statements should be read in conjunction with the Centre's audited financial statements as at 31 March 2013.

The Centre's operations consist of building the capacity for self-reliance in research 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 or receivable, whereas donor contributions are recognized when expended for their intended purpose. The Centre's operations are seasonal. Most of the development research programming expenses are driven by several different cycles (academic, climatic, and agricultural) and tend not to be evenly distributed during the year.

4. Summary of significant accounting policies

a. General

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Centre's annual financial statements as at 31 March 2013.

b. 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 to the standards could potentially have an impact on the financial statements and may require revisiting the Centre's conclusions. The Centre is currently assessing the impact of the following amendments:

- IAS 32 – *Financial Instruments: Presentation* – was amended to provide further guidance to the criteria for offsetting financial assets and financial liabilities and presenting the net amount in the statement of financial position. This amendment is effective for annual periods beginning on or after 1 January 2014.

Notes to the Condensed Interim Financial Statements

For the period ended 30 September 2013 (unaudited)

(in thousands of Canadian dollars unless otherwise stated)

- IAS 36 – *Impairment of Assets* – was amended to require the disclosure of the recoverable amount of impaired assets and additional disclosures about the measurement of the recoverable amount of impaired assets. This amendment is effective for annual periods beginning on or after 1 January 2014.

5. Deferred revenue

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

Details of these balances are as follows:

	<u>30 September 2013</u>	<u>31 March 2013</u>
Current		
Donor contribution funding for development research programs	32 132	22 335
Parliamentary appropriations – projects and programs	<u>227</u>	<u>527</u>
Total current	32 359	22 862
Non-current		
Donor contribution funding for development research programs	556	615
	<u>32 915</u>	<u>23 477</u>

6. Donor contributions

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

	<u>For the quarter ended</u>		<u>For the 6 months ended</u>	
	<u>30 September</u>		<u>30 September</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Foreign Affairs, Trade and Development*	6 089	5 096	11 763	9 130
William and Flora Hewlett Foundation	3 094	2 423	4 323	3 112
Department for International Development (UK)	1 125	927	3 949	1 140
Bill & Melinda Gates Foundation	1 676	2 426	2 447	3 090
Other donor agencies	349	597	687	1 425
Other Government of Canada entities	—	2	—	6
	<u>12 333</u>	<u>11 471</u>	<u>23 169</u>	<u>17 903</u>

* formerly the Canadian International Development Agency

Notes to the Condensed Interim Financial Statements

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7. Parliamentary appropriation

	For the quarter ended 30 September		For the 6 months ended 30 September	
	2013	2012	2013	2012
Approved annual Parliamentary appropriation	225 390	241 646	225 390	241 646
Re-profiled, unused, and lapsed appropriations	—	(79 209)	—	(79 209)
Frozen allotment	(24 000)	(6 214)	(24 000)	(6 214)
Total appropriation available	<u>201 390</u>	<u>156 223</u>	<u>201 390</u>	<u>156 223</u>
Appropriation received as of September 30	28 078	39 555	68 795	79 109
Amortization of deferred Parliamentary appropriation – projects and programs	<u>222</u>	<u>158</u>	<u>301</u>	<u>438</u>
Parliamentary appropriation recognized in the statement of comprehensive income	<u>28 300</u>	<u>39 713</u>	<u>69 096</u>	<u>79 547</u>

8. Commitments

a. Program-related

The Centre is committed to making payments of up to \$349.1 million (31 March 2013: \$345.4 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, \$276.7 million (31 March 2013: \$294.4 million) is expected to be funded from future Parliamentary appropriations and the balance of \$72.4 million (31 March 2013: \$51.0 million) by donor contribution agreements.

	30 September 2013	31 March 2013
Within one year	79 910	124 325
After one year, but not more than five	<u>269 213</u>	<u>221 073</u>
Total future payments	<u>349 123</u>	<u>345 398</u>

b. Operating leases

The Centre has entered into various operating leases for office premises in Canada and abroad and for staff accommodation in various countries. The Centre has finalized a lease for its new Nairobi office accommodations. Lease commitments have been adjusted accordingly. The lease agreements expire at different dates up to 2022. Future payments related to these contractual commitments as at 30 September 2013 are as follows:

	30 September 2013	31 March 2013
Within one year	7 801	7 395
After one year, but not more than five	32 422	30 712
More than five years	<u>34 534</u>	<u>38 116</u>
Total future payments	<u>74 757</u>	<u>76 223</u>

Notes to the Condensed Interim Financial Statements

For the period ended 30 September 2013 (unaudited)

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9. 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.

10. Schedule of expenses

	For the quarter ended 30 September		For the 6 months ended 30 September	
	2013	2012	2013	2012
Development research programming				
Contribution to research projects	36 094	69 989	63 556	96 587
Core salaries and benefits	6 728	7 116	13 494	14 414
Project-related salaries and benefits ^a	1 396	1 265	2 932	2 429
Accommodations	976	905	1 917	1 899
Travel	841	791	1 907	1 992
Professional services	821	1 042	1 443	1 880
Amortization and depreciation	263	216	526	482
Project-related expenses ^a	463	476	925	834
Other	355	674	883	1 398
	<u>47 937</u>	<u>82 474</u>	<u>87 583</u>	<u>121 915</u>
Corporate and administrative services				
Salaries and benefits	3 396	3 924	6 755	7 488
Accommodations	606	746	1 216	1 470
Office supplies and expenses	270	250	564	512
Amortization and depreciation	157	119	316	267
Furniture, equipment, and maintenance	145	129	287	396
Professional services	162	219	259	381
Communication	79	104	152	210
Other	206	309	425	714
	<u>5 021</u>	<u>5 800</u>	<u>9 974</u>	<u>11 438</u>
Total expenses	<u>52 958</u>	<u>88 274</u>	<u>97 557</u>	<u>133 353</u>

^a Project-related expenses include all Centre-administered portions of project expenses, associated to the research project line above and funded for a finite period of time, over and above core operations. They represent total expenses for the quarter of \$1 859 (30 September 2012: \$1 741) and for the six months \$3 857 (30 September 2012: \$3 263).

Notes to the Condensed Interim Financial Statements

For the period ended 30 September 2013 (unaudited)

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11. Adjustment to program-related commitments

During the preparation of the 30 June 2013 financial statements, management discovered that program-related commitments funded by donor contributions were overstated with the inclusion of a closed project that had been completed by 31 March 2012. However, the balance of outstanding commitments was not reduced. The effects of the changes to the Centre's notes to the financial statements are summarized in the tables below:

Program-related commitments

	<u>31 March 2013 as previously stated</u>	<u>Effect of change</u>	<u>31 March 2013 restated</u>
To be funded by Parliament	294 376	—	294 376
To be funded by donor contributions	67 299	(16 277)	51 022
Total	<u>361 675</u>	<u>(16 277)</u>	<u>345 398</u>
Within one year	130 510	(6 185)	124 325
After one year, but not more than five	231 165	(10 092)	221 073
Total future payments	<u>361 675</u>	<u>(16 277)</u>	<u>345 398</u>
	<u>31 March 2012 as previously stated</u>	<u>Effect of change</u>	<u>31 March 2012 restated</u>
To be funded by Parliament	359 646	—	359 646
To be funded by donor contributions	94 327	(16 277)	78 050
Total	<u>453 973</u>	<u>(16 277)</u>	<u>437 696</u>
Within one year	154 563	—	154 563
After one year, but not more than five	299 410	(16 277)	283 133
Total future payments	<u>453 973</u>	<u>(16 277)</u>	<u>437 696</u>

12. Reclassification

To streamline and enhance reporting, two changes were made to the statement of comprehensive income. Donor contributions now include all funding for development research programs and the related recovery of administrative costs. Investment income and other income are now reported under "Investment and other income".

Previous presentation method

	<u>For the quarter ended 30 September</u>		<u>For the 6 months ended 30 September</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues				
Donor contributions				
Funding for development research programs	11 236	10 437	21 105	16 355
Recovery of administrative costs	1 097	1 034	2 064	1 548
Investment income	64	348	150	702
Other income	25	417	279	571
	<u>12 422</u>	<u>12 236</u>	<u>23 598</u>	<u>19 176</u>

Reclassified

Revenues

Donor contributions	12 333	11 471	23 169	17 903
Investment and other income	89	765	429	1 273
	<u>12 422</u>	<u>12 236</u>	<u>23 598</u>	<u>19 176</u>

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